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4 HEARING ON ``ADMINISTRATION EFFORTS ON LINE-BY-LINE BUDGET

5 REVIEW''

6 WEDNESDAY, OCTOBER 5, 2011

7 House of Representatives,

8 Subcommittee on Oversight and Investigation

9 Committee on Energy and Commerce

10 Washington, D.C.

11 The subcommittee met, pursuant to call, at 9:34 a.m., in  
12 Room 2123 of the Rayburn House Office Building, Hon. Cliff  
13 Stearns [Chairman of the Subcommittee] presiding.

14 Members present: Representatives Stearns, Terry,  
15 Sullivan, Murphy, Blackburn, Bilbray, Scalise, Gardner,  
16 Griffith, Barton, DeGette, Schakowsky, Green, Christensen and  
17 Waxman (ex officio).

18 Staff present: Carl Anderson, Counsel, Oversight; Mike

19 Gruber, Senior Policy Advisor; Todd Harrison, Chief Counsel,  
20 Oversight and Investigations; Katie Novaria, Legislative  
21 Clerk; Alan Slobodin, Deputy Chief Counsel, Oversight; Sam  
22 Spector, Counsel, Oversight; Peter Spencer, Professional  
23 Staff Member, Oversight; Kristin Amerling, Democratic Chief  
24 Counsel and Oversight Staff Director; Alvin Banks, Democratic  
25 Investigator; Brian Cohen, Democratic Investigations Staff  
26 Director and Senior Policy Advisor; and Anne Tindall,  
27 Democratic Counsel.

|  
28           Mr. {Stearns.} Good morning, everybody.

29           We convene this hearing to find out what this  
30 Administration has done to implement the President's repeated  
31 promise to conduct a page-by-page, line-by-line review of the  
32 federal budget and what more can be done. The aim of such a  
33 review is to eliminate unnecessary, duplicative, or wasteful  
34 government programs and to cut costs and create new  
35 efficiencies.

36           The urgent need for such a review, of course, is  
37 obvious. Under the Obama Administration, federal spending  
38 has increased by more than 20 percent a year, or more than  
39 \$600 billion per year. Under the Obama Administration, the  
40 size of the cumulative federal debt has increased about 40  
41 percent, from \$10.6 trillion to \$14.8 trillion, and, frankly,  
42 it continues to climb.

43           President Obama promised a fresh, in-depth, and  
44 exhaustive review of the federal budget. What measurable  
45 actions have been taken, and of course, what are the results?

46           Unfortunately, the Office of Management and Budget, the  
47 agency in charge of the line-by-line review, declined to  
48 provide a witness today to testify to answer such questions.  
49 It is curious that OMB claims that it has no witness to  
50 testify on this issue when Jack Lew, the OMB Director,

51 discussed line-by-line review in February 2011 testimony  
52 before the House Budget Committee, and Jeffrey Zients, OMB's  
53 Chief Performance Officer and Deputy Director for Management,  
54 is the official that President Obama linked to conducting the  
55 review.

56         This line-by-line review has supposedly been a top  
57 priority for the Obama Administration for the last 3 years.  
58 With that understanding, one would think there are things  
59 they would want to talk about and they would come today and  
60 testify. Unfortunately, they did not.

61         This is not the first time during this Congress that OMB  
62 has refused to send a witness. Jeffrey Zients, the Deputy  
63 Director for Management, failed to appear at the June 24th  
64 hearing on Solyndra, and OMB is the only agency to require a  
65 subpoena from this committee because of its refusal to  
66 provide documents. One can't help but wonder whether OMB's  
67 refusal to provide a witness is because they don't have  
68 anything to say or because they are upset that their  
69 stonewalling tactics in the Solyndra investigation have not  
70 worked.

71         In a letter to the committee, OMB noted that a major  
72 accomplishment of its effort to comb through the budget line  
73 by line has been the identification of innumerable so-called  
74 ``terminations, reductions, and savings.'' However, as Clint

75 Brass, a Congressional Research Service analyst has confirmed  
76 ``The Obama Administration's issuance of a volume like the  
77 Terminations, Reductions and Savings,'' or TRS is what it is  
78 called ``document among a President's budget proposals was  
79 not new.'' ``Generally speaking,'' he continues, ``these  
80 kinds of budget documents have been produced by Presidents  
81 dating back to President Ronald Reagan, if not before, in a  
82 variety of configurations.''

83         The TRS document is, by its nature, an inadequate tool  
84 for achieving the ambitious goal of line-by-line review.  
85 Aside from being non-exhaustive, there is no clear one-to-one  
86 correspondence between the line-by-line review and the  
87 proposals included in the TRS documents. In any event, the  
88 proposed \$17 billion to be saved by way of 121 cuts or  
89 restructurings to discretionary programs and mandatory  
90 spending in the fiscal year 2010 budget is not that  
91 impressive. In comparison, in fiscal year 2009, the Bush  
92 Administration proposed double that amount, or \$34 billion.  
93 Ultimately, the Obama Administration's proposed \$17 billion  
94 in cuts, of which \$11.5 billion was on the discretionary side  
95 of the budget, resulted in only \$6.9 billion in cuts approved  
96 by Congress.

97         Now, complicating things further, as Mr. Brass pointed  
98 out, ``Typically, these kinds of TRS documents have not been

99 followed by subsequent publications that showed in detail the  
100 extent to which Congress adopted the President's  
101 recommendations.'' Thus, there is little proof of what the  
102 actual savings are. Also, it is not unusual for the budget  
103 authority behind these proposed terminations, reductions and  
104 savings to simply be transferred or consolidated elsewhere.  
105 More than offsetting any Administration effort toward real  
106 progress in restoring fiscal discipline is the inconvenient  
107 fact that despite the cuts it has proposed thus far, federal  
108 spending is soaring and the budget deficit is exceeding over  
109 \$1 trillion a year. As a share of gross domestic product,  
110 spending grew from 18 percent in 2001 to 24 percent in 2011,  
111 while debt held by the public jumped from 33 percent to 67  
112 percent. The Congressional Budget Office projects that  
113 without reforms, spending and debt will continue to rise for  
114 decades to come. No \$17 billion or even \$50 billion, for  
115 that matter, worth of proposed terminations, reductions and  
116 savings in any given year is enough to reverse this harmful  
117 trend.

118       We need to find out the actual results from this review,  
119 build on ongoing initiatives, pursue new approaches to find  
120 more cuts and save more money.

121       Today's hearing can be a good start to help us deal more  
122 effectively with the enormous challenges of getting federal

123 spending under control.

124 [The prepared statement of Mr. Stearns follows:]

125 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
126 Mr. {Stearns.} I ask unanimous consent that the  
127 majority's supplemental memo and attached letter from OMB be  
128 introduced into the record.

129 Ms. {DeGette.} I will review and then I will let you  
130 know.

131 Mr. {Stearns.} All right. The gentlelady said they  
132 will review.

133 With that, I recognize the distinguished lady from  
134 Colorado for her opening statement.

135 Ms. {DeGette.} Thank you very much, Mr. Chairman.

136 As we embark on this line-by-line budget review hearing  
137 series, I want to urge my colleagues to keep the important  
138 passages of the Constitution in mind, which I am sure they  
139 all remember since we read the Constitution at the beginning  
140 of this session of Congress. ``No money shall be drawn from  
141 the Treasury but in consequence of appropriations made by  
142 law,'' and ``The Congress shall have the power to lay and  
143 collect taxes and to borrow money on the credit of the United  
144 States.'' These provisions of Article 1, clause 8, of our  
145 Constitution grant the power of the purse to Congress. That  
146 means that legislation to authorize the Nation's fiscal path  
147 begins in Congress, and Congress is the steward of our  
148 Nation's budget.

149 I note these provisions because I believe if my  
150 colleagues on the other side of the aisle are going to use  
151 today's hearing as a forum to express concern about whether  
152 the President and the Administration have done a 'line by  
153 line' review of the budget. They should have to answer  
154 whether they have done this review themselves. Right here  
155 next to me on the desk is the President's fiscal year 2012  
156 budget proposal, the document that launches the federal  
157 budget cycle and provides the President's views on how  
158 Congress should develop budget legislation. It includes  
159 volumes on the budget, analytical perspectives, historical  
160 tables and an appendix of detailed budget estimates for each  
161 agency. I would like to ask my colleagues on the other side  
162 of the aisle, have you done a line-by-line review of these  
163 documents or of Congress's budget? Have you done a line-by-  
164 line review of the proposal specifically regarding agencies  
165 under this committee's jurisdiction?

166 I am not asking these questions to suggest that  
167 oversight of the budget, particularly the agencies we  
168 oversee, is inappropriate. No one can dispute that Congress  
169 has a legitimate oversight role with respect to the  
170 Administration's budgeting process and decisions. Reigning  
171 in the deficit obviously should be a priority at both ends of  
172 Pennsylvania Avenue, and I also agree with the chairman that

173 OMB should have sent a witness, and the minority told the  
174 Administration as much.

175         But the issue is not whether the President or even  
176 members of Congress have done a line-by-line review of the  
177 budget. Rather, Congress should be taking a close look at  
178 substantive questions relating to the budget. We should be  
179 asking, are we making appropriate expenditures to promote job  
180 creation, biomedical research and ensure important public  
181 health and safety protections for the American public. We  
182 should be asking whether we should be cutting the budget for  
183 unnecessary wars or duplicative programs. We should be  
184 working to ensure that programs that serve the Nation's  
185 neediest do not receive disproportionate cuts while subsidies  
186 to multibillion-dollar industries remain intact.

187         I hope that today's hearing will provide a constructive  
188 examination of the budget process under President Obama. To  
189 that end, let us review some basic facts. When President  
190 Obama took office, he inherited a deficit of over \$1 trillion  
191 created in large part by two massive tax cuts, a new Medicare  
192 prescription drug program, not paid for, and wars in  
193 Afghanistan and Iraq, none of which was paid for on budget by  
194 the Bush Administration.

195         The Obama Administration proposed a budget that would  
196 have cut this deficit in half by 2013. In his first two

197 budgets, President Obama identified 120 terminations,  
198 reductions and savings totaling \$20 billion in each year.  
199 His 2012 budget proposal proposed 211 terminations,  
200 reductions and savings amounting to an estimated \$33 billion  
201 in savings for 2012. These budgets were marked by a new  
202 level of transparency as well. For example, unlike his  
203 predecessor, who kept the war funding off the books,  
204 President Obama's budget acknowledged the conflicts in Iraq  
205 and Afghanistan and that they had an impact on our Nation's  
206 bottom line.

207         Now, this approach stands in stark contrast to the  
208 approach of my friends on the other side of the aisle who  
209 would impose massive cuts on Medicare and Medicaid, balancing  
210 the budget on the backs of seniors, the poor and the middle  
211 class while cutting taxes for millionaires and billionaires.

212         I look forward to hearing from our witnesses about how  
213 the budget process has been improved in the Obama  
214 Administration and could be improved further, particularly  
215 with respect to budget issues affecting programs under the  
216 committee's jurisdiction, and I hope that today's discussion  
217 is fact-based and productive. I yield back.

218         [The prepared statement of Ms. DeGette follows:]

219 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
220 Mr. {Stearns.} I thank the gentlelady, and I recognize  
221 the gentleman from Texas, Mr. Barton, for 2 minutes.

222 Mr. {Barton.} Thank you, Mr. Chairman.

223 As you know, there is a privacy hearing going on in  
224 another subcommittee, so I will have to, after I give an  
225 opening statement, go and attend to that.

226 Mr. Chairman, nearly 3 years ago, then-President-elect  
227 Obama said, and this is a direct quote, ``In these  
228 challenging times when we are facing both rising deficits and  
229 a sinking economy, budget reform is not an option; it is an  
230 imperative. We will go through our federal budget page by  
231 page, line by line, eliminating programs we don't need and  
232 insisting on those that we do operating a sensible, cost-  
233 effective way.''

234 Mr. Chairman, here we are 3 years and \$4 trillion of  
235 additional federal debt later, and we still don't have that  
236 line-by-line examination. However, House and Senate  
237 Democrats along with the President and his agency  
238 administrators appear to have rejected every effort to truly  
239 reform the budget, and as far as I can tell, are spending  
240 much more time increasing the financial and regulatory burden  
241 on the taxpayers of our Nation.

242 Today I hope that we can begin to uncover what, if

243 anything, the President has done to truly reform our budget  
244 and get the Nation's fiscal house in order. I want to echo  
245 your disappointment, Chairman Stearns, that the Office of  
246 Management and Budget could not supply a witness for today's  
247 hearing. Perhaps they are too busy meeting with large  
248 political donors like those who encouraged the investment in  
249 the Solyndra loan guarantee to come before the Congress and  
250 tell the American people exactly where their tax dollars are  
251 going.

252 With that, Mr. Chairman, I yield back.

253 [The prepared statement of Mr. Barton follows:]

254 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
255 Mr. {Stearns.} The gentlelady from Tennessee, Ms.  
256 Blackburn, is recognized for 2 minutes.

257 Mrs. {Blackburn.} Thank you, Mr. Chairman. I also am  
258 going to be back and forth with the privacy hearing, but  
259 unlike a lot of our colleagues who had great hope when  
260 President Obama stated that he would go through the budget  
261 line by line to eliminate wasteful and duplicative  
262 government, I was further encouraged when he stated in  
263 Executive Order 13571 that, and I'm quoting, ``Government  
264 managers must learn from what is working in the private  
265 sector and apply these best practices to deliver services  
266 better, faster and at a lower cost.''

267 Unfortunately, while this Administration routinely  
268 repeats this line, they simultaneously force job creators,  
269 innovators and American taxpayers, hardworking American  
270 taxpayers to the very end of the line, only to pave the way  
271 for the golden era of government regulation.

272 Furthermore, I have cause for concern that the  
273 President's initiative since the man who oversaw it was  
274 Jeffery Zients, and we heard from him last week on the half-  
275 billion-dollar Solyndra loan. While Mr. Zients may not be  
276 present, it is my hope that we can assist him this morning in  
277 carrying out his stated goal on the June 13, 2011, conference

278 call when he said, and I am quoting, ``to crack down on  
279 waste, step up oversight and hold bad actors accountable.''

280 I yield back.

281 [The prepared statement of Mrs. Blackburn follows:]

282 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
283           Mr. {Stearns.} The gentlelady yields back, and I  
284 recognize the gentleman from Nebraska. Mr. Terry is  
285 recognized for 2 minutes.

286           Mr. {Terry.} I appreciate that.

287           Obviously, I think all of us are united in our effort to  
288 reduce the size of government to eliminate overlapping agency  
289 responsibilities, therefore, wasteful spending, abusive  
290 spending and simply just making sure that taxpayers have  
291 confidence that their money is being used wisely and  
292 efficiently, which they do not have that confidence today.  
293 So this effort could go a long ways in providing people  
294 confidence.

295           I am disappointed that OMB does not have a  
296 representative here to show where we could work together, but  
297 also as the gentlelady from Colorado mentioned, if they are  
298 proud of their efforts, then I want to hear what successes  
299 they have had and we could help them perhaps achieve them.  
300 There may be obstacles to implementing them within the  
301 Executive Branch that controls the agencies, and my fear is  
302 that that is why they aren't here is because they would  
303 probably have to embarrass the Executive Branch for failing  
304 to follow through on the recommendations of those respective  
305 agencies.

306 With that, I will yield back.

307 [The prepared statement of Mr. Terry follows:]

308 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
309           Mr. {Stearns.} The gentleman yields back, and the  
310 gentleman from Virginia, Mr. Griffith, has 35 seconds if he  
311 would like.

312           Mr. {Griffith.} Thank you, Mr. Chairman.

313           I would just say that I would like to see a line-by-line  
314 of the Executive Branch done by the Executive Branch but I  
315 also agree that it wouldn't hurt for the Congressional  
316 offices to take a look line by line on their budgets as well.  
317 I think our country needs us working together to find every  
318 penny that we can find that would help with our national debt  
319 and deficit situation, and I yield back, Mr. Chairman.

320           [The prepared statement of Mr. Griffith follows:]

321 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
322           Mr. {Stearns.} The gentleman yields back, and with  
323 that, I recognize the distinguished ranking member of the  
324 full committee, Mr. Waxman, for 5 minutes.

325           Mr. {Waxman.} Mr. Chairman, I am not sure what this  
326 hearing is all about. If it is about whether the Obama  
327 Administration has scrutinized the federal budget to  
328 eliminate wasteful spending, this is an important hearing and  
329 I support it. But if this hearing is a ``gotcha'' hearing to  
330 examine whether the Administration has actually done a line-  
331 by-line review of the federal budget, I reject its premise.

332           There is no question that the Obama Administration has  
333 carefully examined the federal budget to eliminate wasteful  
334 spending. The budget process each year involves close review  
335 by each agency of its spending needs. Through its  
336 terminations, reductions, and savings review, the Obama  
337 Administration has recommended cuts in hundreds of programs  
338 totaling over \$60 billion.

339           But if the question is whether there has been a literal  
340 line-by-line review of the federal budget, which Republican  
341 members say the President promised, I am afraid my colleagues  
342 have misunderstood a figure of speech. The phrase ``reading  
343 line by line'' in American English is commonly understood to  
344 mean performing a careful review. Likewise, ``meeting you

345 halfway'' in negotiations, which seems to be a forgotten art  
346 in this Congress, does not mean that you literally have to  
347 move your chairs closer together. And ``bridging our  
348 differences'', another devalued skill, does not involve major  
349 construction projects.

350         And I know we are going to ``get down to brass tacks''  
351 because our first witness is Mr. Brass, but ``getting down to  
352 brass tacks'' doesn't mean what some people might have  
353 thought it meant when the furniture industry developed the  
354 term ``brass tacks.'' It means getting down to the facts and  
355 reality.

356         Well, these are all figures of speech, and I hope we  
357 have not arrived at the absolute bottom of political  
358 discourse in which the Oversight Subcommittee is checking to  
359 see if the President's figures of speech are literally true.

360         Unfortunately, I think the most important question we  
361 need to ask is why our budget system has become so  
362 dysfunctional. And the answer, I believe, will be found here  
363 in Congress, not in the White House.

364         Let us take a brief look at how Republicans have handled  
365 the budget in this Congress. First there was the promise  
366 from the Speaker at the beginning of his term that there is  
367 not going to be any more omnibus appropriations bills. He  
368 told the American Enterprise Institute that he would do away

369 with comprehensive bills. At another point he said that the  
370 House would do all separate appropriations bills and that  
371 2,000-page bills are not in anyone's interest. Yet today we  
372 are operating on the heels of a 4-day continuing resolution,  
373 which will be followed by a 6-week continuing resolution,  
374 which will be followed by an omnibus appropriation, if we are  
375 lucky.

376         Then there was the debt ceiling standoff. Every  
377 Republican and Democratic economic and financial observer  
378 said that this ceiling had to be lifted to preserve the  
379 American credit rating and not to rattle the markets.  
380 Instead, the Republicans held the ceiling hostage until  
381 default was imminent, using it for negotiation leverage and  
382 headline value.

383         And now there is the Super Committee. For members who  
384 say they want a line-by-line review of the budget and for a  
385 party that claims it doesn't want omnibus bills because they  
386 are too big to review, it seems pretty strange that the Super  
387 Committee is the method that has been adopted. This process  
388 sweeps past all authorizing committees' consideration and all  
389 amendments and input from members of Congress. If it is  
390 successful, the Super Committee will create a giant omnibus  
391 bill, bigger than any before, and give us perhaps 3 weeks to  
392 read it but not change it, not even to offer changes to it.

393 If it fails, it will produce an across-the-board cut in  
394 programs that could be accomplished by a pocket calculator  
395 but that will reflect no public policy, no economic  
396 realities, and no sense of justice and fairness.

397 Well, I hope the Super Committee process achieves  
398 positive results, but if we are really serious about ensuring  
399 sound fiscal policy for our Nation, Congress needs to take a  
400 long, hard look in the mirror. I believe that examining ways  
401 to meet halfway and bridge differences would take us a lot  
402 further than examining whether the President did a line-by-  
403 line budget review.

404 I remember a conversation I had with my son when he was  
405 quite little, and we had to explain to him that ``stopping on  
406 a dime'' did not mean we literally stopped for a dime. There  
407 are figures of speech and expressions, and I am pleased now  
408 that the Oversight Subcommittee has become the arbiter of  
409 whether people are actually stopping on a dime, getting down  
410 to brass tacks, literally reading a budget line by line.  
411 This is a wonderful exercise and I only wish the cameras were  
412 here so the American people could see what Congress has come  
413 to.

414 And I think my time is now expired so I will yield back.

415 [The prepared statement of Mr. Waxman follows:]

416 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
417 Mr. {Stearns.} I thank the gentleman.

418 I hope the gentleman will stay for the questions that I  
419 will have. I am going to actually show the video clip of the  
420 President mentioning--

421 Mr. {Waxman.} Nothing could make me more excited, Mr.  
422 Chairman. If I can do that, I will certainly try to get  
423 back.

424 Mr. {Stearns.} Yeah, line by line--

425 Mr. {Waxman.} But otherwise I am going to read the  
426 testimony line by line very carefully.

427 Mr. {Stearns.} Well, you wouldn't want to miss the  
428 president mentioning line by line, and you will clearly  
429 understand his intent with this video clip.

430 I ask unanimous consent again from the gentlelady that  
431 the majority's supplemental memo and attached letter from OMB  
432 be introduced into the record. Without objection, the  
433 documents will be entered into the record.

434 [The information follows:]

435 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
436 Mr. {Stearns.} And with that, Mr. Brass, you are aware  
437 that the committee is holding an investigative hearing and  
438 when doing so has had the practice of taking testimony under  
439 oath. Do you have any objection to taking testimony under  
440 oath?

441 Mr. {Brass.} No, Mr. Chairman.

442 Mr. {Stearns.} The chair then advises you that under  
443 the rules of the House and the rules of the committee, you  
444 are entitled to be advised by counsel. Do you desire to be  
445 advised by counsel during your testimony today?

446 Mr. {Brass.} No, Mr. Chairman.

447 Mr. {Stearns.} In that case, if you would please rise  
448 and raise your right hand, I will swear you in.

449 [Witness sworn.]

450 Mr. {Stearns.} Mr. Brass, you are now under oath and  
451 subject to the penalties set forth in Title XVIII, section  
452 1001 of the United States Code. You may now give your 5-  
453 minute opening statement. Please proceed.

|  
454 ^TESTIMONY OF CLINTON T. BRASS, ANALYST IN GOVERNMENT  
455 ORGANIZATION AND MANAGEMENT, CONGRESSIONAL RESEARCH SERVICE

456 } Mr. {Brass.} Thank you. Chairman Stearns, Ranking  
457 Member DeGette, members of the subcommittee, thank you for  
458 the invitation to testify today.

459 The subcommittee requested that CRS discuss the Obama  
460 Administration's line-by-line budget review and what it  
461 appears to entail. The subcommittee also requested that CRS  
462 identify some policy options that Congress might consider in  
463 this context. The CRS written statement goes into these  
464 subjects in detail, so I will provide some highlights.

465 At the outset, several caveats arguably are necessary.  
466 It should be noted, for example, that formulation of the  
467 President's budget largely occurs outside of public view.  
468 The Office of Management and Budget, OMB, closely manages  
469 this process to prevent so-called pre-decisional information  
470 from leaving the Executive Branch. As a consequence, it is  
471 frequently not possible to make definitive statements about a  
472 process like this one. Even with qualifications like these,  
473 analysis suggests that the line-by-line review appears to be  
474 closely related to the annual development of the President's  
475 budget proposals. The line-by-line review may be another

476 name for the Obama Administration's perspective on how it  
477 formulates the President's budget.

478         The first mention of this topic appeared during the 2008  
479 Presidential campaign and subsequent transition. The  
480 incoming Administration characterized the effort as an  
481 exhaustive line-by-line review of the budget in which the  
482 Administration would focus not only on identifying cuts but  
483 also more generally on how to allocate funds. In February  
484 2009, OMB released an initial budget overview for the  
485 upcoming fiscal year saying it had begun a line-by-line  
486 review and would release related proposals for that in  
487 subsequent fiscal years. In May 2009, the Administration  
488 issued a document that included selected proposals for  
489 ``terminations, reductions and savings.'' The Obama  
490 Administration's issuance of a volume like this among a  
491 President's budget proposals was not new. Presidents dating  
492 back to President Ronald Reagan, if not before, have  
493 occasionally produced similar documents.

494         The Obama Administration characterized the document as  
495 the first report from the line-by-line effort. On the same  
496 day, OMB released a more comprehensive budget appendix,  
497 account-by-account budget proposals. Agencies also submitted  
498 to Congress their much more detailed budget justifications.  
499 In subsequent years, the Obama Administration released

500 similar sets of documents. In these documents,  
501 representations that an Administration makes about the  
502 performance of a program may provide information that not all  
503 observers would necessarily perceive to be complete or fair.  
504 Past experience suggests that a President may in some cases  
505 make representations about performance from the perspective  
506 of one definition of success while omitting any mention of  
507 other perspectives. Consequently, Congress may consider  
508 whether the definition of success that is being used reflects  
509 underlying authorizing statutes or Congressional intent.  
510 Congress has indicated in statute that when agencies set  
511 goals, and arguably, thereby define success, the agencies are  
512 first required to consult with Congress and stakeholders.  
513 Statutes like this may provide Congress with an opportunity  
514 to influence how agencies and OMB present information to  
515 Congress.

516       The subcommittee also requested that CRS identify some  
517 policy options that Congress might consider to accomplish the  
518 following outcomes. These include bringing additional  
519 transparency to Presidential budget proposals including the  
520 outcomes of such proposals are Congress considers them,  
521 options to bring enhanced credibility to representations that  
522 an Administration may make regarding an agency's or program's  
523 performance, and options to bring more effective engagement

524 between Congress and agencies on topics like these.

525           The CRS written statement mentions a few options, and  
526 CRS takes no position on whether changes from the status quo  
527 are advisable. However, some potential advantages and  
528 disadvantages might be explored if options were of further  
529 interest. In the meantime, I would be happy to answer any  
530 questions you may have. Thank you.

531           [The prepared statement of Mr. Brass follows:]

532 \*\*\*\*\* INSERT 1 \*\*\*\*\*

|  
533 Mr. {Stearns.} Mr. Brass, thank you. I would like to  
534 lead off with my questions, but before I do, I would like to  
535 play the following video clip if I could.

536 [Video playback.]

537 Mr. {Stearns.} Well, I think it is clear from that  
538 video, contrary to what Mr. Waxman indicated, the President  
539 indicated he is going page by page, line by line, item by  
540 item, program by program, so it is unfortunate that Mr.  
541 Waxman is not here to show that he meant, the President, that  
542 is, meant literally to go that way.

543 Ms. {DeGette.} Will the chairman yield?

544 Mr. {Stearns.} Well--

545 Ms. {DeGette.} Do you know the President didn't go  
546 through the budget line by line?

547 Mr. {Stearns.} Well, it appears Mr. Waxman was trying  
548 to indicate the President did not have to go line by line.

549 Ms. {DeGette.} Well, do you know if he did or didn't?

550 Mr. {Stearns.} Well, you should ask Mr. Waxman.

551 Ms. {DeGette.} Why?

552 Mr. {Stearns.} Well, Mr. Waxman is making the charge.

553 Mr. Brass, let me ask you the question just to put it on  
554 the record. Did the President issue an Executive Order after  
555 he took office directing the Executive Branch to undertake a

556 line-by-line analysis of the federal budget?

557 Mr. {Brass.} No, Mr. Chairman.

558 Mr. {Stearns.} He did not?

559 Mr. {Brass.} He did not issue an Executive Order. That  
560 is correct.

561 Mr. {Stearns.} Did OMB issue a specific directive to  
562 this effect?

563 Mr. {Brass.} That is unknown. Not in public form.  
564 There may be internal guidance that may have gone out to  
565 agencies or OMB examiners but from what is publicly  
566 available, I have seen no such document.

567 Mr. {Stearns.} So I think the basic fact is, the  
568 President we saw from the video has talked about line by  
569 line, item by item, program by program, page by page, yet  
570 you're telling us this morning the President did not issue an  
571 Executive Order to the office to undertake a line-by-line  
572 analysis, so that is a little disconcerting.

573 Other than the video clip that you saw moments ago, is  
574 there anything that you have come across in your research and  
575 analysis that defines or better explains what a line-by-line  
576 review of the budget entails?

577 Mr. {Brass.} I have only seen general representations  
578 of what is involved in a line-by-line review. When I  
579 initially saw it, I wasn't sure what it meant to review

580 something line by line in budget jargon, and had several  
581 meetings. My interpretation generally from the statements  
582 that have come out was that the President was signaling  
583 internally in the government and externally that he wanted to  
584 bring focus and scrutiny to all government programs.

585         Mr. {Stearns.} Well, let me just back up a bit. How  
586 does that characterization compare with how the Obama  
587 Administration has conducted its line-by-line analysis? I  
588 mean, how does it compare in real life?

589         Mr. {Brass.} That is a good question, and  
590 unfortunately, I was not at OMB at the time to be able to  
591 observe that because in some ways the formulation of the  
592 President's budget occurs within a black box where it is not  
593 subject to public view and so it is hard to say exactly what  
594 occurred.

595         Mr. {Stearns.} Well, let us go back to other  
596 Administrations. How would you compare how prior  
597 Administrations conducted an annual budget analysis? Can you  
598 give briefly what your observations have been?

599         Mr. {Brass.} Well, in the past what is known is that  
600 the President's budget is formulated through a rather  
601 elaborate process of agencies submitting requests to OMB, OMB  
602 passing back initial determinations--

603         Mr. {Stearns.} Did prior Administrations use a line-by-

604 line analysis in your opinion?

605 Mr. {Brass.} Not in those words, no.

606 Mr. {Stearns.} In your review of the Obama  
607 Administration's line-by-line review, did you find any  
608 example of decision-making taking place that was based on  
609 evidence-based analyses?

610 Mr. {Brass.} I saw references to evidence-based  
611 analyses in citations to program evaluations and that sort of  
612 thing, and so there have been some instances, yes, where the  
613 Administration has said proposals were based on evidence.

614 Mr. {Stearns.} Did they result in actual cuts being  
615 made, in your opinion?

616 Mr. {Brass.} I have not examined empirically item by  
617 item whether they were ultimately adopted.

618 Mr. {Stearns.} Forget the word ``empirically.'' Were  
619 there any cuts made that you can see?

620 Mr. {Brass.} I have not examined that, so what I have  
621 focused--that gets at the transparency issue to some extent.

622 Mr. {Stearns.} So you are saying if there were, you  
623 can't tell them, and if they are not, you still can't tell  
624 them?

625 Mr. {Brass.} I should preface that by saying I could  
626 tell if I could a lot of time looking at it but it is  
627 difficult to find time to go through a document like that.

628 Mr. {Stearns.} Do you think the average person if they  
629 took the time could find the cuts?

630 Mr. {Brass.} I don't know if I am the average person or  
631 not but I could not easily find whether cuts were made.

632 Mr. {Stearns.} Is it possible there were no cuts?

633 Mr. {Brass.} I doubt that but--

634 Mr. {Stearns.} Is it a possibility? Let me ask you  
635 this. Are there different ways to conduct an exhaustive  
636 line-by-line review beyond what occurs in the annual budget  
637 process, and what are they?

638 Mr. {Brass.} Certainly. You can have special processes  
639 that go on parallel to the budget process. In past  
640 Administrations, you had what was called, for example, under  
641 the Jimmy Carter Administration, zero-based budgeting, which  
642 was an effort to assume that nothing would continue where  
643 agencies would have to justify everything in their budget all  
644 over again. So yes, many techniques and approaches are  
645 possible.

646 Mr. {Stearns.} I thank the gentleman and recognize the  
647 ranking member, Ms. DeGette.

648 Ms. {DeGette.} Thank you very much, Mr. Chairman. Let  
649 me just say at the outset what I said in my opening  
650 statement. I join you in wishing that we had someone from  
651 OMB here because Mr. Brass, you work for the Congressional

652 Research Services, which is an arm of Congress, correct?

653 Mr. {Brass.} That is correct.

654 Ms. {DeGette.} You don't work for the Executive Branch,  
655 correct?

656 Mr. {Brass.} That is correct.

657 Ms. {DeGette.} Now, I am going to assume you have not  
658 talked to the President about whether he in fact went through  
659 the budget line by line as that extremely cute video showed,  
660 correct?

661 Mr. {Brass.} That is correct.

662 Ms. {DeGette.} And you haven't talked to anybody over  
663 at OMB to see if they went through it line by line over at  
664 OMB, have you?

665 Mr. {Brass.} Not in a way that I could attribute, no.

666 Ms. {DeGette.} Okay. And have you talked to the people  
667 over at OMB about whether they did a thorough analysis and  
668 investigation of the budget to see where cuts and adjustments  
669 could be made?

670 Mr. {Brass.} Informally, and--

671 Ms. {DeGette.} And what were you told by OMB?

672 Mr. {Brass.} Well, full disclosure, I used to work at  
673 OMB before I came to CRS, and so--

674 Ms. {DeGette.} Okay. But when did you leave OMB?

675 Mr. {Brass.} In 2003.

676 Ms. {DeGette.} Okay. So you haven't been at OMB for  
677 like seven-plus years, right?

678 Mr. {Brass.} That is correct.

679 Ms. {DeGette.} And you left when a different  
680 Administration was there too, right?

681 Mr. {Brass.} That is correct.

682 Ms. {DeGette.} So to ask the question again, did you  
683 talk to your former colleagues at OMB about whether they did  
684 a thorough investigation and analysis of this budget?

685 Mr. {Brass.} Informally, yes.

686 Ms. {DeGette.} And what did they say?

687 Mr. {Brass.} They said that they went through the  
688 President's budget formulation process which is rather  
689 elaborate and extensive.

690 Ms. {DeGette.} Okay. Now, in response to one of the  
691 chairman's questions, you said that your view of line-by-line  
692 analysis means a focus and a scrutiny given to all government  
693 programs, right? I wrote that down when you said that.

694 Mr. {Brass.} That is one possible, yes, interpretation.

695 Ms. {DeGette.} Okay. And do you have any sense whether  
696 the Administration gave a focus and scrutiny to all  
697 government programs when they proposed their budget to  
698 Congress?

699 Mr. {Brass.} That is--I don't think it is possible for

700 CRS to authoritatively say whether or not--

701 Ms. {DeGette.} Okay. You don't know?

702 Mr. {Brass.} That is correct.

703 Ms. {DeGette.} Right. Now, as I mentioned in my  
704 opening statement, the Administration sends a budget to  
705 Congress but Congress plays a role in developing the federal  
706 budget as well. Isn't that correct?

707 Mr. {Brass.} That is correct.

708 Ms. {DeGette.} And in fact, the Constitution places the  
709 primary responsibility for the federal budget at Congress's  
710 feet, not the President, right?

711 Mr. {Brass.} That is correct.

712 Ms. {DeGette.} So, I mean, the President could send us  
713 a budget, we could throw it in the trash, which we often do,  
714 and make our own budget, right?

715 Mr. {Brass.} Yes, ma'am.

716 Ms. {DeGette.} Okay. Now, Congress is expected to pass  
717 a budget resolution and 12 separate appropriations bills for  
718 fiscal year 2012, is it not?

719 Mr. {Brass.} Yes, ma'am.

720 Ms. {DeGette.} And so I was a little confused when the  
721 chairman was asking you were cut made in the President's  
722 budget because in fact the only body that can actually make  
723 cuts is Congress when it passes those 12 appropriations

724 bills, right?

725 Mr. {Brass.} Cuts are made figuratively from previous  
726 spending amounts.

727 Ms. {DeGette.} Right. So there is a spending amount  
728 from last year and then Congress passes an appropriations  
729 bill which either increases the appropriation or cuts the  
730 appropriation, right?

731 Mr. {Brass.} Congress and the President jointly.

732 Ms. {DeGette.} Right. The President can't unilaterally  
733 make cuts, he can propose cuts, right?

734 Mr. {Brass.} That is correct.

735 Ms. {DeGette.} The only way you actually make cuts is  
736 if Congress passes legislation which the President then  
737 signs, correct?

738 Mr. {Brass.} That is correct.

739 Ms. {DeGette.} Now, do you know whether the President  
740 has proposed cuts to any programs in his budget to Congress?

741 Mr. {Brass.} Yes, he has.

742 Ms. {DeGette.} And do you know offhand how many cuts  
743 those are?

744 Mr. {Brass.} I have not racked up the figures, no.

745 Ms. {DeGette.} Okay. So just to summarize, you don't  
746 know whether the President or any over at OMB or in his  
747 Administration actually went through the budget line by line.

748 Is that right?

749 Mr. {Brass.} That is correct. I do not personally know  
750 that.

751 Ms. {DeGette.} Okay. And you do know--well, you know  
752 from talking to your buddies over at OMB that there was some  
753 rigorous analysis done of the budget over at the White House,  
754 correct?

755 Mr. {Brass.} That is how examiners at OMB would  
756 characterize that, yes.

757 Ms. {DeGette.} Okay. And you know that the  
758 Administration gave us a proposed budget which did include  
759 proposals for cuts to some programs, correct?

760 Mr. {Brass.} That is correct.

761 Ms. {DeGette.} Now, have you yourself read the  
762 President's proposed budget line by line?

763 Mr. {Brass.} No, ma'am.

764 Ms. {DeGette.} Do you know anybody who has?

765 Mr. {Brass.} I do not.

766 Ms. {DeGette.} Because generally like when you used to  
767 work at OMB and now you work at CRS, people mean an overall  
768 review when they say--it is a figure of speech, generally  
769 speaking, right?

770 Mr. {Brass.} That is one interpretation of the use of  
771 the term here.

772 Ms. {DeGette.} Okay. Thank you very much.

773 Mr. {Stearns.} I thank the gentlelady. I think your  
774 questioning pointed out the reason why we need OMB here, and  
775 secondly, we got documents from OMB Friday night, and it  
776 turns out all those documents are already in the public  
777 record, so in addition to not being here, they sort of  
778 foolishly and subversively submitted documents that were  
779 already in they public record, so I think it is a double sort  
780 of affront that they are not here and it is unfortunate when  
781 your questions are asked--

782 Ms. {DeGette.} Mr. Chairman, did you ask OMB for those  
783 records?

784 Mr. {Stearns.} We sure did.

785 Ms. {DeGette.} So if they didn't give you the records,  
786 you would be mad at them, so now you are mad at them because  
787 they did give you records?

788 Mr. {Stearns.} No, they gave us records that were  
789 already in public record. It is like getting a book that you  
790 already have in your library.

791 Ms. {DeGette.} Are there records that you asked for  
792 that they didn't give you?

793 Mr. {Stearns.} Yes.

794 Ms. {DeGette.} Well, let us work on that.

795 Mr. {Stearns.} Okay. Let us work on that.

796 With that, I recognize Mr. Murphy, the gentleman from  
797 Pennsylvania. He is not here? Mr. Griffith is recognized  
798 for 5 minutes.

799 Mr. {Griffith.} Thank you, Mr. Chairman.

800 You say the President has proposed some cuts to the  
801 budget but overall the budget is going up so they had more  
802 increases in their proposals than they had decreases. Is  
803 that not correct?

804 Mr. {Brass.} I don't know. I don't cover that, the  
805 budgetary aggregates at CRS, but I would be happy to get  
806 folks in touch with you or your office on that question. I  
807 do more kind of budget process, program evaluation, the role  
808 of agencies and OMB and the President in the budget process,  
809 focusing less on what empirically occurs at your tier.

810 Mr. {Griffith.} You would agree in the clips that we  
811 saw, the President made it clear that he was going to do a  
812 careful analysis of what was going on in the budget and your  
813 areas of the budget process. Have you seen any signs that  
814 the President has made any recommendations to Congress in  
815 ways that we could make the budget process more transparent  
816 for the American public?

817 Mr. {Brass.} Yes, they have put out this TRS volume,  
818 this termination, reduction and savings volume. It is not  
819 required by law. The George W. Bush Administration also did

820 that to highlight budget cut proposals and so there are some  
821 examples like that where some transparency is occurring  
822 beyond what is required by law.

823       Mr. {Griffith.} But the same thing was done by the Bush  
824 Administration so there is not any new innovation by the  
825 Obama Administration. Would that be correct to say?

826       Mr. {Brass.} Not necessarily in that respect with the  
827 caveat that it is difficult to know what is going on in the  
828 background.

829       Mr. {Griffith.} That is why we like transparency  
830 because it is difficult to know what is going on in the  
831 background. Isn't that correct?

832       Mr. {Brass.} Many people like transparency for that  
833 reason, yes, sir.

834       Mr. {Griffith.} All right. And as a part of that in  
835 the budget process, has the White House made any  
836 recommendations that you are aware of to Congress that would  
837 make the process smoother, easier, et cetera, such as maybe  
838 moving to a biannual budget?

839       Mr. {Brass.} That is another area I don't cover closely  
840 at CRS. I am sorry. But there is a chapter usually in the  
841 budget appendix--excuse me, not the appendix but the  
842 analytical perspectives volume of the President's budget that  
843 focuses on Congressional budget process, but there have been

844 some allusions to, for example, enhanced rescission  
845 authority, that kind of thing, but that is not a subject that  
846 I follow closely.

847         Mr. {Griffith.} So you don't have a recommendation or  
848 you don't know of any recommendations from the White House or  
849 the administrative branch of government that might make the  
850 process in the budget a little smoother?

851         Mr. {Brass.} Not right offhand. I could get back to  
852 you on that.

853         Mr. {Griffith.} Yes, if you could get back to me on  
854 that. Do you think that a biannual budget would be a  
855 smoother process and smooth out some of the bumps in the road  
856 that we have experienced in this my first term?

857         Mr. {Brass.} That is a question that comes up  
858 frequently. A biannual budget would allow Congress to look  
859 at 2 years of expenditures, at a time and advocates have  
860 focused on using that second year for additional oversight,  
861 and another argument that they use to plug that proposal is  
862 that it would allow Congress to focus more in-depth time  
863 during that consideration. That said, there might be some  
864 disadvantages too. The budget process in a way is an annual  
865 way of holding agencies accountable, and if they are only  
866 held accountable every 2 years with a budgetary hammer, it  
867 might weaken Congressional controls.

868 Mr. {Griffith.} But you haven't seen any indications  
869 that the White House has been working on ways to smooth out  
870 the process or make recommendations that might smooth out the  
871 process for the various administrative agencies that the  
872 White House is responsible for overseeing and making sure  
873 that they work smooth? You haven't seen anything like that?

874 Mr. {Brass.} Unfortunately again, when it comes to  
875 proposals like that, many of them relate to the Congressional  
876 budget process. I focus more on what is going on within the  
877 Executive Branch. Within the Executive Branch, I have not  
878 seen big initiatives to open the lid, for example, on  
879 formulation of the President's budget.

880 Mr. {Griffith.} So that is not something--so we are not  
881 sure whether they have done line by line, whether figurative  
882 or otherwise, and we have not seen anything where--you have  
883 not seen anything where it looks like they are opening the  
884 lid to look at making the process smoother, whether it be the  
885 biannual budget or any other proposal that they are just not  
886 looking in that direction. Would that be a fair  
887 characterization of what you just said? Isn't that true?

888 Mr. {Brass.} I will have to get back to you on that,  
889 Mr. Griffith. I will need to--

890 Mr. {Griffith.} But it is fairly reasonable based on  
891 what you just said that you have not seen anything along

892 those lines. Is that correct?

893 Mr. {Brass.} I would characterize it just that it has  
894 been a busy couple of years and I have been focused on other  
895 topics, and so things aren't coming readily to mind. That  
896 doesn't mean they are not out there, though.

897 Mr. {Griffith.} Certainly nothing front burner? Might  
898 be some back-burner stuff. Is that what you are saying?

899 And I yield back my time, Mr. Chairman.

900 Mr. {Stearns.} The gentleman yields back his time and  
901 we recognize the gentlelady from the Virgin Islands, Dr.  
902 Christensen, for 5 minutes.

903 Dr. {Christensen.} Thank you, Mr. Chairman.

904 I have to say that as I read the memo and some of the  
905 testimony, this seems like a hearing looking for a reason to  
906 exist, and I have to agree also with Ranking Member Waxman  
907 that seasoned members who admittedly rarely read budget bills  
908 can't be taking that line-by-line statement literally. I  
909 might agree to looking at developing clearer guidelines,  
910 goals and principles but I think we have to recognize that we  
911 are not the Executive Branch and be careful not to usurp  
912 their authority and to use the authority that we do have to  
913 address some of these issues.

914 My questions--let me preface my questions by saying some  
915 of my Republican colleagues on the subcommittee appear to be

916 calling into question whether the Obama Administration has  
917 done a thoughtful review of budget issues. In their  
918 September 15, 2011, letters to OMB and other agencies,  
919 Chairman Stearns and Chairman Upton cited a statement by the  
920 White House press secretary that the President had not gone  
921 line by line through omnibus spending legislation as a  
922 concession that raises questions about fiscal discipline in  
923 the Administration. In order to best understand the  
924 attention the Administration has paid to budget issues, I  
925 think it would helpful to walk through the process involved  
926 in preparing the President's budget.

927         So Mr. Brass, it is my understanding that government  
928 agencies, one of my favorites, the National Institutes of  
929 Health, begin the development of their budgets far before the  
930 beginning of the fiscal year. Is that correct?

931         Mr. {Brass.} That is correct.

932         Dr. {Christensen.} And I also understand that agencies  
933 like NIH prepare a first draft and then submit them for  
934 review to the department of which they are part, in this  
935 case, HHS. Is that correct?

936         Mr. {Brass.} That is correct.

937         Dr. {Christensen.} And do all agency proposals make it  
938 through the departmental review, to the best of your  
939 knowledge?

940 Mr. {Brass.} No, they do not.

941 Dr. {Christensen.} And then departments prepare their  
942 budgets for review by the Office of Management and Budget.  
943 Is that part of the process?

944 Mr. {Brass.} That is correct.

945 Dr. {Christensen.} Do all departmental proposals make  
946 it through the OMB process?

947 Mr. {Brass.} They do not.

948 Dr. {Christensen.} In fact, OMB tells departments what  
949 proposals it will support and which ones it will discard in a  
950 document that is usually known as the OMB passbook. Is that  
951 correct?

952 Mr. {Brass.} Passback, correct.

953 Dr. {Christensen.} Passback. As a matter of fact, I  
954 remember going to the White House when we were doing the  
955 health care reform bill and we had several issues that we  
956 wanted the President to consider--this is an aside--and the  
957 President actually said to me, well, I am not going to  
958 support anything that doesn't work. So I have seen some of  
959 this process in action.

960 But let me go on with my questions. I also understand  
961 that Cabinet members get one last chance to propose an item  
962 for the budget in a process that is an appeal to the  
963 President and the OMB director in a process that is called

964 appeals. Is that a part of the process as well?

965 Mr. {Brass.} Yes, it is.

966 Dr. {Christensen.} So do all Cabinet members' appeals  
967 get granted?

968 Mr. {Brass.} No, they do not.

969 Dr. {Christensen.} Is this procedure, meaning the  
970 agency proposes to the department, the department proposes to  
971 OMB, the OMB passes back a decision, the Secretary appeals to  
972 the President, and final decisions are made. Has this  
973 procedure been used by both Democratic and Republican  
974 Administrations?

975 Mr. {Brass.} Yes, it is. It is a longstanding  
976 practice.

977 Dr. {Christensen.} To the best of your knowledge, when  
978 this procedure is being followed, does anyone review the  
979 entire federal budget line by line?

980 Mr. {Brass.} Again, that is a figure of speech that is  
981 subject to interpretation, but if it is meant actually  
982 reading every line and not figurative, no, I do not know of  
983 anyone who read the entirety of it.

984 Dr. {Christensen.} Well, in your opinion, does not  
985 reading it line by line and going through it line by line but  
986 really doing a careful review, doesn't that kind of equate to  
987 each other?

988 Mr. {Brass.} So in colloquial speech to do a line-by-  
989 line examination of something frequently means a careful,  
990 exhaustive, scrutinizing review of a document, so yes.

991 Dr. {Christensen.} And yet both Republican and  
992 Democratic Administrations do produce budget proposals  
993 despite going that process and not having done a line-by-line  
994 review but we end up with a budget regardless of what  
995 Administration is in office?

996 Mr. {Brass.} Presumably, yes, just again, not having  
997 observed it personally, but yes, reports are.

998 Dr. {Christensen.} Well, I just want to thank you for  
999 your responses. As we evaluate whether there are ways to  
1000 improve the budget process, it is helpful to understand the  
1001 existing process which is lengthy and involves detailed  
1002 analysis from experts at agencies across the Administration.  
1003 I also would just like to say that I think that an honest and  
1004 objective look at what President Obama and his team have done  
1005 in his tenure would clearly show that the President has done  
1006 much to eliminate duplication, waste, fraud and abuse and cut  
1007 spending, and as a matter of fact, in going along with what  
1008 the tea party Republicans have called for and cuts while we  
1009 are still in a deep depression, I think the President has  
1010 gone too far, and I yield back the balance of my time, Mr.  
1011 Chairman.

1012 Mr. {Stearns.} The gentleman from Nebraska is  
1013 recognized for 5 minutes.

1014 Mr. {Terry.} Well, I appreciate what my tax-and-spend  
1015 uber-liberal Democrat friends state in their statements here.  
1016 Let me just go through and try to get this clear in my mind.  
1017 We can play that game too, Donna.

1018 Now, Mr. Brass--pardon me?

1019 Dr. {Christensen.} They have hurt middle-class and poor  
1020 Americans and they have gone too far.

1021 Mr. {Terry.} By trying to restrain spending.

1022 Let us look at that. Now, who decides the head of  
1023 agencies?

1024 Mr. {Brass.} Who appoints them?

1025 Mr. {Terry.} Yes. Well, who makes the determination of  
1026 who will be the Secretary or Director of an agency?

1027 Mr. {Brass.} It is joint between the President making  
1028 an appointment and the Senate--

1029 Mr. {Terry.} The Senate confirming.

1030 Mr. {Brass.} --confirming.

1031 Mr. {Terry.} And the management, day-to-day management  
1032 is the Executive Branch, right?

1033 Mr. {Brass.} That is correct.

1034 Mr. {Terry.} And they answer to the President, correct?

1035 Mr. {Brass.} That is correct.

1036 Mr. {Terry.} And I think the gentlelady from the Virgin  
1037 Islands made the good point that the process in budgeting is  
1038 that the respective agencies, since they answer to the  
1039 Executive Branch, start their budgeting process really right  
1040 now and then submit those to OMB, which is an Executive  
1041 Office branch, right, or an Executive Office agency?

1042 Mr. {Brass.} It is an Executive Branch entity, yes, and  
1043 the process starts in the spring and summer preceding  
1044 February submission of the President's budget.

1045 Mr. {Terry.} Right. They don't submit those to  
1046 Congress, they submit those to the President?

1047 Mr. {Brass.} In general, yes. There are agencies where  
1048 Congress has seen fit to carve them out from the law  
1049 requiring that a budget be submitted to OMB first.

1050 Mr. {Terry.} Right, and those are the exceptions, but  
1051 generally all the agencies submit their proposed budgets to  
1052 OMB. The President and OMB make reviews of those budgets  
1053 before they put them in the President's budget, correct?

1054 Mr. {Brass.} That is correct.

1055 Mr. {Terry.} Okay. And then when the President decides  
1056 whether there should be--whether they have found duplicative  
1057 agencies or subagencies, does the President have to come to  
1058 Congress to eliminate a subagency?

1059 Mr. {Brass.} If the subagency is established by law,

1060 yes. If a subagency is created through administrative  
1061 action, the appropriations committees may get involved where  
1062 in report language they require some communication to occur.

1063 Mr. {Terry.} Are you aware of any instance where the  
1064 Executive Branch has eliminated a duplicative subagency? We  
1065 know that no agency has been eliminated so it has to be the  
1066 subagencies within an agency, so are you aware of whether by  
1067 Executive Order or by request for legislation one has been  
1068 eliminated?

1069 Mr. {Brass.} I have not studied that question in detail  
1070 so I would have to--

1071 Mr. {Terry.} Who would we ask?

1072 Mr. {Brass.} At CRS?

1073 Mr. {Terry.} Well, just generally. Can CRS answer that  
1074 question for us if we request it?

1075 Mr. {Brass.} Sure, of course.

1076 Mr. {Terry.} Or would we have to have OMB here?

1077 Mr. {Brass.} You could--to get a complete answer, you  
1078 might ask both. CRS oftentimes is constrained to readily  
1079 publicly available resources. Something like that, also you  
1080 might ask GAO for more in-depth examination.

1081 Mr. {Terry.} All right. Then if we want to know what  
1082 recommendations OMB has made after their review of the  
1083 budgets, we would have to ask them?

1084 Mr. {Brass.} Well, the recommendations, you could ask  
1085 them, but their recommendations are generally speaking in  
1086 publicly available documents. The challenge oftentimes is  
1087 going through them in detail and discerning what is a budget  
1088 cut to a program where the program still exists or an entity  
1089 still exists versus what is a zeroing out of an entity.

1090 Mr. {Terry.} I appreciate that. Then in that regard,  
1091 exercising our constitutional rights, we do a budget. The  
1092 Republican House did pass a budget. So the issue isn't  
1093 whether we are exercising our discretion or constitution  
1094 rights, it is whether they agree with our cuts or changes.  
1095 Are you aware of whether the Senate has passed a budget?

1096 Mr. {Brass.} A budget resolution?

1097 Mr. {Terry.} Budget resolution.

1098 Mr. {Brass.} I believe they have not.

1099 Mr. {Terry.} I yield back.

1100 Mr. {Stearns.} The gentleman yields back, and the  
1101 gentleman from California, Mr. Bilbray, is recognized for 5  
1102 minutes.

1103 Mr. {Bilbray.} Let me say first of all, Mr. Chairman, I  
1104 commend you for having this hearing. In fact, if I have a  
1105 complaint, we should have had it before. Any member that  
1106 thinks that this is a hearing without a problem needs to take  
1107 a look at 43 percent deficit running up. We are 43 percent

1108 underwater. There is not a city, a county or a State in this  
1109 country that would think that 43 percent underwater is  
1110 viable. Mr. Brass, can you name off just what city, maybe  
1111 Philadelphia--can we find somebody that is 43 percent  
1112 annually underwater?

1113 Mr. {Brass.} I don't cover that area. I am sure it--

1114 Mr. {Bilbray.} Okay. Let me assure you in California,  
1115 which has one of the worst economic downturns in the entire  
1116 country--I mean, we have unemployment over 12 percent--we  
1117 don't have that, and so, you know, I just think we ought to  
1118 recognize, there is a reason to have this hearing. It should  
1119 have been held before, and I don't think that it is just a  
1120 problem that we can point to the White House. Even though  
1121 the leader of the Senate happens to be a family friend with  
1122 the Bilbrays, to take a look at the fact that it appears the  
1123 Senate has not done their due diligence of the budget,  
1124 basically have delayed it almost three times longer than what  
1125 they are supposed to be doing. I think there is a lot of  
1126 concern we should have with everybody in this process.

1127 I have just got to say personally, Mr. Chairman, it kind  
1128 of reminds me of when Proposition 13 passed in 1978. I was a  
1129 young 27-year-old mayor and we had to make 40 percent cuts to  
1130 be able--because that is what we lost in revenue in 1978.  
1131 And so if I sound like it is déjà vu all over again, there is

1132 a reason to it. Sadly, I have to tell you, that we ended up  
1133 having to disband our police department because of the fiscal  
1134 issues. You ought to try to make fun cuts like that and then  
1135 hope to ever get the endorsement of the police department  
1136 again.

1137           Zero-based budgeting seems like a no brainer when you  
1138 are sitting at the 43. When we were challenged with this,  
1139 and I am saying across the State of California, everybody  
1140 went to zero-based; every item had to be justified. What  
1141 would be the justification for not doing zero-based?

1142           Mr. {Brass.} Zero-based budgeting can be implemented in  
1143 different ways, and in fact, people may interpret it  
1144 differently. I can reflect back on the experience in the  
1145 Jimmy Carter Administration where GAO did a study 2 years  
1146 after it was implemented that found that it was quite  
1147 burdensome to go through. The notion of zero-based, that is,  
1148 not just doing incremental budgeting but actually looking at  
1149 everything, many budget analysts would agree it is a correct  
1150 thing to do but some of the art and science of budgeting is  
1151 how to do things like that. So one of the troubles there is  
1152 just identifying what is meant by zero-based budgeting.

1153           Mr. {Bilbray.} Okay. Let us go to the biannual budget  
1154 system. Some members may forget but under a Democratic  
1155 Congress, Democratic White House, we passed bipartisan

1156 support for a biannual budget for the veterans. Have we run  
1157 into any major problems with the Veterans Department being on  
1158 a biannual budget?

1159 Mr. {Brass.} I don't know. I don't follow that area  
1160 closely.

1161 Mr. {Bilbray.} Okay, Mr. Brass, let me just tell, one  
1162 advantage was, when we get through this crisis, the veterans  
1163 were addressed during the C.R. because we were on that, and I  
1164 challenge both sides that we found bipartisan support for a  
1165 biannual budget for the veterans. Maybe we ought to be  
1166 considering maybe this is one place that Republicans and  
1167 Democrats can cooperate and start expanding this effort.

1168 I have heard of lockbox. Black box is sort of an  
1169 interesting new term as somebody who has been around the  
1170 block a couple of times, and I am just wondering about this  
1171 concept of budgeting and not really allowing anybody to know  
1172 what is going in on that, and I am wondering how far does  
1173 this go? The Executive Branch will keep it in the dark all  
1174 the time ever and only until they release their budget no one  
1175 has the right to be able to know what is being said or what  
1176 is being proposed.

1177 Mr. {Brass.} People have argued that they have the  
1178 right. Committees with subpoena power can certainly go after  
1179 certain information that is considered pre-decisional in the

1180 Executive Branch but this goes back to 1921 with a law called  
1181 the Budget and Accounting Act where Congress told agency  
1182 personnel, do not submit budgets directly to Congress, you  
1183 have to go through the filter of the institutional presidency  
1184 before that is submitted. And so Presidents have used that  
1185 law to shield some of what goes on inside the Executive  
1186 Branch. That said, Congress has occasionally for specific  
1187 agencies removed that lid to--

1188         Mr. {Bilbray.} Well, I think as much as possible--Mr.  
1189 Chairman, I appreciate it. I just want to point out one  
1190 thing. A lot of people talk about budget cuts and hitting  
1191 the poor and the needy, but let me remind you, when the  
1192 economy goes south, when the system crashes, it is not the  
1193 rich and the powerful that get hurt. When there is an  
1194 irresponsible budget handling, it is the poor and the needy  
1195 always end up being hit. It is not the rich guys along the  
1196 line. And if anybody believes that the President has been  
1197 responsible on every expenditure on the budget and agrees  
1198 with this, I have looked at everything, maybe they ought to  
1199 look at so-called green fuel technology subsidies or certain  
1200 money that has gone into certain renewable strategies that no  
1201 science in the world would support but the Administration  
1202 has, and I yield back.

1203         Mr. {Stearns.} I thank the gentleman, and the gentleman

1204 from Texas, Mr. Green, is recognized for 5 minutes.

1205 Mr. {Green.} Thank you, Mr. Chairman.

1206 Mr. Brass, an underlying concern of my Republican  
1207 colleagues at today's hearing appears to be the President of  
1208 the United States did not conduct a line-by-line review of  
1209 the budget proposal he submitted to Congress. For example,  
1210 in requesting information from the agencies on line-by-line  
1211 budget review, the letters from the subcommittee and the full  
1212 committee chairs underscore that the President's Secretary  
1213 conceded that President did not conduct a line-by-line review  
1214 of the omnibus spending bill in 2009.

1215 Let me start with a few questions, just simple yes and  
1216 no. Mr. Brass, with your information, can you tell us for  
1217 certain whether the President read every word of his 2012  
1218 budget proposals?

1219 Mr. {Brass.} I cannot.

1220 Mr. {Green.} Mr. Brass, have you ever read the entire  
1221 budget submission by the President and do have any sense of  
1222 how long that would take?

1223 Mr. {Brass.} I have not. It would take a long time.

1224 Mr. {Green.} And would you expect the President to read  
1225 every word of his budget proposals?

1226 Mr. {Brass.} I would be surprised if the President were  
1227 able to do that.

1228           Mr. {Green.} Now, there is no question there are  
1229 differences between the Obama Administration and my  
1230 colleagues across the aisle regarding priorities, especially  
1231 federal spending. I am concerned, however, that the series  
1232 of hearings the subcommittee is launching today is serving  
1233 more as a forum for airing grievances about the Obama  
1234 Administration's policy priorities rather than meaningful  
1235 attempt to improve the budget review process, and I think all  
1236 of us want to improve the process.

1237           Mr. Brass, do you believe that a line-by-line reading of  
1238 the federal budget is likely to lead to dramatic changes to  
1239 federal programs like turning Medicare into a voucher program  
1240 or are those sorts of discussions more likely to be made in  
1241 the context of high-level policy decisions?

1242           Mr. {Brass.} I would say that hinges on how one defines  
1243 a line-by-line review. If line-by-line review is interpreted  
1244 as an exhaustive examination of the budget and fiscal policy  
1245 more generally, then major policy changes could be proposed  
1246 coming out of that.

1247           Mr. {Green.} But still, line by line is only the basic  
1248 part you have to do. You have to understand the budget  
1249 before you then come back and say okay, these are some of the  
1250 policy decisions we may need, and those policy differences  
1251 are obviously party differences, regional differences and

1252 lots of different differences that could get there.

1253           Mr. Brass, I think it is appropriate for Congress to  
1254 examine whether the cuts and priorities reflected in the  
1255 President's budget proposal are fair and wise. I am not  
1256 convinced, however, that reiterating demands for the  
1257 President to conduct a line-by-line budget review is the most  
1258 productive means on carrying out this goal. Maybe in  
1259 Congress we ought to require line-by-line review of the  
1260 budget from our side, one of the branches of government.

1261           And I will close by, Mr. Chairman, I served in the  
1262 legislature a number of years and I had a State house member  
1263 who had served many, many years before me, and he said when  
1264 he was first elected his first term, he read every bill that  
1265 was introduced into the State legislature. His second term,  
1266 he realized that was impossible because he was reading bills  
1267 that would never see the light of day. He tried to read all  
1268 the ones in his committee. And by the time his third term  
1269 came around, he tried to read the ones he introduced.

1270           So sometimes reading it, it is more the comprehensive  
1271 than it is just reading a line. It is actually comprehending  
1272 what it is. And I appreciate the time, Mr. Chairman.

1273           Mr. {Stearns.} I thank the gentleman, and since you  
1274 have a minute and 40 seconds left, I might have a colloquy  
1275 with you.

1276 Mr. {Green.} I would love to.

1277 Mr. {Stearns.} You weren't here when we showed the  
1278 video of the President in which he said he was going to go  
1279 not only line by line, he said he was going to go page by  
1280 page, item by item, program by program. So then we thought  
1281 well, let us go back and see what the OMB Director, Jack Lew,  
1282 said in his testimony before the House Budget Committee on  
1283 February 15, 2011. This is an exact quote from him: ``Each  
1284 year since entering office, President Obama has asked his  
1285 Administration to go line by line through the budget to  
1286 identify programs that are outdated, ineffective and  
1287 duplicative.'' So I just submit to the gentleman, this  
1288 doesn't sound like he thinks it was just a figure of speech,  
1289 and I think in all deference to you and your side, you are  
1290 trying to interpret this that the President didn't mean to go  
1291 line by line but it appears from what he said and from what  
1292 his OMB Director said that he actually wanted to go, and that  
1293 was his intent.

1294 Mr. {Green.} If I could reclaim my time?

1295 Mr. {Stearns.} Sure.

1296 Mr. {Green.} Since you are the chair and you can have  
1297 all the time you want, and I agree, but the President has an  
1298 Office of Management and Budget who has staff that can do  
1299 that, and I would hope that the President--

1300 Mr. {Stearns.} Which is Jack Lew.

1301 Mr. {Green.} Well, Jack Lew, that they would have staff  
1302 who could do that and look at it, but I think the big issue  
1303 is that we need to look at the policy decisions, whether it  
1304 be the President makes, whether it is this President makes or  
1305 the previous or the next President. That is our issue, and  
1306 instead of focusing on whether the President read every line  
1307 or maybe he had one of those literally dozens if not hundreds  
1308 of people who work for the Office of Management and Budget or  
1309 in any of the agencies to say okay, I want you to do this. I  
1310 think that can happen. But let us talk about the policies  
1311 and the priorities instead of just, you know, getting into  
1312 whether somebody read a line or not, because I don't think--

1313 Mr. {Stearns.} Well, I agree with that program, we  
1314 should look at the big picture, but I am just saying that we  
1315 are trying to be fair to the President. But the other point  
1316 is, we can't find out--

1317 Mr. {Green.} I would be shocked.

1318 Mr. {Stearns.} And we also can't even find out what in  
1319 view of his line-by-line, item-by-item, program-by-program,  
1320 page-by-page review, we can't find any of these cuts. So we  
1321 are going to move off Mr. Brass to our second panel and ask  
1322 them to come forward.

1323 Let me, while they are setting up here, panel two is

1324 Thomas Schatz, President of Citizens against Government  
1325 Waste; Mr. Patrick Knudsen, Grover M. Hermann Senior Fellow  
1326 in Federal Budgetary Affairs, The Heritage Foundation;  
1327 Veronique de Rugy, Senior Research Fellow, the Mercatus  
1328 Center of George Mason University; Tad DeHaven, Budget  
1329 Analyst, Cato Institute; Andrew Moylan, Vice President of  
1330 Government Affairs, National Taxpayers Union; and Gary  
1331 Kalman, Director, Federal Legislative Office, U.S. PIRG.

1332         So with that, I think we got everybody. Did we  
1333 introduce everybody? Oh, we have a few more. We have Stan  
1334 Collender, OCOR, and Scott Lilly, Center for American  
1335 Progress. All right, gentlemen, it looks like we have got  
1336 you all lined up here. All of you are aware that the  
1337 committee is holding an investigative hearing, and when doing  
1338 so, has the practice of taking testimony under oath. Do you  
1339 have any objection to taking testimony under oath? The chair  
1340 then advises you that under the rules of the House and the  
1341 rules of the committee, you are entitled to be advised by  
1342 counsel. Do any of you wish to be advised by counsel? In  
1343 that case, if you would please rise and raise your right  
1344 hand?

1345         [Witnesses sworn.]

1346         Mr. {Stearns.} You are now under oath and subject to  
1347 the penalties set forth in Title XVIII, section 1001 of the

1348 United States Code. You may now each give an opening  
1349 statement of 5 minutes, and we will recognized Mr. Schatz.

|  
1350 ^TESTIMONY OF THOMAS A. SCHATZ, PRESIDENT, CITIZENS AGAINST  
1351 GOVERNMENT WASTE; TAD DEHAVEN, BUDGET ANALYST, CATO  
1352 INSTITUTE; PATRICK L. KNUDSEN, GROVER M. HERMANN SENIOR  
1353 FELLOW IN FEDERAL BUDGETARY AFFAIRS, THE HERITAGE FOUNDATION;  
1354 VERONIQUE DE RUGY, SENIOR RESEARCH FELLOW, MERCATUS CENTER,  
1355 GEORGE MASON UNIVERSITY; ANDREW MOYLAN, VICE PRESIDENT OF  
1356 GOVERNMENT AFFAIRS, NATIONAL TAXPAYERS UNION; GARY KALMAN,  
1357 DIRECTOR, FEDERAL LEGISLATIVE OFFICE, U.S. PUBLIC INTEREST  
1358 RESEARCH GROUP; STANLEY COLLENDER, OCOR; AND SCOTT LILLY,  
1359 SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS

|  
1360 ^TESTIMONY OF THOMAS SCHATZ

1361 } Mr. {Schatz.} Thank you, Mr. Chairman and members of  
1362 the subcommittee. I appreciate being here today. My name is  
1363 Thomas Schatz. I am President of Citizens Against Government  
1364 Waste, a nonprofit organization dedicated to eliminating  
1365 waste, fraud and abuse in government, and we have more than 1  
1366 million supporters and members nationwide.

1367 On November 25, 2008, President-elect Barack Obama vowed  
1368 to conduct a page-by-page, line-by-line review of the budget  
1369 to eliminate unneeded programs and increase the efficiency of  
1370 the rest of the government. On May 7, 2009, OMB Director

1371 Peter Orszag said that there was a significant installment in  
1372 this effort when they released the fiscal year 2012  
1373 terminations, reductions and savings document which  
1374 identified 100 recommendations that would reduce federal  
1375 spending by \$17 billion over 1 year. While the  
1376 identification of these savings was laudable, it was not  
1377 unique, and as the prior witnesses has stated, a list of  
1378 terminations, reductions and savings has been submitted to  
1379 Congress each year since 2006. A list of similar proposals  
1380 entitled Major Policy Initiatives was submitted by President  
1381 Reagan throughout his two terms in office.

1382 Now, the line-by-line review of the budget is one of six  
1383 initiatives that President Obama has launched in an effort to  
1384 streamline the federal government and cut costs. Most  
1385 recently on June 13, 2011, he issued an Executive Order to  
1386 deliver an efficient, effective and accountable government,  
1387 and while the words ``line by line'' do not appear, he both  
1388 identified previous proposals and created new initiatives.  
1389 He talked about prior achievements and good progress but  
1390 there was no list of accomplishments including how much money  
1391 had been saved by taxpayers or what had been implemented from  
1392 any prior list.

1393 Now, the subcommittee's request for information on the  
1394 implementation of the review is therefore appropriate but the

1395 Administration should already be answering these questions  
1396 and there should be one place in the budget where this  
1397 information is available. We have found over the years that  
1398 the most effective method of promoting an initiative to  
1399 increase efficiency has been to announce a single major idea  
1400 and provide information about progress and results.  
1401 President Reagan created the President's Private Sector on  
1402 Cost Control, better known as the Grace Commission, President  
1403 Clinton had the National Performance Review and President  
1404 George W. Bush initiated the Program Assessment Rating Tool.  
1405 To achieve any level of success, such initiatives require a  
1406 clear methodology, an appropriate time frame, transparent  
1407 reporting and concrete steps to ensure that the  
1408 recommendations are adopted.

1409         When the Grace Commission completed its report in  
1410 January 1984, Commission Chairman J. Peter Grace joined with  
1411 syndicated columnist Jack Anderson to create CAGW to follow  
1412 up on the recommendations. President Reagan immediately  
1413 submitted recommendations of the Grace Commission in his  
1414 annual budgets as part of the volume called Management of the  
1415 United States Government. In fiscal year 1986, appendix B  
1416 described how the President had accepted 80 percent of the  
1417 Grace commission's unduplicated recommendations and that 326  
1418 recommendations would be included in the following year's

1419 budget. The management report in 1987 noted the adoption of  
1420 those 326 recommendations would save \$7.4 billion in one year  
1421 and \$68.8 billion over 5 years, and that \$30.6 billion was  
1422 included in the budget baseline for the prior fiscal year.  
1423 Similar reports were included in the fiscal year 1988  
1424 management report and 1989 management report, and that last  
1425 report showed that \$40.5 billion had been included in the  
1426 1989 budget baseline. And despite the clarity and efficacy  
1427 of these management reports, they disappeared after the  
1428 Reagan Administration, and nothing of similar substance and  
1429 value has taken their place.

1430         In March 1993, President Clinton asked Vice President  
1431 Gore to spearhead the National Performance Review, a 6-month  
1432 project that ended up detailing 1,250 specific actions  
1433 intended to save \$108 billion. Eventually one-quarter of  
1434 those recommendations requiring legislation were adopted.  
1435 And in July 2002, the Bush Administration launched the  
1436 Program Assessment Rating Tool. This technique was used in  
1437 the President's 2004 budget. It was specifically identified.  
1438 The website, [expectmore.gov](http://expectmore.gov), was also created to track the  
1439 evaluations.

1440         In order for taxpayers to determine whether President  
1441 Obama is achieving success in his line-by-line examination of  
1442 federal spending or his other initiatives, the results really

1443 should be provided clearly and concisely and on a regular  
1444 basis. Really, new initiatives should not be announced  
1445 without demonstrating substantial progress in the  
1446 Administration's current efforts to improve efficiency and  
1447 effectiveness in government. The President when he was in  
1448 the Senate did support and cosponsor the Federal  
1449 Accountability and Transparency Act. There is  
1450 USAspending.gov as a result, and a similar type of  
1451 transparent reporting would be very helpful to taxpayers to  
1452 determine whether the Obama Administration is making progress  
1453 on its efforts to eliminate wasteful spending.

1454 That concludes my testimony, and I ask that my full  
1455 statement be submitted to the record, and thank you, Mr.  
1456 Chairman.

1457 [The prepared statement of Mr. Schatz follows:]

1458 \*\*\*\*\* INSERT 2 \*\*\*\*\*

|

1459 Mr. {Bilbray.} [Presiding] It shall be accepted.

1460 Mr. DeHaven.

|  
1461 ^TESTIMONY OF TAD DEHAVEN

1462 } Mr. {DeHaven.} Members of the committee, thank you for  
1463 inviting me to testify.

1464 After the November 2008 election, President-elect Obama  
1465 pledged that his Office of Management and Budget will go  
1466 through the federal budget page by page, line by line,  
1467 eliminating those programs we don't need. When the president  
1468 released his first budget proposal in May of 2009, it  
1469 included a separate volume, terminations, reductions and  
1470 savings, which identified \$17 billion in savings for fiscal  
1471 year 2010. To put that figure in perspective, the President  
1472 proposed to spend \$3.6 trillion that year, which means that  
1473 he proposed savings equal to 0.47 percent of what he planned  
1474 to spend. Assuming that OMB did conduct a line-by-line  
1475 review of the federal budget, the President's proposal  
1476 implied that he believed that 99.53 percent of the federal  
1477 government was definitely needed at a time when we were  
1478 running deficits in excess of \$1 trillion.

1479 Did OMB really conduct a thorough line-by-line search of  
1480 the federal budget for savings? The list of savings created  
1481 in all their thoroughness because it targeted some obscure  
1482 programs, for example, the proposed savings included

1483 terminating tiny programs like the Christopher Columbus  
1484 Fellowship Foundation, \$1 million saved, the Javits Gifted  
1485 and Talented Education program, \$7 million saved. In all,  
1486 the Administration identified and provided a detailed  
1487 explanation for 121 targets for savings. The fact that the  
1488 Administration proposed a cut, what amounts to needles in the  
1489 budgetary haystack, suggests that the President truly  
1490 believes that almost everything the federal government does  
1491 is needed. Indeed, subsequent terminations, reductions and  
1492 savings released with the President's annual budget proposals  
1493 in 2011 have offered similarly insignificant but detailed  
1494 offering of spending cuts.

1495         It would be interesting to know whether some cuts  
1496 recommended by OMB staff were shot down by the White House.  
1497 Was it communicated internally to OMB staff that they should  
1498 only look for savings that would be the least likely to  
1499 ruffle the feathers of special interests? If that is the  
1500 case, then the President's suggested savings were nothing  
1501 more than a political prop designed to fool the American  
1502 people into believing that his Administration was serious  
1503 about reducing federal spending, or was OMB given the green  
1504 light by the White House to truly go program by program, line  
1505 by line? In that case, OMB itself could be responsible for  
1506 producing the insignificant cuts.

1507 I spent 2 years as a Deputy Director at the State of  
1508 Indiana's Office of Management and Budget under Governor  
1509 Mitch Daniels. If the circumstances at the federal OMB are  
1510 similar to that which I experienced as a State budget  
1511 official, then it is quite possible that the White House  
1512 chose to ignore OMB's suggestions for more substantive budget  
1513 cuts. I was part of the dedicated team within Indiana's  
1514 Office of Management and Budget called Government Efficiency  
1515 and Financial Planning. The group was tasked with conducting  
1516 a long-overdue inventory of the State's operations. We  
1517 produced two reports with hundreds of recommendations for  
1518 making State government more efficient and effective, and we  
1519 also made recommendations to cut or eliminate programs and  
1520 boards. Unfortunately, the Governor did not follow through  
1521 and execute very many of the recommendations. I also suspect  
1522 his political advisors also dissuaded him from ordering  
1523 action. In fact, the advisors were so worried about the  
1524 potential political fallout from aggrieved special interests  
1525 over the recommendations contained in the second GEF report  
1526 that it was intentionally released when the media wasn't  
1527 paying attention. They needn't have worried because those  
1528 interests who might have had cause for concern already saw  
1529 that the first report was barely acted upon. The Governor's  
1530 advisors typically sided with turf-protecting department

1531 heads and they did little to support GEFP. The reason was  
1532 simple: the perceived political cost of pursuing our  
1533 recommendations usually exceeded the perceived political  
1534 benefit.

1535 I learned from my Indiana government experience under a  
1536 Governor thought to be a fiscal hawk that political leaders  
1537 are good at generating sound bites designed to make taxpayers  
1538 believe that their interests come first. In reality,  
1539 taxpayer interests usually end up taking a backseat to the  
1540 interests of select individuals or groups. I also learned  
1541 that a failure to back up sound bites with follow-through  
1542 action only serves to embolden special interests.

1543 Cato has publicly challenged the president on his pledge  
1544 to go through our federal budget page by page, line by line,  
1545 eliminating those programs we don't need. Attached to my  
1546 written is a copy of a full-page ad that Cato ran in major  
1547 newspapers. We suggested 10 areas to target for cutting that  
1548 would result in substantial savings, and the suggestions were  
1549 arrived at based on Cato's own page-by-page, line-by-line  
1550 review. You can see the results of our review at  
1551 [www.downsizinggovernment.org](http://www.downsizinggovernment.org). There are essays laying out  
1552 the case for terminating hundreds of agencies and programs,  
1553 and it is worth noting that we have been able to cover all  
1554 that budgetary terrain through the efforts of a very limited

1555 number of people.

1556           Lastly, it is important to note that the  
1557 Administration's inability or unwillingness to recognize that  
1558 more than just half a percent of the federal budget is  
1559 unneeded is not a partisan affliction. President Obama  
1560 inherited a federal budget that had massively expanded under  
1561 the previous Republican Administration of George W. Bush.  
1562 The massive warfare welfare state built by Republicans and  
1563 Democrats is morally bankrupt, and if the federal government  
1564 were a business, it would be financially bankrupt. That  
1565 means that the federal budget's meat has to be cut in  
1566 addition to the fat. Therefore, if President Obama isn't  
1567 serious about terminating unneeded federal programs, then it  
1568 is up to Congress to do the job for him. Thank you.

1569           [The prepared statement of Mr. DeHaven follows:]

1570 \*\*\*\*\* INSERT 3 \*\*\*\*\*

1571 | Mr. {Bilbray.} Thank you very much.

|  
1572 ^TESTIMONY OF PATRICK KNUDSEN

1573 } Mr. {Knudsen.} Thank you, Mr. Chairman. My name is  
1574 Patrick Louis Knudsen. I am the Grover M. Hermann Senior  
1575 Fellow in Federal Budgetary Affairs at The Heritage  
1576 Foundation. I should mention in the interests of full  
1577 disclosure that until just recently, I was the Policy  
1578 Director of the House Budget Committee here, a position I  
1579 held for 20 years. My remarks should not be construed as  
1580 expressing any official position of The Heritage Foundation.

1581 That said, I would like to take a slightly different  
1582 angle on this subject and attempt to put it in context, a  
1583 context that all the committee members are aware of, because  
1584 this discussion about terminations and reductions and so on  
1585 comes in the midst of a budget that is really wildly out of  
1586 control, as Chairman Stearns mentioned earlier. If I may  
1587 recite a few facts that I am certain all of you are familiar  
1588 with but they bear repeating.

1589 Fiscal year 2011 was the third consecutive year with a  
1590 budget deficit in excess of a trillion dollars. Debt held by  
1591 the public is about three-fourths the size of the entire  
1592 economy right now and growing. It can't be said often enough  
1593 that three entitlement programs--Medicare, Medicaid and

1594 Social Security--are in the process of swallowing up the  
1595 entire budget. All three are growing more rapidly than the  
1596 economy, more rapidly than inflation, and those of you who  
1597 wish to protect these programs need to be aware of that  
1598 because they cannot be sustained at that level. They will  
1599 collapse under their own weight. By 2005, those three  
1600 programs alone will absorb all the tax revenue the government  
1601 collects, if historical patterns hold. That means you will  
1602 be borrowing every year for such other interesting activities  
1603 as defending the country.

1604         Now, in this vein, the Administration's discretionary  
1605 terminations and reductions amount to less than 2 percent of  
1606 the cap in the Budget Control Act. They are barely more than  
1607 1 percent of the projected deficit for 2012, and they are  
1608 only about one-half of 1 percent of projected total spending  
1609 in 2012. All of that is just context setting, and I say that  
1610 not to dismiss the discussion that is going on here today or  
1611 the practice of submitting terminations and reductions and so  
1612 on but simply to recognize that this is the bare minimum of  
1613 what Administrations and Congresses need to be looking at.  
1614 You should be able to adopt these kinds of proposals on an  
1615 annual basis just as a starting point to get this fiscal  
1616 situation under control because the things I just described  
1617 represent a crisis. I believe there is no exaggeration in

1618 saying that.

1619           Now, that said, there are a number of tools that the  
1620 President and Congress do already have and could use to get  
1621 spending under control. The President does have a veto.  
1622 President Bush was criticized for not using vetoes of  
1623 spending bills often enough, and that criticism may have been  
1624 fair. It could be leveled at President Obama as well. As  
1625 far as I know, he has vetoed one appropriations bill and that  
1626 was because it didn't spend enough.

1627           Congress also can apply spending caps, and right now you  
1628 are facing a cap in the Budget Control Act. I would urge you  
1629 most strenuously to stick with it and if possible reduce  
1630 spending even below that level, because remember, the savings  
1631 you are talking about under that cap are savings from a  
1632 baseline that inflates every year, so they are really just  
1633 savings from an illusion of projected spending.

1634           Other items you could look at are unauthorized  
1635 appropriations. Every year the Congressional Budget Office  
1636 submits a report of appropriations that have lost their  
1637 authorizations or whose authorizations are to expire by the  
1638 end of that fiscal year. This year's report identified \$42  
1639 billion worth of non-defense programs whose authorizations  
1640 were to run out on September 30. To my knowledge, all those  
1641 programs have still been financed in the continuing

1642 resolution. You could easily make a rule that any program  
1643 that loses authorization does not get funded anymore, and  
1644 then you would have to justify restoring the program. That,  
1645 it seems to me, is a more valuable approach than having to  
1646 justify cutting a program. There are other recommendations  
1647 in my written testimony that I would invite you to look at.

1648         What I would conclude by saying is, from time to time in  
1649 my years at the Budget Committee, I would hear members  
1650 complain that they spent all their time on the budget. I  
1651 have two responses. And if you did the things I am  
1652 recommending, you would be spending even more time on the  
1653 budget. But I have two responses to that complaint. The  
1654 first is, if you believe as I do that budgeting truly is  
1655 governing, then budgeting is an exercise of your fundamental  
1656 responsibilities and I would think you would relish the  
1657 opportunity.

1658         Second, and far more important, considering the very  
1659 real spending and debt crisis this country faces, I would  
1660 hope every one of you and every one of your colleagues in the  
1661 House and Senate would spend every minute of your time on the  
1662 budget until you get it under control because the stakes are  
1663 very real and the future of the country may very well be in  
1664 your hands. Thank you.

1665         [The prepared statement of Mr. Knudsen follows:]

1666 \*\*\*\*\* INSERT 4 \*\*\*\*\*

1667 | Mr. {Bilbray.} Thank you.

|  
1668 ^TESTIMONY OF VERONIQUE DE RUGY

1669 } Ms. {de Ruky.} Chairman Stearns, Ranking Member DeGette  
1670 and members of the subcommittee, thank you for the  
1671 opportunity to testify today about the President's promise to  
1672 review the federal budget line by line and eliminate programs  
1673 we don't need. My name is Veronique de Ruky. I am a Senior  
1674 Research Fellow at the Mercatus Center at George Mason  
1675 University, where I study tax and budget issues.

1676 The goal to conduct an exhaustive review of the federal  
1677 budget and seek to eliminate wasteful spending is not only  
1678 worthy of Presidential and Congressional attention, it should  
1679 actually be your highest priority and taxpayers too. It is  
1680 hard to overestimate the harm caused by the current  
1681 Congressional spending pattern and the economic damage caused  
1682 by the misallocation of capital and the creation of perverse  
1683 incentives. However, while the idea of putting an end to  
1684 wasteful spending makes for great speeches and interesting  
1685 headlines, waste as defined by the President is only a small  
1686 portion of the overall wasted taxpayers' dollars. Depending  
1687 on your point of view, concepts like waste or even  
1688 inefficient spending means something different to each Member  
1689 of Congress, each taxpayer and the President.

1690           Today I would like to go over guiding principles that I  
1691 recommend be used to produce an effective review of  
1692 government spending. They are four.

1693           First, Congress and the President should eliminate overt  
1694 waste, the low-hanging fruit, so to speak, such as  
1695 duplicative programs and overpayments. Taxpayers are  
1696 currently paying for 47 job training programs, and according  
1697 to the GAO, it spends \$125 billion in improper payments.

1698           Second, Congress and the President should eliminate  
1699 spending for programs that don't measure the performance of  
1700 the program they manage. Take the Small Business  
1701 Administration, for instance. It only measures its  
1702 performance by measuring how much it spends to guarantee  
1703 loans. Instead, it should measure whether these loans are  
1704 actually growing the economy. If it did, it would realize  
1705 that this program isn't as relevant as one thinks, and that  
1706 it isn't even fulfilling its stated mission.

1707           Third, Congress and the President should eliminate  
1708 spending for programs that should be provided by the private  
1709 sector. Having the government run businesses such as Amtrak  
1710 and oversee infrastructure such as the air traffic control  
1711 system is not just inefficient, it also hinders economic  
1712 growth and costs taxpayers money while providing low-quality  
1713 services to customers.

1714           Fourth, Congress and the president should eliminate  
1715 spending on functions in the purview of the States.  
1716 President Reagan wrote that federalism is rooted in the  
1717 knowledge that our political liberties are best assured by  
1718 limiting the size and scope of the national government.  
1719 Sadly, Congress has ignored this advice and is now spending  
1720 \$500 billion in grants to the States for activity that it has  
1721 no legal or practical reason to be involved in such as  
1722 healthy marriage promotion and museum professional training  
1723 grants. This is inefficient and it creates unacceptable lack  
1724 of accountability. What is more, when lawmakers are busy  
1725 running State and local and private affairs, they have less  
1726 time to oversee federal agencies and focus on critical  
1727 national issues such as defense or security.

1728           Outlining these principles is a necessary condition to  
1729 conduct an effective line-by-line review of the federal  
1730 budget that would get rid of the wasteful spending that  
1731 plagues our government and our economy. Make no mistake,  
1732 there is absolutely no excuse for government and the  
1733 President to allow such large amounts of wasteful spending to  
1734 continue year after year.

1735           This is exceptionally shocking considering numerous  
1736 programs have already been identified as wasteful,  
1737 inefficient or duplicative by Congress, OMB and the GAO as

1738 well as scholars, think tanks and universities. Their work  
1739 should help facilitate Congressional oversight of the  
1740 effectiveness of government programs and operations yet they  
1741 are being ignored. So obviously there are a lot of questions  
1742 still unanswered about how to enforce this principle and how  
1743 to actually achieve real budget cuts. I mean, I don't know  
1744 what this budget process is if in the end programs that have  
1745 been identified as wasteful are still getting money and are  
1746 being funded. Understanding that there are certain things  
1747 that only the federal government can do and that there are  
1748 things that the government shouldn't do will guide the review  
1749 process and help make hard decisions about where to cut  
1750 spending.

1751 I have one final thing to add. It is key that all  
1752 spending be on the table. Congress needs to make sure that  
1753 no areas of the budget are untouchable, not entitlement, not  
1754 defense, all parts of the budget must be on the table for  
1755 review and potential cuts. With this guiding principle in  
1756 mind, Congress and the President will be able to start making  
1757 the difficult spending priorities that they need to make and  
1758 the American people will start having confidence in their  
1759 future and confidence in the way that the federal government  
1760 spends its money.

1761 Thank you for the opportunity to testify before you

1762 today, and I am looking forward to your questions.

1763 [The prepared statement of Ms. de Ruyg follows:]

1764 \*\*\*\*\* INSERT 5 \*\*\*\*\*

|

1765           Mr. {Bilbray.}   Thank you.

1766           Mr. Moylan.

|  
1767 ^TESTIMONY OF ANDREW MOYLAN

1768 } Mr. {Moylan.} Acting Chairman Bilbray and Ranking  
1769 Member DeGette, members of the subcommittee, thank you for  
1770 the opportunity to testify on behalf of the American taxpayer  
1771 regarding the important issue of reviewing the federal budget  
1772 to identify waste. My name is Andrew Moylan and I am Vice  
1773 President of Government Affairs for the National Taxpayers  
1774 Union, a nonpartisan citizen group founded in 1969 to work  
1775 for lower taxes and smaller government at all levels. NTU is  
1776 America's oldest nonprofit grassroots taxpayer organization.  
1777 We have over 362,000 members nationwide in every single  
1778 State, most of the territories as well including several  
1779 dozen in the Virgin Islands.

1780 I would like to sort of lighten the mood and start with  
1781 an old joke that our budget tells us what we can't afford but  
1782 it sure doesn't keep us from buying it. Unfortunately, that  
1783 has been true of Washington for far too long. Our current  
1784 budget situation is bleak, and I want to point to two nuggets  
1785 that I think are instructive. First, in the President's  
1786 recent budget outline, the lowest single year deficit in the  
1787 coming decade is \$607 billion, a number higher in absolute  
1788 terms than every annual deficit in our Nation's first 220

1789 years and roughly equal in inflation-adjusted terms to our  
1790 overspending in war-mobilized 1944. Additionally, while many  
1791 in Congress have attributed the recent explosion in spending  
1792 and resulting trillion-dollar deficits to crisis response due  
1793 to a financial meltdown and a recession, the federal  
1794 government has actually seen deficits during 45 of the last  
1795 50 years, and we believe that this ought to give pause even  
1796 to diehard Keynesians who believe that surpluses should be  
1797 the norm in most economic growth cycles.

1798         President Obama has repeatedly pledged to scour the  
1799 budget line by line to eliminate waste, inefficiency and  
1800 duplication. He and Senator McCain both made such a claim in  
1801 a 2008 Presidential debate after which we joined with our  
1802 friends at Citizen Against Government Waste to send a letter  
1803 to the candidates offering our existing research and our  
1804 ongoing assistance in completing that task.

1805         Unfortunately, the tidal wave of red ink in our future  
1806 suggests that a tremendous amount of work still remains. I  
1807 want to give credit where it is due, however, and refer to a  
1808 few areas in which the President has truly been a leader.  
1809 First, the issue of billions of dollars in improper payments  
1810 made by federal agencies. From a 2009 Executive Order to the  
1811 2010 signing of the Improper Payments Elimination and  
1812 Recovery Act, a bill that NTU strongly supported, the

1813 President has been a consistent and effective advocate. In  
1814 addition, his Administration's recent efforts to reinvigorate  
1815 whistleblower protections will help to protect federal  
1816 employees that identify waste and fraud from professional  
1817 retribution. We hope Congress will follow that lead by  
1818 moving swiftly to pass the bipartisan Whistleblower  
1819 Protection Enhancement Act.

1820         While these efforts are laudable, they are still  
1821 tremendous gaps that call into question the President's  
1822 pledge. For example, the Administration's most recent  
1823 terminations, reductions and savings report, which has been  
1824 mentioned several times, laid out \$33 billion in suggestions  
1825 to trim our deficit and was its most ambitious such effort to  
1826 date but still it represents just 2 cents out of every dollar  
1827 that we currently borrow and less than 1 cent of every dollar  
1828 that we spent. Surely, a comprehensive line-by-line review  
1829 of the federal budget did not determine that it operates at  
1830 99 percent efficiency.

1831         A more specific complaint is that the President has not  
1832 yet crafted a comprehensive replacement for the Bush  
1833 Administration's Program Assessment Rating Tool. While it  
1834 was imperfect with complaints that its structure did not  
1835 yield objective results, PART was actually a good start at  
1836 evaluating program performance and deserved to be improved

1837 and expanded upon, not ended.

1838           In order to further the debate on wasteful spending, we  
1839 joined with the U.S. Public Interest Research Group to author  
1840 a report called ``Toward Common Ground: Bridging the  
1841 Political Divide with Deficit Reduction Recommendations for  
1842 the Super Committee.'' In it, we identified over 50 specific  
1843 recommendations totaling more than \$1 trillion over the next  
1844 decade for spending reductions. While we disagree with PIRG  
1845 on a great many issues, we are united in the belief that we  
1846 spend too far much money on programs that do not deliver  
1847 results for taxpayers. For example, we are spending billions  
1848 of dollars on things like export promotions for profitable  
1849 corporations, excess spare parts orders for defense equipment  
1850 and maintenance costs for thousands of unused or  
1851 underutilized federal buildings. Many of these items have  
1852 been on budget watchdog lists for years and the opposition to  
1853 these recommendations tends not to be primarily political or  
1854 ideological in nature but rather parochial.

1855           Some highlights of the joint findings with U.S. PIRG  
1856 include \$215 billion in savings from eliminating wasteful  
1857 subsidies, \$445 billion from ending low-priority or  
1858 unnecessary military programs, \$222 billion in savings from  
1859 improving program execution and government operations, and  
1860 \$132 billion from commonsense reforms to entitlement

1861 programs.

1862           We believe that the NTU/PIRG report demonstrates that  
1863 reducing wasteful spending is not a question of right or  
1864 left, it is a question of right or wrong, and we stand ready  
1865 to assist this committee, the Congress as a whole and the  
1866 President in the quest for sustainable budget future, and I  
1867 look forward to your questions.

1868           [The prepared statement of Mr. Moylan follows:]

1869 \*\*\*\*\* INSERT 6 \*\*\*\*\*

|

1870 Mr. {Stearns.} Thank you.

1871 Mr. Kalman, you are recognized for 5 minutes.

|  
1872 ^TESTIMONY OF GARY KALMAN

1873 } Mr. {Kalman.} Thank you, Mr. Chairman.

1874 Chairman Stearns, Ranking Member DeGette and members of  
1875 the subcommittee, I thank you for inviting me to testify  
1876 today on behalf of the U.S. Public Interest Research Group,  
1877 U.S. PIRG. U.S. PIRG, the federation of state PIRGs, is a  
1878 nonprofit, nonpartisan organization that advocates and  
1879 educates on matters to encourage a fair, sustainable economy,  
1880 promote the public health and foster responsive Democratic  
1881 government.

1882 As the Congressional Super Committee begins its search  
1883 for \$1.2 trillion in deficit reduction, my organization was  
1884 proud to partner with NTU, as Andrew had mentioned, to offer  
1885 a set of recommendations to this committee and the bipartisan  
1886 panel of more than \$1 trillion over 10 years of spending cuts  
1887 and government reform with appeal from across the political  
1888 spectrum.

1889 How government collects and spends money is critically  
1890 important. Tax and budgeting decisions are the most concrete  
1891 way that government declares its public priorities and  
1892 balances between competing values.

1893 Unfortunately, budget-making rules and public laws about

1894 taxes and spending sometimes fail the public interest. U.S.  
1895 PIRG advocates for improvements in fiscal policy to stop  
1896 special interest giveaways, increase budget transparency and  
1897 accountability, eliminate waste and ensure that subsidies and  
1898 tax breaks serve the public. Public money should be spent  
1899 for the most effective pursuit of clear public benefits or to  
1900 encourage beneficial behaviors undervalued by the market.  
1901 Budgeting should be open, accountable and follow long-term  
1902 planning.

1903 Our September 2011 report with National Taxpayers Union,  
1904 ``Toward Common Ground'', details the specific spending cuts,  
1905 and a copy of the report has been included in our written  
1906 testimony submitted for the record.

1907 NTU and PIRG, as Andrew had mentioned, do not often  
1908 agree on policy approaches to solving our Nation's problems.  
1909 In recent high-profile debates around health care reform and  
1910 oversight of the financial markets, the two groups proposed  
1911 and advocated very different solutions. Even on a number of  
1912 tax and budget issues, we often disagree. Here, we  
1913 successfully identified programs that both Republican and  
1914 Democratic lawmakers should recognize as wasteful and  
1915 inefficient uses of taxpayer dollars.

1916 In calling for this hearing, the committee asked about  
1917 ``identification of characteristics of federal programs

1918 suggestive of waste, fraud and abuse.' ' U.S. PIRG's approach  
1919 to the spending cuts is guided by four principles. We cite  
1920 these principles as an appropriate lens through which deficit  
1921 reductions can be judged.

1922         One: Oppose subsidies that provide incentives to  
1923 companies that do harm to the public interest or do more harm  
1924 than good. An example here is funding for biomass research  
1925 and development. Large-scale agricultural production of corn  
1926 and other crops used for biomass can accelerate problems  
1927 caused by deforestation and compete with food production,  
1928 raising prices globally.

1929         Two: Oppose subsidies to mature, profitable industries  
1930 that don't need the incentive. These companies would engage  
1931 in activity regardless of taxpayer support. We would include  
1932 in this category subsidies for dairy management, which among  
1933 other things pays pizza chains to make and market extra-  
1934 cheesy pizza. Companies like Domino's have both the  
1935 incentive and the resources to develop their own products to  
1936 meet consumer tastes without taxpayer handouts.

1937         Three: We would support reforms to make government more  
1938 efficient, and here examples include requiring the Department  
1939 of Defense and the Veterans Administration to jointly  
1940 purchase prescription drugs, saving more than \$6 billion over  
1941 10 years.

1942           And finally, four, oppose subsidies where there is  
1943   authoritative consensus to do so. By this, we mean strong  
1944   independent agreement across the political spectrum that a  
1945   program is wasteful where the agency or department itself  
1946   receiving the funding has argued against it. Within  
1947   Secretary Gates's recommended cuts, he included the  
1948   expeditionary fighting vehicle. The Secretary of the Navy  
1949   and the Commandant of the Marine Corps both agreed with the  
1950   Defense Secretary's proposal.

1951           These recommendations are specific, targeted, and name  
1952   individual programs for reductions and elimination. We are  
1953   long past the time for general references and rhetorical  
1954   calls for attacking nameless and faceless programs that  
1955   contain waste, fraud and abuse. This is the precise reason  
1956   that U.S. PIRG does not support a--

1957           Mr. {Stearns.} Mr. Kalman, I need you to summarize, if  
1958   you could.

1959           Mr. {Kalman.} I am sorry. We are just going to say  
1960   that the precise reason we don't support across-the-board  
1961   cuts is just that they don't differentiate between genuine  
1962   waste and inefficiencies in the system. We believe that  
1963   there are good programs. They need to be separated out from  
1964   the waste that we identified in the report.

1965           [The prepared statement of Mr. Kalman follows:]

1966 \*\*\*\*\* INSERT 7 \*\*\*\*\*

|  
1967           Mr. {Stearns.}   And I thank the gentleman.

1968           Mr. Collender, you are recognized for 5 minutes.

|  
1969 ^TESTIMONY OF STANLEY COLLENDER

1970 } Mr. {Collender.} Thank you, Mr. Chairman. My testimony  
1971 today is my own personal view on the subject of the hearing.  
1972 My comments absolutely are mine and mine alone. A very brief  
1973 word of personal introduction.

1974 I am generally thought of as a deficit hawk. I get  
1975 criticized from both the far right for being too left and by  
1976 the left for being far too right. I actually take a great  
1977 deal of comfort in this. I am pleased that when it comes to  
1978 the federal budget, I am considered a centrist and rational.

1979 My budget background is also decidedly bipartisan. I  
1980 proudly worked with three Democratic Members of the House of  
1981 Representatives and the Democratic staffs of the House and  
1982 Senate Budget Committees when I was much younger. But I was  
1983 also the first speaker at the first meeting of the House Tea  
1984 Party Caucus held on February 28th of this year. I spoke to  
1985 the Tea Party Caucus at the invitation of Congresswoman  
1986 Bachmann, who liked a column on the debt ceiling I had  
1987 written for Roll Call in January. She asked that I discuss  
1988 it in depth with the House Members and the other tea party  
1989 supporters who attended the meeting. It was a privilege for  
1990 me to be able to do so.

1991           My background is important because I want what I am  
1992 about to say about this hearing to be understood in the  
1993 bipartisan centrist context I am often criticized for having.  
1994 Based on everything I have studied, observed, participated in  
1995 and commented on about the federal budget over the past  
1996 almost four decades, it is hard for me to understand why this  
1997 subcommittee is spending any time and wasting so many  
1998 taxpayer dollars holding this hearing.

1999           The answer to the question on which this hearing  
2000 supposedly is based is as straightforward as they come. Of  
2001 course the Obama Administration has done and continues to do  
2002 a line-by-line, program-by-program review of the budget.  
2003 There is simply no reason for the subcommittee to think  
2004 otherwise. A line-by-line review is standard when every  
2005 White House puts its budget together but it is especially the  
2006 case in a year like this when spending cuts are the main  
2007 course on the federal budget menu. Here again, the reason is  
2008 straightforward. Unless you are using a meat axe and  
2009 eliminating whole departments and agencies, budget cuts  
2010 require additional detailed line item reviews beyond those  
2011 that routinely happen when the President's budget is being  
2012 formulated. These additional reviews typically include the  
2013 senior White House staff, the Cabinet and the President and  
2014 Vice President. The inevitable policy choices and political

2015 decisions involved with those cuts cannot be made at lower  
2016 levels.

2017           There are three extraordinary ironies about today's  
2018 hearing. The first is that none of the witnesses, including  
2019 me, has any firsthand knowledge of whether or how the Obama  
2020 Administration conducted the line-by-line review about which  
2021 the committee says it is so concerned. That immediately  
2022 raises a serious question about why any of us was asked to  
2023 testify.

2024           Second, never mind the White House, Congress is the  
2025 branch of the U.S. government that seldom, if ever, does the  
2026 line-by-line review of the federal budget this committee  
2027 seems so desperate to have done. That makes a hearing on  
2028 Congressional line item review procedures far more justified  
2029 than one like this on what the White House is doing.

2030           Third, final irony is that one of the primary reasons  
2031 most Representatives, Senators and Congressional committees  
2032 don't review every line item is because the White House  
2033 provides Congress with voluminous, painstakingly detailed  
2034 materials that are based on the in-depth line item reviews it  
2035 conducts when it formulates the President's budget.

2036           Mr. Chairman, there is a good deal more I could say  
2037 about this subject and I will be happy to try to answer your  
2038 questions. But honestly, I really don't see any reason to

2039 waste any more taxpayer dollars by prolonging a hearing that  
2040 never needed to be held in the first place. Thank you.

2041 [The prepared statement of Mr. Collender follows:]

2042 \*\*\*\*\* INSERT 8 \*\*\*\*\*

|

2043 Mr. {Stearns.} I thank the gentleman.

2044 Mr. Lilly, you are recognized for 5 minutes.

|  
2045 ^TESTIMONY OF SCOTT LILLY

2046 } Mr. {Lilly.} I would like to pick up where Stan left  
2047 off and say I do think there is a good side of this hearing  
2048 because I think line-by-line budgeting is extraordinarily  
2049 important. It is not the best way to do a budget, it is the  
2050 only way to do a budget, and I think it is slipping from our  
2051 grasp for a number of reasons I would like to talk about.

2052 First of all, is the Administration doing line by line?  
2053 I would have to agree with Stan. I find a lot of the  
2054 conversation this morning remarkably silly in that regard.  
2055 Every April, every budget officer of every agency sits down  
2056 with every section chief and goes through item by item of  
2057 what was spent in the past year, what is needed in the coming  
2058 year, what they could afford, how they could reduce their  
2059 spending, how they could cut back on services, what would be  
2060 the impact of a 10, 20, 30 percent cut. That happens all  
2061 across the board. It produces amounts of budget material  
2062 that I think this committee can only imagine.

2063 Ranking Member DeGette pointed to the appendix of the  
2064 budget. In that appendix, and there it is, there is probably  
2065 half a page that talks about the United States Park Service.  
2066 I have materials that the Park Service submitted to the

2067 Congress this year--this is a reprint of it--583 pages on the  
2068 Park Service. If you want to go into whether this is  
2069 detailed or not, this is an item on the Kennesaw Mountain  
2070 National Park. Cobb County, Georgia, has bought and provided  
2071 the Wallace House to that foundation and they are including  
2072 \$157,000 and two full-time-equivalent positions in order to  
2073 staff that. That is a lot more than line by line. That is  
2074 the detail that gets into everything that every employee of  
2075 this government does, and so the idea that that is not  
2076 happening is ridiculous.

2077 Do you like the decisions that were made? Well, maybe  
2078 you do, maybe you don't. One big cut that this  
2079 Administration made that nobody has mentioned was the  
2080 termination of the F-22, which I didn't agree with, but it  
2081 was a huge, huge cut.

2082 Now, the other thing I would say is, I think there has  
2083 been a real deterioration in line-by-line budgeting. The  
2084 Executive Branch bears part of the burden for that. We have  
2085 reams of needless, stupid data that is included in budget  
2086 materials every year on a formulistic basis. It deprives our  
2087 resources to get in and dig into the budget in a real way,  
2088 and it ought to be eliminated. We have been relying because  
2089 of the Executive Branch year after year on huge  
2090 supplementals. Veronique has written eloquently about that.

2091 That has been at least slowed down in this Administration.

2092 It has been a big step forward.

2093 But frankly, what puzzles me about this hearing is, it  
2094 is a lot like the umpire stopping the game and going out and  
2095 chastising the pitcher for not calling balls and strikes.

2096 The framers of the Constitution did not charge the Executive  
2097 Branch with being a check and balance on excessive spending  
2098 in the Executive Branch. That is why you guys are here.

2099 That is the purpose of the Congress and that is where the  
2100 line-by-line budget review has to take place. If you don't  
2101 do it, nobody will do it.

2102 Before 1921, from the first Congress in 1789 until 1991,  
2103 the Executive Branch played no role in putting the budget  
2104 together. Every agency went directly to the Appropriations  
2105 Committee and asked for funds. So we don't even need the  
2106 Executive Branch to be in here. It is your job to put the  
2107 budget together.

2108 Now, I think that has been seriously deteriorating in my  
2109 period of time here and there are three things that have  
2110 happened, Mr. Chairman. First of all, we have deliberated  
2111 destroyed expertise. The limitation on subcommittee  
2112 chairmanships meant that a guy like Ralph Regula, who knew as  
2113 much about parks and forests as any Member of Congress, had  
2114 to move from the Interior Subcommittee to the Labor H

2115 Subcommittee where he had never served a day, just  
2116 deliberately destroying the expertise necessary to do this  
2117 process.

2118         The second is the earmark orgy that we went through over  
2119 the last decade. From 1995 until 2005, we had a quadrupling  
2120 of earmarking. We had as many as 15,000 requests for  
2121 earmarks go to the Labor H Subcommittee, which is the biggest  
2122 domestic appropriations subcommittee. Do you know how much  
2123 staff time it takes to do that? It completely eviscerated  
2124 the ability of that subcommittee and every other subcommittee  
2125 to do the kind of oversight and line-by-line review that is  
2126 necessary.

2127         Now, we have finally gotten rid of that, and I am very  
2128 thankful, and there are people on both sides of the aisle  
2129 that worked to get rid of it. What did we do with all the  
2130 time and the resources that we gained by getting rid of that?  
2131 We went on vacation. Look at the calendar that the Majority  
2132 Leader posted this year. In January, the House was in  
2133 session 6 full days. In February, we had 2 weeks off. In  
2134 March, which is the height of the season for testifying by  
2135 agency witnesses on their budgets, we were in 8 days. We had  
2136 the first-ever St. Patrick Day recess. The same thing is  
2137 true of April, May and June when the--

2138         Mr. {Stearns.} Mr. Lilly, I just need you to sum up.

2139 Mr. {Terry.} Yes, I think you are the silliness right  
2140 now.

2141 Mr. {Stearns.} Okay. Let us just have you sum up. You  
2142 are a minute and a quarter over.

2143 Mr. {Lilly.} I would just simply say this. Line-by-  
2144 line budgeting is hard work. It is the work of the Congress.  
2145 The Congress has to be here to do it. It has to organize the  
2146 resources. It needs to be tough with the Executive Branch in  
2147 demanding the information that is necessary, but that has not  
2148 been happening for more than a decade.

2149 [The prepared statement of Mr. Lilly follows:]

2150 \*\*\*\*\* INSERT 9 \*\*\*\*\*

|  
2151 Mr. {Stearns.} Thank you, and I thank the gentleman.

2152 Ms. {DeGette.} Mr. Chairman, I would respectfully ask  
2153 that the members of this committee at least be civil to the  
2154 witnesses who have given up their day to come here.

2155 Mr. {Stearns.} I agree with you.

2156 Now that we have finished with our opening statements, I  
2157 will start with my line of questioning. I would point out to  
2158 Mr. Collender and Mr. Lilly, I agree with you, Congress  
2159 should also do a line by line, and I think your points are  
2160 well taken that Congress has a fiduciary responsibility and  
2161 has had historically to do that.

2162 We have a letter that we received from the Office of  
2163 Management and Budget, and one of the things we were  
2164 concerned about is that when the President comes up with  
2165 initiatives that are savings, we never know how much money  
2166 this is saving. For example, you have securing American  
2167 values and efficiency that talks about the President's SAVE  
2168 Act, that his award is going to save all this money, but we  
2169 are not clear how much money it is saving, so it is hard  
2170 sometimes for us and Members of Congress to hear the  
2171 President say he is going to create all these savings line by  
2172 line, whether you agree that the President should do it or  
2173 Congress, but when the President says it and he says line by

2174 line, item by item, program by program, page by page, and  
2175 then we try to understand where these savings are, it is  
2176 difficult for us to find them. So the hearing today is to  
2177 try and have a better understanding.

2178 Now, Mr. Schatz, your office actually with your staff  
2179 has developed a database and you have actually gone in to do  
2180 this, as I understand this, and so it is possible for the  
2181 Citizens Against Government Waste to do this and you would  
2182 certainly think Congress could do it as well as the  
2183 President's Office of Management and Budget. Wouldn't you  
2184 agree?

2185 Mr. {Schatz.} Well, since I am under oath, Mr.  
2186 Chairman, we didn't do it exactly line by line. But we did  
2187 use the resources that exist in the public and private sector  
2188 and consolidated them into our list of prime cuts, so it is  
2189 Congressional Budget Office, it is Congress itself, it is the  
2190 President's budget recommendations that go through GAO or  
2191 Inspectors General and just put together a comprehensive  
2192 list, 691 recommendations--I am sorry--yes, recommendations  
2193 save \$691 billion--I am sorry--over 1 year and \$1.8 trillion  
2194 over 5 years. So the information is there. A lot of these  
2195 recommendations have been around for many years. Our origin,  
2196 as I mentioned, goes back to the Grace Commission under  
2197 President Reagan so those recommendations were incorporated

2198 into the President's budget, and our major point has been, if  
2199 there is going to be an initiative, there should be a way to  
2200 find out what has happened with that so that the taxpayers  
2201 can say this was proposed, this is what happened, and in a  
2202 sense, it doesn't matter what it is called, it just needs to  
2203 be presented in a way that these questions shouldn't be  
2204 asked.

2205         We are having a hearing because we don't have the  
2206 answers, not because there shouldn't be a comment about  
2207 whether it is line by line or not or what it means. It is  
2208 just, there have been ideas in the past that have been  
2209 proposed where someone can go and see what has been done,  
2210 what has been saved and what is being proposed the next year.

2211         Mr. {Stearns.} Well, I know when the Republicans first  
2212 took over with the Contrast with America, we had a long list  
2213 pretty much that we developed from many of you in the  
2214 audience and witnesses today that we tried to use to reduce  
2215 spending, and the methodology that you use or your criteria  
2216 for your program evaluation, could you just briefly tell us  
2217 what that was?

2218         Mr. {Schatz.} Well, at least within what we looked at  
2219 in the prime cuts, it was looking at the resources that had  
2220 already reviewed a lot of these recommendations. For  
2221 example, the Congressional Budget Office or our own

2222 evaluation, and certainly looking back at how these  
2223 recommendations had been made. We have used some of the  
2224 similar criteria that NTU and U.S. PIRG have used.

2225         If a program is going to be proposed and funded by the  
2226 federal government, there should be a way to determine  
2227 whether that program is achieving its goals, and if it is  
2228 not, it should be eliminated, and that is in a sense the  
2229 simplest way to do it. Another way is to look at whether the  
2230 government should be involved at all, the old Yellow Pages  
2231 test under President Reagan that he used to speak about, and  
2232 whether the government should even be, quote, unquote, in a  
2233 business or in a situation that allows them to compete with  
2234 the private sector. So in some ways it depends on which area  
2235 of spending we are looking at.

2236         Mr. {Stearns.} Regardless of what everybody says here,  
2237 based upon the video we just watched, was your interpretation  
2238 that he was going to go page by page, item by item, line by  
2239 line? Was that your interpretation of what the President  
2240 said?

2241         Mr. {Schatz.} Yes, but again, through the process that  
2242 is supposed to occur. The better question is, what happened  
2243 after--

2244         Mr. {Stearns.} Yes, what happened and where are those  
2245 savings. Let us talk about transparency for a moment. Is

2246 the federal government required to establish a single  
2247 searchable website to track federal procurement?

2248 Mr. {Schatz.} It is now under the Federal  
2249 Accountability and Transparency Act after it occurs, yes.

2250 Mr. {Stearns.} When was this website launched and how  
2251 effective is the site in providing transparency to the more  
2252 than \$1 trillion in federal contracts? Do you have any idea?

2253 Mr. {Schatz.} It is USAspending.gov, and it was  
2254 proposed originally by then-Senator Obama and Senator Coburn.  
2255 It passed both Houses, was signed into law. It does have  
2256 useful information. Interestingly, we received an email the  
2257 other day from a gentleman who looked through it and just put  
2258 in the word ``coffee'' and found, you know, hundreds and  
2259 hundreds of expenditures on coffee. So there is a way to  
2260 search it. It is useful, but it is after the fact. It is  
2261 spending that has already gone out the door as opposed to  
2262 looking at the spending before it occurs, and that to us is  
2263 more important.

2264 Mr. {Stearns.} I guess the question would be, if the  
2265 Administration is actually--are they using the information at  
2266 USAspending.gov to complete its line-by-line review? I don't  
2267 know.

2268 Mr. {Schatz.} I can't answer that.

2269 Mr. {Stearns.} Does anyone on the panel know, has any

2270 hint if the President is actually using that site at all?

2271 No?

2272 Mr. {Lilly.} I do know that they have been very focused  
2273 on contracts as an area of potential savings, reducing the  
2274 contracts, cutting the margins on contracts, and so that site  
2275 is one way to find out what is going on there, and I know  
2276 that that is being factored into their--

2277 Mr. {Stearns.} All right. My time is expired, and I  
2278 recognize the gentlelady from Colorado.

2279 Ms. {DeGette.} Thank you very much, Mr. Chairman.

2280 Mr. Knudsen, up until very recently, you were the Policy  
2281 Director at the House Budget Committee, correct?

2282 Mr. {Knudsen.} Yes.

2283 Ms. {DeGette.} When did you leave that position?

2284 Mr. {Knudsen.} In August.

2285 Ms. {DeGette.} August of this year, so very recently?

2286 Mr. {Knudsen.} Yes.

2287 Ms. {DeGette.} And so as you know, what happens in the  
2288 budget process, the Administration develops a budget. Mr.  
2289 Lilly said they get all kinds of data through the different  
2290 agencies. They come up with their budget. They send that to  
2291 the House of Representatives, correct?

2292 Mr. {Knudsen.} They send it to all of Congress.

2293 Ms. {DeGette.} Right, and then the House and Senate

2294 Budget Committees go through that. In a good year, they come  
2295 up with their own budget, they pass that budget. Then they  
2296 do the 13 appropriations bills, correct?

2297 Mr. {Knudsen.} I believe it is now 12, but yes, that is  
2298 the process.

2299 Ms. {DeGette.} The 12 appropriations bills. Those  
2300 bills actually appropriate the money from the budget, and  
2301 Congress has the discretion about whether or not they are  
2302 going to fund those programs, correct?

2303 Mr. {Knudsen.} Yes, ma'am.

2304 Ms. {DeGette.} Then that goes to the White House and  
2305 then the President decides whether he is going to sign or  
2306 veto those bills, right?

2307 Mr. {Knudsen.} Yes.

2308 Ms. {DeGette.} Now, in recent years, what has happened--  
2309 --and I actually think it is unfortunate and I think the  
2310 chairman will probably agree with me on this--we have sort of  
2311 devolved over the last number of years to doing a big omnibus  
2312 appropriations bill, and as a result, Members of Congress  
2313 don't have the ability to vote on those separate 12 bills,  
2314 correct? They just vote on the omnibus, whatever it is?

2315 Mr. {Knudsen.} That is right, yes.

2316 Ms. {DeGette.} And the President doesn't have an  
2317 opportunity to veto bills either because they spend too much

2318 or too little for each of those 12 areas of government,  
2319 right? It is like an up or down on omnibus, right?

2320 Mr. {Knudsen.} That is correct, although, as you know,  
2321 in the Constitution, he may provide a list of his objections  
2322 and--

2323 Ms. {DeGette.} Right, but he doesn't have line item  
2324 veto authority?

2325 Mr. {Knudsen.} That is correct.

2326 Ms. {DeGette.} We have argued about that over the  
2327 years. So thank you very much for illuminating that for me  
2328 because the point I would like to make, Mr. Chairman, I  
2329 thought about asking all the witnesses whether they talked to  
2330 the President to see if he in fact did a line-by-line review,  
2331 and I thought about asking all these witnesses what does a  
2332 line-by-line review mean, does it mean the agency looks at it  
2333 or whatever, and then I realized, that is really aside from  
2334 the point.

2335 It seems to me the point of this hearing was to bring a  
2336 whole bunch of people in to testify as to their political  
2337 beliefs about what the President should or shouldn't be  
2338 doing, but the bottom line is, right here in Congress is  
2339 where the rubber hits the road. Right here in Congress is  
2340 where we can do a line-by-line review of the budget either  
2341 figuratively or literally and decide where programs should be

2342 cut. The only useful testimony that I have heard, with all  
2343 due respect, this whole day is the testimony by Mr. Moylan  
2344 and Mr. Kalman, who came together from opposite ends of the  
2345 political spectrum and actually made serious recommendations  
2346 as to places that we could cut. And so Mr. Chairman, what I  
2347 intend to do after this hearing is get their report and look  
2348 at it and then I think I might forward it on to the Budget  
2349 Committee, not the Energy and Commerce Committee, which is  
2350 where we develop the budget in Congress.

2351 With that, I am happy to yield back the balance of my  
2352 time.

2353 Mr. {Stearns.} All right. The next person is Mr.  
2354 Griffith from Virginia who is recognized for 5 minutes.

2355 Mr. {Griffith.} Thank you, Mr. Chairman. I do note  
2356 with some interest the whole debate that is taking place  
2357 today in regard to the line-by-line item, and whether or not  
2358 the President, you know, can in fact go line by line or  
2359 whether he should go line by line, and all that is very  
2360 interesting to me. What I think is more important with that  
2361 line of questioning is that this was a promise that the  
2362 President made and it does not appear, if I understood some  
2363 of the testimony correctly, that he has actually done that.  
2364 Was that my understanding of your testimony, that based on  
2365 your analysis, Mr. Moylan, that you don't believe the

2366 President actually has followed through or his people have  
2367 followed through on a line-by-line analysis?

2368 Mr. {Moylan.} Well, I think the President and his  
2369 Administration have done a tremendous amount of work to  
2370 analyze the budget line by line. I think the question is  
2371 really what the result of that has been, and the result of  
2372 that from our perspective has not been enough in terms of  
2373 tackling wasteful spending.

2374 But if I might take this time to respond at least in  
2375 part to what Ms. DeGette said. I would actually largely  
2376 agree that the President plays an important role in this  
2377 process but it is a limited one, and this is part of the  
2378 reason, for example, why NTU has for years supported  
2379 something of an anti-appropriations committee, to have a  
2380 standing committee in Congress that has as its job to do a  
2381 consistent line-by-line review of the federal budget to look  
2382 for savings as opposed to what the Appropriations Committee  
2383 does. So I think that there is a lot of work that can be  
2384 done in concert there to help improve these processes.

2385 Mr. {Griffith.} In that regard, have you all taken a  
2386 look at the House Rules and particularly Rule 21 in that area  
2387 to determine whether a change in the House Rules might change  
2388 things, the way business is done in the House Appropriations  
2389 and Budget Committees?

2390 Mr. {Moylan.} Sure. We have for years analyzed many  
2391 different suggestions to change the rules of the House in  
2392 order to put in more incentives to tackle wasteful spending,  
2393 to give Congress more tools to do so. Some of the concepts  
2394 that we have talked about earlier, things like biannual  
2395 budgeting as well, have been things that we have been  
2396 supportive of because we think they would bring more  
2397 accountability to the process.

2398 Mr. {Griffith.} Because my frustration, quite frankly,  
2399 to the entire panel but particularly Mr. Moylan is coming out  
2400 of the State legislature in Virginia where I served for a  
2401 number of years, there the budget controls, and if we don't  
2402 have the money to do something, the budget doesn't spend the  
2403 money. I have learned here, at least what I have been told,  
2404 is that if we have a law on the books as a result of these  
2405 rules, we have to fund that whether we have the money or not,  
2406 which is where we get into the whole debate about mandatory  
2407 versus discretionary spending. Do you think that we as a  
2408 Congress need to change the psychology where we maybe take a  
2409 look at the way that Virginia does it where if we don't have  
2410 the money, we don't spend it and the budget controls? As  
2411 opposed to the law controlling the budget, the budget  
2412 controls the laws.

2413 Mr. {Moylan.} That has actually been the subject of

2414 considerable debate in recent years, not just the fact that  
2415 dollars are considered mandatory spending are growing, in  
2416 large part because of entitlement programs like Medicare and  
2417 Medicaid, but how many other programs are now mandatory that  
2418 their funding is more formula-based rather than a  
2419 discretionary action by Congress, so yes, I do think that  
2420 there is much work that can be done there to appropriately  
2421 distinguish between what mandatory spending is and what  
2422 discretionary spending ought to be and what ought to fall in  
2423 which category.

2424           Mr. {Griffith.} Because notwithstanding Mr. Green's  
2425 discussion of his legislative experience and the senior  
2426 legislator saying that, you know, by the third year he only  
2427 read his own bills, I have always tried to read the bills in  
2428 both my State experience and here, and I have discovered some  
2429 things in there that I would like to work on, some of which I  
2430 have been told I can't yet because it comes up later in the  
2431 mandatory, because it is mandatory, it is in a 5-year bill,  
2432 et cetera, and that has been somewhat frustrating. And there  
2433 are things like that. I discovered a 1970 law that says when  
2434 we take horses off federal lands, we can't humanely euthanize  
2435 them, and as a result of that, we have what I call retirement  
2436 homes for wild horses and burros at the tune of about \$70  
2437 million a year. And so when I am looking line by line, when

2438 I am actually reading the budget bill, and I am not going to  
2439 tell you, as was pointed out, that every reference and cross-  
2440 reference that I am familiar with at this point, I hope to be  
2441 sometime if I am allowed to stay in the Congress for a few  
2442 years, but when I am looking at these things, those are the  
2443 kind of things that I think a line-by-line analysis would  
2444 find and would then, you know--if I were--and I don't plan to  
2445 run--but if I were President that I would say, hey, let us  
2446 change that 1971 law and straighten that out because it just  
2447 doesn't make sense when we don't have the money to be  
2448 spending money on that when we have citizens who may need  
2449 that money for other purposes.

2450 That being said, Mr. Chairman, I yield back my time.

2451 Mr. {Stearns.} I would say to the gentleman from  
2452 Virginia, if you offer a bill to eliminate that \$70 million  
2453 for the Social Security for horses--is that what it is?

2454 Mr. {Griffith.} The retirement home for horses.

2455 Mr. {Stearns.} The retirement home. Okay. Well, you  
2456 might drop that bill and I would be happy to be one of the  
2457 cosponsors.

2458 Mr. {Griffith.} I will see if we can get that drafted  
2459 up, Mr. Chairman.

2460 Mr. {Stearns.} All right. Thank you.

2461 We go to the gentlelady from Tennessee, Ms. Blackburn.

2462 Mrs. {Blackburn.} Thank you, Mr. Chairman, and thank  
2463 you to each of you for being with us today.

2464 Mr. DeHaven, you were the Deputy Director of the Indiana  
2465 Office of OMB, right?

2466 Mr. {DeHaven.} A Deputy Director.

2467 Mrs. {Blackburn.} Okay. And did you ever do a line-by-  
2468 line review for your State?

2469 Mr. {DeHaven.} No, I would not say we did a line by  
2470 line. We actually went program by program. We actually  
2471 conducted--when Mitch Daniels was the head of OMB, he came up  
2472 with the PART system. When he became Governor, he directed  
2473 the--he created the State Office of Budget and Management of  
2474 Indiana and had them come up with PROBE, and basically do the  
2475 same thing. We met with programs. We went through--we met  
2476 with program heads. We went through the programs, on and on  
2477 and on, and the result was, these reports would come up. In  
2478 addition to those reports, we came up with these performance  
2479 measures, and I do note with interest--I hear talk about PART  
2480 and I hear talk about performance measures. I actually  
2481 implemented performance measures in Indiana. That was my  
2482 job. They were political. The numbers we got back were  
2483 often BS--excuse me--and the whole purpose of the performance  
2484 measurement system for Governor Daniels was to put out these  
2485 temporary press reports and show the Indiana taxpayer that

2486 look, we are getting better, we are going from red to green,  
2487 I am a better steward of the taxpayer dollar.

2488 As I put in my testimony, all the decisions that were  
2489 made when it came to cutting programs or government  
2490 efficiency or all that other stuff boiled down to politics  
2491 and special interest.

2492 Mrs. {Blackburn.} Okay. Let me ask you this. Did you  
2493 all ever do what Governor Christie did in New Jersey with  
2494 across-the-board cuts? He did a 9 percent cut. In my State  
2495 of Tennessee, the former Governor did significant cuts like  
2496 that. Did you all ever do any kind of across-the-board cut  
2497 to help get the spending under control?

2498 Mr. {DeHaven.} When I was there, we did not do across-  
2499 the-board cuts. I left right after the recession started to  
2500 hit and State revenues dried up. Since then, I do believe  
2501 that there was suggestions made for across-the-board cuts.  
2502 The Governor can also withhold money a lot easier in Indiana.

2503 Mrs. {Blackburn.} All right. I know that Mr. Orszag  
2504 did a memo that I have with me where he recommends a 5  
2505 percent across-the-board cut and stated, and I am quoting,  
2506 ``To reach the 5 percent target, your agency should identify  
2507 entire programs or sub-programs or, number two, substantial  
2508 cuts amounting to at least 50 percent of total spending  
2509 within a program or a sub-program. The intent of this

2510 exercise is to identify those programs with the lowest impact  
2511 on your agency's mission.''

2512 I think what I want to do, I know Mr. Kalman is against  
2513 across-the-board cuts but I would like to start with Mr.  
2514 Schatz at the end and work down. How many of you favor  
2515 across-the-board cuts? You know, this is something I favor,  
2516 1, 2 or 5 percent across the board just to trim the fat, if  
2517 you will, and help agencies focus their attention on what  
2518 needs to be reduced. So let us go down the line and let me  
2519 see who all favors an across-the-board cut.

2520 Mr. {Schatz.} I would say yes but I also note that you  
2521 had proposed many of these amendments over the years, and  
2522 when you talk about a penny on the dollar or 2 cents on the  
2523 dollar or 5 cents on the dollar, your amendments were  
2524 consistently defeated in the prior Congresses, so it is not  
2525 the first thing that should be done because waste is  
2526 identifiable and should easily be eliminated, but it  
2527 certainly points out that in any organization, if you need to  
2528 balance your books because you can't keep spending money or  
2529 borrowing it, it is something that could be done, but again,  
2530 it wouldn't be the first thing I would do.

2531 Mrs. {Blackburn.} Okay. Mr. DeHaven?

2532 Mr. {DeHaven.} No, we need a deeper philosophical  
2533 discussion about the fundamental role of government. When

2534 you had the budget agreement for 2011, I actually noted that  
2535 a lot of the cuts ballyhooed by Speaker Boehner were similar  
2536 cuts that Newt Gingrich engineered. The fact of the matter  
2537 is, if you cut the head off the hydra and you don't burn the  
2538 stump, it grows back. So you get your 5 percent or more,  
2539 even if you are going to get it. So long as they exist, they  
2540 will grow back.

2541 Mrs. {Blackburn.} Okay. We have got 44 seconds left,  
2542 so quickly down the list.

2543 Mr. {Knudsen.} The disadvantage is that obviously  
2544 across-the-board cuts don't choose priorities and so on but  
2545 they have the same advantage that a spending cap does, and  
2546 that is, they impose a limit and the limit can compel  
2547 choices.

2548 Ms. {de Rugy.} I believe that there is easily 10  
2549 percent waste in each department, each program. However,  
2550 again, I think it is not our priority because it doesn't  
2551 allow to differentiate between different programs.

2552 Mrs. {Blackburn.} Okay.

2553 Mr. {Moylan.} I would say that NTU's view is that it is  
2554 a second-best solution but it is one that as you know we have  
2555 consistently supported those amendments because we believe  
2556 spending reductions are necessary.

2557 Mr. {Kalman.} Very quickly, because obviously I said I

2558 was--we have an issue with across-the-board cuts. And just  
2559 to be very specific about it, there is a couple of programs,  
2560 for example, that have received bipartisan support such as  
2561 Pell grants and so cutting Pell grants in the face of when  
2562 there is massive waste that NTU and PIRG found, we find that  
2563 troubling. And so we prefer a closer look at the budget.

2564 Mr. {Collender.} I would rather you make decisions  
2565 based on priorities as opposed to an across-the-board meat  
2566 axe approach.

2567 Mrs. {Blackburn.} Okay.

2568 Mr. {Lilly.} I think there are programs that are  
2569 overfunded, there are programs that are underfunded. Across-  
2570 the-board cut is the antithesis of line by line, which is  
2571 what this hearing is about and what I think we need to  
2572 dedicated ourselves to.

2573 Mrs. {Blackburn.} I yield back, Mr. Chairman.

2574 Mr. {Stearns.} I thank the gentlelady, and the  
2575 gentleman from Texas, Mr. Green, is recognized for 5 minutes.

2576 Mr. {Green.} Thank you, Mr. Chairman, and for my  
2577 colleague who I heard earlier that he mentioned he read all  
2578 the bills, congratulations. You are in your first term.  
2579 Like I said, I am hoping to read the bills in my  
2580 subcommittees on Energy and Commerce.

2581 In today's hearing, the majority is focused on the Obama

2582 Administration's budget process and directed substantial  
2583 criticism towards the administration. But ensuring a sound  
2584 and efficient budget process should be a goal that doesn't  
2585 break down on partisan lines. In fact, a number of the  
2586 witnesses for us today have expressed concerns about the  
2587 budgeting process that spans Administrations and political  
2588 parties.

2589         For example, Mr. DeHaven and Dr. de Rugy, in one article  
2590 you both co-authored you said, and I quote, ``The fact that  
2591 we are having a mounting deficit is because George W. Bush is  
2592 the most gratuitous big spender to occupy the White House  
2593 since Jimmy Carter. One could say that he has become the  
2594 mother of all big spenders.'' Can I take this from you that  
2595 you both agree that the Bush Administration created a lot of  
2596 the debt problem we now confront?

2597         Ms. {de Rugy.} Yes.

2598         Mr. {DeHaven.} It is an undeniable fact.

2599         Mr. {Green.} Both for each of you, Vice President  
2600 Cheney is quoted by his Treasury Secretary as saying ``Reagan  
2601 proved that deficits don't matter.'' Do you think Vice  
2602 President Cheney was wrong?

2603         Mr. {DeHaven.} Yes, absolutely.

2604         Ms. {de Rugy.} Yes, it didn't matter.

2605         Mr. {Green.} Okay.

2606 Ms. {de Ruky.} I mean, there could be a debate, an  
2607 academic debate, right? Until recently, academics, you know,  
2608 could not find a correlation, still haven't found a  
2609 correlation between the size of deficits and interest rates.  
2610 However, I mean, there has been--we don't know so there is  
2611 this side of the debate, right? And then however, we know  
2612 that there is a point where deficits are so big and the size  
2613 of the government is so big and the size of the deficit is so  
2614 big that it becomes--the tumor becomes so big that it starts  
2615 destroying everything, and then there is a principle issue,  
2616 which is in theory the amount of taxes that are--

2617 Mr. {Green.} Well, I only have 3 minutes and I have a  
2618 whole bunch of questions, but do you agree that--

2619 Ms. {de Ruky.} Yes, yes.

2620 Mr. {Green.} --deficit is where we are at now--

2621 Ms. {de Ruky.} You guys shouldn't be spending more  
2622 money.

2623 Mr. {Green.} --no matter where we have come in the last  
2624 10 years, because I will remind you all that in 1999 and  
2625 2000, we had a balanced budget, or annual balanced budget.

2626 Ms. {de Ruky.} Well, not if you--if you had planned  
2627 reasonably and put money aside to pay for all the unfunded  
2628 liability and promises made, no, it is not a balanced budget.

2629 Mr. {Green.} Oh, well, granted, but officially, not

2630 counting Social Security and--

2631 Ms. {de Ruky.} Yeah, officially.

2632 Mr. {Green.} --but officially we were actually buying  
2633 down our national debt in 1999 and 2000.

2634 Ms. {de Ruky.} Officially, but budget gimmicks is what  
2635 Congress has used to actually make something look black when  
2636 it is red.

2637 Mr. {Green.} And those are bipartisan gimmicks, but let  
2638 me go on.

2639 Dr. de Ruky, in one of your papers on an off-budget  
2640 emergency spending, you document how most of the 8 years of  
2641 the wars in Iraq and Afghanistan were paid for with money  
2642 that was not part of the Congressional budget limits. That  
2643 was literally hundreds of millions of dollars. As you point  
2644 you in the paper, emergency spending is supposed to be used  
2645 when the need is unexpected and unpredictable like hurricanes  
2646 or something like that that we had a debate over the last  
2647 month. Question: When the President proposed this misuse of  
2648 offline emergency spending year after year, which President  
2649 proposed this misuse of offline emergency spending year after  
2650 year, long after they were expected and predictable?

2651 Ms. {de Ruky.} President Bush.

2652 Mr. {Green.} Okay. And again, it was complacent with  
2653 Congress obviously?

2654 Ms. {de Ruky.} Absolutely.

2655 Mr. {Green.} And both parties in control.

2656 Ms. {de Ruky.} Absolutely, and Congress, you know, was  
2657 happy to let the budget rules that was supposed to restrict  
2658 some of that abuse expire.

2659 Mr. {Green.} In one of your papers, you also called the  
2660 Bush Administration profligate, which coming from Texas, we  
2661 don't see that very often. But did you say that in the  
2662 paper, that President Bush's Administration was profligate?

2663 Mr. {de Ruky.} In spending?

2664 Mr. {Green.} Yes.

2665 Ms. {de Ruky.} I am French, just in case you didn't  
2666 notice.

2667 Mr. {Green.} Doctor, which President proposed to  
2668 Congress that it stop using the off-budget emergency spending  
2669 of which you have been so critical?

2670 Ms. {de Ruky.} Well, I mean, President Obama has  
2671 accepted--you know, there is no evidence that the abuse is  
2672 not going to be continued. There is no rules that actually  
2673 are on the books now to actually prevent it, and if the  
2674 debate over the latest round of emergency spending is any  
2675 indication, there is no one in Congress who is actually  
2676 really serious about reconsidering the abuse of that  
2677 loophole.

2678 Mr. {Green.} So this is both a Congressional and  
2679 Presidential problem that we have?

2680 Ms. {de Ruy.} Yes.

2681 Mr. {Green.} Dr. DeHaven, in the past you have written  
2682 about agriculture subsidies as ``the orgy of supplemental  
2683 spending bills that have increased the spending.'' Would you  
2684 tell that Congress agriculture spending is part of that low-  
2685 hanging fruit for deficit reduction?

2686 Mr. {DeHaven.} I would consider it to be so, especially  
2687 when you have record incomes, but then we saw that back in  
2688 1996. Congress comes up with Freedom to Farm because incomes  
2689 are high and they said we are going to wean you off and we  
2690 are going to give you temporary payments to do that. Farm  
2691 income prices promptly dropped the next few years. They came  
2692 up with emergency supplementals and then in 2002 under the  
2693 Bush Administration and Republican Congress they take the  
2694 temporary payments and make it a permanent handout, so--

2695 Mr. {Green.} Mr. Chairman, I don't think I have any  
2696 more time, but I appreciate the answers to the questions.

2697 Mr. {Stearns.} I thank the gentleman, and the gentleman  
2698 from California, Mr. Bilbray, is recognized for 5 minutes.

2699 Mr. {Bilbray.} Thank you, Mr. Chairman.

2700 Mr. Chairman, I think there is an item we might be able  
2701 to agree on here, and there might be a real opportunity to

2702 really get a focus on where both sides can cooperate on this.  
2703 Let me first ask Mr. Lilly, you remember the comments about  
2704 the earmarks in 1995. You also remember that the first  
2705 initiation was that we had an Administration that was taking  
2706 line items and moving them from line item to another to  
2707 basically get around cuts and so there was a lot of that  
2708 originally was to lock things in so the Administration  
2709 couldn't shuffle funds and, you know--and also you do  
2710 remember that a thing called an earmark was the Predator,  
2711 which was probably the most cost-effective and efficient  
2712 weapons system ever developed in this country since the  
2713 Monitor went out to Hampton Roads and confronted the C.S.  
2714 Virginia. Those two items, in all fairness, you know--I am  
2715 saying when it started off, there was a major reason why  
2716 there was concern there.

2717       Mr. {Lilly.} I think if you look at my written  
2718 testimony, I make the point that the Predator was--if it is  
2719 not in the testimony I submitted today, I have often referred  
2720 to this. I don't think that earmarks are evil as such but I  
2721 think the practice where we went--on the Labor H  
2722 appropriation bill, we had zero earmarks in 1995. We had  
2723 about 40 in 1996. We had over \$1 billion in earmarking by  
2724 2004.

2725       Mr. {Bilbray.} And I think the sad part about it--

2726 Mr. {Lilly.} It completely overwhelmed the system.

2727 Mr. {Bilbray.} --that we didn't get the education out  
2728 that the real abuse was a thing called the air drop where  
2729 people were dropping things in in conference where no one had  
2730 the right to be able to extract it, as the person who had to  
2731 inherit the seat of a certain Congressman who abused that.

2732 Let me go over and ask U.S. PIRG, U.S. PIRG today, I  
2733 enjoy listening to your testimony about so-called renewable  
2734 fuels and the abuses in the system because I remember in 1995  
2735 when I came here, you had the Lung Association and U.S. PIRG  
2736 strongly pushing the auction and mandate, strongly pushing as  
2737 an environmental and health issue the requirement that  
2738 ethanol be put in our gasoline, MTBE and ethanol, and I  
2739 appreciate the fact that U.S. PIRG has reassessed not only  
2740 the lack of health and environmental benefits but also the  
2741 cost on this.

2742 Mr. {Kalman.} Yeah, I was not around in U.S. PIRG in  
2743 the 1990s to the extent that I am unfamiliar with our  
2744 previous position on ethanol but it is in the report. We  
2745 believe that, you know, it doesn't serve the purpose and it  
2746 is a wasteful--

2747 Mr. {Bilbray.} Not all items that people think, even  
2748 the so-called experts think are great for the environment and  
2749 health turn out to be what is projected.

2750           And so I am real touchy about it, guys, because I had  
2751 ads run against me that I wanted children to die because I  
2752 opposed that, and I opposed it because my scientists in  
2753 California knew that it was a problem back then.

2754           Let us go to something we can agree on. Mr. Knudsen,  
2755 your idea about if it is not authorized, we should not be  
2756 spending money on that.

2757           Mr. {Knudsen.} Yes.

2758           Mr. {Bilbray.} Now, that is something that I think  
2759 Republicans and Democrats, and it comes back to your point  
2760 about Congress now taking the responsibility and starting to  
2761 take the reins back. Go down the list, each one of the  
2762 people here, would you encourage us to demand that Congress  
2763 take a look at that and make that a policy?

2764           Mr. {Schatz.} Yes.

2765           Mr. {DeHaven.} Yes.

2766           Mr. {Knudsen.} Yes.

2767           Ms. {de Ruky.} Yes.

2768           Mr. {Moylan.} Yes.

2769           Mr. {Kalman.} I would have to look more closely at it.

2770           Mr. {Collender.} Yes, but it is not required by the  
2771 Constitution.

2772           Mr. {Lilly.} Let me just say--

2773           Mr. {Bilbray.} Neither is a balanced budget but--

2774 Mr. {Lilly.} --that we have had not only a collapse of  
2775 the budget process in the appropriations process but the big  
2776 collapse has been the authorization process. If you look at  
2777 CBO's report to the Congress from last January, over half of  
2778 the non-defense appropriations were for things that weren't  
2779 authorized. Some of them haven't been authorized for 20  
2780 years. Now, most people don't want to see those programs  
2781 ended but unless the authorizers are able to reactivate this  
2782 process and review those programs, then I think you are kind  
2783 of stuck with appropriating money without authorization, and  
2784 it is a terrible thing.

2785 Mr. {Bilbray.} You believe that we shouldn't force the  
2786 issue and require authorizers to do their job and not  
2787 reauthorize?

2788 Mr. {Lilly.} We should, but I don't think people that  
2789 depend on those programs should suffer as the result of the  
2790 failure of the authorizing committees to do their work.

2791 Mr. {Bilbray.} So you think that future generations  
2792 should suffer by using continuing to spend 43 percent more  
2793 than we have money for?

2794 Mr. {Lilly.} That is different from cutting spending.  
2795 I am not saying we shouldn't cut spending. I am saying that  
2796 is a very arbitrary way that is going to hurt a lot of people  
2797 that you probably are going to find out you didn't want to

2798 hurt.

2799 Mr. {Bilbray.} Okay. Democrats and Republicans work  
2800 together and authorize a 2-year budget cycle for the  
2801 veterans. Do you believe that we should look at applying the  
2802 same application for the rest of the budget or large portions  
2803 of it? Down the line.

2804 Mr. {Lilly.} I think that would be--if the Congress  
2805 wants to maintain control of the budget, that is a bad thing  
2806 for them to do.

2807 Mr. {Collender.} I agree with Scott. It will reduce  
2808 responsibility, not increase it.

2809 Mr. {Kalman.} Again, I would have to look at it more  
2810 carefully.

2811 Mr. {Moylan.} I would say it has to be done with care,  
2812 but yes, it should be considered.

2813 Mr. {Bilbray.} Next.

2814 Ms. {de Rugy.} No.

2815 Mr. {Knudsen.} No.

2816 Mr. {DeHaven.} You get a bunch of more supplemental  
2817 spending. Indiana had one, and that is--no.

2818 Mr. {Schatz.} Yes.

2819 Mr. {Bilbray.} Okay. My argument is, if we did that,  
2820 maybe would have time to start doing authorizations and be  
2821 able to get our job the other way, but that is a

2822 disagreement.

2823 I yield back, Mr. Chairman.

2824 Mr. {Stearns.} I thank the gentleman.

2825 Mr. {Bilbray.} I think, though, we found an agreement  
2826 of something hopefully the Democrats and Republicans on this  
2827 committee can take to the other committees and say here is a  
2828 common ground that we have found on this committee and that  
2829 is why this hearing needed to be held. Thank you.

2830 Mr. {Stearns.} The gentleman from Louisiana, Mr.  
2831 Scalise, is recognized for 5 minutes.

2832 Mr. {Scalise.} Thank you, Mr. Chairman. I know that  
2833 there were some people who said they didn't think we should  
2834 be having this hearing. I want to thank you for calling the  
2835 hearing because I think as we have more hearings like this, I  
2836 think it does put more pressure and put more sunshine on the  
2837 fact that we really do need to be doing more on all fronts to  
2838 not only find waste in government but also to hold people  
2839 accountable for the things they say. I have been kind of  
2840 amused by or intrigued by the comments from some of my  
2841 colleagues. You know, when the President actually said these  
2842 words, we will go through our federal budget page by page,  
2843 line by line, eliminating those programs we don't need and  
2844 insisting that those we do operate in a cost-effective way, I  
2845 am kind of shocked that some of my colleagues on the other

2846 side are now claiming that when the President said this, he  
2847 really didn't mean it. I would be curious to know what other  
2848 things the President has said that he doesn't mean.

2849 Ms. {DeGette.} Would the gentleman yield?

2850 Mr. {Scalise.} I would be happy to yield.

2851 Ms. {DeGette.} I don't think anybody said that the  
2852 President didn't mean it. What we wanted to know--

2853 Mr. {Scalise.} The ranking member said--

2854 Ms. {DeGette.} I am the ranking member.

2855 Mr. {Scalise.} The ranking member of the full  
2856 committee.

2857 Ms. {DeGette.} And I said--

2858 Mr. {Scalise.} Mr. Waxman said--

2859 Ms. {DeGette.} --and Mr. Waxman said that we didn't  
2860 know if the President actually read it line by line or not  
2861 but the OMB did, so don't put words in his mouth.

2862 Mr. {Scalise.} Well, but he said that he didn't mean it  
2863 literally, he just--you know, I guess he just says things and  
2864 whether he means them or not. But if he said it and he meant  
2865 it, and, you know, I would love to have the OMB here, and as  
2866 the chairman pointed out, we wanted to have the OMB here.  
2867 They refused to come. We could ask them, you know, because  
2868 obviously they must have had those conversations with the  
2869 President and his staff of, you know, whether or not they

2870 were directed to go line by line through the budget but I  
2871 think from seeing some of the things that we have seen  
2872 clearly, that hasn't happened, you know, and of course, we  
2873 had the President come before our House chamber and say, you  
2874 know, with this latest stimulus bill saying ``pass this  
2875 bill,'' and we found out there wasn't even a bill. He didn't  
2876 even have a bill to pass yet he is saying ``pass the bill,''  
2877 so maybe he does say things he doesn't mean, but he ought to  
2878 mean what he says. And I think the American people deserve  
2879 to hold him to the things he says, and I think that is the  
2880 bigger issue is that if he is going to say these things, he  
2881 thought to be--he ought to expect to be held accountable for  
2882 those things he is saying, and that means as we try to go  
2883 line by line through the budget, I think if you look at what  
2884 we did in the House, we actually passed a budget, something  
2885 novel, something that hasn't happened for years. In the  
2886 Senate, it has almost been 900 days since the Senate passed  
2887 any budget. We passed a budget and our budget was actually  
2888 geared at getting us back on the path to a balanced budget.  
2889 Our budget was \$6.7 trillion less than the President's  
2890 budget.

2891         And so we did in fact go line by line and found many  
2892 areas of things that the government is doing that it can't  
2893 afford to do. We are borrowing money we don't have. We have

2894 to stop spending money we don't have and we started to make  
2895 that fiscally responsible decision that we were going to get  
2896 our country back on the path to a balanced budget so we can  
2897 create jobs and get the economy back on track, and in fact,  
2898 our budget got more votes in the Senate than the President's  
2899 own budget. The President's budget was brought up in the  
2900 Senate. Not one member of the Senate voted for the  
2901 President's budget, not one Democrat, not one Republican,  
2902 nobody. You would think if the President was serious about  
2903 going line by line and he saw such an embarrassment that not  
2904 one United States Senator voted for his budget, maybe he  
2905 ought to go back to the table. Maybe he ought to start over  
2906 and write a different budget that maybe included ideas from  
2907 both sides that showed some effort at bipartisanship instead  
2908 of a budget that people on neither side of the aisle chose to  
2909 vote for.

2910         And so it brings us to some questions because if you  
2911 look at some of the things we have been going line by line in  
2912 this committee. This committee is the committee that exposed  
2913 the Solyndra scandal, and in fact, when we tried to go line  
2914 by line and get more details, we actually had to get a  
2915 subpoena because the Administration wasn't even giving us the  
2916 information. And so unfortunately, by the time we got the  
2917 information, went line by line per se, we didn't have the

2918 ability to stop that from happening. The taxpayers lost \$530  
2919 million. You know, the President, if the President would  
2920 have just gone line by line with the memos that were written  
2921 by his own staffers who said, you know, 2 days before he went  
2922 to Solyndra for a photo op, they said frankly, you shouldn't  
2923 be going down there and this thing is probably going to go  
2924 bust and the taxpayers are going to lose hundreds of millions  
2925 of dollars but instead they wanted the photo, you know, so  
2926 maybe he went line by line and say you know what, I still  
2927 want to go have the photo op anyway. But the taxpayers lost  
2928 out and we tried to go line by line here in the House and we  
2929 were denied. They stonewalled us and we had to subpoena the  
2930 record, and fortunately, we finally got them. Unfortunately,  
2931 the taxpayers are already on the hook.

2932         So I will ask--let me ask--let us see. The Heritage  
2933 Foundation I know is here. The President has talked a lot  
2934 about Medicare and, you know, saying he is going to go root  
2935 out waste, fraud and abuse in Medicare, and it is something  
2936 we have all encouraged to do. We all ought to be rooting out  
2937 waste, fraud and abuse in Medicare, but has even that  
2938 happened where they have gone line by line and gotten those  
2939 hundreds of billions of savings that we have all heard about  
2940 that he was going to go and find there?

2941         Mr. {Knudsen.} I can't say what really has happened

2942 inside the Administration. What I would say, waste, fraud  
2943 and abuse is always something you want to cut out just as  
2944 these items the President has proposed. They should not be  
2945 dismissed. They ought to be considered seriously and  
2946 disposed of in some way. But when it comes to Medicare, the  
2947 problem is much more fundamental than waste or overpayments  
2948 or any of those things. The Medicare system is collapsing,  
2949 and unless there is some fundamental restructuring of it to  
2950 change the incentives and the way it works, the system can't  
2951 stand up or it will swallow up increasing amounts of the  
2952 budget and the economy--

2953       Mr. {Scalise.} And the President's own actuaries,  
2954 President Obama's handpicked actuaries confirmed that  
2955 Medicare goes bankrupt in 12 years if we don't do anything.  
2956 So those folks that say do nothing, basically they are saying  
2957 let Medicare go bankrupt, and that is not acceptable. So I  
2958 appreciate that.

2959       Thank you, Mr. Chairman, and I yield back.

2960       Mr. {Stearns.} I thank the gentleman.

2961       We are going to go a second round, at least I am going  
2962 do a second round, so any member that would like to is  
2963 welcome to stay.

2964       This is an extraordinary hearing in the sense that we  
2965 have these fiscally responsible groups, so many of you, in

2966 one room, and it is rare. I have been in Congress, this is  
2967 my 23rd year, that I have ever seen this collection of  
2968 reputable organizations who are really, their sole mission is  
2969 to try and protect the United States from a bankruptcy or at  
2970 least to try and have a responsible budget, and so I think  
2971 kudos to all of you for, one, your interest and pervasive  
2972 attempt to control spending and to give insight to Congress.

2973 I know many of us before we vote will ask, you know,  
2974 whether the Citizen Against Government Waste, the National  
2975 Taxpayers Union, The Heritage Foundation, at least on this  
2976 side, we will ask and say what is your view, so I think it is  
2977 important that all of you realize that you are important to  
2978 us and that is why I think it is important to have all of you  
2979 here.

2980 I want to ask Mr. Moylan, the National Taxpayers Union,  
2981 I have in your opening statement, you talk about this  
2982 termination, reduction and savings plan that the Office of  
2983 Management and Budget issued, and they total about \$33  
2984 billion in savings for 2012, and I guess when you look at  
2985 that at \$3.8 trillion, that is less than 1 percent, and yet  
2986 that is the expenses that the President and the OMB is  
2987 offering and it is so minimal. So the question all of us,  
2988 well, where are the other savings in light of the fact that  
2989 we have this huge budget deficit yearly and this huge debt

2990 growing, we borrow 41 cents of every dollar, pay for the  
2991 budget, and so these figures are staggering, yet to think  
2992 that there is only \$33 billion is the only level of cuts. Am  
2993 I missing something? That just seems very austere and very  
2994 minimal.

2995         Mr. {Moylan.} Well, I think your sense of it is very  
2996 similar to ours in that when we review a report like that and  
2997 see what is ultimately a relatively small number--and I would  
2998 also point out that many of the specific recommendations that  
2999 the OMB made in the terminations report are actually not just  
3000 spending side, there are also tax provisions in there that  
3001 would have the effect of raising revenue, so it is not all  
3002 just spending cuts but, you know, this indicates to us that  
3003 there is a tremendous amount more of work that can be done in  
3004 terms of tackling waste and inefficiency, and we think that,  
3005 you know, we are offering ourselves up as a resource and our  
3006 work and, you know, there is a lot of sort of partisan rancor  
3007 in Washington about a lot of things but there is actually a  
3008 fair amount of agreement in the watchdog community about  
3009 where the waste exists in the federal budget. We think that  
3010 our report with PIRG demonstrates that, and we hope to take  
3011 that message not just to the President but to Congress as  
3012 well.

3013         Mr. {Stearns.} Let me ask a few of the others. Mr.

3014 DeHaven, \$33 billion seems so minimum. Now, you are saying  
3015 that is not complete because there is tax increases so there  
3016 might be more savings that have been balanced out because of  
3017 the tax increases.

3018 Mr. {DeHaven.} To clarify, it is \$33 billion in deficit  
3019 reduction. Some of that is extra revenue and some of that is  
3020 spending reduction.

3021 Mr. {Stearns.} All right. Just a comment, Mr. DeHaven,  
3022 what you think about that kind of--I think with that Cato  
3023 Institute, that seems pretty minimal to you too, doesn't it?

3024 Mr. {DeHaven.} Well, it is paltry and insignificant,  
3025 but I also want to point out, and I left this out of my  
3026 spoken testimony, that the stuff about waste, fraud and  
3027 abuse, waste, fraud and abuse in government programs will,  
3028 like Christ said, the poor will always be with us, waste,  
3029 fraud and abuse will always be with us. And the only way to  
3030 get rid of waste, fraud and abuse in a government program is  
3031 to make that government disagree. Now, whether it is  
3032 Republicans or Democrats, they all fall back on this waste,  
3033 fraud and abuse stuff and we need to be having a more  
3034 fundamental discussion about the role of government and a  
3035 deeper ideological discussion about where we are going to go  
3036 and what the federal government should and should not be  
3037 doing.

3038 Mr. {Stearns.} One of the things that I think many of  
3039 us felt that government programs should sunset and then  
3040 before they are reinstated, that there should be an  
3041 oversight hearing to determine whether that program was  
3042 effective. Would all of you agree with that, that we should  
3043 take government programs and sunset them?

3044 Mr. {Schatz.} Yes, I would.

3045 Mr. {Stearns.} Mr. DeHaven?

3046 Mr. {DeHaven.} I don't have a problem with some sort of  
3047 process by which we have these discussions. The problem is--  
3048 and I was going to bring in the budget appendix up there, and  
3049 I didn't bring it in because I don't have the arm strength  
3050 these days. It is massive and so when it comes to oversight,  
3051 when you have a government that big when it comes to  
3052 authorization and stuff like that, it is very hard for even a  
3053 master of the budget to know what all is in there, let alone  
3054 a Member of Congress, let alone Joe or Jane Lunchbucket out  
3055 there who actually has a real life outside of Washington,  
3056 D.C., and it is just too big and overbearing and somehow you  
3057 have to cut that down to make more sense of it. Otherwise we  
3058 are going to continue to have these discussions year in and  
3059 year out.

3060 Mr. {Stearns.} Okay, just quickly, go ahead.

3061 Mr. {Knudsen.} Yes, I would support that idea.

3062 Ms. {de Ruky.} I agree and sunseting is a good first  
3063 step.

3064 Mr. {Stearns.} Mr. Moylan?

3065 Mr. {Moylan.} We have long supported sunseting as a  
3066 way to inject some more accountability into the process.

3067 Mr. {Stearns.} Mr. Kalman?

3068 Mr. {Kalman.} We would not support that. We think  
3069 there are programs that have wide support and are widely  
3070 agreed and, you know, Pell grants, as I said before, is one  
3071 of them.

3072 Mr. {Stearns.} Then how would you get oversight of  
3073 these programs without the threat of termination? You  
3074 wouldn't get any oversight. These things would go on  
3075 indefinitely. But anyway, I appreciate your opinion.

3076 Mr. Collender?

3077 Mr. {Collender.} Sure, but it is not the panacea you  
3078 think it is. Most programs will just be continued anyway.

3079 Mr. {Stearns.} Because of the politics?

3080 Mr. {Collender.} Of course.

3081 Mr. {Stearns.} Mr. Lilly?

3082 Mr. {Lilly.} I think the reason we have 20 committees  
3083 in Congress is so that we have the capacity to do the  
3084 oversight. The problem is, those committees are not doing  
3085 the oversight. I will give you one example. I did a report

3086 last year on a government contractor that is charging 80  
3087 percent gross margins. The product that that contractor  
3088 produces was developed by the United States government. The  
3089 facilities that they use to manufacture it were paid for by  
3090 the United States government and we are paying 80 percent for  
3091 it, and that contractor is getting paid under authority from  
3092 this committee. Now, why aren't you having a hearing on that  
3093 rather than this? You have got to get down in the weeds.

3094 Mr. {Stearns.} Let me ask you, can you name that  
3095 contractor?

3096 Mr. {Lilly.} Emergent Biotechnology. I have a report  
3097 on it here.

3098 Mr. {Stearns.} Well, if you don't mind, I would like to  
3099 make that part of the record. Without objection?

3100 Ms. {DeGette.} No objection.

3101 Mr. {Stearns.} No objection, we will be glad to make  
3102 that part of the record.

3103 [The information follows:]

3104 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
3105           Mr. {Stearns.} And I think there is probably more  
3106 programs like that out there, Mr. Lilly, and so--

3107           Mr. {Lilly.} Yes, there are.

3108           Mr. {Stearns.} --if you find any more, please let us  
3109 know, and you are saying that is the jurisdiction of the  
3110 Energy and Commerce Committee.

3111           Mr. {Lilly.} That is correct.

3112           Mr. {Stearns.} Well, I have finished my second round.  
3113 Does anyone else on the Democrat side? No? Mr. Griffith,  
3114 you are recognized.

3115           Mr. {Griffith.} Just a couple matters, Mr. Chairman.  
3116 Thank you so much for the time. I appreciate your courtesy.

3117           First, let me just say, you all might want to go back to  
3118 those who did not agree with the biannual budget and just  
3119 take a look at some of the models that those hotbeds of ideas  
3120 in the various Republican States of this union are coming up  
3121 with. My experience was that as long as you had some ability  
3122 to amend so that you can correct the errors that you might  
3123 have made the first time around, that the biannual budget  
3124 makes for a smoother process. The battles philosophically  
3125 over what gets spent are not quite as pitched in some  
3126 circumstances when you have that biannual budget the second  
3127 time around and people seem to try to work with it. That is

3128 just my take on that.

3129           In regard to sunseting, you know, it shows you I am new  
3130 around here. I thought that is what reauthorization was,  
3131 that if you ran out of authorization, that was a sunset. But  
3132 I would have to say in relationship to those comments, if the  
3133 program is worthy and somebody gets hurt accidentally,  
3134 Congress will start to scramble quickly to reauthorize the  
3135 program. I think reauthorization is very important because  
3136 it is the tool by which a sunset is enforced, and if you  
3137 don't have to worry about reauthorizing, then why put it in  
3138 there in the first place. Just authorize it permanently and  
3139 be done with it.

3140           In regard to the comments by Dr. de Rugy and Mr.  
3141 DeHaven, you were asked some questions about the spending of  
3142 the Bush Administration and you gave your very frank and  
3143 honest opinion. I am wondering if you are saying a major  
3144 change in that spending growth under the current  
3145 Administration. If each of you could answer that, I would  
3146 appreciate it.

3147           Ms. {de Rugy.} No, I don't. In fact, I often say that  
3148 President Obama is President Bush on steroids.

3149           Mr. {Griffith.} Mr. DeHaven?

3150           Mr. {DeHaven.} I have made that same comment, but if we  
3151 are still in Iraq and Afghanistan, we are still spending

3152 money on everything that Bush spent money on, maybe just  
3153 more. I barely see the difference some days.

3154 Mr. {Griffith.} I appreciate that, and agree with you  
3155 all that, you know, we have got to take a look at the--  
3156 somebody said it, I don't want to attribute it to everybody  
3157 by using the colloquial ``you all.'' But the person who said  
3158 that we have got to take a look at the role of government,  
3159 which is why when I am reading bills and taking a look at  
3160 these things, you know, a lot of times I am scratching my  
3161 head wondering why the government got into this in the first  
3162 place, even though they may be very good programs. I have  
3163 seen quite a few of those. If you all can help us figure out  
3164 where they are, and I do look forward to looking to the  
3165 report that the two groups, both left and right, did. That  
3166 is the kind of thing that is very helpful to us. I think  
3167 there are a lot of things that we as Americans, both  
3168 Democrats and Republicans, left and right, can agree on.

3169 I have found this hearing today to be very helpful and  
3170 educational. I appreciate you all taking your time, and Mr.  
3171 Chairman, I appreciate you calling the hearing. Thank you.

3172 Mr. {Stearns.} I thank the gentleman, and I just remind  
3173 all members that we have 10 days to hold the record open for  
3174 any additional comments or opening statements, and again, I  
3175 want to thank all of the witnesses today for your time and

3176 willingness to help us out, and with that, the subcommittee  
3177 is adjourned.

3178 [Whereupon, at 12:18 p.m., the Subcommittee was  
3179 adjourned.]