

# INVESTING IN AMERICA'S ECONOMIC AND NATIONAL SECURITY

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

HEARING HELD IN WASHINGTON, D.C., FEBRUARY 7, 2019

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## INVESTING IN AMERICA'S ECONOMIC AND NATIONAL SECURITY

THURSDAY, FEBRUARY 7, 2019

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE BUDGET,  
*Washington, D.C.*

The Committee met, pursuant to notice, at 10:05 a.m., in Room 210, Cannon House Office Building, Hon. John A. Yarmuth [Chairman of the Committee] presiding.

Present: Representatives Yarmuth, Moulton, Higgins, DeLauro, Panetta, Morelle, Horsford, Lee, Jayapal, Price, Khanna, Kildee, Jackson Lee, Omar; Womack, Woodall, Stewart, Roy, Meuser, Timmons, Burchett, Holding, Smith, Johnson, Crenshaw, Norman, Flores, and Hern.

Chairman YARMUTH. The hearing will come to order. I want to welcome everyone to the budget hearing, which will focus on investing in America's economic and national security.

I especially want to thank our great panel that is here with us today, and I will be introducing them in a second.

But first I wanted to acknowledge that this is the first hearing in the brand new Budget Committee hearing room. And for those of you who were here before, it is quite a departure from the old days. But we have—we are now high-tech and very modern. So we look forward to a productive Congress in our new hearing room.

So our witnesses today, starting at my left, the right of the witness table, from their perspective, Sarah Abernathy, deputy executive director of the Committee for Education Funding. I am especially pleased to mention that Ms. Abernathy is a former Budget Committee staffer who is returning today to testify as an expert witness.

Welcome back, Sarah.

Steven Kosiak, adjunct senior fellow for defense studies at the Center for a New American Security, and former associate director for defense and international affairs at OMB. Welcome, Mr. Kosiak.

And Dr. Umair Shah, executive director of the Harris County, Texas Public Health and immediate past president of the National Association of County and City Health Officials, welcome to you.

And finally, Mr. Gordon Gray, director of fiscal policy at the American Action Forum.

Welcome to all of you. Just so you will know, the ranking member, Mr. Womack, is on his way from the Prayer Breakfast, and he will—he said to go ahead. We have Mr. Woodall here, making sure that everything is on the up and up, and I know he will.

So I will now give my opening statement.

Once again, welcome to our witnesses. Thank you for joining us today to talk about the critical need to raise the budget caps for 2020 and 2021.

Put simply, we face \$126 billion in cuts to defense and non-defense discretionary spending next year. These budget caps were never supposed to take effect. They were deliberately set in 2011 at destructively low levels to force an agreement on a comprehensive deficit reduction plan. That effort failed, and we have dealt with this problem ever since.

We reached bipartisan agreements to raise the caps in 2012, 2013, 2015, and again in 2018. If we do not act again, investments that are vital to our economic and national security will face devastating cuts.

I reject the idea that we must pit defense and non-defense discretionary spending against each other, as proposed by the Trump Administration in previous budgets. We all understand the importance of paying our troops, funding training and military operations, maintaining bases at home and overseas, and designing and building weapons systems. And we all appreciate the important role that a strong military plays in our security. But we cannot discount the important role non-defense discretionary also plays in building our economic and national security.

As you can see on the screens today, we have listed just a sample of the government activities that fall into what we call non-defense discretionary spending. They range from homeland security, veterans health care, law enforcement, hazardous waste cleanup, and natural disaster preparedness.

[Slide]

Then there are investments that provide economic security in the form of Pell Grants, Head Start, and even mortgage insurance. I could easily spend my entire opening statement just running through examples. These non-defense discretionary expenditures represent about half of all discretionary spending. And like defense spending, they are also at risk if we do not raise the caps.

The President's unprecedented five-week shutdown had one useful side effect: his shutdown reminded all of us that non-discretionary investments are security investments. During the shutdown American families were worried about food safety, with the Food and Drug Administration suspension of inspections. Travelers were delayed at airports and worried about aviation safety due to employee shortages at the TSA. And we were all concerned about the consequences of more than 5,000 FBI employees being furloughed and their investigative work being impeded.

Beyond these examples, CBO reported that this shutdown resulted in a permanent loss of \$3 billion from our economy. It left us less safe and less prosperous, and hurt a lot of American families in the process.

Next week we face another deadline to keep the government open and funded through 2019. I hope the President has learned that no one wins when he shuts the government down, and that we can avoid this self-inflicted crisis, particularly when we already have another one on the books to resolve.

As I said at the beginning of these remarks, \$126 billion of defense and non-defense discretionary spending cuts are currently

scheduled to take effect next year if we don't act. Our witnesses are here today to talk about that. They are experts on education, public health, as well as defense and national security. And they will help walk us through the importance of these investments, and the consequences if they are cut to the degree that would be required by the caps.

I would also like to enter into the record a letter from NDD United, sounding the alarm about severe cuts "affecting investments that touch every sector of our economy, from health care to infrastructure, scientific research, and education, as well as for defense," if we don't act.

Without objection, so ordered.

[The information submitted by Chairman Yarmuth for the record follows:]



February 6, 2019

600 MARYLAND AVE SW  
SUITE 835W  
WASHINGTON, DC 20024

p: 202.484.1100  
t: 202.484.1244

Dear Representative Yarmuth:

Without Congressional action, our nation faces deep cuts in the coming fiscal year in funding for critical non-defense discretionary (NDD) programs — affecting investments that touch every sector of our economy, from health care to infrastructure, scientific research, and education — as well as for defense. If Congress does not act, the misguided austerity policies of the 2011 Budget Control Act (BCA) will govern funding for 2020 and 2021.

We, the undersigned national organizations, urge you to take immediate steps to negotiate a new budget agreement that averts these cuts and provides funding for new investments that our economy needs.

Over the last six years, Congress has routinely come together in a bipartisan fashion to reach budget agreements that reduce the BCA's harmful sequestration cuts. The budget agreement struck for fiscal years 2018 and 2019 took the important step of not only fully reversing the sequestration cuts, but also providing additional resources to address the country's significant investment needs. Even with that agreement, however, NDD funding in fiscal years 2018 and 2019 remains below 2010 levels (adjusted for inflation).

If Congress fails to reach a new budget agreement in the coming year, overall NDD funding would be cut by 12 percent (adjusting for inflation) compared to fiscal 2019 levels, with many areas sustaining far deeper cuts as Congress seeks to limit the damage in certain areas at the expense of other national priorities.

Congress and the White House must work together to avoid these cuts and provide new resources that will allow the country to address critical unmet funding needs and investment priorities in areas such as veterans' health care, job training, education, housing, children's services, the 2020 Census, national parks, scientific research, affordable housing and health and safety. In doing so, we ask that you consider the following:

1. **The most recent budget agreement provided important resources for some critical areas.** Previous bipartisan budget deals have provided spending cap relief that has allowed Congress to more adequately fund services essential to Americans nationwide. For example, funding for biomedical research has grown, allowing scientists to conduct research and discover life-saving treatments and cures. And the most recent agreement that went beyond just providing relief from sequestration resulted in critical new investments in child care, Head Start, and housing programs, but these funding increases have only started to chip away at the large unmet needs in these areas. Sustaining these investments and making further progress to address important needs will require a strong, bipartisan budget agreement for 2020 and 2021.

2. **Large investment needs exist — funding for many NDD programs remains inadequate to meet the needs of the American people.** Overall NDD appropriations remain below funding levels from a decade ago, despite a growing population and rising needs and costs in many areas. The BCA led to broad-scale disinvestment in a host of areas — funding over the 2011-2017 period was hundreds of billions less than what was needed just to maintain 2010 funding, adjusted for inflation. And, in the coming years, Congress must address new costs in certain areas, such as rising costs in housing program rents and veterans' health care, and the cost of running a successful 2020 Census. A new budget deal must address the need both for broad-based investments and for funding specific areas with acute short-term needs.

WORKING TO  
STRENGTHEN AMERICA



Page 1 of 3



3. **The BCA's non-defense cuts had serious consequences, and reversing them requires additional resources.** The BCA's austere spending caps and sequestration cuts hurt American families, communities and the economy, as illustrated in the NDD United impact report, *Faces of Austerity*. The cuts dragged down our economic recovery, hampered business growth and development, weakened public health preparedness and response, reduced resources for our nation's schools and colleges, compromised federal oversight and fraud recovery, hindered scientific discovery, eroded our infrastructure, and threatened our ability to address emergencies around the world. Fully reversing these problems requires investment in a host of areas, and while the 2018 budget deal was a step in the right direction, it was not a cure-all for years of cuts and disinvestment.

4. **NDD programs are essential to national security.** A fundamental job of the federal government is to secure the safety of its citizens at home and abroad. But America's day-to-day security requires more than military might. NDD programs support our economy, drive our global competitiveness, and help Americans lead healthy, productive lives. They also protect health and safety directly, by training physicians, ensuring workplace safety, protecting our food and drug supply, and inspecting the nation's mines. All of the previous bipartisan budget agreements reflected the contributions that both defense and nondefense programs provide to the American way of life and to our health, safety and security. In the next agreement, lawmakers should continue to adhere to this "parity principle" and provide equal investment across these parts of the budget when crafting reasonable discretionary budget levels for the future.

Congress and the President must work together to reach a new agreement that averts the cuts that would be required under the Budget Control Act and allows us to make smart investments in our nation's future. In reaching an agreement, new investment **must be balanced between nondefense and defense programs, as strong investments in both NDD and defense are necessary to keep our country competitive, safe, and secure.**

We are eager to work with you to help produce another bipartisan budget agreement to protect critical discretionary-funded programs.

If you have questions about this letter, please contact the NDD United Co-Chairs, Emily Holubowich ([eholubowich@dc-crd.com](mailto:eholubowich@dc-crd.com)), Sheryl Cohen ([cohen@acq-consultants.com](mailto:cohen@acq-consultants.com)), or Ben Corb ([bcorb@asbmb.org](mailto:bcorb@asbmb.org)). An electronic copy of this letter, as well as *Faces of Austerity*, is available at [www.nddunited.org](http://www.nddunited.org).

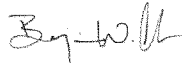
Sincerely,



Emily J. Holubowich  
Founding Co-Chair, NDD United  
Executive Director, Coalition for Health Funding



Sheryl Cohen  
Co-Chair, NDD United  
Executive Director, Committee for Education Funding



Ben Corb  
Co-Chair, NDD United  
Public Affairs Director, American Society for  
Biochemistry and Molecular Biology



Linda M. Couch  
Steering Committee, NDD United  
Vice President, Housing Policy, LeadingAge



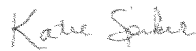
John Garder  
Steering Committee, NDD United  
Director, Budget and Appropriations  
National Parks Conservation Association



Mary Jo Hoeksema  
Steering Committee, NDD United  
Director of Government Relations, Population  
Association of America



Bruce Lesley  
Steering Committee, NDD United  
President, First Focus



Katie Spiker  
Steering Committee, NDD United  
Senior Federal Policy Analyst, National Skills  
Coalition



Deborah Weinstein  
Steering Committee, NDD United  
Executive Director, Coalition on Human Needs

Chairman YARMUTH. NDD United represents hundreds of national, state, and local organizations calling for a balanced approach to spending decisions.

Before we get started, I want to raise two other major factors that will impact deliberations to raise the caps. Our veterans' health programs need an additional \$10 billion or more per year, starting next year, because of the VA Mission Act. This new program is now an unfunded mandate because congressional Republicans were happy to make a promise to our veterans for expanded health care access, but neglected to write the check.

Second, the constitutionally mandated census will be conducted in 2020, requiring up to \$6 billion more in funding next year. Failure to adequately fund the census would lead to significant inaccuracies and mis-allocation of a broad range of federal spending. So we need to come up with funding for the VA Mission Act and the Census Act out of a pot of money that currently faces austerity-level cuts. Clearly, we need to raise the caps for both defense and non-defense spending. We have done so in a bipartisan manner in the past, and we must do so again now.

[The prepared statement of Chairman Yarmuth follows:]

**Yarmuth Opening Statement  
Investing in America's Economic  
and National Security**

February 7, 2019

Once again, welcome to our witnesses. Thank you for joining us today to talk about the critical need to raise the budget caps for 2020 and 2021.

Put simply, we face \$126 billion in cuts to defense and non-defense discretionary spending next year. These caps were never supposed to take effect. They were deliberately set at destructively low levels to force an agreement on a comprehensive deficit reduction plan. That effort failed, and we have dealt with this problem ever since. We reached bipartisan agreements to raise the caps in 2012, 2013, 2015, and again in 2018. If we do not act again, programs that are vital to our economic and national security will face devastating cuts.

I reject the idea that we must pit defense and nondefense discretionary against each other, as proposed by the Trump Administration in previous budgets. We all understand the importance of paying our troops; funding training and military operations; maintaining bases here at home and overseas, and designing and building weapons systems. And, we all appreciate the important role that a strong military plays in our security. But we cannot discount the important role non-defense discretionary also plays in building our economic and national security.

As you can see on the screens today, we have listed just a sample of the programs that fall into what we call “non-defense discretionary” spending. They range from homeland security, veterans’ health care, law enforcement, hazardous waste cleanup and natural disaster preparedness. Then there are programs that provide economic security in the form of Pell grants, Head Start and even mortgage insurance. I could easily spend

my entire opening statement just running through examples.

These non-defense discretionary programs represent about half of all discretionary spending. And like defense spending, they are also at risk if we do not raise the caps.

The President's unprecedented 5-week shutdown had one useful side effect: his shutdown reminded all of us that non-discretionary investments *are* security investments.

During the shutdown:

- American families were worried about food safety with the Food and Drug Administration's suspension of inspections;
- Travelers were delayed at airports and worried about aviation safety due to employee shortages at the Transportation and Security administration; and
- We all were concerned about the consequences of more than 5,000 FBI employees being furloughed and their forensic and other investigative work being impeded.

Beyond these examples, CBO reported that this shutdown resulted in a permanent loss of \$3 billion from our economy. It left us less safe and less prosperous – and hurt a lot of American families in the process.

Next week, we face another deadline to keep the government open and funded through 2019. I hope the President has learned that no one wins when he shuts the government down, and that we can avoid this self-inflicted crisis, particularly when we already have another one on the books to resolve. As I said at the beginning of these remarks, \$126 billion of defense and non-defense discretionary spending cuts are currently scheduled to take effect next year if we don't act. Our witnesses are here today to talk about that. They are experts on the topics of education, public health, as well as defense and national security – and they will help walk us through the importance of these investments and the consequences if they are cut to this degree.

I would also like to enter into the record a letter from NDD United sounding the alarm about severe cuts “affecting investments that touch every sector of our economy, from health care to infrastructure, scientific research, and education — as well as for defense” if we don’t act. They represent hundreds of national, state, and local organizations calling for a balanced approach to spending decisions.

Before we get started, I want to raise two other major factors that will impact deliberations to raise the caps. Our veterans’ health programs need an additional \$10 billion or more per year starting next year because of the VA MISSION Act. This new program is now an unfunded mandate because Congressional Republicans were happy to make a promise to our veterans for expanded health care access, but couldn’t find the courage to write the check.



Second, the constitutionally mandated Census will be conducted in 2020, requiring up to \$6 billion more funding next year. Failure to adequately fund the Census would lead to an undercount and misallocation of a broad range of federal spending.

So we need to come up with funding for the VA Mission Act and the Census out of a pot of money that currently faces austerity-levels cuts.

Clearly we need to raise the caps, for both defense and non-defense spending. We have done so in a bipartisan manner in the past, and we must do so again now. Thank you.

Chairman YARMUTH. And with that, the ranking member has said to proceed, he will again be here shortly, and he will submit his opening statement for the record.

So, with no further ado, I will yield five minutes to Ms. Abernathy for her testimony.

**STATEMENT OF SARAH ABERNATHY, DEPUTY EXECUTIVE DIRECTOR, COMMITTEE FOR EDUCATION FUNDING (CEF)**

Ms. ABERNATHY. Chairman Yarmuth and members of the committee, thank you very much for inviting the Committee for Education Funding here to testify today about the importance of federal investments, including investments in education to America's economic and national security, as well as the need to provide a substantial increase in the non-defense discretionary spending caps.

It is a real honor to be here today. I have spent, literally, hundreds of hours in this room—some of which I actually recall fondly—over the course of 18 years, when I had the privilege of working for the House Budget Committee under the leadership of five different chairmen, and with several of the members who are on the committee today. But I have never sat on this side of the witness table before.

I am speaking on behalf of the Committee for Education Funding, the nation's largest and oldest education coalition, which is a non-partisan collaboration of institutions, associations, and others that advocate for greater investments in education. We represent the entire continuum, from early childhood education to K through 12 and higher ed, career and adult education, as well as out-of-school needs and enhancements like libraries, museums, and PTAs.

[Slide]

Ms. ABERNATHY. In addition to representing its membership, the Committee for Education Funding is speaking on behalf of a majority of Americans who want to increase these important education investments. Seventy-three percent of those polled in a December Politico Harvard survey thought increasing federal spending on public elementary and secondary education was an "extremely important priority." And a Morning Consult and Politico poll found that the area voters most wanted more government spending was education—a higher percentage than those who wanted to increase defense, homeland security, border security, or health care spending, for instance.

Next slide, please.

[Slide]

Ms. ABERNATHY. That is because education investments are among the best investments we can make for society. Participating in high-quality early childhood education impacts children's learning and has enormous long-term benefits, a return of more than \$7 for every \$1 invested through better outcomes, in terms of increased health, reduced crime, and higher incomes.

Money also matters in elementary and secondary education, and in helping people continue education beyond high school. Those with more education earn dramatically more over their lifetime, and have higher employment rates. Countries with higher educational achievement have greater economic growth. A better-edu-

cated workforce leads to more research and innovation and national security in many ways, not the least of which is a military ready for today's challenges. Simply put, education pays.

However, the United States currently devotes less than two percent of the federal budget to education. We think that low level of investment is a mistake.

For instance, if Congress were to approach its pledge to provide up to 40 percent of the additional cost of educating students with disabilities, it would benefit all students by freeing up state and local special education funding to meet other education needs. Head Start currently serves fewer than 4 of every 10 eligible children. There are two children waiting to get into after-school programs for every one child enrolled—three in rural communities.

And Pell Grants help more than 7 million low-income students obtain a college education, but the maximum grant today covers only 28 percent of the average cost of attending a 4-year public college, down from 88 percent when the program was begun in the 1970s.

Next slide, please.

[Slide]

Ms. ABERNATHY. While we know these education investments benefit society and our economy, in fact, since 2011 funding for education has actually declined by \$7 billion in real inflation-adjusted terms. Congress won't be able to fill pressing education needs unless it raises the non-defense discretionary cap, which drops 55 billion, or 9 percent, for the coming year.

But it is actually worse than that. As Chairman Yarmuth said, the effective cut is at least 65 billion, or 11 percent, because of the need to provide extra funding for the decennial census and the VA Choice program in 2020. An 11 percent cut would be devastating. That is the size of the education cut in the President's 2019 budget, which outright eliminated 32 education programs and cut funding for 25 others.

Deep cuts like these fly in the face of the need to make investments that grow the economy, support our families and communities, and make the nation stronger. Today's successful students are tomorrow's research scientists who will discover cures to illnesses. Today's STEM students are vital to military readiness, as they become tomorrow's weapons designers and programmers keeping us safe from debilitating cyber crime.

We urge Congress to make greater investments in education by first raising the fiscal year 2020 cap on non-defense discretionary funding substantially above the 2019 level, and then giving the Labor, Health and Human Services, and Education appropriations bill a much larger allocation, which will allow for vital investments in education that will enhance America's economic and national security.

Thank you again for the opportunity to testify about the need for greater education investments. I am happy to answer any questions you may have.

[The prepared statement of Sarah Abernathy follows:]

**Why Investing in Education is Vital to America's Future**

**Written Testimony**

**Sarah Abernathy**

**Deputy Executive Director, Committee for Education Funding**

**Before the House Committee on the Budget**

**Hearing on Investing in America's Economic and National Security**

**February 7, 2019**

Chairman Yarmuth, Ranking Member Womack, and members of the Committee:

Thank you for inviting the Committee for Education Funding to testify today on a panel with these experts to discuss the importance of federal investments to economic and national security, including investments in education. Without a substantial increase in the non-defense discretionary spending caps, the education investments that form the foundation of the nation's prosperity, safety, and growth are in jeopardy. It is a real honor to be invited here; I have spent literally hundreds of hours in this room over the course of more than 18 years when I had the privilege of working for the Budget Committee under five different chairmen, and with several of the current members.

I am speaking on behalf of the Committee for Education Funding, the nation's oldest and largest education coalition, which is a non-partisan, non-profit collaboration of education associations and institutions that advocate to increase federal investments in education, which are among the best investments the government can make. CEF members represent the entire education continuum, from early childhood education through elementary and secondary education to higher education, career and adult education, and out-of-school education needs and enhancements such as afterschool programs, libraries and museums, and PTAs. Our members are teachers and school leaders, parents and students, counselors, school board members, universities and school districts, associations and others with the common goal of ensuring that education is adequately funded.

**Public Support for Education Investments**

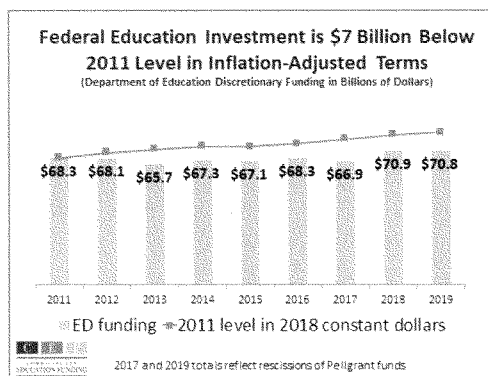
In addition to representing its membership, the Committee for Education Funding also speaks for a majority of Americans who want to increase education investments. A Politico/Harvard poll in December<sup>1</sup> found that 73 percent of those surveyed thought that increasing federal spending on public elementary and secondary education was an "extremely important priority," and a Morning Consult +POLITICO poll<sup>2</sup> from 2017 found that the area where voters most wanted to see more government spending was education – more people wanted to increase education spending than those who wanted to increase defense, border security, or health care spending.

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<sup>1</sup> POLITICO and Harvard T.H. Chan School of Public Health, *Americans' Priorities for the New Congress in 2019* (2018)

<sup>2</sup> Yokley, *Many Voters Support Foreign Aid Cuts, but Want More Spent at Home* (2017)

Unfortunately, the tight caps on non-defense discretionary funding have constrained federal education investments in recent years. In fact, from 2012 until 2018, appropriations for the Department of Education remained below the 2011 level even in nominal dollars, only surpassing that high-water mark in fiscal year 2018, when Congress significantly raised the cap on non-defense discretionary spending. Sadly, for fiscal year 2019 net appropriations for the Department of Education decreased after accounting for a \$600 million rescission of previously appropriated Pell Grant funds. The impact is even worse when measuring federal support for education in inflation-adjusted terms, which show federal investments more than \$7 billion below the 2011 level, supporting fewer of the education services than the government intends to provide.

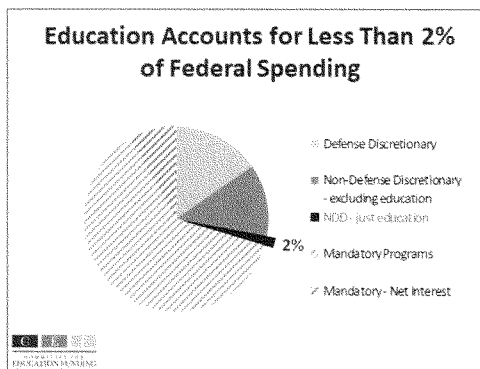


#### Returns on Investments in Education

But focusing on budget totals and spending cuts is just talk about numbers. What matters is their impact. Education investments have wide-ranging effects far beyond just helping students get a better and longer education. Society as a whole reaps many benefits from a well-educated population beyond just thoughtful adults well prepared to compete in a rapidly changing and interconnected world. A better educated workforce leads to more research and innovation, economic growth, and national security in many ways, not the least of which is a military ready for today's challenges.

Simply put, education pays.

Those with more education earn dramatically more over their lifetime and have higher employment rates. Countries with higher educational achievement have greater economic growth. About 11 percent of total public expenditure in the U.S.<sup>3</sup> is for education, but most of



<sup>3</sup> OECD, Education at a Glance 2018, Table C4.1 – Total Expenditure on Education as a Percentage of Total Government Expenditure (2015)

that is at the state and local level. Many other countries spend more of their budget on education. The United States currently devotes less than 2 percent of the federal budget to education.<sup>4</sup>

We think that low level of investment is a mistake.

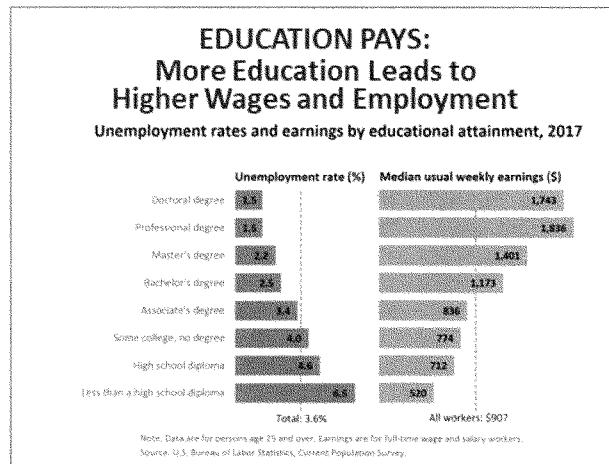
There are many benefits of education investments along the continuum. For example, studies have found that participation in high-quality early childhood education not only has an important immediate impact on children's learning, but has an enormous long-term benefits as well— a return of more than \$7 for every \$1 invested through better lifetime outcomes in terms of increased health, reduced crime,

higher employment and income, and more civic involvement.<sup>5</sup> Money also matters in elementary and secondary education, where studies found that school reform efforts that led to increased spending resulted in real gains in student achievement. The gains from investments in early childhood and elementary education will only be realized if the investment continues through high school in college-preparation or career education classes but unfortunately, there is typically less investment in high school programs.

Finally, those with education beyond a high school degree have higher earnings and employment rates. During the 2008 economic recession there was an even starker difference, as those with less education experienced a greater spike in unemployment. The federal government helps people achieve the benefits of higher education by providing grants to low-income students, institutional support, and loans to students and parents.

#### Caps on Non-Defense Discretionary Funding Constrain Education Investments

One factor inhibiting the federal investment in education is the fierce competition for non-defense discretionary dollars under the caps set by the Budget Control Act and under the even tighter sequester-level caps that went into effect starting with an across-the-board cut for fiscal year 2013. Those

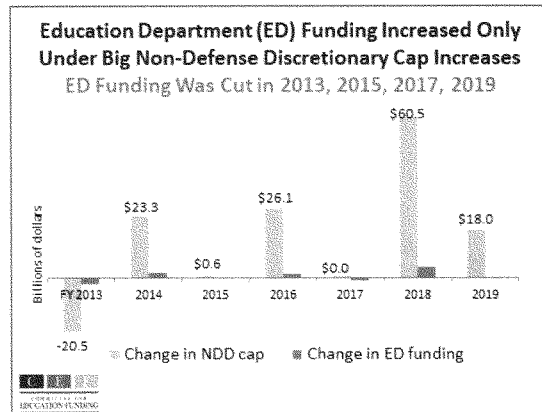


<sup>4</sup> Office of Management and Budget, FY 2019 Budget, *Table 8.1 – Outlays by Budget Enforcement Act Category: 1962-2023*

<sup>5</sup> Heckman, García, Ermini Leaf, Prados, *Research Summary: The Lifecycle Benefits of an Influential Early Childhood Program* (2016)

sequester caps are so tight that Congress has not been able to enact appropriations bills within the limits, and has had to raise the caps on both defense and non-defense discretionary funding via three separate budget deals that covered two years each.

Even though the budget deals allowed higher spending education programs did not see any meaningful gains until 2018, and those gains did not continue for 2019. First, the higher caps did not result in substantial increases for the bill that covers the Departments of Labor, Health and Human Services, and Education. That bill contains one third of all non-defense funding – it is the largest non-defense appropriations bill and covers many vital programs and services that Americans need, including education. However, the allocations for this bill have not reflected the size of the increases in the non-defense discretionary funding caps.



Second, funding for Department of Education programs – which I am using as a proxy for federal education investments, although there are education-related programs outside the Department – only increased for the years that Congress had provided very large year-over-year increases in the non-defense discretionary caps: that is fiscal years 2014, 2016, and 2018. When the caps were basically frozen at the prior year's level – as they were for fiscal years 2015 and 2017 – education funding was cut. Even the \$18 billion increase for non-defense discretionary funding for fiscal year 2019 did not lead to an overall increase in net resources for education. As Congress debates what to do about the fiscal year 2020 and 2021 caps, I urge you to keep in mind that education funding only increased when Congress provided truly substantial increases in the non-defense discretionary caps.

#### Need for Greater Federal Education Investments

The tight budget constraints of recent years have left many education needs unfilled. I'd like to provide just a few examples of the many areas in need of federal investments along the education continuum.

In 1975, Congress mandated that all students with disabilities have access to a free appropriate education, and in return pledged to cover up to 40 percent of the additional cost associated with educating children with disabilities. However, that pledge has never come close to being fulfilled, and the federal share of special education funding has declined to less than 15 percent of the additional costs – less than half of the 40 percent “full funding” percentage pledged. That means the vast majority of special education costs are borne by state and local education budgets. If Congress were to meet its

obligation and provide more for the Individuals with Disabilities Education Act programs, that additional investment would benefit all students, including those who do not directly receive special education services, because more of the state and local budgets could be used to meet other education needs, such as school construction and repair, teacher training, transportation, teacher pay, etc.

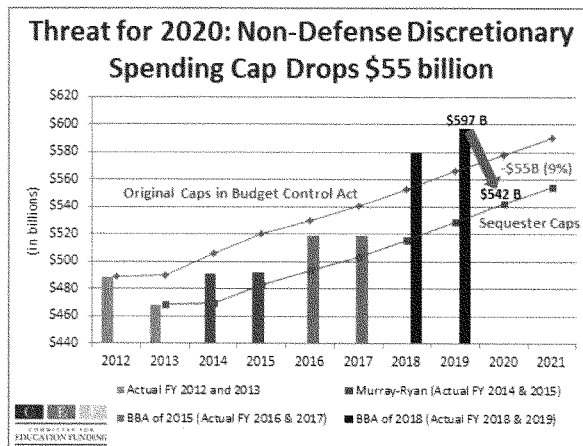
The largest federal investment in early childhood education is Head Start, but the current funding of \$10.1 billion provides services to fewer than 4 of every 10 eligible children.<sup>6</sup> Investments in early childhood education lead to large societal savings later in life, so this is an area where we are being penny wise but pound foolish, or rather, dollar wise but many-billions-more foolish.

There is a large demand for afterschool programs – for every child enrolled, two are waiting to get in – and three in rural communities.<sup>7</sup> The 21st Century Community Learning Centers provides before- and afterschool and summer learning services to 1.7 million children, but there are 10.1 million who would attend if a program were available. While federal funding for this program has barely increased over the last ten years, it has declined by almost 15 percent in real, inflation-adjusted terms, leaving many children without access to the academic and other supports offered.

A final example – shortly after Congress enacted the Pell Grant program in the 1970s, the maximum award covered 88 percent of the average cost of attending a 4-year public college. These grants help more than 7 million low-income students obtain a college education, but the Pell Grant has not kept up the growth in college costs over time, and today covers only 28 percent of average 4-year public college costs.<sup>8</sup> The U.S. could increase access to higher education if it increased the maximum Pell Grant.

#### Why Congress Must Substantially Raise the Non-Defense Discretionary Cap

Congress will not be able to fill any of these and the many other pressing needs along the education continuum, or even maintain current funding, unless it raises the non-defense discretionary cap, which for the coming fiscal year drops \$55 billion, or 9 percent. However, the cut to current non-defense discretionary programs would be greater



<sup>6</sup> National Head Start Association, *Access to Head Start in the United States of America* (2017)

<sup>7</sup> Afterschool Alliance, *America After 3pm Special Report: The Growing Importance of Afterschool in Rural Communities* (2016)

<sup>8</sup> Institute for College Access & Success, *Pell Grants Help Keep College Affordable for Millions of Americans* (2018)



than \$55 billion because Congress will need to provide much more funding for the decennial census and for the VA Choice program. The total for those two items is likely more than \$10 billion extra to fit under the non-defense discretionary cap, which would mean cutting existing programs by \$65 billion, or 11 percent.

A cut that large would be devastating. One can get a measure of the cuts required by looking at the President's last two budget requests, which cut education funding by 11 percent. To reach savings of that magnitude, the President's 2019 budget outright eliminated 32 education programs, including the \$1 billion afterschool program, the \$2 billion teacher and school leader training program, and the \$1 billion Student Support and Academic Enrichment block grant created by the Every Student Succeeds Act. The President's budget also reduced funding for 25 other education programs, including cutting in half support for the Federal Work Study program that helps provide paying jobs for low-income college students.

Deep cuts like these fly in the face of the need to make foundational investments that grow the economy, support our families and communities, and make the nation stronger. Today's successful students are tomorrow's research scientists who will discover cures to illnesses. Today's STEM students are vital to military readiness as they become tomorrow's weapons designers and programmers keeping us safe from debilitating cybercrime. Some may argue that even when federal education support was cut, classroom doors still opened and some students still managed to get a post-secondary education, but the system is fraying. We see teachers facing classes of 40 students, in rooms with only 30 desks and disintegrating textbooks. We see the impact of crushing student loan debt that keeps adults from being able to buy a home or car, or start a family. We see the herculean efforts this has required of schools, families, and communities.

We urge Congress to take the steps needed to allow for greater investments in education along the continuum – in early childhood education, K-12 education, career and adult education, higher education, and out-of-school educational opportunities. The first step is to raise the fiscal year 2020 limit on non-defense discretionary funding substantially above the 2019 level. The second step is to provide the Labor-HHS-Education appropriations bill with a much larger allocation to allow for necessary investments in education that will enhance America's economic and national security.

Thank you again for providing the opportunity to testify about the need for greater education investments. I am happy to answer any questions.

Chairman YARMUTH. I thank you very much, and now recognize Mr. Kosiak for five minutes.

**STATEMENT OF STEVEN KOSIAK, ADJUNCT SENIOR FELLOW,  
CENTER FOR A NEW AMERICAN SECURITY (CNAS)**

Mr. KOSIAK. I want to thank you, Chairman Yarmuth and members of the committee, for inviting me to testify this morning.

I was asked to answer the question how much of discretionary spending is allocated to national security programs. I am going to suggest two answers to that, one based on a relatively narrow definition of what national security is and what kinds of programs contribute to it, and one based on a broader, although still constrained, notion of what constitutes national security.

In either case, though, the answer is “a lot.” Discretionary spending is primarily—or a majority of the funding in the discretionary budget is allocated to various national security programs.

As a starting point we need to recognize that as useful as the notion of defense versus non-defense is in terms of the budget enforcement act and—or the Budget Control Act and enforcing the caps, it is not a very useful concept in terms of understanding how much of the discretionary budget goes to national security programs.

We spend a lot of money on the defense portion that—which funds the Department of Defense and other smaller defense agencies. Those agencies are provided a total of about \$695 billion in 2018 and \$716 billion in 2019, including both base and OCO spending. So that is a lot of money, and those are clearly very critical programs.

But the non-defense discretionary portion of the budget, the NDD portion of the budget, also includes a lot of national security-related programs and funding.

In 2018, even using a narrow definition of national security and what contributes to national security, I think a reasonable estimate of the amount of funding in the NDD budget that goes to national security programs is something like \$217 billion, or about 37 percent of NDD funding.

Some of you will remember the BCA initially back in 2012 didn’t divide the discretionary pie into defense and non-defense; it divided it into security and non-security. The security category used at that time—and embraced by both Democrats and Republicans when they passed the Budget Control Act—included, in addition to defense, international affairs, the VA budget, and homeland security.

In addition to these three programs, I include in my own definition, narrow definition of national security programs, three other programs: the Justice Department, which is largely focused on funding law enforcement operations, including the FBI; the CDC, which is focused on a broad range of activities, but especially focused on infectious diseases, which can be spread, obviously, either naturally or through malicious actions of terrorists; and the food safety programs of the USDA and HHS, which protect against both accidental and potential terrorist-related contamination of the food supply.

Deciding what programs to include in a broader definition of national security is more difficult and more subjective. But I think

the list I am going to share with you now is a reasonable starting point, at least.

One would be the Department of Energy, which is focused largely on achieving energy independence for the U.S., which I think everyone would agree is a critical national security goal.

NASA is the lead civilian agency on space activities, which I think is obvious, both scientific and national security implications.

National Institute of Health, critical, obviously, to individual health, but also for the health of the economy. As the NIH itself says in its mission statement, it is—one of its goals is to enhance the nation's economic well-being.

I also include in this list several agencies that are critical to supporting the development of both the physical and human capital of the United States, and I think anybody who has followed China's developments over the past couple of decades realizes the importance of those kinds of programs.

And I include here the Department of Transportation and the Corps of Engineers, which are both, obviously, critical to the physical infrastructure of the U.S.

And also the Department of Education, which plays the leading role in developing the human potential of the U.S., and—which is, obviously, even probably more critical to economic growth over the long term.

All together, adding this expanded set of agencies increases the total amount of NDD spending that is allocated to national security programs from about \$217 billion to something like \$392 billion, or a share of NDD going to national security programs increases from about 37 percent to 66 percent. So by this broader, definition, almost two-thirds of NDD can be said to be allocated to national security-related programs.

I will wrap up with just a few concluding thoughts. Reasonable minds can differ over how much of NDD goes to national security. But whether it is 2 out of every \$5 or 3 out of every \$5, it is a lot of money. And to me, that reality makes clear the importance of reaching a new budget agreement that not only raises the caps on defense spending, but also on non-defense discretionary spending.

Absent such an agreement, as has already been said here, the cap on NDD will fall by \$55 billion, or about 11 percent in real terms. And in that kind of world, the only way to protect the national security programs within the NDD portion of the budget is to basically gut the other portions of the budget. The flip side would be protecting those other portions and gutting a national security program, and I don't think either of those are either wise or realistic options.

Again, I emphasize the need to reach a new budget agreement that lifts the cap on both defense and non-defense discretionary spending.

[The prepared statement of Steven Kosiak follows:]

**Testimony**

**Steven M. Kosiak**  
**Adjunct Senior Fellow, Defense Program,**  
**Center for a New American Security (CNAS)**

**Before the United States House of Representatives Committee on the Budget**

**Hearing on “Investing in America’s Economic and National Security”**

**February 7, 2019**

I want to thank Chairman Yarmuth, and Ranking member Womack, for the opportunity to testify before the House Budget Committee today concerning the need to invest in America’s economic and national security. I was asked in my testimony to consider specifically the question of how much of the one-third of federal spending that is discretionary, and subject to annual appropriations, is related to national security. I provide two answers: one that includes funding only for Departments, Agencies and programs that closely and directly support US national security, using a relatively narrow and traditional definition of national security; and another that also includes funding for those parts of the budget that provide critical economic and other foundational support, or support our national security through other means. In either case, the answer to the question is that national security-related largely dominates the discretionary portion of the federal budget.

As a starting point for considering this question, it is important to recognize that, whatever the merits of dividing overall discretionary spending into “Defense” and “Non-Defense” discretionary (NDD) categories for purposes of enforcing the Budget Control Act (BCA) and previous budget agreements, we need to throw that division out the window when trying to understand the share of discretionary spending used to support US national security.

The Department of Defense, the National Nuclear Security Administration and the other smaller Agencies and programs funded through the “Defense” side of the discretionary budget, are clearly key to ensuring our national security. That this view is shared by both parties in Congress and the Administration is reflected in the fact that the Defense Department’s Year 2019 budget has already been enacted. Altogether, under the most recent budget agreement, the “Defense” portion of the discretionary budget, including both regular (“base”) and Overseas Contingency Operations (OCO) funding, was provided \$695 billion in 2018, and \$716 billion in 2019.

But the NDD portion of the budget also includes an enormous amount of national security-related spending. Again, including both regular and OCO funding, total NDD funding amounts to some \$591 billion in 2018 and \$605 billion in 2019. Based on 2018 enacted levels, even using a relatively narrow definition national security, a minimum of some \$217 billion, or

37 percent, of NDD funding can reasonably be characterized as closely and directly related to national security. If a broader definition is used, again using 2018 enacted levels, the amount of NDD funding in this category grows to some \$392 billion, or 66 percent, of total NDD funding. Assuming the totals in the omnibus ultimately enacted to fund those Departments and Agencies still operating under a continuing resolution are close to the levels already agreed to by House and Senate negotiators, those percentage would remain essentially the same in 2019.

Combined with the Defense Department's budget, and those of smaller agencies funded through the "Defense" category, this means that altogether, of the overall total of \$1.29 trillion provided for discretionary programs through regular and OCO appropriations in 2018, some \$912 billion, or 71 percent, is directly related to national security. And if a broader definition is used, this total increases to some \$1.1 trillion, or 84 percent of total discretionary spending. When action is finally completed on all 2019 appropriations, the numbers for this year are likely to be very similar.

There are a range of views concerning the best definition of national security and what programs and activities contribute most directly to strengthening our national security. In my narrow definition, I include only those programs and activities that directly support the US military and veterans, foreign affairs, homeland security, law enforcement, and a very narrow segment of public health programs, focused on food safety and the control of infectious diseases. Although not in all cases exclusively focused on protecting the United States from foreign powers or terrorist threats, each of these activities represent potentially critical first lines of defense against such threats. For the broader definition of national security, I also include a range of Departments and Agencies whose programs, while generally not as directly tied to countering these kinds of threats, provide crucial support to the economic, scientific, educational, health, and environmental foundations upon which US national security ultimately rests, or address national security through other means.

#### **NDD Departments and Agencies Directly Supporting US National Security**

Reasonable minds can differ concerning precisely what federal programs contribute closely and directly related to national security. However, any list of such programs would almost certainly include, in addition to Defense programs, the following NDD Budget Functions, Departments, Agencies, and programs. It is also worth noting that Budget Control Act, agreed to by the Obama Administration and Congress in 2011, initially divided discretionary spending into "Security" and "Non-Security" categories, rather than "Defense" and "Non-Defense" categories—and the "Security" category included, along with the Department of Defense and other Defense Agencies, the first three Budget Functions and Departments listed below.

- **International Affairs.** The "Function 150" international affairs budget includes funding for the State Department and USAID, as well as funding for Treasury International programs, the Millennium Challenge Corporation, the Title II, Pl. 480 Food for Peace program, and a range of smaller Agencies and programs. It supports the US diplomatic presence around the

world, through which US foreign policy is executed and US interests abroad are represented and protected. It also supports a broad range of foreign assistance programs, including economic and military assistance to key allies, humanitarian assistance to countries and regions devastated by war, famine and other man-made and natural disasters, and development assistance aimed at helping poor countries build up their social and economic strength. Although the specifics of these programs vary, all of them ultimately contribute to America's position abroad. The key role the international affairs budget plays in supporting US national security is perhaps best attested to by the strong support these programs have among the leadership of the US military, both active and retired. As former Defense Secretary James Mattis once remarked, "If you don't fund the State Department fully, then I need to buy more ammunition." Congress appropriated \$55.9 billion for the International Affairs budget in 2018.

- **Veterans Affairs:** Funding for Veterans Affairs encompasses a broad range of programs that serve the roughly 20 million veterans across the country who have served in the US military. In this sense, Veterans Affairs is not simply a critical national security program, it is essentially an outgrowth of the Department of Defense—the Department of Veterans Affairs' reason for being is to support the men and woman who have separated from service with the US military, and eligible family members. Programs administered by the Department of Veterans Affairs include medical care and social support services, disability compensation and pensions, educational assistance, vocational rehabilitation and employment services, assistance to homeless veterans, home loan guarantees, life insurance and death benefits. These programs are funded through both the NDD and mandatory portions of the budget. For 2018, the discretionary portion of the Veterans Affairs budget totaled some \$81.5 billion, and was used primarily to fund veterans medical care, medical research, construction, and information technology programs. Most other veterans' benefits are funded through mandatory appropriations, totaling some \$104 billion in 2018. (Only the Department's discretionary appropriations are included in the estimated NDD total for national security programs noted above.) Adequately funding Veterans Affairs programs is not only the right thing to do, it is critical to supporting the Defense Department and its ability to attract and retain quality personnel, and thus for the protection of US national security.
- **Homeland Security:** Some 30 different federal Departments and Agencies play a role in homeland security. The Department of Homeland Security is responsible many key activities in the homeland security mission. These include customs and border security, immigration and customs enforcement, security provided at airports, ports and train stations, and maritime security provided by the Coast Guard. It also includes the Federal Emergency Management Agency, US Citizenship and Immigration Services, and the Secret Service. For 2018, Congress provided the Department of Homeland Security \$48.2 billion (including \$46 billion counted under the NDD cap and \$2.2 billion as Defense) in discretionary appropriations in its regular and OCO budgets (plus some \$7 billion in the disaster and \$43 billion in emergency funding, not included in the estimated NDD total for national security programs noted above). In addition to the Department of Homeland Security, the Departments of Defense,

State, Health and Human Services, Energy, and Commerce, are among the most significant contributors to the governmentwide homeland security mission.

- **Department of Justice:** The Department of Justice supports law enforcement efforts across the country that are critical to both the personal security of individual Americans and national security. The Department's budget funds the US attorneys' offices and other legal staff. But the vast majority of its funding supports law enforcement operations and the federal prison system. Agencies funded within its budget include the Federal Bureau of Investigation, which is, among other things, the lead federal investigative agency responsible for protecting the United States against foreign intelligence and terrorist threats, the Drug Enforcement Agency, charged with protecting Americans against trafficking in illicit drugs, and the Federal Bureau of Prisons. Congress appropriated \$30.1 billion for the Department of Justice in 2018 (including \$24.8 billion counted under the NDD cap and \$5.3 billion under the Defense cap).
- **Centers for Disease Control and Prevention (CDC):** Public health is a key component of maintaining the security of Americans. And the federal government is involved in a broad range of public health efforts that are integral to our national security. To be conservative, however, this analysis classifies only the CDC, which focuses especially on infectious diseases, as directly related to national security. For 2018, Congress provided the CDC with \$7.2 billion in discretionary funding.
- **Food Safety:** Ensuring the safety of the US for supply is another mission funded through the NDD budget that is critical to US national security. Along with state and local Agencies, a number of federal Departments and Agencies share responsibility for this mission. The two most important of these are the Food and Drug Administration, within the Department of Health and Human Services, and the Food Safety and Inspection Service, within the Department of Agriculture. Congress provided these two Agencies \$2.1 billion in 2018.

While not comprehensive, from a budget perspective, this list captures the bulk of the NDD funding, some \$217 billion in 2018, used to directly support US national security, under a relatively narrow definition of that term. In a few cases the Agencies listed above also perform activities unrelated or only indirectly related to national security. However, the budgetary impact of any such *overcount* is likely offset by the *undercount* resulting from the exclusion—in cases where such funding accounts for only a relatively modest share of a Department's or Agency's overall budget—from the list of some other programs that are closely related to national security.

#### **NDD Departments and Agencies Supporting the Foundations of US National Security**

Deciding what areas of the NDD budget to include in a broader definition of national security-related funding, is more difficult and subjective. But if one believes that investments aimed at building up the economic, scientific, educational, health, and environmental

foundations of this country contribute critically to our national security over the long run, and in some cases provide an alternative means of achieving national security goals, a strong case can be made for including the budgets of at least the following Departments, Agencies and programs.

- **Department of Energy (Non-Defense):** The Department of Energy funds research aimed at helping the US achieve greater energy independence, a goal widely recognized as contributing to national security. It also funds research focused on addressing climate change—which the Department of Defense has noted poses a “significant risk” to US interests globally.
- **National Aeronautics and Space Administration:** NASA is not only the lead civilian agency on space capabilities but contributes greatly to the US science and technology base more generally. Like the Department of Energy, it is also a leader in the area of climate change research.
- **National Institutes of Health:** Key goals of NIH include not only protecting and improving the health of Americans through innovative research, but expanding “the knowledge base in medical and associated sciences in order to enhance the Nation's economic well-being and ensure a continued high return on the public investment in research.”
- **Department of Transportation:** A modern and capable physical infrastructure is a key component of economic growth for any country. And the Department of Transportation plays a critical part in funding that infrastructure.
- **Army Corps of Engineers:** This Agency plays a similarly important role in maintaining and improving important parts of America’s economic infrastructure.
- **Department of Education:** As important as physical capital is to economic growth, human capital is even more important to that growth. And, although far from the only federal agency involved sustaining and improving the country’s human capital, the Department of Education has a leading role in that effort.

Altogether, Congress provided about \$175 billion in discretionary funding for these Departments and Agencies in 2018. This estimate should be treated as very rough and tentative. Others more familiar with these and other areas of NDD spending might come up with a somewhat different list, with a different funding total. That said, it seems at least as likely that such a list would include more agencies and more funding, as it is that it would include fewer agencies and less funding. This list might, for example, be expanded to include Department of Labor training programs, Department of Treasury funding related to tax collection and the Office of Terrorism and Financial Intelligence, and the Commerce Department’s National Oceanic and Atmospheric Administration, which provides critical Climate Change data. Conversely,



generating a substantially smaller list, or a substantially smaller funding total, would require adopting a different, and significantly narrower, set of assumptions concerning the kinds of investments that contribute to our country's physical and human capital, and economic strength.

### **Conclusions**

This review of discretionary spending makes clear that US national security programs and activities account for a substantial majority of discretionary appropriations. Perhaps more importantly, it makes clear that national security-related Departments, Agencies and programs account for a large share of funding even within the NDD portion of the budget. Specifically, it shows that national security-related spending accounts for—at a minimum—nearly \$2 out of every \$5 allocated to the NDD side of the discretionary budget. It also suggests that if a broader definition of security-related funding is used, the share of NDD funding allocated to these programs and activities increases to more than \$3 out of every \$5.

More than anything else, the magnitude of the funding allocated to security-related programs and activities within the NDD budget emphasizes the importance for US national security of including a major increase in the Budget Control Act's NDD cap as part of a new budget agreement. Absent a new agreement, the NDD cap will drop to \$542 billion in 2020. This would mark a \$55 billion, 9 percent cut, from this year's level—and an 11 percent cut in real (i.e., inflation-adjusted) terms. This means that, even assuming the amount provided for OCO is unchanged, simply to hold overall funding flat for security-related Departments, Agencies and programs, the remaining portion of NDD would need to be cut by some 15-27 percent, depending on whether a narrow or broad definition of national-security-related programs is used.

Worse yet, perhaps an equally likely scenario, given the importance of these other areas for addressing non-security related priorities—including everything from health care for vulnerable populations and social safety-net programs to the environment, housing, and agricultural programs—is that, instead, to fit within the lower NDD cap, security-related NDD programs and activities will be cut disproportionately deeply. Absorbing the full reduction in NDD funding required by the lower 2020 cap through cuts to security-related NDD programs alone would necessitate real reductions of 14-26 percent in those programs.

Since none of these options represents a realistic approach to ensuring that adequate funding is provided for the full range of critical US national security-related Departments, Agencies and programs funded through the NDD budget, it is crucial that a new budget agreement be reached and that it include a substantial increase in the NDD cap.

Chairman YARMUTH. Thank you, Mr. Kosiak.  
I now recognize Dr. Shah for five minutes.

**STATEMENT OF UMAIR A. SHAH, MD, MPH, EXECUTIVE DIRECTOR, HARRIS COUNTY PUBLIC HEALTH (HCPH), IMMEDIATE PAST PRESIDENT, NATIONAL ASSOCIATION OF COUNTY AND CITY HEALTH OFFICIALS (NACCHO)**

Dr. SHAH. Good morning, Chairman Yarmuth and Ranking Member Womack. It is wonderful to join you both and other members of the House Budget Committee. Thanks for inviting me to testify on this very important topic. I am Dr. Umair Shah, the executive director of Harris County Public Health and the local health authority for Harris County, Texas, which is the third-largest county in the U.S., with 4.7 million people. I am also the immediate past president of the National Association of County and City Health Officials, which represents nearly 3,000 local health departments across the country.

Today I come bringing multiple perspectives on both health and health care. From a public health perspective looking at systems from the standpoint of a physician and health care provider taking care of patients, and certainly also from the vantage point of families and patients, my father just passed away several years ago—several weeks ago, due to chronic disease-related issues and a traumatic fall. All these perspectives are so very important, and they all come together.

In the interest of time, I won't be able to go into my full testimony, so my written testimony is here. But what I would like to touch on are three main points: one, that public health truly matters, especially at the local level; number two, that further reductions in public health funding would worsen the health of Americans; number three, that investments in public health have a positive impact well beyond health.

First and foremost, local public health is vital to the health of Americans and our communities. Public health often works behind the scenes as truly boots on the ground, performing disease surveillance, ensuring the safety of our environment, spraying for mosquitos, providing immunizations, picking up dangerous animals, supporting chronic disease and mental health efforts, advancing health equity. And these are just some of what local health departments do each and every day to keep our communities healthy, protected, and safe.

We are truly the offensive line of a football team. Everybody remembers Tom Brady, but not very many people remember his offensive line. When we do our job, it is largely invisible. We have an invisibility crisis in public health, and as it impacts our ability to be appropriately resourced.

To address this, I strongly believe the solution is centered in what I refer to as the three V's of public health: namely, visibility, value, and validation. We must, first of all, raise the visibility of our work and, in doing so, bring the value proposition to the table. Once valued, we get validation, which goes through pro-health policies and/or investment in our work.

This investment would enhance the public health workforce, modernization and use of technologies, and for the public health in-

frastructure. This value proposition also underscores the investment challenge that we have in our country right now, and this challenge certainly has consequences.

This is particularly true for emergencies. I say this coming from a community impacted by a series of them over the last several years, with Hurricane Harvey being just the most recent. Let me correct that—until we confirmed three cases of measles on Monday of this week in our community. Our work never ends.

Number two, reductions in public health funding would worsen the health of Americans. Evidence clearly shows that cuts to public health create a false economy. By saving pennies today, governments wind up spending more dollars tomorrow. Investments in local public health continually show positive returns on investment. Yet today, rather than investing in public health, I can tell you we are doing absolutely the opposite.

Fiscal cuts to public health are too costly, and simply unsustainable. Across the board, cuts have unintended consequences that lead to worsened health outcomes and increased costs. This is especially true for the impact on our health care system in large and small jurisdictions alike, and those most vulnerable.

The result of these cuts would further the under-investment of public health that we already see today. Decreased investment in public health leaves us more vulnerable, constantly scrambling to address the next crisis upon us, and forces us to rob Peter to pay Paul by taking from elsewhere. We must have adequate resources to do our job effectively.

Number three, investing in public health has a positive impact well beyond health. Health influences what happens in our sector, such as education, commerce, transportation, housing, and the environment, to name but a few of the connections. Optimizing health is the driver for true human potential and, in turn, it is key for our nation's overall collective potential. We need Congress to view public health as a key partner to build strong and resilient communities.

I can confidently testify that public health funding must be given priority. Current funding is inadequate, and we are losing the battle. If nothing changes, we get more of the same: more disease, diminished quality of life, and lower life expectancy. This means more heart attacks, more strokes, more diabetes, more suicides, more drug overdoses, and the list goes on.

This also means diminished resilience to disasters and emergencies. We are truly at a crossroads. It will be up to the wisdom and judgement of our elected leaders, all of you in Congress, to either act now and invest in public health, or react later and overspend dearly to undo that which could have been prevented.

According to the Trust for America's Health, the United States spends \$3.5 trillion annually on health, but only 2.5 percent of that spending is directed to public health. We can and must do more, and we must do it together.

On behalf of Harris County Public Health and the nearly 3,000 local health departments across the country, I appreciate again the opportunity to testify. Thank you for all you do in building safe,

healthy, and protected communities where we live, learn, work, worship, and play across this great nation of ours.

Thank you, and I look forward to taking your questions.

[The prepared statement of Umair A. Shah follows:]

Umair A. Shah, M.D., M.P.H.  
Executive Director



Harris County  
**Public Health**  
Building a Healthy Community

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**“Investing in America’s Economic and National Security”**

**Testimony of**  
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**House Budget Committee**  
**February 7, 2019**

I would like to thank Chairman John Yarmuth, Ranking Member Steve Womack, and members of the House Budget Committee for the opportunity to testify today on behalf of local health departments across the country.

My name is Dr. Umair Shah, and I am the Executive Director for Harris County Public Health (HCPH) and the Local Health Authority for Harris County, Texas. Harris County is the third most populous county in the United States with 4.7 million people and is home to the nation’s 4<sup>th</sup> largest city, Houston. I am also the Immediate Past President of NACCHO, the National Association of County and City Health Officials (NACCHO), the voice of the nearly 3,000 local health departments (LHDs) across the country.

Harris County Public Health is a nationally accredited, full-service health department that provides comprehensive health services and programs to the community through a dedicated workforce of approximately 700 public health professionals. HCPH has achieved much over the last several years and was recognized in 2016 by NACCHO as Local Health Department (LHD) of the Year for its cornerstone values of **Innovation, Engagement, and Equity**. HCPH is a proud member of NACCHO, and its Texas affiliate, the Texas Association of City & County Health Officials (TACCHO), representing close to 45 LHDs across Texas.

I was tasked with testifying today on fiscal-related matters, and I thank you for this opportunity. Let me start by saying that I am a physician and a public health practitioner first and foremost and not embedded in the day-to-day discussions of federal budget considerations or deliberations about discretionary spending caps. As such, I do not want my testimony to be viewed as simply asking for more money for public health, but rather articulating the absolute critical role that public health plays in building healthy and vibrant communities. In the end, this committee will have to decide how to set the budget and its priorities.

That said, I am truly an expert in health: both clinical healthcare delivery and public health. I am uniquely qualified to provide this perspective because I have seen “health” and its impact from so many different perspectives. And from my expertise and experiences, I can confidently say

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the potential for across-the-board cuts to public health will only accelerate the current trend of lower-life expectancy, impact the quality of life and well-being, and further degrade our ability to prevent disease and injury in every community across this country, whether in large jurisdictions like Harris County, or smaller, rural and/or tribal areas where public health capacity is even more scarce.

I have been a practicing physician for the last twenty years. I have proudly served our nation's veterans as an Emergency Department physician at the Michael E. DeBakey Veterans Administration Medical Center in Houston since 1999. Caring for patients, especially veterans, is both a privilege and an honor. Still, in 2003, I made the conscientious decision to "follow my heart" and become a public health practitioner as I wanted to make the difference in people's lives at a larger scale. The first position I took in public health – with a significant pay cut, I might add – was at the Galveston County Health District, before coming to Harris County more than a decade ago. I must say, I have never looked back. And I mention the pay cut only to say that this nation's health system does not incentivize especially physicians and other healthcare practitioners to choose a career in public health, furthering the gulf between these two critical areas of health in our nation.

I have also seen the healthcare system from the patient's perspective. First dealing with the care of our mother after she had a devastating stroke in 1991 while in her 50's. She became wheelchair-bound shortly thereafter. She progressively lost her ability to walk and talk as she has steadfastly fought through 27 years of the impact of her stroke on her world (and ours as well). Additionally, just recently in late December, we lost our father after his long battle with chronic health issues including ailments related to his heart, diabetes, and kidney disease. Over the last several years – culminating in 2018 when he was admitted to the intensive care unit (ICU) setting on eight separate occasions in this one year alone – we provided an incredibly intense level of care for him and his health needs. Fortunately, with my medical training, I knew how to navigate the healthcare system's incredibly complex moving pieces. Even with my training, I must tell you though – it was still not an easy system to navigate. Many Americans are unprepared for receiving healthcare services in a system that seems to forget that the second half of the word healthcare is indeed "care".

These perspectives have shaped me in different ways; each provided me with a host of experiences that make me the person that I am today. The experiences have not all been positive. Some have been downright terrible. Seeing the ups and downs of taking care of a patient who sadly did not survive. Feeling the loss of a parent functionally and then another permanently has been the hardest thing I have ever faced. Sharing these experiences with those left behind, especially my sister, my wife, our three small children, his grandchildren – all under the age of ten – is not something life prepares us for. Comparing and contrasting that with the handling of emergencies as intense and varied as hurricanes, earthquakes, pandemics, Ebola, Zika, the scourge of commonplace tuberculosis or even vaccine-preventable diseases such as measles has left me with a lasting impression of how challenging a 24/7 response can

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be both on me as an individual responder and my team as a collective who must work in concert to ensure the health and well-being of the lives that have been entrusted to us. All these perspectives make me who I am today and make me believe I am the right person to testify about the role public health and healthcare play in our communities each and every day.

So, while I am not dealing every day with the federal budget or spending caps, **I am ready to make the forceful case that an increased investment in health, and not just healthcare, is absolutely necessary for the future of our country.** This investment in health must be predictable, coordinated, and adequate to provide each American with foundational and programmatic public health services have a positive impact on individuals and their communities and in the end save money.

Per a recently convened Public Health Leadership Forum at RESOLV, “All people in America deserve a minimum level of public health protection<sup>1</sup>.” This is simple but absolutely correct. Truly, the monies Congress allocates to public health should not be considered as just expenditures on a budget line but rather an investment in preventing future healthcare costs. A down payment, if you will.

It is a testament to this Committee’s collective wisdom and knowledge that you have extended an invitation to public health to speak on behalf of our field’s impact on both economic vitality and national security. For truly that is what spending on public health also provides. Furthering this notion, an excerpt from a National Association of Chronic Disease Directors (NACDD) recent report, “*Why Public Health is Necessary to Improve Healthcare*,” says the following:

“As the United States seeks ways to regain our economic footing and rebuild prosperity, all should be reminded of the simple but immensely important fact that the nation’s collective health bears both an economic and human cost. Poor health of a population can exert tremendous force on employment rates, interest costs and other tangible factors that ultimately affect the ability to maintain a strong global economic position<sup>2</sup>.”

Poor health impacts every facet of our community. It impacts not just health and healthcare but economic strength, quality of life, development through the lifespan, and overall community resilience. We do not see health as just related to what happens within the four walls of a clinic but what happens everywhere in a community. Health happens where one *Lives, Learns, Works, Worships, and Plays*. We have seen countless studies that have shown that one’s zip code often has a more pronounced effect than even one’s genetic code on one’s health. Health influences what happens in other sectors such as education, transportation, housing, and the

<sup>1</sup> [http://www.resolve.org/site-healthleadershipforum/files/2018/11/PHLF\\_developingafinancingsystemtosupportpublichealth.pdf](http://www.resolve.org/site-healthleadershipforum/files/2018/11/PHLF_developingafinancingsystemtosupportpublichealth.pdf)

<sup>2</sup> [https://cdn.ymaws.com/www.chronicdisease.org/resource/resmgr/white\\_papers/cd\\_white\\_paper\\_hoffman.pdf](https://cdn.ymaws.com/www.chronicdisease.org/resource/resmgr/white_papers/cd_white_paper_hoffman.pdf)

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environment, to name but a few of the connections. Optimizing health is the driver for true human potential – and, in turn, it is key for our nation’s overall collective potential. Public health response helps us prepare for, respond to, and rebound from a host of emergencies or potential for such. Recent hurricanes in 2017 such as Hurricanes Harvey, Irma, or Maria that devastated communities across the United States including Puerto Rico and the U.S. Virgin Islands as well as our own community in Harris County and across Texas, saw scores of public health responders do what they do each and every day. Additionally, the wildfires on the west coast, acts of violence, even responding to volcanic ash in Hawaii has meant that public health responders were there 24/7 hand-in-hand with other first responders to ensure the health and safety of their respective communities.

We know another hurricane, wildfire, earthquake, mass-shooting, disease outbreak, or even terrorist attack will happen. It is not a matter of if but rather when. Public health has responded before and will continue to respond. Yet the capacity of local health departments to respond is not at the levels that it should be at. In fact, emergency preparedness funding at the federal level which supports necessary capacity at the state and local levels has only decreased since the early 2000’s. Some of this capacity-building responsibility has been absorbed and transferred to the state and local levels but some has simply gone away. **Simply put, emergency preparedness capacity is not at adequate levels to protect us. We need a national response strategy that does not react to the latest disaster but is proactive in anticipating and investing in preparedness and resilience strategies needed for the next emergency.**

Health impacts our national security in two key ways. First, infectious diseases such as tuberculosis, HIV/AIDS, and West Nile virus can be readily found in domestic settings. Additionally, diseases such as Ebola, Zika, and even influenza can rapidly travel across the globe and be at our doorstep on a moment’s notice. This highlights the vital interplay between global health and domestic health. Second, chronic health conditions such as heart disease, diabetes, obesity, cancer, and those related to mental health conditions severely decrease the vitality and well-being of our people and our communities. For example, childhood obesity has become such an epidemic in our nation that retired senior military leaders formed “*Mission: Readiness*” to bring awareness and fight this epidemic. The basic premise was that our military had trouble finding fit enough young Americans that could be a part of the military due to obesity and other health-related ailments that made them ineligible to serve our country by enlisting in the military. **We need Congress to view public health as a key partner to build strong and resilient communities.**

I had the honor to testify last year in the House of Representatives Energy & Commerce Committee’s Health Subcommittee. In that testimony, I coined the term that we have an “invisibility crisis” in public health today. Our daily work in public health – whether picking up dangerous animals, spraying for mosquitoes, promoting health and well-being messaging, providing vaccinations, fighting infectious diseases, inspecting restaurants or tending to the environment to keep the public healthy and safe, and a myriad of other examples – often goes

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unnoticed. This invisibility crisis means that we have a real problem in our nation when it comes to recognizing the importance of the often behind-the-scenes work that public health is engaged in each day. Numerous studies well beyond this testimony can and do illustrate this point.

While the invisibility crisis may be the problem, I was taught that one should not ever just talk about problems or issues without offering potential solutions. So, in response to this invisibility crisis of public health, I believe the solution is centered in what I refer to as the three (3) V's of public health, namely **Visibility**, **Value**, and **Validation**. Given the oft-invisible nature of our field, it starts with increasing the **Visibility** of public health. When we increase the visibility of the work we do, others begin to appreciate the **Value** of the work. When there is value for anything, it brings about **Validation** which refers to the notion of validating our work with either pro-health policies or true investment with resources to support the work. This is the **value proposition** of public health and more broadly health for our communities. This is the investment challenge that we have in our country right now.

Let me describe the **3 V's** more specifically especially as they impact the bottom line of investing in the health and well-being of our communities.

#### **Visibility**

Despite the significant impact to a community's overall well-being, public health is largely invisible and under-appreciated. This is further exacerbated when public health agencies are confused for healthcare. This is true especially in a community such as Harris County, which is home to so many outstanding healthcare institutions. Most people operate in their daily lives without noticing that public health is there working to monitor and prevent diseases and addressing other concerns. Though the news may cover a measles outbreak, few tell the countless stories of public health responders who work to ensure the most vulnerable are vaccinated. The prevention of countless outbreaks seldom makes the headlines. **Public health is truly like the "offensive line" of a football team** – rarely recognized for the success of the football team but critical, nonetheless. Unfortunately, if public health is the offensive line, healthcare delivery is the quarterback. And everyone knows the quarterback.

A consequence of public health's prevention efforts being largely invisible is a corresponding dearth of investment in the field of public health. This lack of investment impedes public health's impact on furthering the health of a community. This diminished expenditure is also true of governmental public health agencies where their departmental budgets often fall behind what is necessary and even that of other governmental agencies. It is no surprise that in order to do their work adequately public health agencies must reallocate funding from other focus areas (the so-called "robbing Peter to pay Paul" phenomenon) thus diminishing or delaying targeted goals across multiple community health indicators.

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### Value

Public health agencies and their programs work “upstream”, well before health issues become true problems. They are all about prevention. As we know, “an ounce of prevention is worth a pound of cure.” Though we may know this adage, we simply do not follow it. **Investing in prevention up front means that expensive healthcare costs down the road are averted.** Local health department investments in maternal and child health programs, for example, are associated with a significant reduction of rates of low birthweight in communities.<sup>3</sup> In another fact, the March of Dimes estimates the cost to Medicaid of premature and/or low birthweight babies is nearly ten times the cost of a healthy, full-term baby.<sup>4</sup> In a community such as Harris County, the effect of this relationship is even more pronounced given that Harris County’s uninsured rate of over 20% means that many of the costs of low birthweight fall onto the “safety net” healthcare provider system.

Simply put, public health prevents more expensive healthcare activities. True health is so much more than what happens within the four walls of a doctor’s office, an emergency department, or even a hospital. Healthcare delivery is certainly necessary but not sufficient in achieving true health for our nation. Much of what determines the health of our communities relates to activities happening in the community, well outside of the reach of the traditional healthcare system. This is why it is **important to raise the visibility of public health and in turn raise the value proposition of what the field brings to the table. The offensive line, not just the quarterback, truly does matter.**

### Validation

The final element of this equation, validation, is really what it is all about. As we raise public health’s visibility and show its value, it leads to validation. **Validation by investing in pro-health policies and by true investment of resources.** It’s where the rubber meets the road and begins to turn the tide against the sea of spending that is made in the healthcare system further downstream. Validation is critical as it ensures that our investment is made upstream in prevention.

According to a recent report published by AcademyHealth, “the evidence is nearly unanimous that higher total public health spending is tied to better health outcomes<sup>5</sup>.” Investment up-front translates into a multitude of community-wide benefits. Early investments in public health would create long-term savings in healthcare, education, the workforce and the economy, to name but a few. **Investing in public health is not just about improving health, it is about investing in our people, our communities.**

The evidence is growing that cuts to public health create a false economy, by saving pennies today, governments wind up with a dollar of cost tomorrow. A recent study in Public Health

<sup>3</sup> <https://www.ncbi.nlm.nih.gov/pubmed/24842733>

<sup>4</sup> <https://www.ibm.com/downloads/cas/WWDZPDL2>

<sup>5</sup> <https://www.academyhealth.org/publications/2018-06/return-investment-public-health-system-spending>

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Reports found that a 10% increase in local public health expenditures corresponded with 7.5% fewer cases of infectious diseases and a decrease in 1.5% Years of Potential Life Lost – a technical term to measure premature mortality<sup>6</sup>. A recent systematic review of 18 different public health programs found that investments in local public health had calculated substantial, positive ROIs<sup>7</sup>.

Yet today, rather than investing in public health, I can tell you we are doing absolutely the opposite. Increasingly constrained budgets with unpredictable futures mean that public health agencies across the country – whether large or small – are making priority decisions based not on true community health needs but on fiscal considerations. And related to budgetary considerations and spending caps, if community health impacts when making budgetary decisions are not given the highest priority, it will make this discussion only about dollars. The current value proposition would worsen and pressure further the budgetary inequities that are already in place. Fiscal cuts to public health are too costly, not sustainable, and cannot be made across the board or in a vacuum. **Public health truly matters, and careful deliberation and intention must be given to ensure budgetary decisions reflect the complexities and nuances of public health's value proposition.**

The entire public health system including the workforce needs investment and public health foundational capabilities should be seen as part of the nation's key infrastructure. As mentioned, the RESOLV convened <sup>8</sup>national experts in the public health community to begin developing policy options for long-term, sustainable financing (I was also invited to serve as a contributor). After much deliberation, PHLF proposed establishing a Public Health Infrastructure Fund as a means to close the gap in foundational public health capabilities across the country. This of course would require a significant transformation of the American public health system supported by dedicated, sustainable resources. The fund would be resourced by new dollars to address the \$4.5 billion shortfall in public health funding across the board nationally.

According to the respected non-partisan policy group, Trust for America's Health, "the United States spends \$3.5 trillion annually on health, but only 2.5 percent of that spending is directed to public health. That equates to an average public health expenditure of about \$280 per person. By contrast, total healthcare spending in the United States in 2017 was \$10,739 per person<sup>9</sup>." We know prevention works, yet we are not investing adequately in it. In addition to the infrastructure elements as above, major investments in public health workforce development are needed. Public health has traditionally struggled to retain highly talented and qualified individuals due to non-competitive salaries.

<sup>6</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3234401/>

<sup>7</sup> <https://www.ncbi.nlm.nih.gov/pubmed/28356325>

<sup>8</sup> [http://www.resolv.org/site-healthleadershipforum/files/2018/11/PHLF\\_developingafinancingsystemtosupportpublichealth.pdf](http://www.resolv.org/site-healthleadershipforum/files/2018/11/PHLF_developingafinancingsystemtosupportpublichealth.pdf)

<sup>9</sup> <https://www.tfah.org/report-details/trust-for-americas-healths-legislative-priorities-for-the-116th-congress-january-2019/>

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This problem gets compounded when budget cuts lead to workforce reduction. Reductions in the public health workforce strain the ability of state and local public health departments to protect and promote population health. From 2012-2016, the estimated number of full-time health agency employees slightly decreased (at least better news than the significant decreases of previous years). But to make things worse, according to the recent Public Health Workforce Interests and Needs Survey (PH WINS) survey, 38 percent of workers plan to leave their current position before 2020<sup>10</sup>. And this is not only about the number but also about the core competencies of these people. In particular, there is a need for increased training for existing staff in the data science skills necessary to understand public health issues impacting communities. Artificial intelligence (AI), machine learning, natural language processing, are powerful tools that are often missing in a local public health agency's toolbox. While retraining and upskilling workforce is a massive endeavor, it would allow this gap to be addressed.

Truly, Congressional investments in public health can be validated by improvement in key outcomes such as: life expectancy, rates of preventable diseases, and improved resilience to disasters and public health emergencies. These outcomes can further be validated by the prevention of poor outcomes: diseases that are not spread; diabetes that never manifests; overdose or suicide deaths that never occur. Validation comes in the form of stronger national security: a population fit to serve; the necessary capacity to respond to bioterrorism; and robust global surveillance and prevention program to stop diseases that might otherwise enter.

### Conclusion

The Centers for Disease Control and Prevention (CDC) announced last fall that life expectancy in the United States had declined again in 2017, a dismal trend not seen since World War I, largely due to heart disease, stroke and diabetes, suicides, and drug overdoses. In my own community, this very week, we confirmed three cases of measles, a terrible, deadly disease that is making a comeback into our communities. Clark County, Washington, far smaller than Harris County, is dealing with a measles outbreak involving over 40 cases. And the list goes on.

While I am not immersed in Congressional budgets every day, I can confidently testify that public health funding must be given high priority. I know this because of my experience and expertise in health. Current funding is inadequate, and we are losing the battle. If nothing changes, we will get more of the same: more disease, diminished quality of life, and lower life expectancy. My experience teaches me how to prevent this from happening and reminding me how much anguish and suffering will be felt if we don't.

My experiences from a health systems stand-point, as a healthcare provider, and the son of both parents who themselves experienced likely preventable health conditions and then the challenge of helping them navigate the healthcare system, all lead me to the same conclusion: **we can and must do better. Investing in health up-front is critical to our success as a nation.**

<sup>10</sup> <https://www.debeaumont.org/phwins/>

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Failure to do so will lead us to where we already are and that is not where anyone of us should be satisfied with from a health stand-point.

We are at a crossroads. It will be up to the wisdom and judgment of our elected leaders – all of you in Congress – to either act now and invest in public health or react later and overspend dearly to undo that which could have been prevented. As per “The Future of the Public’s Health in the 21<sup>st</sup> Century” landmark report by the Institute of Medicine in 2003, “In the United States, governments at all levels (federal, state, and local) have a specific responsibility to strive to create the conditions in which people can be as healthy as possible<sup>11</sup>.” This indeed captures it all. We can and must do more – and we must do it together.

On behalf of Harris County Public Health, and the nearly 3,000 local health departments across the country, I appreciate again the opportunity to testify today. We join you in strengthening a public health system that protects our economic vitality and national security. Thank you for all you do in building safe, healthy, and protected communities where we live, learn, work, worship, and play, across this great nation of ours.

Thank you.

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<sup>11</sup> <https://www.nap.edu/read/10548/>

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Chairman YARMUTH. All right. The last witness is Mr. Gray.

You have got a—quite a tradition to follow. The three have been amazingly observant of the time limit. But you are recognized for five minutes.

**STATEMENT OF GORDON GRAY, DIRECTOR OF FISCAL  
POLICY, AMERICAN ACTION FORUM**

Mr. GRAY. Chairman Yarmuth, Ranking Member Womack, and members of the committee, it is an honor to be before you today to discuss the need to fund the nation's economic and defense priorities. Like Ms. Abernathy, I also was a staffer to the Budget Committee—albeit on the Senate side, please don't hold it against me—so it is a personal honor to be asked to appear before you today and I thank you for that.

I would commend this committee for holding this hearing now, anticipating the need to address responsibly the reset of the Budget Control Act discretionary spending limits for fiscal year 2020.

In my testimony I wish to make three basic observations.

First, the Budget Control Act has been a valuable budget mechanism, making a meaningful downpayment on deficit reduction, while imposing a useful disciplining mechanism on discretionary spending decisions.

Second, with that said, since the failure of the super-committee and the imposition of sequestration, Congress has essentially been playing catch-up in two-year increments. Some of these efforts are more worthy of replication than others, in my judgement.

Third, the congressional budget process is well suited to addressing the need to responsibly fund discretionary spending priorities in a divided Congress.

I will briefly discuss these in turn.

In 2011 CBO estimated that the initial round of the Budget Control Act caps was estimated to reduce the deficit by about 750 billion to nearly \$1 trillion over the budget window, depending on certain assumptions. That is real money. And given the nation's fiscal outlook, was a salutary policy accomplishment by the 112th Congress and the Obama Administration.

But between the three major elements of the federal budget—discretionary, mandatory, and tax—discretionary spending is the easy part. Congress, embodied by super-committee, failed on the hard part, and the result was sequestration, a sub-optimal policy regime that unduly focuses on discretionary spending, in my judgement. Realigning this policy necessarily means shifting the focus away from discretionary spending.

I believe the first two bipartisan Budget Acts are good examples of that tradeoff in practice. Eventually, Congress, be it this one or a future one, will need to embark on a significant fiscal consolidation, an idea BBA 2020 would embrace that approach. Fund our national priorities and more than pay for it. A second-best option would at least pay for it in the spirit of the bipartisan Budget Acts of 2013 and 2015.

And my final point is that the congressional budget process could facilitate this compromise if members choose to embrace it for that purpose. It would allow the chamber to express the will of its members, while also facilitating potential compromise with the Senate.

It has the added benefit of beginning now, rather than in the waning days of the fiscal year. In short, the budget process is there for a reason, and is well suited to the purpose before us today, but is only as useful as the members want it to be.

Thank you again for the privilege of being before you today, and I look forward to your questions.

[The prepared statement of Gordon Gray follows:]

Investing in America's Economic and National Security

Testimony to the U.S. House  
Committee on the Budget

Gordon Gray  
American Action Forum\*

February 7, 2019

\*The opinions expressed herein are mine alone and do not represent the position of the American Action Forum.



## Introduction

Chairman Yarmuth, Ranking Member Womack and members of the Committee, I am honored to be before you today to discuss the need to responsibly fund the nation's defense and domestic priorities. I commend this Committee for holding this hearing now, anticipating the need to address responsibly the reset of the Budget Control Act (BCA) discretionary spending limits for FY2020.

In my testimony, I wish to make three basic observations:

- The BCA made an important down-payment on what will need to be a significant fiscal consolidation, and reinstated a more formal disciplining process on discretionary spending;
- The original conception of the BCA and two follow-on amendments provide a valuable model against which to compare future cap adjustment legislation;
- The congressional budget process is well suited to addressing the need to responsibly fund discretionary spending priorities in a divided Congress.

Let me discuss these in turn.

## The Evolution of the Budget Control Act

On August 2, 2011, the president signed the Budget Control Act (BCA) of 2011. The BCA re-imposed a regime of discretionary spending caps that had previously been in place through the 1990s and lapsed in 2002. At the time of its enactment, the Congressional Budget Office (CBO) estimated that the discretionary spending caps would reduce the primary deficit by \$756-\$935 billion over the period 2012-2021.<sup>1</sup> The BCA provided an automatic enforcement mechanism, an across-the-board rescission of budget authority (BA), a sequester, in the event that those caps were breached

The BCA also created the Joint Select Committee on Deficit Reduction, also referred to as the "Super Committee," charged with producing legislative recommendations to reduce the deficit by at least \$1.2 trillion, over and above the savings produced by the imposition of the discretion caps alone. The "hard" part of deficit reduction, specifically changes to mandatory spending programs and tax reform, was supposed to have been the responsibility of the Super Committee.

When the Committee failed to reach consensus, the BCA imposed a fallback mechanism, variously referred to as the "Joint Committee Reductions," "Automatic Spending Reductions," or more colloquially just as the "sequester." This mechanism

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<sup>1</sup> <https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/costestimate/budgetcontrolactaug1.pdf>

was designed to achieve the \$1.2 trillion in deficit savings (including interest costs) that the Super Committee failed to deliver, albeit in a substantially different form.<sup>2</sup>

Upon the failure of the Super Committee, the BCA required the Office of Management and Budget (OMB) to issue a sequestration order on January 2, 2013 cancelling \$109 billion in budget authority, split evenly between defense and non-defense categories, already enacted for FY2013 – a true sequester of budget authority already in place.<sup>3</sup> For FY2014-2021, discretionary savings result from spending caps lowered by about \$90 billion per year below the original BCA discretionary caps. Remaining savings would come from cancelation of mandatory budget authority through an annual sequestration order.<sup>4</sup>

CBO interpreted the automatic enforcement process as requiring \$1.2 trillion in total budget authority reductions. Accordingly, CBO's estimate of the impact of the automatic enforcement process under the BCA assumes a \$984 billion reduction in programmatic budget authority, rather than outlays. CBO also estimated that the sequestration process would result in an offsetting increase in outlays of \$31 billion. CBO's estimates of the associated debt service savings are also smaller than 18 percent. Accordingly, CBO's estimate of a \$1.2 trillion BA reduction consistent with the BCA would reduce the *deficit* by \$1.057 trillion. The CBO's BA estimates follow:

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<sup>2</sup> <https://www.cbo.gov/publication/49889>

<sup>3</sup> [http://www.cbo.gov/sites/default/files/09-12-BudgetControlAct\\_0.pdf](http://www.cbo.gov/sites/default/files/09-12-BudgetControlAct_0.pdf)

<sup>4</sup> *ibid*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
<b>Defense</b>										
Mandatory sequestration	*	*	*	*	*	*	*	*	*	*
Reduction in the cap on discretionary BA	-55	-55	-55	-55	-55	-55	-55	-55	-55	-492
<b>Total - Defense</b>	-55	-55	-55	-55	-55	-55	-55	-55	-55	-492
<b>Nondefense</b>										
Mandatory sequestration										
Medicare (2 percent limit)	-11	-11	-12	-13	-13	-14	-15	-16	-17	-123
Other nonexempt programs	-3	-3	-4	-4	-3	-3	-3	-3	-3	-30
Redistributed Cuts from Medicare Limitation	-2	-2	-2	-2	-2	-2	-2	-2	-2	-17
Subtotal - Non-Defense Mandatory	-16	-17	-18	-19	-19	-19	-20	-21	-22	-170
Reduction in the cap on discretionary BA										
Preliminary Reductions	-25	-24	-24	-23	-23	-23	-22	-21	-21	-206
Redistributed Cuts from Medicare Limitation	-14	-14	-13	-13	-13	-13	-12	-12	-12	-116
Subtotal - Non-Defense Discretionary	-39	-38	-37	-36	-36	-36	-34	-33	-33	-322
<b>Total - Non-Defense</b>	-55	-55	-55	-55	-55	-55	-55	-55	-55	-492
<b>Memorandum</b>										
Percentage Cut to Nonexempt Budget Accounts										
Defense	10	9.8	9.7	9.5	9.3	9.1	8.9	8.7	8.5	
Non-Defense										
Discretionary	7.8	7.4	7.1	6.8	6.6	6.4	6.1	5.8	5.5	
Mandatory										
Medicare	2	2	2	2	2	2	2	2	2	
Other	7.8	7.4	7.1	6.8	6.6	6.4	6.1	5.8	5.5	

To forestall the imposition of the sequester, the president signed the American Taxpayer Relief Act (ATRA) of 2012, which addressed a number of major expiring provisions contributing to what was referred to as a “fiscal cliff.” Among these provisions was the sequestration set to take place on January 2. The Act delayed these cuts by two months – pushing the order to March 1, 2013. It also reduced the amount to be sequestered to \$85 billion, again split evenly between defense and non-defense funding.<sup>5</sup>

OMB issued a sequester order pursuant to ATRA on March 1, 2013, and cancelled \$85 billion in enacted budgetary resources for the balance of the fiscal year. The order reduced defense funding by \$42.6 billion, non-defense discretionary funding by \$25.8 billion, and non-defense mandatory spending by \$16.9 billion.<sup>6</sup>

<sup>5</sup> <https://www.cbo.gov/sites/default/files/American%20Taxpayer%20Relief%20Act.pdf>

<sup>6</sup> [https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/legislative\\_reports/fy13ombjcsequestrationreport.pdf](https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/legislative_reports/fy13ombjcsequestrationreport.pdf)

Federal funding faced a troubled road in the remainder of 2013, including a partial government shutdown beginning October 1, 2013, owing to a failure between the House and Senate to agree to discretionary spending levels and other policy matters. On October 16, Congress passed a continuing resolution through January 15, 2014, that provided \$986 billion in overall discretionary budget authority (BA) on an annualized basis for FY2014.<sup>7</sup>

### **The Architecture of a Budget Compromise**

On December 26, 2013, the president signed into law the Bipartisan Budget Act of 2013, which established discretionary spending levels and enforcement provisions, for FY2014 and FY2015. This was designed to mitigate the effects of the reduced spending caps, add certainty to the appropriations process and reduce the likelihood of future government shutdowns. The Act set overall discretionary spending by a combined \$63 billion above the lowered caps for FY2014 (\$44.8 billion) and FY2015 (\$18.5 billion), split evenly between defense and non-defense funding. Importantly, in exchange for these increases in the discretionary spending, the Bipartisan Budget Act of 2013 enacted \$85 billion in gross deficit reduction as estimated by the CBO.<sup>8</sup> These changes came from relatively modest mandatory programmatic savings, fee increases, and indirect revenue increases. As part of this compromise, lawmakers extended the mandatory sequester until FY2023. Two months later, Congress essentially repealed a controversial provision related to veterans' retirement, and extended the mandatory sequester until 2024.<sup>9</sup>

On November 2, 2015, President Obama signed into law the Bipartisan Budget Act of 2015, which established discretionary spending levels and enforcement provisions, for FY2016 and FY2017. The Act provided relief to both defense and domestic discretionary spending from the "post-sequester" spending levels that would have otherwise prevailed. These revised caps reflected increases of \$50 billion and \$30 billion for FY2016 and FY2017, again split evenly between defense and non-defense discretionary spending. As with the Bipartisan Budget Act of 2013, the increases to the discretionary spending limits were offset with modest mandatory programmatic savings, fee increases, and non-tax revenue increases. The Act included another extension of the BCA's mandatory sequester until FY2025. According to CBO, the Bipartisan Budget Act of 2015 was essentially deficit-neutral, with the programmatic savings and collections roughly offsetting the higher discretionary spending.<sup>10</sup>

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<sup>7</sup>

[https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/legislative\\_reports/sequestration/sequestration\\_update\\_august2013.pdf](https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/legislative_reports/sequestration/sequestration_update_august2013.pdf)

<sup>8</sup> <https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/costestimate/bipartisan-budget-act-20130.pdf>

<sup>9</sup> <https://www.congress.gov/113/plaws/publ82/PLAW-113publ82.pdf>

<sup>10</sup> <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/costestimate/hr1314.pdf>

Most recently, lawmakers enacted the Bipartisan Budget Act of 2018. This Act provided more substantial increases to both the defense and non-defense discretionary caps than had prior BCA amendments. For FY2018, the Act increased the defense and non-defense caps by \$80 billion and \$63 billion, respectively. For FY2019, the Act provided for defense and non-defense cap increases of \$85 billion and \$67 billion.<sup>11</sup> These cap increases were included in broader legislation that among other provisions, provided substantial disaster relief funding and extensions to health and tax policies. The Act also included a two-year extension to the mandatory sequester provision of the BCA, and a reduction in the Strategic Petroleum Reserve.<sup>12</sup> Unlike past Bipartisan Budget Acts, these savings only partially offset the additional spending provided for under this Act.

Under current law, the FY2020 caps on defense and non-defense discretionary spending are \$71 billion and \$55 billion below those of FY2019, respectively, setting up a \$126 billion “cliff” in discretionary funding levels for next year. The recent history of the BCA suggests that policymakers essentially have three approaches to addressing this cliff. First, Congress could embark on a substantial fiscal consolidation that on net reduces the deficit but accommodates discretionary funding relief against the BCA caps. Second, Congress could provide discretionary funding relief and offset those changes with incremental mandatory savings, fee increases, and indirect revenue increases. Last, Congress could simply add the funding increases to the deficit.

As highlighted by the CBO’s most recent *Budget and Economic Outlook*, the nation’s present fiscal trajectory is unsustainable and risks a fiscal crisis if left unaddressed. An eventual U.S. fiscal consolidation is inevitable – the only question is how much discretion policymakers choose to exercise over the timing and composition of that consolidation. The sooner policymakers embark on this effort, the more gradual and less drastic those changes will need to be. While this “grand bargain” is an elusive policy goal, it remains within this Congress’s discretion to pursue it.

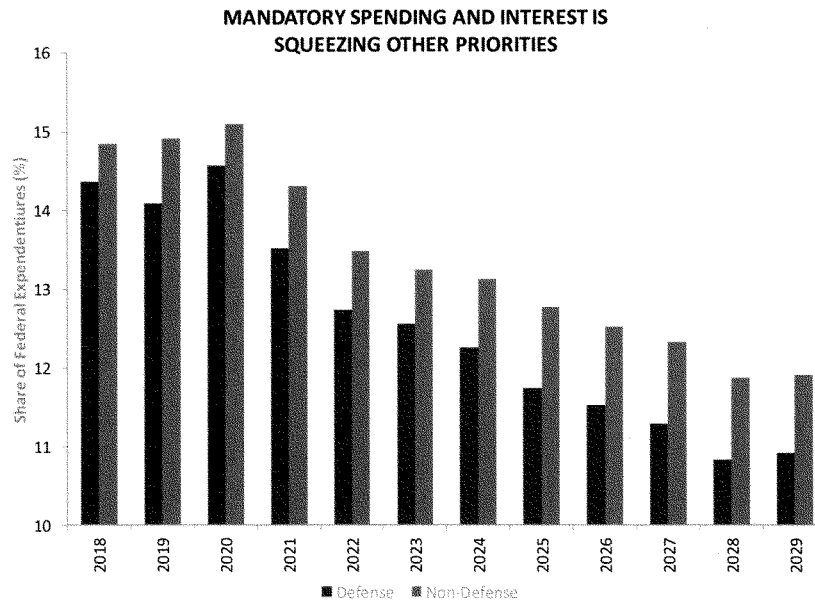
Beyond the unlikely outcome of a grand fiscal bargain that accommodates discretionary funding increases, is the second approach mirrored by the Bipartisan Budget Acts of 2013 and 2015. These Acts included a potpourri of small policy changes, including some that observers consider “gimmicks,” that at least offset the Acts’ discretionary funding increase. While these compromises did not achieve substantial fiscal reforms, at a minimum they hewed to the laudable concept that the discretionary funding should be at least nominally offset. Moreover, while the Acts did not include substantial programmatic reforms, even small policy changes to mandatory programs can accrue substantial savings and yield net deficit reduction

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<sup>11</sup> <https://www.whitehouse.gov/wp-content/uploads/2018/08/Sequestration-Update-August-2018-House.pdf>

<sup>12</sup> <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/bipartisanbudgetactof2018.pdf>

over time.<sup>13</sup> The architecture of the Bipartisan Budget Acts of 2013 and 2015 also reflect the budgetary pressure animated by the growth in mandatory spending and debt service.



The composition of federal expenditures has changed dramatically over the last several decades. Whereas discretionary spending comprised over two-thirds of federal expenditures in the 1960s, today that ratio has essentially inverted. Today, Congress has annual discretion over only about one-third of federal expenditures. The Bipartisan Budget Acts of 2013 and 2015 reflected this reality and exchanged savings in faster-growing mandatory programs (among other offsets) for discretionary funding relief.

Last, Congress could choose simply to add the additional funding to the deficit either in whole or in part, as was done with the Bipartisan Budget Act of 2018. While certainly more expeditious, this approach would exacerbate the deteriorating budgetary outlook and impose greater costs on future generations. Simply borrowing the additional spending increases also abandons the need to make the difficult policy tradeoffs that prioritize federal spending decisions. The disciplining mechanism of living within a budget is therefore worthwhile for its own sake.

### **The Budget Process is Well Suited for Addressing this Challenge**

<sup>13</sup> <https://www.americanactionforum.org/insight/not-all-savings-are-created-equal/>

Last year's Congress, including several members of this Committee, should be commended for their efforts to improve the congressional budget process. While the Joint Select Committee on Budget and Appropriations Process Reform did not result in changes to the Congressional Budget Act of 1974 (Budget Act) or other formal budgetary processes, the effort underscored wide belief that the budget process remains a valuable avenue for facilitating compromises if members choose to use it.

Congress will likely pursue some form of relief against the \$126 billion decline in discretionary funding for FY2020. In a divided Congress, the House and Senate will no doubt have different views on how that relief should be structured. While often dismissed as partisan messaging exercises, the budget process need not be so frivolous. Indeed, both chambers could provide for discretionary funding relief in their respective budget resolution and include reconciliation instructions that should produce a continuum of possible offsets. The conference process contemplated (though infrequently invoked) in the Budget Act would offer a formal and deliberate mechanism for finding compromise. The process allows each chamber to express its collective will, but ultimately assumes that both sides must bridge that divide to effectuate a change in law. It would be an improvement of recent practice to have that process well underway in April than in the waning days of the fiscal year. Budget season officially began with the release of the CBO January baseline, and this Committee has a unique opportunity to improve over recent practice and leverage the budget process to fund the nation's economic and security priorities responsibly.

### **Conclusion**

The BCA has proven to be a periodic thorn in the side of Congress and program advocates since its inception. With due respect to this body, that is good thing. The discretionary spending caps have introduced a disciplining mechanism on federal discretionary spending that, irrespective of any budgetary savings, are sound policy practice. That the spending caps, all else being equal, have also produced budgetary savings is so much the better. The sequestration-level spending caps that currently prevail in current law plainly reflect the failure of the Super Committee (and Congress at large) to deliver on the hard part of the BCA. Congress pursued responsible offsets to these further reductions, and in so doing, did not let itself off the "hook" for the Super Committee's failure. That effect is laudable, and worth retaining in future budget compromises. The formal budget process is an ideal vehicle for pursuing that compromise. I thank the Committee for the invitation to appear today and look forward to your questions.

Chairman YARMUTH. You did even better than everyone else. Congratulations.

Thank you all for your testimony. And now the ranking member has arrived, and he is certainly entitled to make his opening statement. I recognize him now.

Mr. WOMACK. I thank the gentleman from the great Commonwealth of Kentucky for giving me this opportunity. I apologize for being a bit tardy. We have been praying for our country this morning, and—

Chairman YARMUTH. You weren't in executive time.

Mr. WOMACK. No, no executive time, yes. It was for noble purposes.

But good morning, and thank you to everyone for being here as we discuss budgetary caps and our fiscal future. Today we highlight the challenges related to discretionary caps and the competing spending priorities that will be impacted by them.

Here is the reality. If money were not an object, we wouldn't have to worry about spending and funding all sorts of great programs. But federal spending is on an unsustainable path. This is exactly why we are here - to budget and set the priorities of our nation. The Budget Committee needs to do this with an understanding that it is tough work to discern between the things that we want and the things that we actually need.

With regard to the specific topic of this hearing, I believe that the discretionary caps imposed since 2011 have had value. They still have value today, and should be extended and increased gradually, particularly to accommodate for spending on defense. Our Founders made providing for the common defense a priority from the beginning - it is mandated in the Constitution. It is up to Congress to fulfill this duty.

After years of harmful budget cuts that had previously impaired our defense, we finally returned to a point where our military leaders and troops have the resources needed, and some certainty, to do their duty. Stable funding allows our military members to plan and meet growing needs and threats. We can't build America's military by drastically cutting resources. We need consistent and stable funding as an investment in our continued security.

This also means that we need to address the long-term fiscal health of our country as a national security issue - which brings us back to the main topic of this hearing. We are here to discuss discretionary caps, but this conversation - while important - is a waste of time without a plan to address the true drivers of out-of-control deficits and debt, and that is mandatory spending.

So I have asked my friends, and I asked them last week, and I will ask again: Where is the plan?

Again, mandatory spending is clearly driving up deficits and debt. Our nation's fiscal trajectory will remain unchanged if we don't address this fact. The pot of money we have to spend also gets smaller and smaller, with ideas for Medicare - for - All, "free college," and other initiatives touted by my Democrat colleagues.

Rather than encouraging spending that will financially drive our country to the ground, I believe Congress needs to face mandatory spending head on. We cannot tax our way out of this problem. And to believe we can do so is being intellectually dishonest. Eventu-



ally, without reform, federal revenues will only be sufficient to cover mandatory programs and interest payments, and that is a scary scenario for everyone.

We need to work together to confront this issue. In an ideal world, we would have a functioning budget process in Congress, and the Budget Committee would set the top-line spending levels for the appropriators to fill in the details. As we keep working toward the goal, I think it makes sense to both increase and extend the caps going forward, while finding ways to address our out-of-control mandatory spending.

I look forward to a productive conversation with today's witnesses. I thank the witnesses for being here, and I thank you, Mr. Chairman. And I yield back the balance of my time.

[The prepared statement of Steve Womack follows:]

## **Ranking Member Womack Opening Remarks for Hearing Entitled: *Investing in America's Economic and National Security***

### *Remarks As Prepared For Delivery:*

Good morning, and thank you to everyone for being here as we discuss budgetary caps and our fiscal future. Today we will highlight the challenges related to discretionary caps and the competing spending priorities that will be impacted by them.

Here is the reality: if money weren't an object, we wouldn't have to worry about spending and funding all sorts of great programs. But federal spending is on an unsustainable path. This is exactly why we are all here – to budget and set the priorities of the nation. The Budget Committee needs to do this with an understanding that we must discern between our needs and our wants.

With regard to the specific topic of this hearing -- I believe that the discretionary caps imposed since 2011 have had value. They still have value today, and should be extended and increased gradually, particularly to accommodate for defense spending. Our Founders made providing for the common defense a priority from the beginning – it's mandated in the Constitution. It's up to Congress to fulfill this duty. After years of harmful budget cuts that have previously impaired our defenses, we have finally returned to a point where our military leaders and troops have the resources needed to do their duty.

Stable funding allows our military members to plan and meet growing needs and threats.

We can't build America's military might by drastically cutting resources. We need consistent and stable funding as an investment in our continued security. This also means that we need to address the long-term fiscal health of our country as a national security issue –which brings us back to the main topic of this hearing.

We are here to discuss discretionary caps, but this conversation – while important – is a waste of time without a plan to address the drivers of our out-of-control debt: mandatory spending. I asked my friends on the other side of the aisle last week - what is their plan to address the growing debt? It has been quiet.

I'm waiting to see their plan.

Again, mandatory spending is clearly driving up deficits and debt. Our nation's fiscal trajectory will remain unchanged if we don't address this fact. The pot of money we have to spend also gets smaller and smaller with the ideas of Medicare-for-All, "free

college," and other initiatives touted by my Democratic colleagues. Rather than encouraging spending that will financially drive our country to the ground, Congress needs to face mandatory spending head on. We cannot tax our way out of this problem. Eventually, without reform, federal revenues will only be sufficient to cover mandatory spending and interest payments on the nation's debt. That is a truly scary scenario.

We need to work together to confront this issue.

In an ideal world, we would have a functioning budget process in Congress, and the Budget Committee would set the topline spending level for the appropriators to fill in the details. As we keep working toward that goal, I think it makes sense to both increase and extend the caps going forward, while finding ways to address our out-of-control mandatory spending. I look forward to productive conversations with today's witnesses. Thank you, and with that, I yield back to Chairman Yarmuth.

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Chairman YARMUTH. I thank the ranking member. And if any other members have opening statements, you may submit those statements in writing for the record.

We will now begin our questioning. And I yield five minutes to Mr. Moulton of Massachusetts.

Mr. MOULTON. Thank you very much, Mr. Chairman. I just want to refer briefly to the comments made by the ranking member, a good friend and colleague of mine, who rightly brings up the challenges that we face as a country. And he said that we cannot tax our way out of this. But we certainly have tax-cut our way into it. And the deficits that have been created by the Trump tax cuts are unprecedented in our nation's history.

I also sit on the Armed Services Committee, so I have a perspective on our national defense from that committee seat, as well. And when the Secretary of Defense and the Chairman testified before the committee two years ago, I asked them whether investment in non-defense discretionary spending was important for our national security, and they both made it clear, unequivocally, that it is.

Yesterday General Hecker from the Air Force, testifying before the committee about the worldwide counter-terror fight, said, "We have seen that the military solution isn't working." What he meant by that is that critical to the fight against terror is that we have a political plan, that the State Department efforts on the ground are critical to the mission of our troops. This view has been echoed by General Petraeus, General Dunford, Secretary Gates, and many, many other defense professionals.

Mr. Kosiak, can you talk about how cuts to the State Department impact the mission of our troops in Afghanistan, in Iraq, and in other counter-terror fights around the world?

Mr. KOSIAK. I think, clearly, another quote is General Mattis, I think, a year or so ago, who said that, "If you don't fully fund the State Department's budget, you have to buy me more ammunition." So I think the military and former military clearly recognize the importance that international affairs spending plays in national security.

The—obviously, the State Department, USAID play critical roles in areas like Afghanistan, trying to build that economy, in other areas, trying to build up and prevent failed states. In Syria, critical, absolutely critical role in providing humanitarian assistance.

And a large part of the State Department budget and international affairs budget, you have to remember, is not—you know, it is sometimes referred to as soft power, but they are very hard-nosed analysts and decisions made as to where that funding goes. And a lot of it goes to protecting diplomatic personnel around the world, and embassy security around the world.

A lot of it goes to economic and security assistance to key allies, like Israel, Jordan, Egypt. A lot of it goes to funding operations in areas of the world where we have UN peacekeeping to avoid having to have U.S. forces go there. So it is—I think a lot of it is very critically linked and closely linked to national security.

Mr. MOULTON. In my experience as an infantry officer on the ground in Iraq, there were many times when I was asked to do jobs that I was unprepared for and untrained for, because they were State Department jobs, but the State Department wasn't there.

We also have a basic recruiting problem, where 70 percent of the 17 to 24-year-olds can't meet the basic requirements for military service, based on education or health standards.

Ms. ABERNATHY, how does the U.S. compare with other developed countries, in terms of investment devoted to education?

Ms. ABERNATHY. So we are right about the middle. It is hard to make an apples-to-apples comparison, because the U.S. funds public education in a very different way than many other nations, and that most of the K through 12 funding is at the state and local level, not the federal level.

But when you look at something that OECD calls public education funding—

Mr. MOULTON. So we are basically in the middle.

Ms. ABERNATHY. We are about the middle—

Mr. MOULTON. So if we want to be an average country, we are doing just fine.

Ms. ABERNATHY. Right.

Mr. MOULTON. We are all set.

Ms. ABERNATHY. We are about in the middle, in terms of investment. We are not about in the middle in terms of achievement, though.

Mr. MOULTON. Dr. Shah, I just want to get back to your testimony on public health. I want to make a few things clear.

How will failing to raise the non-defense discretionary caps affect dealing with the following: the opioid crisis?

Dr. SHAH. So I think it is really important—

Mr. MOULTON. I am going to go through a lot, so try to be quick.

Dr. SHAH. Okay. So really important to remember that we are already at a lower investment in public health, so when we start to decrease, we are further decreasing where we are—

Mr. MOULTON. So we will make the opioid crisis worse.

Dr. SHAH. It potentially could, and that is—

Mr. MOULTON. What about chronic disease?

Dr. SHAH. Chronic disease is the area that I am most concerned about, and I actually bring opioid crisis and chronic disease together in the form of mental health issues, as well.

Mr. MOULTON. What about the health of kids in school?

Dr. SHAH. Childhood development is absolutely critical to the success of our country, and further cuts would also diminish that development.

Mr. MOULTON. What about cancer research?

Dr. SHAH. Cancer research depends on how we go about doing the cuts, because there are—obviously, there is cancer research and there is also provision of cancer care. But in terms of—

Mr. MOULTON. What about the training of U.S. doctors at the VA? Seventy percent of all U.S. doctors are trained at a VA facility.

Dr. SHAH. So I am proud to—this will be my 20th year of working in an emergency department setting at the Michael E. DeBakey VA Medical Center in Houston, taking care of veterans. And I would say that the VA hospitals are fantastic at caring for and—veterans, but also incredibly important for the education of our future health care workforce. And any critical cuts to those is a real serious deficit to health care education, and we have to make sure that we don't let that happen.

Mr. MOULTON. Thank you, Mr. Chairman.

Chairman YARMUTH. The gentleman's time has expired. As we do normally, the ranking member and I are going to defer our questioning time until the end. So I now recognize Mr. Woodall from Georgia for five minutes.

Mr. WOODALL. Thank you, Mr. Chairman.

The Chairman accurately noted Republicans' past improvements to health care opportunities for our veterans didn't fully fund those opportunities. I would point out we have got a bill coming to the floor today and tomorrow that passed by unanimous consent last year that both improved opportunities for our veterans and paid for those opportunities. And yet, when it came back in this Congress, having passed the Committee unanimously last year and passed the floor unanimously last year, those pay-fors have mysteriously dropped out, and we are once again going to make promises to our veterans that we are not going to pay for.

So I want to ask you, Ms. Abernathy, because you have seen it from the inside out. You pointed accurately to a promise we have made over IDEA, and absolutely never funded. The temptation, though, as a legislator, as you well know, is to come up with a new Woodall plan for saving education. It is to make new promises, instead of going back and funding old promises.

As you look at the federal role in education and the need to invest more, would you dedicate those additional dollars towards fulfilling past broken promises, or to make yet a new round of promises?

Ms. ABERNATHY. I think there is plenty of need for education investments along the continuum.

Mr. WOODALL. Need, yes. But money, no. So if we have a limited amount of money, do you see new priorities that are more important than the old priorities we haven't funded? Or should we aim for 100 percent of the past before we make a new round in the future?

Ms. ABERNATHY. I think it is always important to assess what the needs are. You know, 15 years ago we would not have thought about the need to have digital learning in schools. So if you had focused only on what was undone in the 1960s you wouldn't be doing anything that you need to do now.

So there is a—there has to be a mix of reassessing every year what the highest priorities are.

Mr. WOODALL. Of course there does. It would be my hope that we would either decide that we are going to fully fund the disability funding for our local schools or to say, no, we are not going to pay that 40 percent. We said we were, but we are not. What we are really going to pay is closer to 10 percent, and then let's keep that promise instead.

The history of broken promises, I think, undermines support across the board, because you can't count on what that new round is, which means to you, Mr. Gray, I appreciate what you had to say. Nobody wanted the caps that we have today. This is a function of failure. We created a joint select committee, said, "Look at it all. Look at it all, over a decade's long horizon, and agree on something that makes a difference," and they walked out three months later having agreed on—how much did they agree on changing?

Mr. GRAY. I believe that was none.

Mr. WOODALL. Not one penny of change in either direction.

So you still believe, looking at the Congress as it exists today, that we can come together in a way that keeps that bipartisan promise of 2011 to say we do want to invest more in these domestic priorities, but we also don't want to pass that bill on to our children and grandchildren we care enough about it to pay for it today?

Mr. GRAY. It would certainly be my hope that every Congress has that capacity.

Mr. WOODALL. That would be my hope, as well. Listening to the opening statements today, I didn't get scratched by all the olive branches that were being extended left and right here.

I wish folks could have seen these two gentlemen when they were working together on the Joint Select Committee on Process Reform, a bicameral, bipartisan committee. I wish folks could see us at our best. Because if we lock these two leaders in a room together, we wouldn't have these conversations any longer, because solutions would come out the door.

Let me ask you, Doctor. I grew up in a lower-middle-class family. We went to the public health department for all of our vaccinations coming along, because that is where the value was. But as I sit here in 2019, most of the families in my district don't even know where the public health department is, because we have found new avenues for those services.

It is my estimation that we could build support for funding public health if we had more individuals involved in accessing public health. What do you see on that continuum, from your—are we going to get more Americans involved in public health in a way that they see the value for their own family? Or is it becoming a service of last resort until, forbid the thought, a crisis hits?

Dr. SHAH. So thank you for that question. I would say it is actually both. But I believe it really gets back to the comments that I made about the invisibility crisis in public health, is that we have this crisis, where folks do not know in the communities often times that public health is there, the value proposition that it brings, and the importance of the work, and the fact that it really does improve the health and well-being of communities.

And so, when folks are trying to then access the public health systems, if they are not even aware it exists, there is a big challenge. And so we have to raise that visibility. That is the first step of the three Vs that I mentioned in my testimony.

Mr. WOODALL. Well, I would love to partner with folks in getting us back to two-thirds of the budget going to investing in America, only one-third going to income support in America. But today that means raising public spending to about 35 percent of GDP, and that is not okay. But I hope we can get it done within the 22 percent of GDP that is available to us.

Thank you for your indulgence, Mr. Chairman.

Chairman YARMUTH. Absolutely right. No problem. I now recognize for five minutes Mr. Higgins from New York.

Mr. HIGGINS. Thank you, Mr. Chairman. Obviously, you know, investing in America's economic future and security are critically

important. But it is also important that we recognize the size of the federal budget and its impact on the larger economy.

The federal budget is \$4.4 trillion. It is about 23 percent of the American economy. When there is uncertainty about things like shutdowns, when there is uncertainty about things like continuing resolutions, when Congress fails collectively to exercise its full constitutional authority to make an annual budget, that sends a negative message to the larger economy: there is uncertainty, there is instability.

We have an obligation on behalf of the American people to use the federal budget in a way that benefits the people that provide fundings to support that budget. And we don't do a very good job with it.

The corporate tax cut last year after one year didn't produce the promised result. We were told through the magic of dynamic scoring that these tax cuts would pay for themselves. There is not a tax cut in human history that has ever paid for itself. The best case scenario is for every dollar that you give away to a tax cut you can retrieve \$.30. That puts you in a deficit situation.

We were told by the White House Council of Economic Advisors that every American household would see between a 4 and \$9,000 increase in annual income. That has not happened, because it is never going to happen.

So, looking to use the federal budget more effectively to make investments that will produce the kinds of growth that is necessary to support a budget, that provides very important services, is critical.

Infrastructure, for example. We have been woefully inadequate in addressing the nation's infrastructure needs. We have a tendency to view infrastructure in terms of the need. And the need is compelling, the 56,000 structurally deficient bridges. But we also need to look at it economically, and what it would do for this economy.

For example, if we spent \$1 trillion over 5 years, that would create 23 million private-sector jobs. That is 4.6 million jobs every year, for each year, over 5 years. That is 383,000 jobs each month for the next 60 months. The direct spending itself would put \$200 billion a year back into the economy. That is about one percent of growth attributed to infrastructure alone.

But we know from infrastructure that it also has a multiplier effect. So for every dollar that you invest in infrastructure, you get about a \$1.80 to \$2 in return. That is another \$200 billion in multiplier effect. That is a two percent-point increase on an annual basis. And that would get us to four percent economic growth. The last time we had four percent economic growth was about two decades ago—sustained. And it produced not budgetary deficits, but budgetary surpluses.

So when we are talking about economic security, we have to talk about smart investments into the growth of the American economy. I will just leave you with another piece on this.

You know, we spend a lot of money on basic research. Every technology and everybody's smart phone here has the Internet. It has touch screen technology. It has a voice-activated personal assistant. It has global positioning satellite. Every one of those tech-



nologies, every single one of them, came from government research: DARPA, Defense Advanced Research Products Agency. And a billion smart phones, once they were—could be commercialized, all that technology, Steve Jobs took it and now makes a billion smart phones in China. All that government research, yes, it has improved our lives. But I think, on behalf of the American people, we have to do a better job in getting a better return on the investment we make on their behalf.

Any thoughts?

Ms. ABERNATHY. I agree, we think that investing in education has lots of returns for both the person who is being invested in, the kid in a school, the teacher who has a better pay, the person who can go to college, the person who gets adult education who didn't have it and wasn't able to read or do math skills, and these are all things that benefit the economy by having a better-educated workforce and more thoughtful adults who can do good things.

Chairman YARMUTH. The gentleman's time has expired. I now recognize Mr. Stewart from Utah for five minutes.

Mr. STEWART. Thank you, Chairman. And Chairman and Ranking Member, thanks for holding the hearing. And to the witnesses, I congratulate you. I think you have done a wonderful job.

And look, a couple of comments and then I do want to get some questions. And this is an example where those of us here in Congress view the world very differently. It is a little bit of Republicans are from Mars and Democrats are from Venus. We just have different perspectives on this. And some comments here are a good illustration of that.

For example, the—it is an economic reality that you can cut taxes and increase revenue to the government. The 1980s is a great example of that. The Laffer Curve is an economic principle that is beyond dispute. If you have a 100 percent tax rate, you will have zero revenue to the government. And you can cut that tax rate and increase revenue to the government.

So the question we have—and so I would like to put some of that aside and focus, if we could, very quickly on some things, very broad principles, that I think we can agree on.

And I would ask the witnesses if any of you disagree with this: unbridled debt, an uncontrollable debt, would be an existential threat to this country. Can we agree on that? Okay.

Mr. GRAY. Yes.

Mr. STEWART. Anyone disagree? I will allow you to disagree with that, if you don't. Okay.

The second one is that there are things that we may want—and this is true individually, and it is certainly true of the government—there are things that we may want to do, but we simply don't have the money. Can we agree on that?

Then the challenge that we have, and that you all are trying to help us with, and that is we have this responsibility and this challenge of deciding what can we do, what can we afford to do, and what are priorities.

And we have also this idea that we—you know, it is the government's money. It is not. It is the people's money. And we have this sacred obligation to ask the people to contribute to the functioning

of their government, and then to be responsible with that money that they give us. But it is not our money, it is the people's money.

And I would like to focus on defense, if I could. Some of you might see my military wings. These are my father's, actually. I come from a military family. I served for 14 years. And it is the thing that drives me here in Congress.

And Mr. Kosiak, I might direct these to you, although, Mr. Gray, you may have an opinion on this, as well. But the challenge we have had is trying to balance these things.

I think our debt is an enormous problem. On the other hand, I understand the fundamental responsibility of the federal government is to keep us safe. It is the one responsibility of the federal government as the only entity that can do that. And we try to balance those two things. Because, just like others, there are some things in the military I would love to do, I would love to buy, I would love to purchase. But we don't have the money, and we have to decide what are the priorities.

So Mr. Kosiak, talk to me about—under current law and current constructs of the budget functions, should we increase our defense discretionary spending? Would you recommend that we do? And, if so, by how much?

Mr. KOSIAK. Well, I think the—clearly, we have to, I think, lift the caps for defense to at least not have the cuts that are currently going to happen under the Budget Control Act. I don't have a particular recommendation for how much we need, but clearly getting back up to those levels is important.

Mr. STEWART. And I will accept your answer that—briefly, if you could, because I agree with you on that.

But if I—I am going to allow your answer to make a proposition, or a—I think connect something, and that is we should base how much we spend on an idea of what the threat is. Is that a fair presumption, as well?

And what would be the basis for determining what the threat would—would you support the National Defense Strategy as kind of the framework for which we should make those decisions?

Mr. KOSIAK. I think the National—yes, I think the National Strategy is—you know, largely reflects a—bipartisan views about what is important for the—for American security.

Mr. STEWART. Then I will ask my last question briefly, and that is, absent the budget cap deal, defense non-discretionary spending will automatically be cut by 71 billion, relative to last year's enacted levels. And do you think Congress should—would you encourage us to try to ensure that that 71 billion in reductions don't occur?

Mr. KOSIAK. Well, I would say—again, as I said in my statement, I think we need to—there is security spending in both the defense side and the non-defense side, and we need to lift the caps on both those areas.

Mr. STEWART. Okay. Mr. Gray, do you have any thoughts on this, as well?

Mr. GRAY. No, I think your point about the need to begin with defining what the mission of the national security apparatus should be, and the national security strategy, and the national defense strategy should do that. And then we should resource that

mission. That is how it should be. I don't think we should come up with a strategy and then later pay for some of it.

Mr. STEWART. Yes.

Mr. GRAY. I think we should have a deliberate approach.

Mr. STEWART. Well, and my time has expired. I wish I could say more, but in deference to the chairman I will yield.

And thank you, sir.

Chairman YARMUTH. Thank—I thank the gentleman. I now recognize Ms. DeLauro from Connecticut for five minutes.

Ms. DELAURO. Thank you very much, Mr. Chairman. Just maybe three quick points at the moment, here. We need parity between the defense and non-defense discretionary spending.

Secondly, if we do not raise the caps, the drastic and unrealistic cuts from the Budget Control Act will occur on annual appropriations. I sit here as a representative of the Appropriations Committee. Absent a deal to raise the caps, defense, yes, will be cut \$71 billion, non-defense will be cut by \$55 billion.

Now, Ms. Abernathy, in your testimony I was really—I am the chair of the Labor, Education, and Human Services Subcommittee of Appropriations. And education, quite frankly, has been short-changed over the past eight years. You point out that from 2012 to 2018 funding for the Department of Education remained below the 2011 level.

You also talk about the higher caps didn't result in substantial increases for the bill, the bill that I had responsibility for that covers Labor, Health and Human Services, and Education.

Non-discretionary spending, in terms of this subcommittee, is one-third—one-third—of all of the non-defense spending. The largest non-defense appropriation covers programs and services that Americans need, including education. And the allocation has been seriously below what is, in fact, entitled to in this effort, thereby short-changing the issues that you are talking about.

I would make one more point, because I have made it over and over again. If we are going to do anything, we need to increase the allocation of—for Labor, Education, Health and Human Services. And to some of my colleagues who make this point, when you can talk about where our priorities are, and you can talk about a \$1.9 trillion expenditure on a tax cut that isn't paid for, let us get our priorities straight when it comes to making this nation strong with regard to education and health and, yes, natural security.

Ms. Abernathy, let me ask you this question. Can you give us some examples of the damage done by low education funding levels in recent years? Where should we focus to reverse the trend? What kind of differences would it make to academic success?

Ms. ABERNATHY. Sure. So the Committee for Education Funding doesn't pick and choose among the many programs in the education world. We are fighting for a larger, overall investment. But I can absolutely give you examples of where cuts have happened that have left students and education behind.

The career and technical education state grant program has lost 23 percent of its purchasing power since 2005. That is an area where there is generally fairly bipartisan support for career and technical education. But the support hasn't translated into increased funding to meet the need to keep—to let students graduate

from high school and enter community college wherever they want with training.

The federal work-study program, which helps low-income students get part-time jobs while they are in college, in 2009 it supported 930,000 college students. Today it helps only 630,000 students, because the funding has been frozen since then.

The main teacher and school leader training program—has a long title, but it used to be funded at 2.9 billion in 2010, and now it is down to 2.1 billion. Thirty-five percent of school districts use at least some of that funding to hire highly-qualified teachers. Sixty-three percent or sixty-six percent use that funding to train and provide specialized professional development for teachers. Without the money, that is classrooms without—

Ms. DELAURO. I am just going to interrupt you for a second, because I want—a quick question to Dr. Shah. This is—so there are places where we can go if we increase the funding in these areas, which only, by the way, increases the national security of this country, if we have an educated workforce.

Dr. Shah, public health infrastructure, which is what you were talking about, just a quick question on—we deal with disaster relief in this country, and we say 7 to \$8 million does not have to go—billion dollars—does not have to go through an appropriation process. What I have suggested in the past is we have a public health emergency fund. We began to do that in the last appropriations bill, with—but about 300—what is it, 300—it was \$50 million, I am sorry.

But I—my suggestion is that we look to how we deal with public health emergencies through \$5 billion in a public health emergency fund that can help us deal with whether it is an opioid crisis, Zika, Ebola, or anything else that comes up, in the same way that we deal with fires and floods, et cetera in this country. And that is something we have today.

I just got—my time is over, but your sense of that?

Dr. SHAH. So I agree. Thank you for that. I agree with you that \$50 million is a first step. It is initial. It is small, though, because, really, the—

Ms. DELAURO. Budget dust.

Dr. SHAH.—\$5 billion is really more in line with—RESOLVE is a group that brought together some experts. I happen to be called, as well, in that group. And they estimated that public health infrastructure is about \$4.5 billion in the hole. And so, really thinking about ways that we can actually get to that 5 billion mark, and then, when you get that from capacity building as core, the biggest thing to remember is that capacity building is one of those core elements.

And what happens is that if you have an emergency, if your capacity is higher, you don't have to stretch as much the next time you have an emergency. But if your capacity is lower, you have to really stretch. And then we do the whole reactive funding issue, which then becomes chasing our tails. And what we really need to be doing is proactive capacity building throughout.

Ms. DELAURO. Thank you very much.

Thank you, Mr. Chairman, for your indulgence.

Chairman YARMUTH. Mr. Roy from Texas is now recognized for five minutes.

Mr. ROY. Thank you, Mr. Chairman. Thank you to all the witnesses.

Dr. Shah, thank you for coming from Texas. It is always great to see a Texan here. And sorry about your recent loss, and—

Dr. SHAH. Thank you.

Mr. ROY.—what you are going through.

I have—unfortunately, I had to step out for a minute to welcome a class of high school students from Alamo Heights in San Antonio, which I represent.

So forgive me if I repeat anything that I may have missed, but I have not heard a great deal of conversation about the \$22 trillion of debt that our nation faces. I have not heard a great deal of conversation about the upwards of 800-something-billion, 900 billion, almost \$1 trillion of deficits that we anticipate this coming fiscal year.

And so what I wanted to do is just take a second to make sure I understand the facts. As a new member to the committee, as a freshman Member of the House, I wanted to just kind of walk through where we have gone under the cap process over the last seven or eight years, and see if I understand things correctly.

So I got a couple questions for Mr. Gray, if you would, and I am going to kind of walk through some things and just see if you would agree. When—if you go back to when the caps were implemented, in the first year, in 2013, in fiscal 2013, if I understand it we had a total BCA number at \$1.043 trillion of discretionary spending for defense and non-defense discretionary. Does that sound right, Mr. Gray?

Mr. GRAY. I believe so.

Mr. ROY. And then we had the sequester kick in and then, you know, there is sort of a cliff, and it drops down in 2014 to a number of 967 billion. So we had a drop-off. Does that sound about right?

Mr. GRAY. Yes, sir.

Mr. ROY. And then, in the subsequent year, in 2015, 995 billion. And it sort of stair-steps up.

Now, I didn't know our brand-new, awesome hearing room has these fancy TVs. So maybe next time I will bring a chart that we can put up on one of these screens. But what I am walking through is this sort of—this line where we started with BCA, and then the sequester kicks in, and then it steps up and it goes up through 2019, the year we are in. And, of course, we are now looking ahead to 2020 and 2021.

The reason I mention that—and we could go through each of the years, and I could go through the numbers, I just wanted to make sure we were on the same page—is all of the previous BBA agreements, if I understand things correctly, in 2013 and then in 2015, we busted the caps for both discretionary defense and non-defense discretionary in the amounts of 45 billion, 19 billion, 50 billion, and then 30 billion. Serious numbers for any average American out there having to balance his or her budget at home.

But now we jump ahead to 2018 because of the stated goal of the President and this body, to make sure our men and women in uniform have the tools they need when we give them a mission

abroad. We busted the caps in 2018 \$143 billion. Is that right, Mr. Gray?

Mr. GRAY. I believe so.

Mr. ROY. And in 2019 we busted the caps \$153 billion. Does that sound right for the 2019 level, Mr. Gray?

Mr. GRAY. I believe so.

Mr. ROY. And of those numbers, it is not quite dollar for dollar, but it was 80 billion of defense and 63 billion in 2018 of non-defense; 85 billion of defense and 68 billion of non-defense discretionary in 2018 and 2019, respectively. Does that sound about right, Mr. Gray?

Mr. GRAY. Yes, sir.

Mr. ROY. So my point in bringing that up is there used to be in Econ 101, right, the sort of notion of guns and butter, right? And having a choice between guns and butter.

Now, I firmly recognize the track that this country is on on mandatory spending. We all do. It is unconscionable that we keep ignoring it and that we don't deal with it. But in the discretionary pot that we have, I think it is safe to say—and I just want, again, for all of us to understand and start with the same baseline, to use a loaded budgetary term, that when we are talking about the baseline and what we look forward to in 2020 and 2021, and we are talking about all of this non-defense discretionary spending that we need, and that we are hearing—that we are saying is allegedly needed, that at no point here is there a guns and butter question tradeoff.

At no point is there saying, hey, we need \$80 billion of additional defense spending because we have got our men and women overseas in Syria and Afghanistan and abroad, and doing all these things, and we need more training, and we need more planes, and we need more bullets. So, gosh, we are going to cut butter.

Have we cut butter to pay for defense, Mr. Gray?

Mr. GRAY. So I believe in the Bipartisan Budget Acts of 2013 and 2015, those increases denoted in sort of the earlier part of that—

Mr. ROY. Right.

Mr. GRAY.—of that chart included, as—in the overall legislation, offsets.

Mr. ROY. Well, it—but did we still have increases in overall non-defense discretionary?

Mr. GRAY. Yes.

Mr. ROY. And then did we continue—

Mr. GRAY. Relative to—

Mr. ROY. Right. And so then, in 2018 and 2019 do we continue to have increases in non-defense discretionary in very large amounts of 60 billion and 68 billion in 2018 and 2019?

Mr. GRAY. I believe that is correct.

Mr. ROY. I would just posit that, for our conversations going forward, that that tradeoff of guns and butter is important, not just from a budgetary perspective, but also from a defense policy perspective, as we look forward.

And I look forward to having more questions. Thank you, Mr. Chairman.

Chairman YARMUTH. Thank you. The gentleman's time has expired.

Mr. Panetta from California is recognized for five minutes.

Mr. PANETTA. Thank you, Mr. Chairman. Thank you, Ranking Member Womack. Thank you to all the witnesses for your preparation and your time today. I appreciate this opportunity to hear from you and to ask you a few questions.

Unfortunately for three of you, I am just going to focus on Ms. Abernathy. So you guys can take a break.

Ms. Abernathy, I want to just talk about something that is important to my district, and, eventually, important to all congressional districts, and that is the census and the Census Bureau.

I was wondering if you could just kind of give an overview. Obviously, you are familiar with the Census Bureau, correct?

Ms. ABERNATHY. It is not an education program, but—

Mr. PANETTA. Exactly, exactly. If you could, just kind of talk about the Census Bureau's current budget, if you have an idea on that, what constraints they are facing at this point, beyond being—having to be furloughed in this last government shutdown.

Ms. ABERNATHY. So I don't know what their budget is, but I know what the increased need is for the 2020 decennial census. Every 10 years Congress goes through the question about how to pay for this every-10-year huge burst in spending that is needed. I think it is something like 4 to \$6 billion more needed for this coming year than it was this last year.

Mr. PANETTA. Why is that?

Ms. ABERNATHY. Because of the tremendously much more work that the Census does for—you know, reaching every single household, and there is work that goes into preparation, and there is work into doing it, and there is work into analyzing it.

Mr. PANETTA. And would you—are you familiar with how important it is to make sure they do their job correctly and ensure an accurate count? A complete count, I should say.

Ms. ABERNATHY. It makes a huge difference to tons of different federal programs, not the least of which are education programs, because—

Mr. PANETTA. How?

Ms. ABERNATHY.—lots and lots of—lots of the federal education funding is formula grant funding that goes out to states based on the numbers of, in some cases, low-income families. That is the same—true for other programs, as well, that are beyond—outside the Education Department.

Mr. PANETTA. And if there were significant cuts to the census, would that affect the—its integrity?

Ms. ABERNATHY. Absolutely.

Mr. PANETTA. How?

Ms. ABERNATHY. Well, if you know that the numbers are wrong, you are not providing—some places may be getting more funding than they would need, based on their population, and some places would be getting dramatically less than they would need. And that would leave those folks in a bad situation.

Mr. PANETTA. Any populations come to mind that would be harmed by such cuts?

Ms. ABERNATHY. So this is definitely outside my area of expertise, but traditionally the areas where there has been large popu-

lation growth, some of the areas with more immigrant families, and more low-income—some of the urban areas, as well.

Mr. PANETTA. And what would it mean for Representatives in Congress if the integrity of the census was compromised based on budget cuts?

Ms. ABERNATHY. So, well, Congress Members represent people—their districts are decided based on the size of the population. You know, you would want that to be accurate, so that each state gets the right number of representatives in the House.

Mr. PANETTA. Great, great, thank you.

I yield back my time, Mr. Chairman.

Chairman YARMUTH. I thank the gentleman. I now recognize Mr. Meuser of Pennsylvania for five minutes.

Mr. MEUSER. Good morning. Thank you. Thank you, Mr. Chairman. Thank you very much, as well, Colonel Womack. Thank you to today's witnesses for their testimony.

I do want to start by stating I want to agree with an earlier comment made by my colleague, Mr. Stewart, stating in reference to our friends on the left that they feel the only way of increasing revenues is by increasing taxes. That is equivalent to stating that the only way a business increases revenues is by raising prices. On the contrary, the best companies in the world increase their revenues by lowering prices and expanding their customer base, just as we should be doing, as lower taxes, create a higher level of employment and economic productivity. We create more taxpayers, as opposed to more taxes.

Our revenues are projected—the United States federal government revenues for next year are projected to grow in 2019 by 5.6 percent. That is a very healthy growth rate for revenues. Our problem is not in the revenues; our problem is in our spending, which exceeds that by quite a bit.

Mr. Gray, as you likely know, between 2014 and 2018 discretionary spending by the federal government has increased by roughly 7 percent. In that same time, we have seen mandatory spending spike by 20 percent. Would it be fair to say and to assume that future increases in mandatory spending, including interest on our debt, of course, will threaten our ability to invest in important discretionary programs such as defense, research conducted by the National Institute of Health, education grants, disaster relief, homeland security, et cetera?

Mr. GRAY. Yes.

Mr. MEUSER. Can you offer any recommendations as to the discretionary programs that you think Congress should analyze and determine if a funding reduction is appropriate?

Mr. GRAY. So I believe that this committee, the Appropriations Committee is well suited to provide oversight over individual programs. Though your earlier point about the budgetary pressures driven by the growth in mandatory and interest payments is a real one, and will constrain choices. And so that oversight is all the more important.

Mr. MEUSER. Okay. So you are not prepared to offer ideas—

Mr. GRAY. On specific discretionary spending programs? I believe they should all be accountable to the Congress and to the taxpayer.



Mr. MEUSER. Okay, very good. I served as revenue secretary in the Commonwealth of Pennsylvania. Then we did a—we analyzed through the Department of Human Resources—Human Services, to assure that all people receiving government benefits were, in fact, eligible to receive those benefits. In the course of this review we did save hundreds of millions of dollars on a—near \$600 million on a \$25 billion or so budget.

Do you think that similar review of our federal government—such expenditures would net a cost savings as well? And would it be worthwhile to conduct? And, seeing our federal government has a lot more zeroes than a state government, would it be in the tens of billions of dollars, should we engage in such an effort?

Mr. GRAY. I believe there are estimates of improper payments across federal programs that run into that order of magnitude. I don't know that it is necessarily practical to assume that we could sort of fix all of those and just capture those savings. However, it is clear that there is certainly areas to improve eligibility and scrutiny over the disposition of federal payments.

Mr. MEUSER. Okay. Well, thank you. Is there anything else that you could add that might guide us this year from a discretionary spending standpoint?

Mr. GRAY. Certainly. So I am broadly sympathetic and—to the points raised by my colleagues, that there are national priorities in the defense—in particular, in my view—and in the non-defense discretionary area. In my ideal sort of budget—I have worked on this elsewhere—you can fund those priorities while, as I noted earlier, also taking on the important work of the fiscal consolidation that is eventually going to happen. It is really just about when we decide to do it.

And so I think you can fund those priorities while also pursuing, I think, a fiscally responsible budget plan.

Mr. MEUSER. I agree. Thank you.

Mr. Chairman, I yield back the remainder of my time.

Chairman YARMUTH. I thank the gentleman. I now recognize Mr. Horsford of Nevada for five minutes.

Mr. HORSFORD. Thank you very much, Mr. Chairman, and thank you for giving us this opportunity to address what is probably one of the most important issues, which is the overall budget blueprint for our nation and the topics that we are covering here today.

I want to start by asking Mr. Kosiak—you were the associate OMB director for five-and-a-half years. During the period when these mandatory caps were put in place because of Congress's failure to come up with a alternative deficit reduction plan. Is that correct? And is it—is that correct?

Mr. KOSIAK. Yes.

Mr. HORSFORD. And is it correct that these caps were never meant to go into effect, that the perspective was they were so austere, in fact, that they felt—it was really impractical that these forced reductions would go into effect. Is that correct?

Mr. KOSIAK. I think that was a widely-shared view, both on the Republican and Democratic side.

Mr. HORSFORD. So would you characterize this as a self-imposed action based on a previous Congress because of their failure to address budget reduction efforts in the budget process?

Mr. KOSIAK. Well, I don't know whether I would want to blame a previous Congress or not, but I do think it is a result of a failure to agree on a combination of potential slowing of growth and mandatory spending and increasing taxes. I mean I think that was—the assumption was that something would come that would address those two parts of mandatory spending and taxes, and that failure put us in this situation.

Mr. HORSFORD. And not—and then, since then, not only have we not addressed the revenue equation based on the last action, in fact now we have tax cuts that have exacerbated the problem further.

Mr. KOSIAK. That is correct.

Mr. HORSFORD. So I just want to be clear, since my colleagues on the other side repeatedly have this morning characterized this as somehow pitting defense and non-defense spending against one another, I want to make it absolutely clear, at least for myself and I believe most of my colleagues on this side, that is not the case.

In my district I have several military bases, including Nellis Air Force Base and Creech Air Force Base. And I support military spending, particularly for the men and women who are in active duty, who are living on marginal wages, some of whom, their families are having to rely on public assistance to get by, and have to go to food banks in order to make ends meet. So I just don't want that characterization to go unanswered.

I do want to, though, shift to the point of if we are going to support defense spending, do we have an obligation to take care of those veterans their families when they return. Do you—

Mr. KOSIAK. Certainly.

Mr. HORSFORD.—on the panel believe that?

Mr. KOSIAK. Absolutely.

Mr. HORSFORD. According to the veterans office, the VA office, the last report in 2018, there are 45,000 vacancies in the VA health care system as of 2018. I have a VA hospital in my district. There are over 400 vacancies across multiple positions.

Dr. Shah, is it true that most VA—most doctors, excuse me, health care professionals, get their training in VA hospitals?

Dr. SHAH. A vast majority do, yes.

Mr. HORSFORD. About 70 percent. And so, if we are failing to properly fund the VA, are we contributing to veterans and their family members being able to have the adequate support and services from the VA hospital that we allege to be offering?

Dr. SHAH. Well, first and foremost, we do have an obligation to take care of our veterans. And it is an honor and privilege to have done so. And I continue to believe that educating our health care professionals in the incredible, incredible journey of what it is like to take care of veterans is absolutely critical.

In addition to that we also have to be thinking about the value proposition overall that we really need to move from is this health care delivery conundrum, where \$3.5 trillion is spent every year on health care delivery to really shifting upstream so that we can prevent people from getting sick and injured in the first place.

And I think not—and I am not just talking about the VA, I am talking about in general, the shift from 3.5 trillion on health care delivery to public health prevention and upstream type of activities

that really allow us to keep our communities, the people that live in those communities, healthy and safe and protected.

Mr. HORSFORD. And so, if the caps are not addressed, and these cuts to the VA are imposed, what does this mean for the profession and our ability to provide that care?

Dr. SHAH. Well, any time you have health care professionals who are not being educated in that full spectrum, not just VA, but in public health sector, in public hospital systems, and being able to really work with an incredibly diverse set of communities, understand what that really means, what it looks like, what it feels like to take care of people from different walks of life and different backgrounds, whenever you jeopardize that, even potentially, you have a significant challenge in the future that you then have to somehow try to make up for that health care education that has been missing, that gap that is missing.

So I would say that any potential challenge to that VA system that really allows for or really furthers this inequity where all of a sudden you cannot provide for health care education to future health care professionals, that is a problem and that is something we cannot have. And we have to really be thinking about how to address that appropriately up front, and not having these across-the-board cuts.

Chairman YARMUTH. The gentleman's time is expired. Mr. Burchett of Tennessee is recognized for five minutes.

Mr. BURCHETT. Thank you Mr. Chairman, I appreciate the opportunity, and I have one question dealing with education, but I do want to offer my condolences. I lost both my parents, and that is the worst pain anybody could ever endure. And I am sorry for your loss. And Dan Crenshaw says you are a stand-up guy, so that is okay with me.

Dr. SHAH. Thank you. I appreciate that.

Mr. BURCHETT. Yes, sir.

Dr. SHAH. On both fronts.

Mr. BURCHETT. Yes, sir. Thank you. And I am not going to ask you any more questions, so you are good—for me.

But my question dealt with education. I have a background in education. Both my parents were career educators. And I would submit to the committee the first place I would look for money is in the Department of Education itself. Their \$68 billion budget, I dare say that any of the 3,912 employees up there has ever taught anybody to read at Sarah Moore Greene Elementary School in Knoxville, Tennessee.

But I would like to know, having said all that, the Congressional Budget Office projected increases in deficits and debts in fiscal year 2019. And I would ask where would you suggest making some of the cuts to the budget to fund your priorities? And if you could, go into detail on why those cuts should be made.

Ms. ABERNATHY. I just want to say that it is possible that none of the people who work at the Department of Ed taught in your school, but a lot of those people at the Department are very dedicated former teachers and former administrators.

Mr. BURCHETT. I am sure they are, ma'am. But you know, I—coming—being a state legislator and being eight years county mayor, we really got tired of bureaucrats that were telling us how

it was done elsewhere, when I think they—we would be better served if we trusted our locals and our state governments to send that money to them and allow them to decide where to go. Because one size definitely does not fit all.

And any time we were—made a comparison, we would always—they would use the extremes to compare in their statistics. And as I have been told many times by statistics teachers, statistics don't lie, just statisticians.

But I would ask that you would answer that question. Where would you suggest making some of those cuts to the budget to fund your priorities?

Ms. ABERNATHY. I think it is up to Congress to decide where to cut funding. I think this is part of the difficult decision that appropriators and members of the Budget Committee have to make choices about where the priorities are. And I think that every year the Appropriations Committee has a chance to re-evaluate where they think the needs are, and where the spending should go.

The Department of Ed has not had funding increases much at all in the last few years. In fact, 2018 was the first year that funding went up by any real measure. The funding goes to a variety of different programs that help—that go out, much of it based on formula grants, to school districts. Some of it is competitive grant programs, some of it is money to college students, some of it is to institutions.

Mr. BURCHETT. Thank you, Mr. Chairman.

Chairman YARMUTH. The gentleman's time is expired. I now recognize the gentlelady from California, Ms. Lee, for five minutes.

Ms. LEE. Thank you very much. I want to thank our panel for being here, and my condolences also to you, Dr. Shah. I have lost my mother and my dad, and I know that pain, and I hope that you and your family are doing well, and—

Dr. SHAH. Thank you.

Ms. LEE.—through this period.

Dr. SHAH. It is hardest for the grandchildren, as you can imagine. Thank you.

Ms. LEE. Very difficult. So give them my regards, condolences.

Let me ask you—well, first, let me just preface this by saying to the panel—and my question goes to you, Mr. Kosiak, specifically. I am the daughter of a veteran. My dad served 25 years in the Army. He served in World War II and the Korean War. So I certainly understand the need for a strong national defense and providing our brave troops with everything that they need to do what we ask them to do.

But let me just ask you a little bit about this budget and the requirements for a strong national defense and supporting our troops.

Now, last year it was widely reported that the Pentagon was building its 2020 budget based on a total defense level of about \$733 billion, including base plus OCO. As late as this fall, DoD officials were stating that the 733 billion was enough to fulfill our National Defense Strategy. But since then President Trump has reversed that position twice. He reversed it, then reportedly changed his mind and increased it to about 750 billion after Secretary Mattis and other Republicans objected to the cut.

So I am concerned that we are going to continue to increase defense and OCO with no end in sight, and without meaningful oversight.

Now, as you may know—and I hope you remember or saw this report—the Pentagon, it actually buried its own report, but it found that—\$125 billion in waste, fraud, and abuse. And that report by the defense business board, it identifies that spending could be saved over five years through reducing overhead and reforming back-office business practices such as contractor reform, reducing their excessive pay, making better use of information technology, and reducing unnecessary staff through attrition and early retirement.

So, to your knowledge, did the Defense Department change its strategy, first of all, since last fall?

Has the Pentagon announced a new threat assessment that suggests we need to increase the defense spending over \$733 billion?

And then let me just ask you, in terms of a reasonable defense number, does this sound reasonable to you, given the huge number, in terms of waste, fraud, and abuse, and all of the other excesses of the Pentagon? I mean why can't we get this budget under control?

Mr. KOSIAK. Well, thank you. You know, I think the—in terms of the change in National Security Strategy, to my knowledge there has not been a change that would have triggered that kind of change in views on how much money is needed.

I think the—there is certainly room in the Defense Department for finding savings, efficiency savings, across the board in a lot of different areas. That is an effort that I think Congress should push with the Pentagon, and it is a long-term effort. So I think that is something that we should continue to focus attention on.

I think, ultimately, you know, there is a limit to how much you are going to get through these efficiency savings, and I think they do take time to actually implement those kinds of savings, so it is probably not a way of avoiding having to lift the caps in 2020 to help Defense, but I think, over the long term, certainly that is something that we need to focus attention on.

Ms. LEE. But given at least 150 billion in waste, fraud, and abuse, why can't we at least cut the budget by 150 billion?

Mr. KOSIAK. Well, I am not familiar with that, or I don't recall that report in particular. I am guessing it was not \$125 billion a year.

Ms. LEE. The Pentagon sort of kept that report—they released it and then pulled it back. They squashed it. But we know that there are those kinds of—we know that there is waste, fraud, and abuse in the Pentagon. And we know also that there are missile systems, weapons systems being built now that probably will never, ever be needed or used.

And so I am trying to get a handle, and I know the public wants to see a strong national defense, but they do not want to see excessive spending by the Pentagon. And that's what we have seen year after year after year. And the political will to stop this is just not here until we hear from our officials that we don't need that kind of spending any more.

Anybody else have a comment on that, who would know—give us some direction?

Chairman YARMUTH. Well, the gentlelady's time has expired, so—

Ms. LEE. Okay. Thank—

Chairman YARMUTH. Let's move ahead. Thank you.

Ms. LEE. Thank you very much, Mr. Chairman.

Chairman YARMUTH. Thank you very much. Mr. Holding of North Carolina is recognized for five minutes.

Not here? Then Mr. Smith of Missouri.

Mr. SMITH. Thank you, Mr. Chairman. There is a famous quote from my home state that says, "I come from a state that raises corn and cotton, cockleburs, and Democrats." It is fairly an old quote.

[Laughter.]

Mr. SMITH. And frothy eloquence neither convinces nor satisfies me. I am from the Show Me State, you have to show me.

And so, listening to a lot of the discussion in here today, I think it would be very simple for us to just break down where our fiscal house is for the United States. And I know when I am back home talking to the people that I have the opportunity to serve, they get lost in all the zeroes. When you say a billion or a trillion, I get lost when you say those numbers.

So what I just did here, listening, I am trying to show the fiscal house of the Show Me State way, and the best way to break it down—and I think we have to understand this—before we start deciding what programs are extremely important, and which ones we have to keep, and how we continue to manage it.

But we have \$22.5 trillion in debt. You take off eight zeroes—eight zeroes—and then that is more of a manageable number you can think of. That is \$225,000. Okay? So we have \$225,000 of debt, okay? How much money comes in to the federal government? Take off eight zeroes. Then you have \$35,000. It is more manageable. Median income household in southeast Missouri is \$40,000, so we can think about it from that perspective.

Okay, so how much do we spend, as a federal government? \$4.4 trillion. Take off eight zeroes, you break it down to \$44,000 a year. So if we are a fiscal house, we make \$35,000 a year and we spend \$44,000 a year. We are spending \$9,000 more a year, if you take off the eight zeroes, than what we are bringing in.

However, we owe \$225,000 on the credit card. That is a problem.

So, before we start talking about all these programs, when you are talking about taxing and spending, one thing that—I do want to correct the record. I heard some of my colleagues on the other side, some of my friends, that said that because of Trump's taxes we are at a huge deficit. In fact, we had the director of CBO here just in the last couple weeks testified, and I asked him the question: How much is the deficit and the deficit that has resulted from the Trump taxes? He couldn't give us a number. He said he would supply it. We still have yet to receive it.

So there is no document, no proof that this committee has been provided showing that there has been any deficits from the Trump's tax results as of last year.

What we do have—and he testified—we have the highest historic record of revenues ever for the history of this country for 2018, for

this past year. And that is the first year of the Tax Cut and Jobs Act, the first year. And it is the highest number of revenues that came in. He did testify to that. So clearly, we have a spending problem, because revenues are the highest they have ever been in this country.

So, when you have a spending problem, you have to look at it and decide. How are we going to break it down? How are we going to look at the programs that best work us (sic)?

We also have a debt problem. The rules of this Congress have been changed to make it easier to increase our debt. If we pass a budget proposal, our debt will automatically go up. Some call it the Gephardt Rule. I represent part of Dick Gephardt's old congressional district in Missouri.

So, Mr. Gray, I want to ask you. What do you feel about elimination of the debt ceiling?

Mr. GRAY. So on the debt ceiling, it has certainly evolved over time. Originally, when it was created it was essentially to spare Congress the need to enact individual debt issuances. Certainly the practice of financing the federal government has changed in a long time, or since. And so it has become somewhat of a challenge to the Congress. It has always been a difficult vote, I am aware of that.

I am concerned that, increasingly, it is viewed as a hostage that can be shot in political negotiations. And I think that would be dangerous.

Mr. SMITH. I see my time has expired. Thank you, Mr. Chairman.

Chairman YARMUTH. Thank you very much. Ms. Jayapal of Washington is recognized for five minutes.

Ms. JAYAPAL. Thank you so much, Mr. Chairman. And thank you all for being here. I would just say before I get started to my friend, Mr. Smith, that I actually asked the CBO director about the tax cuts, and very clearly he said that they did not pay for themselves, that they did increase the deficit. And so, you know, maybe you weren't in the room for my questioning, but I would just—

Mr. SMITH. Would the gentlelady yield?

Ms. JAYAPAL. Just for 20 seconds?

Mr. SMITH. Did he give you a number?

Ms. JAYAPAL. He did not give me a number.

Mr. SMITH. Because that is what I asked for.

Ms. JAYAPAL. He did not give me a number, but—in my questioning. But I have seen—

Mr. SMITH. He made the comment, but not a number.

Ms. JAYAPAL. some of the statistics out there. And I think—the point I just wanted to make is clearly the Trump tax cuts increased the deficit. Clearly, they didn't pay for themselves.

But let me just start by saying that it has been good to hear from all of you why non-defense spending makes our country stronger and safer. And in particular I wanted to focus my questions on education, just as one example of where we might put some of our dollars.

I am concerned that our federal investment in education, which is just two percent of our total budget, is still below what it was in 2011, inflation adjusted. Meanwhile, Pentagon spending has doubled over the past decade, accounting for 17 percent of the

budget for 2019. We spend about 3.5 percent of our GDP on defense, which is very out of whack with other NATO countries, which spend 1 to 2 percent. I mean if President Trump got what he wanted, it would be that European countries spent two percent. We are at three-and-a-half percent.

Every day people are feeling the sting of those warped priorities, and particularly our teachers. Public school teacher pay fell by \$30 per week from 1996 to 2015, while pay for other college graduates with years in the workforce increased by about \$124 per week, inflation adjusted.

I believe that our teachers and our students need more, and I believe that education is actually a national security priority. These things aren't—they aren't in competition with each other, except when we take money away from one to give to the other.

So, Ms. Abernathy, can you explain why Title I aid, which serves our neediest schools, has not kept pace with either enrollment or inflation over the past decade?

Ms. ABERNATHY. So it is a really big program, so it gets minor increases, which are—dollar value, you know, sound pretty big. But the reality is that there has been fierce competition for non-defense discretionary funding. And in the last few years the allocation—I actually have a chart on this, because I am a budget person.

Ms. JAYAPAL. You can distribute it.

Ms. ABERNATHY. If you have it, the fourth chart. It shows the change in non-defense discretionary caps versus the change in the Department of Ed funding for each year.

And the reality is that when the caps have been so tight, even with the increases, that the Labor, Health and Human Services, Education bill has not gotten a lot of funding, and there has been—there is a lot of really important programs in that bill, as there are in other non-defense bills, and priority has been given on a fairly bipartisan basis to some increases in NIH and other places, and it hasn't gone to Department of Ed. And so the big programs like Title I have not been able to get increases.

[Chart]

Ms. ABERNATHY. And there it is. So—

Ms. JAYAPAL. Thank you. So austerity measures at the federal level that started in 2008 have had a huge impact, I think, on state budgets that we have seen.

Ms. ABERNATHY. Absolutely.

Ms. JAYAPAL. Would you agree with that?

Ms. ABERNATHY. Yes. A lot of the—something like half the state education budgets have just now gotten back to the level they were previous session.

Ms. JAYAPAL. And if we don't pick up the pace, we are going to continue to see teacher strikes, walk-outs, because our students are not getting what they need, and our families and communities are not getting what they need.

As I mentioned earlier, the defense budget in 2019 amounted to 17 percent of the federal budget. That is \$674 billion. If we took just 1 percent of that, just 1 percent, which would be 6.74 billion, and we applied that to the Department of Education budget for 2019, how much of an increase would that be, relative to the current education budget?



Ms. ABERNATHY. It would—so I am horrible at math in my head, I need an Excel spreadsheet to do this, but it is something around eight percent—

Ms. JAYAPAL. Should I just tell you? Because I happened to do the research on it.

Ms. ABERNATHY. Is it—

Ms. JAYAPAL. It would be about a 10 percent increase in—

Ms. ABERNATHY. Ten percent, okay.

Ms. JAYAPAL.—the current Department of Education budget.

And so what would that mean for underfunded priorities like Title I aid and IDEA?

Ms. ABERNATHY. So, believe it or not, a \$10 million increase would not even be a drop in the bucket to filling the need. Special ed is \$15 billion, I think. And I can't tell you right now—

Ms. JAYAPAL. Remember, this is an increase of 6.74 billion.

Ms. ABERNATHY. Right. But special ed is at \$13.2 billion, and it is less than 15 percent of the full funding.

Ms. JAYAPAL. Yes.

Ms. ABERNATHY. If you were to add 6 billion to that, it would still be less than half of the full funding.

Ms. JAYAPAL. So we really need a—

Ms. ABERNATHY. Yes.

Ms. JAYAPAL.—lot to really address our education needs.

What about higher education? How many students could be put through community college, for example, if we redirected that military budget spending?

This is my last question I see.

Ms. ABERNATHY. A lot of—a lot, because the Pell Grant program, if you were to increase the maximum grants, you would—it actually filters down that the average grant goes up for everybody, and it makes it more affordable.

You could change the expected family contribution, and you could let me people benefit from Pell—

Ms. JAYAPAL. We pay for over two million students to attend a year of community college, just as an example.

Thank you, Mr. Chairman. I think this is a very important hearing, and I appreciate your having it.

Chairman YARMUTH. Thank you. The gentlelady's time is expired. Mr. Crenshaw of Texas is recognized for five minutes.

Mr. CRENSHAW. Thank you, Mr. Chairman. Thank you all for being here.

Dr. Shah, I would like to begin with you, who is from my home town. And first I want to say I appreciate all the work you have done for Harris County and the City of Houston, and I want to point out that you were a huge part in leading the medical response to disasters from Katrina and from Harvey. So you know a lot about this subject, and we really appreciate you being here.

The line of questioning I want to do here is to really, in the couple minutes we have—and maybe we will set up another appointment when we are back home—to understand the right relationship between local public health entities like yourself and the federal government.

So, you know, we have got some recent experience in Houston on disasters. And I think you handled it pretty well. You were a huge

part of that. Were there any situations, were there any lessons learned where federal government intervention actually impeded what you had to do, or helped you, or could have just done a better job partnering with you?

Dr. SHAH. First of all, thank you for those kind words.

We have seen in Houston and Harris County an incredible number of emergencies, all the way back from when I first moved and was part of that emergency department setting with Tropical Storm Allison through Hurricanes Katrina, Rita, Ike, Harvey, two 500-year floods, certainly the first—the nation’s first BioWatch hit, and then go down the list of an incredible number of emergencies—obviously, Ebola in Dallas, and certainly Zika, which was most recent, as well as, as I mentioned, just confirming three measles cases on Monday.

So we have a—unfortunately, but I am proud of the incredible work that our public health department and certainly our partners do to keep our community safe.

What I would say is that the partnership between local, state, and federal government is absolutely critical. Often times the federal government provides that support, but I really believe strongly that local entities must be incredibly nimble, strong, and have the appropriate capacity, where federal government comes in and can integrate into the incident command structure that is set up at the local level. It should be local communities, local response systems that are making the calls, and the federal government coming in to certainly support the response that is already in place.

Mr. CRENSHAW. Okay, I appreciate that. And we should—we will definitely link up when we are back home.

My next line of questioning is for—on education. And Ms. Abernathy, I saw the notes from your testimony, and they make a good case for education, as a whole, of course. But no one really disputes that.

The real question, when we are talking about the budget, is spending on the margin. What does this extra dollar do for us? You mentioned that is a seven-to-one cost-benefit ratio from early childhood, but that is one data point, it comes from one study where they surveyed about 123 students. So I don’t want to dismiss that study completely, but it is just one data point.

And this is the question I want to get at here, because I have a whole packet of other studies from a progressive think tank, the Center for American Progress, that really demonstrates that spending and outcomes are not necessarily related. It really depends on how you spend that money. And when we are building a budget, I mean, that is really the questions we have to ask. Where do we need to invest that will result in higher outcomes?

I mean would you agree with that, generally?

Ms. ABERNATHY. Absolutely, although there are some things that we do invest in to keep us safe from fires and—

Mr. CRENSHAW. Sure.

Ms. ABERNATHY.—things like that, that aren’t about higher outcomes or about, you know—

Mr. CRENSHAW. Yeah.

Ms. ABERNATHY.—safety.

Mr. CRENSHAW. Right. But when it comes to education, we want to be investing in the right places because, again, we can pour through the data, and we can show that in certain school districts they spend a certain amount per student, and in others they spend a different amount per—a much higher amount per student, and they get way worse outcomes. So there is obviously something else at play.

Also, I want to correct the idea that we should be thinking of our spending on education in terms of—as a percentage of the federal budget. The reality is that 90 percent of our education spending—or about that—is local and state. And what we should really be looking at when we compare ourselves with other developed countries is how much we spend per student. And the United States spends about 20 percent more than the rest of the developed nations, OECD countries.

So I just want to correct the record on that, and then ask, like, what are the top three things to invest in on education, in your opinion?

Ms. ABERNATHY. So again, you know, this organization that I am—has 113 different members. And if you ask each of them, they would probably come up with a different answer, because they are all working on different things that all go together. It doesn't make any sense to invest in early childhood education and then drop the child and never put any more money into maintaining access, equity, things that matter. It doesn't do any good to put a ton of money into STEM education in high school if you have students who aren't ready to read and do math at the high school level, who need that.

So you need investments all along. And the federal investment does a bunch of different things. It fills in niches where the state and local funding for K through 12 hasn't been able to bear the whole cost because we have a state and local education system that is based on property taxes.

You end up with very big disparities between what different localities can afford to do. You end up with programs like Impact Aid, which helps school districts that are in areas that don't—because of the federal—have a large federal presence, either in military bases or Indian reservations, where people are not paying taxes, but the students are going to schools, and so they have schools and needs, but not a way to pay for them.

So there is a lot of things that federal investments do that are not just sort of what is the best dollar for this one, how can I get a dollar of achievement for this. It is filling in places where it is absolutely needed.

Mr. CRENSHAW. Right, and each local level is going to have a different opinion on that, I am sure.

Ms. ABERNATHY. Right.

Mr. CRENSHAW. Because of different preferences.

Thank you, Mr. Chairman.

Chairman YARMUTH. The gentleman's time has expired. Mr. Price of North Carolina is recognized for five minutes.

Mr. PRICE. Thank you, Mr. Chairman. I want to thank all of our witnesses today. This is very helpful testimony. I think we can conclude that the Budget Control Act, which still hangs over us—the

decade isn't over that that Act covers—has really made rational budgeting, responsible budgeting, much more difficult.

Of course, the original Budget Control Act was an invitation to failure, given the rise of anti-tax ideology on the Republican side. We were never going to get that grand bargain that the Budget Control Act anticipated, although Speaker Boehner, up to a point, did try. We weren't going to replicate the budget agreements, the comprehensive agreements of 1990, 1993, 1997, those agreements that contributed not just to balanced budgets, but to paying off 400 billion of the national debt.

One would hope that historical lesson isn't too hard to learn, but it turns out that it is, and that our current economic situation is far more dire, but our political situation has not permitted anything like that.

And, of course, then sequestration came. That failure produced sequestration. The sequestration axe fell. And that has made, of course, bipartisan appropriating impossible. It has actually made appropriating impossible. The Republican side of the aisle—we have written appropriations bills to sequestration levels year after year, and those bills simply can't pass, and we have ended up, then, with these two-year budget agreements, two-year budget agreements.

But we typically reach those agreements after we have—we do the right thing after we have tried everything else. A lot of budget drama ensues, a lot of shutdowns, threatened shutdowns, various crises, and then finally we get a two-year deal that lets us write, more or less, adequate appropriations bills.

So what I want to focus—and I will start with you, Ms. Abernathy, but any others would chime in—the—you know, we—in the end we have gotten these two-year budget deals. I hope this time we can do it at the front end of the process with the budget resolution, or whatever serves the purpose of a budget resolution that lets us write these appropriations bills at good levels to start with.

But clearly, we pay a price for all this drama and all this uncertainty, and this lurching from crisis to crisis, from budget agreement to budget agreement.

And so none of you focused particularly on the uncertainty, the price of uncertainty. We have been talking mainly about just overall funding levels. But I want you—of course, this latest shutdown has contributed to this atmosphere, but I would like to ask you to address budget uncertainty and what kind of stake we have in early-on getting our top-line numbers set early on, so that we can write our appropriations bills on budget, on time, and everybody concerned will know what we are dealing with.

Ms. ABERNATHY. So in the educational world many of the K through 12 programs are what is called forward funding, which means that the funding for the fiscal year comes out not on October 1st, but for July 1st, because October 1st is the middle of the school year, already.

But the reality is that if there is no funding certainty for programs well beyond October 1st or into January or into March, like last year, you have got school districts that are having to make their budgets, which—their budgets often start July 1st. They have

to give out layoff notices to teachers because they don't know what their federal funding will be for the coming year.

Years ago, when I was working in Head Start program, or the Head Start early childhood program, and we had grantees on an Indian reservation, the government was functioning under a series of short-term continuing resolutions, and they needed to sign leases for their child care centers, and they couldn't because you can't make a promise to spend money that you don't have yet. And it is the Anti-Deficiency Act, you can't promise a year-long lease. And we have to tell them, "You can't sign your lease for your child care center."

So the uncertainty has dire consequences for planning and ability to effectively use the money.

Dr. SHAH. And I would—from a health standpoint I would completely agree with my colleague here, in terms of education, but also from the health standpoint. Uncertainty has profound impact on our ability to plan, our ability to make assurances to our communities, but also to our staff members, as they are also in the midst of that community, looking at where—you know, where the funding is going to come for their grants or the activities that they are involved in, both for themselves but also, more importantly, for the community that they serve.

And so uncertainty is an incredibly important issue, and I think it is something that really makes these two-year processes very challenging for the local level, because we often times, especially in smaller jurisdictions, do not have that additional capacity. And so that is a big issue.

Mr. PRICE. Mr. Kosiak?

Mr. KOSIAK. Well, I would just add it is—I agree with both my colleagues here. And I think in the national security world and certainly the defense world, having uncertainty about what the level is going to be has a big impact on the ability to plan effectively and efficiently.

Mr. PRICE. Thank you.

Thank you, Mr. Chairman.

Chairman YARMUTH. Mr. Gray, do you want to respond?

Mr. GRAY. Thank you. I would agree with what my fellow witnesses said on that point, and that is why I made the point in my testimony that the budget process can allow this body to sort of get in front of that and take this on proactively.

Mr. PRICE. Yes, thank you.

Chairman YARMUTH. Yes.

Mr. PRICE. Thank you, Mr. Chairman.

Chairman YARMUTH. You are very welcome. The gentleman's time has expired. Mr. Norman of South Carolina is recognized for five minutes.

Mr. NORMAN. Thank you, Mr. Chairman. Thank you for the panel, for taking your time today.

Let me just mention what my friend, Congressman Smith, mentioned about, you know, we keep hearing, you know, the tax cuts, you know, going against the budget, it is costing us. We have never had that number.

But let me tell you a number that we have seen. And I am from the private sector. I am a real estate developer. I am not a profes-

sional politician. I really never liked politicians that much. But let me tell you a number that we can go with: 350,000 new manufacturing jobs, growth in the economy. The last, the previous administration, 1.5 percent growth of GDP. We are now three-plus.

And in the world I come from, there is an enthusiasm, there is a reason people are putting equity back in their business, and it is due to the tax cut, President Trump, and the regulations that are cut. These are real numbers that you can't dispute.

And also I would just say that, as one of my colleagues mentioned, that in the private sector, if you just take the position you are going to raise prices, you are going to have customers saying, "Bye bye. We have got competition, we are not going there."

But on the deficit that has been talked about, the 22 trillion—and by my estimation it is probably over \$200,000 every man, woman, and child—we talk about it, but we never do anything about it.

And Ms. Abernathy, you are exactly right when you said it is Congress's role to decide what to cut and not to cut. What I find from being up here is that everybody wants cuts until it cuts your particular program that affects your particular district. And when the hordes of lobbyists come out to assail you for doing any kind of cuts, that is what we are facing. And what we have got to get back to is needs versus wants.

And I am tired of hearing numbers. As I said in committee yesterday we keep talking about numbers that, you know, that we are going deeper and deeper into red. It is like rearranging the chairs on the Titanic. It is now time for us to take the bull by the horns and do something.

Ms. Abernathy, do you think—and I keep hearing numbers—all my friends from the left—free education, free health care, free this and that. If you—conservative estimates that I hear, 10 trillion over the next 10 years. Is it possible to devise a tax increase system that will pay for the increases in spending, much less making a downpayment on the debt?

Ms. ABERNATHY. So I am not an economist, I am not really—I—

Mr. NORMAN. I am asking your opinion. Is it possible to do that in government?

Ms. ABERNATHY. I think the idea of the government is that you have got two choices each time. You measure, you know, the same way a family does. You have income coming in and you have cashflow going out. And, you know, when you have a kid going to college you take on some debt, and then you hopefully earn some more money, or maybe someone goes and gets a second job. Congress does have a choice—

Mr. NORMAN. That is true in the private sector. I am talking about in government, where we are right now. Is it possible—can—do you think we can just raise the tax rates enough, keep this economy afloat, keep the growth, and pay for anywhere close to what we are talking about in new spending?

Ms. ABERNATHY. I think Congress is talking about some new spending—some people in Congress are talking about some new spending programs. Some people in Congress are talking about

looking at entitlement reform. Some people are talking about changing marginal tax rates.

I think that some of the changes would happen gradually over time. There is not—there is—the government—federal budget is not on a great long-term trajectory, so there are also changes that should be made. The talk about drastic cuts to non-defense discretionary is not quite decimal dust, but it is pretty small compared to the big picture.

But I think that there are ways you can change a lot of different things that would put the economy—or the budget on a fiscal path to balance—

Mr. NORMAN. Is—

Ms. ABERNATHY.—but it would take a while to do it.

Mr. NORMAN. It wouldn't take long in the private sector. In government it takes longer, because somehow people look on it as not our—not their money. They look at it as something that drops out of heaven and comes down. But I am telling you the Main Street USA is paying attention now, as never before. And unless we get a handle on it—and I agree, that is our responsibility.

Let me ask you. We have got so many programs on autopilot. They receive funding, we have no debate. As far as accountability in wasteful spending, what is your—and I direct this to Mr. Gray and then to Ms. Abernathy. What is your—as far as accountability and, I guess, measuring it so the American people have a number to look at?

Mr. GRAY. So, in terms of wasteful spending, that is—of course, is entirely in the eye of the beholder.

Mr. NORMAN. The beholder, right.

Mr. GRAY. And so that is a problem and sort of a value judgement. And so—rather, I think—and we spoke to this earlier, which is, at least in terms of ensuring—of those programs that we have, we should make sure that they are well functioning and are benefitting the people they are intended to.

Mr. NORMAN. Thank you so much. I yield back.

Chairman YARMUTH. The gentleman's time is expired. Mr. Kildee of Michigan is recognized for five minutes.

Mr. KILDEE. Thank you, Mr. Chairman, and thanks for holding this very important hearing. I appreciate the perspective of the witnesses here today. It is hard to ignore the context of the hearing. We just had a government shutdown as a result of our inability to come, I think, to what could have been a very easily-settled conclusion on our priorities here, absent one issue. I think we all agree that that is no way to govern.

And it is interesting that we are talking about self-imposed cuts that are done without an Act of Congress by operation of law. We don't see them willing—and I don't want to go too deep in this—we don't see him willing to impose the same constraint on ourselves to trigger an automatic continuing resolution if we are unable to come to some agreement. We seem to think that it is okay to punish the American people for our failure to come together, and I think that—at some point—I won't get into that, but I think, obviously, that is something we need to address.

Similarly, in this hearing it has been fairly well reaffirmed that arbitrary, across-the-board cuts are no way to run the United

States Government. These cuts have an impact, they have consequence on our economy and our growth, and they also have consequence on the quality of life for the people that we work for. They have a consequence for our ability to keep ourselves safe. I think we all would acknowledge that the first obligation of our government is to keep us safe, to keep our citizens safe.

And I think it is incredibly important that we point out that the mechanisms by which we keep our citizens safe are not limited to defense and military spending. The way we keep ourselves safe covers a broad range of very important initiatives. And discretionary budget cuts to non-defense programs will make America less safe.

And I know that—I may sound redundant when I say this, because I know a lot of members have heard me talk about my home town—I come from Flint, Michigan, a community that has experienced tragic consequences as a result of the failure of government at every level to act effectively to keep the people safe. Triggering automatic cuts to important domestic priorities will put more people in this country at risk of great harm.

So I think it is important that we keep that in mind. If our priority is to keep America safe, we ought to act to keep America safe, and not simply take the position that there is only one way we do that. There are real consequences for our failure. And I don't believe that the priorities that we have pursued adequately keep America safe.

The consequences that my home town have felt has changed the trajectory of those lives. People died. That little bit of magic that was stolen from some of the children in my home town one day at a time as a result of being exposed to dangerous, unsafe drinking water is not an experience that is limited just to that community. Every day other Members of Congress on both sides of the aisle come to me and talk about the threat that their communities face to the safety of the people that they represent because of the inability of our collective governments at every level to properly invest in safeguards.

So let's not fool ourselves into believing that somehow this is a question between domestic priorities and our obligation to keep America safe. It is the same thing. It takes different forms.

Having said that, if I could just get—because I only have a minute left—an answer from Mr. Kosiak.

Given that as a backdrop, do you think there is some ideal equilibrium? Do you have an opinion as to whether there is some ideal equilibrium between defense and other discretionary programs that keep us safe at home? Are we there? Are we getting closer or farther away from that equilibrium, if you believe one exists?

Mr. KOSIAK. Well, I—it is a good question. I am not in a position to really give an answer on what the right equilibrium is.

I do think, as I pointed out in my statement, that, you know, we have to recognize that there is a lot of funding on the non-defense discretionary side that is security-related. So when you are trying to balance things, you have to think about not only how much do we need for national security, but how much—you know, what is the right balance between defense and non-defense national secu-



ity, because there is at least \$200 billion in the NDD budget that is——

Mr. KILDEE. But would you agree—my basic premise is that national security, I think, often is a misnomer in the sense that if you have your life, or your well-being, or the trajectory of the life of your child threatened by the fact that the federal government is walking away from its obligation to protect safe drinking water, isn't that a threat to national——

Mr. KOSIAK. I think that is absolutely—the—putting it like that, I think, is an absolutely great way of putting it, because—you know, one thing that I would—I encourage everybody to do is go through the budget and look through what these domestic agencies do. And a lot of it, you know, it looks a lot like security, whether it is national security or not. You know, maybe that is a less important question.

Mr. KILDEE. Thank you. My time has expired. I appreciate your comments.

Thank you, Mr. Chairman.

Chairman YARMUTH. Thank you. The gentleman's time is expired. Mr. Hern of Oklahoma is recognized for five minutes.

Mr. HERN. Thank you, Mr. Chairman. Thank you, Ranking Member, and certainly the witnesses for being here today.

Mr. Kosiak, thank you for your testimony regarding the need to invest in America's economic and national security. I would like to read, if I may, a quote from a gentleman that we all, Democrats and Republicans—obviously, both sides of the aisle are equally admirable of this gentleman when he read this, or said this to the Senate committee back in 2017. "Incorporating the broadest issues into your assessments, you should consider what we must do if the national debt is assessed to be the biggest national security threat we face. As President Eisenhower noted, the foundation of military strength is the economic strength in our few short years. However, we will be paying interest on our debt, and it will be a bigger bill than we pay today for defense."

"Much of the interest in money is destined to leave America for overseas if we refuse to reduce our debt or pay down our deficit. What is the impact on the national security for future generations who will inherit this irresponsible debt and the taxes to service? Yet no nation in history has maintained its military power if it failed to keep its fiscal house in order." And that was from General Mad Dog Mattis.

When you look at those issues, I think you testified earlier that there is a need to keep the defense going. And Mattis actually testified just last year that he felt, to maintain—and other military experts—to maintain our economic strength, to—first, to continue to catch up, that we needed to increase our defense spending two to three percent per year, basically, in perpetuity to keep up with the ever-growing threats that we have from Russia and China.

And my colleague on the left mentioned that, you know, we spent a lot on defense, more than some of—three or four other nations combined. We are not trying to take those countries over. We are not trying to invade those countries. They are trying to harm us. And so it is unfortunate we are trying to defend against multiple

nations that are very large nations. It is flattering they want to be here, and they want to be like us, but we have to defend ourselves.

So would you agree with Mr. Mattis and other military experts we need to continue—get on a regular increase in spending in defense? And if not, why not?

Mr. KOSIAK. Well, I would certainly—it is a very good question. I would certainly agree that we need to bring defense back up to—we can't have a \$71 billion cut, that would be devastating in 2020.

I also agree with his comment about addressing the debt over the long term. I think we do need to look at raising taxes and scaling back some on mandatory spending programs.

I don't have a particular level in mind for defense over the long term. I do think some growth is necessary. Certainly, you have to, at a minimum, keep up with inflation. And I think we need to look at that both on the defense and non-defense side, as I say, since they both have important security-related programs.

Mr. HERN. Mr. Gray, do you think, given the nation's projected \$11.6 trillion deficit over the next decade, do you believe there would be merit in offsetting any increases to the discretionary spending with reforms to mandatory spending?

Mr. GRAY. Yes.

Mr. HERN. And do you have any opinions? Not—you don't have to have a spreadsheet, but any opinions on that?

Mr. GRAY. Well, I do have a spreadsheet on my computer, but that spreadsheet is part of a overall budget plan that I am working on. That is kind of my first best option, would be for this Congress—really, any Congress in the future, as well—to embark on the fiscal consolidation to get the debt onto a sustainable trajectory. That necessarily means making reforms to the large and fast-growing entitlement programs.

And the menu of options that you can sort of deploy in that effort are extensive. But I think that would be sort of the first best approach.

The second best option would reflect the compromises made in 2013 and 2015. They weren't major entitlement reforms, but there were some programmatic reforms, some of which will yield substantial savings over time. I think that is—those are good models, if the Congress isn't going to sort of do the grand bargain under the big fiscal consolidation.

Mr. HERN. Much has been said about the President's—want to be a protectionist country and not look at globalization as an opportunity. So for those nay-sayers that are—I am a global guy, I think global economies are very, very important. As we look at going forward, there has been much said about paying for some of these offsets, if you will, to some of these increased spending programs, by going back to the corporate tax code and moving it from 21 to 25 or 26—pick a number any day, how many billions do you want?

How much harm do you think that would do, in light of the fact that many developing nations have actually lowered their rates since we lowered our rate?

Mr. GRAY. Right, I don't think that that would be a particularly efficient way of offsetting the discretionary increases being contemplated here.

Mr. HERN. So really, we are left just with one option. That is just raise income taxes on everybody to the point where we run out of other people's money to pay for things that we can't afford any more. And there was once a real famous lady who said that was the definition of how Socialism actually fails.

Chairman YARMUTH. The gentleman's time has expired.

Mr. HERN. Thank you. I yield back my time.

Chairman YARMUTH. The gentleman's time has expired. Ms. Jackson Lee of Texas is recognized for five minutes.

Ms. JACKSON LEE. I thank you, Mr. Chairman. And to the ranking member, as well, I look forward to the enthusiasm in this committee to do a job that is long overdue. I am optimistic. I am, frankly, going to project lifting the budget caps. I want sequester to go into the dawn of yesteryear, because, obviously, the grand bargain did not rise to the occasion.

But let me put this in the record as I quickly ask questions of the witnesses. And let me thank you very much. I was delayed because I was in Judiciary, in the midst of oversight of this administration, which, obviously, has not been done for a period of time.

But according to the Congressional Budget Office, the U.S. will collect 1.74 trillion in individual income taxes in the current September-ending fiscal year of last year, and 22.38 trillion over a decade, a 10 percent reduction than would cost 174 billion for one year, or 2.24 trillion over a decade. And this was October 23rd, 2018.

Of course, this is to respond to, I think, a question that a gentleman made that he didn't have any facts about the impact of the Trump tax cut. New estimates of GOP's second tax cuts would add 3.8 trillion to the deficit. A second round of Republican tax cuts would add an additional 3.2 trillion to the federal deficit over a decade, according to a centrist think tank.

So we can find our resources or our numbers in many different places, but I think the bottom line is, yes, there has been some increase in manufacturing. And who knows? That could have been in any setting to create an increase in manufacturing. And I am glad that it is. But we do know that there are many, many people who are still unemployed.

And so my questions are going to be around my enthusiasm and my optimism of developing a budget resolution that really takes the test of Hubert Humphrey: the moral test of government is how that government treats those who are in the dawn of their life, the children; those who are in the twilight of their life, the elderly; and those are in the shadows of life, the sick, the needy, and the handicapped.

And that looks like old-fashioned talk, but it is amazing to me that that is considered old-fashioned talk. And it is that, because my friends on the other side of the aisle continue to use as the only measure of fiscal responsibility is the reining in, cutting, chopping away, dismantling, dismembering entitlement.

And I would say that if there was more of a dual conversation, that tax cuts as well provide a deficit, and don't do much because it certainly doesn't do much for what we call working Americans, or others.

So let me raise these questions. As I do so, let me acknowledge Dr. Shah, a dear friend and someone who we have worked on (sic). And I just want to emphasize he is truly a hands-on physician, having come out of the emergency medicine background, and now leading Harris Public Health.

So first let me say to you, Dr. Shah, welcome. And one of the agencies, as you well know, that I have been a champion of, the Centers for Disease Control, NIH, and we have experienced Ebola and we have experienced Zika. We have experienced a measles outbreak as I was leaving. What is the importance of us funding Centers for Disease Control, NIH as it impacts public health?

And my time is short and I have two other questions.

Dr. SHAH. First of all, thank you so much for those kind words. Absolutely critical. What happens in funding federal agencies such as CDC, NIH, et cetera, is that those dollars actually, at the end of the day, they come to state level and certainly down to local level and to the local communities.

So ultimately, if we cut those agencies in ways that are across the board or even sometimes surgical, the end result is that local communities and local members of those communities are impacted by those cuts.

Ms. JACKSON LEE. So those trillions of dollars that is going into Republican tax cuts, if that is not utilized or replaced, we are seeing—because you are in discretionary spending, non-defense discretionary spending—you have seen dollars go down for Centers for Disease Control, in terms of coming back out to local communities.

Dr. SHAH. Well—

Ms. JACKSON LEE. You have actually seen that.

Dr. SHAH. Absolutely. And I think that real shift from health care delivery, where we are already spending those dollars to shift it upstream to public health and investment up front, so we have the downstream consequences diminished, that is the absolute. That is the equation. Not increasing the dollars necessarily, but trying to find ways to spend them more wisely.

Ms. JACKSON LEE. And I join you in that. That is why I think this committee can do a budget that they should do aggressively.

To both Ms. Abernathy and the—excuse me, Mr. Gray down here, one—you understand that we are trying to construct a census that works. You hear the lawsuits about citizenship being asked, major budgetary deterrent, as far as I am concerned. Your comments on that, and the importance of structuring a census right as it ties to funding in a budget.

And then, Mr. Gray, I am very interested in national security issues, but you heard my numbers about the tax cuts. Can we find common ground to acknowledge how the tax cuts are, but as well to find a common ground as it relates to national security that is outside of defense? Could you just answer?

And I thank the chairman for his indulgence.

Chairman YARMUTH. You both may answer.

Ms. ABERNATHY. Just quickly, that having an accurate census count has huge impacts on how education dollars are spent in the local and state areas.

Chairman YARMUTH. Mr. Gray?

Ms. JACKSON LEE. Mr. Chairman, if he can just—one moment?

Chairman YARMUTH. Mr. Gray, yes, go ahead.

Mr. GRAY. Certainly. That would certainly be my hope. And I think that the budget process is the appropriate vehicle for trying to find that common ground.

Chairman YARMUTH. Okay, the gentlelady's time has expired.

Ms. JACKSON LEE. Thank you Mr. Chairman.

Chairman YARMUTH. Ms. Omar of Minnesota is recognized for five minutes.

Ms. OMAR. Thank you, Chair and Ranking Member for this important conversation. Oh, it's not on. Alright. Thank you, Chair and Ranking Member for this important conversation. I truly believe budgets really are a value statement. And I am, with my colleague from Texas, on really having an old-fashioned conversation about this, and speaking really to what it means for us to have an aggressive budget that focuses on the needs of our communities and one that speaks to truly having prosperity in this country for everyone.

I wanted to ask—maybe this was discussed while I wasn't here, but I was interested in talking to you, Ms. Abernathy—okay? And see if you can tell us what increase for education funding has been for the last 10 years. What percentage has education funding been?

Ms. ABERNATHY. It hasn't increased. The high water mark was 2011 until 2018, this last year, when Congress provided a very large increase for non-defense discretionary funding in 2018, and that was the first year that the Department of Ed funding—which I am using as a proxy for education, there is actually education funding—

Ms. OMAR. So you are saying zero increase since 2011.

Ms. ABERNATHY. Now it is at—2018 has had a slight increase, so it is now higher.

Ms. OMAR. What percentage was it?

Ms. ABERNATHY. It—

Ms. OMAR. Okay. Well, we can look at it—

Ms. ABERNATHY. Small.

Ms. OMAR. But, good okay, what is the percentage of education funding in our discretionary budget?

Ms. ABERNATHY. It is \$70 billion for the Department of Ed --

Ms. OMAR. Percentage --

Ms. ABERNATHY. Out of a discretionary budget of \$1.3 trillion. So I told you I am horrible at math in my head, but less than—

Ms. OMAR. Less than two percent?

Ms. ABERNATHY. Well, less than two percent, but that is the whole budget, not the discretionary budget. I was—I thought you were asking for just the discretionary budget.

Ms. OMAR. Okay.

Ms. ABERNATHY. But it is less—for the federal budget it is significantly less than two percent of the whole budget.

Ms. OMAR. All right, wonderful. And, Mr. Shah, how about for health care funding? What percentage increase for the last seven years?

Dr. SHAH. I can't give you a specific percentage increase, but I will say that the health care, overall health budget, has—or expenditures have increased. We are—I think one of the challenges is that the public health side, the up-front investment, that has de-

creased, and that is where we really are seeing decreases in workforce, decreases in infrastructure, as well as decreases in technology and surveillance activities. And that is where we need to shift that cost curve.

Ms. OMAR. And how much of our federal budget goes to health care?

Dr. SHAH. That is a great question. It depends on which GDP you look at, in terms of the numbers. But we are looking at 15 percent market. But again, it is—health care includes medical research, it includes an incredible amount of other dollars that go in to both the public sector and the private sector, combined. So that percentage is sometimes a moving target.

Ms. OMAR. Wonderful. And, Mr. Kosiak, what percentage goes into defense?

Mr. KOSIAK. Three to four percent, typically, of GDP goes to defense. And the federal budget, probably about 20 percent.

Ms. OMAR. Okay, I have something like 53 percent. Where is the discrepancy in that?

Mr. KOSIAK. I am sorry? Oh, of a discretionary?

Ms. OMAR. Yes.

Mr. KOSIAK. Yes, yes. It is closer—it is around 55 percent, typically, yes.

Ms. OMAR. Fifty-five percent. So we have something like 7 percent, 15 percent, and 55 percent for defense. Okay.

I wanted to ask you in regards to education, is there a correlation between some of the domestic threats to security and education?

Ms. ABERNATHY. Absolutely. I mean we need to have people who—the military is a very broad group, and you need people with boots on the ground, but you also need programmers, you need cyber security people, you need people designing things, weapons systems. I mean you need to have a well-educated military ready to serve.

Dr. SHAH. And certainly, I—what I would add to that is that education and health have so many overplays. And so—overlaps. And so you—when you have social—what we call social determinants of health, which include education and transportation and housing, that really impacts health, and vice versa. So I think it is really important to remember it is not an either-or, it is an and.

Ms. OMAR. So investing in education, investing in health care could be an investment in caring for the safety and the well-being of all Americans, domestically?

Ms. ABERNATHY. Absolutely.

Ms. OMAR. And internationally?

Dr. SHAH. That is right.

Ms. OMAR. All right, wonderful. Thank you. I yield back my time.

Chairman YARMUTH. The gentlelady's time has expired. I now recognize the ranking member for 10 minutes.

Mr. WOMACK. I thank the distinguished chairman. And let me just say as part of the record, unrelated to our hearing today, I consider myself to be one of the luckiest Members on the Republican side in a leadership position, because I have the honor and privilege of sitting side by side with John Yarmuth. And I mean that in all sincerity. It is not for show.

It has been intimated before that if you put Yarmuth and Womack in the room and lock the door, we can fix the problems associated with budgets in the United States Congress, and we are dadgum close to that right now.

You know, we could lock these doors and, John, I think you and I in about 30 minutes could probably fix a lot of the problems that have been discussed here today because, while we disagree on some policy-related issues, we both recognize the need that has been expressed and was expressed in the State of the Union the other night, the need for us to work together, get to the table, and try to figure out how to make this whole thing work.

And when I hear guys like Dan Kildee and Seth Moulton—these are all dear friends of mine, and I have an enormous amount of respect for them. And while we may disagree from time to time on policy, I do think there is a recipe there, a chemistry that we can build on to actually do some great things.

And one more addition to that comment is that Mr. Yarmuth was a key member of the Joint Select Committee on Budget Process Reform and was in the yes column when we got this proposal, albeit somewhat limited in scope, to the finish line. And two guys sitting right here that are the Budget chairman and now the ranking member, had some ideas that could actually improve our process. And it is a doggone shame that we didn't get that across the finish line. But we will save that for another conference.

One of our—one of my colleagues across the aisle, Ms. Jayapal, mentioned earlier, in leading into an education funding question, and used teacher pay as kind of the metric for us to, you know, basically call for more spending on education. So, Ms. Abernathy, what—how much of our federal budget in education actually goes to teacher salaries?

Ms. ABERNATHY. Not a lot. There is a \$2.1 billion teacher and school leader state grant program that—

Mr. WOMACK. So I think we could just—

Ms. ABERNATHY.—some of that goes for.

Mr. WOMACK.—agree that it is negligible.

Ms. ABERNATHY. It is mostly state and local funding.

Mr. WOMACK. Yes. Is that where it should be?

Ms. ABERNATHY. That is the system that we have.

Mr. WOMACK. So what is the role of the federal government in education?

Ms. ABERNATHY. It is—there is a multi-fold role. One of it is providing student aid to students who want to go to college in the form of grants and loans—grants based on income and loans are available to everybody who want them.

Other places the federal government provides federal funding in education in the K through 12 world, or in adult education, or in CTE, career and technical education, is to fill gaps where state and local funding has not been able to fully meet the need, for instance, for special education. Some of the programs are based on helping schools, districts with high numbers of low-income students, where their state and local—where the local tax base isn't high enough to support the things that schools need, because there are some basic things that all schools need.

Mr. WOMACK. Yeah, I am a former mayor in a city that put a premium on education. We had among the highest property tax rates because the people where I lived believed in public education. There are other cities, however, that don't look at it that way. And therefore, their millage rates are lower, and the inability to hire qualified teachers, et cetera, et cetera. So it really is a local decision.

Ms. ABERNATHY. Right. And there are some places that don't have the tax base to do it, some of the rural districts where you have got students in a bus going 45 minutes a day, each way, to a regional district. I mean there is not a lot of people to tax to raise local money for the school. But their kids need the education.

Mr. WOMACK. Yeah, I totally agree, but—and perhaps maybe there are some ways—80 years ago we electrified a lot of the rural areas because we knew the electricity was pretty important. And maybe we could do some things from an infrastructure perspective that could really elevate our ability to educate our kids, namely through broadband, and the ability to leverage technology to deliver education into some of these rural areas. Would you agree with that?

Ms. ABERNATHY. Absolutely.

Mr. WOMACK. Yeah. And I think it is a big deal, personally.

I want to shift back to defense for a minute, Mr. Kosiak. We talked earlier about how important it is for defense. And one of my—I think it was Chris Stewart that indicated how—how should we build a defense—how should we fund defense? What metric should we use to be able to fund defense?

Mr. KOSIAK. Well, I think, you know, it is hard in the case of defense, because defense, unlike a lot of programs, is partly what you are doing—the military is doing at any given time, but it is also an insurance policy. And, you know, if you—depending on what—your view of the threats out there, you may think you need more or less insurance. So it is always a hard thing to measure, because a lot of what defense does is deter, and not actually fight and defend. But it is obviously an important deterrence policy, so it is hard—

Mr. WOMACK. So we use our National Defense Strategy to try to—I am getting to the threat here for just a minute, because that is what I believe. I believe that any time you are going to spend money on national security—and you can't look at it in a one-year window, particularly in procurement areas, because that could be a—it is always a multi-year, sometimes multi-generational glide path.

But—so we should be building our national defense budget, based on the perceived threats—known and perceived. Would you not agree with that?

Mr. KOSIAK. Absolutely. I mean that is the way it should be done, that is the way we try to do it.

I think you also, obviously, have to make internal tradeoffs on other priorities, as well, on the non-defense side, other areas of security, so it is not all just looking at outside threats, looking at, you know—

Mr. WOMACK. And it is a constitutional imperative—

Mr. KOSIAK. Absolutely.



Mr. WOMACK.—to provide for the common defense.

Mr. KOSIAK. Absolutely.

Mr. WOMACK. Is—in your opinion, is the threat greater?

Mr. KOSIAK. Greater than?

Mr. WOMACK. Greater than, say, 20 years ago.

Mr. KOSIAK. I mean I—you know, I think it is—it has changed, or it has evolved. It is certainly, in many ways, not the same—it is a very different threat than when I got into this business, back during the Cold War. And in some ways—

Mr. WOMACK. So in the old days—

Mr. KOSIAK. In some ways it is safer—

Mr. WOMACK. In the old days it was—

Mr. KOSIAK.—in some ways it is more dangerous.

Mr. WOMACK. It was force on force, it was state versus state.

Mr. KOSIAK. Right.

Mr. WOMACK. Now it is multi-dimensional. It is in space, and it is next door, and it is all around us, right?

Mr. KOSIAK. Right, and I think you need multi-dimensional approaches to addressing that, on both the—

Mr. WOMACK. Which is pretty expensive to try to provide. I mean you are trying to defend yourself in all territories. It is a worldwide threat, it is a homeland threat. So the threat, I think we could all agree, is probably elevated right now. If you ask 10 people on the street, and ask them about threats to the United States, I would guess that they would say, you know—they might differ. It may be Russia to one, China to another, and Iran or North Korea or ISIS or—pick from the menu. But most people would say, I think, that—at least in my district—that we have an elevated threat.

And if we have an elevated threat, and if we are going to base our defense budget on the threat, then it stands to reason that we are probably going to spend more money on defense, right?

Mr. KOSIAK. Well, I think it would be an elevated threat compared to 15 years ago or 20 years ago. I am not sure it would be an elevated threat across the board and compared to the Cold War.

Mr. WOMACK. So it—and my colleague from Connecticut, Ms. DeLauro, in her questioning said—and I can't quote her—she did use the word “parity”—that if we are going to increase defense spending, then we ought to do parity for the non-defense side. Is that—would that be an imperative for this country?

Mr. KOSIAK. Well, I think, given that 40 to 60 percent of non-defense discretionary spending goes to security-related programs, which is as important, I think, as defense spending, in terms of addressing security, I think some level of parity probably is necessary.

Mr. WOMACK. Okay. Are you familiar with how much debt we have?

Mr. KOSIAK. Yes.

Mr. WOMACK. Pick the number. What is it?

Mr. KOSIAK. What, \$20 billion.

Mr. WOMACK. Twenty-two, a little over twenty-two trillion dollars.

Mr. KOSIAK. Trillion, yes.

Mr. WOMACK. Trillion, with a T. That is another zero. The deficit this year, are you familiar with what the deficit will be this year?

Mr. KOSIAK. I think about 900 million—900 billion.

Mr. WOMACK. Nine hundred billion dollars. That is just to pay the minimum payment due. So, obviously, we are going to spend more money than we take in. And because of that, we have to make some tough decisions. Would you agree with that?

Mr. KOSIAK. Absolutely.

Mr. WOMACK. Okay. It is like anybody else at home. If you got more going out than you have coming in, you got to figure out what likely on the expense side—what you got to cut, what you don't need, and those kinds—a lot of things you would like to have, but at the end of the day there are some things you just can't afford to have, because you are trying to take care of the things that you must do, pay the mortgage and put food on the table, and those kinds of things.

The federal government operates a little differently than some households, but the concepts, the principles, I think, remain the same.

[Slide]

Mr. WOMACK. I put a slide up there. Does that surprise you, that in 1965 about 34 percent of this budget went to mandatory programs, and today it is commanding 70 percent of the federal budget?

Mr. KOSIAK. It has been notable growth. It doesn't surprise me, since I am familiar with the figures. But yes, a lot of growth.

Mr. WOMACK. Okay, and do we have that other slide? Put the other slide up there.

[Slide]

Mr. WOMACK. So there is a defense—not that slide, I am talking about the—not that one. I am talking about the—showing the rise in mandatory spending and the cuts in discretionary spending.

[Slide]

Mr. WOMACK. All right. CBO—and I know I am about out of time. CBO says, "As a percentage of GDP, spending on mandatory programs is going higher. But spending on discretionary programs, as a percentage of GDP, is going lower."

So, with that said, would you agree, as I said in my opening statement, that this Congress, this committee, appropriators, leadership in both sides, House and Senate, should have a plan for how do we address runaway entitlement programs that, unchecked, are going to command in 2029 78 percent of the federal budget, which is going to cut every single thing, and cut into every single thing that we have talked about on the discretionary side? Would you agree with that?

Mr. KOSIAK. I would agree that it is critical that we address the debt over the long term. It is a real challenge that needs to be addressed through both tax increases, probably, and entitlement reforms.

Mr. WOMACK. That is hard, isn't it?

Mr. KOSIAK. That is hard. Both are hard.

Mr. WOMACK. Yes. I yield back, Mr. Chairman. Thank you so much for the time.

Chairman YARMUTH. Absolutely. And I now yield myself 10 minutes.

And I would like to first thank you for the kind remarks, and I think we could make a lot of progress if we didn't have to answer to anybody else. That is the big consequence.

First of all, I want to just establish for the record, because Mr. Smith and Ms. Jayapal had a difference of opinion as to what CBO has said about the impact of the tax cuts, the 2017 tax cuts, on the deficit. Their report was that the tax cuts contributed \$164 billion to the deficit in 2018, 228 billion in 2019, 272 in 2020, and projected it out.

The projected impact on the deficit comes down after the tax cuts for the middle class expire. But a substantial increase. And, of course, he said we have record income, and the answer to that is, well, we may, but the income would have been that much greater, and the deficit that much less if the tax cuts were not in place.

The ranking member raises, I think, the critical question in many of these areas, and we don't dispute that national defense and national security is a national priority. It is the responsibility of the federal government, and we deal with that that way. The questions arise as to many other areas in which the federal government is involved—and education is one of those—that is controversial to a certain extent.

And we have heard calls for the abolition of the Department of Education. I spent my first term in Congress on the Education and Labor Committee, and we spent that entire Congress trying to reauthorize No Child Left Behind, ESEA. And of course, that was the one question that we had, and this relates to what Mr. Burchett said. NCLB was a George W. Bush initiative, and it was designed to make up for those gaps, those—and so that a child in a state that did not think that education was a top priority would have access to the same quality education that a child in a state that did take its responsibilities for education more seriously.

And I am not familiar with what goes on in Tennessee or in Arkansas. I am familiar with what goes on in Kentucky and some—even some localities do a lot better job than other areas. But overall, our state—when you look at the budget, our state spends more on education than anything else, and has still had to cut spending for education over the last few years, particularly higher education. So we are all figuring out how to fund education, however we package that.

And I think Mr. Crenshaw talked about the fact that there was—it is not just a matter of how much you spend, which I fully agree with. But what you spend directly on education—and this has been referenced before, Dr. Shah did—does not really calculate all the factors that go into whether a child is well educated or not.

The health of the child, the housing of the child—about 10 percent of my students in my district are homeless at one time during the year. It is an astounding number. We have one of the largest school districts in the country in Louisville. And we have 50 percent of our students change schools at least once during the school year because they are being shifted around from grandparent to aunt to whoever—they may be homeless during that time, too.

So when we look at non-defense discretionary spending, we have to look at housing, we have to look at transportation—you mentioned—we have to look at health care, and we have to look at nu-

trition. Because all of those expenditures that the federal government makes contribute to, overall, the educational attainment of the child, the possibility.

So one of the things that I wanted to talk to you about is that, as part of the tax cut, the Tax Act of 2017, we—well, we limited the deduction for state and local taxes. And one of the complaints from high-taxing states like Massachusetts and New York and so forth is, hey, we are doing what we feel we need to do for our children—not just our children, all sorts of areas, our citizens—but we are funding education at a certain level, and you are penalizing us now for being willing to tax our citizens to make those services available.

My question is have you seen or heard of any assessment as to whether that part of the tax code—and it is probably too early to tell, but I am just asking—has had any impact on what states are doing with education?

Ms. ABERNATHY. I don't know the answer to that, and in part because a lot of the studies about state education budgets take a couple of years to come out, because you have to wait and see what happens. So some of the most recent stuff I have seen is looking at the 2015 budget, for instance, for education funding. I think we will see that borne out in the coming year or two.

Chairman YARMUTH. I appreciate that. I refer to Mr. Kildee's talking about water security, and also early on in the hearing Mr. Higgins talking about infrastructure. You didn't talk about infrastructure as a part of national security. But would you consider infrastructure spending as part of our national security profile?

Mr. KOSIAK. Well, I did, actually, in my broader definition of security. I consider some infrastructure funding—it is—obviously, what I was looking at was just focused on the discretionary portion of the budget, and just the amount that Congress actually appropriates. I looked at transportation, Corps of Engineers as just sort of examples of areas that provide infrastructure. So I think if you have a very narrow definition of national security, you are probably not looking at those programs. But if you look more broadly, I think, clearly, that is important.

Chairman YARMUTH. I appreciate that.

And Dr. Shah, I am not sure you said you gave us this number, so I will ask. My memory may be faulty. What percentage of your budget, or what percentage of national public health is funded by the federal government?

Dr. SHAH. So from the standpoint of our budget, we—let's see, about 30—I would say about 30 percent of our budget is that. And, you know, obviously, it varies across the system. Local jurisdictions that are smaller, obviously, they are often times more rural. Frontier jurisdictions may have a higher percentage. That is why the capacity is really impacted when you have a change from the federal system.

And one thing I did want to make mention is that earlier I had heard the dynamic about if it is a family, and really looking at some ways that you can, you know, get your—continue to have your family afloat. One is to increase revenue and the other is to actually decrease expenditures. And I think there is another piece that is very important to this, which is the investment piece, right?

So if I have a dollar as a family member, and I invest it in something today, it is still an expenditure today. But if it yields back \$100 a year from now, or 5 years from now, now I have actually brought something back. So I don't think it is really just this either-or. It is really this holistic concept of how we are really looking at how spending and revenue comes in, but also this investment. And I believe strongly investment in public health and health really helps us in avoiding those unnecessary higher-level costs in a health care system like the emergency department or health care system in other ways.

Chairman YARMUTH. Okay, thank you for that.

Mr. Kosiak, in the wake of the government shutdown there has been much interest in legislation—I think one of our members mentioned this—in creating an automatic continuing resolution. And some of—again, some of our members on this committee are interested in that possibility.

Speaking of your—from your experience in OMB, could you expand on the parameters that would be necessary for that kind of legislation to be successful, from the standpoint of executing it, and implementing it?

Mr. KOSIAK. Well, certainly I—I mean I appreciate the people's interest in that, and looking for a solution to avoid a government shutdown. It is—my own view is that that is probably not a good mechanism to move forward with. I think my concern would be that it leads to sort of a default, where parts of the government are continually funded on this basis automatically, which means you don't get to raise some parts and lower some parts, you don't get to change programs within different departments that are on this sort of automatic pilot.

So I think, as bad and as hard as it is to go through government shutdowns, I think it is a sort of decision-forcing event that makes Congress, you know, make tough choices. And so I would not probably advocate that. I do think if you had it, you would—obviously, you would have to, at a minimum, grow with inflation. But I think it is probably not the best mechanism.

Chairman YARMUTH. Does anybody else on the panel have a thought about that, whether automatic CRs are a good idea?

Mr. Gray?

Mr. GRAY. So I think one of the most important questions to always ask in matters of public policy is compared to what? What is your counter-factual? I think we would all agree that the automatic CR approach is not ideal. And then the question is, "Well, compared to what?"

And certainly compared to, I think, regularizing shutdowns, which I think we would all consider bad, I think it would be worthwhile in that context. If that is not going to be the custom, going forward, then it may have less utility. So I think it is just important to consider the context.

Chairman YARMUTH. Thank you.

Ms. Abernathy?

Ms. ABERNATHY. I would just say that it is not a—I mean Congress has the ability to stop shutdowns, and Congress does have the ability to act to get appropriations done. And so I think that putting in this default that supports frozen funding forever, or a

cut in funding, or whatever the automatic CR has takes away the oversight and the ability of Congress to do this. And I think that, as others have said, you know, the shutdown is a horrible outcome. But it is not a—it doesn't have to happen. It is not like we can look at it and can't stop it.

Chairman YARMUTH. I appreciate those——

Dr. SHAH. Certainly in local communities such as ours, I mean, we—I can't think of anybody that I met or walked and talked to who said, oh, you know, the shutdown is a fantastic approach that the federal government has taken, and I think that is a real challenge, is really looking at ways that we can proactively really build that capacity across the system that we are talking about here, and not really silo.

I think the false dichotomy is when we try to silo into what is happening, but really thinking broad-based on how do we invest in the future of our country, and certainly in the American people.

Chairman YARMUTH. I appreciate that. For the record, the Joint Select Committee, which the ranking member chaired, we didn't get much resonance for that idea in that joint committee, either, for automatic CRs.

Well, with that, I want to thank the panelists for being with us today. Once again, it has been very valuable testimony.

Members should be advised they can submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

Any members who wish to submit questions for the record may do so within seven days.

Without objection, this hearing is adjourned.

[Whereupon, at 12:44 p.m., the committee was adjourned.]

Rep. Bill Johnson – Questions for the Record  
Investing in America's Economic and National Security  
February 7, 2019

1. Eastern and Southeastern Ohio is a part of the state and the nation that has for too long been overlooked in terms of economic investment and opportunity. Federal investments like the Appalachian Regional Commission and Community Development Block Grants are often a lifeline to communities that have nowhere else to turn. While we are seeing positive signs of renewed energy development and manufacturing thanks to the deregulatory policies of the Trump Administration and the Republican tax cuts, parts of my district will likely continue to need federal investments to bolster and sustain that growth. Responsible increases to the BCA caps on discretionary spending, offset with reforms to mandatory spending could help with that. But we also have to think long-term.

**Mr. Gray, what impact will the tidal wave of mandatory spending have on programs for these disadvantaged communities if we don't get it under control?**

2. Dr. Shah, I appreciate your expertise in public health and thank you for your work in that field. I understand that your expertise does not necessarily extend to federal budgeting, but, in any organization, priorities have to be set based on available resources. I think you'd be hard pressed to find someone against the idea of investing in public health, but we have to set priorities based on available resources just like a hospital system. **From your perspective, how do we make sure that the resources we do spend are making the biggest impact?**

Rep. Schakowsky

Budget Committee Hearing – Investing in America’s Economic and National Security –  
February 7, 2019

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**For Umair A. Shah, MD, MPH**, Executive Director, Harris County Public Health, TX,  
Immediate Past-President, National Association of County and City Health Officials

1. As you likely know, a \$4 billion cut to Medicaid disproportionate share hospital (DSH) payments will go into effect on October 1, 2019. Medicaid DSH payments go to hospitals that serve large numbers of low-income patients, uninsured patients, and patients on Medicaid. These large, public hospital systems—like Cook County Health, which serves the City of Chicago and suburban Cook County in my district—work with local public health departments to protect the health and safety of many communities in our major metro areas. I am concerned these cuts to Medicaid DSH will devastate our public hospitals’ ability to serve our most vulnerable populations.

Do you also agree that the cuts could undermine public hospitals’ ability to partner with local public health departments?



Rep. Bill Johnson – Response from Mr. Gray for the Record  
Investing in America's Economic and National Security  
February 7, 2019

1. Eastern and Southeastern Ohio is a part of the state and the nation that has for too long been overlooked in terms of economic investment and opportunity. Federal investments like the Appalachian Regional Commission and Community Development Block Grants are often a lifeline to communities that have nowhere else to turn. While we are seeing positive signs of renewed energy development and manufacturing thanks to the deregulatory policies of the Trump Administration and the Republican tax cuts, parts of my district will likely continue to need federal investments to bolster and sustain that growth. Responsible increases to the BCA caps on discretionary spending, offset with reforms to mandatory spending could help with that. But we also have to think long-term.

**Mr. Gray, what impact will the tidal wave of mandatory spending have on programs for these disadvantaged communities if we don't get it under control?**

Thank you for the question as I believe it speaks to the heart of the consequences of the increasing share of mandatory spending. At present, mandatory spending comprises about 61 percent of federal outlays. If you include interest on the debt, about 68 percent of all federal spending is outside the annual appropriations process. By 2029, the share of federal outlays comprised by mandatory and net interest spending will rise to over 78 percent, leaving just about one fifth of all federal spending for defense and domestic priorities. Net interest is projected to eclipse defense as the third largest spending program in 2025. Unless policymakers meaningfully address the growth of mandatory spending and the growth in the debt, the federal government will face increasing constraints on the priorities you mention, among others.

Umair A. Shah, M.D., M.P.H.  
Executive Director



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March 6, 2019

Ms. Jocelyn M. Harris  
Counsel  
U.S. House Committee on the Budget  
204-E Cannon House Office Building  
Washington, D.C. 20515

Dear Ms. Harris,

Thank you for allowing me the opportunity to participate on the panel at the U.S. House of Representatives Budget Committee Hearing, "Investing in America's Economic and National Security" on February 7, 2019. I am a firm believer that public health is not just an expenditure but it is a true investment in the nation's economy and health security. Unfortunately, the U.S. investment in public health is woefully inadequate. A more balanced distribution of investment across the health continuum from prevention via public health to treatment in the healthcare system is crucial to the nation's well-being.

Please find below answers to questions submitted for the record.

The Honorable Bill Johnson:

1. Dr. Shah, I appreciate your expertise in public health and thank you for your work in that field. I understand that your expertise does not necessarily extend to federal budgeting, but, in any organization, priorities have to be set based on available resources. I think you'd be hard pressed to find someone against the idea of investing in public health, but we have to set priorities based on available resources just like a hospital system. **From your perspective, how do we make sure that the resources we do spend are making the biggest impact?**

Public health's role centers squarely in the area of prevention. Public health is the "science" of protecting and improving the health of people and the communities in which they live. This work is achieved through investment across the public health system in a number of ways such as by promoting healthy lifestyles, implementing robust programming for health, wellness, and injury prevention strategies, emergency preparedness, and detecting, preventing and responding to infectious diseases to name a few. The Centers for Disease Control and Prevention for example, highlights a variety of strategies that produce the

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greatest impact on health through their HI-5 initiative. They range from early childhood education to tobacco control interventions and are all supported by strong science showing improvement in health outcomes in just five years.<sup>1</sup>

As public health should be seen as an investment, we equally can also hold public health accountable in making sure that the resources given are making the biggest impact in the communities that public health is designed to serve. Investments in public health can be validated by long-term improvements in key outcomes such as: life expectancy, rates of preventable diseases, and improved resilience to disasters and public health emergencies. These outcomes can further be validated by the prevention of untoward outcomes: diseases that are not spread; diabetes that never manifests; overdoses or suicide deaths that never occur. Validation comes in the form of stronger national security: a population fit to serve; the necessary capacity to respond to acts of intent such as bioterrorism and the like; and robust global surveillance and prevention program to stop diseases that might otherwise manifest here domestically.

According to the respected non-partisan policy group, Trust for America's Health, "the United States spends \$3.5 trillion annually on health, but only 2.5 percent of that spending is directed to public health. That equates to an average public health expenditure of about \$280 per person. By contrast, total healthcare spending in the United States in 2017 was \$10,739 per person<sup>2</sup>." While we know prevention works, yet we are not investing adequately in it.

This is somewhat paradoxical in that it's not that those resources are not being spent currently in the overall health-related system. Instead, they are just being spent ineffectively or inadequately. In other words, we are spending such that when one gets sick or injured, we then provide the resources for their needs. Unfortunately, at this point, it is often too late or at a markedly higher cost than if we invested up front. So while the comment is often made that few would disagree or argue that prevention and public health should be invested in, nevertheless the status quo continues to exist where we simply do the opposite.

This value proposition has a lot to do – in my mind – with the "3 V's" of public health that I discussed in my testimony. Since our work is largely invisible, we are often "out of sight, out of mind". Thus we must first address the visibility crisis inherent in the field of prevention by raising the visibility of the work. When one sees the work, then one values it. Ultimately when one values the work, one then is willing to invest in it. So first and foremost, we must call attention to the value proposition that is inherent in public health work so we attain the optimized health in and for our communities.

<sup>1</sup> <https://www.cdc.gov/policy/hst/hi5/index.html>

<sup>2</sup> <https://www.tfah.org/report-details/trust-for-americas-healths-legislative-priorities-for-the-116th-congress-january-2019/>

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In addition to the infrastructure and funding elements, major investments in public health workforce development are needed. Public health has traditionally struggled to retain highly talented and qualified individuals due to non-competitive salaries or the nature of the work itself. Coupling lack of investment in the people of public health with the technologies and capabilities of public health means that the capacity of public health to be responsive and/or address the population health needs of communities simply does not get appropriately addressed. The entire public health system needs investment and public health foundational capabilities should be seen as part of the nation's key infrastructure. It is not a separate proposition but truly an investment in the health, well-being, and resiliency of communities to ensure they are thriving as we address the myriad of health issues that are in play.

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The Honorable Janice Schakowsky:

1. As you likely know, a \$4 billion cut to Medicaid disproportionate share hospital (DSH) payments will go into effect on October 1, 2019. Medicaid DSH payments go to hospitals that serve large numbers of low-income patients, uninsured patients, and patients on Medicaid. These large, public hospital systems—like Cook County Health, which serves the City of Chicago and suburban Cook County in my district—work with local public health departments to protect the health and safety of many communities in our major metro areas. I am concerned these cuts to Medicaid DSH will devastate our public hospitals' ability to serve our most vulnerable populations.

Do you also agree that the cuts could undermine public hospitals' ability to partner with local public health departments?

Yes, cuts to Medicaid Disproportionate Share (DSH) Hospital payments undermines public hospitals ability to partner with local public health, and as a result undermines the health of our communities. The public health hospitals are where the uninsured go for medical care and in many cases this is the most expensive access point for that care. Cuts to funding make providing this care very difficult and further cuts only compound the problem. Hospitals then have to focus on ways to improve their ability to serve with the funding they are provided and that may mean cutting beneficial employees and services.

When public health hospitals have to focus on access or the basics of keeping afloat, they do not have the bandwidth to work with public health and to focus on more preventive initiatives, or to work on those conditions in the community that affect a wide range of health risks and outcomes in partnership with public health entities (such as the "social determinants of health", or SDOH). As shown, prevention and addressing factors such as housing, transportation, jobs, education, etc., are a fundamental part of health and well-being. When appropriate funding is not provided, collaboration in addressing these issues can be seen more as a luxury and not the very core of building healthy and strong communities.

Funding cuts often mean decreases in healthcare personnel and systems including people designated to work hand in hand with local public health in detecting emerging infections, outbreaks, and other emergencies. Public health is most effective when it can get address these issues up-front through surveillance, and this is most effective when partners are equipped and staffed to fulfill those functions.

Additionally, when access to care is limited, our public hospital system emergency departments (EDs) are where much of the population is forced to turn to on an almost

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daily basis. This is already an issue of resources, but when local public health and other first responders need EDs and trauma units to be able to take in victims of large scale disasters and events, for example, public health hospitals are less able to receive and manage these surge requirements. Even taking away the issue of emergency surge scenarios, care given in EDs by the very nature are often uncoordinated, chaotic, and markedly more expensive than if preventing issues from manifesting in the first place.

As an example, over 20% of Harris County's Hospital District's (Harris Health System, Harris County's largest indigent care provider) budget of approximately \$1.5 billion per annum comes from Medicaid and Medicare Supplemental payments such as DSH. *[It should be noted that Harris Health System is the largest recipient of Medicaid DSH in Texas.]* Public hospital systems throughout the nation are seen as the front line partner of the public health system and must also be invested in during any discussion about healthcare in this nation.

States such as Texas (and twelve other) that did not expand Medicaid under the Patient Protection and Affordable Care Act (PPACA) are further constrained by the lack of dollars in the system coming through the federal system to address indigent care. As such, public health hospital systems in Texas and states like it can and will be disproportionately harmed. Yet, even in states where Medicaid expansion occurred, the potential for any cuts to the public hospital system can have immeasurable adverse on local communities. This ultimately is bad for health and certainly bad for local public health departments as well.

Again, I thank you for the opportunity to address the Committee and look forward to continued dialogue on how best to address the health of our communities in this great nation of ours moving forward.

Sincerely,



Umair A. Shah, MD, MPH  
Executive Director  
Harris County Public Health

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