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THE PRESIDENT'S 2020 BUDGET

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, D.C., MARCH 12, 2019

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CONTENTS

	Page
Hearing held in Washington D.C., March 12, 2019	1
Hon. John A. Yarmuth, Chairman, Committee on the Budget	1
Prepared statement of	4
Hon. Steve Womack, Ranking Member, Committee on the Budget	7
Prepared statement of	9
Russell Vought, Acting Director, Office of Management and Budget	11
Prepared statement of	13
Hon. Daniel Kildee, Member, Committee on the Budget, article submitted for the record	47
Hon. Steven Horsford, Member, Committee on the Budget, letter submitted for the record	76
Hon. Sheila Jackson Lee, Member, Committee on the Budget, statement submitted for the record	84
Hon. Barbara Lee, Member, Committee on the Budget, questions submitted for the record	89
Hon. Rosa L. DeLauro, Member, Committee on the Budget, questions submitted for the record	93
Hon. Daniel Meuser, Member, Committee on the Budget, questions submitted for the record	94
Answers to questions submitted for the record	95

THE PRESIDENT'S 2020 BUDGET

TUESDAY, MARCH 12, 2019

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

The Committee met, pursuant to notice, at 10:00 a.m., in Room 210, Cannon House Office Building, Hon. John A. Yarmuth, [Chairman of the Committee] presiding.

Present: Representatives Yarmuth, Moulton, Higgins, Khanna, Sires, Peters, Cooper, Doggett, Price, Scott, Kildee, Jackson Lee, Morelle, Jayapal, Jeffries, Panetta, Lee, Omar, Schakowsky, Horsford, Boyle; Womack, Woodall, Johnson, Flores, Holding, Stewart, Norman, Hern, Meuser, Burchett, Roy, Crenshaw, Smith, and Timmons.

Chairman YARMUTH. The hearing will come to order.

I want to welcome everyone to this hearing on the President's budget submission and certainly welcome the Acting Director of OMB, Russell Vought.

I will now make my opening statement and yield to myself.

I would like to welcome in Acting Director Vought. Thank you for coming here today to testify on the President's 2020 budget proposal.

Let's dive right in. The purpose of this hearing is for us to be the eyes and ears of the American taxpayers on the priorities of the Trump Administration as we begin the budget and appropriations process for 2020.

Unfortunately, when you look at the budget the Trump Administration has produced, it is not responsible or even usable. I described the President's first budget as a betrayal, harsh words for a harsh budget that abandoned working Americans and families.

The second proposal continued this pattern, relying on extreme cuts to blunt the deficit-exploding impact of the Republican tax scam at the expense of those same working families and Americans.

Now, this third budget proposal offers more of the same. It is a recipe for American decline and relies on a patchwork of gimmicks, fantasy projections, and extreme cuts that forfeit any responsibility for the well-being of the American people and our nation.

What this Administration is saying to our constituents is that the federal government will no longer have a role in making sure we remain an opportunity-based society, that the American Dream is out of their reach.

In 2020 alone, this proposal would have us do the unthinkable: a 9 percent cut, not 5 percent as the White House claims, in non-

defense discretionary funds. Over the course of the decade, it would slash non-defense discretionary spending by more than $1 trillion, crippling our economic and national security by disinvesting in education, public health, energy, health care research, infrastructure, and activities directly related to our national security, including homeland security, diplomatic operations, veterans' health care, law enforcement, food safety, disease prevention and control.

In short, it is a complete abandonment of our responsibility to the American people, and it is intentional.

You cannot cut Medicare by a half a trillion dollars without knowing it will hurt our nation's seniors.

You cannot cut Medicaid by a similar amount without knowing it will result in families losing health care coverage.

You cannot cut student loans by more than $200 billion without knowing it will make it harder, if not impossible, for young people to go to college.

You cannot cut nutrition assistance by more than $220 billion without knowing it will leave families without food to put on the table.

And you cannot gut the EPA by more than 30 percent without knowing it will make our air less safe and our water less clean.

These cuts in the Trump budget are not a tightening of the belt or a trimming of the fat or even a serious attempt at reining in spending. They are extreme to a level that is malicious, a level that is intended to do harm.

But that is not all. On top of all the damage done in the name of so-called fiscal restraint, this budget calls for a trillion dollars in additional tax cuts for the wealthy. This is on top of the tax scam enacted in 2017 that showered tax cuts on the rich and wealthy corporations while adding trillions to our deficits.

None of it adds up or makes sense, which explains some of the more creative aspects of the President's budget. The Administration uses every gimmick, "alternative projection," and accounting trick in the book to disguise its true ramifications.

One of the most striking parts in this budget is the inclusion of $165 billion for overseas contingency operations, a stunning figure. Director Vought, you are not even trying to hide this attempt to skirt the cap on defense funding and obscure the true cost of military operations.

In your op-ed, you implore fiscal conservatives to accept this gimmick as a backdoor way to supercharge defense spending and avoid negotiating realistic and responsible budget caps for both defense and non-defense funding.

I am sorry, but you do not get many points for being honest about being dishonest. It does not work that way. This is a gimmick, and it deserves the swift bipartisan dismissal with which it has been met.

The only way we can begin a productive budget and appropriations process is by committing to honest and realistic budgeting and reaching an agreement to raise the caps for discretionary spending.

It is my hope that through this hearing we can conduct an open and honest examination of the priorities set forth by the Trump

Administration and begin to craft a budget that truly reflects the needs and priorities of the American people.

Once again, I want to thank Acting Director Vought for being here today. I look forward to your testimony.

I now yield to the Ranking Member.

[The prepared statement of Chairman Yarmuth follows:]

Chairman Yarmuth
House Committee on the Budget
The President's 2020 Budget Hearing
Opening Statement
March 12, 2019

This hearing will come to order. I would like to welcome Acting Director Vought – thank you for coming here today to testify on the President's 2020 budget proposal. Let's dive right in.

The purpose of this hearing is for us to be the eyes and ears of the American taxpayers on the priorities of the Trump Administration as we begin the budget and appropriations process for 2020.

Unfortunately, when you look at the budget the Trump Administration has produced, it is not responsible or even usable.

I described the President's first budget as a betrayal – harsh words for a harsh budget that abandoned working Americans and families. The second proposal continued this pattern, relying on extreme cuts to blunt the deficit-exploding impact of the Republican tax scam at the expense of those same working Americans and families.

Now, this third budget proposal offers more of the same: it is a recipe for American decline and relies on a patchwork of gimmicks, fantasy projections, and extreme cuts that forfeit any responsibility for the well-being of the American people and our nation. What this Administration is saying to our constituents is that the federal government will no longer have a role in making sure we remain an opportunity-based society…that the American Dream is out of their reach.

In 2020 alone, this proposal would have us do the unthinkable: a nine percent cut – not the five percent the White House claims – in non-defense discretionary funds. Over the course of the decade, it would slash NDD by more than $1 trillion, crippling our economic and national security by disinvesting in education, public health, energy, health care research, infrastructure, and activities directly related to our national security including homeland security, diplomatic operations, veterans' health care, law enforcement, food safety, disease prevention and control. In short, it is a complete abandonment of our responsibility to the American people, and it is intentional.

You can't cut Medicare by a half a trillion dollars without knowing it will hurt our nation's seniors.

You can't cut Medicaid by $1.5 trillion without knowing it will result in families losing health care coverage.

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additional tax cuts for the wealthy. This is on top of the tax scam enacted in 2017 that showered tax cuts on the rich and wealthy corporations while adding trillions to our deficits.

None of it adds up or makes sense, which explains some of the more creative aspects of the President's budget. The Administration uses every gimmick, "alternative projection," and accounting trick in the book to disguise its true ramifications. One of the most striking parts in this budget is the inclusion of $165 billion for OCO – a stunning figure. Director Vought you're not even trying to hide this attempt to skirt the cap on defense funding and obscure the true cost of military operations. In your op-ed, you implore fiscal conservatives to accept this gimmick as a back-doorway to supercharge defense spending and avoid negotiating realistic and responsible budget caps for both defense and non-defense funding. I'm sorry but you don't get points for being honest about being dishonest – it doesn't work that way. This is a gimmick and it deserves the swift bipartisan dismissal with which it was met.

The only way we can begin a productive budget and appropriations process is by committing to honest and realistic budgeting and reaching an agreement to raise the caps for discretionary spending.

It is my hope that, through this hearing we can conduct an open and honest examination of the priorities set forth by the Trump Administration and begin to craft a budget that truly reflects the needs and priorities of the American people. Once again, I would like to thank Acting Director Vought for being here today. I look forward to your testimony.

Mr. WOMACK. Thank you, Mr. Chairman.

And thank you, Acting Director Vought for joining us today.

As this Committee works to craft a budget resolution for the fiscal year ahead, we appreciate the opportunity to discuss President Trump's budget and its spending priorities with you today.

As you know, while the Constitution gives Congress the power of the purse, funding the priorities of the American people while addressing our nation's fiscal challenges is not an easy task. It requires collaboration on both sides of the aisle, both chambers of the Capitol, and both ends of Pennsylvania Avenue.

This is particularly true when the American people have sent a divided government to Washington, as they have for the 116th Congress. That is why hearing from the Administration today is so important.

As the Congressional Budget Office warned earlier this year, our nation is nearing a fiscal crisis. I would argue we are already in one. It may not seem like one. The markets have not responded yet, but I sense that there is some smoldering going on that could lead to a potential raging fire, as it were, regarding the nation's deficit and debt.

At our current spending levels over the next decade, deficits will total $11.6 trillion, and the national debt will rise to nearly $34 trillion. Over the same period, the share of debt held by the American people will reach 93 percent of GDP, the highest debt level since just after World War II.

We cannot continue down this path. We have to lead by example, making touch choices necessary to reverse course. While there is still much work to do to put our spending back on a sustainable path, the President's budget takes steps in the right direction.

It reduces the deficit by $2.8 trillion between 2020 and 2029, whereas under current law, annual deficits are nearing $1 trillion annually. In 2029, under this proposal, the annual deficit will be lowered to $202 billion.

Further, this budget reduces the share of the debt held by the public from nearly 80 percent of GDP to just over 71 percent of the GDP. That is a vast improvement from the historically high debt levels projected for 2029 under current law.

Additionally, there are a number of priorities I am pleased to see in the budget. For example, the budget takes steps to secure our borders and support our troops and veterans. As someone who has served in the military, I believe ensuring the safety and security of the American people is the most fundamental purpose of the federal government, and I appreciate the Administration's clear commitment to these priorities.

I also appreciate the Administration's focus in this budget on improving the long-term health of the American people by investing in lifesaving medical research, efforts to combat the opioid epidemic, and reforms to improve our health care system.

As I have said before, our biggest threat to all of these priorities and to the long-term security, health, and prosperity of our nation is out-of-control mandatory spending. Today mandatory programs account for 70 percent of all federal spending and are projected to increase to 78 percent by 2029.

These programs have grown far beyond their intended size and scope and have far exceeded what we can afford. Without action not only will these programs crowd out resources for other priorities, they will be unable to deliver the benefit workers today expect for the future.

My colleagues on the other side of the aisle are choosing to ignore that reality and introducing ideas for new mandatory programs, while also looking to raise the Budget Control Act spending caps for fiscal year 2020. As we move forward in the budget process, I again ask: what is your plan to offset these increases?

At our Members' Day hearing last week, we were pleased to hear from the distinguished Majority Leader of the House, Mr. Hoyer. It was a very productive discussion about the need for a caps deal.

However, I notice we have not heard much from our friends on the other side about how they would pay for such a deal. It has been suggested that we should use the Ryan-Murray deal from 2013 as a model for a caps deal. If that is our benchmark, I look forward to hearing recommendations for offsetting increases in discretionary spending by addressing out-of-control mandatory spending.

Mr. Chairman, before I yield back, as late as last night I saw news that suggested that there is a debate about whether the majority party even plans to do a budget. I want you to know I feel your pain. I have been there.

But it is like asking if we are going to do our jobs, and I know I am speaking to the choir a little bit with my friend, the Budget Chairman, because we were in agreement on the budget process changes that we were advocating last year in the Joint Select Committee on Budget Process Reform.

I will say again it is a flawed and broken process. It needs to change. We need budget process reform.

And with that, Mr. Chairman, I look forward to today's discussion, and I yield back.

[The prepared statement of Steve Womack follows:]



HOUSE
BUDGET
REPUBLICANS

Ranking Member Steve Womack (R-AR) Opening Statement for Hearing on the President's 2020 Budget

(As Prepared for Delivery)

Thank you, Mr. Chairman. And thank you, Acting Director Vought, for joining us today. As this Committee works to craft a budget resolution for the fiscal year ahead, we appreciate the opportunity to discuss President Trump's budget and spending priorities with you.

As you know, while the Constitution gives Congress the power of the purse, funding the priorities of the American people while addressing our nation's fiscal challenges is no easy task. It requires collaboration between both sides of the aisle, both chambers of the Capitol, and both ends of Pennsylvania Avenue. This is particularly true when the American people have sent a divided government to Washington, as they have for the 116th Congress.

That's why hearing from the administration today is so important.

As the Congressional Budget Office warned earlier this year, our nation is nearing a fiscal crisis. I would argue we are already in one. At our current spending levels, over the next decade, deficits will total $11.6 trillion and the national debt will rise to nearly $34 trillion. Over the same period, the share of debt held by the American people will reach 93 percent of GDP – the highest debt level since just after World War II.

We cannot continue down this path. We must lead by example, making the tough choices necessary to reverse course.

While there is still much work to do to put our spending back on a sustainable path, the President's budget takes steps in the right direction.

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Further, this budget reduces the share of the debt held by the public from nearly 80 percent of GDP to just over 71 percent of GDP – that's a vast improvement from the historically high debt levels projected for 2029 under current law.

Additionally, there are a number of priorities I am pleased to see in this budget.

For example, this budget takes steps to secure our borders and support our troops and veterans.

As someone who has served in the military, I believe ensuring the safety and security of the American people is the most fundamental purpose of the federal government, and I appreciate the administration's clear commitment to these priorities.

I also appreciate the administration's focus in this budget on improving the long-term health of the American people by investing in life-saving medical research, efforts to combat the opioid epidemic, and reforms to improve our health care system.

But as I have said before, our biggest threat to all of these priorities – and to the long-term security, health, and prosperity of our nation – is out-of-control mandatory spending.

Today mandatory spending programs account for 70 percent of all federal spending and are projected to increase to 78 percent by 2029. These programs have grown far beyond their intended size and scope and have far exceeded what we can afford. Without action, not only will these programs crowd out resources for other priorities, they will be unable to deliver the benefits workers today expect for the future.

My colleagues on the other side of the aisle are choosing to ignore that reality, introducing ideas for new mandatory programs while also looking to raise the Budget Control Act spending caps for FY2020. As we move forward in the budgetprocess, I again ask: what is your plan to offset these increases?

At our Members' Day hearing last week, we were pleased to hear from the distinguished Majority Leader of the House, Mr. Hoyer. It was a very productive discussion about the need for a Caps Deal this year. However, I noticed we have not heard much yet from our friends on the other side about how they would pay for such a deal.

It has been suggested that we should use the Ryan-Murray deal from 2013 as a model for a Caps Deal. If that's our benchmark, I look forward to hearing recommendations for offsetting increases in discretionary spending by addressing out-of-control mandatory spending.

Mr. Chairman, before I yield back, as late as last night, I saw news that suggested there is a debate about whether the Majority party even plans to do a budget. I want you to know I feel your pain. I've been there. But it's like asking if we're going to do our jobs. Now, I know I'm speaking to the choir a little bit with my friend, the Budget Chairman, because we were in agreement on the budget process changes that we were advocating last year on the Joint Select Committee on Budget [and Appropriations] Process Reform. I will say again, it is a flawed and broken process. It needs to change. We need budget process reform.

With that, Mr. Chairman, I look forward to today's discussion, and I yield back.

Chairman YARMUTH. I thank the Ranking Member, and I look forward to working with you as we work through the issues of the budget process reform, as we tried to do last year, very collegially, I might add.

Thank you.

And if any other members have opening statements, they may submit them, and they will be published in the record.

I now once again introduce the Acting Director of the Office of Management and Budget, Mr. Russell Vought, and I yield 5 minutes to him for his remarks.

The floor is yours.

STATEMENT OF RUSSELL VOUGHT, ACTING DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. VOUGHT. Thank you, Mr. Chairman.

Chairman Yarmuth, Ranking Member Womack, members of the Committee, thank you for this opportunity to testify on President Trump's fiscal year 2020 budget.

Yesterday I submitted my full statement for the record. However, for my oral testimony today I just want to hit a few key points.

Over the past two years, President Trump has unleashed the American economy through his pro-growth agenda, which we have coined "MAGAnomics," resulting in a return to prosperity for the American people.

Working alongside many of you on this Committee, President Trump signed historic tax reform into law, marking the first time in more than 30 years that our nation's tax code was updated and improved. It provided much needed relieve to all Americans, especially the middle class.

Throughout his Administration, President Trump has implemented a robust regulatory agenda, resulting in small businesses in the American economy saving more than $33 billion in burdensome regulatory costs.

However, these great achievements will be challenging to maintain if we do not get our fiscal house in order. Annual deficits are continuing to rise and will exceed $1 trillion a year. Interest payments on the national debt are projected to exceed military spending in 2024.

The national debt nearly doubled under the previous Administration and is now more than $22 trillion. This level of debt is unsustainable and threatens the prosperity and economic freedom of future generations.

The President's commitment to fiscal responsibility has been outlined in previous budgets, and again today he is requesting more reductions to both discretionary and mandatory spending than any other President in history.

Yet each time this President has called for fiscal restraint and spending reform, he has been blatantly ignored. Instead, those opposed to decreasing Washington spending have called for large tax increases as a means to reduce deficits.

However, not only would this punish taxpayers, destroy jobs, and slow America's economic engine, but it would also ignore the reality of our current fiscal situation. Contrary to fearful predictions of the

passage of the historic tax reform, revenues are increasing and are in line with 50-year historic averages.

The problem is not that Americans tax too little. It is that Washington spends too much.

This budget is yet another fiscally responsible and common-sense spending plan from President Trump. I look forward to working with members of this Committee and Congress and remain hopeful that we can prove to the American people that their government is capable of balancing the budget by prioritizing efficient and effective spending.

Thank you for your time. I look forward to answering your questions.

[The prepared statement of Russell Vought follows:]

TESTIMONY OF
RUSSELL VOUGHT
ACTING DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE HOUSE COMMITTEE ON THE BUDGET

March 12, 2019

Chairman Yarmuth, Ranking Member Womack, Members of the Committee:

Thank you for this opportunity to testify on President Trump's Fiscal Year (FY) 2020 Budget.

Over the past two years, President Trump has unleashed the American economy through his pro-growth agenda, which we've coined MAGAnomics, resulting in a return to prosperity for the American people.

Working alongside many of you on this Committee, President Trump signed historic tax reform into law, marking the first time in more than 30 years that our nation's tax code was updated and improved. It provided much needed relief to all Americans, especially the middle class.

Throughout his Administration, President Trump has implemented a robust regulatory reform agenda, resulting in small businesses and the American economy saving more than $33 billion in burdensome, regulatory costs.

Simply put, hardworking Americans are benefitting from President Trump's taxpayer first, pro-growth policies.

The unemployment rate remains near historic lows, and over 5.3 million jobs have been created since the election. For the first time in history, we have more vacant jobs than people to fill them. Nearly 5 million Americans have been lifted off food stamps.

Under President Trump, African American and Hispanic communities are experiencing their highest employment levels in recorded history.

Total unemployment stands at 4 percent. Before tax reform was enacted, most forecasters, including CBO, predicted higher rates.

President Trump's policies have achieved economic growth that critics continually denied ever being possible.

As the President said at his State of the Union this year, our nation's economy is STRONG.

However, these great achievements will be challenging to maintain if we do not get our fiscal house in order. Annual deficits are continuing to rise and will exceed $1 trillion a year, and

interest payments on the national debt are projected to exceed military spending by 2024. The national debt nearly doubled under the prior Administration and is now more than $22 trillion. This level of debt is unsustainable and threatens the prosperity and economic freedom of future generations.

The President came to our nation's capital with a commitment to help get our fiscal house back in order and end the wasteful spending in Washington. He's using every tool at his disposal to put taxpayers first and drain the swamp.

The President's commitment to fiscal responsibility has been outlined in his previous budgets, and again today he is requesting more cuts to both discretionary and mandatory spending than any other president in history.

Yet each time the President has called for fiscal restraint and spending reforms, he has been blatantly ignored. The President even persisted in these efforts to save taxpayer dollars with a push for a $15 billion rescissions package in 2018, but again Congress rejected it. The simplest proposed restraints on spending have fallen on deaf ears here.

In the last six years, Congress has three times enacted deals to raise discretionary spending caps. The last caps deal, in 2018, increased discretionary spending levels for fiscal years 2018 and 2019 by nearly $300 billion, pouring money into wasteful non-defense discretionary programs that we know don't work and increase the deficit.

This January, CBO warned, "high and rising federal debt would reduce national saving and income, boost the government's interest payments, limit lawmakers' ability to respond to unforeseen events, and increase the likelihood of a fiscal crisis."

Even when presented with these astonishing statistics, many in Congress have already called for the spending caps to once again be raised.

Those opposed to decreasing Washington spending have called for massive tax increases as a means to reduce deficits. However, not only would this punish taxpayers, destroy jobs, and slow America's economic engine, but it also would ignore the reality of our current fiscal situation. Contrary to fearful predictions before passage of historic tax reform, revenues are increasing and are in line with 50 year historic averages. CBO, which previously was not hopeful about the impact of tax reform, now forecasts $6.8 trillion in higher cumulative GDP over the next decade, due largely to tax reform.

The problem is not that Americans are taxed too little, it is that Washington spends too much.

Washington has a spending problem and it is undoubtedly one of the largest threats to our national security and the future economic success of our nation for generations to come. It is time for this irresponsible spending to end.

The President's Budget does exactly that, decreasing our yearly deficits and achieving a balanced budget within 15 years, a goal many in this committee have championed.

Similar to President Trump's previous budgets, the FY2020 Budget was written with the everyday American in mind. All across the country, hardworking taxpayers have to balance their household budgets, finding ways to do more with less and save for the future. Our federal agencies and departments should be held to the same level of responsibility, and with accountability.

This year, President Trump directed most agencies to meet a target of 5 percent reduction to non-defense discretionary spending. I am proud to report to you today that we have achieved his 5 percent goal.

Americans work hard for their paychecks, and their tax dollars should be spent wisely or not spent at all. This Budget ends wasteful spending like the $60 million being spent every year to organize unions in other countries. It cuts $13 billion in foreign aid, including $336 million for education and cultural exchanges. Academic exchanges funded by the U.S. Government represent only 1 percent of the 1 million international students that came to the US in the 2017-2018 academic year. It stops millions going to the Senior Community Service Employment Program, which the Department of Labor Inspector General found rife with fraud and abuse, including $4.2 million in unreasonable executive compensation, personal travel, and even Netflix subscriptions.

We save hundreds of millions of dollars by rightsizing and reforming the under-performing Job Corps program, a residential youth training program that has made headlines in recent years for security incidents, and which evaluations and government oversight reviews have repeatedly found ineffective and poorly managed. In a New York Times report last year, a former teacher from Texas quit in protest, saying "Job Corps doesn't work. The adults are making money, the politicians are getting photo ops. But we are all failing the students." Our Budget reforms the program and closes poorly performing centers. While there are competing philosophies on how best to balance the budget, we hope we can find bipartisan agreement that programs and activities with decades-long history of failure and fraud should come to an end.

These are just a few examples.

By refocusing the Budget to spend taxpayer dollars more efficiently, effectively, and accountably, agencies can continue to provide necessary services to the American people and we can confidently say that investments for key national priorities will be met.

The FY2020 President's Budget outlines a number of key priorities the Administration plans to continue or pursue:

- **Securing Our Southern Border and Protecting American values**
  A nation without borders is not a nation at all. The Federal Government has no greater duty than protecting the American people, securing our borders, and preserving our values. The President's 2020 Budget includes increased funding for border security, immigration enforcement, cybersecurity, and law enforcement capabilities. The 2020 Budget investments include $8.6 billion for construction of the border wall, and $506

million to hire over 2,800 additional law enforcement officers and critical support personnel at U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE).

- **Taking Care of Our Veterans**
  Few deserve more of our nation's resources and care than our veterans who have served our country with honor, dedication, and distinction. That is why the President's Budget invests in world-class health care for our nation's veterans by proposing $80.2 billion in discretionary appropriations to fully fund VA medical care requirements in 2020 – a $7.0 billion or nearly 10 percent increase over the 2019 enacted level. This amount fully funds the VA MISSION Act to ensure veterans can choose the best care for themselves and provides essential resources for VA's suicide prevention programs, a crisis that has plagued the veteran community for far too long and must come to an end.

- **Educating for the Future**
  The President's Budget achieves two equally important goals: fiscal discipline in discretionary spending and support for priorities that would improve the nation's schools and make the United States stronger by preparing the workforce for the jobs of the 21st Century. The Budget reduces the Federal role in education and prioritizes targeted investments in school safety, teacher quality, school choice, and workforce development. By modernizing U.S. education and training programs, the Budget would increase competition and transparency, reduce student debt, and ensure that what students are learning matches the needs of emerging industries. By increasing accountability for institutions of higher education and helping students complete postsecondary education more quickly, the Budget would help make higher education more affordable and protects both students and taxpayers.

- **Combatting the Opioid Epidemic**
  America's opioid crisis is a serious public health challenge for our country. In addition to progress already being made by the Administration, the Budget makes significant investments to combat the drug abuse and opioid epidemic, which claimed more than 70,000 lives in 2017. In the last year, the President released a new Initiative to Stop Opioid Abuse and Reduce Drug Supply and Demand, secured $6 billion in new resources in 2018 and 2019 to combat the epidemic, and signed the SUPPORT for Patients and Communities Act, which enhances the Federal response to the opioid crisis. The number of opioid prescriptions dispensed monthly has fallen by more than 20 percent since the beginning of 2017, and preliminary data from the Centers for Disease Control and Prevention (CDC) suggests that the number of drug overdose deaths are finally starting to level off or even decline. President Trump is determined to end this crisis and care for the people deeply harmed by the scourge of opioids.

- **Maintaining America's Military Pre-eminence**
  The Government's fundamental responsibility is to protect the American people, the homeland, and the American way of life. While America possesses enduring national strengths, we face an era of increased strategic competition, global challenges, and

erosion of the U.S. comparative military advantage. In order to preserve peace through strength, we must continue to invest in the combat credible military capabilities needed to compete, deter, and if necessary, fight and win wars to protect the security of the United States. In FY 2020 the budget procures 110 advanced fighter aircraft, 12 battle force ships, and modernizes 165 Abrams main battle tanks, nearly two armored brigades worth. It also requests more than $100 billion in research, development, testing and evaluation to maintain the military's technological superiority and conventional overmatch against priority challenges, and supports the President's commitment to expand and improve state-of-the-art missile defense systems as articulated in the recently released Missile Defense Review.

- **Managing the Federal Workforce of Tomorrow**
  The last broad Federal civil service reform occurred over 40 years ago, when the Civil Service Reform Act of 1978 established the Office of Personnel Management (OPM). Today, both OPM and the Federal employment system it oversees are widely-viewed as archaic and ill-equipped to manage the 2.1 million member civilian workforce. The Legislative Branch recognizes this as well: The Government Accountability Office has kept "Federal human capital" on its high-risk list since 2001, and Congress is continually moved to exempt agencies, offices and occupations from the central personnel system that OPM oversees. These carve-outs have further reduced OPM's capacity to manage the workforce in an enterprise-wide manner. The Budget therefore proposes a restructuring of OPM that would enable the Executive Branch to fill the critical gap in strategic federal workforce management.

- **Reorganizing the Government to be More Efficient and Effective**
  The Government-wide Reorganization recommendations released last summer speak to a situation in which Government has operated for too long with outdated technology, archaic organizational constructs, and antiquated management processes. This frustrates citizens who interact with the Government, and the Federal workers who operate within it. Indeed, the structural management of the workforce itself requires an overhaul. OPM today lacks jurisdiction over much of the federal workforce. And the vast majority of its existing budget and personnel are not even dedicated to workforce management, but to transactional, fee-for-service activities, including the conduct of background investigations. A key reorganization proposal incorporated into the Budget involves the transfer of OPM's background investigations portfolio to the Department of Defense, the shifting of its other transactional activities to the General Services Administration, and the creation of a central office -- with a Government-wide purview -- dedicated to strategic workforce management.

- **Drug pricing**
  The Administration's comprehensive drug pricing strategy addresses the problem of high drug prices, provides greater access to lifesaving medical products, and ensures that the United States remains the leader in biomedical innovation. Consistent with the Presidents American Patient's First Blueprint, the Budget proposes strategies targeted at increasing

competition, encouraging better negotiation, incentivizing lower list prices, and lowering out-of-pocket costs for beneficiaries.

This Budget is yet another fiscally responsible and common sense spending plan from President Trump. I look forward to working with members of this Committee and Congress and remain hopeful we can prove to the American people that their government is capable of balancing a budget by prioritizing efficient and effective spending.

These principles will help define the course of our freedom and prosperity for decades to come.

Thank you for your time.

I look forward to hearing your questions.

Chairman YARMUTH. I thank the witness.

And as is our pattern, the Ranking Member and I will defer our questions until all of the other members have had their chance.

So with that, I yield 5 minutes to the Vice Chairman of the Committee, Mr. Moulton of Massachusetts.

Mr. MOULTON. Mr. Vought, thank you very much for joining us here today.

I want to share a quote from a prominent politician who has talked about endless deficits and said that they would, quote, "weigh the country down like an anchor and that we are on the verge of a debt crisis."

Do you know who said that?

Mr. VOUGHT. Not——

Mr. MOULTON. It was Speaker Paul Ryan in 2013. He was commenting on the Obama Administration in the midst of the fourth straight year of reducing the federal deficit as a percentage of GDP.

In reality, how much have deficits and the debt exploded due to the Republican tax law?

Mr. VOUGHT. Deficits have certainly worsened in the first two years, but over 10 years, we believe that deficits will improve and that as a result of the tax cuts and the overall economic program——

Mr. MOULTON. You believe the deficits will improve?

Mr. VOUGHT. Absolutely.

Mr. MOULTON. That is interesting because the OMB consistently has revised up its estimates since the tax law was passed for how big the deficits will be.

Mr. VOUGHT. Our economic program over the life of 10 years——

Mr. MOULTON. Mr. Vought, is that true that you have revised up your deficit estimate since the tax law was passed?

Mr. VOUGHT. Our estimates have been revised to account for the fact that the tax cut in the short term has led to an increase in——

Mr. MOULTON. So they have been revised up; is that correct?

Mr. VOUGHT. In the short term, but not over the long term.

Mr. MOULTON. Yes, they have been revised up.

So $1.9 trillion is the estimate that we have over 10 years. That is the estimate that you have produced. I am just curious. How many of Mr. Trump's $8.6 billion walls could he build with $1.9 trillion?

Mr. VOUGHT. I have not done the math on that, sir.

Mr. MOULTON. It is more than 220, 220, not 220 miles; 220 of his full walls.

Now, just to compare that to some Democratic priorities, what do you think $1.9 trillion would do for education funding in the United States? Would that make a difference in our kids' lives?

Mr. VOUGHT. We believe this budget fully funds what is necessary to continue to educate our children. We have $50 billion——

Mr. MOULTON. So that we can continue falling behind South Korea, China, other competitors around the world in our education standards? Is that what you would like to continue——

Mr. VOUGHT. It is one of the reasons why we are putting forward a different type of proposal. We have $50 billion in school choice tax credits that can be done at both the public level or at the private level. It is a paradigm shift that we think is important.

We do not think that——

Mr. MOULTON. But $1.9 trillion devoted to education, that would not be important?

Mr. VOUGHT. We believe that we need to fund the education programs that work, that are efficient, that lead to student outcomes that are beneficial, and we also think it is important to look at different ways to be able to invest in our children.

We do not believe that a dollar spent necessarily equates with a dollar of caring.

Mr. MOULTON. Oh, I agree with you. There is no debate there.

Mr. VOUGHT. But it is a matter of who is doing the spending. Our view is that parents and families, states and localities can often do a better job of educating our children.

Mr. MOULTON. Sometimes they can, but $1.9 trillion would not help?

Mr. VOUGHT. We believe we are fully funding——

Mr. MOULTON. Would it help?

Mr. VOUGHT.——what is necessary to educate our children to invest in——

Mr. MOULTON. Okay. That is all. It would not help.

How many years did President Trump claim it would take to eliminate the national debt under his program?

Mr. VOUGHT. The President made a commitment to the American people to get our fiscal house in order——

Mr. MOULTON. How many years did he say?

Mr. VOUGHT.——and start the conversation.

Mr. MOULTON. Do you know how many years?

Mr. VOUGHT. And to be able to do it within eight years.

Mr. MOULTON. You work for him, Mr. Vought. How many years did he say?

Mr. VOUGHT. He said he would work on getting a fiscal plan within eight years.

Mr. MOULTON. Eight years, right. Eight years, 2017 to 2024. How high does the CBO project the budget deficit to be in 2024, at the end of those eight years?

Mr. VOUGHT. We will still be looking at trillion-dollar deficits.

Mr. MOULTON. Over a trillion dollars, over a trillion dollars, surpassing the federal deficit during President Obama's last year in office by nearly $500 billion.

I want to jump quickly to veterans. The budget quotes President Trump's statement that, quote, "it is our moral and solemn obligation to demonstrate to our veterans our continuing gratitude, unwavering support, and meaningful encouragement."

Mr. Vought, how is cutting veterans' disability benefits by rounding down cost-of-living increases consistent with this statement?

Should we be making veterans pay for exploding deficits by denying them the full cost-of-living adjustments?

Mr. VOUGHT. Sir, this budget has incredibly high increases for veteran spending. We have an eight——

Mr. MOULTON. Then why are you decreasing the cost of living? Do you think the cost of living in the United States is going down for veterans?

Mr. VOUGHT. We have an 8 percent increase for veteran spending. We fully——

Mr. MOULTON. I am just asking you why you are decreasing cost-of-living adjustments?

Mr. VOUGHT. We look for ways to improve programs to ensure that veterans' programs over 10 years——

Mr. MOULTON. So it will improve lives for veterans by decreasing their cost-of-living adjustment? That is what you are saying, Mr. Vought?

Mr. VOUGHT. There are proposals that have been proposed in the past, and we do not think they will have any adverse impact on veterans.

Mr. MOULTON. No adverse impact. No adverse impact. No adverse impact——

Mr. VOUGHT. That is correct.

Mr. MOULTON.——to the decreased cost-of-living adjustments.

Mr. VOUGHT. That is correct.

Mr. MOULTON. I think you should speak to some veterans, Mr. Vought.

Thank you.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from Georgia, Mr. Woodall, for 5 minutes.

Mr. WOODALL. Thank you, Mr. Chairman.

Thank you, Mr. Vought, for what you do.

I have only gotten to serve with two Presidents while I have been in Congress. President Obama I believe loved this country, but never once sent a budget to Capitol Hill that balanced ever, not in five years, not in 10 years, not in 15 years, not in 60 years, and so I want you to know I know you are making tough decisions, but I appreciate the President sending a budget that balanced.

If it was easy, we would have done it by now, but we have not.

I was listening intently about the cuts that were going on. My first two years in Congress, we actually reduced total federal spending year over year, not funny Washington, D.C. math, but actual outlays declined one year to the next and then declined one year to the next, two years in a row.

How often in the President's budget proposal are we spending less the next year than we were spending in the previous year?

Mr. VOUGHT. In this President's, the budget we are proposing right now?

Mr. WOODALL. That is correct.

Mr. VOUGHT. As it pertains to discretionary spending, we will be spending 2 percent less from one year to the next.

Mr. WOODALL. Undoubtedly, folks are looking for ways to cut what can be done in an efficient manner, but year over year, as I look at your numbers, you are investing more in America every year the next year than you did before.

Now, in large part that is because tax revenues are rising every year from one year to the next. We talk a lot about the tax proposal, that $1.9 trillion as adjusted by interest, the $1.5 trillion as realized by my constituents. That is going right into pockets back home.

And to your point, only about 10 percent of our education dollars come from the Washington, D.C. area. Most of it comes from our

county and from our state, and that is why we have some of the finest education programs in the nation.

I appreciate your not trying to supplant our local control in this budget, but I want to be clear. I am looking at those tax revenue lines. They appear to increase not just one year, not just in the outyears, but every single year of this budget.

We are already collecting record tax revenues in this country. Is it your position that not only are we collecting more money today than we ever have in American history, but we are going to continue to collect more and more and more in every year of the President's budget?

Mr. VOUGHT. Absolutely, and let me walk you through some of the specifics. In fiscal year 2017, we received $3.31 trillion in revenues. In 2018, we will generate $3.329 in revenues. In 2019, we will generate $3.4 in revenues. In 2020, we will generate $3.6 trillion, and on and on.

It is why over 10 years, we are confident that the economic policies of this Administration, which we assume in our budget; CBO does not assume what is not current law. We assume that the economic policies of this Administration will more than pay for the cost of the tax cut.

We think that the tax cut was important from the standpoint of getting the economy going and allowing people to have more of their hard-earned money to be able to build and invest in their communities.

Mr. WOODALL. Let me get off script for a second. I think back to one of President Obama's budgets where he introduced chain CPI, something that Republicans had long been advocating for as responsible budgeting. The moment he put it in his budget, the Republicans began to kick him in the shins for cutting benefits here, there, and elsewhere.

Rather than taking yes for an answer, we turned it into a political talking point. I do not know the answer to this question. So I am a little reluctant to ask it, but is there anything in the President's budget that perhaps I might like less as a conservative Republican, but my colleagues on the other side of the aisle maybe ought to take yes for an answer as opposed to turning the President's budgets into political talking points, as we do day in and day out?

Mr. VOUGHT. I am sure I am going to get this question later on, but we believe that many of our Medicare reforms, which continue to increase Medicare spending every single year, but also allow for certain program integrity proposals to improve the programs, to be able to offer common-sense reforms about ensuring that where you pay for particular services within Medicare applies no matter what the site of care is.

These are proposals that were in President Obama's budget. We think that they are bipartisan reforms, and we think that if there is just a factual basis for understanding what we are proposing, that we can achieve common ground.

But I fully expect to be walking through what the proposals are under our Medicare later on in questioning.

Mr. WOODALL. Mr. Chairman, with your leadership, I know we will be able to take yes for an answer in those places that we can.

Folks will do what they have to do in this hearing today, but I surely do hope that where we do find agreement, we will do it for the American people.

Thank you. I yield back.

Chairman YARMUTH. Thank you.

And I might add you said you went off script. I have never known you to be scripted.

Mr. WOODALL. Thank you.

Chairman YARMUTH. I now yield 5 minutes to the gentleman from New York, Mr. Higgins.

Mr. HIGGINS. Thank you, Mr. Chairman.

Mr. Acting Budget Director, do corporate tax cuts pay for themselves, generally speaking?

Mr. VOUGHT. We believe that the corporate tax cuts are very, very important for our economic growth numbers, and specifically because they lead to capital formulation in the years ahead. It is one of the more crucial provisions in the tax cut from the standpoint of ensuring that this prolonged economic growth.

Mr. HIGGINS. Was that a yes or a no?

Mr. VOUGHT. We believe over time, yes.

Mr. HIGGINS. The most optimistic estimates of corporate tax cuts are that for every dollar that you give away you can recapture about 32 cents. So that is about a 68 percent loss in terms of investment.

And I do not think there is any credible evidence to suggest that these corporate tax cuts in and of themselves pay for themselves.

So the deficit that everybody likes to talk about is a big problem, but we also have, as you know, a growth problem in the American economy. We hit 2, 2.5 percent growth, which is not the 3 or 4 percent that the President had talked about. There is very little investment in here relative to infrastructure.

Infrastructure, unlike corporate tax cuts, pay for themselves. For every dollar that you spend on infrastructure, you can expect minimally a $2 return. That is a 100 percent return on investment as it relates to infrastructure.

The disappointment here is that there is not a greater investment toward the growth of the American economy because last time we had 4 percent sustained growth over an eight-year period, we did not have budgetary deficits. We had a budgetary surplus of almost $300 billion.

I just want to move on to the issue of cancer research. This budget is showing that there will be a cut in cancer research of about $900 million. What is the justification for that?

Mr. VOUGHT. We keep NIH spending at a little bit above what it received in fiscal year 2017 enacted. We think that the levels to which Congress has been appropriating money towards the National Institutes of Health is something that we can no longer sustain, although we are very supportive of the NIH spending.

I just want to tell you as the father of a child with cystic fibrosis, we are on the verge of cutting-edge drugs that would prolong her life. So from the standpoint of the NIH, we are very supportive of the types of research that they perform.

But I would also just say that no agency can spend well when they do not live in a resource constrained world, and when we put

forward proposals in Congress just without analysis, puts additional spending increases on the table, we actually think that that degrades the ability for NIH to do research and perform life-saving——

Mr. HIGGINS. So justification for cutting general cancer research by $900 million is that the Administration is focusing on other diseases from which to fund important research?

Mr. VOUGHT. Generally, we take a top line reduction for NIH, and we allocate it across the board, with some exceptions like pediatric cancer.

We are trying to prompt a debate, which we have for the first two budgets, about ways that NIH might be able to do things better if they did not have as high administrative costs. They often pay more for Administration costs than other private sector researchers, and we think that is a problem, and it is an important debate to have.

Mr. HIGGINS. Yes, but look. When you deal with cancer research, in particular, the only failure in the research is when you quit or you are forced to quit because of lack of funding.

The National Cancer Institute funded about 97 percent of all FDA approved cancer drugs in the past eight years. So you know, new treatment that is delayed is new treatment that is denied.

And at a time when you have incredible promise in the area of immunotherapy that is being clinically trialed and tested at places like Roswell Park Cancer Institute in Buffalo, New York, it just seems very shortsighted that the Administration is picking winners and losers as it relates to what diseases we decide to invest in toward the goal of developing new, promising treatments because it costs not only money, but it also costs lives as well.

With that, I will yield back.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from North Carolina, Mr. Holding, for 5 minutes.

Mr. HOLDING. Thank you, Mr. Chair.

Like many of my friends that you are hearing from today, I am deeply concerned about our mandatory spending trajectory. Today mandatory spending accounts for 70 percent of the federal budget. In 10 years, mandatory spending plus our federal debt will consume all of our federal revenue.

And despite this, my colleagues on the other side of the aisle want to actually increase mandatory spending through the creation of Medicare for All, free college tuition, and other things.

Further, the interest payments on the debt are the fastest growing line item in our entire budget. This year taxpayers will spend nearly $400 billion in debt interest alone. This is hundreds of billions of dollars that are being needlessly wasted because Congress has failed to address our massive debt problem.

So without real reforms, mandatory spending will continue to crowd out discretionary spending, leaving less and less resource for other critical areas, including of course defense, which is our principal concern as a government.

So, Mr. Vought, the President's budget proposes over $2 trillion in mandatory reductions over two years, and that is good. So I am going to give you the opportunity to expand a bit further on how

you would achieve these $2 trillion of savings over two years, specifically the proposed changes to Medicaid and the payment structures of Medicare Parts B and D.

Mr. VOUGHT. Thank you, Congressman.

What I would like to do is just unpack the $2.7 trillion in savings that we propose for in this budget. $1.9 trillion of those are reductions in savings and mandatory reforms. Again, these are programs that will continue to increase every year. So these are not cuts. These are savings over the life of the 10-year window.

We achieve about $517 billion in savings in Medicare, as I have already mentioned. Many of the numbers that you have seen out in the press in the last 24 hours are inaccurate.

And, again, what we are trying to do in Medicare is lower drug prices, and when we lower drug prices, it has the result of achieving savings in Medicare.

We also think it is important that Medicare does not pay for the uncompensated care within the Medicare program for people who are not Medicare beneficiaries. So, again, we do not actually not pay for uncompensated care, but we move it outside the Medicare Program with a slower rate of growth.

Another big, large amount of savings is student loans. Student loans, we have about $209 billion in savings. Again, we think the proposal would benefit students; that right now there is a patchwork of all sorts of income-driven repayment plans. We provide one to be able to say 12.5 percent of your income you are going to be expected pay to repay your loans, but at the end of 15 years, you are done. At the end of 30 years, if you are a graduate student, you are done.

We also think that welfare reform is important. We have about $300 billion in savings in welfare reform. Much of it is simply with the proposal to have a work requirement within different programs, such as like housing, food stamps, Medicaid.

And we have hardship exemptions within these. No one is wanting people who cannot work to be able to work, but we do value work, and it is something from the standpoint of human dignity. We want to be able to transition individuals and families and households to self-sufficiency.

We saw that in historic reforms in the 1990s. We have long said we want to build on it. We do that in this budget.

Mr. HOLDING. Thank you.

And I appreciate you coming forward, you know, with a timely budget, and I really urge the chairman and my friends on the other side of the aisle to come forward with a budget yourselves. I think it is important for the American people to see where we are coming from.

And budgets sometimes are described as aspirational, but I do think they serve a very important purpose of setting forth in real concrete dollars and cents terms to the American people where we want to go with this use, were we able to wave that magic wand and get 218 people to agree with us in how we want to go forward.

So thank you.

Mr. Chairman, I yield back.

Chairman YARMUTH. I thank the gentleman.

I now yield 5 minutes to the gentleman from California, Mr. Khanna.

Mr. KHANNA. Thank you, Mr. Chairman.

I just want to get some facts out, not in any partisan way. Your budget proposal, as you put it, reduces Medicare spending by $845 billion. You described it as efficiency and reduction of waste; is that correct?

Mr. VOUGHT. No, it is not correct. There is a gross federal savings for Medicare line in the budget, but when you add back the proposals that we include for an uncompensated care pool outside of Medicare for children's GME, Medicare GME——

Mr. KHANNA. And what is the number when you add that?

Mr. VOUGHT. The number is about $517 billion in savings.

Mr. KHANNA. So you are saying that it reduces Medicare spending by not $500 billion? The report suggests that $500 billion of the, quote, unquote, savings would go to the deficit.

You are saying it is less than that?

Mr. VOUGHT. No. So I thought you were asking about the number that has been reported in the press, $845 billion.

Mr. KHANNA. What would you say the accurate number should be?

Mr. VOUGHT. The accurate number, again, we increase Medicare spending every year. This is not——

Mr. KHANNA. Not a long answer. Give me a number.

Mr. VOUGHT. I am providing an answer for you. Five hundred and seventeen billion in savings within Medicare over 10 years is the net Medicare savings number.

Mr. KHANNA. So you are going to cut by $517 billion?

Mr. VOUGHT. No, sir. Medicare spending, as I mentioned, will continue to rise each and every year. We have——

Mr. KHANNA. But you are reducing the Medicare budget by $517 billion?

Mr. VOUGHT. We are identifying savings that would result from common sense proposals like reducing drug pricing costs. Obviously——

Mr. KHANNA. Have you endorsed the Doggett bill on that? Would you be open to the Doggett bill, which reduces drug costs?

I mean, I know you are saying let's reduce drug costs, and that is a great thought, but what specifically? How are you going to do it?

So far, the President has not supported the Doggett bill. The President has not supported any bills. Would you commit today that the Doggett bill, which actually could reduce costs, you would consider supporting that?

Mr. VOUGHT. We will certainly look at analyzing any piece of legislation that is out there. As it pertains to drug proposals——

Mr. KHANNA. Does the President have legislation on how he is going to achieve these drug reductions?

Mr. VOUGHT. We do.

Mr. KHANNA. What is the legislation? Is there an H.R. or Senate bill? I mean, what legislation is he——

Mr. VOUGHT. We are happy to work with Congress. We are hoping that Congress introducing many of the——

Mr. KHANNA. But has he proposed any legislation?

Mr. VOUGHT. We have proposals that we hope you can turn into——

Mr. KHANNA. But has anyone introduced the legislation?

Mr. VOUGHT. We are working with Congress. Part of the——

Mr. KHANNA. I know you are working. What legislation is there? I mean, there are thousands of bills introduced. Is there a single bill the President has introduced to be able to get the savings that you want?

Mr. VOUGHT. Congressman, we do not introduce bills.

Mr. KHANNA. No, but you suggest bills. I mean, have you proposed?

And you do. I mean, you wrote the tax bill.

Mr. VOUGHT. We specifically propose policies that Congress can turn into——

Mr. KHANNA. You have not worked with any single member of Congress to introduce any legislation to get this $500-some billion of reduction that you say you want?

Mr. VOUGHT. I do not think that is true. I think that——

Mr. KHANNA. Is there a single member of Congress or bill you can point to?

Mr. VOUGHT. I think the Health and Human Service Department has an active legislative office that is working to turn these policies into actual proposals. I do not——

Mr. KHANNA. I do not want to belabor it, but if you could maybe submit for the record what legislation we can get behind that would get $517 billion of drug cost savings. So far, I only know of the Doggett bill. I mean, maybe there is some other magic solution.

The other thing I want to quickly go over you propose a billion dollars of cuts in the National Science Foundation; is that correct?

Mr. VOUGHT. We have cuts to the National Science Foundation.

Mr. KHANNA. I was with Secretary Condoleezza Rice the other day. She is near my district at Stanford. She said the single biggest thing we can do for the national security of this country is double our National Science Foundation.

Would it be accurate to say the President would disagree with her characterization?

Mr. VOUGHT. No. We have in the time of trillion-dollar deficits, we believe that $7 billion for the National Science Foundation is a very healthy budget, and——

Mr. KHANNA. But would you disagree with her characterization that we need to double it?

By definition you are saying we need to cut it by a billion, correct?

Mr. VOUGHT. We think that the National Science Foundation is very important. We think——

Mr. KHANNA. I get all that, but you would disagree with her characterization that we need to double the budget?

I mean, your——

Mr. VOUGHT. I have not had a conversation with Secretary Rice about this. I would just point out that the National Science Foundation does not need to be immune from looking at waste, fraud, and abuse. To the extent that they spend money on wine making programs, they are supposed to be investing in science, and yet we

still find that waste, fraud, and abuse is not something that they are free from.

That is the conversation we want to have. How do we——

Mr. KHANNA. You are cutting the National Institutes of Health budget by $4.9 billion; is that correct?

Mr. VOUGHT. We bring the National Institutes of Health down to about $33 billion.

Mr. KHANNA. Do you see why? I mean, I am not trying to be partisan. Do you see why some people may think that you do not believe in science and technology when you are cutting the National Science Foundation by a billion, when you are cutting the National Institutes of Health by $4 billion, which the Republican Congress, by the way, increased $2 billion last time, and when you are disagreeing with people like Condoleezza Rice?

Do you see why that perception might be there?

Mr. VOUGHT. I do not believe I understand why that perception would be there because we look at the fact that we are spending $134 billion in research and development, and that is exactly what we spent in the last two years, and we allocate it differently, but it is something that we prioritize a great deal.

Mr. KHANNA. Thank you.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from Utah, Mr. Stewart, for 5 minutes.

Mr. STEWART. Thank you, Mr. Chairman.

And I am going to move fairly quickly. There are a couple of things I want to hit that I think are important.

First, Mr. Vought, thank you for being here. I cannot imagine you slept very well last night. This has got to be one of your least favorite days of the year coming here, and frankly, Mr. Woodall talked about going off script. I think we are fairly following the script, and that is some of the things we say are very predictable, and I am sure you anticipated some of that.

And I do wish some of our colleagues would give you a chance to answer the questions that they present before you. I think that is common courtesy to give you a chance to respond.

I would like to go through for the benefit, again, of some of our colleagues on this committee two very simple economic facts, just economic realities, and allow you to respond to them, to either agree or disagree if you would like.

The first is that deficits are a function of two things and only two things, and this is simple math. This does not take a genius at all to figure this out. Deficits are a function of revenue and spending. You take the difference of those two things, what the government takes in and what the government spends, and that is your deficit or in some cases your surplus.

Would you agree with that? That is very simple. True?

Mr. VOUGHT. Yes, Congressman.

Mr. STEWART. Okay. Thank you.

And so can you have an honest conversation about deficits and only talk about revenue, only talk about some tax policy that either increased or decreased the revenue, or do you have to talk about spending as well?

Mr. STEWART. You have to talk about spending.

Mr. STEWART. Of course you do because it is those two things.

And I think any time we have a conversation on this Committee where we are pointing the finger at deficits and only talking about tax policy, it is fundamentally a dishonest conversation at that moment because you have to consider spending as well.

And I will give you a good example, and I will bet you know that because you are obviously very, very bright, and it is amazing to me that you can come up with these numbers and answers off the top of your head. It is a very, very complicated and intricate budget.

But going back to when I was younger, Ronald Reagan was famous for tax cuts, and yet after the 1982 recession, I am curious. Do you know what happened to government revenue after those tax cuts and the recession was over?

Mr. VOUGHT. The revenue increased.

Mr. STEWART. Every year that he was in office. Every year after the recession, his government revenue increased because of his tax cuts.

And, once again, I think that is just an economic fact that you can have economic growth which leads to revenue increases as a result of tax cuts. And again, it is a dishonest argument when you are not willing to recognize that.

I would ask you to respond to what I have said here and proposed. Is there anything that you would add or that you think is worth emphasizing?

Mr. VOUGHT. I just think that it is important to reflect on the fact that in the 1960s, we had spending and taxes as a percent of GDP roughly in the 16 percent range. Since the 1960s, we have seen spending skyrocket to in the neighborhood of 22 percent of the percent of GDP, whereas revenues have ticked up to be in the neighborhood of 17 percent. The last 50-year average is around 17 percent.

So one of the reasons why we think it is important to maintain revenues where they are and not go in that direction is that revenues under this budget, even though they have a slight dip in the short term, will average at exactly their 50-year average of 17.3 percent.

So we think spending is a problem. We have been up front about that, and that is not even getting into the fact that when you are raising taxes, not only are you increasing the burden on the American people, but you are also worsening the economy, and we would not want to do that either.

Mr. STEWART. Well, and so you had a more technical and precise way of making the point that I just made, and I appreciate that.

I want to hit something really quickly in a minute and 10 seconds. I was a former military member, Air Force pilot. When I was flying, we had something like 156 fighter squadrons. Several years ago we had 57, 156 down to 57.

When I was flying, there was no question in the world that we were the best military in the world and that we could take on any adversary and win and defeat them in combat, and as you may have seen in a recent RAND study and some others, there are serious questions about whether that remains true.

Would you address the importance of increasing the military spending and why that is a priority for you and for this President?

Mr. VOUGHT. It is very important. I just talked with him about it yesterday, and the importance of this $750 billion defense budget being used to procure the aircraft that we need, the battleships that we need, the research and development that we need, the missile defense that we need, 110 new aircrafts, 12 battleships putting online with this budget.

It continues to be something that is a major priority. Look. The President wants the world to know that we have the most awe-inspiring military that has ever been known in the world. We believe that we can have peace through strength.

He does not want to have the perception that this is about promulgating endless wars. You know the President has had a long conversation with the American people about that.

He wants to be able to continue to increase and rebuild this military so that we do not have to fight wars in the future because the world knows that we are the strongest military on the face of the planet.

Mr. STEWART. Thank you.

I yield back.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from New Jersey, Mr. Sires.

Mr. SIRES. Mr. Vought, thank you for being here.

Mr. Vought, if these tax bills, the tax cuts do not deliver what you are projecting, are you going back to cut more of the Medicare, Medicaid, Social Security Programs?

Mr. VOUGHT. We think they will deliver, sir. We believe that over the life——

Mr. SIRES. Let's make a projection they do not.

Mr. VOUGHT. Again, we think that the most accurate way to look at the next 10 years is to assume the economic growth assumptions that we have put forward of 3 percent. Over the first two years, we have been the most accurate Administration in history. We have projected 2.5 percent and 3.1 percent.

When Larry Summers said that that was ridiculous and outrageous and that we were delusional, instead we not only hit those numbers, but we have been the most accurate.

And so we think that over 10 years——

Mr. SIRES. Well, let's say you are not as accurate.

Mr. VOUGHT. Okay.

Mr. SIRES. Where would you go to get the money?

Mr. VOUGHT. It will mean we are not suggesting that we are going to make any changes to the budgets, although the aspect about budget is that you look at what is coming in and you look at what is going out, and each and every year you make adjustments.

That is the importance of the federal budget process. It is certainly broken. I agree with the Chairman and the Ranking Member that we can certainly make reforms.

But I would also say that, look, that budgets are about putting our visions forward for the American people, and as I mentioned last night——

Mr. SIRES. Well, I get that. I get all that, you know.

Mr. VOUGHT. But the importance of——

Mr. SIRES. Let's bring it to something more local. I am sure many members here served in local office. Why is it that the President and the people always feel that eliminating the community development block grants is necessary?

I mean, this is a program which helps communities that cannot apply for the fundings. So yet every year you want to eliminate this program. This is a tax saver for the communities.

I just do not understand why they feel it necessary to just abolish. Have you talked to people who serve in local office and have used these grants?

Mr. VOUGHT. We have spoken with those people. We look at this program, and we have looked at it, its record, since 1972, 1974, when it was initiated, and it is about $170 billion that we have spent on this program, and we have seen no economic results as a result of it in terms of——

Mr. SIRES. Well, look. I disagree with you there. I have served in local office, and many people here have served in local offices. This is a tax saver for that community.

Rather than increasing taxes in a community, you get a grant for $100,000 to do a street. That means you do not pass it on to the taxpayers.

Mr. VOUGHT. All of those taxpayers, sir, are federal taxpayers as well, and we have a trillion-dollar deficit that we cannot afford.

Mr. SIRES. I agree with you, and this tax cut does not help.

Mr. VOUGHT. We think it does. We think that it puts more money in the pockets of harder working American people to be able to spend their——

Mr. SIRES. I hate to disagree with you, but——

Mr. VOUGHT.——in their communities.

Mr. SIRES.——it is already hurting New Jersey badly. We are probably one of the states that are hurt the most by these tax cuts.

The other issue that I have problems with is cutting affordable housing money. Have you made any contingency plan once you start cutting these programs that you are going to have more homeless people on the streets?

What are you going to do for those people?

Mr. VOUGHT. Our budget projections, and I appreciate the question because one of the questions that is at the top of my mind every time we write the budget for the Department of Housing and Urban Development is to make sure that we are not causing homelessness. I do not want any of the proposals that we put forward to have that result in any way.

So all of the reforms that you have in here would not lead to additional homelessness, but the reality is that we have housing programs, because they are contingent on local rent rates, which are increasing, that the housing programs are almost acting like a mandatory program in the drain that they have within the discretionary budget.

So we are trying to put forward reforms and update——

Mr. SIRES. Where do veterans fit on this? I mean, we need housing for veterans, and if we cut affordable housing, where do veterans fit in all of this?

Mr. VOUGHT. Again, we do not think that there will be any increase in homelessness as a result of this budget. We have a healthy, ongoing increase of 7.5 percent for the Department Veterans Affairs specifically because we want to ensure that veterans are fully funded.

Mr. SIRES. My time is up. Thank you, Chairman.

Chairman YARMUTH. I thank the gentleman.

I now recognize Mr. Johnson of Ohio for 5 minutes.

Mr. JOHNSON. Thank you, Mr. Chairman.

Acting Director Vought, I really appreciate your being here today to present the President's budget request, and I appreciate that this budget addresses a mounting problem of unsustainable debt that we are facing in our country, especially on the mandatory side of the ledger where about 70 percent of federal spending happens, as well as discretionary policies to right size the government so that it works for all Americans.

I also think the proposal to continue the tax relief provided by the Tax Cuts and Jobs Act is a wise policy, given what we heard from the CBO Director earlier this year, that increasing taxes, which would obviously be a requirement to fund all of the new spending programs that my colleagues on the other side are presenting, that increasing taxes would dampen economic growth, job creation, and wage increases.

So I am glad to see that the budget proposal includes $2 trillion in savings from reforms to mandatory programs. Director Vought, do you agree that mandatory spending is the true driver of our debt?

Mr. VOUGHT. I think it is a definite driver of our debt and our spending problem, certainly structurally in the years ahead, particularly after the 10-year window.

But I would not want there to be an impression that discretionary spending is also not a driver of our national debt. We have 30 percent that is spent on discretionary spending. We have trillion-dollar non-defense budgets every single year.

And I think one of the things that this budget is trying to articulate and prompt a conversation with Congress about is that we often say that we are for getting a handle on mandatory spending, and then we pass $350 billion budget agreements that we cannot afford because we have never grappled with the paradigm between a dollar of non-defense increase for a dollar of defense.

And the problem with that is (a) we think we need to have a debate about all of those non-defense dollars, and we want to find waste, fraud, and abuse as well in defense dollars, and I do not want to let that off the table.

Mr. JOHNSON. But I want to get to the mandatory side of the ledger because we do not work over there. I mean, I get all of the discretionary and defense spending. I get that. But as you mentioned, that is a very small part of what the federal government spends.

And even if we zeroed out all of that, the spending curve is still going in the wrong direction. So, again, would you agree that mandatory spending is the biggest driver of our national debt?

Mr. VOUGHT. It is a very, very large driver of our national debt.

Mr. JOHNSON. How can you say it is not the biggest driver if it is two-thirds of what we are spending?

Mr. VOUGHT. Because I do not want to leave the impression that discretionary spending——

Mr. JOHNSON. I did not say it was not important. I did not say discretionary was not important, but we have got to continue to make the case that mandatory spending is the main driver, and without that, without addressing it, we are never going to get out of this debt crisis we are in.

So could you outline some of the key mandatory spending reforms that are proposed in the budget?

Mr. VOUGHT. Sure. We have proposals to find savings in student loans by consolidating programs and offering one student debt income repayment plan.

We have savings and reforms in welfare, to provide a work requirement in welfare and expand the current work requirement to other programs.

We have savings and reforms to federal retirement benefits to more appropriately align with the private sector.

We have reforms to health care, to reform and continue to repeal and replace Obamacare and find savings in that.

We want to restore a balance in Medicaid, and we offer a state health care block grant that lowers the cost so that we can allow states to target the most directly eligible participants in Medicaid so that Medicaid focuses on those individuals.

So again, we have $1.9 trillion in mandatory savings. I do not want you to come away with the view that we do not think it is absolutely important, but I do want to prompt a debate to suggest that to the extent that we just say mandatory is the problem so we are going to keep increasing discretionary and then when we do these cap deals and the mandatory savings that were at least in the first two rounds and not the third, the mandatory reforms that we are talking about are not the type that are in our budget.

There are things like extending user fees. They are extending laws that were already in place. We do not think that that is actually the types of reforms that allow us to fix the exact problem that you are addressing.

But I do appreciate the question.

Mr. JOHNSON. Okay. All right. Mr. Chairman, I yield back.

Chairman YARMUTH. I thank the gentleman.

I now recognize the gentleman from California, Mr. Peters, for 5 minutes.

Mr. PETERS. Thank you. Thank you, Mr. Chairman.

Thank you, Mr. Vought, for being here.

Your budget assumes long-term growth rates that are a full percentage point above projections by CBO and the federal Reserve and most private forecasters, and it is one thing to wish for economic growth that is 50 percent stronger than everyone else. It is another thing to build your budget based on it.

Now, you have explained the basis for your confidence in your 3 percent projection, but what would the deficit impact be if the economy grew around 2 percent over the long run as most other forecasters believe?

Mr. VOUGHT. Sure. Thanks for the question.

My answer is two parts. Number one, we have had an understanding that has turned out to be true that our economic policies would lead to growth we projected over the first two years of this budget. We were the most accurate Administration in history.

Mr. PETERS. I do not mean to interrupt. I just have a little bit of time. I want to hear your answer, but what would it be if it were 2 percent?

I understand you believe it would——

Mr. VOUGHT. We have not run alternative scenarios because we believe that we are going to be vindicated when it comes to the growth rates that we have assumed in this budget.

In part, part of your question was why do we think that 3 percent——

Mr. PETERS. No, I did not ask that. You addressed that before. I asked what would it be if it was 2 percent, and I think that the problem is that, you know, as your mom taught you, pray for the best, but plan for the worst.

We are pretty exposed if growth comes in at around 2 percent and we have not planned for it.

Let me ask you a question about energy. Your budget cuts energy research and development programs by more than 60 percent, while eliminating tax benefits for businesses and households that invest in renewable energy, energy efficiency, and electric vehicles.

But the Administration's own assessments conducted by independent evaluation experts show that the Department of Energy's clean energy programs have provided at least $7 in benefits for every $1 invested and probably much more compared to what the private sector would have achieved on its own.

We talk about dynamic scoring in the context of tax cuts, but here is an example where we are getting a return on our investment. Why would your budget slash programs that are successfully supporting U.S. innovation, competitiveness, and job creation in emerging clean energy industries that are also protecting the environment and public health?

Mr. VOUGHT. We believe that in a time of trillion-dollar deficits, the resources that the Department of Energy has should be devoted towards basic research that would not otherwise be done by the private sector. It should not be focused on applied research that are the types of activities that the private sector could continue to do.

That said, we fully fund basic R&D. We keep all of the labs open, and we are cognizant of this important activity being funded by the private sector.

Mr. PETERS. I notice your budget proposes larger cuts for renewable energy and energy efficiency than for the well-established and highly profitable fossil fuel industry. Is there a reason for that?

Mr. VOUGHT. There is not a specific reason when we set those budgets.

Mr. PETERS. Do you believe that the fossil fuel extraction industries still need propping up?

Mr. VOUGHT. We have generally taken an approach of all of the above from an energy perspective in this budget. We do have some specific investments.

For instance, we have a new fast test reactor to support the nuclear industry, which is something that many, many experts say is absolutely vital to have a thriving nuclear industry.

Mr. PETERS. I am just referring to the tax support for fossil fuel extraction.

Mr. VOUGHT. Sure. Again, our tax policies are over time trying to align with our view that spending in this case subsidies should be devoted towards basic R&D as opposed to more later stage.

Mr. PETERS. Maybe we will get to equal treatment over time.

With respect to the border, responsible border governance includes protecting migrants and honoring our international obligations for asylum claims. There are thousands of asylum-seeking women, children, and men.

Whatever you think of the law as it is, we need to process those folks. How does the budget increase our capacity to process asylum claims quickly and humanely?

And specifically, are we putting more money into asylum officers and other related personnel? If so, how much?

Mr. VOUGHT. I am happy to get back to you on what we are specifically providing for asylum officers, but it is an absolutely priority of this budget to deal with the emergency on our southern border. We continue to request funding for the humanitarian crisis that we actually found common agreement with this body on, and so——

Mr. PETERS. I would like to hear from that.

I guess the other question I had is you have got 171 Customs and Border Protection officers in the budget designated as Office of Field Operations officers to staff ports of entry. We would like to seek clarity on that as well. We want to make sure that that is——

Mr. VOUGHT. I am happy to provide that, sir.

Mr. PETERS. Finally, any thoughts on the effectiveness of IRS enforcement? Do they need more resources to be more effective and to make sure that everyone is paying their fair share of taxes?

Mr. VOUGHT. We do think that a dollar spent for IRS collection is a dollar well spent, and it is one of the reasons that we have a program integrity cap adjustment in this budget to make sure that IRS gets the necessary resources within this budget, and it actually causes us to be able to generate savings over the life of the 10-year window.

Mr. PETERS. Okay. Thank you.

My time has expired.

Chairman YARMUTH. I thank the gentleman.

I now recognize the gentleman from South Carolina, Mr. Norman for 5 minutes.

Mr. NORMAN. Thank you, Mr. Vought.

I appreciate you coming today and presenting the President's budget.

Let me just make a comment. You know, I think I join most Americans who are tired of hearing big numbers. They are tired of hearing deficits. They know something is not right, and they want it done now.

And while I would have liked to have seen more cuts in this budget, at least it is a start.

And I heard one, in fact it was yesterday, one of the de facto leads, the new leader of the Democratic Party when they asked her how she was going to pay for free medical care, free education. She said, "We just are."

And I have got a solution. Again, I am from the private sector. I am real estate developer. Here is my solution. I would go along with her free medical care. Get the doctors to work for free.

I will go along with the free education. Get the tenured professors to work for free. That solves the whole problem.

And maybe even let Congress work for free, sacrifice our salaries.

That being said, I keep hearing about the wall, you know, the dollars funding for the wall. Will you agree that not having any type of border security is costing this country a dollar amount?

Mr. VOUGHT. Yes, I would.

Mr. NORMAN. Would you entertain maybe $111 billion a year, more or less?

Mr. VOUGHT. We have not done any specific analysis along those lines, but we definitely think that there are savings that over time we would be able to achieve by continuing to invest in our border, and we think it is a very, very important aspect of this budget is to secure the necessary resources along our southwest border.

Mr. NORMAN. So your $8.6 billion, there will be a return on investment, and it is far more even in 12 months than the cost.

Mr. VOUGHT. We believe there will be a return. I would not want to anchor it specifically in a dollar amount.

Mr. NORMAN. The rescission package that most of my friends on the left voted against, which basically took unallocated escrow dollars, is that taken into account in this budget?

Mr. VOUGHT. The rescission bill that we sent up last year?

Mr. NORMAN. Correct.

Mr. VOUGHT. It is. This is one of the ways that we go from the 5 percent cut from the fiscal year 2019 level. We take that down with a 5 percent cut to be in the 560s, and then the rest is to be able to use many of the same rescissions that Congress has used in the past, money that was never going to be spent within Children's Health Insurance Program. Again, this is money that was not going to be spent.

Congress since 2011 has used these CHIMPs, these rescissions to the tune of $58 billion, and yet the minute that we try to use that to actually deal with our deficit or to remove them from the appropriations process so they cannot be used as an offset, somehow we are hurting Families and Children's Health Insurance Program.

So, yes, we do rely on them to get down to the actual cap level, and we think that they will be absolutely no impact on Children's Health Programs.

Mr. NORMAN. What you just said was exactly what Mick Mulvaney said when he mentioned he could not understand why there was any argument over this $15 billion in cuts. The money could not be used even if they wanted to. So this is not a cut.

Let's go over what Mr. Johnson mentioned about you would agree that the biggest cost or, I guess, the biggest factor is mandatory spending.

Mr. VOUGHT. Again, I would agree that it is one of the largest drivers, and I might actually agree that it is the biggest.

But when I say that, I am trying to avoid conceding the fact that we have not dealt with our discretionary problem, and that that in many ways is how you start as a country getting hold of your fiscal challenges, is by identifying the waste and the abuse and the inefficiencies in the votes that members take every single year.

This is the process that is not on autopilot, and so what we are trying to prompt a debate with this Congress is to say, yes, let's talk about mandatory spending. We propose more savings than any President's budget in history, but not at the expense of continuing to increase agencies year-over-year in what they are allowed to spend because, quite frankly, those have a significant impact on the American people.

Mr. NORMAN. Well, I appreciate this effort, and I appreciate you presenting a budget that is at least the first step in this long stairway of getting financially independent and not leaving our children with a $70,000 debt for every man, woman, and child in this country.

And thank you for your efforts. I look forward to working with you further.

And I yield the balance of my time.

Chairman YARMUTH. I thank the gentleman.

I now recognize the gentleman from Texas, Mr. Doggett, for 5 minutes.

Mr. DOGGETT. Thank you.

And thank you for your testimony.

I chair the Subcommittee on Health, and as I review the portions of your budget concerning prescription drugs, you know, I think my main complaint is that the folks who prepared this budget did not listen carefully to President Trump.

You do on page 41 quote him as saying one of his greatest priorities is reducing the cost of prescription drugs, but when it comes to doing anything to achieve that objective, I think your proposal accomplishes as little as his Rose Garden press conferences in the last two years in which the prices of prescription drugs have continued to go up.

President Trump did not campaign on a slogan, "Elect me and the price of prescription drugs will not go up quite as fast as it has been over the last few years." He talked about bringing the cost of prescription prices down.

He said, and he said it very boldly, that we could save billions of dollars by what he called bidding on prescription drugs. Outside estimates are that hundreds of billions of dollars could be saved not only for Medicare beneficiaries, but for the taxpayers on Medicare if we had an effective prescription drug negotiation proposal.

As you know, I have one. I think Mr. Khanna referred to it. One hundred and 20 members of this House have signed onto that proposal.

Whether you like the specifics of it or not, all I want to know is whether the Administration, your office, currently agrees with what President Trump said, that an important part of addressing the cost of prescription drugs is direct Medicare negotiation for the prices of those drugs.

Mr. VOUGHT. Sir, President Trump has not put forward those policies in this——

Mr. DOGGETT. He has not proposed what he advocated as a candidate?

Mr. VOUGHT. This Administration has put forward a number of proposals to lower drug costs. We see many of the same issues that you do.

Mr. DOGGETT. But Medicare prescription drug negotiation is not one of them and are you against it?

Mr. VOUGHT. We currently have not proposed those policies as an Administration, and we want to be——

Mr. DOGGETT. Does not mean you are against it, you are just kind of agnostic on it?

Mr. VOUGHT. I think we want to continue to have a conversation with Congress about——

Mr. DOGGETT. Well, that is good.

Mr. VOUGHT.——all of the proposals that you all have put forward, similar to how we would do on infrastructure. We have an open mind.

Mr. DOGGETT. Well, I want to talk about that next.

Mr. VOUGHT. Sure.

Mr. DOGGETT. Because I have some questions about that as well.

But I want that genuine conversation. Let me ask you a more specific issue. You and all of our colleagues are well aware of the opioid crisis we have in this country. Big Pharma has exploited that crisis by raising the cost by 700 percent of the lifesaving opioid overdose drug Naloxone.

It is a burden that is borne largely by our first responders, by our police, our firefighters, and our EMS, and taxes local taxpayers to provide it.

President Trump's own Opioid Commission recommended that we at least negotiate the price of Naloxone, and last week in the House Oversight hearing, the Office of National Drug Control Policy Director, Jim Carroll, part of your Administration, said he could not agree more with the need to negotiate the prices of Naloxone.

Could you agree we at least ought to do that and help our first responders provide this lifesaving drug at a reasonable price instead of being gouged by Big Pharma?

Mr. VOUGHT. I would defer to the statements of the other members of the Administration that have been more acutely involved in this issue and happy to work with you on lowering the cost of drug prices.

Mr. DOGGETT. Thank you.

Now, you mentioned infrastructure. We have gone now over two years, and all we have now is the same one-page description of the President's plan that we had this time last year.

I say all we have because it actually includes one-third less in resources than you provided in the one-pager last year. You propose in this same budget that you solve the people that are stuck in traffic all over America today by cutting the Department of Transportation budget by 20 percent.

I do not see how cutting the Transportation budget by 20 percent, reducing by a third the amount of resources that you want to provide is going to get people out of the gridlock that we have all over the country today.

We need a bolder infrastructure program, and just like on prescription drugs, we need this Administration to lead. That is the only way our Republican colleagues can be supportive of the revenue needed to deal with our infrastructure problems.

We were told only last week in the Ways and Means Committee that it will take $160 billion over the next 10 years just to keep the third-rate system we have got now. If we are going to upgrade it, we have to have more revenue, more resources to do that.

Finally, with reference to education, I am greatly troubled that at a time when we face a physician shortage, a growing shortage, you propose to eliminate all of the loan forgiveness programs that are available to get those physicians, as well as law enforcement and teachers, into underserved areas.

This is a great step backwards, as are your cuts in student financial assistance. I hope you will reconsider those.

I do hope that our Republican colleagues, because this does so much embody the values of the Trump Administration, will put your entire budget up for a vote. We need an up or down vote on your budget as you proposed it, 100 percent the way it is to see whether they want to go along with these cuts to education, to health care, to Medicare, and not doing enough about prescription drugs.

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

Chairman YARMUTH. I thank you. The gentleman's time has expired.

Would the witness care to respond to any of that? I do not think there was a question in there.

Mr. VOUGHT. Just real briefly on infrastructure spending. It continues to be a major priority of this Administration. We put forward $200 billion, which is the same amount of previous budgets.

From the standpoint of why less detail, I do think it is an important clarification. We are responding to the fact that the further details that you all have soundly not proposed legislation as a result of, you have your own views as to how we could structure an infrastructure package. We want to allow you to do that, and we are very interested in what you all send our way.

Mr. DOGGETT. With all due respect, is that your response to why you cut the Department of Transportation by 20 percent and why you reduced the amount of total resources from $1.5 trillion last year to $1 trillion this year?

Mr. VOUGHT. Yes, just real briefly.

Mr. DOGGETT. It looks like you are going backwards.

Mr. VOUGHT. It is not going backwards, sir. As you know, when the last caps deal was struck and there was a substantial increase in non-defense spending above what we allocated for in our budget, we asked Congress to say use a portion of that non-defense spending to really invest on the discretionary side of the Transportation Department.

It was in some respects a one-time bunt. The Department of Transportation is being set at above the fiscal year 2017 level. So we feel like we are continuing high levels of infrastructure and continue to be committed to it in the years ahead.

Chairman YARMUTH. Okay. The gentleman's time has expired.

I now recognize the gentleman from Oklahoma, Mr. Hern, for 5 minutes.

Mr. HERN. Mr. Vought, I want to thank you for testifying today, and I appreciate your work and this Administration's commitment to lowering our national debt, protecting our nation's borders, and rebuilding our military, the greatest threats to our national sovereignty.

You know, as a reminder to us all here, the federal government has no money. It only has our taxpayers' money, and we are supposed to be good stewards of that, and most out there outside the Beltway would say we have been a terrible steward of the money they have sent us now.

And like a majority of the politicians in Washington, D.C., I have been a small business owner for over 30 years, a job creator, on the other side of the legislation and the laws that we passed, and it is refreshing to see an Administration operating its budget as efficiently as a business.

As I know and as the President knows, in business there are three things to consider when evaluating a budget. Either there is a revenue problem, a spending problem, or both.

As a small business owner, my businesses never had an open checkbook. We had to make a budget, just like a house. We could not spend more than we bring in. When a business person needs to raise revenue, he or she has three options. They can raise prices, which result in the customers going to a competitor to get a better deal; increase sales, meaning your existing customers buying more of your product; or increase your customer base, meaning you get more new customers coming through the door.

Similarly, when the government needs to raise revenues, it can raise taxes, which will discourage innovation, entrepreneurship, and economic activity, or stimulate the economy by cutting taxes. We see this working with the Tax Cuts and Jobs Act with companies giving out large bonuses, benefits, increases, and raises. Or increase the number of people working by deregulating businesses.

When the government gets out of the way it allows for businesses to grow and hire, which result in a larger taxpayer base, which again, we have seen this in the Trump Administration's enacting this basic principle, and it is working terrifically. In fact, I think you call it MAGAnomics.

My questions to you are some critics contend that your economic forecast is overly optimistic. Nevertheless, is your forecast not, which sees real economic growth averaging 2.9 percent a year, in line with the long-term average historical growth rate of GDP here in the United States, roughly 3 percent?

Mr. VOUGHT. I have never done the math that way, but I will trust your facts.

Mr. HERN. Okay. I always like that.

Regarding work requirements, does the President agree that the aim of government assistance programs should be to move as many people as possible off public assistance and into self-sufficiency?

Mr. VOUGHT. We do. We want to ensure that we maintain a social safety net that is important to provide the basic necessities, but we do not want that to be the permanent situation for families

across this country. We want to move families and individuals to self-sufficiency.

It is one of the reasons that we believe that welfare reform is so important. It is one of the reasons why we believe that work is so important. Even though we do provide certain hardship exemptions, we know that there are some exceptions that are needing to be provided, but we want to be able to increase human dignity by encouraging people to work and getting them to self-sufficiency and off of federal programs.

Mr. HERN. I appreciate the President's wanting to help those who need help, but those who can help themselves need to find a job. There are plenty of jobs out there. In fact, after the tax reform plan was enacted, many economists boosted their forecast of U.S. economic growth over the next year. CBO projected the Tax Cuts and Jobs Act will create approximately 1 million jobs over the next decade.

How much do you think the tax reform has boosted the economy's growth potential?

Mr. VOUGHT. Well, we think that the tax cuts are one of the major aspects of our economic program, and we think of the economic program as holistically. We think that it will lead to 3 percent economic growth in the years ahead, which if you really unpack that, what is going on there? What separates the difference between our numbers and, say, CBO's numbers?

And it is because we are assuming that businesses will invest in capital formulation. We look at the fact that non-residential fixed income has increased by 7 percent. What does that look like? That is businesses investing in their companies and expanding it, leading to additional jobs.

And that is why there are long-term implications. This is not just some juicing of the economy. This is long, structural change to our economic growth that will pay dividends for decades.

Mr. HERN. Thank you, Mr. Vought.

I would like to also point out that under the Trump Administration we have seen unprecedented job creation with unemployment at 50-year lows across all sectors, with record low unemployment of minority and women.

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

Chairman YARMUTH. I thank the gentleman.

I now recognize the gentleman from Virginia, Mr. Scott, for 5 minutes.

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. Director, do I understand you to say that the tax cuts are going to pay for themselves?

Mr. VOUGHT. The economic program of which the tax cuts is a major part, yes, we believe will pay for themselves.

Mr. SCOTT. Okay. When you talk about tax cuts, do some tax cuts create better economic stimulation than others?

Mr. VOUGHT. We do think that tax policies do not come in the ability to impact economic growth, but we do think that the policies that were contained in——

Mr. SCOTT. And the ones that simulate the best are those aimed at the low and moderate income ranges and the least effective are corporate and high income tax cuts; is that right?

Mr. VOUGHT. No, we would not say that. We would say that the policies that are included in the tax cuts that the President signed——

Mr. SCOTT. You would not say that tax cuts aimed at low and moderate income simulate the economy better than those for corporations and the high income?

Mr. VOUGHT. From the standpoint of economic growth, no, I would not rank those higher in terms of their ability to provide long-term economic growth. I would say that the policies that were included are all important for various economic reasons.

Mr. SCOTT. Thank you.

One former member said he had never been here with a balanced budget. You can see that I have been here when we had a balanced budget. In fact, there is a pattern on that. If you look at the blue areas, each blue President going back to President Carter had a better deficit than he started, and every red President going back to Nixon ended up worse than they started. Is that true?

Mr. VOUGHT. I note your chart. I also note that President Clinton benefitted from a Republican Congress that was committed to balancing the budget.

Mr. SCOTT. And he had to shut down the government to stop them from messing up his budget. So do not give them any credit for going into surplus.

In fact, when Bush came in, can you tell me what happened during the Bush Administration with the Republican Congress that messed up the budget?

Mr. VOUGHT. It did lead to an increase in the deficit.

Mr. SCOTT. That is right. What did they do to accomplish that feat?

Mr. VOUGHT. We are not here to say that spending control has not been a bipartisan problem. We are saying the exact opposite.

Mr. SCOTT. Wait a minute. We already established that under Democratic Presidents against that under Republican Presidents, it goes worse.

Under the education budget, it has been pointed out that you cut the Education Department by how much? About 12 percent; is that right?

Mr. VOUGHT. We contributed another $50 billion to education. So we think that more than offsets the 12 percent reduction that you note in terms of Department of Education.

Mr. SCOTT. Okay. And is it $5 billion a year, the Choice Program?

Mr. VOUGHT. It is.

Mr. SCOTT. Fifty billion over 10 years. How do you limit it to $5 billion?

Where do we get some details on the program?

Mr. VOUGHT. We are happy to provide additional details from the Department of Education. It is an amount of money that we felt that we could justify in the current deficit.

Mr. SCOTT. And the details, how do you limit it?

On April 15th, when people file their taxes, how do you know it is going to only be $5 billion?

Mr. VOUGHT. Treasury will be providing guidance. If you all see fit to enact it into law, states will have quite a bit of discretion to

design their programs. Their discretion would be based on Treasury rules that——

Mr. SCOTT. So this thing would have to get through Congress before——

Mr. VOUGHT. Absolutely.

Mr. SCOTT.——you could, and you do not have any details yet.

On the student loan crisis, what do you do to help students pay off their student loans? So I understand you cut student loan assistance by over $200 billion.

Mr. VOUGHT. We find savings in the student loan programs, but we feel like we have put forward a proposal that will——

Mr. SCOTT. Savings like eliminating the public service loan forgiveness program, subsidized loans, and payments for account maintenance fees?

Mr. VOUGHT. We consolidate programs to be able to offer one student income-driven repayment plan that we think will provide certainty and allow anyone that is receiving a payment now to be eligible under that.

And we think it will be certainty and very generous. After 15 years, you can walk away from your debt, and for a graduate student, after 30 years you can walk away from your debt.

Mr. SCOTT. And how does that change present law?

Mr. VOUGHT. It consolidates. It puts forward a new proposal to do that.

Mr. SCOTT. Does your budget recognize the pending multi-employer pension fund crisis?

Mr. VOUGHT. We do. We put forward premium increases to be able to further——

Mr. SCOTT. Premium increases are not going to deal with the hundreds of billions of dollars we are going to be on the hook for if these plans go broke.

Do you have a plan to address the multi-employer pension fund crisis?

We have had studies at our last hearing on the Education Committee that showed that there will be hundreds of billions of dollars in adverse impact on the federal budget.

These things go broke because pensioners will not be paying as much tax. They are going to be more likely to use food stamps and Medicaid, and it will have an impact of hundreds of billions of dollars if we do not do something.

Is there a proposal to do something?

Mr. VOUGHT. It is not the proposal that we might agree on, but there is a proposal to address this. We definitely see an issue.

Mr. SCOTT. Do you agree or recognize the adverse impact that doing nothing will have?

Mr. VOUGHT. Absolutely. We do not want that to happen.

Mr. SCOTT. Is that in the budget?

Mr. VOUGHT. We have a proposal that is in the budget to increase premiums to deal with some of these pension crises.

Mr. SCOTT. And that is it?

Chairman YARMUTH. The gentleman's time has expired.

Thank you.

And I now recognize Mr. Meuser of Pennsylvania for 5 minutes.

Mr. MEUSER. Thank you, Mr. Chairman.

Director Vought, thank you for coming before the Committee today.

In the fiscal year 2020 budget, your office has outlined a plan to invest in important programs that are central to many Americans, while also reducing our discretionary spending and reducing the growth of mandatory spending.

I am concerned about our nation's rising debt, and I do appreciate the fact that the President is putting us on a plan that moves us toward fiscal responsibility, decreasing spending on non-defense discretionary programs by 5 percent next year, as well as reducing mandatory spending growth through reforms targeted at waste, fraud, and abuse and lowering drug prices, and as well as welfare reform.

Our federal revenue growth projected for 2020 is 4.9 percent. Does that number ring true with you?

Mr. VOUGHT. Yes.

Mr. MEUSER. Four, point, nine percent?

Most states in our country would love to have that sort of revenue growth. That only ones that probably have it would occur after a sizable tax increase.

Four, point, nine percent revenue growth is very strong. Of course, our problem is that our spending levels are quite a bit higher than that.

Would you say that it is accurate that during the previous Administration, President Obama presidency, that our national debt went from $9.5 trillion to $19.5 trillion in an eight-year period?

Mr. VOUGHT. It sounds about right.

Mr. MEUSER. It sounds about right.

Can you quantify the general impact of the Affordable Care Act on our current mandatory spending levels? I think it is roughly—well, why do you not answer first please?

Mr. VOUGHT. Sure. It is a sizable aspect of our mandatory programs. Health care expenditures in general from Medicare to Medicaid to the Affordable Care Act's expansions of Medicaid and their exchange premiums collectively absorb a very large portion of the mandatory side.

Mr. MEUSER. Right. And in spite of there being various taxes that went along with the Affordable Care Act, would it be fair to say that our current deficit has approximately $300 billion to $400 billion in it due to the Affordable Care Act increasing the debt by as much as $300 billion to $400 billion in 2020?

Mr. VOUGHT. I have not looked at those numbers recently, but I take your word for it.

Mr. MEUSER. My colleagues on the other side of the dais argue that this year's projected deficit is grown by the enactment of the 2017 Tax Cuts and Jobs Act. My understanding is that this does add to the deficit, but approximately $150 billion. Is that about accurate?

Mr. VOUGHT. The Affordable Care Act certainly did not help us from a federal spending trajectory. I would certainly agree with that.

Mr. MEUSER. Right. Okay. But the tax cuts, the deficit, current deficit, the tax cuts have attributed to approximately in current

year or in the next fiscal year about $150 billion, closing rapidly, but $150 billion?

Mr. VOUGHT. Yes, that is about right.

Mr. MEUSER. Okay. And then since the enactment of the tax cut bill, we have had 3 million private sector jobs created. What would you say the estimate of these jobs would be? Would you say that perhaps two-thirds or better have received employer-based health care?

Mr. VOUGHT. That would be my assumption. You have 5 million new jobs that have been created since this Administration took office. Many of these, given the fact that we have employer-provided health care in this country, would receive incredible health care as a result.

And I would certainly think that that is an intuitive assumption from that.

Mr. MEUSER. So, you know, just doing some easy math on that, that would add up, taking people not just off of the unemployment rolls, but also providing them health care. I mean, that can add up to 50 or $60 billion right there.

Mr. VOUGHT. Perhaps.

Mr. MEUSER. Okay. So, one last question. In your modeling for our economic growth, and I suppose the answer to this is no because I do not think you engage in too much dynamic using current law, but have the plans for opening up trade worldwide, the President's goal of reciprocal trade, lowering tariffs with the goal of getting to zero percent tariffs, is that worked into your economic formula at all?

Mr. VOUGHT. They are. It is one of the reasons that I categorize our economic policies as a whole when I talk about the revenues that are generated. So, we include the tax cuts impact. We include better trade agreements. We actually include infrastructure spending, which we do think has an impact on economic growth, to one of the questions that I received.

We will have to wait until the Council of Economic Advisors' report coming up in the next few weeks as to be able to provide more details on the breakdown amongst all of those different categories, but it is an ongoing story that we intend to tell.

Mr. MEUSER. Thank you, Mr. Chairman.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from Michigan, Mr. Kildee for 5 minutes.

Mr. KILDEE. Thank you, Mr. Chairman.

Thank you, Mr. Vought, for being here.

I have a couple things that I want to try to cover, but I want to follow up on a statement that you made not that long ago regarding a program that I am quite familiar with, having spent 25 years in local government, and that is the community development block grant program.

And I want to make sure I got this right. I think I heard you say that it is your analysis or the analysis of the Administration that the community development block grant program has demonstrated no economic value. Is that accurate? Is that an accurate statement of your views?

Mr. VOUGHT. It is that we think that the program has been effective from the standpoint of federal taxpayers. We understand that it will certainly offset costs that states and localities would have to——

Mr. KILDEE. Is that the reason that Democrats and Republicans have come together to fund CDBG, just to offset local government costs, or is there something greater than that?

In other words, has it been traditionally a legitimate public investment that has a return to the federal government?

Mr. VOUGHT. We would disagree as to whether the return to the federal government has been worth the cost, but I am certainly open to——

Mr. KILDEE. Do you think that federal government benefits, for example, when there is a reduction in crime in a community? Is that a public value that the government has a stake in?

Mr. VOUGHT. Certainly, but we would not say that the CDBG program is the only way to reduce crime.

Mr. KILDEE. So on what analysis, on what basis have you come to the conclusion that the CDBG program does not contribute to a reduction in crime?

I mean, do you have, for example, any published, peer reviewed studies that demonstrate that the CDBG program does not deliver economic value to the federal government?

Mr. VOUGHT. We do not have——

Mr. KILDEE. And even specifically on the issue of reduction in crime or any other subject, any other category?

Mr. VOUGHT. We believe it is important to reduce crime. We believe that is something that we adequately fund as Department of Justice resources.

Mr. KILDEE. So you think crime is adequately funded; fighting crime in this country is adequately funded?

We do not need to do anything else to help communities create infrastructure that reduces crime. Let me just give you an example because this is a very sore subject for me, having spent a lot of time working in communities across the country and in my own hometown to deal with blight and abandoned property and seeing the impact it has.

I have here a published, peer reviewed study from the Journal of Criminal Justice that points out that the eligible activities in CDBG, which include demolition of vacant and abandoned properties, has a positive impact on violent crime. And it is just one of many studies that I would cite.

In fact, if I could ask unanimous consent to have this study included in the record of the Committee, I would certainly appreciate that.

Chairman YARMUTH. Without objection.

[The information follows:]

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Exploring the impact of 9398 demolitions on neighborhood-level crime in Detroit, Michigan

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ABSTRACT

The intersection of neighborhood-level processes and crime has received a wealth of attention in the criminological literature over the last century. In line with this tradition, the current study focuses its attention to one of the more recent, and woefully under-explored, policy phenomena embraced by a growing number of cities throughout the United States: demolitions. From 2010 to 2014, the city of Detroit successfully completed a total of 9398 demolitions, making it the nation's leader in the demolitions experiment. Focusing specifically on crime at the block-group level, we examine the association between demolitions and changes in four crime types (i.e. total crime, violent crime, drug crime, and property crime) by calling upon a set of publicly available geo-spatial crime and demolition data. We find that demolitions have a statistically and substantively meaningful negative relationship with total crime, violent crime, and property crime in 2014, net of controls for prior crime and structural covariates. Supplemental analyses also indicate that reductions in crime from 2009 to 2014 were greatest among block-groups that experienced the greatest number of demolitions. We conclude with a discussion of the theoretical and policy implications of demolitions as a potentially valuable crime reduction strategy.

1. Introduction

A sizable criminological corpus, dating back to the early 1900s, charges that neighborhood stability influences criminal opportunities (Shaw & McKay, 1942). Indeed, seminal works in criminology and criminal justice highlight the importance of neighborhoods' social and physical environments' roles in explaining crime and criminality (Cohen & Felson, 1979; Jeffery, 1977; Newman, 1972; Shaw & McKay, 1942; Skogan, 1990; Wilson & Kelling, 1982). Even theories that have a geographical orientation, such as social disorganization, primarily focus on the social ecology of criminogenic areas. Thus, while Shaw and McKay (1942) paid limited consideration to neighborhoods' physical features through their descriptive characterizations of the five zones, they ultimately studied the social environments, not physical environments (Jeffery, 1977). The most recent housing crisis in the United States has led to a relatively new line of research exploring whether home foreclosures and vacancies affect neighborhood-level crime.

Despite advances in our understanding of the effects of distressed-properties on community-level crime, one related area remains underdeveloped (see Whitaker 2011). Specifically, there is a significant gap in knowledge as it relates to a byproduct of foreclosure and vacancy: property demolition. Although municipalities rely on many innovative solutions to deal with distressed properties (Accordino & Johnson, 2000), several cities, such as, Baltimore, Cleveland, and Chicago have implemented aggressive demolition programs to remove vacant and blighted structures. Surprisingly, few empirical studies have explored if these campaigns have had any appreciable impact on crime. The current study explores the impact of a citywide mass demolition program on neighborhood-level crime in Detroit, Michigan. Drawing upon demolition and crime data collected and maintained by the City of Detroit, we assess 1) whether demolitions are associated with crime in Detroit at the block-group level and 2) whether change in crime from 2009 to 2014 varies by magnitude of demolition exposure. Our results suggest that, net of relevant controls of prior crime and structural characteristics, demolitions are, on average, associated with lower total crime, violent crime, and property crime, but not drug crime. Further, supplemental analyses show that reductions in crime from 2009 to 2014 are greatest among block-groups that experienced the most

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demolitions. In the end, our findings contribute to the nascent literature on the effects of demolitions on crime by highlighting the impact of *concentrated* demolitions within neighborhood block groups.

2. Literature review

Understanding how the social and physical environments of neighborhoods influence crime and criminality has been the focus of much criminological research. Attention to foreclosure processes emerged in the late 2000s, as the United States faced a housing crisis of epic proportion (Crump et al., 2008), and for good reason: many homes that enter the foreclosure process become vacant for some period of time (Whitaker, 2011). For this reason, we view the foreclosure process and subsequent vacancies as antecedents to demolitions, and maintain that each phase of this process has serious implications for neighborhood well-being.

Research has implicated real estate foreclosures as meaningfully contributing to neighborhood-level crime and disorder. Specifically, Teasdale, Clark, and Hinkle (2012) reported subprime lending foreclosures were associated with significant increases in five types of crime/disorder in Akron, Ohio. Similarly, Stuckey, Ottensmann, and Payton (2012) found that foreclosures in Indianapolis, Indiana contributed to an escalation in crime between 2003 and 2008. Interestingly, research using a longitudinal analysis focused on Glendale, Arizona concluded that the effect of foreclosures on crime, while significant, is temporary. Specifically, the authors reported that increased foreclosures were associated with significant increases in crime, but crime rates typically regressed to their normal level within three to four months depending on crime type (Katz, Wallace, & Hedberg, 2013). Others have suggested the foreclosure process does not, in and of itself, lead to crime. Rather, upticks in crime follow periods of vacancy (Cui & Walsh, 2015), or as Immergluck and Smith (2006, p. 854) more pointedly lamented, "… it is through longer-term vacancy and abandonment that foreclosures affect neighborhood crime."

Indeed, there is ample research suggesting abandoned properties are hazardous to community-wellbeing. These properties are characterized as "crime attractors" (Brantingham & Brantingham, 1995; Shane, 2012) because they serve as "criminal hangouts" (Boessen & Hipp, 2015; Sherman, 1993), and invite certain types of crime (e.g., metal scraping, house stripping, urban mining, illegal dumping, squatting, trespassing, vandalism; Shane, 2012). In layperson's terms, Holmberg (1998, D1) wrote that, "crooks, killers and losers tend to infest areas with dead buildings, like maggots on a carcass." Empirically speaking, vacant houses have been found to significantly influence burglary, drug crimes, larceny, vehicle theft, as well as aggravated assaults, robberies, and homicides (Boessen & Hipp, 2015; Jones & Pridemore, 2016; Raleigh & Galster, 2015). Vacant dwellings not only lead to increased crime, they also affect property values, as well as municipalities' budgets and tax revenue (Joint Center for Housing Studies, 2013). As such, many cities that have experienced a disproportionate number of vacancies have implemented demolition plans to address the problem, often times with aide from the federal government (Hackworth, 2016).

In comparison to the foreclosure and vacant properties literature, the demolition literature is underdeveloped. This is largely a product of the recency of cities' demolition programs. The nascent literate suggests demolishing blighted structures produces a crime reduction benefit, although findings vary based on city and unit of analysis. For example, Wheeler, Kim, and Phillips (2018) reported that when measured from the microplace (i.e., the demolished structure) demolitions in Buffalo, New York produced a significant reduction in part 1 violent and non-violent crimes, and the impact was diffused up to 1000 ft from the demolition site. However, when they aggregated demolitions to the census tract level, demolitions did not significantly impact crime. Conversely, in Saginaw, Michigan a block group level analysis suggested demolitions were responsible for a significant reduction in violent and property crime (Stacy, 2018). Moreover, in their assessment of the federal Neighborhood Stabilization Program, Spader, Schuetz, and Cortes (2016) found that demolitions reduced theft and burglary in Cleveland, OH (within 250 ft of the demolition), but produced no such effect in Chicago, Illinois. While these early studies report mostly positive findings, it is difficult to know the true impact of demolitions on crime because there are too few studies available to judge with any degree of certainty.

2.1. The case of Detroit

Detroit's landscape has been shaped by waves of abandonment that began in the 1950s, and the consequences of decades' long outward migration reached a critical point in 2010. By this time, 22% (79000) of Detroit's structures were abandoned (Mallach, 2012), and the number steadily increased in the aftermath of the nation's foreclosure crisis. By the time Detroit filed for bankruptcy in 2013, there were 85,000 abandoned structures (Farley, 2015). The city has long been attempting to cope with this abandonment, implementing foreclosure reform (in 1999), launching vacant property auctions and, more recently, adopting a controversial land bank program,[1] but it has not staved off the blight characterizing many city blocks.

While other rust-belt "legacy" cities have experienced similar patterns of population flight, and felt the pronounced effects of the mortgage crisis on home values, none were faced with a vacancy crisis of Detroit's scale. As a result, Detroit has become leader in removing vacant structures quickly and efficiently. In order to achieve a meaningful pace of demolition, Detroit reformed its demolition guidelines, streamlining the process and reducing the amount "red-tape" authorities had to navigate (Mallach, 2012). At the start of the program, the bulk of the abandoned structures were already foreclosed upon and thus under the ownership of either the county or the Detroit Land Bank Authority, enabling the city to accelerate its demolition process. In 2014 alone, the first year of Mayor Mike Duggan's, the city demolished 3739 structures—239 more than Buffalo, New York's blight removal program demolished in its five-year program (Dynamo Metrics, 2015; Yin & Silverman, 2015). Buffalo's demolition process, however, is lengthier and requires more resources. Buffalo's demolitions are among the most expensive in the country, costing the program an average of $19,000 per structure (Mallach, 2012). In comparison, Detroit's demolition process costs an average of $12,616 (Kurth, 2017).

Many cities, like Detroit, have launched blight removal programs. For example, St. Louis, Missouri launched a $13.5 million demolition program in 2017, aiming to demolish 1000 structures within its first year. Similarly, in 2016 Baltimore, Maryland launched Project C.O.R.E. to demolish "as many city blocks of blight as possible," using $93.5 million local and state funds. Buffalo, New York's "5-in-5" program (aiming to demolish 5000 structures in 5 years) from 2007 to 2012 was budgeted for $100 million, $15 million of which were Hardest Hit Fund dollars. By comparison, Detroit's program has been awarded $258 million from the Hardest Hit Fund to date (Thibodeau, 2016), making it the largest and most impactful program in the country with over 16,500 structures demolished since 2010. This assessment of Detroit's demolition program will be the most comprehensive study to date.

3. Data & methods

This study relies on crime, demolitions, and neighborhood characteristics data from Detroit, Michigan to examine the impact of the nation's largest demolitions program on crime at the block-group level. In general, it aims to assess whether the over 9000 demolitions completed from 2010 to 2014 were associated with discernible reductions

[1] The Detroit Land Bank Authority is a tax-payer funded office that has been under investigation by various levels of government for "fraud, bid-rigging, environmental violations, and mismanagement" (Neavling, 2017).

in neighborhood crime. More specifically, it focuses on whether demolitions were related with changes in total crime, violent crime, drug crime, and property-based crime in Detroit across that span. The following section offers detailed descriptions of the data used to execute the current study and the measures that were derived from them. These data form four specific categories: address-level crime data, address-level demolition data, and block-group structural characteristics.

3.1. Address-level crime data

The city of Detroit, like many other urban cities throughout the U.S., has increasingly prioritized data transparency in recent years, successfully launching its Open Data Portal in 2015. One body of data included in those efforts is crime data from the Detroit Police Department, which includes all reported crime events dating back to January 1st of 2009. The crime data made available through the portal exist for each reported incident and offer a wide-array of information, including, but not limited to, slight offset geographic coordinates (i.e. the address field is anonymized by replacing the last two digits of an address with "00") that allow for reported crime incidents to be matched with "place" up to the block-group level. Given the current study's focus on whether, and to what extent, demolitions are associated with crime in 2014, net of controls for crime in 2009 and structural factors, ArcGIS 10.6 was used to match singular crime events to Detroit's 879 block-groups to create annual crime counts across four categories of crime.

Following our main models, which examine the influence of total number of demolitions on four crime types in 2014, we perform supplemental analyses to assess *change in crime* (i.e. 2009 crime counts – 2014 crime counts) across block-groups using a categorical variable that captures magnitude of demolition exposure. The supplemental analyses serve as sensitivity analyses and allow us to contextualize whether there is a dose-response relationship between demolitions and crime. Importantly, change in crime from 2009 to 2014 was selected for our supplemental analyses because 2009 represents the most proximate year-period in which demolitions were not happening with any meaningful regularity. We believe the multi-model approach allows for the most rigorous assessment of the demolitions-crime relationship.

3.2. Address-level demolition data

The Detroit Open Data Portal has also prioritized up-to-date detailed information on successfully completed demolitions throughout the city. It was preceded in those efforts by Data Driven Detroit, which collected demolitions data from 2010 to 2013. Using data from these two sources, the current study focuses specifically on demolitions happening from 2010 to 2014, the first five years of the city's ramped up efforts to seriously address the blight affecting roughly 80,000 structures. Notably, the city was not earnestly addressing blight issues via demolition before 2010. In fact, only 217 demolitions were successfully completed in 2009, which falls in stark contrast to the nearly 1300 demolitions that completed in 2010 — which, as Fig. 1 highlights, is an annual figure that has only continued to increase.

Similar to this study's dependent variables, ArcGIS 10.6 was employed to match demolitions to the block-groups in which they were completed. Similar to recent work by Wheeler et al. (2018), we constructed a count of demolitions for all block-groups, which ranged from a low of 0 to a high of 160. For descriptive and supplemental analyses, we developed a five-group categorical variable that includes the following demolitions classifications: no demolitions, low demolitions (n = 1–5), moderate demolitions (n = 6–10), high demolitions (n = 11–20), and very high demolitions (n = 21–160) (Fig. 2).

3.3. Block-group structural characteristics

Given the current study's focus on changes in neighborhood-level crime, it is necessary to include measures of relevant socio-demographic and socio-economic factors that are established predictors of crime. As such, 2010 Census estimates of the following characteristics of each block-group are included in this study: population density (i.e., population/square-mile), median age, percent of households living in poverty, percent female-headed households with children younger than 18 years, number of housing units, and number of vacant units.

4. Results

4.1. Descriptive statistics

Table 1 reports descriptive statistics for four outcome variables, a set of three unique demolition variables that capture both the presence and magnitude of demolitions, and a series of six Census variables that effectively measure the structural characteristics of block-groups. In 2014, Detroit's block-groups experienced an average of 153.74 (SD = 99.77) total crimes, 36.49 (SD = 36.49) violent crimes, 3.68 (SD = 4.08) drug crimes, and 60.98 (SD = 46.69) property crimes. Table 1 also shows averages for those four crimes in 2009, which were all greater in 2009 than they were in 2014.

Also shown in Table 1, the vast majority of Detroit's block-groups experienced at least one demolition from 2010 to 2014, with the average number of demolitions resting at 10.69 (SD = 14.78). The experience of demolition, even at this particularly small unit of analysis, was much closer to the rule than the exception for neighborhoods throughout the city. Interestingly, in one of the few studies on this subject, Wheeler et al. (2018) modeled the impact of 2035 demolitions on crime in Buffalo, New York from January 2010 to October 2015. Buffalo's exposure to demolitions, while notable for most other cities in the U.S., pales in comparison to the over 9000 demolitions that were completed in Detroit during a similar, though even shorter, period of time.[2] Our five-category variable capturing the magnitude of demolition exposure shows that while only 16% of Detroit's block-groups experienced no demolitions from 2010 to 2014, 34% experienced one to five demolitions, 15% experienced six to 10 demolitions, 18% experienced 11 to 20 demolitions, and 17% experienced at least 21 demolitions.

Given the linear nature of the four dependent variables and measures of block-group structural characteristics, a series of t-tests were performed to test for differences across block-groups based on demolition exposure. These tests revealed both statistically and substantively meaningful differences across two of four crime types in 2014, three of four crime types in 2009, and five of six block-group structural characteristics (see Table 2). Interestingly, while count of total crime in 2009 was statistically greater ($p < .05$, t-value = −2.45) among block-groups that experienced demolition from 2010 to 2014 (mean = 209.92, SD = 150.31) than those that did not (mean = 176.97, SD = 105.23), such differences were no longer seen in 2014 counts of all crime. The same pattern existed for count of violent crimes by demolition exposure in 2009, when statistical differences existed, and 2014, when no differences were evident. Lastly, while there was no difference in count of property crime in 2009 based on demolition exposure, statistical differences emerged in 2014 ($p < .05$, t-value = 2.16) where counts of property crime became lower among block-groups that experienced demolition (mean = 59.47, SD = 48.85) than block-groups that did not (mean = 68.83, SD = 31.58).

Similar to crime, t-tests also revealed sizable differences across structural characteristics based on demolition exposure. For the 137 block-groups that did not experience a single demolition from 2010 to 2014, their average population/square-mile, median age, and number of housing units were significantly higher than the 742 block-groups

[2] Importantly, because there are differences in the populations of Buffalo and Detroit, these differences exist on a per capita basis as well.

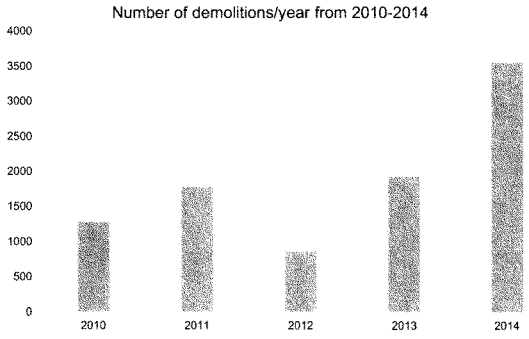


Fig. 1. Total number of demolitions in Detroit per year from 2010 to 2014.

that did experience demolition. On the contrary, block-groups that experienced at least one demolition had a larger share of households living below the poverty line and a greater number of vacant housing units than block-groups that had no demolitions. There were no differences in the percentage of female-headed households with children under the age of 18 based on demolition exposure.

4.2. Multivariate analyses

A set of four negative binomial models were performed to examine the relationship between the number of demolitions that occurred from 2010 to 2014 and crime in 2014 at the block-group level, net of controls for crime in 2009 (the year preceding Detroit's demolition efforts) and potential structural influences. Negative binomial models were the selected analytic technique because of the over-dispersed nature of our outcome variables. Because negative binomial models in Stata do not allow for post-estimation assessment of multicollinearity, we ran an ordinary least squares model after each of our four models to effectively examine VIF scores. All VIF scores were under 3 and thus well within a healthy range.

Model 1 in Table 3 specifically describes the relationship between the number of demolitions between 2010 and 2014 and total crime in 2014. Net of controls, this model demonstrates that there is a robust relationship between demolitions completed during that span and levels of crime across block-groups. Specifically, the Incidence Rate Ratio for count of demolitions in the total crime model is 0.997 ($p < .001$, SE = 0.001), meaning that for every demolition, there was a consequent 0.3% reduction in crime. In other words, for roughly every three demolitions completed from 2010 to 2014, block-groups experienced an average reduction in crime of almost 1%. Considering that the average block-group in this study experienced about 10.7 demolitions during that span, the average reduction in count of all crimes attributable to demolitions was approximately 3%. Over 35% of block-groups experienced more than 10 demolitions, which indicates that those

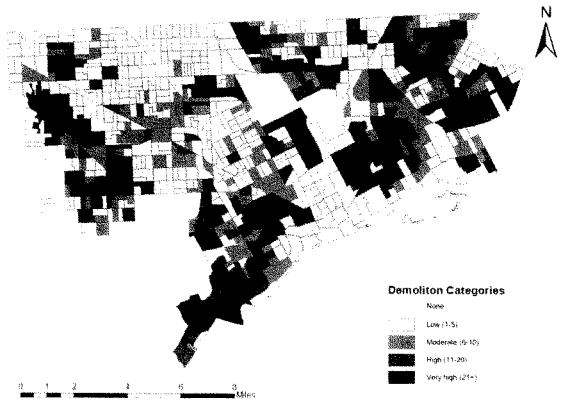


Fig. 2. Block group classifications based on frequency of demolitions.

Table 1
Descriptive statistics across block-groups (N = 879).

	Mean	SD
Crime		
Count of all crime (2014)	153.74	99.77
Count of violent crime (2014)	36.49	19.44
Count of drug crime (2014)	3.68	4.08
Count of property crime (2014)	60.93	46.69
Count of all crime (2009)	204.79	144.66
Count of violent crime (2009)	44.16	23.96
Count of drug crime (2009)	5.75	5.93
Count of property crime (2009)	86.58	63.79
Demolitions		
Experienced at least 1 demolition	0.84	-
Number of demolitions	10.69	14.78
Demolitions-No demolitions (ref)	0.16	-
Demolitions-Low (1–5)	0.34	-
Demolitions-Moderate (6–10)	0.15	-
Demolitions-High (11 – 20)	0.18	-
Demolitions-Very high (21 +)	0.17	-
Structural characteristics		
Population/square-mile in 2010	6542.33	2973.55
Median Age	35.28	6.51
Percent below poverty-line	0.41	0.18
Percent female-headed households	0.60	0.33
Number of housing units	397.24	190.66
Number of vacant units	90.70	60.71

block-groups were likely to have an average reduction in total crime counts that was even greater.

Similar to the total crime model, demolitions were associated with reductions in counts of both violent crime and property crime at the block-group level in 2014. In both cases, the Incident Rate Ratio was again 0.997, which equates to a one-third of a percent reduction in violent crime ($p < .05$, SE 0.001) and property crime ($p < .05$, SE = 0.001) for every demolition. While the Incident Rate Ratio of demolitions is consistent across these two crime types, considering the 2014 counts of violent crime (mean = 36.49) and property crime (mean = 60.93) demonstrates that demolitions from 2010 to 2014 contributed to a larger reduction in number of property crimes than violent crimes. Finally, contrary to 2014 counts of all crime, violent crime, and property crime, demolitions appear to have no statistically discernable relationship with counts of drug crimes in 2014, although the measure was approaching significance in the model (Table 4).

4.3. Supplemental analyses

A supplementary set of four OLS models were estimated to further specify the relationship between demolitions and crime in Detroit. Specifically, the supplementary models examine a secondary outcome, *change in crime* from 2009 to 2014, using a categorical measure of demolition exposure ranging from 1 (None) to 5 (Very high). Employing an alternative analytic technique and measure of demolitions helps

Table 2
Between-group differences across block-groups by demolition exposure.

Crime	No demolitions (n = 137)		*	t-value	Demolitions (n = 742)	
	Mean	Std. Dev			Mean	Std. Dev
Count of all crime (2014)	158.06	78.45		0.55	152.94	103.25
Count of violent crime (2014)	34.34	16.69		−1.41	36.89	19.89
Count of drug crime (2014)	2.42	3.57	**	−3.98	3.92	4.13
Count of property crime (2014)	68.83	31.58	*	2.16	59.47	48.85
Count of all crime (2009)	176.97	105.23	*	−2.45	209.92	150.31
Count of violent crime (2009)	35.56	20.36	**	−4.62	45.75	24.24
Count of drug crime (2009)	3.19	5.51	**	−5.57	6.22	5.88
Count of property crime (2009)	83.02	43.94		−0.71	87.23	66.81
Structural characteristics						
Population/square-mile in 2010	7289.71	2956.78	**	3.21	6404.34	2960.03
Median age	38.85	7.42	**	7.17	34.62	6.11
Percent below poverty-line	0.34	0.19	**	−4.97	0.42	0.17
Percent female-headed households	0.60	0.32		0.24	0.60	0.33
Number of housing units	444.07	297.16	**	3.14	388.59	162.43
Number of vacant units	69.83	73.18	**	−4.42	94.55	57.34

Between group differences assessed using t-tests.
** $p < .01$.
* $p < .05$.

Table 3
Negative binomial models assessing the influence of demolitions on 2014 crime counts.

	Total crime (n = 879)				Violent crime (n = 879)				Drug crime (n = 879)				Property crime (n = 879)			
	Coef	IRR	SE	*	Coef	IRR	SE	*	Coef	IRR	SE	*	Coef	IRR	SE	*
Count of demolitions	0.002	0.997	0.001	*	−0.002	0.997	0.001	*	0.001	1.000	0.002		−0.003	0.997	0.001	*
Count of 2009 crime (by crime type)	0.002	1.002	0.000	***	0.011	1.011	0.000	***	0.057	1.058	0.006	***	0.005	1.005	0.000	***
Population/square-mile in 2010	0.001	0.999	0.000	*	0.000	1.000	0.000		0.000	0.999	0.000	**	0.000	0.999	0.000	
Median Age	0.006	0.993	0.002	*	−0.009	0.990	0.002	***	−0.029	0.971	0.001	***	−0.002	0.998	0.002	
Percent below poverty-line	0.009	1.009	0.072		0.142	1.152	0.080		−0.006	0.993	0.206		−0.166	0.846	0.076	*
Percent female-headed households	0.087	1.091	0.033	***	0.138	1.148	0.037	***	0.138	1.148	0.104		0.088	1.092	0.037	*
Number of housing units	0.001	1.001	0.000	***	0.001	1.001	0.000	***	0.000	1.001	0.000	**	0.001	1.001	0.000	***
Number of vacant units	0.001	0.998	0.000	***	−0.001	0.998	0.000	***	0.000	1.000	0.000		−0.001	0.998	0.000	***

* $p < .05$
** $p < .01$
*** $p < .001$

confirm the stability of the results generated by our main models. Moreover, they allow us to develop a more specific understand of how the effect of demolitions on crime may vary across the magnitude of demolitions that a block-group experienced from 2010 to 2014. Importantly, OLS is employed for the change in crime models because the outcome variables are normally distributed, which negative binomial models, used for our main models, are not suited for.

A few patterns emerge in the results of the OLS models. First, for models predicting change in counts of total crime and property crime from 2009 to 2014, all four categories of demolitions were associated with a larger reduction than block-groups that did not experience any demolitions. Specifically, in the total crime model, block-groups that experienced low, moderate, high, and very high level of demolitions experienced 30.547 ($p < .001$, SE = 9.123), 27.844 ($p < .01$, SE = 9.075), 23.810 ($p < .01$, SE = 9.078), and 34.393 ($p < .001$, SE = 9.963) fewer total crimes in 2014, respectively, relative to block-groups with no demolitions. Further, in the property crime model, block-groups that experienced a low, moderate, high, and very high levels of demolitions demonstrated 12.367 ($p < .001$, SE = 3.689), 13.982 ($p < .001$, SE = 3.508), 11.685 ($p < .001$, SE = 3.480), and 14.717 ($p < .001$, SE = 3.850) fewer property crimes in 2014, respectively, relative to block-groups where no demolitions occurred. In sum, for both types of crime, demolition exposure, regardless of whether that exposure was low or high, contributed to a reduction in crime from 2009 to 2014. Importantly, the significance of these categories lends support to the findings demonstrated in our main models.

Second, a similar pattern of crime reduction benefits was demonstrated in the violent crime model, where three of the four demolitions magnitude estimates were significant. While the model showed that a low level of demolitions from 2010 to 2014 was not related to a reduction in crime from 2009 to 2014, moderate, high, and very high demolitions were associated with reductions of 4.852 ($p < .05$, SE = 2.220), 6.148 ($p < .01$, SE = 2.126), and 6.627 ($p < .01$, SE = 2.325) violent crimes, respectively. Again, these findings support the results of the negative binomial model in our main analyses that shows an association between demolitions and violent crime in 2014. Finally, only one of the four demolitions magnitude categories were statistically significant in the drug crime model. Specifically, only block-groups that experienced a very high number (i.e. at least 21) of demolitions saw a reduction in drug crime ($b = -1.968$, $p < .001$, SE = 0.621). Again, this finding supports the results of our main models that showed no statistically discernible relationship between demolitions and drug crime in 2014.

5. Discussion

The current study explored the impact of the nation's most aggressive demolition program on neighborhood crime in Detroit, Michigan, adding to the nascent literature on the effects of blight removal policies on neighborhood-level outcomes. Although not without limitations (discussed below), our main analyses demonstrate that demolitions from 2010 to 2014 were associated with total crime, violent crime, and property crime in 2014, net of controls for crime and structural factors. Our supplemental analyses provide further support for those findings, and also show that block-groups that experienced the greatest number of demolitions from 2010 to 2014 also witnessed the greatest reductions in crime across all four crime types. Concerns over the criminogenic effect of vacant properties have been expressed by scholars for decades, and our study provides additional preliminary empirical evidence that removing vacant properties should potentially be considered as a crime reduction strategy.

It is important to reiterate that the study location for this project is unlike any other in the United States in terms of its vacant housing problem and the size and scale of its demolition program. Thus, the results reported here might not be generalizable to other locales. Although this is a legitimate concern, we maintain the findings are substantively meaningful and contribute to the growing literature in this area. Again, our main models show that demolitions are associated with less total crime, violent crime, and property crime, but not drug crime. Supplemental provide further support for the relevance of demolitions for neighborhood crime, and also show that block-groups that experienced the greatest number of demolitions were likely to experience the greatest reductions in crime, relative to block-groups with no demolitions, from 2009 to 2014.

From a policy perspective, the results suggest that demolition programs might be a valid approach for cities facing concentrated vacancy issues. In the case of Detroit, its large-scale program has not only reduced the number of vacant properties across the city, it has also led to greater reductions in crime in areas where more demolitions have occurred. This suggests, as others have found, that removing distressed structures does have an appreciable impact on crime patterns (Stacy, 2018). Additionally, our results align with literature that implicates abandoned properties as "crime attractors" (Brantingham & Brantingham, 1995; Shane, 2012) and "criminal hangouts" (Boessen & Hipp, 2015; Sherman, 1993). That is, it makes sense that removing places from neighborhoods that generate criminogenic opportunities results in less criminal activity in those areas. Although our results lend to promising conclusions, there are still many unanswered questions regarding the impact of demolitions on crime patterns and the overall wellbeing of neighborhoods. Some of these are a result of limitations

Table 4
OLS models assessing the influence of demolitions on changes in crime counts from 2009 to 2014.

	Total crime (n = 879)			Violent crime (n = 879)			Drug crime (n = 879)			Property crime (n = 879)		
	B	SE	*	B	SE	*	B	SE	*	B	SE	*
Demolitions-No demolitions (ref)	–	–	–	–	–	–	–	–	–	–	–	–
Demolitions-Low (1–5)	−30.547	9.123	***	−3.085	1.804		−0.467	0.500		−12.367	3.689	***
Demolitions-Moderate (6–10)	−27.844	9.075	**	−4.852	2.220	*	−0.719	0.657		−13.982	3.508	***
Demolitions-High (11–20)	−23.819	9.078	**	−6.148	2.126	**	−1.092	0.608		−11.685	3.480	***
Demolitions-Very high (21 +)	−34.393	9.963	***	−6.627	2.325	**	−1.968	0.621	***	−14.717	3.850	***
Population/square-mile in 2010	0.005	0.001	***	0.001	0.000	***	0.000	0.000		0.001	0.000	**
Median Age	1.577	0.573	**	0.079	0.096		−0.138	0.042	***	0.875	0.273	***
Percent below poverty-line	14.526	13.968		2.927	3.284		−0.324	1.313	*	1.355	6.299	
Percent female-headed households	18.846	8.780	*	2.856	1.570		0.352	0.607		9.514	3.452	**
Number of housing units	−0.053	0.034		0.007	0.005		0.004	0.002	*	−0.058	0.020	**
Number of vacant units	−0.064	0.089		−0.065	0.018	***	−0.022	0.006	***	0.056	0.046	

* $p < .05$.
** $p < .01$.
*** $p < .001$.

associated with the present study, while others are a product of a lack of information about demolition processes, more generally.

With regard to the latter, no studies have explored whether there is a threshold effect in which demolitions beyond a certain point result in diminishing returns. Relatedly, there is only one study, to our knowledge, that specifies the temporality of the effects of demolitions on crime (see Spader et al., 2016). These are very important details to consider for policymakers contemplating demolition programs and expecting quick or effective results. It is unlikely that a single demolition of a distressed property within a block group results in meaningful reductions in crime, but it could be that reductions are visible after three demolitions, for example. Similarly, there might be an interactive effect between concentration of demolitions and time so that reductions in crime are evident only after a certain level of concentration *and* enough time has passed for the neighborhood-level processes to be affected. Other questions remain about whether the effects are sustained over time. It is possible that crime reductions are noticeable shortly after completed demolitions but regress to normal levels after a certain amount of time.

Importantly, there are various methodological limitations that the current study is constrained by. Perhaps most notably, our analyses are cross sectional in nature and cannot bear out any causal effects. While this is a serious and legitimate limitation, we view our analyses as exploratory and representing the first step toward understanding how large-scale demolition programs *might* affect crime. Also, some might be concerned that we treat demolitions as an isolated process, even though there are undoubtedly potentially relevant events that follow the demolition of a home that might be tied to changes in neighborhood-level crime, as well as the tax and mortgage foreclosure processes preceding home demolition that also affect crime (Immergluck & Smith, 2006; Lacoe & Ellen, 2015). For instance, a small but growing body of recent experimental work suggests that remediation of vacant properties has real implications for crime happening in and around those properties, and they determine these effects even extend to violent crime specifically (Branas et al., 2016; Kondo, Keene, Hohl, MacDonald, & Branas, 2015). We acknowledge post demolition efforts likely influence collective efficacy, social networking, and opportunities for crime, and that aggressive demolition programs in general may potentially have other, deleterious impacts on communities. For example, in Detroit communities have raised concerns over physical health implications centered on lead and asbestos exposure (Dixon, 2017; MacDonald, 2015). However, trying to account for these efforts in Detroit would be a monumental task. Lastly, although beyond the scope of this paper, we did not address the possibility of crime displacement, which other studies have found (Frazier et al., 2013).

Undoubtedly, researchers will continue to study the effects of demolitions on neighborhood-level crime, disorder, and other social processes, especially in light of their continued growth throughout the country. Future research should attempt to address the aforementioned limitations. Additionally, scholars should focus efforts on understanding the impact of demolitions on residents' mental and physical health, exercise patterns, and overall quality of life. While we have provided preliminary evidence that concentrated demolitions are associated with significant reductions in crime, we still need to answer whether razing Detroit is actually raising Detroit.

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Mr. KILDEE. I guess the question I have, just to move from this because obviously I think you and I disagree, and of course, many of my Democratic and Republican colleagues who seem quite willing to show up at ribbon cutting ceremonies that include CDBG dollars obviously also disagree with you on this subject.

But I understand your point that you assert that cutting taxes contributes to economic growth and has a positive overall impact ultimately on tax revenues. I disagree with the analysis, but I understand that is your point of view.

Do you ever believe that there is a circumstance where increased spending has the effect of reducing a deficit?

Mr. VOUGHT. I cannot think of a scenario.

Mr. KILDEE. You do not believe that, for example, if the National Institutes of Health were able to somehow, through the work of this Congress, double the amount of research into diabetes, and if the amount of research going into diabetes led to in five years a cure for diabetes, do you think that would have a positive impact on deficits, on spending, on the overall impact that that dreaded disease has on our economy?

Mr. VOUGHT. It would certainly have positive impact.

Mr. KILDEE. So, cutting the National Institutes of Health by definition then could reduce the possibility of that positive impact; is that correct?

Mr. VOUGHT. We do not think so, and not by definition is there an assumption that when you take money from federal taxpayers and you contribute it to worthy investments, which we believe that $33 billion is a worthy investment for the National Institute of Health——

Mr. KILDEE. Not worthy enough to maintain it at its current level; not worthy enough to take the bet, for example, that those people out there who happen to be United States taxpayers who are suffering with diseases like diabetes, multiple sclerosis, Alzheimer's should not at least be able to be given a chance by supporting important research that would not only potentially ease their suffering, which for me is ample justification and I think actually for most Americans would be ample justification, but using your values, which I do not think we necessarily share, it potentially and probably almost certainly will lead to significant reductions in the cost of health care in this country.

Easing suffering does not necessarily mean we cannot also do something positive and have a positive economic impact. So whether it is research into dreaded diseases, cleaning up abandoned houses in beat up, old neighborhoods, or for example, the reduction that——

Chairman YARMUTH. The gentleman's time has expired.

Mr. KILDEE.——you propose in drinking water, clean

drinking water, what I would simply suggest is consider internalizing the positive and negative externalities in these decisions, and I think what you will find is that a different set of priorities would take us a lot further.

I yield back.

Mr. VOUGHT. May I briefly respond?

Chairman YARMUTH. You may respond.

Mr. VOUGHT. I think it is a fair point, sir, and I do not want to suggest that some of the research advances that we make at National Institute of Health would not have a long-term impact on the cost of paying for coverage for those diseases for the people that benefit from health care programs. We have not done the sorts of economic analysis to tell you what those would be.

But I do think it matters as to where the investments that we are making and not making, just a blanket statement that just because a dollar of federal spending, that it is going to result in some kind of dynamic growth.

I think that is what I would reject on the back end, but I take your point.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from Tennessee, Mr. Burchett, for 5 minutes.

Mr. BURCHETT. Thank you, Mr. Chairman, Ranking Member.

Mr. Vought, thank you so much for being here.

I grew up in a pretty cool home. I can remember Daddy had a little thing on his mirror, and it said, "You deny me before man, and I will deny you before the gates of heaven."

And I wanted to thank you for your service to our country right now.

And in preparing for this, I noticed that when you testified before the Senate, I thought you were unfairly attacked for your faith, and I thought it was outrageous at the time, and it seems to me it is an appropriate moment just to say thank you for being in the public square as a person of faith.

And it troubles me that a U.S. Senator would ignore the First Amendment and would question the motives of anybody, anybody, any public official based on religion.

And I wondered if you would want to comment on that or what preluded that. If not, we are good.

Mr. VOUGHT. Sir, I do not have any comment. I am here to be representing the Administration on the budget policies that the President's budget puts forward.

Mr. BURCHETT. Thank you.

All right. Well, let me start off by stating I am in full agreement of the President's goal of fiscal responsibility specifically with education. I compliment him on this.

I believe the states should have the full authority over education. I have stated the Department of Education, I think we would be better off if they dissolved it and sent the money to the states directly.

I think the people at the state and the local level, at the school board level, know exactly what is going on in the classroom. Some bureaucrat up here does not, I do not think, have a clue other than to preserve their jobs and the jobs of others.

Where do you see the education budget moving forward?

And could we see any savings in that by giving the money back to the states?

And do you see any movement in that direction?

Mr. VOUGHT. We hope so. That is one of the reasons we put forward the policies in this budget.

As I said, we had a $50 billion investment of allowing people to keep more of their own money to be able to invest in state scholarship programs, either public or private school choice. So we think that that is a better way to invest in students and communities and our education system.

We also want to make sure that we continue to be able to focus precious federal dollars that we are stewards of from a taxpayer perspective on programs that work. So we continue to fund programs that we do think that work, many of the formula programs within the Department of Education, but we also look to eliminate programs that don't work.

You know, one program, the 21st Centuries Community Education Program, these are centers that don't work. They do not have an increase in proficiency in reading and math. Students stay in these centers a very short amount of time.

And so it is one of those things from an effective standpoint we have looked at and said this is just a dollar that is not well spent.

In some cases in this budget when we have a program that is not working, we try to reform it, like we do with Job Corps. In this instance, we did not think that we could reform it. We would rather focus the dollars elsewhere.

Mr. BURCHETT. And you can pass this on to the President. I have a degree in education. I was actually certified to teach, and my mama taught forever, and my daddy was a long-time dean, and my sister still is an educator.

And I have never ever seen a federal bureaucrat in our classrooms, ever, and yet they seem to just always want to pass it down to our locals, and that drives me crazy.

I also want to compliment the President on his proposal regarding HIV. A lady in my district very close to me, she is not in my political party, but her name is Julia Tucker, and she lost her son to HIV, and she helped start an organization called Positively Living, which I am proud to support. My wife is going to be sitting at her table at an event, I believe, Thursday.

Could you provide some more details on how the goal is going to be achieved regarding HIV?

I know the President said basically he wanted to just eliminate it, and of course it has changed so much. I have friends that I grew up with. I am pretty sure some of them died of HIV, and they were just more or less ostracized, but now it seems we have got medication. We have got things, but it is so daggone expensive.

Is there some way you could address that please?

Mr. VOUGHT. Sure. Thank you for the question.

It is one of those initiatives in this budget that we are very proud of. As we went through the budget process, we worked with the Department of Health and Human Services, and they put forward a proposal.

They said, "Look. You know, we can make serious gains in here based on the drugs that are out there, but we need people to be tested."

And one of the—the $300 million investment in this budget. It is allocated within HHS. There is money for HRSA. There is money for the Ryan White Health Care Programs. There is some money for Indian Health Services.

And we are really predominantly trying to increase the testing to be able to make sure that people can get the lifesaving medications that have now been developed and can fundamentally change and prolong their life, which is fantastic.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from New York, Mr. Morelle.

Mr. MORELLE. Thank you, Mr. Chairman.

Mr. Vought, thank you for your testimony today.

A couple of quick observations and then a couple of questions if I might.

The tax cut bill which has been referred to, I think, is generally perceived to be a tax cut for the wealthiest Americans, and the consensus by economists that the stimulus was largely unnecessary as it relates to tax policy during an economic expansion, which was well underway for six years prior to this Administration.

In fact, if you look at charts from 2010 on employment, wages, unemployment rates have continued on an upward path since 2010.

The tax cut did not pay for itself. I think that has been pretty well established, and it does not appear to have added to the long-term economic expansion, although there may have been some short-term stimulus.

And the tax bill also capped state and local tax deductibility, which has long been a part of our income tax structure since it was created in the 19th Century.

Would the President and the Administration support elimination of the cap on the SALT deduction?

Mr. VOUGHT. As the President has stated, sir, he is willing to consider it, but it is something that he feels that Congress should take a look at, and if they want to send him a bill, he is willing to consider it, but it is a debate that he thinks should start with Congress.

And we have not assumed any changes in our revenue policies.

Mr. MORELLE. I want to go back to something that I think was raised by the gentleman from California, Mr. Peters, earlier. He talked about, and I just want to make sure that I get this, related to not only the CBO's budget projections or economic projections rather, but the federal Reserve and most private economists do not agree with the Administration's assessment on the rate of growth.

In fact, I know a number have indicated they think 3 percent is unlikely to be maintained in the long run; that we barely got to 3 percent in 2018. It may have been impacted somewhat by a temporary stimulus, and they forecast, I think the CBO forecasts annual average growth rate of less than 2 percent.

You indicate in your testimony that you had not even considered or projected a lower than expected growth rate. But given the fact that there is a substantial body of economists both in the public sector and private sector who do not agree, I cannot imagine you have not looked at projections that are not at 3 percent.

Is that what your testimony was, that you have not even considered that?

Mr. VOUGHT. We know it will have an impact on it, and we have had some rough modeling, but it is not the type of precision that we would be able to put forward like we do with the economic report of the President.

I would mention with regard to the private forecasters, they were wrong the first two years. They said it was outrageous and ludicrous, and we were proven right in both years.

We are the most accurate Administration in history as far as the data that has been collected.

Mr. MORELLE. I do note that even in the budget as I understand it, 2025, which is when it is likely, the CBO estimates, that it will boost moderately, economic growth, but ultimately serves as a drag on growth rates beginning in 2025.

And I wondered in your modeling, it obviously is different from CBO, how do you adjust for that?

What is your explanation of what is different in the two models?

And I do note also even in the President's budget, that in 2025 it does show a substantial dip in the growth of receipts starting in 2025.

Mr. VOUGHT. Specifically, the difference between us and CBO as it pertains to the out-year growth rates has to do with capital formulation and the fact that CBO does not, we believe, track with the economic literature that suggests that there will be significant increases in capital investment.

We are already seeing that year to year with the figure that I gave earlier with the increase in nonresidential fixed investment of increasing 7 percent. So this is an example where, as a result of capital investment, companies are expanding their businesses, making investments, and we believe that that is the fundamental reason for why this tax cut is not just juicing the economy to move on with our lives, but is actually producing long-term, fundamental, structural higher revenues and economic growth for the country to benefit from.

Mr. MORELLE. Well, I do note that it is not only Congressional Budget Office, but private economists and the federal Reserve do not necessarily concur with that assumption.

Let me quickly move on, and I recognize I am almost out of time. So I would like to come back to you perhaps offline to talk about some of the Medicare challenges, but your estimate is that a half a trillion-dollar reduction in the rate of growth over the next 10 years as a result of your policies?

Mr. VOUGHT. Yes, we have $517 billion in savings in Medicare. These are program integrity, drug pricing reductions, and a number of scenarios where we think that just common sense would dictate that we pay particular sites of care the same whether they are skilled nursing facility or a long-term care hospital.

Mr. MORELLE. Thank you.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from Texas, Mr. Roy, for 5 minutes.

Mr. ROY. Thank you, Mr. Chairman.

Mr. Vought, thank you for taking the time to come in here and address the Committee. I appreciate your service to the country, and I would echo the comments of Mr. Burchett about your willingness to stand up with respect to the attacks that were levied against your faith unfairly in the United States Senate. So thank you for being here.

A couple of questions. Would you agree that when you balance your budget at home or that most American people balance their budget, they look at revenues, on the one side, that is, the income they receive, and they balance that against what they need to spend, on the other side? And they are trying to spend within the amount that they bring in in revenues.

Mr. VOUGHT. Yes.

Mr. ROY. And should that be the goal of the United States, that we look at our revenues and then we look at what we have got, and then we spend within our means?

Mr. VOUGHT. It absolutely should be.

Mr. ROY. Is that the goal of this budget presented by the President to set us on a path towards spending within the means?

Mr. VOUGHT. It is, absolutely. And I think—I appreciate the question, Congressman, because it would be easy when you do not balance within 10 years, which is the normal budget window that budgets provide for, to say balance is not important.

We don't believe that. We believe that balance is important, that it is the debate that every family has across this country about what they can spend versus what they bring in.

And we want the federal government to operate more like an American family from that standpoint, which is one of the reasons we said, "All right. What can we do outside the normal window?" We can get there within 15, and we did so.

Mr. ROY. Well, thank you.

And I appreciate you presenting a budget that actually balances, albeit in 15 years. You know as well as I do, I would rather see that in 10 or five, but I appreciate you at least submitting one that balances.

Question: in order to do that on the revenue side, right, we need to get revenues up or keep them up, and is that what you are assuming based on the economic growth under this President's policies, that we are getting revenues up?

Mr. VOUGHT. Absolutely, yes.

Mr. ROY. And in doing so, I have heard a lot of concerns about the cost of the tax cut, the so-called cost of the tax cut. Would you agree that the CBO last year said that that cut initially would cost $1.69 trillion, but amended that based on—CBO, by the way, not y'all—amended that based on increases in revenue, amended that down that we save $1.1 trillion out of that because of economic growth because we would have $6.1 trillion bigger economy by 2027?

We would have $150 billion on the entitlement side of the ledger, and that would leave us with a $440 billion net cost because of tax increases.

Does that sound right with what CBO said?

Mr. VOUGHT. I do believe it sounds right with what CBO said.

The basic point, I think, is that there has been a debate the last three years. It is: do tax cuts lead to economic growth? Does it increase revenues?

And we believe the CBO is coming our way in saying that since the President took office, there has been $1.3 trillion in additional receipts generated from economic growth.

Mr. ROY. Right.

Mr. VOUGHT. They are not making the same claims that we are with regard to our economic policies covering the cost of the tax cut. I am not here to say that they are.

But we do think that they are providing data points that argue in favor of what we have been arguing for two years.

Mr. ROY. And on the other side of the coin, when we talk about spending, is it about 30 percent discretionary and 70 percent mandatory?

Mr. VOUGHT. Correct.

Mr. ROY. And within mandatory, can you please tell me what you feel about the great big press conference that was held on the front of the Capitol on a bipartisan basis with massive proposals to deal with mandatory spending and entitlements?

Do you agree with all of the points made by members on both sides of the aisle when they stood up and talked about all of the reforms to Medicare and Social Security that we saw on the steps of the Capitol recently?

Mr. VOUGHT. I do not recall specifically which press conference you are referring to, but I know that mandatory spending is a significant issue, and often Congress has put forward increases to mandatory spending. We are seeing that with proposals that are being offered for Medicare for All.

Mr. ROY. Right.

Mr. VOUGHT. Which could be in the neighborhood of $32 trillion.

Mr. ROY. And so you do not recall that because it did not happen, right?

Are you aware of any serious proposal in Congress to massively reform entitlements spending?

Mr. VOUGHT. I am not aware of that.

Mr. ROY. On either side of the aisle?

Mr. VOUGHT. I think that one side of the aisle has attempted to look at mandatory spending over the last several years, but again, spending is a bipartisan problem. I am not here to say otherwise.

Mr. ROY. And have you seen any serious political capital being spent to promote such a plan? No.

Mr. VOUGHT. Not that we have seen so far.

Mr. ROY. So now on the discretionary side of the ledger, half defense and half non-defense discretionary, on the non-defense discretionary, does this chart roughly reflect what we have seen with respect to caps and busting caps over the last six or seven years?

Mr. VOUGHT. Yes.

Mr. ROY. The chart that my colleague from Virginia, Mr. Scott, put forward talking about deficit spending year by year under different Presidents, you rightly noted that in 1994 we had a Republican Congress that came in to work with the President who, by the way, at least admitted that the era of big government was over and tried to work with us. Then we noted that deficit spending under President Obama increased massively.

What happened in 2011 that caused those deficits to reduce?

Mr. VOUGHT. What happened in 2011? I do not know off the top of my head.

Mr. ROY. With the budget. Was the BCA——

Mr. VOUGHT. Oh, yeah. The BCA agreements, certainly the two, we put forward a series of spending caps that were designed to limit and pay for the debt limit increase at the time.

Unfortunately, Congress has walked those spending caps back every two years and increased our spending as a result.

Mr. ROY. Thank you, Mr. Vought.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentlelady from Texas, Ms. Jackson Lee.

Ms. JACKSON LEE. I thank the Chairman very much, and the Ranking Member. I thank the Director for his presence here.

We are all committed to the American people, but as I look up and raise up this budget that says "for a better America," you know that I have a completely contrary view of this. In fact, I think this hurts the most vulnerable in American and people who have worked in America, seniors who have worked in America. And so, I want to pose questions along those lines.

First of all, I think it is important to note that the top 10 percent of America's population now average more than nine times as much income as the bottom 90 percent, nine times. Americans in the top 1 percent average over 40 times more income than the bottom 90 percent. The nation's top 0.1 percent are taking in over 198 times the income of the bottom 90 percent.

That is a lot of people, and African American families with just over $3,500 own just 2 percent of the wealth. I do not believe that this budget that is interested in cutting from the very heart of the needs of people, from education to health care, to the environment, $2.7 trillion, is seriously committed to working in a bipartisan manner to provide for the great America so that all people have the ability.

My questions to you involve issues around Medicare, $850-plus billion. How does that in any way make America better when you attack the most vulnerable?

Mr. VOUGHT. As I mentioned earlier, thank you for your statement. I do believe that budgets are about our visions for the country. It is inaccurate to say that our budget cuts Medicare by $845 billion. We increase Medicare every single year. The savings that we include and assume in this budget is $517 billion.

The $845 billion number that has been reported in the press comes from the fact that there is not an assumption that we are other places outside of Medicare providing for uncompensated care in graduate medical education at our hospitals. We are.

Ms. JACKSON LEE. If I might.

Mr. VOUGHT. We are providing for that.

Ms. JACKSON LEE. If I might, reclaiming my time, if I might, those kinds of shenanigans and manipulation may sound good, but it is accurate that there are cuts coming out of Medicare of $845 billion, almost $850 billion.

Also, I want to take note of the fact that here is a President who engages with Russia, North Korea, wants to pull troops out of Syria and Afghanistan. So why in the world are you asking for $750 billion for defense in contrast to the enormity of the amount of millions of dollars, billions of dollars that you are cutting from education, environment, Medicaid, Medicare?

What is the purpose of using non-defense discretionary, this statement of mandatory which makes it sound negative, of course, from the very beginning; why is that always the target when vulnerable people from seniors to young people, to minorities who have not had equal opportunities in many instances, as you have indicated, the income of African Americans, to the contrary, of this Administration's representation, it has not been good for them; why are you going after the vulnerable in this budget?

Mr. VOUGHT. We do not think we are going after the vulnerable in this budget, Congresswoman. We think that we are trying to find reforms that make sense and that would improve the lives of beneficiaries.

I think one of the two points that I think are reflected in your comments that I do want to get to, I think it is fair to say why are we always looking on the mandatory side. One of the reasons that I have been trying to have a conversation with the members on this side of the aisle is that we think that non-defense discretionary spending is an area where we need to do our best to continue to look for efficiencies and get rid of wasteful programs.

Ms. JACKSON LEE. Well, reclaiming my time, if I might, and I appreciate the interest of engagement, let me make it very clear as I end, this budget attacks the most vulnerable in this nation. It is unequal in wealth. The tax scam is still the most powerful undermining of growth and prosperity in this nation by pushing money toward the top 0.1 percent or the top 1 percent and leaving those who can add to the economy along the highway of despair. This budget will not go.

I yield back.

Chairman YARMUTH. The gentlelady yields back.

Any further comments from the witness?

Mr. VOUGHT. No, sir.

Chairman YARMUTH. Okay. Thank you.

I now recognize the gentleman from Texas, Mr. Crenshaw for 5 minutes.

Mr. CRENSHAW. Thank you, Mr. Chairman.

Mr. Vought, thank you for being here and for your testimony, and I would like to thank you for your hard work and tough choices that went into the formulation of this budget.

One of the benefits of always going last is that I really get to observe the philosophical differences between Democrats and Republicans, and here are a couple of my observations.

There is a key difference in how we view spending and where it should occur. There is a key difference in where we view where government services should occur. On the Democratic side, I believe they are overlooking the fact that we have local and state governments.

Every single problem, and some of these are real problems; some of these are real investments, but there is this belief that it always has to be solved at the federal level, always, and I believe your budget takes note of that. I believe your budget takes note of the fact that maybe, just maybe some of these things, and some of them have been mentioned today—maybe it is law enforcement, maybe it is housing, maybe it is clean water, education—maybe some of these things can be solved by state and local actors, where

constituents can go down the street and knock on the door of their representation and say, "Yeah, you can raise my taxes, but I want it going towards this," as opposed to the federal government, which they really have no idea where their taxes are going oftentimes.

It is also really interesting to note this idea that more must always be better, that the bigger the dollar sign is the bigger your heart is, you know.

And there is this notion that if we want to cut back on programs, and in many cases as you noted, and we will get to this, what a cut really means, but just because you might want to cut down on something that is not benefitting the American people, that you are now anti-science or anti-health care.

That is a moral accusation. That is an accusation against our intentions, and that is not right. We have different views of how we should spend this money. It really is as simple as that.

I want to give you an opportunity again to explain to us, because there has been a lot of confusion over this, what a cut is versus what slowing growth is.

So, it has been noted over and over again that maybe we should reform the pattern of growth on Medicaid and Medicare. Are we actually cutting these programs?

Because you have said it over and over again, but I want to clarify. These programs seem to be increasing their budget every single year, pretty drastically actually.

Mr. VOUGHT. They are, Congressman, and we would have, I think, a similar definition of a cut, which is that a dollar amount less than the previous year, not a dollar amount less than a projection from someone from the year before.

Mr. CRENSHAW. Well, I would just hope that we could have honest conversations about this because your regular listener who is watching the news and watching the lies being told on media that we are cutting programs, what they are thinking is, "Hey, we spent $100 on it this year, and next year we are spending $90 on it."

But that is not true, is it?

Mr. VOUGHT. No.

Mr. CRENSHAW. That is unfortunate. I wish we could have an honest conversation, and I wish people would understand why we might want to reform some of these programs.

Social Security disability insurance, why would I want to reform that? Maybe because I was eligible for it. I was eligible to get thousands of dollars of taxpayer money as soon as I retired from the military. The federal government told me I should get on that. The military told me I should get on that program

I am not disabled. I have a thing going on here, kind of a disability, but I am not disabled. I should not get that money, but that program says I should. There is something wrong there. I am perfectly capable of working.

I want to get to another couple of details in my time left here. This budget talks about increasing what people can contribute to their health savings accounts.

Does that include direct primary care?

Mr. VOUGHT. Let me get back to you on that particular question, but we are excited about the reforms that we have in health savings accounts, both in Medicare and outside.

One of the situations that we see is that the rules of the HSA programs are too restrictive, and so if you have an insurance product that attempts to provide—to absorb the cost for generics or take care of other preventive medicine to lower their cost and the cost to the beneficiary over time, that if they offer those kinds of insurance products, that then the individual is no longer eligible for an HSA.

So what we are trying to do is to say what is an actuarial way in which we can make that assessment and expand those programs.

Mr. CRENSHAW. That is good. I do not have enough time to get you to answer this question, but I want to commend y'all for putting paid family leave in there. I think Republicans need to come up with a conservative, sustainable solution to that.

In my last 10 seconds, I want to ask you about the cuts to the Army Corps of Engineers' budget and why that may be the case. What is the justification for this?

There is a backlog of about $100 million for infrastructure investment. In places like Houston, we care a great deal about that, and it is a worthy investment for the future. So I will let you take that?

Thank you.

Chairman YARMUTH. The witness may respond.

Mr. VOUGHT. I would like to respond.

One of the things that we have been most frustrated with the Army Corps is how slow they are with many of the projects. We are trying with this budget to say continue to focus on the backlog and things that are already underway and making a line in the sand to say not to go forward with new-starts, particularly when there is so much disaster money that is in the system that needs to get spent as well.

So we certainly get it. We do support Army Corps of Engineers' spending, and we do think that this is a sustainable level, but we also understand where you are coming from.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentlelady from Washington, Ms. Jayapal, for 5 minutes.

Ms. JAYAPAL. Thank you, Mr. Chairman.

And thank you, Mr. Vought, for being here.

In December of last year, somebody made a statement that said this. "The U.S. spent $716 billion this year. Crazy." Do you agree with that statement?

Mr. VOUGHT. No, I do not agree with that statement.

Ms. JAYAPAL. You do not agree with that statement.

And then in October, there was another statement that was made that said we need to, quote, "get rid of the fat, get rid of the waste," and a suggestion was made for a defense budget of $700 billion, which would have been a 2 percent cut over the previous fiscal year.

Do you agree with that proposal?

Mr. VOUGHT. I remember the conversation we had in terms of developing the defense budget for this budget, where we——

Ms. JAYAPAL. Do you agree with that statement that the defense budget should be cut by 2 percent and that we should get rid of the fat and get rid of the waste? Yes or no?

Mr. VOUGHT. I certainly agree that we need to eliminate the fat and the waste.

Ms. JAYAPAL. So you agree with that.

Mr. VOUGHT. I do not agree with that we should have a reduction of 2 percent.

Ms. JAYAPAL. Okay. So you have just disagreed with the President of the United States. Both of those statements were made by Donald Trump.

In December, Donald Trump tweeted, "The U.S. spent $716 billion this year. Crazy."

And then in October, Defense News reported that Trump told the cabinet to, quote, "get rid of the fat, get rid of the waste," and suggested the defense budget of $700 billion, which would have been a 2 percent cut over the previous year.

Strange, strange support, bipartisan support between what President Trump said and what some of us have been saying for some time.

So, Acting Director Vought, how much did the President cut total national defense spending by in his 2020 budget, the budget you have before us today?

Mr. VOUGHT. We are increasing the budget by 5 percent.

And can I respond to the comments the President made?

Ms. JAYAPAL. No. Let me just go through, and if I have time at the end, I would like to have the chairman give you the opportunity.

So you actually are proposing an increase of 5 percent to DOD spending, not a decrease of 2 percent, which is what the President said he wanted in October.

And did non-defense spending also go up by 4.7 or 5 percent in your budget?

Mr. VOUGHT. No, it did not. Non-defense spending went down by 5 percent.

Ms. JAYAPAL. I have that it was cut by 9 percent, but is it 5 percent?

Mr. VOUGHT. It is 5 percent from the fiscal year 2019 discretionary cap level.

Ms. JAYAPAL. So overall the cut is what?

Mr. VOUGHT. Overall it is a larger cut.

Ms. JAYAPAL. Which is what?

Mr. VOUGHT. Which is 5 percent from the cap level.

Ms. JAYAPAL. What is the overall cut to non-defense discretionary spending?

Mr. VOUGHT. Well, if you include all of the gimmicks that Congress uses to hide the cost that the agencies spend at, that is much higher than we——

Ms. JAYAPAL. But do you know what it is? What is the number?

Mr. VOUGHT.——the fiscal year. We have roughly about an average 10 percent.

Ms. JAYAPAL. Double cut, double cut. The increase is 5 percent for defense, and the cut is 10 percent of non-defense discretionary, which, by the way, is education, health care, a number of other critical priorities.

Now, let me ask you about OCO, which we call the slush fund. Mick Mulvaney, your boss, who is now serving as the President's

Chief of Staff, referred to the overseas contingency operations funding as a slush fund. He agreed with us then back when he was in Congress.

And the House Armed Services Chairman Smith has also called OCO a slush fund, and so let me ask you. In this budget how much does the President propose cutting the Defense Department's slush fund in fiscal year 2020?

Mr. VOUGHT. We propose increasing the——

Ms. JAYAPAL. How much are you proposing to increase it by?

Mr. VOUGHT. Increase it up from $69 billion to $164 billion.

Ms. JAYAPAL. So you are proposing to increase a slush fund that has been called by the President's Chief of Staff and by our chairman of the Armed Services Committee by 138 percent to $165 billion over 2019.

Now I want to ask you. You made a statement earlier in this hearing. You said the National Science Foundation does not need to be immune from waste, fraud, and abuse, correct?

Mr. VOUGHT. I said that the National Science Foundation is not immune from waste, fraud, and abuse.

Ms. JAYAPAL. Is not. Okay. Does not need to be, is not immune.

So let me ask you. Do you think that the Defense Department should be immune from waste, fraud, and abuse?

Mr. VOUGHT. I do not, no.

Ms. JAYAPAL. Okay. And do you know when Congress mandated that all government agencies, including the Pentagon, should undergo an audit? Do you know when that happened, what year?

Mr. VOUGHT. A long time ago. Thankfully it——

Ms. JAYAPAL. In 1990.

Mr. VOUGHT. Thankfully, it finally happened.

Ms. JAYAPAL. It was 1990, almost three decades ago.

And tell me, Mr. Vought, when was the first audit, comprehensive audit of the Pentagon done?

Mr. VOUGHT. This year, under this Administration.

Ms. JAYAPAL. This year. So almost 30 years later, we do an audit of an agency that has a $716 billion budget right now. You're proposing a significant increase, and how many of the 21 individual audits that were part of this comprehensive audit of the Pentagon, how many of those failed?

So where did the Pentagon just fail all of these audits? Do you know out of the 21?

Mr. VOUGHT. Off the top of my head, no, but I am sure you do.

Ms. JAYAPAL. Fourteen out of 21. So two-thirds of all of these audits failed, and in fact, two just received a passing grade, and auditors estimated that the Pentagon made improper payments, and that's their term, which is not necessarily fraud, but it is payments that lack sufficient or appropriate documentation or approvals, which means we have no idea where that money went, of $957 million in 2017 and $1.2 billion in 2018.

So let me ask you, Mr. Vought. Do you think that we should continue to increase the Defense Department's budget when we have no idea where that money is actually going, and the Pentagon cannot even pass an audit and, in fact, did not even do an audit for almost 30 years?

Mr. VOUGHT. Congresswoman, we think that one of the promises kept of this budget is that we are the first Administration to actually comply with the statutes of Congress, to actually do the audit, and that it is a work in progress.

Ms. JAYAPAL. Well, that is good, and hopefully you take that on before you ask for more money.

Thank you, Mr. Chairman. I yield back.

Chairman YARMUTH. The gentlelady's time has expired.

I now recognize the gentleman from Missouri, Mr. Smith, for 5 minutes.

Mr. SMITH. Thank you, Mr. Chairman.

Acting Director Vought, thank you for being here.

I believe that Trump's economic policies are clearly working. You testified to a lot of the statistics. Over 5 million-plus new jobs. It's clearly the work of President Trump and the Republican Congress in passing the Tax Cut and Jobs Act, reducing unnecessary regulations, creating an energy policy that is now going to be number one in the world, various aspects.

It's truly the policies of serving the American people and not the government itself.

In the President's budget, he makes some difficult spending decisions. While I do not agree with all of them, I commend the President for making these tough calls.

The budget cuts $2 trillion in mandatory spending, reins in the cost of health care by giving control back to states and patients, reforms welfare programs while maintaining the safety net, and maintains the historic reforms from the Tax Cuts and Jobs Act.

In particular, I am glad that President Trump shares my views on the importance of making the 20 percent pass-through rate for small businesses permanent. This is an important reform from the tax cut bill that expires in 2025 if we do not act.

Thanks to this provision and others from the tax bill, today our economy continues to create jobs and grow at a record rate. And recent polling shows that small business owner optimism is at an all-time high.

Mr. Vought, how do you think small businesses would be impacted if the 20 percent pass-through rate were allowed to expire?

Mr. VOUGHT. We think it would be impacted very negatively and that one of the reasons that we want to extend the tax cuts in this budget is we want to provide certainty to the businesses that are making investment.

I am not sure as a small business owner how you can make long-term investments when you are facing an expiration of some of the tax provisions. So again, when we talk about promises kept, we are talking about keeping our promise to American taxpayers, in the case of your question small business owners, to be able to say this was not just a one-time tax cut, but we are actually extending these provisions into permanent law.

Mr. SMITH. I also was very glad to hear in the President's State of the Union address about the attempt to increase investment in fighting pediatric cancer research. Could you explain a little bit about that in the President's budget?

Mr. VOUGHT. Sure. It's a line item that is not just a line item. It is a spending initiative that is very important to the President.

We are taking spending for pediatric cancer from about $548 million to $598 million, an increase of $50 million every single year because we think it is so important.

Mr. SMITH. I totally agree, and I appreciate seeing that.

I am pretty excited that, you know, this is how the process has started. The President has brought forth his budget to Congress, and it is a beginning point. I just hope, and I reiterate to my colleagues on the other side of the aisle, after eight years of voting against Republican budgets, I hope that the leadership on the other side will find time to present a bill to the floor of the House of Representatives where the entire Congress can vote on a budget.

The President has done the heavy lifting. You have done the heavy lifting by presenting a budget. They have done a good job at attacking. Now, let's see the Democrat alternative. Let's have a vote on the House floor of the Democrat alternative, and let's do the people's business and put people before politics.

I yield back.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from California, Mr. Panetta, for 5 minutes.

Mr. PANETTA. Thank you, Mr. Chairman. I appreciate this opportunity.

And, Mr. Vought, thank you for being here. Thank you for your time and preparation, as well as coming yesterday to our pre-meeting. I appreciate that.

I am going to talk about the Supplement Nutrition Assistance Program. Normally the gentlewoman from Connecticut would be asking you a lot of questions about this, but fortunately for me, she is not here. So I get to ask these questions. She may come a little bit later, and I will be throwing you some softballs compared to her hardballs. I can tell you that much.

You are well aware what the Supplemental Nutrition Assistance Program is, SNAP. I am sure you are well aware of the 42 million people in this nation that rely on it, as well as 18 million children and 74,000 people in my district on the central coast of California who rely on the Supplemental Nutrition Assistance Program, otherwise known as food stamps.

Now, in this budget, you find savings of over $220 billion over 10 years from that program specifically, correct?

Mr. VOUGHT. We do have savings of that magnitude.

Mr. PANETTA. Okay. And three months ago, you are aware that the Farm Bill was passed obviously, right?

Mr. VOUGHT. Yes.

Mr. PANETTA. And in that process of getting to a Farm Bill, and I would call it a bipartisan Farm Bill, Democrats and Republicans voted on it in which they rejected the mandatory work requirements that are being imposed in this proposal, this budget right now, correct?

Mr. VOUGHT. You are right, that there was not a work requirement in the Farm Bill that the President signed.

Mr. PANETTA. Even though it was proposed initially on that Farm Bill, but then rejected in order to pass the Farm Bill, correct?

Mr. VOUGHT. Correct.

Mr. PANETTA. Thank you.

And one of the reasons I can tell you, as being on the Agriculture Committee at that time, one of the reasons why that proposal failed was because there was absolutely no evidence that those proposals would work. It was based on ideology, not policy. It was based on emotion, not evidence.

And as a former prosecutor, I knew early on that I could not just stand up in court and say someone is guilty and sit back down. I had to prove my case.

That proposal could not be proved. Therefore, it was rejected by Democrats and Republicans. That is how we were able to get to a Farm Bill.

What evidence do you have that this proposal will work?

Mr. VOUGHT. Well, we just would look at the history of the 1990s and what we have seen since then, which is when work requirements were put in TANF, that it reduced caseloads. Many people went back to work, and people who were exiting welfare were able to achieve much higher levels of income with the incentive to go back to work.

Mr. PANETTA. Okay. But you would not look at the evidence. You do not have any pilot programs or anything of that nature that it would actually work right now, correct?

Mr. VOUGHT. Again, we would look at the——

Mr. PANETTA. Okay. Reclaiming my time, reclaiming my time. Thank you.

And part of the proposal, part of the savings that you talk about is a proposal to spend $5.8 billion to serve food stamp participants with a Blue Apron style food box delivery service in lieu of cash benefits for low income families, correct?

Mr. VOUGHT. Not in lieu of all cash benefits. We will continue to provide cash benefits in addition to providing the Harvest Box, which you mentioned.

Mr. PANETTA. Okay. Great. And this Harvest Box, it was already, well, I would not say proposed. It was floated out there during the build-up of the 2018 Farm Bill, and it was widely rejected by food assistance experts, correct?

Mr. VOUGHT. Not all good ideas' time has come, and we continue to put forward a reform that we think is one that we are excited about. It was proposed in last year's budget. It was not enacted in the Farm Bill, and we continue to see the value in it.

Mr. PANETTA. Because there were such issues like distribution. Do you know whether or not this food box would be distributed door to door?

Mr. VOUGHT. Those are the kinds of questions that we think that the policy process and working with Congress would answer.

But we have had a lot of feedback from working with the private sector that would be interested in engaging with us on this, and so we think it has a lot of merit.

Mr. PANETTA. And what would happen when people are not home, Mr. Vought?

What would happen in the time of natural disasters?

Would it be distributed through a distribution center?

Do you know any of these details?

Mr. VOUGHT. We are not prepared to offer a lot of details in the proposal, but other than that——

Mr. PANETTA. Okay. That is fine. That is fine.

Mr. VOUGHT.——to say that we think that——

Mr. PANETTA. That is fine. Reclaiming my time, thank you.

Do you know what would be in this food box? Yes or no, please.

Mr. VOUGHT. We have been working with the United States Department of Agriculture to ensure that a balance diet of all the——

Mr. PANETTA. Okay. Let me tell you what was in the last food box that was proposed: juice, cereals, pasta, peanut butter, canned fruits and vegetables, shelf-stable milk, oh, and I forgot. Canned meat.

Now, I have not ate today at all today, and it is lunchtime, but I am not hungry right now after reading that. Are you hungry?

Mr. VOUGHT. Again, this was not meant to replace the benefits that are currently receiving. There would still be cash benefits, and I would just say these are the types of details that we would actually hope that we can work with you on.

It is not a static proposal. We think that the basic concept is something that works in the private sector for people who are not on food stamps.

Let me just give you an example from the standpoint of a daughter who relies on medicine that comes at a certain time, and if we are not home, the impact on us is that it goes back to FedEx and we are out of pocket substantial amount of dollars because we were not home.

So we are fully confident that individuals are responsible enough, whether they are on food stamps or not, to be able to work with their federal government or whoever the contractor is to be able to deliver and have them at home to be able to receive the food that is necessary.

And we are willing to work with you to make sure that what people actually would receive is something that they would be excited about. It certainly is something with regard to the private sector options that are out there.

Mr. PANETTA. Mr. Vought, thank you very much. I appreciate it and look forward to working with you.

I yield back my time.

Chairman YARMUTH. The gentleman's time has expired.

I am going to have to leave the hearing and turn over the chair in about 5 minutes. So I am just going to take my time right now, just one point and a couple of brief questions.

One is I want to remind my colleagues on the other side that when CBO scored the Affordable Care Act just before its enactment, they estimated the legislation would reduce federal deficits by $124 billion over the 2010 to 2019 period, and by roughly one-half percent of GDP over the ensuing decade.

Moreover, CBO's March 2010 baseline, before enactment of the ACA, projected Medicare spending for 2019 to be $828 billion. CBO's latest baseline projection of Medicare spending for 2019 is $632 billion. So projected Medicare spending is almost one-quarter less than it was before the ACA, in part due to the significant cost containment measures and delivery system reforms in the law.

And I might mention that I remember well during 2009 and 2010 when we proposed $750 billion in cost savings to Medicare and my colleagues on the other side, many of whom that are now on the

Committee were not there then, but battered Democrats for the same argument that you are now making with regard to your reductions in Medicare.

But my one question is your budget contemplates the full repeal of the Affordable Care Act; is that correct?

Mr. VOUGHT. I would not say it is the full repeal at all.

Chairman YARMUTH. You repeal Medicaid expansion in the budget.

Mr. VOUGHT. We have a repeal and replace of Medicaid with state health care block grants.

Chairman YARMUTH. Right.

Mr. VOUGHT. And so what we say, the fair way for comparison is to add the Medicare Program dollars going forward and those state health care block grants to figure out what is the amount of money that states would have to meet the needs under the statutes to provide health care coverage.

Chairman YARMUTH. The current structure of Medicaid expansion would be replaced.

Mr. VOUGHT. Yes.

Chairman YARMUTH. So, in Kentucky where nearly a half million of 4.4 million residents now receive their health care through the Medicaid expansion would be in serious jeopardy of losing their care, correct?

Mr. VOUGHT. We don't believe so, sir. Let me just walk you through the numbers on Medicaid. We have $1.48 trillion in savings in Medicaid, but we replace that with $1.2 trillion in spending for the state block grants, in which we assume a lot of the policies of the Graham-Cassidy legislation that would continue to ensure that populations are covered with health care.

Chairman YARMUTH. Right now, under the ACA, the federal share of Medicaid reimbursement is 90 percent under the law. It would not be under your replacement plan; is that correct?

Mr. VOUGHT. That is correct.

Chairman YARMUTH. Or assuming that a state even continued to insure the same amount of people, the federal contribution would be significantly lower.

Mr. VOUGHT. Correct, and we think that is an important part of the reform, that with the ACA we have moved away from paying 57 percent, on average, for the most important and needy populations, and now we are paying for 90 percent of the cost for populations that Medicaid was never intended to cover.

We think that as a result from a program perspective, that Medicaid has lost focus on the disabled; that Medicaid has lost focus when it comes to women and children as opposed to able-bodied adults that Medicaid expansion now covers.

We think that this is a fundamental incentive problem within the current Medicaid program.

Chairman YARMUTH. You would get a significant argument from the 80,000 people in my district who now have Medicaid coverage because of the expansion and the other 420,000 in Kentucky.

So I will yield back my time and recognize Ms. Omar of Minnesota for 5 minutes.

Ms. OMAR. Thank you, Chair.

Thank you, Mr. Vought, for your testimony today.

I wanted to talk a little bit about how your budget proposal is going to have impact on the millions of vulnerable children across this country.

I wanted to tell you a little bit about the impact that I see that it will have because I don't feel like you or this Administration or Trump gets it.

In America, one out of five children struggle with hunger, and for many of these children, the free lunch and breakfast that they get in school is often the only meal they get to have.

Yet the budget that you are proposing, and this Administration and Trump is proposing, makes a $1.7 billion cut from school meals over the next 10 years, a cut that largely would result in more than 29,000 children losing access to free school meals program in my home state of Minnesota alone.

What this budget does is quite literally take food out of the mouths of children. How can these kids be expected to be present and fully present in classes to learn in the same space as other kids?

How can we expect them to reach their full potential?

And how can we expect them to be able to be on the same footing as other kids around the world?

I often say that budgets are a value statement, as you have many times in this Committee, and you said that we are committed to having promises kept. What does this budget and your proposal in cutting the child nutrition programs say about the promises that we want to keep to children and where our values really are?

Mr. VOUGHT. Thank you for the question, Congresswoman.

We don't think that our budget cuts the programs that you refer to. Specifically, we think that it is important that high income schools that are currently grouped together right now to receive benefits because they are grouped with low income schools, that that is unfair for the programs themselves.

Similarly, some of the reductions you have talked about are with regard to one-time rescissions that are not needed to be able to cover all of these children that we current project.

And we know Congress does this same analysis.

Ms. OMAR. Yes. How is the assessment, what child deserves to eat and what child does not?

My understanding is that we should care about every single child arriving in that school having the resources that they need to be able to get educated and be fully present.

We have parents who might fall off the threshold of whatever that income is who might not be able to pack a lunch or a breakfast or milk or a cookie or an apple for their kids. Should those kids not be able to have meals in the school so that they can be fully present in that classroom? Is that what this Administration values?

Mr. VOUGHT. We believe it is important that communities that are otherwise ineligible to receive these types of benefits not receive these benefits, and that only the communities that are eligible receive them. We think that is important from the standpoint——

Ms. OMAR. But how is the judgment of what the value of the benefits is made? We are talking about children in our classrooms. We are talking about America's most vulnerable.

Earlier you talked about the Harvest Box. You said if they are not home that they should pay a price.

Mr. VOUGHT. No, I did not say that.

Ms. OMAR. That was the example that you used, that if you are not home, then you pay a fee.

Mr. VOUGHT. No.

Ms. OMAR. So what penalty would you think should we propose for people who might not be home to receive juice or a cereal box or a canned meat?

Mr. VOUGHT. I specifically was not referring to, suggesting that they pay a penalty. The point I was making, Congresswoman, is that we do not think that it matters where you are on the income scale to be able to determine a certain level of responsibility to receive in the mail that which you are expecting to receive in the mail.

We think that human beings are responsible from that standpoint.

Ms. OMAR. I get that. What I am saying is we have a responsibility to make sure that here in the United States people are fed. We are talking about food. We are talking about children having food.

Mr. VOUGHT. We agree.

Ms. OMAR. We give humanitarian assistance to people around the world because we believe people should not experience food insecurity; people should not starve.

But here in the United States we decide to increase a defense budget that might lead to not having our budgets be fully intact, but we decide to say that we do not have enough money to feed our most vulnerable.

Mr. MOULTON. [Presiding] Thank you.

Ms. OMAR. That is the decision we are making.

Mr. MOULTON. Thank you, Ms. Omar. The time has expired.

The chair will now recognize Ms. Schakowsky from Illinois for 5 minutes.

Ms. SCHAKOWSKY. Thank you.

It is incredible to me, and I want to associate myself with the remarks of Congresswoman Omar. One out of five American children is considered food insecure. That is scandalous, I think.

I want to say that this budget envisions really, I think, a radically different America than I believe most Americans can and want to envision. This budget is built on the politics, I think, of division, the politics of resentment, which, on the one hand, should not surprise anyone given the President who kicked off his campaign by attacks on people of color and immigrants.

Anyway, on the other hand though I think it should surprise a lot and does surprise a lot of people since at his June 2015 press conference announcing his candidacy he said, "Save Medicare, Medicaid, and Social Security without cuts. Have to do it," he said.

And yet the budget, you do not want to hear $845 billion, so I will say your number, $517 billion will come out of Medicare. The budget before us cuts Medicaid by $1.5 trillion before really, in my view, cannibalizing it by converting it into a block grant.

The budget before us cuts Social Security by $25 billion. Oh, yes, those terrible entitlements that are so precious to millions and millions, the majority of American families.

So, Mr. Vought, did President Trump acknowledge he was breaking a key campaign promise when he agreed to a budget that cuts Medicare by what are we saying now, $517 billion?

Mr. VOUGHT. The President does not believe he is breaking his commitment to the American people at all. There are no structural changes to Medicare. There is no cut to Medicare. Medicare continues to grow each and every year.

The President also committed to the American people that he was going to attempt to lower drug prices, and so many of the reforms within Medicare that generate savings simply because the federal government pays for the drugs of seniors is because we are trying to lower and we have proposals to lower drug costs.

Ms. SCHAKOWSKY. That is so interesting that you would want to predict. You know, usually when we do budgeting, it is really not dynamic. You are predicting that the President is, in fact, going to end up lowering these drug prices. You build that in and, therefore, cut Medicare by the projected amount that you think is actually going to be saved.

Mr. Vought, did President Trump acknowledge that he was breaking a key campaign promise when he supported the cuts to Medicaid and then turn it into a block grant?

Mr. VOUGHT. He does not, we do not believe that we are breaking the commitment to Medicaid in the least; that Medicaid spending, in addition to where we transfer our reforms to Medicaid, the state health care block grant, will continue to grow every year.

Ms. SCHAKOWSKY. You think that all the states in the nation, you predict that, are going to continue to make sure that low income people, most of whom are children, are going to have as much money for Medicaid by transferring all of that authority to the states to decide?

Mr. VOUGHT. We think that the reforms that we put forward with the assumptions to have a state health care block grant can lead to better coverage at the state and local level.

Medicaid is not what we would view as the optimal program. I remember when Henry Waxman said that there is not a lot of millionaires on Medicaid and would not want to be on Medicaid, and we ask the question: why is that? Why is it that Deamonte Driver dies from a toothache in Medicaid because he never receives care?

We don't think Medicaid is the optimal way to continue to provide health care coverage, and it is why we are supportive of many of the reforms that were in the Graham-Cassidy legislation. It is why we moved forward with state health care block grants, because we're trying to do it better.

We are trying to make sure that the populations that Medicaid was designed to cover get the care that they need.

Ms. SCHAKOWSKY. It is interesting that there is not anyone involved in the Medicaid program, who is involved in delivering care, that really believes that this is a reform.

And the good news is this budget will never become law.

And I yield back.

Mr. MOULTON. Thank you.

The chair now recognizes Mr. Horsford from New York for 5 minutes.

Mr. HORSFORD. From Nevada, Thank you, Mr. Chairman.

Mr. MOULTON. From Nevada. My apologies.

Mr. HORSFORD. I appreciate this hearing very much.

Thank you for being here, Acting Director.

Vice President Biden used to say, quote, "Show me your budget, and I will tell you what you value."

Well, based on this budget, Trump values corporate profits over Medicare. He plans to cut Medicare by anywhere from half a trillion dollars to $840 billion.

He values continuing tax breaks for the rich while imposing devastating cuts to needy children, families on Medicaid and child nutrition assistance, and seniors on Medicare.

This is his budget. This is the GOP budget. Sadly, few of my colleagues on the other side are here to continue to defend this budget. You have a tough job.

I hope a vote is scheduled on this bill so that every single member of this body has to demonstrate where they stand and what their values are.

You talked about vision. I think it speaks a lot to our values.

First, I want to cover something specific to my district and address the Yucca Mountain Nuclear Waste Repository located in Nevada 4th District about 90 miles northwest of Las Vegas.

The state of Nevada has filed 218 contentions against storing radioactive waste at Yucca, many of which challenge the Department of Energy's research and analysis, and the people of Nevada don't want it. Even the President said he agreed with us.

In a visit to our state in October of 2018, President Trump said, and I quote, "I think you should do things where people want them to happen. So, I would be very inclined to be against it. We will be looking at it very seriously over the next few weeks, and I agree with the people of Nevada."

Well, Mr. President, if you agree, what changed?

I would like to enter into the record a letter from Governor Sisolak from the state of Nevada, dated February 27th, to President Trump, requesting a meeting to express our objections and to hear directly from the President why he includes this in his budget.

Mr. MOULTON. Without objection.

[The information follows:]

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Office of the Governor

February 6, 2019

The Honorable Rick Perry
Secretary
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Ms. Lisa E. Gordon-Hagerty
Under Secretary for Nuclear Security and NNSA Administrator
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Secretary Perry and Administrator Gordon-Hagerty:

I write to express my profound concern over recent revelations that the U.S. Department of Energy (DOE) and the National Nuclear Security Administration (NNSA) proceeded with shipment of one-half ton of weapons grade plutonium to the Nevada National Security Site (NNSS) without notifying my predecessor, Governor Brian Sandoval, or any member of Nevada's federal delegation. Because of your callous disregard for the State of Nevada and its citizenry, your actions have endangered our people and destroyed any semblance of trust DOE and NNSA may have developed with representatives of this State through participation in the Nevada-DOE Working Group, founded by a Memorandum of Understanding between Nevada and DOE in 2014 to address these specific types of issues.

As you are fully aware, the United States was founded upon the principle of federalism. I was elected by the people of Nevada to serve as the chief executive branch officer of the State of Nevada. While you have shown little regard for maxims of states' rights, it is nonetheless a bedrock concept of this country and a principle I demand that you respect. To this end, and to allow me to faithfully discharge my obligations to protect my State and its people, I ask that you provide full and complete answers to the following questions.

- What is the current overall capacity of the DAF for the purposes of storage or staging of nuclear material?

- What specific role does the DAF serve in the DOE/NNSA's plutonium disposition program?

- Has the DAF been used previously to store or stage weapons-grade plutonium for **defense** purposes?
  - If so, was this nuclear material stored or staged in "pit" or "non-pit" form?
  - If so, was this nuclear material utilized for other mission purposes within the DAF or elsewhere at NNSS?

- Has the DAF previously been used to store or stage weapons-grade plutonium for **disposition** purposes?
  - Was this nuclear material stored or staged in "pit" or "non-pit" form?
  - What was the quantity of this nuclear material?
  - For what duration was or is this nuclear material stored or staged?
  - What was the physical composition of the stored or staged nuclear material? For example, if it was not in "pit" form, what were the physical and radiological characteristics of the material?
  - Was any of this nuclear material utilized for other mission purposes within the DAF or elsewhere at NNSS? If so, how?

- Is the one-half ton of plutonium shipped to the DAF before November of 2018 part of the 34 metric tons of excess plutonium designated for disposal under the 2000 Plutonium Management and Disposition Agreement?

- Was the one-half ton of plutonium shipped to the DAF before November of 2018 part of the plutonium designated for processing in the Mixed Oxide Fuel Fabrication Facility (MOX) at DOE's Savannah River Site in South Carolina?

- Will the one-half ton of plutonium material designated for storage at the Pantex facility in Texas be transferred to the DAF at NNSS?

- The United States Fourth Circuit Court of Appeals has also directed the DOE/NNSA to remove an additional six tons of plutonium from South Carolina before January 2022.
  - Is this six tons of nuclear material part of the 34 metric tons of excess plutonium designated for disposal under the 2000 Plutonium Management and Disposition Agreement?
  - Does DOE/NNSA intend to transfer and store this material at NNSS, either in the DAF or elsewhere?

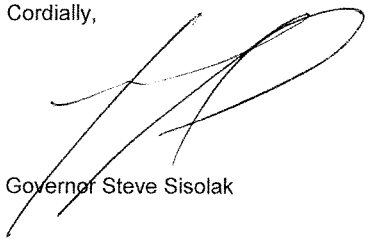
- Regardless of space constraints, what other facilities in the DOE/NNSA complex can store the plutonium material shipped to the DAF before November of 2018?

- Regardless of space constraints, what other facilities in the DOE/NNSA complex can store the additional six tons of plutonium material the United States Fourth Circuit Court of Appeals has ordered DOE to remove from South Carolina by January 2022?

- What level of National Environmental Protection Act (NEPA) review does the DOE/NNSA plan to undertake regarding the six tons of plutonium material designated for removal by January 2022?
- Will the nuclear material currently stored at the DAF or intended for storage at the DAF be stored or staged in the same packaging as it was for shipping to the NNSS?
- Will the nuclear material stored in the DAF be repackaged before it is eventually transported to Los Alamos National Laboratory or another facility?

I respectfully request responses to the above questions by February 19, 2019.

Cordially,



Governor Steve Sisolak

Mr. HORSFORD. Thank you.

So why is the President breaking his promise that he made to the people in October of 2018 in Nevada by proposing $116 million of funding for Yucca Mountain?

Mr. VOUGHT. He is not breaking his promise, and he is very open to the conversation that he——

Mr. HORSFORD. Will you make sure he receives this letter from our governor?

Mr. VOUGHT. Absolutely.

Mr. HORSFORD. Thank you.

On to military construction, the President requested $3.6 billion for a 2020 Department of Defense emergency fund to backfill the 2019 military construction projects that he is deferring for his emergency declaration for the wall. Mr. Director, the President's proposal threatens to cut federal funding from previously approved projects for active duty military efforts in my district.

In my district, we have Creech Air Force Base. It is at risk of losing $59 million. This is a base that is performing critical military missions across the world. Nellis Air Force Base is at risk of losing $5.9 million, and the National Guard Readiness Center in North Las Vegas, all in my district, are at risk of losing $32 million.

Can you assure me that none of these projects in my district will be delayed or have funds stripped away to pay for a useless border wall?

Mr. VOUGHT. Here is what I can say, Congressman. All of the projects that you have just mentioned, I don't have the ability to say one way or the other. I do not know if these are——

Mr. HORSFORD. Yes or no, will they be delayed? Will these projects that are providing critical missions for our national security?

And we talk about national security in this hearing all the time, and you guys are proposing to move money from active duty military that is in need in order for these individuals to meet their obligations.

Mr. VOUGHT. We have not identified the projects that would be eligible for a delay and——

Mr. HORSFORD. But you have identified the $3.6 billion you are moving from that fund.

Mr. VOUGHT. We have identified the level of funding that we think we would be comfortable based on certain requirements. The type of projects——

Mr. HORSFORD. Let me reclaim my time.

Mr. VOUGHT.——when the projects later in the——

Mr. HORSFORD. Let me reclaim my time. Today we are also talking about cuts to Medicaid. More than 640,000 Nevadans rely on Medicaid. There is a proposal in here based on the Graham-Cassidy bill, a bill that could not even pass the Republican controlled Senate, House, and White House, and now you have this in your budget.

It was opposed by nine Republican governors, including Nevada's former governor, Brian Sandoval.

Why is your Administration pushing a failed proposal once again?

Mr. VOUGHT. Because we think it is good policy and will lead to better outcomes.

Mr. HORSFORD. You couldn't get it passed by your own colleagues in the last Congress. Why do you think it is going to change now that we are in the majority?

Mr. VOUGHT. Because this Administration's budget is about putting forward our vision for the country.

Mr. HORSFORD. This Administration's budget is dead on arrival in the House.

Mr. MOULTON. I want to thank the gentleman from Nevada.

I now recognize the Ranking Member from Arkansas, Mr. Womack.

Mr. WOMACK. Thank you very much, Mr. Moulton.

And, Mr. Vought, thanks again for being here today. I will try not to take up all of my time.

You have got a tough job. I mean, how do you—if you look at the spectrum of the federal government, what we fund, how is it possible to come up with any kind of a plan, any kind of a budget that could satisfy all of the desires, all of the pet projects, all of the needs, all of the urgencies?

How is it possible to do that when you have a limited amount of resources with which to work? How do you do it?

Mr. VOUGHT. You cannot. We live in a resource constrained world. Every family across the country lives in a resource constrained world, and so you try to accomplish what is absolutely vital under the Constitution in terms of the role of the federal government, and then you try to make all of the investments that are necessary and prudent.

And we take a long time to compose these budgets because it's a labor-intensive work product.

Mr. WOMACK. Is it fair to say that the priorities change from year to year? There are different sets of urgent matters that come up from time to time that you have to take a look at?

In other words, it is kind of a fluid budgetary environment, is it not?

Mr. VOUGHT. Sure. That is one of the reasons why we believe in budgeting every year. We think we should be doing more budgeting, not less.

Mr. WOMACK. Do you think the American people that may be watching this hearing or catching excerpts of it can relate to the fact that there are always more things you want or need than there are resources to provide?

Do they do this at home?

Mr. VOUGHT. They do, and I think they understand the exercise that we are called by statute to do, which is to attempt to budget for the federal government along the lines of how they do it.

Mr. WOMACK. So, along the course of time, in a family budget, much like the federal budget, on a much smaller scale, from time to time there will be not enough resources to do the things that you would like to see on the expense side of the ledger. So, what do they do?

What do you do at your house?

Mr. VOUGHT. We figure out what money is coming in, and we figure out how much we can afford, and we allocate our spending accordingly. And we just do the best we possibly can.

We try to avoid debt. That is something that every family tries to do. When they are trying to get serious about their fiscal house, what do they do? They tear up their credit cards.

Mr. WOMACK. Do you make some tough choices?

Mr. VOUGHT. We do.

Mr. WOMACK. And these choices sometimes can be somewhat painful. They can deny you some things that you might otherwise have that makes life a little easier to go through day upon day.

But at the end of the day, you have got to make some tough choices, do you not?

Mr. VOUGHT. We do.

Mr. WOMACK. Have you ever weaned a calf?

Mr. VOUGHT. I have not.

Mr. WOMACK. You have not? Do you know happens when—I am from cattle country—do you know what happens when you wean a calf?

Mr. VOUGHT. I would be interested to hear.

Mr. WOMACK. It is one of the noisiest, loudest, heartbreaking events that a cattleman goes through, but he knows he has to do it, and I use this example at the risk of somebody from the other side saying that the Ranking Member wants to compare people to cattle.

I do not. I just suggest that any time that you take somebody off of something they have become dependent on, and in the case of weaning a calf, a calf and its mama, there is a wailing and gnashing of teeth unlike you see.

So, when you present a budget that makes some of the tough choices I just talked about, you can expect that there is going to be a lot of angst to go along with that, right?

Would you not suggest that we have to do those tough choices in order to prepare ourselves to be stronger in the future fiscally?

Mr. VOUGHT. I agree with that, sir. I think that is one of the importance of a fiscal goal. When you have a fiscal goal, it allows you to make tradeoffs. That is why we think balance is so important, even if it is over a 15-year window. It is because it allows us to enter every one of the decisions that you are just referring to and saying, "All right. Can we afford this? And if not, how do we either pay for it or not spend on it?"

Mr. WOMACK. So there are things on the expense side of the ledger that are must do. Federal government, it says "provide for the common defense." We can argue about how much, but we have to do that, do we not? It is in the Constitution.

Mr. VOUGHT. We do. It is one of the most vital roles of the federal government.

Mr. WOMACK. Now, provide for the general welfare, I mean, that is kind of a broad subject, and I think we can have a debate that goes a long time about what constitutes general welfare and what does not.

But there was a comment. I am using one example of many that came up in this hearing today on the other side about CDBG. And I'm an old mayor. So, I am very familiar with the Community De-

velopment Block Grant Program, and the budget proposes to eliminate it, correct?

Mr. VOUGHT. It does.

Mr. WOMACK. Are you familiar with the revenue sharing that the federal government used to do?

Mr. VOUGHT. Not in particular.

Mr. WOMACK. It was a program. It was federal revenue sharing. I think it was introduced to the nation and I want to say Nixon signed it into law. I could be wrong, but it was around 1971–1972 that federal revenue sharing, and I think it was born out of a need in New York with a big budget deficit, that we were going to take federal money and share it with other political subdivisions beneath the federal government, state and local.

And then I remember because I was a city council member in the early 1980s when federal revenue sharing ended, and much like the bawling of a calf at weaning, there were mayors and others associated with local government that screamed to high heaven that this was going to be terribly damaging to the balance sheets of a lot of our cities and towns.

And it seems like they survived. We did, but we became dependent on something, and it was part of our regular revenue stream, and so therefore, we just assumed it was always going to be there.

Twenty-two trillion dollars in debt is a lot of money. Do you not agree?

Mr. VOUGHT. I totally agree.

Mr. WOMACK. A trillion-dollar deficit, and it will feed into that $22 trillion, is a lot of money. Would you not agree?

Mr. VOUGHT. I totally agree.

Mr. WOMACK. So in order to make the tough choices we talked about earlier, we are going to have examine the spectrum of the federal government, and as you said early on in your testimony, I think it was in response. It may have been in your opening, but it was certainly early on in one of your responses you talked about how it was important for federal bureaucracies on the discretionary side, because we spend a lot of time talking about mandatory spending, but you said on the discretionary side we cannot forget that there are places where we can reanalyze our priorities and approach our budget perspective in a sense that we are addressing the urgent needs with an eye on fiscal responsibility, did you not?

Mr. VOUGHT. I did say that.

Mr. WOMACK. And so as part of your budget, you do advocate that the discretionary budget of the federal government cannot be held exempt from a lot of the examination that we have talked about on the mandatory side.

Mr. VOUGHT. Absolutely. We do not believe any part of the federal government or spending should be exempt.

Mr. WOMACK. You have got a difficult job, and before I close, I just want to acknowledge a number of people that are seated behind you. I am assuming that a lot of these folks are staff. I know there is one guy back there with red hair that used to work for me. So I know he is part of your staff.

And I just want to give a shout-out to your staff because they have spent a lot of midnight oil trying to prepare a document that a lot of people are going to throw a lot of tomatoes at.

But between now and the time that we fund the government on October 1st of 2020, we have still got a lot of ground to plow and a lot of decisions to make. Between the legislative and executive branch, we will do our best to put America's priorities.

Mr. VOUGHT. I appreciate that and your saying that, Congressman, and I appreciate the staff, as you mentioned, that has done so much to prepare this budget. It is a six-month process, and it takes a lot of late nights. And so I thank you for reflecting that.

Mr. WOMACK. Thank you very much for your testimony.

I yield back.

Mr. MOULTON. I want to thank the Ranking Member.

This is obviously a difficult and contentious process. I certainly agree with you on that.

Mr. Vought, I certainly hope that, to pick up the analogy of weaning calves, that it is clear from your budget that the Administration hears the bawling, the angst of the most privileged in America who are afraid of losing their tax cuts, and I just hope that the Administration can also hear the bawling, the angst of the least privileged Americans who are just trying to feed their families.

Thank you, Acting Director Vought, for being with us today.

Please be advised members can submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record. Any member who wishes to submit a question for the record may do so within seven days.

Without objection, this hearing is adjourned.

[Whereupon, at 12:50 p.m., the committee was adjourned.]

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

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CONGRESSWOMAN SHEILA JACKSON LEE OF TEXAS

STATEMENT
HEARING:
"PRESIDENT'S FISCAL YEAR 2020 BUDGET"

COMMITTEE ON THE BUDGET
210 CANNON
MARCH 12, 2019
10:00 A.M.

- Thank you Chairman Yarmuth and Ranking Member Womack for convening this hearing on the President's proposed Budget for Fiscal Year 2020.

- Let me also welcome our witness, OMB Acting Director Russell Vought.

- The President's proposed budget projects FY2020 revenues of $3.645 trillion and outlays of $4.746 trillion, leaving a deficit of $1.101 trillion.

- Over the next 10 years, the President proposes budgets that will cumulatively increase the national debt by $7 trillion and does not come close to ever balancing.

- This budget makes it very clear that the President's priorities are not with the "forgotten Americans" that he claims to represent.

- Mr. Chairman, we are living through a period of increasing income and wealth inequality that gets worse each passing year and is exacerbated by the policies pursued by this Administration and favored by our Republican colleagues.

- Consider the implication of these facts.

- America's top 10 percent now average more than nine times as much income as the bottom 90 percent.

- Americans in the top 1 percent average over 40 times more income than the bottom 90 percent.

- The nation's **top 0.1 percent are taking in over 198 times** the income of the bottom 90 percent.

- In 2018, the three men at the top of the Forbes 400 list — Amazon founder Jeff Bezos, Microsoft founder Bill Gates, and investor Warren Buffett — held combined fortunes worth more than the total wealth of the poorest half of Americans.

- The median African American family, with just over $3,500, owns just 2 percent of the wealth of the nearly $147,000 the median White family owns.

- The median Latino family, with just over $6,500, owns just 4 percent of the wealth of the median White family.

- Put differently, the median White family has 41 times more wealth than the median Black family and 22 times more wealth than the median Latino family.

- Mr. Chairman, this budget would undermine the very programs relied upon by poor, working, and middle-class families and our nation's most vulnerable citizens: children, senior, the disabled, and the homeless.

- Under the President's budget, non-defense discretionary (NDD) programs are cut by $1.4 trillion, including cuts to Medicare and Medicaid, while defense spending is slated to increase by $750 billion over ten years.

- The budget would reduce funding for SNAP is cut by $220 billion or 22 percent.

- Like the phony budget submitted last, the President's FY2020 budget again requests only $200 billion for the Administration's $1 trillion infrastructure proposal and forces cash-strapped state and local government to provide the remaining $800 million in funding.

- The budget requests Congress to approve spending $8.6 billion of the taxpayers' money to build an unnecessary, ineffective, and immoral wall along the southern border that the President boasted and assured Americans that would be paid for solely by Mexico.

- The budget would reduce funding for the State Department and international programs by more than 30 percent, eviscerating America's soft-power comparative advantage in international affairs.

- Let me be blunt: The President should be embarrassed and ashamed to present this budget and expect it to be taken seriously by the American people's representatives in Congress.

- Let me tell you why.

- The President's budget sinks the nation into deficits exceeding $1 trillion a year while showering the top 1 percent with tax breaks.

- In contrast, last month the IRS reported that the average tax refund check is down 8 percent ($170) this year compared to last and the number of people receiving a refund so far has dropped by almost a quarter.

- The Government Accountability Office warned last summer that the IRS estimated that about 4.6 million fewer filers would receive refunds this tax filing season and another 4.6 million filers were likely to owe money who previously had not owed any money.

- The President's budget undermines the nation's future through reckless cuts to investments and programs needed to boost jobs and innovation, revitalize communities, and generate broad-based prosperity.

- The President's budget piles more hardships on Americans struggling to get by with $327 billion in cuts to direct spending programs that safeguard basic living standards for working families and people struggling to get by.

- The President's budget pursues deep Medicaid cuts and other destructive health care policies.

- The President's budget continues the Republican obsession with dismantling and destabilizing health care for millions of Americans by making yet another attempt to "repeal and replace" the Affordable Care Act with an inferior plan that will leave millions more people without meaningful health insurance coverage, weaken protections for people with pre-existing conditions, and result in a net $1.5 trillion cut to health care.

- As part of this attack on health coverage, the President's budget cuts $1.4 trillion from Medicaid over ten years, jeopardizing care for seniors in nursing homes, children with disabilities, and low-income families.

- The President's budget fails to make necessary investments in infrastructure.

- The President's budget relies on extremely optimistic assumption of 3% annual economic growth, notwithstanding the fact that the nation's leading private forecasters, as well as the Congressional Budget Office, forecast average annual growth of less than 2 percent.

- There is much wisdom in the adage that "the President proposes, the Congress disposes."

- In short, Mr. Chairman, this phony budget is Act III of the immorality play we predicted the President would write.

- Act I was the cutting of taxes for the rich; Act II was the inevitable exploding of the deficit we predicted would result and our Republican friends denied would ever happen.

- And now we have Act III, in which Republicans claim to have newly rediscovered their horror over the deficits created by their fiscal irresponsibility and insist that the mess they created but be cleaned up by slashing investments in the programs relied upon by the 90-95 percent of Americans who were made worse off by the GOP TaxScam.

- This budget should be declared DOA and Congress should get to work on fashioning a budget that reflects the priorities and addresses the real challenges facing the American people.

- Thank you; I yield the remainder of my time.

Congresswoman Barbara Lee
Budget Hearing
Hearing on the President's FY20 Budget
Acting Director, Russell Vought
March 12, 2019 at 10:00 AM | 210 CHOB

QUESTION # 1 – SNAP/HARVEST BOX

In your budget you propose a cruel $220 billion in cuts to SNAP in addition to a new "harvest depression-era box" for SNAP recipients—which by the way is incredibly stigmatizing - how in the world can this box keep up with families who are unhoused or even low-income families who rely on their EBT card as they are forced to live out in their cars, with friends, or move? How will you ensure that struggling, unhoused families will get their SNAP recipients? And just to clarify for you, Director Vought, current unhoused SNAP recipients are able to get benefits within 3 days on site application or it can be mailed to a homeless shelter.

How does this new harvest box reduce "administrative waste?" This would be incredibly complex to administer and involve a new bureaucracy that would itself be vulnerable to these concerns. SNAP has robust anti-fraud measures in place. How does layering on more paperwork, warehouses, etc. reduce fraud? Meanwhile, it will increase administrative costs.

How can that be when the food boxes would include commodities and not fresh food?

QUESTION #2 – HIV/AIDS

Director Vought, as you know, President Trump recently announced the End HIV Initiative and proposed $291 million in the FY2020 Health and Human Services budget to reduce new HIV infections by 75 percent in the next five years, and by 90 percent in 10 years. The funding would include $140 million in new money for the Centers for Disease Control and $70 million in new funds for the Ryan White Program.

At the same time, this budget eliminates the Affordable Care Act's Medicaid Expansion, which extended coverage to 12 million low-income adults—and Medicaid is the single largest source of coverage for people with HIV.

In addition, the budget calls for a *22 percent cut* to funding for PEPFAR, and a change to the formula for the U.S. contribution to the Global Fund, which means that our contribution will decrease from $1.35 billion to $1.1 billion.

Simply put, the President's budget doesn't match his rhetoric.

Question 1 – Director Vought, Medicaid is the largest source of coverage for people with HIV, estimated to cover more than 40% of people with HIV who are receiving treatment. And the budget includes $1.5 trillion in Medicaid cuts over 10 years. How is the goal of the End HIV Initiative achievable when the Administration is proposing to cut nearly one-quarter of the Medicaid budget?

And how can the Administration claim to share the goal of creating an AIDS-Free Generation with its continued drastic cuts to global health programs, especially PEPFAR and the Global Fund?

Question 2 – The Trump Administration has recently proposed a series of changes to Medicare Part D. Currently, Medicare Part D must cover ALL HIV drugs—yet the proposed changes would allow insurance companies to decide which drugs they would cover.

Congress has, time and again, rejected proposals to change the Medicare Part D "six protected classes" of drugs. In fact, I am currently circulating a bipartisan letter with Rep. Will Hurd that calls on the Administration to withdrawal this proposal—and we currently have 70+ signatures.

How would making access to HIV drugs more difficult be compatible with the goals of the End HIV Initiative?

QUESTION # 3 – DEFENSE/OCO

Director Vought, the Pentagon's budget is at historic highs; DOD has been on an unprecedented spending spree since 2001. The Pentagon cannot even undergo a full financial audit which means we don't fully understand where the Pentagon spends its money. There continue to be revelations of massive waste and fraud at the Pentagon. Let me list some out for you:

- A Pentagon commissioned study showed $125 billion in bureaucratic waste over five years, which the Washington Post found that the Department tried to cover up
- The Pentagon awarded a $7 million cloud-computing contract to a 1-person company
- The Defense Logistics Agency lost track of $800 million in construction projects

National defense spending, currently makes up more than 50 percent of discretionary spending, correct?

And the Department of Defense is the only federal agency that has never been able to pass an audit, is that correct?

So, we might have a hard time knowing how much we should be spending on the Pentagon then, yes or no?

Because the Pentagon failed its audit, we currently do not know if we paid the right prices for contracts, whether we accomplished the goals we set out to achieve with the funding, and whether the money we spent went where it was supposed to go. Without answers to these basic questions, how can we know what the Pentagon's topline should be?

The President has proposed spending $174 billion in Overseas Contingency Operations. This is a 139 percent increase over already the significantly bloated OCO number from last year. It is a gross abuse of OCO for an Administration that has said it seeks to end this budget gimmick. Did the Administration propose a massive increase in the OCO number to get around the legal limits on spending for FY2020?

Trump's former OMB director, Mick Mulvaney, said in testimony before the Senate last year that OCO was a slush fund that he would seek to eliminate. In fact, last year's budget request stated that: "in FY 2020 and the outyears, the Administration proposes returning to OCO's original purpose by shifting certain costs funded in OCO to the base budget where they belong." Do you dispute your predecessor's—Trump's current chief of staff—claim? How do you account for the change of plans?

Why did you not seek the same increase in OCO for non-defense discretionary spending to get around the budget caps?

Cost of war

Experts have estimated that the total costs of our nation's post 9/11 wars are roughly $6 trillion. This includes hundreds of billions of dollars already spent as well as billions more that will be required to be spent in the future whether it is for the care of our servicemembers who have found in these endless wars or interest payments since we have put the costs of these wars on our nation's credit card? Can you tell us today what are the known future expenses that we have already incurred over the past 18 years of war?

Don't you think that we owe it to the American taxpayer to be honest with them to what we've already committed them to pay? Shouldn't we be honest about the true costs of our endless wars, not just the annual costs appropriated to the Department of Defense?

NDD Question

Prepared by the Office of Rosa L. DeLauro

Your budget acknowledges that the existing discretionary spending caps are too tight by providing an extra $165 billion for ongoing defense needs outside the limits of the caps, but it fails to provide such extra money for non-defense programs.

In fact, your budget cuts non-defense programs by $55 billion below current levels, while increasing defense funding by a total of $34 billion through this budget gimmick.

Question: Why not be honest about growing needs and raise both defense and non-defense spending caps, providing a budget that serves as a realistic guide for priorities that serve the needs of all Americans who value education, public health, law enforcement, food safety, housing, worker protection, and the many other priorities addressed by non-defense programs?

For example, the "people's bill" that funds the bulk of all non-defense discretionary programs was basically frozen last year. It can't meet the needs of the public if it is deeply cut this year.

Questions for the Record

To: Chairman John Yarmuth, House Committee on the Budget
From: Congressman Dan Meuser
Date: March 19, 2019
RE: Hearing: "The President's 2020 Budget"

I would like the witness present at the Committee on Budget's March 12 hearing to please respond to the following questions for the record in writing -

- Acting Director Vought, the USCIS has recently sent their proposed regulation changes to the EB-5 Immigrant Investor program, to the Office of Management and Budget (OMB) for final review. What is your estimated time of completing your review and when in your determination will the final regulations be made final? What would the effective date of the new regulations be?

Answers to Questions Submitted for the Record
by Acting Director Russell Vought

Rep. Lee

In your budget you propose a cruel $220 billion in cuts to SNAP in addition to a new "harvest depression-era box" for SNAP recipients – which by the way is incredibly stigmatizing - how in the world can this box keep up with families who are unhoused or even low-income families who rely on their EBT card as they are forced to live out in their cars, with friends, or move? How will you ensure that struggling, unhoused families will get their SNAP recipients? And just to clarify for you, Director Vought, current unhoused SNAP recipients are able to get benefits within 3 days on site application or it can be mailed to a homeless shelter.

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How can that be when the food boxes would include commodities and not fresh food?

The proposal to combine traditional SNAP EBT benefits with a box of nutritious, 100% American-grown foods would provide States with significant flexibility to design programs to meet the needs of families receiving SNAP, including families who are not in permanent housing. States would also have flexibility to design innovative approaches such as public/private partnerships to include fresh products, while the traditional SNAP EBT benefits that recipients would continue to receive under this proposal as a portion of their benefits could also be used to supplement foods contained in the Harvest Box. This proposal maintains our commitment to helping families in need while providing significant savings to taxpayers. Other SNAP reforms proposed in the Budget would reduce the risk of benefit trafficking and strengthen program integrity.

Rep. Lee

Director Vought, as you know, President Trump recently announced the End HIV Initiative and proposed $291 million in the FY2020 Health and Human Services budget to reduce new HIV infections by 75 percent in the next five years, and by 90 percent in 10 years. The funding would include $140 million in new money for the Centers for Disease Control and $70 million in new funds for the Ryan White Program.

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And how can the Administration claim to share the goal of creating an AIDS-Free Generation with its continued drastic cuts to global health programs, especially PEPFAR and the Global Fund?

Question 2 – The Trump Administration has recently proposed a series of changes to Medicare Part D. Currently, Medicare Part D must cover ALL HIV drugs – yet the proposed changes would allow insurance companies to decide which drugs they would cover.

Congress has, time and again, rejected proposals to change the Medicare Part D "six protected classes" of drugs. In fact, I am currently circulating a bipartisan letter with Rep. Will Hurd that calls on the Administration to withdrawal this proposal – and we currently have 70+ signatures.

How would making access to HIV drugs more difficult be compatible with the goals of the End HIV Initiative?

Question 1 Response:

The Budget protects and preserves Medicaid by putting it on a sustainable path so it can continue to serve the most vulnerable populations, including people with HIV. Current growth in Medicaid spending is unsustainable and the Obamacare Medicaid expansion diverts attention from the vulnerable populations Medicaid was established to serve and distorts Medicaid's financing incentives favoring coverage for childless adults, whose coverage is paid for with 90 percent Federal funding, compared to 57 percent average Federal funding for traditional Medicaid populations. The Budget proposes new flexibilities for States in financing and program design in Medicaid. We fully expect States will protect the most vulnerable populations, such as people with HIV, with this

flexibility. Further, the budget replaces current funding on the expansion with $1.2 trillion in new funding for states.

The FY2020 Budget maintains the United States' position as the world's top global health donor, and challenges other donors to expand their investments in global health. The Administration's PEPFAR Strategy focuses on assisting 13 countries to achieve epidemic control by 2020. At our budget level, PEPFAR will fully fund the Strategy, provide lifesaving support in more than 50 countries, maintain all current patients on treatment, and continue the United States' position as by far the world's top HIV/AIDS donor. For the next replenishment of the Global Fund, the Budget reflects the Administration's proposal to match $1 for every $3 contributed by other donors, providing a $1.1 billion contribution in 2020 and up to $3.3 billion over the three-year replenishment period. This new match will support a global target of $13.2 billion, an increase from the previous replenishment target and actual pledges from all donors. The Kaiser Family Foundation reports that the United States provides more than 70 percent of global donor funding for HIV/AIDS; the Budget challenges other donors to make significant new commitments.

Question 2 Response:

The Administration is moving aggressively to address high drug prices, provide greater access to lifesaving medical products, and ensure the United States remains the leader in biomedical innovation. In support of this goal, CMS proposed providing Part D plans with greater flexibility to negotiate discounts for drugs in the six "protected" therapeutic classes. The proposed regulatory provision maintains all six protected classes of drugs, including antiretrovirals used to treat HIV, while providing plans with greater flexibility to negotiate discounts in an effort to make these drugs more affordable for beneficiaries. CMS is currently considering the comments received on this policy.

Rep. Lee

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Trump's former OMB director, Mick Mulvaney, said in testimony before the Senate last year that OCO was a slush fund that he would seek to eliminate. In fact, last year's budget request stated that: "in FY 2020 and the outyears, the Administration proposes returning to OCO's original purpose by shifting certain costs funded in OCO to the base budget where they belong." Do you dispute your predecessor's -- Trump's current chief of staff-- claim? How do you account for the change of plans?

Why did you not seek the same increase in OCO for non-defense discretionary spending to get around the budget caps?

The President's Budget recognizes that that there are critical national security needs that must be met and that trillion dollar deficits are not sustainable. The additional Overseas Contingency Operations (OCO) funding will be used to meet national security needs above the level set in the base defense cap.

The Administration is taking this approach so the funding necessary to defend our nation does not depend on another budget agreement or legislation increasing the base budget defense cap in current law. As long as there are demands for more non-defense spending in exchange for defense spending, expanding the use of OCO funds will remain the Administration's strategy for meeting national security needs while avoiding a caps deal that increases non-defense funding.

However, the Administration remains committed to transitioning enduring and base budget costs from OCO back to the defense base budget over time, starting in FY 2022 after the last year of BCA defense caps. To support transitioning OCO costs over time, DOD's budget materials categorize OCO amounts for FY 2020 as direct war costs, enduring costs, and base budget costs, and include realistic multi-year OCO spending projections, unlike previous administrations' budgets.

Both the Department of Defense (DOD) and the Department of Housing and Urban Development received disclaimers of opinion for their FY 2018 audits. The FY 2018 DOD audit was the Department of Defense's first ever agency-wide financial audit and one of the largest financial statement audits in history, covering $2.7 trillion in assets and $2.6 trillion in liabilities. As DOD forecasted, it received a disclaimer of opinion after its first audit – meaning auditors could not express an opinion on the financial statements because the financial information was not sufficiently reliable. OMB strongly supports DOD's efforts to perform successful annual financial statement audits, and commends the Department's progress to date. OMB will continue monitoring DOD's development and implementation of corrective actions, including efforts to hold military departments and defense agencies accountable.

Rep. Lee

Cost of war

Experts have estimated that the total costs of our nation's post 9/11 wars are roughly $6 trillion. This includes hundreds of billions of dollars already spent as well as billions more that will be required to be spent in the future whether it is for the care of our servicemembers who have found in these endless wars or interest payments since we have put the costs of these wars on our nation's credit card? Can you tell us today what are the known future expenses that we have already incurred over the past 18 years of war?

Don't you think that we owe it to the American taxpayer to be honest with them to what we've already committed them to pay? Shouldn't we be honest about the true costs of our endless wars, not just the annual costs appropriated to the Department of Defense?

DOD, in its quarterly Cost of War Report, provides Congress its war-related costs incurred since September 11, 2001. According to DOD's most recent Cost of War report, published in September 2018, the Department has obligated approximately $1.5 trillion for war-related costs over the past 18 years. This figure includes approximately $200 billion for ongoing contingencies in Iraq, Syria, and Afghanistan, as well as DOD support to federal, state, and local agencies for homeland security. It also includes approximately $1.3 trillion for prior year contingencies, primarily operations in Iraq and Afghanistan. These figures include war-related operational costs, support for deployed troops, and transportation of personnel and equipment.

For future costs, DOD prepares a detailed five-year Future Years Defense Program to help inform policy makers about the longer-term costs of defense investments. The President's Budget also includes ten-year projections for both base defense and Overseas Contingency Operations spending.

Answer to Question Submitted for the Record
by Acting Director Russell Vought

Rep. DeLauro

Your budget acknowledges that the existing discretionary spending caps are too tight by providing an extra $165 billion for ongoing defense needs outside the limits of the caps, but it fails to provide such extra money for non-defense programs.

In fact, your budget cuts non-defense programs by $55 billion below current levels, while increasing defense funding by a total of $34 billion through this budget gimmick.

Question: Why not be honest about growing needs and raise both defense and non-defense spending caps, providing a budget that serves as a realistic guide for priorities that serve the needs of all Americans who value education, public health, law enforcement, food safety, housing, worker protection, and the many other priorities addressed by non-defense programs?

For example, the "people's bill" that funds the bulk of all non-defense discretionary programs was basically frozen last year. It can't meet the needs of the public if it is deeply cut this year.

The President's Budget is honest in recognizing the reality that there are critical national security needs that must be met and that trillion dollar deficits are not sustainable. Discretionary spending overall is a major driver of deficits. The additional OCO funding will be used to meet national security needs above the level set in the base defense cap but this is to achieve the President's most important responsibility of protecting the Nation. A parity increase for non-defense is simply not a critical need while we face these large deficits. The Budget makes the difficult choices necessary to remain at the current-law non-defense cap. The most important and critical programs are funded at this level and the policy brings the non-defense budget to a sustainable level of spending in order to get deficits under control.

Answers to Questions Submitted for the Record
by Acting Director Russell Vought

Rep. Meuser

Acting Director Vought, the USCIS has recently sent their proposed regulation changes to the EB-5 Immigrant Investor program, to the Office of Management and Budget (OMB) for final review. What is your estimated time of completing your review and when in your determination will the final regulations be made final? What would the effective date of the new regulations be?

The Office of Information and Regulatory Affairs (OIRA) is currently reviewing this regulation from USCIS under Executive Order 12866. Given that the rule is under review, we cannot project any potential timelines for conclusion of our review or of a future effective date.