

**THE PRESIDENT'S FISCAL YEAR 2022  
BUDGET PROPOSAL**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON THE BUDGET**  
**UNITED STATES SENATE**  
ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

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June 8, 2021  
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# THE PRESIDENT'S FISCAL YEAR 2022 BUDGET PROPOSAL

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TUESDAY, JUNE 8, 2021

U.S. SENATE,  
COMMITTEE ON THE BUDGET,  
*Washington, D.C.*

The Committee met, pursuant to notice, at 11:04 a.m., via Webex and in Room SD-608, Dirksen Senate Office Building, Honorable Bernard Sanders, Chairman of the Committee, presiding.

Present: Senators Sanders, Murray, Stabenow, Whitehouse, Kaine, Van Hollen, Luján, Padilla, Graham, Grassley, Crapo, Toomey, Johnson, Braun, Scott, Sasse, Romney, and Kennedy.

Staff Present: Warren Gunnels, Majority Staff Director; Nick Myers, Republican Staff Director; Joshua Smith, Majority Policy Director; and Becky Cole, Republican Policy Director.

## OPENING STATEMENT OF CHAIRMAN BERNARD SANDERS

Chairman SANDERS. Okay. Thank you all for being here and Senators who are in attendance virtually. And let me thank Shalanda Young, the Acting Director of OMB, for being with us. And let me thank Senator Graham for his help as Ranking Member.

A Federal budget speaks to who we are as a Nation and where we want to be in the future. And I think as everybody knows, this last year has been one of the worst years in our lifetimes for our country and, in fact, for the world. In the United States, we have endured the worst public health crisis in 100 years. We have lost over some 600,000 people to COVID, and we have also endured the worst economic collapse since the Great Depression of the 1930s.

The very good news is I believe we are making significant progress in fighting our way out of both of those disasters. In terms of the pandemic, more and more Americans are being vaccinated, and the death rate is going down significantly. In my own State of Vermont, we are up to about 80 percent of our people have been vaccinated, and that type of trend is going on all over the country. Obviously, we still have an enormous amount of work to do, but the good news is we are making progress.

Economically, we are also moving forward in the right direction. Millions of jobs have been created in the last few months as the economy reopens all across America. And one of the reasons, in my view, for our success has been the American Rescue Plan (ARP) that the President signed into law in March. The \$1,400 direct payment that about 85 percent of our people received was enormously helpful in easing the anxiety and the pain and the distress that so many people were feeling. I do not know if any of you had the op-

portunity to talk to people who received those checks, but for a family of four, that was just life-saving.

The American Rescue Plan in a major way has begun to cut childhood poverty because of the \$3,600 child tax credit that we are providing to working families all across America.

During the pandemic, in my State, and I expect in all of your States, there were long lines of people lining up for emergency food. Hard to believe that is taking place in America. It was. We are making progress in reducing hunger in America.

We are expanding, as a result of the American Rescue Plan, health care for people who need it. We are improving educational opportunities. We are providing summer and after-school programs for our kids.

The American Rescue Plan provided an extra \$300 a week in unemployment benefits to millions of workers who lost their jobs through no fault of their own. And the American Rescue Plan also is preventing millions of Americans from being thrown out onto the streets because they could not afford their rent.

It is also preventing over a million workers and retirees from seeing their pensions slashed by up to 60 percent. In other words, that is a very significant piece of legislation that came at a time when working families in this country desperately needed help. But let us be clear. While we are making progress in protecting working families, an enormous amount of work remains before us.

In the richest country in the history of the world, the working families of this country continue to struggle economically with millions of our people continuing to live in desperation. Sometimes inside the Beltway, we can forget that reality. Literally speaking, three blocks from this building, there are people sleeping in tents out on the street, and the desperation exists from one end of this country to the other in every one of our States.

Real wages, inflation accounted for wages in America, are lower today than they were 48 years ago. Think about that. A huge explosion in productivity, in technology, average American worker in real wages making less than he or she did 48 years ago. And, frighteningly—and the young people know this—the younger generation stand an excellent chance, if we do not turn it around, of having a lower standard of living than their parents. In other words, we are moving in exactly the wrong direction.

Today in America, over half of our people are living paycheck to paycheck, and millions are trying to get by on 8, 9, 10 bucks an hour, which, in my view, is a starvation wage.

In terms of health care, we remain the only major country on Earth not to guarantee health care to all people, and yet we pay the highest prices in the world for health care. Ninety million people are uninsured. One out of four people cannot afford the cost of a prescription drug their doctor prescribes because we pay the highest prices in the world for prescription drugs.

Over half a million Americans are homeless today, and some 18 million households spend at least half of their incomes on housing. How the hell do you survive when you are spending half your income on housing?

Meanwhile, while working families struggle, the very richest people in this country are doing unbelievably well. Two people own more wealth than the bottom 40 percent of the American Nation.

And let me be as clear as I can be. The decisions that we make as a Congress will determine the very future of this Nation. I am not just talking about the movement toward authoritarianism and the attacks on democracy, which we are seeing every day. We are determining whether or not we are going to have an economy that works for all of us or just the very wealthiest people in this country. And in my view, the budget that President Biden has submitted to Congress constitutes a significant, significant step forward for the working families in this country. Now he has done his job; his staff has done their job. They have given us an excellent budget. It is our job to take that budget, to refine it, and to make it a document that works for all of our people.

At a time when tens of millions of Americans continue to struggle economically, the President's budget would create millions of good-paying jobs—underline “good-paying jobs”—in this country by rebuilding our crumbling roads, bridges, water systems, wastewater plants. We have talked about infrastructure—Debbie, how many years have we talked about it? Decades since we have been here. Infrastructure, Republicans talk about it, Democrats talk about it. Every State in this country has crumbling infrastructure. We have done nothing or very little. Now is the time to put our people back to work rebuilding our crumbling infrastructure.

We need to build millions of units of affordable housing. We need to combat climate change. The scientists are very clear. Every day that we delay is another day that we endanger the well-being of our children and our grandchildren with more droughts, more floods, more extreme weather disturbances. That is the bad news.

The good news is that we can create millions of good-paying jobs going forward in addressing climate change, and that is certainly incorporated in the President's budget. The President's budget extends the child tax credit for at least 5 years. No, in America, we should not have the highest rate of childhood poverty of any major country on Earth. And this budget takes us a good way forward in helping us to address that.

This budget deals with the outrage that the pharmaceutical industry owns the United States Congress—the Republican Party and the Democratic Party. For too many years, their lobbyists, their campaign contributions, have resulted in the fact that we pay by far the highest prices in the world for prescription drugs. The President's budget begins to tell the pharmaceutical industry, yes, Medicare will negotiate prices. We can raise up to \$500 billion, which, among other things, we can use to expand Medicare to cover dental, hearing, eyeglasses, and lower the age of eligibility. Millions of younger workers want to get into Medicare.

By enacting universal child care and pre-K legislation in the President's budget, we can make sure that every child in America, regardless of income or Zip code, gets a good start in life. How absurd it is that we still, many of us, continue to live in the 1950s here dad went to work and mom stayed home with the kids. Well, you know what, folks? Mom is working, dad is working, and the

children of this country are entitled to high-quality child care. That is what this President's budget begins to address.

By passing paid family and medical leave, I believe we remain the only major country on Earth—is that right, Ms. Young?—that does not guarantee paid family and medical leave. If a working mother has a baby today, she has got to go back to work in a week from now. Really? Is that what a civilized society is about? Only major country on Earth not to guarantee paid family and medical leave. This budget begins to move us in the right direction.

This budget, the President's budget, begins to move us forward in terms of providing progressive tax legislation that finally asks the wealthy and large corporations to begin paying their fair share of taxes so we can begin not only to raise the revenue that we need, but to end the grotesque level of income and wealth inequality that exists in America.

So here we are, folks. We have come to the worst year in our lifetimes. We are making progress. But I would hope that everybody recognizes that we still have a very long way to go. I want to congratulate the President, Ms. Young, and the administration for giving us the framework to move forward.

Now, they have done their job. Now we have got to take the ball and run with it. We have got to refine that budget. It is not a perfect budget. That is our job. That is what the Congress does. So I look forward to working with my colleagues in the Senate and the House and with the administration to make this just an extraordinary piece of legislation that finally addresses the needs of working families. Thank you.

Senator Graham.

#### **OPENING STATEMENT OF SENATOR LINDSEY GRAHAM**

Senator GRAHAM. Thank you, Mr. Chairman. And to our witness, welcome. I have a high respect and regard for you. Your budget, like every other President's budget, is probably not going to go very far, but that is just the way it is around here.

Let me tell you why this budget probably will not go very far. There are some things you can fix. This budget is not one of them. What does this budget do? Over a 10-year period, it increases \$5 trillion in additional spending on top of what we are already spending. Five trillion over 10 years. It raises taxes to \$3.6 trillion. What does that mean for everybody working out there? This budget will come to your neighborhood soon. There is just not enough 1-percenters to bear all the load of this.

In terms of debt to gross domestic product (GDP), we will be at 117 percent, the highest since World War II.

What does it do in terms of taxes? Twenty percent of GDP will be taxes, the highest level in the history of the country. And we are competing in a world where people are trying to be more competitive. Businesses can go anywhere in the world to do business, and I think a lot of them will be choosing another spot other than the United States because we will drive them offshore.

This tax-and-spend budget will break the back of our economy and will destroy future generations' ability to achieve the American dream that most of us have had a shot at, because we will sink



them with debt. We will have an economy with a tax structure that very few businesses will look to America as the place to locate.

Other than that, it is fine.

The real problem with the budget is on the defense side. You know this gun-butter debate? There is enough butter in this bill to call a heart attack for everybody in the world. This is the most cholesterol-laden budget I have ever seen: a 16-percent increase for nondefense spending; 1.7-percent increase for defense spending. In a dangerous world, this budget increases defense spending less than inflation, increases nondefense spending by 16 percent. If you do not have a television, you need to buy one. Look what is going on in the world. The Iranians are marching toward a nuclear weapon, 60 percent enrichment. We have Russia riling the neighborhood it lives in. In Afghanistan, we are about to withdraw, and ISIS and, unfortunately, al Qaeda types are going to reemerge. We have got North Korea threatening every day to expand their nuclear program. The Chinese are up to no good on every front. The incursions into friendly airspace by Russia and China are at an all-time high. So our response is to basically neuter our defense capabilities.

Mr. Chairman, how do you grow the Defense Department to compete with the technologies being developed by Russia and China if our defense spending is less than inflation? Their spending is not less than inflation. So this budget, I think, is blind to the world in which we live in in terms of military threats. It has an approach to the role of the Federal Government that will destroy free enterprise. It will create a tax-and-spend policy in perpetuity. It will make it very hard for the next generation of Americans to grow their own business, start their own business, and raise their families with some hope of acquiring wealth.

Seventy-one percent of all taxes in America are paid by people that make over \$500,000; 53 million Americans pay zero Federal income tax. Where are we headed? This budget, in my view, will destroy the ability to create new jobs in this country, will create a debt burden on future generations that would be devastating, and would at a time of great danger strip America of being able to maintain a qualitative edge over those who wish us harm.

This is a very ill conceived budget. It will get no support on this side, and I hope working with Democrats and Republicans we can find a way to have a budget that does not have a 16-percent increase for nondefense and a 1.7 increase for defense spending in this dangerous world in which we all live and that we do not institutionalize tax rates and debt that are beyond the ability of the American people to flourish and survive.

Thank you.

Chairman SANDERS. Thank you, Senator Graham.

Shalanda D. Young is the Acting Director and Deputy Director of the Office of Management and Budget, and we are delighted that she is before us today. Ms. Young?

**STATEMENT OF THE HONORABLE SHALANDA D. YOUNG, ACTING DIRECTOR AND DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET**

Ms. YOUNG. Thank you, Chairman Sanders, Ranking Member Graham, and the rest of the distinguished members of the Budget

Committee. Thank you for the opportunity to be here today to testify on the President Biden's fiscal year 2022 budget request.

We released this budget at a moment in our country where we are emerging from one of the most challenging periods in our history. At least 63 percent of American adults have now received one vaccine shot. The economy has added 2 million jobs since the President took office. The unemployment rate has dropped to 5.8 percent, the lowest since the start of the pandemic. A very encouraging sign is the decline in the long-term unemployed by 431,000 last month, as well as a decline in those seeking initial claims of unemployment by about half of what they were in January.

And yet we also know that it is not enough to simply go back to the economy we had before the pandemic. Instead, we must seize this moment to reimagine and rebuild a new American economy that invests in the middle class and those trying to break into the middle class.

The President's fiscal year 2022 budget details his agenda for this year to help grow the economy, create good-paying jobs, and power an equitable economic recovery. It includes the two historic plans the President has put forth—the American Jobs Plan and the American Families Plan—and reinvests in education, research, public health, and other foundations of our country's strength through the discretionary request. And it does all of this while proposing tax reforms that will improve our country's long-term fiscal health and lay the foundation for shared prosperity in this country.

The budget starts with the American Jobs Plan—a once-in-a-generation investment in America that will put millions of people to work rebuilding our country: fixing highways, rebuilding bridges, and upgrading our transit systems; replacing all lead pipes and service lines into our homes; investing in the infrastructure of our care economy and creating new and better jobs for caregiving workers; and more.

The budget also includes the American Families Plan, a historic investment to help families cover the basic expenses that so many struggle with now, lower health insurance premiums, and continue the historic reductions in child poverty that began in the American Rescue Plan.

Alongside these investments, the budget also reiterates the President's strong call to Congress during his Joint Session address to make progress on health care by reducing the cost of prescription drugs and expanding and improving health coverage. Moreover, the budget details a robust set of discretionary proposals to help reinvest in the foundations of our strength and to begin reversing a decade of chronic underinvestment in priorities like public health.

In total, the budget's discretionary investment would restore non-defense appropriations to its historical average share of the economy. Importantly, the budget makes all of these investments in a way that is responsive to both near- and medium-term economic landscape and longer-term fiscal outlook.

In the near term, the decades-long global trend of declining interest rates gives us the fiscal space to make necessary up-front investments. Under the budget's policies, the real cost of Federal debt payments will remain below the historical average through

the coming decade, even as the budget assumes that interest rates will rise from their current lows, consistent with private sector forecasts. Over the long run, when we face larger fiscal challenges and more uncertainty about interest rates, the budget will reduce the deficit and improve our Nation's finances. That is because its front-loaded investments are more than paid for through the permanent tax reforms that will ensure corporations and the wealthiest Americans pay their fair share. The budget policies reduce annual deficits beginning in 2030 and reduce deficits by over \$2 trillion in the subsequent decade, while the American Jobs Plan and American Families Plan are fully offset within 15 years.

As a whole, the President's budget will improve our Nation's long-term finances while making the growth-enhancing investments we need right now.

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

[The prepared statement of Ms. Young appears on page 35]

Chairman SANDERS. Thank you very much.

Ms. Young, let me start off with an issue that I have worked on for a long time, as others have, and that is the high cost of prescription drugs, the fact that the United States through our Medicare program does not negotiate drug prices. What does the President's budget do in terms of lowering drug prices and demanding that we get fair prices from the pharmaceutical industry?

Ms. YOUNG. Senator Sanders, the budget makes clear that the President expects action on this this year, that we expect a bill from Congress that allows Medicare to negotiate drug prices, that saves at least half a trillion dollars for the American people through lowering of drug payments, which you know is an extreme cost not only to beneficiaries but to taxpayers through the Medicare program.

Chairman SANDERS. To my mind, in the richest country on Earth, it is hard to believe that millions of seniors do not have teeth in their mouths, do not have the hearing aids that they need, do not have the eyeglasses they need. What does the President's budget propose in terms of expanding Medicare?

Ms. YOUNG. Not only does the President want and expect action this year, as he called for in the joint address, on prescription drugs, he expects those savings and others to be used to strengthen the Medicare and Medicaid programs with plans to enhance dental, vision, and hearing aids through those programs.

Chairman SANDERS. Ms. Young, you may be aware that, unbelievably, you know, I hear my Republican colleagues talk about problems, and somehow they forget issues like we have the highest rate of childhood poverty of almost any major country on Earth while the very rich are richer. What does this bill finally begin to do, the President's budget, in terms of childhood poverty in America?

Ms. YOUNG. One, it looks at the issues you brought up about women in the job force and the need for child care for all families that is affordable and equitable. So it invests heavily in child care spending. It reinvests in Head Start. Today the discretionary budget serves 95,000 fewer children than it did 10 years ago. So it looks

at a full picture to allow families to educate their children in a way that is fair to all families, no matter of income level.

Chairman SANDERS. Why is that important—I mean, I am asking you such an obvious question, but some apparently still do not appreciate this. Why in today's economy is it important that we have a strong child care and pre-K system?

Ms. YOUNG. I am here before you as a woman. Families look very different than they did 30 years ago. We need all the tools available to allow women and fathers to enter the workforce while not worrying about child care for their families.

Chairman SANDERS. The United States, I say to my colleagues, used to be the best-educated country on Earth. If my memory is correct, we used to have the highest percentage of college graduates of any major country. That is no longer the case. And Senator Graham mentioned that this is a very competitive economy, world economy, and it certainly is. But you know what? You are not going to succeed in a competitive world economy unless we have the best-educated workforce in the world.

What does the President's budget do in terms of improving, allowing working families to get the higher education that right now they cannot afford?

Ms. YOUNG. This budget would allow 2-year community colleges to be free for Americans, which we think is the appropriate thing to do. As the President has said over and over, we developed an education system decades ago that said 12 years was the right amount of years. We need to relook at that, and I think if we look at now what the educational requirements are for most jobs, that does not make sense anymore.

Chairman SANDERS. That is an area, by the way, we are going to maybe expand a little bit on the President's ideas. I think we can go beyond community colleges, making them available to working families.

My last question is while some of my colleagues may not appreciate it, the scientists are pretty clear that climate change is an existential threat to this planet, and not only the United States but China and India and countries all over the world are going to have to work extremely aggressively to transform our energy system and in the process create millions of good-paying jobs.

Ms. Young, what does the President's budget do in terms of finally getting us to move forward aggressively on climate change?

Ms. YOUNG. The discretionary budget invests \$36 billion to combat climate change, an increase of \$14 billion, Senator Sanders. Also at agencies you would not typically think of, but all agencies are being impacted by climate change, including the Department of Defense, including the Small Business Administration. We have to look at this government-wide, and that is what this budget is doing. In addition, that is in addition to the billions of investments in climate change we are putting forth as part of the Jobs Plan.

Chairman SANDERS. All right. My last question is there are communities all over this country, often communities of color, that have been ignored for many, many years. What does the President's budget do in terms of improving life in those communities?

Ms. YOUNG. Sir, you will see an increased amount—we just talked about climate change—in the environmental justice space.

This is an area we have put out an Executive order requiring all agencies, as they implement, as they think about the budget, as they think about programs, the Government should work for all people no matter their race, gender, and make sure we are providing equitable service to all Americans. So it goes beyond the budget and asks agencies to relook at everything we are doing to make sure we are reaching all Americans.

Chairman SANDERS. Ms. Young, thank you very much.

Senator GRAHAM?

Senator GRAHAM. Thank you. Thank you very much for the job you do, and we will try to work together here.

Do you agree we need to fund the Government this year?

Ms. YOUNG. Absolutely.

Senator GRAHAM. Do you agree we need some top line sooner rather than later?

Ms. YOUNG. We have some for you here to consider.

Senator GRAHAM. Yeah, some that would work. If we say no to this, is that the end of the discussion?

Ms. YOUNG. Senator Graham, the budget has always been the beginning of a process.

Senator GRAHAM. Right. So you know that we are going to say no, and I think a lot of Democrats will be uneasy with some of the priorities in this budget, or the lack of priorities in terms of defense. So I just want to encourage you, let us try to pass a budget—I mean, no, excuse me, fund the Government through the appropriations process. We can do it. Do you agree that continuing resolutions are a bad way to run the military—

Ms. YOUNG. Absolutely.

Senator GRAHAM. —and everything else?

Ms. YOUNG. Everything else.

Senator GRAHAM. Okay. So the reason I want to beat you up on the budget is because I like you, and I am trying to get to where we are all going to be. We are going to be here fairly soon as appropriators trying to find a way to pass a budget that our colleagues can support. So I think Ms. Young is uniquely qualified to help us get there.

So when do you think we should have these discussions about a top line we could all agree upon?

Ms. YOUNG. Senator Graham, I know the House Appropriations Committee will start its work soon. I am hoping the Senate Appropriations Committee follows suit. And I think both bodies have to work their will, starting with where the President would like to see both go.

Senator GRAHAM. Okay.

Ms. YOUNG. But both have a history of putting Member interest where Members of both bodies can come together. It has to be a bipartisan process.

Senator GRAHAM. Okay. Good. The sooner that process can start, the better, as far as I am concerned.

A bunch of States are basically canceling the Federal unemployment benefit for their State because they believe it hinders the ability to hire people back as the economy reemerges from the COVID pandemic. Do you understand that logic? And what is your view of that?

Ms. YOUNG. Well, one, I would like to state the way we do unemployment, the Governors have the right to make those calls. But I would also like to point out the jobs report we saw last week, before any of these payments were pulled back, we saw what I think is tremendous growth in the jobs market. We added 559,000 jobs. We are down to the lowest unemployment level since before the pandemic.

So we will see the results of what those Governors have done, but we are also seeing a big return of the economy before that \$300 was pulled.

Senator GRAHAM. Well, their belief is that the enhanced unemployment benefit is deterring people from reentering into the workforce. There are a lot of jobs out there that are unfilled and will never be filled until you change the benefit structure.

Does that logic make sense to you given where we are at in our economy?

Ms. YOUNG. I understand the logic, but I have also not met Americans who would prefer not to work. There is a dignity to work in this country that most Americans—

Senator GRAHAM. Well, I have got a lot of people in my family that are not working because they are getting—I will show you some in my family. So the bottom line is I think there are people out there—they are not bad people, but they are not going to work for \$15 an hour if they make \$23 unemployed. That does not make you a bad person. If you are working for \$15 an hour, that makes you almost a chump. So I do not buy that at all. I think there is a real problem we have created here to incentivize people not to work because simply they make more money. I am not blaming them. I am blaming us. But our employers and our economy need some help out there.

Finally, on the defense side, how do you see the world right now in terms of threats that the United States and our allies face? Is it small, large, medium?

Ms. YOUNG. Well, I am not, you know, a national security expert. It is clear the world remains a complex place with a lot of dangerous players. But you being the State Foreign Operations Subcommittee Ranking Member on Appropriations, I think you have to look at this budget—I know we have gotten into the habit of looking at defense versus nondefense. But the investments in diplomacy, I think General Mattis said it best, a reduction there means he has to buy more bullets. So what you see when you do not see the defense numbers where you want them is a reinvestment in our diplomacy, making sure that this complex environment, this complex world we live in is not all handled militarily.

Senator GRAHAM. I could not agree with you more, and I will end on this, Mr. Chairman. The President's budget I think ups the Foreign Operations Subcommittee to, I think, \$62 billion. That is still less than 1 percent. Count me in for more spending on soft power. It does make sense. But it is by no means a substitute for having a robust military with a qualitative advantage over the enemies of this Nation and our allies. And I can say one thing without any hesitation. This budget is a disaster for the American military over time. This budget will entice bad actors to be more bold. And this budget sends absolutely the wrong signal in a dangerous world.

While I appreciate more developmental aid spending, we are not going to defend America through developmental spending. Our adversaries are growing in capability. This budget does not allow us to stay ahead.

Thank you.

Chairman SANDERS. Thank you, Senator Graham.

Senator Stabenow.

Senator STABENOW. Well, thank you very much, Mr. Chairman. And, Ms. Young, welcome again.

I first want to start, because I am sure we are going to hear from Republican colleagues, now that we have a Democratic President, about how deficits will destroy the country, which is always happening under a Democratic President but not under a Republican President. So just in the time that I have been here, just for the record for folks listening, I came into the U.S. House in 1997 and President Clinton, a Democrat, balanced the budget for the first time in 30 years. I was proud to be able to do that.

I came into the Senate, President Bush, two tax cuts geared to the wealthiest Americans, wars not paid for, huge deficits, nobody said anything about the deficits. We went into a financial crisis at the end of his term.

President Obama comes in, right-sizes the Government, the financial crisis, suddenly deficits matter again, they are horrible and will ruin the country. By the end of his term, deficits are coming down.

President Trump comes in, deficits really do not matter, everything gets exploded in terms of the deficits. Republican colleagues do not say anything.

But now we have President Biden and deficits matter again. So I think we ought to just say, as we hear this going forward, understand where it is coming from.

I want to thank you for a budget that reflects the needs and values of the people of Michigan. I want to thank you for supporting the Great Lakes. It is the first time in 5 years I have not had to come to the Budget Committee and talk about how eliminating the Great Lakes Restoration Initiative would be a bad thing for protecting the Great Lakes. So thank you for investing in that as well.

I wondered if you could speak a little bit more about closing the tax gap, which I think is so important. President Biden has proposed a significant investment in the IRS' ability to enforce the tax laws on the books. I think everybody in my State thinks that is a good idea, and if they are required to pay their taxes, that everybody should be required to pay their taxes. And it is pretty simple. People should pay what they owe. Every year there are hundreds of billions of dollars in taxes that are owed that are not paid. In fact, in the Finance Committee, I was really amazed to hear the former IRS Commissioner say he thinks it is \$2 trillion in unpaid taxes. And when you look at it, it is unreported income; it is income hidden because of complex business arrangements and so on, and compounded by staffing cuts over the years that have made it harder to do complex tax-consuming audits. And the result is that low-income taxpayers with a simple tax filing get audited; billionaires with complicated finances have a much better chance of not being audited. So when we are looking at roads and bridges and

education and health care and Department of Defense and all the things that we need to fund, these are big numbers.

So I wondered if you would talk more about the role that revenue from closing the tax gap plays in funding the critical investments that I am sure everybody will be talking about this morning.

Ms. YOUNG. Senator Stabenow, we do pay a lot of attention on the spending side, with pointing out the President's proposal is completely offset through tax reform. Also, before you even get to tax reform, through asking those who are supposed to pay a certain amount of tax, to pay that. The IRS has been woefully underfunded for decades, the last decade even more thanks to the Budget Control Act. So we are saying—you said \$2 trillion. We are tracking closer to \$1 trillion. That is what people owe under these tax laws with no changes. So we do think we need robust investments in the IRS to make sure that regular Americans are not paying their fair share while those under our current laws are getting away without paying anything into the system close to what they owe, and then we have to skimp on these investments in infrastructure and child care.

Senator STABENOW. Thank you very much. Well, on behalf of the people of Michigan, we need to get that done. People want to make sure our tax system and enforcement is fair.

One other question. I have many I would love to talk to you about, but I want to talk to you more about what we have talked about privately in terms of a really important piece of health care, which is behavioral health, health care above the neck, mental health, substance abuse services and so on. We have had dramatically positive things happening through new certified community behavioral health clinics. Senator Roy Blunt and I, Republican and Democratic colleagues together, pushing forward on a new way to provide quality services in the community that keep people out of the jail and instead they are getting help, out of the emergency room, out of homeless shelters, getting help.

The budget includes a \$125 million increase in startup funds, but does not address the need to make these clinics fully available and funded across the country. So I wonder if you could speak to some of the successes of this approach in community clinics. And will you work with Senator Blunt, myself, and other colleagues to make sure that we can put in place the legislation necessary to provide these services across the country?

Chairman SANDERS. Briefly.

Ms. YOUNG. Senator Stabenow, as I said privately, of course, we will work with you to make sure we get the right mix and are servicing people the best way when it comes to behavioral and mental health. So we will absolutely work with you.

Senator STABENOW. Thank you.

Chairman SANDERS. Thank you.

Senator GRASSLEY.

Senator GRASSLEY. Yeah, I want to—I do not have an easel, so I want to show you a 50-year history of taxes and taxes coming into the Federal Treasury just to show you that your wish of getting more revenue from higher tax rates just does not pay off.

The blue line is a 50-year history of tax rates up and down. The red line is the actual revenue that actually comes in, which tells



me that the history over 50 years is that the taxpayers in this country have decided they are only going to give us in Washington so much money, averaging about 17.4 percent of gross national product.

Now, you want to raise that about 20 percent to an average of about 19.9, I believe. It just is not going to happen. People are going to decide that they are going to take leisure instead of working for the Government. They have decided that this is the amount of money that is going to come in.

And so taking this into consideration, how do you think you are going to fund, with the tax rates you get, you are suggesting that money is going to come in, but it does not come in.

Ms. YOUNG. Senator Grassley, one, I think I need some of the visual aid that Senator Sanders talked about earlier, but from what I can see of the lines, I think not all but partly can be explained by what I just talked to Senator Stabenow about. We need to make sure that we have an IRS, a Government that is collecting what the tax law says we should be collecting. And some people absolutely do not pay what they are supposed to pay—not because they are staying home, but because they have found loopholes that we are beginning to close in this budget.

So, you know, I think it is troubling, the line you have shown, and we are trying to do something about that to make sure people are paying what the tax law says they are supposed to pay, and it is usually the very wealthy who find loopholes that we need to close.

Senator GRASSLEY. On another matter, the President's budget tries to justify unprecedented levels of spending and debt by assuming interest rates will remain historically low. Recently, Secretary Yellen is quoted as saying interest rates have been "too low now for a decade" and that we should welcome higher rates. But if interest rates do increase, that could be catastrophic given escalating debt under the President's budget.

As Brian Riedl of the Manhattan Institute recently highlighted in testimony before the House Financial Services Committee, interest rates that are only 1 percentage point higher than Congressional Budget Office (CBO) currently projects would add \$30 trillion of interest costs over the next three decades.

Given Secretary Yellen recognizes the potential of higher interest rates, doesn't proposing a budget that results in public debt reaching 117 percent of GDP by 2031 and continues to rise thereafter risk leading us down the path that we have seen in other countries—Greece is an example. I suppose Italy would be another example—towards a debt crisis?

Ms. YOUNG. Senator Grassley, one, I would like to point out what we tried to do is present a reasonable budget that was honest about our assumptions. So we do actually include a rise in interest rates over time in this budget. When it was developed, it was absolutely in line with where market forecasters are. Even with that, we show a deficit savings of \$2 trillion in the subsequent decade from this budget. We also see some rise in interest that are month-to-month, temporary, but we also see our long-term indicators showing us it will not be a long-term issue, and we remain a his-

torically low point, which is a good thing because our real debt service payments remain low by historical standards.

So we do account for rising interest, and we do still show \$2 trillion in deficit savings with the budget proposals, with the offsets and tax reforms we have talked about today.

Senator GRASSLEY. Since the end of World War II and prior to the pandemic, spending as a percent of GDP exceeded 24 percent of GDP in only one year. That was 2009 at the height of the financial crisis when spending reached 24.4 percent of GDP. That was in 2009.

Under the President's budget, spending as a percent of GDP would average 24.5 percent for the next decade. It seems to me that the administration is taking the concept of "never letting a crisis go to waste" to a whole new level. How does the administration justify permanent spending levels that once were reserved only for periods of world wars or economic crises?

Ms. YOUNG. Senator Grassley, what we see, one, our proposals here are fully offset. You may not agree on the offsets, but we took the responsible route of providing offsets. We also know that the changing demographics in this country means that we spend more, but we think it is important to make sure our seniors know we have a commitment to those social safety net programs like Social Security, so you will not find cuts to those programs here. But our changing demographics have as much to do with the GDP numbers, as you have mentioned, as the proposals here. But to ensure that we do not create more of a fiscal problem down the road, we do believe these policies should be offset by reforming the Tax Code so it is more fair to all Americans.

Senator GRASSLEY. Thank you, Mr. Chairman.

Chairman SANDERS. Thank you, Senator Grassley.

Senator Kaine.

Senator KAINE. Thank you, Mr. Chair. Thanks, Ms. Young.

I want to talk about budget honesty. I appreciate this about the budget in a couple of ways. Your spending proposals are offset with proposed revenue increases. That is good. You do not propose a defense number but then have a President who wants to take money out of the Pentagon to use for nonmilitary projects like a wall. President Trump took about \$12 billion out of the Pentagon to use for the wall, so while the top line for defense may only go up a little, actually if you count in the fact that President Biden is not going to raid the defense budget for nonmilitary emergencies, it is actually a larger increase in defense spending within the Pentagon.

And let us get to this: You use fairly conservative revenue forecasts, so you have projected trillions of dollars of deficit savings over the two decades using conservative revenue forecasts. Now, as I read the budget, what it suggests to me is this: We are still in the middle of a once-in-a-century public health crisis that has killed 600,000 people and ravaged the economy. We are seeing some signs of growth. That is good. But we are not out of the woods yet.

And so you include conservative revenue projections, and maybe the most recent evidence would suggest that the growth will actually be stronger. Wouldn't you agree with me that one of the best

ways to deal with debt and deficit is to have strong economic growth?

Ms. YOUNG. Absolutely, and the growth numbers we have for this upcoming year is 5 percent in the budget. We developed those economic assumptions in February. Clearly, our vaccine program has outperformed our greatest thoughts on what it would, and it has allowed the economy to grow. Organisation for Economic Co-operation and Development (OECD) and other forecasters now estimate that our growth will be more like 6.5 percent. So there are very conservative estimates here. Even with those, we show deficit reductions, and there is proof through market forecasters and others that we are doing better than even this budget—

Senator Kaine. And when the time is right, you can come back to Congress—if you feel like you need to adjust the revenue projections, you can come back to us, and we might even see the anti-deficit effect that you testified earlier being even stronger because of the potential for robust growth.

Ms. YOUNG. And we are required to do something called a “midsession review,” and I certainly do not want to get ahead of myself. But given where the market is and market forecasts, I expect we would see much stronger growth.

Senator Kaine. On the theory that economic growth is the best anti-deficit strategy, I also want to point out analyses for the last decade have always indicated that comprehensive immigration reform is something that you can do that will significantly increase economic growth without really adding a penny to the deficit. And it would be my hope that we would grapple with that. If we are interested in fiscal responsibility, comprehensive immigration reform is one of the most important things we could do.

I am right, am I not, that President Biden is not proposing to raid the Pentagon budget to take money out of it for nondefense emergencies? Am I correct in that?

Ms. YOUNG. You are correct, absolutely correct in that.

Senator Kaine. Over the course of about a year, in the calendar year—it straddled two fiscal years—President Trump took \$12 billion out of the Pentagon budget, and so the top-line numbers that Ranking Member Graham showed actually were sort of artificial. Those were indeed top lines that did not reflect what was actually spent by the previous administration, because they spirited monies away.

Senator Graham also talked about the notion that the discretionary budget was increasing at a significant percent. The money on diplomacy is in the discretionary budget, but it is important to the national defense, correct?

Ms. YOUNG. Right.

Senator Kaine. The Department of Energy, which is over our nuclear arsenal, is really important to national defense, but that is in the discretionary budget, isn't it?

Ms. YOUNG. That is right.

Senator Kaine. Department of Homeland Security (DHS) is in the discretionary budget, very important for national security. Isn't that correct?

Ms. YOUNG. Exactly.

Senator KAINE. The Department of Justice, Drug Enforcement Administration, there are so many parts of the discretionary budget that are critical to national defense that just simply looking at defense versus nondefense and saying one is benefiting and the other is not is sort of artificial and not particularly accurate, isn't it?

Ms. YOUNG. It is a completely artificial split.

Senator KAINE. The last thing I want to ask you is in the past administration we often saw efforts, I thought, to really go after Federal employees by limiting cost-of-living increases, by undercutting retirement benefits. Tell me about what this budget does for our Federal employees.

Ms. YOUNG. So, one, it provides an adequate cost-of-living increase of 2.7 percent—

Senator KAINE. And that is parity for both defense and non-defense employees, correct?

Ms. YOUNG. It makes no sense that someone sitting next to someone in a uniform would not have parity, that a Central Intelligence Agency (CIA) intelligence officer—

Senator KAINE. Or a Coast Guard officer serving on the Navy ship, they would get different pay increases, that makes no sense, does it?

Ms. YOUNG. It does not.

Senator KAINE. So parity, that is strong.

Ms. YOUNG. We do parity in this budget. The President is very clear. The Government works for the people, and we have to have a strong civil service, rebuild that service. Just at OMB, we have seen the reduction in staff over the last 10 years. It has significant impacts on what we are able to do for the American people, and we have every intention to turn that around.

Senator KAINE. Thank you, Ms. Young.

Thanks, Mr. Chair.

Chairman SANDERS. Thank you, Senator Kaine.

Senator JOHNSON.

Senator JOHNSON. Thank you, Mr. Chairman. Ms. Young, welcome.

Real quick, how much, approximately, is left unspent from the close to \$6 trillion of COVID relief that the Congress has passed over the last 18 months?

Ms. YOUNG. Senator Johnson, you know ARP was just passed, so a significant amount of that remains unobligated. But I can get that for the Committee.

Senator JOHNSON. Well, the reason I ask is when we passed the \$1.9 trillion, in air quotes, COVID relief package, there was about \$1 trillion left unspent of the previous \$4 trillion we spent in 2020. According to the numbers I saw from CBO, about \$700 billion of the COVID relief package, the \$1.9 trillion partisan package, is not even going to be spent until 2022 to 2028. Is that correct?

Ms. YOUNG. Yeah, I think it is appropriate to make sure we roll these programs out in a responsible way.

Senator JOHNSON. But that is not COVID relief. That is something else.

Ms. YOUNG. It absolutely is COVID relief—COVID relief can take time to get out to ensure that some long-term inequities that will last past the pandemic are dealt with.

Senator JOHNSON. Well, I hope COVID is over before 2028. Can you get me that number, though? I would like to know as of today, you know, how much of the \$6 trillion of COVID relief remains unspent.

Ms. YOUNG. We will make sure all the members on the Committee have that data.

Senator JOHNSON. Just real quick, because you were talking about equity and taxes, right now the top 1 percent make about 21 percent of the income, and they pay 40 percent of the income tax. The top 10 percent make about 48 percent of the income, and they pay 71 percent of income tax. And, by the way, the top 1 percent will always make, you know, a larger share of income because that is the definition of 1 percent and the definition of 10 percent.

What do you think would be more equitable? Again, top 1 percent, 20 percent of income, they pay 40 percent of tax; top 10 percent, they make 48 percent of income, pay 71 percent of the income tax. What do you think would be more equitable? What should those percentages be?

Ms. YOUNG. Senator Johnson, the question I have is they are paying—the percentages, let us take your numbers are fact. That does not mean that they are paying a fair share compared to what regular Americans—

Senator JOHNSON. So, again, if you are making—let us concentrate on the top 10 percent. If you are making almost 50 percent of the income, what percentage of the income tax should you pay?

Ms. YOUNG. What we are suggesting is the wealthiest Americans go back to paying what they paid before the tax cuts of the last administration. So we are moving those tax rates back to 39.6 percent.

Senator JOHNSON. What do you think is the maximum amount any American should pay out of a dollar of income to the Federal Government, recognizing certain States take 10 percent or even more? But what should be the max amount an American should pay for every dollar of income should contribute to the Federal Government? What should that percent be?

Ms. YOUNG. So we have a tax plan. What it says is no one that makes under \$400,000 should pay more than they pay now, so we have a commitment not to raise those taxes. But what we are saying is those that make more than \$400,000 should pay—

Senator JOHNSON. What is that percent? I mean, what do you think—so what is the percent that an American will pay out of a dollar of income?

Ms. YOUNG. Senator Johnson, overall we think the right tax rate is 39.6 percent for the top—

Senator JOHNSON. So about 40 percent, okay. Senator Stabenow was talking about the glory years of budget surplus, which, trust me, I wish we were back there in the late Clinton years. The reason we got there is, first of all, an extremely strong economy through the 1990s, and I would argue that it was set up by what Ronald Reagan did in terms of supply side economics and setting up the conditions for business investment. So revenue actually did

grow in 2000 to 20 percent of GDP, but that was short-lived, because Senator Grassley is right, long term, no matter what the top marginal tax rate, we get about 17.4 percent. That is kind of what the American people in the end say that is about all we are going to pay, and they figure out some way to avoid paying the high top marginal tax rate. But the reason we had the surplus is because spending was 18.5, 18, 17.7, 17.7 percent of GDP during those 4 years.

Now, historically it has gone up during recessions, like in the early 1980s to about 22.9. The first 4 years of President Obama—again, he came into office in the recession—it was 24 to about 22 percent. The last 4 years it was about 20.8 percent. The President's budget is calling across the board for 24.5 percent of spending of GDP. Don't you think that is way too much?

Ms. YOUNG. So, one, I will point out that those times that Senator Stabenow and you mentioned, the top tax rate was 39.6 percent, so we are trying to go back to those levels. So, you know, we talk about spending as a problem. One thing we think we should do is change the tax rates to make sure we do go back to fair rates at a time of a strong economy. And we do not think people are paying their fair share. We have seen that in the data. We have had a tax cut that did not do what we claimed it would do. So we are trying to go back and make sure that the top earners and corporations do something to make sure we can spend on infrastructure.

Senator JOHNSON. A final point. What I was pointing out, those outlays are going from averaging about 20 percent over the last 4 years of Obama to 24.5 percent. That is a massive amount of spending increase when we have, let us face it, a very strong economy, 5.8 percent unemployment. When I went to college, that was almost considered full employment. In my State it is 3.8 percent. I just do not get all this spending when we are \$28 trillion in debt.

Thank you, Mr. Chairman.

Chairman SANDERS. Thank you.

Senator Toomey should be available on video.

Senator TOOMEY. I am. Thank you, Mr. Chairman.

My first point I would make is our distinguished witness I think misspoke, suggesting that she would like to go back to the wealthy paying the share of the tax burden they paid prior to the Tax Cuts and Jobs Act (TCJA). If we went to that, then the wealthy would pay a lower percentage of all the taxes that are paid, because when we did the tax reform of 2017, the TCJA, we shifted the tax burden from middle income people to higher-income people. We made the Tax Code more progressive than it was prior to the TCJA. So unless I am mistaken, I think the administration's position is they want wealthier people to pay even more, not less, of the tax burden. So I just want to make that clear.

So this budget that we have before us, of course, massive increase in nondefense discretionary spending, almost 17 percent. That is on top of the \$1.9 trillion of partisan spending that was signed into law in March. The Biden proposal never returns spending to pre-pandemic levels as a percentage of our economy. For 50 years, average spending has been about 20 percent of GDP, just a little more than that. Under the President's budget, spending remains at about 25 percent of GDP. So it is a massive 25-percent

increase in Government spending as a percentage of the economy, which would be a huge distortion and misallocation of resources.

To pay for part of these spending hikes, we have got huge tax increases. The President is proposing we increase the corporate rate, we double global intangible low-taxed income (GILTI), we eliminate the foreign-derived intangible income, which is a way to encourage taxes paid in the U.S. instead of overseas, raise individual income tax rates, eliminate the stepped-up—it goes on and on, all kinds of tax increases of all sorts. And one of the ironies of this was that prior—I wish we could all agree on certain facts that are indisputable, and one of them is that prior to the hit of the pandemic, prior to that, we had the best economy in 50 years. And that is if you measure it by objective metrics. We were at full employment. We had more job openings than there were people looking for jobs. We had a record-low poverty rate. We had an all-time record-low unemployment for African Americans, for Hispanic Americans. Wages were growing, and not only were wages growing, but they were growing fastest for the lowest-income people. So we were actively witnessing a narrowing of the income gap.

I would have thought that there could be bipartisan agreement that those are good things, because I think those are very good things. And, therefore, I think it would be good to try to get back to that. But that is not where we go here. Instead, we go on this massive spending and tax hike binge that would make it probably impossible to ever get back to the best economy of the last 50 years, which we had a year and a half ago.

Now, along the way, because of the Government having shut down the economy, for understandable reasons even if not always best in hindsight, in 2020 Congress passed five bills, \$4 trillion, then the Democrats insisted on another almost \$2 trillion. It was clear already that the economy was roaring back. COVID was already receding dramatically. We had discovered by then—or before then that States had an all-time record year for tax revenue in 2020. State and local governments combined set an all-time record. Separate and apart from that, we had sent them \$500 billion. And then the administration says we have to send them another \$350 billion, of course. That is just unbelievable, the spending, everywhere you look.

California is a great example. Here we go. In California, they announced that this fiscal year they run a \$75.7 billion surplus. That is just their surplus. They are going to get another \$42 billion from the Federal Government, so they do not know what to do with all this money. They are going to send checks out.

So here is one thing that I have suggested, that since there is bipartisan agreement on physical infrastructure spending, why not spend some of this money that has been approved but it has not gone out the door? I think our witness testified that much of it could not possibly have been spent yet. I agree with that. But I have a concern, and my concern is how much detailed information we have about what is actually available to be repurposed.

So if the administration is really proud of the achievements of the American Rescue Plan and presumably confident that the American people would support this massive spending blowout even though the economy was recovering and COVID was receding,

my question is: Why haven't you provided the reports and the drawdown reports, right down to account level detail, reports that, by the way, the Trump administration did provide, to Members of Congress and staff so that we can see exactly how much has been spent and how much is yet to be spent? Acting Director Young, could you explain to me why we have not been able to get that information from you?

Chairman SANDERS. In 25 seconds or less.

Ms. YOUNG. Yes, Senator Toomey, I think I told Senator Johnson I am happy to provide that information. I also understand the re-litigation of ARP, but I will remind everyone that in March, close to 55,000 Americans were still contracting COVID every day, and 11 million people—

Senator TOOMEY. All right. I am out of time, but, really, you should be posting this information. It should be available in as close to real time as possible. We should not have to wait for a hearing to ask you to provide the information about how quickly money is being spent.

Chairman SANDERS. Thank you.

Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman. And thank you, Madam Director, for your leadership.

Just on the ARP, as we know, actually there are some funds that have already been exhausted. I think the restaurant fund that had been set up and others have been oversubscribed. Monies that went to local and State governments were not intended to be out the door and spent right away. I know many of my local governments are putting together good plans to make sure those monies are very well spent.

Thank you for the budget request that was submitted by the Biden administration. I want to talk about education funding for one moment, because I appreciate the proposed increases in some fundamental education programs.

What we have seen over years when both Democrats and Republicans have been in the majority is chronic underfunding of our Federal education funds. Last year Title I was underfunded by \$29 billion, just in one year, and Individuals with Disabilities Education Act (IDEA) was underfunded by \$23 billion. So that is the gap between what Congress authorized and said was necessary from a policy perspective to provide our kids with quality education compared to what we actually delivered.

In fact, I have introduced legislation—it has been my first bill every year in Congress. I am glad to see a budget now that is proposing some of the increases contained in that bill.

I am also pleased to see the focus on community schools, because we want our teachers to be focused on teaching. But we all know that many kids come into the classroom with lots of other challenges and issues, and so community schools are the right model.

So can you just talk a little bit about the increases? You have got a \$20 billion increase in Title I, equity grants; \$2.6 billion in IDEA, which has had bipartisan support; \$443 million in full-service community schools. Can you just talk about how this supports an opportunity agenda for the country?



Ms. YOUNG. One, I would point out that 90 percent of the children in this country go to public school, so the investment here is absolutely necessary. I think you have pointed out there has been historically bipartisan support for many of—this education budget: \$20 billion increase for Title I schools, IDEA, as you pointed out. We think you also have to look at our preschool investments so we get children in early childhood. As we have seen, kindergarten is too late. You have missed the boat if you wait until kindergarten. So we are trying to make sure that children, especially those at risk, have access to quality education as young as we can find them. And I think this budget is transformational as a first step, but we certainly hope Congress takes this and runs.

Senator VAN HOLLEN. I agree with you, and I want to ask you also about the issue of long-term unemployment. You have \$4 billion in here to create subsidized job programs for short periods of time to help the long-term unemployed get back on their feet. We had over, you know, about 1.5 million long-term unemployed even before the pandemic hit. We are well over 4 million. Even as we come out of the pandemic, I am very nervous that many people are going to be unable to find work and looking for a very long time.

So this is not a radical idea. I remember back in 2010 during the economic meltdown, you know, no less a flaming liberal than Governor Haley Barbour at the time thought that this was a really important program, and I do think that to address the chronic issues of long-term unemployment, not just, you know, after a pandemic or after a meltdown like we saw in 2008, we have that ability—for people who are looking for work, they want to support their family, they are out there, that is by definition they are looking—to help them with a leg up. Can you talk briefly about that?

Ms. YOUNG. Yeah, while we see some indicators that we are doing better here, over 400,000 removed from the rolls of the long-term unemployed, but the long-term unemployed, because it has historically been difficult to find jobs, and they are the most likely to be left behind as the economy takes that out. There are always inequities in our economy. That is why you see the Jobs and Families Plan. It is not just a recovery from COVID. It is to make sure we take this opportunity to build an economy that is fair for all Americans, and that program you have highlighted absolutely targets a community that would absolutely be left behind, stay on the rolls of the unemployed. We need targeted investments for that community and others to make sure there is fairness in our economic system.

Senator VAN HOLLEN. Thank you.

Thank you, Mr. Chairman.

Chairman SANDERS. Thank you.

Senator Braun.

Senator BRAUN. Thank you, Mr. Chairman.

Before I get into the general discussion that Senator Toomey and Senator Johnson had a moment ago, something has been conspicuously absent from the discussion of raising revenues, and that would be the qualified tax deduction for small businesses that was put in place in 2017. It in effect took small business rates from 40 percent down to 30, 39.6 to 29.6. Is that something you believe, even though it is due to sunset in 2025, should remain there? Or

do you believe when that was differentiated in the ordinary rate between individuals and small business income, that ought to be something that stays in place? I would love to hear your answer and be on record of where you would like to go there.

Ms. YOUNG. Senator Braun, not surprisingly, I will point out that there are a lot of things we did not speak to with TCJA expirations in 2025. We believe we have between now and then to deal with some of those expiring provisions. That is one of them, so I am not going to get ahead of where we might—

Senator BRAUN. Do you have an opinion on that in terms of has it been beneficial in terms of driving the economy pre-COVID?

Ms. YOUNG. One, I think we need to see where Congress ends up with the tax proposals we have to date to see where we end up for a 2025 budget. I am not going to get ahead of that.

Senator BRAUN. So as a Main Street entrepreneur, I will tell you—and I have been doing it 37 years prior to becoming a Senator—that was clearly the biggest driver when you look at corporate income taxes going from 35 to 21, I believe that that particular tax adjustment was behind why we were creating record revenues pre-COVID. Keep that in mind.

When it comes to this discussion of having any chance to pay for the additional spending, which correctly was pointed out averages about 20 percent of our GDP, now 24, even with all of the tax increases proposed, you still will be adding to the structural deficit. Implicit in all of this, and I think, to be honest with the American public, is that we choose to borrow this from our kids and our grandkids. Do you think that is healthy public policy to spend in that fashion when we are really asking future generations to pay for it? Because since I have been here, anything that is done defers something to 6 to 10 years down the road, spends like crazy in the present. We do not do offsets, which means we are willing to borrow from our kids and grandkids. Do you buy that as good policy long term?

Ms. YOUNG. Senator Braun, I buy that there are puts and takes in every decision in life, and we better do something about our infrastructure, our education, our systemic unfairness in the tax system, or we do risk future generations being worse off.

Senator BRAUN. So I will take that as a declaration that you are willing to borrow from future generations on end to get these policy proposals across.

I would point out that that does not work anywhere else—in any State government, it does not work in any entity that has got the rigor of competition in the private sector, and it is a very poor example of what we do at a place that so many people look to, so many businesses do. And I think it sets us up as a bad business partner for any of the good policy that we choose to pursue, whether it is infrastructure, education, any of the things that people look to the Federal Government maybe to do more of. This ends up with a series of crises down the road, maybe starting with completely depleting the Medicare Trust Fund here in a little over 5 years; Social Security, the other driver of our structural deficits along with Medicaid. All might be, you know, good policy that we have kind of woven into our fabric. That is all at risk as well.

So I think that as long as we are on this pathway, we need to be honest about it, and to also acknowledge that we were at the sweet spot of maybe what Government should do pre-COVID based upon especially that incentive built into making the productive economy healthy with that qualified income tax deduction for small businesses.

I do not think you can paint this in any other way other than it ends up with a calamity, and even though it feels good in the short run that we are spending money on so many things all of us are interested in, but it is derelict to the American public to do it when we are borrowing every penny of it, because let us face it, raising taxes, that is not near as certain as spending the money at the tune of creating these \$1 trillion to \$1.5 trillion deficits and the debt that it adds in the future. I think that is part of what journey you are on.

Ms. YOUNG. Thank you, Senator. I see we are out of time, but I will just point out that we absolutely agree, you should pay for your proposals, and that is what we do here. And I get there are disagreements, but we have put forward a set of proposals that would pay for the spending.

Senator BRAUN. Thank you.

Chairman SANDERS. Thank you.

Senator Murray.

Senator MURRAY. Mr. Chairman, thank you. Acting Director Young, welcome. Good to see you today.

I was really pleased to see President Biden's budget lay out a plan to make our economy actually work for working families and not just those at the very top. I think we all know that the budget is really a reflection of our values and our priorities, and this budget really pushes forward strong investments in our workers, in our families, in our kids that are going to help our communities succeed in our present and in the future.

So my question for you today is, with everything we have learned during this pandemic, coupled with the erosion in wages and living standards that lower- and middle-class families have experienced over the last actually 40 years plus, why are the investments included in the American Families Plan critical to make sure all our workers and families can share in the economic recovery? And what is the economic case for taking these very decisive actions now?

Ms. YOUNG. Thank you, Senator Murray. We have talked about this, touched on this a little, but I would like to make clear we are recovering. The economy is roaring back. What the Jobs Plan and Families Plan are intended to do is take this opportunity to make sure we do better than we were pre-pandemic: those without college educations, that they have good-paying jobs; that we fundamentally give everyone in this country an opportunity; that we admit that there are inequities in the system before the pandemic that the pandemic highlighted; that we do better with our opportunity here.

So, you know, we are recovering from COVID. We think ARP gave us a leg up given where we are in vaccines. But we have an opportunity here to make sure everyone can take part in the American dream, maybe in a way that they were not able to do before

the pandemic. So we have been talking about infrastructure for a long time. The President has talked about Infrastructure Week since he was a Member of this distinguished body. He would like to stop talking about it and do something about it, and I think most Americans feel the same way, and we would like the chance to put forward a proposal while asking the wealthiest Americans, while asking big corporations to pay their fair share.

Senator MURRAY. Well, thank you, and I think we need both the American Jobs Plan and the American Families Plan if we want to build back a fairer and a stronger economy on the other side of this pandemic.

So before I close, I just wanted to raise two issues of critical importance to my home State of Washington, and that is the cleanup of the Hanford nuclear site and efforts to restore the salmon runs in the Pacific Northwest. It was really good to see this administration move away from the harmful cuts that have been proposed within the environmental management account at the Department of Energy, and I want you to know I look forward to continuing to work in close partnership with you to make sure the Hanford mission is on a cost-effective trajectory without compromising the cleanup.

And on salmon recovery, I was really pleased to see an increase in funding for the National Oceanic and Atmospheric Administration (NOAA) and continued funding for the Pacific Coastal Salmon Recovery Fund. On that issue as well, I look forward to working with you closely and the administration to save salmon in the Pacific Northwest. And I am really committed to continuing and expanding funding for direct recovery projects, including habitat restoration, hatchery infrastructure, culvert repair and replacement, as well as some of the other investments that will really contribute towards species recovery like clean water infrastructure and more clean energy capacity and storage solutions.

So I really appreciate you're looking at that and look forward to working with you on all of that.

Ms. YOUNG. And just like Senator Stabenow talked about the Great Lakes, you know, we are proud of the work the Puget Sound has done for cleanup, and we know how important salmon is in the Pacific Northwest, including the tribes. So we look forward to being a partner there.

Senator MURRAY. Thank you very much.

Thank you, Mr. Chairman.

Chairman SANDERS. Thank you.

Senator Scott.

Senator SCOTT. Thank you, Chairman. Thank you, Ms. Young, for being here.

What do you think our Federal receipts will be in this fiscal year 2022?

Ms. YOUNG. Senator, let me see if the team has the exact number.

Senator SCOTT. I think it is estimated to be a little less than \$3.5 trillion, and then for next year, I think your budget suggests that we are going to get \$4.1 trillion. Does that sound right?

Ms. YOUNG. Well, I have it as a percent of GDP, so that would not equal up to yours. But, historically, post-war average, 17.2 percent of GDP are receipts, and our 10-year average is 19.3.

Senator SCOTT. So if you look at the way I think about it, you are going to go from about a little less than \$3.5 trillion to over \$4.1 trillion. I think that is about a 17-percent increase in receipts in 1 year. Do you think we have ever done that, a 17-percent increase in Federal receipts? I have never seen it.

Ms. YOUNG. Well, if we take the investments we have offered for IRS and others to make sure we collect what the Federal Government has asked of people, what the tax law says, that is our hope to increase it by that much.

Senator SCOTT. I have never seen the Federal Government be able to increase its receipts by 17 percent in 1 year. And so I think what you said, when Senator Braun asked you, your belief is that we ought to do everything we can to live within our budget and pay for things. So let us assume that the Senate does not pass all these tax increases. What would you do? How would you deal with your budget then?

Ms. YOUNG. Senator Scott, I can make a lot of predictions, but my guess is that if the Senate does not pass the offsets, the spending is also in danger. So we would have to see the full package that the Senate and House would move on.

Senator SCOTT. So right now we are getting close to \$30 trillion total debt. I think public debt is over \$24 trillion, which is bigger than our GDP, right?

Ms. YOUNG. Yes.

Senator SCOTT. So if you look at that now, if you look at—I think the 10-year average for Treasury is over 5 percent. So your projection after this year, we are going to see, I guess—it looks like people are talking about a 6-percent increase, but after that it would be 2 percent or less per year of GDP growth.

Ms. YOUNG. Yeah, and I talked to Senator Kaine about we have seen growth since these budget estimates were assumed, so you should expect some update of that through our midsession review.

Senator SCOTT. So how do we ever balance the budget if we already have our Federal debt in excess of our GDP, our GDP is going to grow at around 2 percent, and realistically we are not going to have low interest rates forever? As a matter of fact, we have been at a historical low, so if you look at history, things go to above actually historical averages. So how would we ever pay—how do we ever get a balanced budget? And if we do not, how is that going to impact our poorest families with inflation?

Ms. YOUNG. Senator Scott, there are a lot of assumptions in there, in that scenario I would question, including the interest rates. We are not seeing long-term indicators that show we are going back to the 1970s with interest rates. So we do think we have the fiscal space to make these investments, but we also do believe that you have to put forth a proposal to pay for these investments over time, which is why we have done that. So we are reducing the deficit. But as you know, we have an aging society, which is part of the structural growth in spending we are not addressing, because we do not think we should be cutting Social Security or

Medicare at this time. And if the choice is between that and asking the wealthiest to pay more, that is what we need to do.

Senator SCOTT. So we know that the Medicare Trust Fund and the Social Security Trust Fund are not—they are clearly depleting. So what did you do in the budget with regard to them?

Ms. YOUNG. So the budget—actually, I am glad you brought this up—suggests that we would switch to the general fund to pay for those programs so benefits would not be cut. So we do still have to deal with larger structural offsets, how you pay for that, how you grow the economy. But we would assume that those benefits would be paid for out of the general fund if the trust funds do run out of money.

Senator SCOTT. So when you think about getting a return on investment, so you said we are going to make these investments, then we are going to get a return, how do you see that we get a return when you look at the numbers we never get to a balanced budget?

Ms. YOUNG. A balanced budget is certainly one goal, a goal you speak to. I think another goal is to make sure that we are flattening the curve and debt as a percentage of GDP does not grow. But we also do really care about and most economists tell us it is a better indicator to look at what we are paying on real debt service, and we do think those payments will remain low. But we also think we need to grow the economy, which these investments would do.

Senator SCOTT. Thank you.

Chairman SANDERS. Thank you.

Senator Padilla.

Senator PADILLA. Thank you, Mr. Chair.

Ms. Young, first I just wanted to share a few comments similar to what several of my colleagues have already shared, just in thanking you for the 2022 budget, which as crafted I have no doubt will accelerate our recovery from the COVID-19 pandemic and, more importantly, as you pointed out, help us build a more equitable and prosperous economy for all Americans. I believe the President is rightfully rejecting the failed theory of trickle-down economics and instead making strategic investments to help families enter and stay in the middle class. So, with all due respect to some of my colleagues' new-found concern about deficits and debt, I know that this proposal meets this moment to rebuild our Nation's infrastructure, combat climate change, create millions of good-paying jobs, reduce income and wealth inequality, expand access to child care, redress systemic inequities, and so much more. So I look forward to working with you and the other members of this Committee and others to advance this bold vision to deliver the equitable investments that the American people so direly need.

I do have a couple questions, a couple in the category of wildfires—I am from California—and another in regards to housing.

First, wildfires. California's most recent wildfire season was the worst on record, with more than 4.2 million acres burned. And we know that without bold action to combat climate change and to improve the resiliency of high-risk areas, we will continue to see more severe and frequent wildfires. It is important to recognize that 50

percent of forestland in California is owned by the Federal Government, so wildfire management in California is indeed a Federal issue.

Unfortunately, we have seen decades of underinvestment by the Federal Government, so I am pleased to see that the U.S. Forest Service's budget request proposed a \$400 million climate funding allocation to accelerate the restoration of degraded forests and rangelands. In total, the U.S. Forest Services proposes an increase of \$170 million for wildfire management and \$80 million for its Wildfire Suppression Operations Fund.

Director Young, a simple yes-no question: Will you commit to working with Congress and the Department of Agriculture to ensure that the Forest Service's Region V receives the additional staffing and resources it needs to address the hazardous fuels backlog and reduce risk in California?

Ms. YOUNG. Yes, sir.

Senator PADILLA. All right. Next, I want to call your attention specifically to ongoing delays in transferring critical wildfire air tankers from the Air Force to CAL FIRE for fire suppression efforts. The Air Force was directed in the 2019 National Defense Authorization Act to modify seven Coast Guard HC-130H aircraft with state-of-the-art wildfire suppression equipment and transfer them to California for use by CAL FIRE. Delays in transferring these seven air tankers are especially troubling because of the crucial role that air assets play in fighting California wildfires. So given the severe wildfire season anticipated now and in the foreseeable future, will you commit to working with my office to expedite the congressionally mandated retrofit and transfer of these aircraft?

Ms. YOUNG. We will call those agencies and work with you to see where we are.

Senator PADILLA. Thank you so much. And in my final minute, I want to get to the issue of affordable housing and homelessness. As our Nation begins to recover from the COVID-19 pandemic and the American Rescue Plan continues to deliver critical relief in our communities, our longstanding affordable housing and homelessness crises are returning to the forefront. California needs to build an estimated 3.5 million new homes to meet the demand for new housing. And that is just California.

According to a recent analysis by the Center on Budget and Policy Priorities, more than 1.8 million California renters have not been able to catch up on their rent as of mid-May. And the lack of affordable housing and rising rents are pushing more and more people into homelessness. There are now more than 160,000 individuals experiencing homelessness in California, so the need to make significant long-term investments sort of speaks for itself.

I am pleased that the Department of Housing and Urban Development's budget incorporates the President's American Jobs Plan and calls for investing \$147 billion to bolster the Nation's housing infrastructure while creating jobs.

Director Young, will you commit to ensuring that the administration continues to push for essential investments in affordable housing as you work in advancing the infrastructure package?

Ms. YOUNG. Yes, Senator, and I am also pleased that we have a significant voucher increase in the discretionary budget.

Senator PADILLA. Yes, which has also been very, very helpful. Thank you for your leadership and your work.

Ms. YOUNG. Thank you.

Senator PADILLA. I look forward to working with you.

Thank you, Mr. Chair.

Chairman SANDERS. Thank you.

Senator Romney.

Senator ROMNEY. Thank you, Mr. Chairman.

Ms. Young, you said a moment ago that the 2017 tax cut did not do what it claimed it would do. I would note that prior to COVID, I believe the economy was at a record level of growth and record levels of low unemployment for minorities and for the entire population. So I would think—I was not here in 2017 and did not vote for that tax plan, but I think those who did would say actually it was doing what it said it would do. COVID came, and I do not believe the tax cut was related to COVID.

Of course, we recognize that every country, every major developed country in the world has a capital gains tax rate lower than ordinary income rate, and the reason they do that, I presume, is because they want to encourage individuals and entities to make risky investments because starting a business, for instance, is a risky thing to do or investing in basic research is a risky thing to do. And so rather than having people just put their money in the bank and earning interest, they want them to do things that, if you will, create new businesses and new jobs.

The President's plan suggests that we are not going to have a lower tax rate for capital gains. Do you believe there is a relationship between growth and capital gains tax rates?

Ms. YOUNG. Senator Romney, clearly we have maybe a difference of opinion on capital gains. We are trying to ensure that what you pay based on your labor, your work, is taxed the same as your investment income, which a lot of Americans do not have the opportunity to have. So is there inherent unfairness that I would pay more taxes based on the work that I do every day and those who might be the wealthiest pay half that in some instances because of the investment income they get? We clearly think so, and we think those things should be more equal.

Senator ROMNEY. So you think that unlike every other developed country in the world, we should have the same tax rate—or, actually, a higher tax rate for investment in risky startup businesses and so forth than we do for ordinary income?

Ms. YOUNG. I think some of the things you heard Senator Padilla talk about and some of the inherent issues we had as an economy before COVID—

Senator ROMNEY. I think that is a yes or no. Does that mean you believe that, in fact, there should be a higher tax rate on capital gains than ordinary income?

Ms. YOUNG. We do. We think it should be taxed—

Senator ROMNEY. Okay, okay.

Ms. YOUNG. —close to labor.

Senator ROMNEY. I would note that I think—do you not believe that the capital gains tax rates relate to growth? You said that the



best way to get at the deficit we have is high growth. But if we have the highest capital gains tax rates in the world, do you think that might depress growth?

Ms. YOUNG. We think the middle class is an avenue to growth, and this would allow us to put more income—or resources into infrastructure and into education rather than allow the wealthy to pay in some instances half or even less than half of working Americans.

Senator ROMNEY. Well, do not forget that the top 10 percent earners in America are paying 71 percent of the income tax. Is that not their fair share? You keep saying they should pay their fair share, they should pay their fair share. What is the fair share that should be paid by the top 10 percent of Americans? If 71 percent is too low, will you say what share it should be?

Ms. YOUNG. Senator Romney, I think you have to look at what they are making compared to what they are paying, and I think most Americans would find it objectionable given the percentage they are paying of their income. Big Chief Executive Officers (CEO) now make close to 300 times—

Senator ROMNEY. Well, as noted, 53 percent of Americans pay no income tax at all. Should that number get higher? Should there be a higher percent that pays no income tax at all?

Ms. YOUNG. We have to compare that to what they make compared to the top 1 percent and what they are making.

Senator ROMNEY. Well, you know what the numbers are in terms of the top 10 percent earn 40 percent of the income and are paying 71 percent of the taxes. And so should they be paying 80 percent of the taxes? Eighty-five? Ninety?

Ms. YOUNG. I think we have to look at what they are paying compared to what they make, which is—I know it is hard to believe, but they are not paying the same percentage as workers.

Senator ROMNEY. Well, they are—when you say they are not paying the same percentage as workers, 53 percent of Americans pay zero, pay no income tax at all. So if 53 percent of Americans are not paying any tax, how is it those top 10 percent are paying a higher share? So I would note that it would be helpful to understand exactly where you think we ought to go to reach a fair share.

Let me ask one more thing, and this is just simple math. I guess my time is almost up. That is, you are proposing that the capital gains tax be applied at death, the so-called tax run-up at death, tax adjustment at death is eliminated and they should pay a capital gains tax. Help me with this. Let us say an individual who died, let us say her \$1 million exemption was being used elsewhere, and so she went from an asset that she bought for dollars is now worth \$1 million. I just want to do the math here. So she would then pay the capital gains tax of 43.4 percent on that \$1 million, as I understand it, which would be \$434,000, and then she would also pay—when I say “she,” her estate would also pay an inheritance tax on the \$1 million, which would be \$400,000. So in total she would pay—her estate would pay \$834,000 on a \$1 million gain or some 83 percent. Does that—that does not seem like a fair share to me. That seems confiscatory. Have I missed the math somehow in that?

Ms. YOUNG. I would say if you look at it in maybe more round numbers, if I want to leave a \$5 million house to a child, \$2.5 mil-

lion remains tax free. So there is, as you point out, a \$1 million exemption per individual.

Senator ROMNEY. I understand, and so I am talking about an individual that has multiple assets. But it is saying that once that \$1 million has been used up, that at that point the 83 percent tax rate is a fair share, not confiscatory.

Ms. YOUNG. I mean, you have to look at the exemption, which is \$1 million.

Chairman SANDERS. Senator Whitehouse I believe is with us on video.

Senator WHITEHOUSE. I am with you, Chairman. Thank you very much.

Hello, Director Young. How are you?

Ms. YOUNG. Hi, Senator.

Senator WHITEHOUSE. I wanted to talk with you a little bit about climate risk. As you will recall, at your confirmation hearing we talked about the economic risks of climate change and the almost amazing array of very serious warnings coming out of banks, economists, insurance companies, Freddie Mac, all sorts of sovereign and central banks. And since then, Swiss Re, the humongous reinsurer, has put out a report in which it concluded that if we did not successfully mitigate carbon pollution, global GDP would be 18 percent lower in 2050 than it otherwise would be. Eighteen percent lower than it otherwise would be. That is essentially one in every five dollars coming out of the global economy.

And I would note that there is no basis to believe that the trajectory between now and 2050, as we got to 18 percent less GDP, would be gentle. In fact, there is every reason to believe that at some point in that period the transition or transitions would be abrupt and would be sudden and would provide economic shock to the system.

What I would like you to do is to comment a little bit on when you hear about an 18-percent loss of GDP, what kind of human and economic casualties does that cause? And what do those scenarios look like if you add in the element of suddenness, of abruptness, of shock? I mean, it is bad enough if we went on a smooth trajectory to have 18 percent less GDP in the world than we otherwise would have. But if it all happens in a calamitous shock, that obviously worsens things considerably. So if you could reflect on those and give me your thoughts, I would appreciate it.

Ms. YOUNG. Thank you, Senator Whitehouse. The President has stated many times the belief that climate change is an existential threat from our national defense. To look at what we are spending now on disaster relief, I am from South Louisiana. The money we have to invest to make sure that our coastline does not continue to slip into the Gulf of Mexico—I see Senator Kennedy here, so I am reluctant to talk about our home State. But—

Senator WHITEHOUSE. If I could interrupt for one second, Ms. Young, I think the quotation from the New Orleans newspaper from the scientists about this was really simple with regard to South Louisiana. If I recall correctly, it was, “We are screwed.” So I sympathize. But go ahead and answer the question.

Ms. YOUNG. So what we have not done in this budget but I think others have in academia is see what the economic effects would be

for climate change. Look, the few investments we are making here and the impact it has on the top line is nothing compared to if we allow this—you know, one State we see what the fiscal hit would be and the economy could not continue if we allowed climate change to continue in that manner along the coast. So there is no doubt to me that this spending is necessary to see if we can even catch up to what we have unfortunately allowed to happen around the world with regard to climate change. And we see it as not a partisan issue. It is certainly one that has attracted partisan rancor. But I think anyone who lives along the coast can see not only the human impact but the economic impact it has on those who live there, who work there, and it cannot continue.

Senator WHITEHOUSE. And for the record, there is not nor ever has been serious dispute about the basic elements of this in the scientific community. The dispute was manufactured by the oil and gas industry and its front groups in order to create political space for itself.

A last quick question. Has America ever seen revenues at a similar share of our economy to what President Biden is proposing? And if so, how was the economy doing back then? And how was the budget doing back then?

Ms. YOUNG. Senator Whitehouse, I think the important thing is when everyone, you know, talks about debt, and we absolutely have to look at debt as a share of GDP, but it would be unfair to not look at the revenue side of the ledger to make sure that we are not falsely restricting ourselves to make investment in climate, in infrastructure, and make sure—we do see a role for the wealthiest Americans. We do see a tax rate where they are paying less than working Americans as a percentage of what they bring in, we do see the use of loopholes and offshoring that keep us from investing in areas that both parties agree on.

Senator WHITEHOUSE. At the macro level, when we last saw revenues at around 20 percent of GDP, we had a booming economy and budget surplus, correct?

Chairman SANDERS. Okay, Sheldon. All right. Thank you.

Senator Kennedy.

Senator KENNEDY. Thank you, Mr. Chairman.

Madam Director, how are you?

Ms. YOUNG. Good.

Senator KENNEDY. I am going to fuss a little bit. But I am not fussing at you. I am one of your big fans. But I suspect you can get the White House on the phone quicker than I can. If I make it to heaven, the first question, or at least one of the first questions I am going to ask is: Why do bad things happen to good people? But they do. And as Americans, when that does happen, we help each other. That is why we spend about \$1 trillion a year helping American citizens who are less fortunate.

Some bad things happened to good people in southwest Louisiana, as you know. We were hit by Hurricane Laura and Hurricane Delta in a very short period of time, and if you go even today, a year after they hit, it still looks like a fantastic impression of hell. We have asked President Biden for block grant disaster relief, and in the Senate, as you know—the House can move on its own, but in the Senate, we have to have a request from the White

House. We do not have to. It is more custom than statute. But many of my Democratic colleagues, when I lobby them on getting some assistance, they say, "Well, what is the White House's position?" And I do not blame them. If the shoe were on the other foot, that is what I would ask.

We cannot get an answer from President Biden about our request. We have begged, we have pleaded, we have cajoled. I talked directly with the President when he honored us by coming to our State and New Orleans. Let me choose my words carefully here. I want to be candid, but I do not want to be ugly. Look, I understand politics. I get that. And I am not saying that the President's decision is based on politics. But we live in a political world. And I understand that President Biden did not carry Louisiana in the last election. I am not saying that is dispositive of his decision or lack thereof. But a lot of people who really stuck their necks out for President Biden are very supportive of this request. Governor John Bel Edwards in my State, who happens to be a Democrat, he supported President Biden enthusiastically. My colleague Congressman Cedric Richmond supported President Biden enthusiastically. They went way out on a limb for him. And they deserve and the people of Louisiana deserve an answer.

Now, obviously, I hope the answer from the President is yes. But we deserve an answer, and I cannot get one. Can you help me?

Ms. YOUNG. Senator Kennedy, I am going to give you an answer, and we absolutely for every Democratic Senator, Republican Senator, we want to see aid move to Louisiana and every other State. I believe the last time—which I worked on the congressional side, the last disaster declaration or disaster package that moved through Congress took care of the front half of 2019 storms. We do not earmark disaster storms. There is no room for politics in disaster response period.

Senator KENNEDY. Agreed, agreed.

Ms. YOUNG. Absolutely. So we need to do something for those storms from the second half of 2019 and 2020 up to date. So not a disagreement on strategy, but, you know, I worked on the Hill for a long time, moved disaster bills. We did not get a disaster supplemental request from an administration. But let me put clearly on the record we support moving aid for Louisiana and every other State that has been hit by a declaration since the last time we passed a supplemental.

Senator KENNEDY. Could you ask the President to send us a letter to that—

Ms. YOUNG. I believe he asked me to respond, and you may—

Senator KENNEDY. Yes, ma'am, and I got your letter. No disrespect, but it did not say that.

Ms. YOUNG. The President asked me to call the mayor of Lake Charles, which I did, and we had a great conversation, Baton Rouge, my home city—

Senator KENNEDY. Could you send me a letter—or let the President send it—however you want to do it—that says categorically, unequivocally, unconditionally, "I support the block grant disaster relief for southwest Louisiana with respect to Hurricanes Laura and Delta"?

Ms. YOUNG. I thought we did that, but I am happy—

Senator KENNEDY. No, ma'am.

Ms. YOUNG. —to do it in more stronger terms.

Senator KENNEDY. Would you?

Ms. YOUNG. Yeah, we absolutely——

Senator KENNEDY. Do you want me to draft the letter for you?

Ms. YOUNG. No.

[Laughter.]

Ms. YOUNG. Help is needed, Senator, and we are there with you.

Senator KENNEDY. Thank you, Madam Director. Thank you so much.

Thank you, Mr. Chairman.

Chairman SANDERS. Thank you.

Let me thank Ms. Young. It has been a long morning, and thank you very much for being with us today. Her full written statement will be included in the record.

As information for all Senators, questions for the record are due by 12 o'clock noon tomorrow with signed hard copies delivered to the Committee clerk in Dirksen 624. Emailed copies will also be accepted. Under our rules, Ms. Young will have 7 days from receipt of our questions to respond with answers.

With no further business before the Committee, this hearing is adjourned.

Ms. YOUNG. Thank you, Mr. Chairman.

[Whereupon, at 12:50 p.m., the Committee was adjourned.]

#### **ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD**

[Prepared statement and responses to written questions submitted for the record follow:]



## PREPARED STATEMENT OF MS. SHALANDA D. YOUNG

TESTIMONY OF  
 SHALANDA D. YOUNG  
 ACTING DIRECTOR AND DEPUTY DIRECTOR  
 OFFICE OF MANAGEMENT AND BUDGET  
 BEFORE  
 SENATE COMMITTEE ON THE BUDGET

JUNE 8, 2021

Chairman Sanders, Ranking Member Graham, and Members of the Committee—

Thank you for this opportunity to testify on President Biden's Fiscal Year 2022 Budget.

**Confronting Historic Challenges**

Under the President's leadership, our country is getting back on track after one of the most challenging periods in our history. At least 63% of American adults have now received one vaccine shot. The economy has added two million jobs since the President took office. The unemployment rate has dropped to 5.8 percent, the lowest since the start of the pandemic. A very encouraging sign is the decline we see in the long term unemployed by 431,000 last month, as well as a decline in those seeking initial claims of unemployment by about half of what they were in January. All of this is due in no small part to the American Rescue Plan, which put money in pockets and shots in arms. The President's Budget before you builds on this economic momentum to reimagine a new American economy that invests in the middle class and those trying to break into the middle class.

The President's Fiscal Year 2022 Budget details the President's agenda for this year to help grow the economy, create good paying jobs, and do so responsibly by requiring the wealthiest Americans and big corporations to pay their fair share. It includes the two historic plans the President has already put forward—the American Jobs Plan and the American Families Plan—and reinvests in education, research, public health, and other foundations of our country's strength through the discretionary request. The Budget also calls on Congress to take action this year to lower prescription drug costs and expand and improve health coverage. And it does all of this while proposing long-overdue changes to our tax code that will improve our country's long-run fiscal health and help lay the foundation for shared prosperity.

**The American Jobs Plan**

The Budget starts with the American Jobs Plan—a once-in-a-generation investment in America that will put millions of people to work rebuilding our country: fixing highways, rebuilding bridges, and upgrading our transit systems; replacing all lead pipes and service lines in our drinking water systems; investing in the infrastructure of our care economy and creating new and better jobs for caregiving workers; and much more. Specifically, it would:

- **Fix Highways, Rebuild Bridges, Upgrade Ports, Airports, and Transit Systems.** The President's plan will modernize 20,000 miles of highways, roads, and main-streets. It will

fix the ten most economically significant bridges in the Nation in need of reconstruction. It also will repair the worst 10,000 smaller bridges, providing critical linkages to communities. And, it will replace thousands of buses and rail cars, repair hundreds of stations, renew airports, modernize Ports of Entry and expand transit and rail into new communities.

- **Deliver Clean Drinking Water, A Renewed Electric Grid, and High-Speed Broadband to All Americans.** The President's plan will eliminate all lead pipes and service lines in our drinking water systems, improving the health of the Nation's children and communities of color. It will put hundreds of thousands of people to work laying thousands of miles of transmission lines and capping hundreds of thousands of orphan oil and gas wells and abandoned mines. And, it will bring affordable, reliable, high-speed broadband to every American, including the more than 35 percent of rural Americans who lack access to broadband at minimally acceptable speeds.
- **Build, Preserve, and Retrofit More Than Two Million Homes and Commercial Buildings, Modernize Our Nation's Schools and Child Care Facilities, and Upgrade Veterans' Hospitals and Federal Buildings.** The President's plan will create good jobs building, rehabilitating, and retrofitting affordable, accessible, energy efficient, and resilient housing, commercial buildings, schools, and child care facilities all over the Nation, while also vastly improving the Nation's Federal facilities, especially those that serve veterans.
- **Solidify the Infrastructure of Our Care Economy by Creating Jobs and Raising Wages and Benefits for Essential Home Care Workers.** These workers—the majority of whom are women of color—have been underpaid and undervalued for too long. The President's plan makes substantial investments in the infrastructure of our care economy, starting by creating new and better jobs for caregiving workers. It also provides home- and community-based care for seniors and people with disabilities who would otherwise have to wait years to get services they need.
- **Revitalize Manufacturing, Secure U.S. Supply Chains, Invest in R&D, and Train Americans for the Jobs of the Future.** The President's plan will ensure that the best, diverse minds in America are put to work creating the innovations of the future while creating hundreds of thousands of quality jobs today. Our workers will build and make things in every part of America, and they will be trained for well-paying, middle-class jobs using evidence-based approaches such as sector-based training and apprenticeship.

#### **The American Families Plan**

To complement the American Jobs Plan and help extend the benefits of economic growth to all Americans, the Budget also includes the American Families Plan—a historic investment to help families cover the basic expenses that so many struggle with now, lower health insurance premiums, and continue the historic reductions in child poverty in the American Rescue Plan. It would:



- **Add at Least Four Years of Free Education.** The American Families Plan will provide universal, high-quality preschool to all three- and four- year-olds. It will provide Americans two years of free community college. It will invest in making college more affordable for low- and middle-income students, including students at Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), Hispanic-serving institutions, Asian American and Native American Pacific Islander-serving institutions, and other minority-serving institutions (MSIs). And, it will invest in our teachers as well as our students, improving teacher training and support so that our schools become engines of growth at every level.
- **Provide Direct Support to Children and Families.** The American Families Plan will provide direct support to families to ensure that low- and middle-income families spend no more than seven percent of their income on child care, and that the child care they access is of high-quality. It will also provide direct support to workers and families by creating a national comprehensive paid family and medical leave program that will bring the American system in line with competitor nations that offer paid leave programs. And, the plan will provide critical nutrition assistance to families who need it most and expand access to healthy meals to our Nation's students—dramatically reducing childhood hunger.
- **Extend Tax Cuts for Families with Children and American Workers.** The American Families Plan will extend key tax cuts in the American Rescue Plan that benefit lower- and middle-income workers and families, including the expansions of the Child Tax Credit, the Earned Income Tax Credit, and the Child and Dependent Care Tax Credit.
- **Strengthen Health Care.** The American Families Plan will also extend the expanded health insurance tax credits in the American Rescue Plan. These improvements are lowering premiums for 9 million current enrollees by an average of \$50 per person per month and making them permanent will let an estimated four million uninsured people gain coverage. The American Families Plan also makes historic investments to improve maternal health and reduce maternal mortality. The Plan will also support the families of veterans receiving health care services.

Alongside these investments, the Budget also reiterates the President's strong call to Congress during his Joint Session address to make progress on health care by: cutting prescription drug costs; reducing deductibles for ACA marketplace plans; improving Medicare benefits through access to dental, hearing and vision coverage; creating a public option and giving people age 60 and older the option for people to enroll in Medicare; and closing the Medicaid coverage gap to help millions of uninsured Americans gain health insurance.

#### **Reinvesting in Discretionary Programs**

After a decade of underinvestment in priorities that are vital to our country's future, the Budget also details a robust set of discretionary proposals to help reinvest in the foundations of our strength and success. That includes funding for priorities like public health, public education,

basic science, and clean energy. In total, the Budget's discretionary investments would restore non-defense appropriations to the historical average share of the economy.

Specifically, the discretionary request is another important opportunity to continue laying a stronger foundation for the future and reversing a legacy of chronic disinvestment in crucial priorities. Over the past decade, due in large measure to overly restrictive budget caps, the Nation significantly underinvested in core public services, benefits, and protections. Since FY 2010, non-defense discretionary funding—the area of the Federal budget that funds education, research, public health, and other crucial services—has shrunk significantly as a share of the economy. The President's Budget reverses that trend through targeted discretionary investments across a range of key areas. The Budget:

- **Makes Historic Investments in High-Poverty Schools.** The Budget proposes a historic \$36.5 billion investment in Title I grants, a \$20 billion increase from the 2021 enacted level. This investment would provide historically under-resourced schools with the funding needed to deliver a high-quality education to all of their students.
- **Launches Advanced Research Projects Agency for Health (ARPA-H).** The Budget includes a major investment of \$6.5 billion to launch ARPA-H, which would provide significant increases in direct Federal research and development spending in health. With an initial focus on cancer and other diseases such as diabetes and Alzheimer's, this major investment in Federal research and development would drive transformational innovation in health research and speed application and implementation of health breakthroughs.
- **Improves Readiness for Future Public Health Crises.** The Budget includes \$8.7 billion in discretionary funding for the Centers for Disease Control and Prevention (CDC) — the largest budget authority increase in nearly two decades—to restore capacity at the world's preeminent public health agency and rebuild international capacity to detect, prepare for, and respond to emerging global threats.
- **Makes a Major Investment to Help End the Opioid Epidemic.** The Budget includes a historic investment of \$10.7 billion in discretionary funding in the Department of Health and Human Services, an increase of \$3.9 billion over the 2021 enacted level, to support research, prevention, treatment, and recovery support services, with targeted investments to support populations with unique needs, including Native Americans, older Americans, and rural populations. The Budget also includes \$621 million specific to the Department of Veterans Affairs' Opioid Prevention and Treatment programs.
- **Invests in Tackling the Climate Crisis.** The Budget includes major new climate change investments—an increase of more than \$14 billion compared to 2021—across nearly every agency to: restore the critical capacity needed to carry out their core functions and to take a whole-of-government approach to tackling climate change while creating good paying jobs; secure environmental justice for communities that have been left behind through the largest direct investment in environmental justice in history; and help developing countries reduce emissions and adapt to climate change.

- **Extends Housing Vouchers and Helps End Homelessness.** The Budget proposes to provide \$30.4 billion for Housing Choice Vouchers, expanding vital housing assistance to 200,000 more families, with a focus on those who are homeless or fleeing domestic violence. The Budget also builds on important provisions included in the American Rescue Plan Act of 2021 by providing a \$500 million increase for Homeless Assistance Grants to support more than 100,000 households—including survivors of domestic violence and homeless youth, helping prevent and reduce homelessness.
- **Invests in Civil Rights Offices Across Government.** The Budget supports significant increases for civil rights offices and activities across Federal agencies to ensure that the Nation's laws are enforced fairly and equitably.
- **Invests in Efforts to End Gender-Based Violence.** The Budget includes a historic investment of \$1 billion in total funding for DOJ Violence Against Women Act programs, nearly double the 2021 level, including funding for new programs. In addition, the request provides funding at HHS for domestic violence hotlines and for cash assistance, medical support and services, and emergency shelters for survivors.
- **Upholds Our Trust Responsibility to Tribal Nations.** To begin redressing long-standing, stark inequities experienced by American Indians and Alaska Natives, the Budget proposes to dramatically increase funding for the Indian Health Service (IHS) by \$2.2 billion and provides \$900 million to fund tribal efforts to expand affordable housing, improve housing conditions and infrastructure, and increase economic opportunities for low-income families. The Budget also includes an increase of more than \$450 million to facilitate climate mitigation, resilience, adaptation, and environmental justice projects in Indian Country, including investment to begin the process of transitioning tribal colleges in the country to renewable energy.

#### **A Fiscally and Economically Responsible Path**

The Budget makes these investments in a way that's responsive to both the near- and medium-term economic landscape and the longer-term fiscal outlook.

In the near-term, the decades-long, global trend of declining interest rates gives us the fiscal space to make necessary upfront investments. Under this Budget's policies, the real cost of federal debt payments will remain below the historical average through the coming decade, even as the budget assumes that interest rates will rise from their current lows, consistent with private sector forecasts. Low real debt service payments show that the cost of these up-front investments is not burdening the economy. To the contrary, failing to make these investments at a time of such low interest costs would be an historic missed opportunity that would leave future generations worse off.

This Budget does not make that mistake, and its investments will pay dividends for many years to come.

Over the long run, when we face larger fiscal challenges and more uncertainty about interest rates, the Budget will reduce the deficit and improve our Nation's finances. That's because its front-loaded investments are more than paid for through permanent tax reforms that will ensure corporations and the wealthiest Americans pay their fair share. The Budget policies reduce annual deficits beginning in 2030 and reduce deficits by over \$2 trillion in the subsequent decade, while the American Jobs Plan and American Families Plan are fully offset within fifteen years.

As a whole, the Budget will improve our nation's long-term finances while making the growth-enhancing investments that we need right now.

Thank you for the opportunity to appear before the committee today, and I would be happy to take your questions.

Questions for the Record  
for Office of Management and Budget  
Acting Director Shalanda Young  
The President's Fiscal Year 2022 Budget Proposal  
June 8, 2021  
Senate Budget Committee

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**Sen. Braun**

**The Budget states "The President's Budget responsibly balances these needs and risks by charting an economically and fiscally sound course for the near term and the long term." With \$5 trillion in new spending and \$3.6 trillion in new taxes, that leads to a \$1.4 trillion deficit over the 10 year budget window. In the hearing, you mentioned repeatedly that all of the President's proposals have offsets. Can you clarify your statement with respect to the aforementioned budget deficit?**

The President's Budget policies are fully offset through the second decade. Table S-2, Effect of Budget Proposals on Projected Deficits, in the main Budget volume shows that the American Jobs and Families Plans are fully offset by 2036, and all of the budget proposals are offset by 2038.



**Sen. Braun**

**Democrats have long voted for bills that included the Hyde Amendment and candidate Biden indicated his support for it. This long standing, agreed upon 'truce' was removed from the President's Budget. Is President Biden going back on his word? How is this encouraging bipartisanship in Congress?**

The President stated his position regarding the Hyde Amendment during his presidential campaign, and the FY 2022 President's Budget reflects that position.

**Sen. Braun**

**Treasury Secretary Yellen proposed that global corporate tax rates should be a minimum of 25% to prevent a 'race to the bottom'. Recently, the Administration joined the G7 nations in an agreement on a new tax floor of 15%. Currently, G7 nations have corporate tax rates ranging from 19-30%. The budget proposes to increase corporate tax rates from 21% to 28%. How can the United States remain competitive, keep businesses and jobs in the U.S. when we advocate for higher taxes at home than we do abroad?**

Representatives of G7 countries recently made an important and unprecedented commitment to work to achieve a robust global minimum tax at a rate of at least 15%. A global minimum tax of at least 15% would substantially improve upon the status quo in which some tax rates abroad are substantially lower than those at home in the United States. The full Made in America Tax Plan would stop the global race-to-the-bottom in corporate taxation and tilt the scales in favor of companies that hire and invest in the United States, while also ensuring that corporations pay their fair share to help fund needed investments in infrastructure and other areas.

**Sen. Braun**

**While China's corporate tax rate is 25%, they lower it to 15% as a special exception for tech companies. The President's Budget proposes to increase the taxes on Global intangible low taxed income (GILTI) to 21% and eliminate Foreign-derived intangible income (FDII) which would incentivize companies to move intellectual property (IP) outside the U.S. Are there national security implications for U.S. businesses that choose to hold IP in lower tax jurisdictions overseas?**

FDII and the current GILTI regime create incentives for offshoring. The Budget proposes to reform GILTI and to replace FDII with additional support for research and experimentation. Those reforms and the rest of the Made in America Tax Plan would end the global race-to-the-bottom in corporate taxation and make it less appealing for companies to offshore.

**Sen. Braun**

**The President's Budget proposes that economic growth will be 5.4% this year (2021), 4.3% in 2022 but just 1.8 to 2% for the rest of the decade. How does the administration hope to raise wages and in turn, tax revenues (from a broad base) to pay for programs with that economic forecast?**

Under our economic forecast, the Budget's proposals are more than paid for over the long run through reforms that ensure that corporations and the wealthy pay their fair share, which reduce the deficit starting in 2030 and cut deficits by over \$2 trillion in the ten years after that. Our economic forecast reflects some but not all of the positive impacts the Budget's proposals, because our economic forecast was formulated in early February before the details of the American Jobs Plan and American Families Plan were finalized and therefore does not incorporate the full impact of these policies.

The stronger-than-expected economic growth since February will be reflected in the forthcoming Mid-Session Review.

### **Sen. Braun**

The budget states, "The Budget's economic forecast anticipates that real interest rates would likely rise over the coming decade, using projections in line with private forecasters" and "There is also uncertainty about the interest rate outlook. The Budget's proposals prudently address these future challenges by making sure that new proposals are not only fully offset, but reduce deficits in the long run and improve the long-term fiscal outlook."

You stated in testimony, "To the contrary, failing to make these investments at a time of such low interest costs would be an historic missed opportunity that would leave future generations worse off."

On June 5th, Secretary Yellen said "If we ended up with a slightly higher interest rate environment it would actually be a plus for society's point of view and the Fed's point of view."

**How do higher interest rates and uncertainty lead to better economic growth over the long run? How does that impact the interest on the national debt, which is projected to triple over the next 10 years to \$914 billion?**

The Budget's proposals will substantially increase economic growth. In addition, the Administration closely monitors interest rates. Over the long run, when we face larger fiscal challenges and more uncertainty about interest rates, the Budget will reduce the deficit and improve our Nation's finances. That's because the Budget's front-loaded investments are more than paid for through the permanent tax reforms that will ensure corporations and the wealthiest Americans pay their fair share.

As noted, the Budget assumes an increase in interest rates, consistent with projections from private forecasters. Even with that increase, real net interest on the debt as a share of the economy will remain well below the historical average throughout the budget window.

### **Sen. Cramer**

**It has been reported that the Department of Health and Human Services (HHS) has redirected over two billion dollars away from crucial health initiatives and put toward funding the care of unaccompanied immigrant children in the midst of the crisis we are witnessing at the southern border. Among the accounts reportedly affected are the Strategic National Stockpile (SNS) and funds intended for COVID-19 testing measures.**

**Is two billion dollars the entirety of the redirected funds? Have any other dollars been reapportioned away from health efforts to respond to the border crisis?**

**Is OMB planning to approve and reapportion any additional funds – particularly for COVID-19 response or from the SNS – for border response?**

**Does the reapportioning of these funds signal that the Administration does not believe shoring up the SNS is a priority, or that testing measures for COVID-19 are no longer necessary?**

The Department of Health and Human Services' Unaccompanied Children (UC) program has long relied on funding transfers to meet its mission, given the uncertainty surrounding migration patterns. For instance, the prior Administration transferred hundreds of millions of dollars to the program, and received nearly \$3 billion in additional, supplemental funds from Congress for the UC program back in 2019. Unlike past years, this year the program faces additional costs that were the direct result of the COVID-19 crisis, which required precautions, such as social distancing and testing. We're committed to rebuilding the UC program, and the President's FY22 Budget calls on Congress to invest in long-needed programmatic reforms to decrease the program's reliance on funding transfers and reduce the time it takes to unify children with families. At the same time, we continue to make progress in defeating this pandemic, and remain committed to ensuring the Nation is prepared for the next public health crisis. The recent transfers have had no impact on this work.

## Sen. Cramer

The Administration included more than \$1.9 billion in new climate-related investments in its FY22 budget to advance the 30x30 plan, otherwise known as the America the Beautiful initiative. The purpose of the proposal is to conserve 30% of U.S. lands and waters by 2030. Currently, the U.S. Geological Survey estimates 12% of US lands and 23% of US waters are considered conserved. Some groups estimate that an additional 440 million acres of land – an area four times the size of California – must added to the conserved category to reach the goal of 30% conserved land by 2030. Many of us have expressed real concern about how this will effect private landowners and those who live and work off our public lands. Some Administration officials have even said, our concerns are trying to quote: “scare people.”

**Does the Administration believe landowner’s private property concerns to be scare tactics?**

**North Dakotans have had serious frustrations with federal land and program management. They are often heavy handed and prosecutorial with very little, if any, flexibility. Does the Administration believe landowner concerns should be addressed before the federal government seeks to take so much more land into federal management?**

The America the Beautiful initiative sets a goal of conserving 30 percent of the Nation's lands and water by 2030 through a *voluntary* locally-led campaign that honors private property rights and supports the voluntary stewardship efforts of private landowners and fishers. The Administration recognizes the significant contributions of working lands and waters to our Nation's economic prosperity, community health, and environment. Additionally, President Biden has recognized and honored the leadership role that farmers, ranchers, forest owners, and fishers already play in the conservation of the nation’s lands, waters, and wildlife, and has made clear that his administration will support voluntary stewardship efforts that are already underway across the country’s lands and waters. The Administration is committed to working collaboratively with communities to ensure responsible, balanced stewardship of public lands, and to provide incentives for voluntary conservation practices that advance conservation, healthy wildlife populations, and the prosperity of local economies.

## Sen. Cramer

**I have not heard a clear Administration explanation for how you plan to add an area four times the size of California to the conserved category through incentive-based programs when current programs like Conservation Reserve Program (CRP) are not even reaching the existing acreage caps for the program. As the global population continues to grow, demand for food and energy is growing, not diminishing. Further, if this plan were to be fully executed, the US would cede its economic influence through energy and food production to nations, like China, that do not have the environmental standards of the US.**

**When the dollars for incentive-based conservation programs are not enough to reach the Administration's 30% conservation goals, will the Administration then turn to rules, regulations, or guidance that establishes mandatory compliance for American landowners and agricultural and energy producers?**

The Department of Agriculture has a multi-pronged approach to investing in our food system by administering farm safety net programs, assisting in marketing through marketing assistance loans and public dissemination of market information, and supporting research to aid the future of farming. The FY22 Budget invests \$6 billion in the Department's suite of voluntary, incentive-based conservation programs.

The America the Beautiful initiative sets a goal of conserving 30 percent of the Nation's lands and water by 2030 through a *voluntary* locally-led campaign that honors private property rights and supports the voluntary stewardship efforts of private landowners and fishers. The Administration recognizes the significant contributions of working lands and waters to our Nation's economic prosperity, community health, and environment. Additionally, President Biden has recognized and honored the leadership role that farmers, ranchers, forest owners, and fishers already play in the conservation of the nation's lands, waters, and wildlife, and has made clear that his administration will support voluntary stewardship efforts that are already underway across the country's lands and waters. The Administration is committed to working collaboratively with communities to ensure responsible, balanced stewardship of public lands, and to provide incentives for voluntary conservation practices that advance conservation, healthy wildlife populations, and the prosperity of local economies.



### **Sen. Cramer**

**The President's FY22 Budget calls for the creation of ARPA-H, a new agency within NIH devoted to federal R&D. As it stands, this seems like an inefficient use of taxpayer dollars – NIH already awards grants to private entities for these specific purposes; North Dakota State University is a prime example of just one of the many institutions working with NIH to further these exact efforts. Just last month the Chair of the Pharmaceutical Sciences Department at the NDSU School of Pharmacy was awarded a federal grant through NIH for Alzheimer's disease research.**

**How much of the \$6.5 billion is actually projected to be devoted to R&D – not overhead, but actual research?**

**Wouldn't ARPA-H be a duplicative endeavor, and money be better spent by funding additional grants to private research entities?**

**Would the creation of ARPA-H compete for the federal funding that could be going to NDSU and other exemplary private research institutions?**

**What is the impetus for creating such an agency as ARPA-H under NIH? Why not create this entity as its own operating division under HHS?**

ARPA-H will devote its resources to driving transformational innovation in health research and implementation of health breakthroughs, which is in addition to the important foundational research NIH supports. Some resources would support a lean organization of program managers to oversee grants, but the vast majority will support promising extramural research in high priority areas like cancer. ARPA-H will work with federal agencies to ensure research priorities are complementary and not duplicative. Establishing ARPA-H within NIH rather than as a separate Operating Division will help increase collaboration and coordination across research priorities and accelerate the start of this important work by leveraging NIH's robust infrastructure.

**Sen. Cramer**

**Ms. Young, I understand that the budget request removes all Hyde Amendment protections from taxpayer dollars. When we met before your confirmation vote, you assured me that you understood that Hyde protections exist in statute, and they cannot be removed through Executive Branch actions, specifically rulemaking. While this is not technically an endeavor through rulemaking, I would like to revisit the commitment you made to me back in March. Can you reaffirm for me that you understand that the Hyde Amendment is current law, that it cannot be removed through rulemaking actions, and that you do not intend to pursue such rulemaking as you lead the Office of Management and Budget?**

As I made clear during the confirmation process, the Hyde Amendment is currently a federal statutory provision. Under the law, a regulation cannot change a federal statutory provision. I continue to commit to follow the laws put forth by Congress and signed by the President.

**Sen. Cramer**

**The DoD budget documents show the Air Force with the highest budget of any service at \$212.8 billion, but it does not reflect the \$39 Billion that the Air Force does not control, commonly known as pass through.**

**Ms. Young, do you agree that it is slightly misleading to say the Air Force has the highest topline of any service when a large portion of it is actually not under their control? Wouldn't it be more accurate and fair to account for what's known as pass through under the Defense Wide budget?**

The DOD FY 2022 Budget adheres to the "pass through" approach used by multiple Administrations for decades. Potential alternatives raise complex, classified issues and are complicated by annual congressionally-imposed prohibitions on evaluating alternatives to the status quo. The Administration would welcome the removal of these prohibitions so that we could conduct more detailed assessments of viable alternatives.

## Sen. Crapo

President Biden's proposal assumes that inflation will stay at or below 2.3 percent during the ten-year window. Given that prices have increased by 4.2 percent during the past year, is this projection realistic?

a. An independent central bank has been a key element of our long term economic success. However, sometimes the Federal Reserve makes policy decisions that it feels are appropriate, but that the current Administration disagrees with and finds frustrating. If there were to be a sustained increase in prices, leading the Fed to increase interest rates, how would these developments alter the economic and fiscal outcomes of the Administration's proposals?

b. If the outsized deficits and debt proposed in the President's budget request are realized, and persistent inflation arises, the Fed would be inclined to raise interest rates to choke off inflation pressures. Doing so, however, the Fed would know that it is putting a lot of fiscal strain on the budget because of increased costs of servicing the debt. That could lead the Fed to be reluctant to raise rates to choke off inflation. What are your views on these risks, and do you think that the President's budget, if adopted, could pressure the Fed to keep rates low, be reluctant to fight inflation, and continue a low-interest-rate environment that hurts savers, including retirees, and assets held in Social Security's trust funds?

The economic assumptions in the President's budget were finalized in February, and the projections were in line with those of other forecasters at the time. As often happens, economic conditions evolved between when we formulated the economic assumptions and the Budget release. Market forecasters now project nearly 7 percent GDP growth for 2021 compared to the 5 percent growth we expected in February. And, they expect temporary inflation above 2 percent this year before settling back to its long run trend. The stronger-than-expected economic growth since February will be reflected in the forthcoming Mid-Session Review.

a. For an analysis of the sensitivity of the Administration's Budget to economic assumptions, including an increase in interest rates, please refer to Table 2-4 in the "Economic Assumptions and Overview" chapter in the Analytical Perspectives supplement to the Budget.

b. As of early June 2021, the mid-year inflation we are currently witnessing appears to be the result of transitory factors relating to the reopening of the economy, pandemic-related supply-side bottlenecks, and mechanically driven increases in year-over-year inflation rates due to unusually low inflation rates during the early months of the pandemic (known as base effects). Note that over the medium- to longer-term, inflation expectations remain anchored within a range consistent with the Federal Reserves stated target of achieving 2% PCE inflation on average.

**Sen. Crapo**

**This budget does not balance during the ten-year window. In fact, it would raise our public debt to Gross Domestic Product ratio to 117 percent of GDP by the end of the window. Is the Administration willing to work with Congress to find ways to mitigate and balance this budget proposal sooner than fifteen or twenty years down the road?**

This Budget invests wisely and appropriately, and will pay enormous economic dividends for all Americans. In the near term, the decades-long global trend of declining interest rates gives us the fiscal space to make necessary up-front investments. Over the longer-term, the Budget's front-loaded investments are more than paid for through the permanent tax reforms that will ensure corporations and the wealthiest Americans pay their fair share. The budget policies reduce annual deficits beginning in 2030 and reduce deficits by over \$2 trillion in the subsequent decade, while the American Jobs Plan and American Families Plan are fully offset within 15 years. As a whole, the President's budget will improve our Nation's long-term finances while making the growth enhancing investments we need right now.

**Sen. Crapo**

**This proposal does not address issues with Trust Funds, especially with Medicare and Social Security. Does the Administration have a plan with them, given that the dates of depletion are rapidly approaching?**

**a. Would you please provide your assumptions regarding the balances for these Trust Funds as of the fiscal year ending September 30, 2020 (or, if available, more recently)?**

**b. According to OMB's latest estimates, did the National Average Wage Index (sometimes abbreviated as AWI) -used to help determine Social Security benefits- decline in 2020?**

The Administration is fully committed to ensuring that Americans receive the Medicare and Social Security benefits that they are entitled to.

The President's Budget improves Medicare's financing while protecting benefits. As part of the American Families Plan, the Budget would reform the Net Investment Income Tax (NIIT) to ensure all high-income Americans pay the same Medicare taxes and redirect the revenue from the tax to the Medicare Hospital Insurance (HI) Trust Fund. This would extend solvency by roughly 11 years.

The Administration is committed to protecting and strengthening Social Security. Under current law, the 2020 Social Security Trustees report predicts that the combined trust funds will deplete their reserves in 2035. While this does not present near-term risks to either beneficiaries or the nation's finances, the President is committed to working with Congress to address this important long-term challenge and ensure that this country will always meet its commitments to seniors and people with disabilities.

The Budget reflects wage assumptions based on the 2020 Trustees Report for its long-term outlook projections. SSA plans to publish the final 2020 AWI this fall.

**Sen. Crapo**

**How did OMB arrive at its estimate on page 24 of the Budget Proposal that drug price reform "could also yield over half a trillion in Federal savings over 10 years?"**

Our nation is estimated to spend nearly \$400 billion on prescription drugs in 2022, and more than one-third of that spending is through Medicare. Non-partisan experts have noted many opportunities to significantly reduce that spending and out-of-pocket costs for Americans. Recent Congressional Budget Office (CBO) estimates of drug pricing legislation, such as government negotiation of drug prices and inflationary rebates, indicate that these and other drug pricing reforms could save over half a trillion dollars.

**Sen. Crapo**

**In the President's budget proposal, in table S-2, "Effect of Budget Proposals on Projected Deficits," the Administration estimates that its FY2022 proposals will cumulatively increase the deficit from 2022 to 2036 by \$406 billion, but cumulatively reduce the deficit from 2022 to 2041 by more than \$1 trillion. That implies that the cumulative deficit would decline by \$1.4 trillion in the five years from 2036-2041. Would you please provide us with details regarding which specific spending and revenue proposals you expect to reduce the deficit over that period, and their relative contributions?**

The effects of the FY2022 proposals are outlined in detail in table S-6, "Mandatory and Receipt Proposals," while the assumptions for the second decade projections are provided in the Long-Term Budget Outlook chapter of the Analytical Perspectives Volume of the Budget.

Some of the largest revenue proposals in the first decade include the increase in the corporate income tax rate, revisions to the Global Minimum Tax, the adoption of the Stopping Harmful Inversions and Ending Low-Tax Developments (SHIELD) Rule, reforms to capital gains taxes, and various components of tax compliance reform. Those proposals also have a large impact in the second decade estimates.



**Sen. Crapo**

**What is your understanding of the reasoning behind proposing a 12.9 percent cut to discretionary funds for the Army Corps of Engineers for fiscal year 2022 relative to 2021?**

The FY 2022 Budget provides \$6.8 billion in discretionary funding for the Army Corps-Civil Works program, a robust funding level. The Budget also requests \$8 billion to improve our nation's ports and waterways infrastructure through the American Jobs Plan as well as funding for resiliency of large landscapes including the South Florida Ecosystem Restoration program. Considering all sources of funding, the FY 2022 Budget provides a substantial increase over the FY 2021 level.

**Sen. Crapo**

**What is your understanding of the reasoning behind proposing a 9.3 percent increase in discretionary funding for Social Security for fiscal year 2022 relative to 2021 while boosting funding for the Education Department by 40.8 percent?**

While SSA's budget was essentially level funded over the past few years, the President's Budget reflects a 9.7 percent increase for the agency. The Budget will allow SSA to begin recovering from the coronavirus (COVID-19) pandemic disruptions and will support efforts to improve SSA services for customers by reducing wait times and backlogs, increase outreach to vulnerable populations who may be eligible for SSA programs, and invest in information technology modernization efforts. Further, the Budget will support SSA's stewardship responsibilities by funding cost-effective program integrity efforts. The Administration looks forward to working with Congress to secure these important resources.

The proposed increase for the Department of Education funds other critical priorities, including major investments in Title I, IDEA and Pell Grants. These Department of Education investments would provide critical support to high-poverty schools, boost assistance for children with disabilities, prioritize the physical and mental well-being of students, support the recruitment, training, and retention of highly qualified teachers and school leaders, and increase access and completion in postsecondary education.

**Sen. Crapo**

**The Highway Trust Fund (HTF) has historically been funded by user fees, paid for by those who use the infrastructure. With all major automakers making significant increases in efficiency and planning to convert their fleets to fully electric vehicles, the already insolvent HTF will continue to become more insolvent as highway use becomes de-linked from gasoline consumption. With the rise of EVs, what is the Administration's position on a user fee for these vehicles who are using the nation's roads and bridges?**

Expanding the adoption of electric vehicles (EVs) by providing consumers with incentives is a critical part of the President's plan to tackle climate change. The Made in America Tax Plan would provide the offsets needed to pay for the Administration's infrastructure investments, including in EVs.

**Sen. Crapo**

**This budget proposal assumes that tax revenues generated would be the highest ever as a percentage of Gross Domestic Product. Earlier this year, I discussed the so-called "tax gap" in a letter to the Commissioner of the Internal Revenue Service. I find the administration's estimates of how much revenue it would get from additional IRS funding to close the tax gap to be highly speculative and also very likely overestimated. I further believe that the nonpartisan Congressional Budget Office will not agree with the rosy numbers related to returns on investment in additional compliance measures. Given a large amount of uncertainty surrounding the Administration's speculative numbers surrounding efforts to close the tax gap, do you have any measures of how uncertain your numbers are?**

Treasury's Office of Tax Analysis has used the best methods available to estimate tax revenues from Budget proposals. As is standard practice, the Budget presents best estimates of revenue impacts. As is always the case, actual numbers after enactment may be higher or lower than those best estimates.

**Sen. Graham**

**The Office of Management and Budget (OMB) has a projected growth for the Department of Defense at 1% from FY2027 to FY2031, while every other agency grows at 2.2%. Over the ten year window, there is a \$224 billion shortfall for the Pentagon. The budget material states that these numbers are proxies for long run efficiencies the Administration believes may be achieved in the defense budget. What reforms are you proposing to create these efficiencies? And why would they not also apply to all agencies?**

As stated in the Budget, the Administration is currently developing National Security and National Defense strategies that will inform the development of the FY 2023 Future Years Defense Program (FYDP). The Budget assumes that the Department of Defense may be able to achieve valuable efficiencies in its budget in future years. Even with the assumption that defense spending grows more slowly than the baseline in the latter part of the decade, between FY 2022 and FY 2030, the National Defense budget is still \$137 billion more than the cumulative total across these years from the previous Administration's FY 2021 Budget.

### **Sen. Graham**

**If the budget request is fully implemented, OMB projects debt held by the public will surpass WWII-era records, reaching 117% of GDP in 10 years. However, there are already bipartisan concerns from Congress with the large tax increases proposed. As you noted in your testimony, front-loaded investments are supposed to be paid for through permanent tax reform. Without tax increases, debt to GDP would skyrocket out of control. The Congressional Budget Office (CBO) told this committee debt would reach 130% of GDP when only including the American Rescue Plan Act (ARPA), maintaining the FY22 request for nondefense discretionary spending, and spending levels based on the Administration's infrastructure and family spending plans. Would you still propose this high of a level of spending if the tax increases are not implemented?**

This Budget meets the moment in addressing decades of underinvestment in infrastructure, revitalizing manufacturing, addressing the climate crisis, and providing support for workers and families. At the same time, a more effective, efficient tax system that closes loopholes, prevents offshoring, and makes sure the wealthy don't play by different rules than everyone else is both good for the economy and exactly what the American people expect out of their tax code. Both the spending and receipt policies will help support a sustainable fiscal policy that invests in our long-term economic growth.

**Sen. Graham**

**The Administration's FY22 budget proposes increasing corporate income tax receipts by \$2.3 trillion over the budget window. Seeing as Treasury's Office of Tax Analysis-which would have provided the revenue estimate-assumes a significant share of the corporate tax falls on workers, would any of the burden of the Administration's corporate tax increases be borne by families with incomes less than \$400,000 per year?**

The Made in America Tax Plan proposes to reform the corporate tax code to incentivize job creation and investment in the United States, to stop the global race-to-the-bottom in corporate taxation, and to ensure large corporations pay their fair share. The Budget's proposals are more than paid for through tax reforms that ensure corporations and the wealthiest Americans pay their fair share. No one making under \$400,000 would see an increase in taxes under the President's tax plan.

### **Sen. Graham**

**The Administration's budget proposes making permanent the full refundability of the child tax credit (CTC) and extending the other CTC changes made by ARPA through the end of 2025. What is the budgetary effect of making all of the ARPA's CTC changes permanent? If all of these provisions were made permanent, would the budget policies reduce annual deficits beginning in 2030 and reduce deficits by over \$2 trillion in the subsequent decade, as the budget currently projects?**

**If you have not estimated the budgetary effects of making permanent the other ARPA changes to the CTC, what is the Administration's rationale for sunseting these changes at the end of 2025?**

The President's Budget proposes to extend the Child Tax Credit, as amended by the American Rescue Plan, through 2025, and then to permanently extend full refundability. The President's Budget offers offsets to this and all other policies in the American Families Plan and the American Jobs Plan, such that the net deficit impact of these plans is neutral over a fifteen-year period. The President is committed to working with Congress to advance additional measures to reduce childhood poverty and invest in the middle class in a fiscally sustainable way. The first step, however, is to implement the policies proposed in the President's FY2022 budget.



## **Sen. Graham**

The FY22 budget purports that the proposed family and medical leave program would cost almost precisely \$225 billion over the 10 years, or about \$49 billion annually when the program is fully phased-in by the tenth year of the budget window. Last year, the nonpartisan CBO estimated that a similar paid leave proposal-H.R. 1185, the FAMILY Act-would increase spending by \$547 billion over 10 years, or \$89 billion annually by the tenth year of the budget window.

**How did OMB arrive at its estimate of the cost of the proposed family and medical leave program? Why is the estimated steady state cost of the program so much lower than CBO's estimate of H.R. 1185, despite the similar benefit parameters? How does the Administration propose the program should be phased in over 10 years?**

The Administration looks forward to working with Congress to make paid family and medical leave a reality for millions of Americans. The difference between the two scores is due to both the Administration proposal's ramp-up in benefit duration and different take-up assumptions used by CBO and OMB.

Specifically, CBO used FMLA survey data on need for leave as an upper-bound estimate for own illness and family care leave uptake, but acknowledges that participation in most state programs for medical and caregiving leave is low compared with the need for leave reported by workers in the FMLA survey. OMB based its program take-up assumptions on the experience of states like California.

## Sen. Graham

**Because this budget fails to keep debt as a percent of GDP from rising to unprecedented levels, it attempts to deflect attention to the fact that interest rates (as projected by the Administration) are expected to fall below the rate of inflation.**

**What evidence led you to the budget's apparent conclusion that "real net interest payments" are a better measure of fiscal sustainability than traditional measures like the debt-to-GDP ratio or fiscal gap? Given the importance of this subject, please provide published sources that have been subject to peer review scrutiny.**

Over the past several decades, interest rates have fallen, even as debt has risen. This has been a widespread, persistent, and global phenomenon, and it has meant that the burden associated with debt has decreased. Given these structural dynamics, the level of interest payments, rather than the size of the debt, is the most relevant benchmark for whether debt is burdening the economy.

Real interest—the Federal Government's annual interest payments after adjusting for inflation—directly measures the economic cost of the debt: the real resources that are going toward paying off old debt. Economists have long shown mathematically that the ratio of debt to GDP changes from year to year according to three factors: real economic growth (often captured by the real economic growth rate "g"), real net interest payments (often captured by the real interest rate "r"), and the primary deficit.

**Sen. Graham**

**There are additional proposals that President Biden voices support for in his budget but does not specifically include, such as creating a public option, lowering the age for Medicare and expanding the program to cover hearing, dental, and vision. Why are the costs of these proposals not included in the long-term budget plan?**

The Budget consists of the President's historic plans – The American Jobs plan and the American Families plan, along with the annual discretionary request. We also understand Congress is working on additional legislation that the Administration supports. For example, the Administration supports proposals to expand access to affordable health coverage for Americans and looks forward to working with Congress on this critical issue.

**Sen. Graham**

**The President's FY22 budget claims that expansion of the premium tax credit in ARPA resulted in savings for more than nine million Affordable Care Act (ACA) marketplace enrollees. Counted in these numbers are families making \$100,000-\$250,000 annually. Is it the intent to permanently subsidize premiums for families making six figures? What are the oversight mechanisms currently in place to ensure premiums are going to the intended recipients?**

The expanded premium tax credits in ARPA are providing premium relief that is lowering health insurance costs by an average of \$50 per person per month for nine million people, and will enable millions of uninsured people to gain coverage.

The Federally-Facilitated Health Insurance Marketplace determines eligibility for premium tax credits based on projected annual income that is checked against the IRS and other sources. As a protection built into the ACA, when a person receives premium subsidies they must reconcile these subsidies when they file their taxes.

## Sen. Graham

The President's FY22 budget proposes to give individuals, between the ages of 60 and 64, the option to enroll in the Medicare program and receive "the same premiums and benefits" as the current Medicare-eligible population (65+). Further, the proposal suggests financing it with a separate Trust Fund.

1. The Medicare program is currently financed by a combination of beneficiary premiums, payroll tax revenue, and general revenue funds. How will the new Medicare Trust Fund proposed in the President's Budget for the 60-64 population be financed? What is the 10-year budget estimate for this new Trust Fund?
2. Older Americans generally have higher rates of insurance coverage. According to the U.S. Census Bureau, over 90 percent of the 60-to-64 population is estimated to have health insurance. Of the total estimated federal spending on this proposal, how much is estimated to be spent on the uninsured 60-64 population?
3. According to the U.S. Census Bureau, median incomes for those between the ages of 45 and 64 are higher than any other age group. Specifically, the 60-64 population had a median income of \$94,000 in 2019. Would premiums and out-of-pocket cost-sharing be determined based on income for this age cohort?
4. What behavioral assumptions are associated with this budget proposal? For instance, does OMB anticipate any shifts in coverage or early retirement as a result of this policy? If so, please detail the behavioral assumptions and their impact on federal spending and revenues.

The Administration supports proposals to expand access to Medicare for those aged 60-64. The Budget does not include specific assumptions or cost estimates for such proposals. The Administration looks forward to working with Congress to develop and enact legislation that gives more individuals, including older Americans, options for affordable health insurance.

**Sen. Graham**

**The President's FY22 budget proposes to reform Medicare payments to insurers and certain providers to reduce overpayments and strengthen incentives to deliver value-based care, extend the life of the Medicare Trust Fund, lower premiums and reduce federal costs. What specific policies is the administration proposing to accomplish the above reform goals?**

The Administration is committed to working with Congress to implement the President's health care agenda, which includes reforming Medicare payments. The Budget does not include specific assumptions or cost estimates for such proposals. The Administration looks forward to working with Congress to develop and enact legislation to strengthen Medicare and achieve the goals articulated in the Budget.

**Sen. Graham**

**The President's budget proposal does not lay out a plan to reduce improper payments in the Medicaid program which is estimated to cost the federal government far more than overpayments in the Medicare program. Will OMB work with Health and Human Services (HHS) to lay out a plan to reduce Medicaid improper payments which were estimated to cost the federal government over \$86 billion in 2020 alone?**

OMB is committed to working with HHS and Congress to protect this important program and ensure program integrity.

**Sen. Graham**

**What regulatory proposals does the President support to reduce drug costs for Americans without cost-shifting onto the taxpayer?**

The President supports reforms that would bring down drug prices by letting Medicare negotiate payment for certain high-cost drugs and requiring manufacturers to pay rebates when drug prices rise faster than inflation. These reforms would lower drug costs and save money for Medicare beneficiaries and people with job-based insurance. The reforms could also yield over half a trillion in Federal savings over 10 years.



**Sen. Graham**

**CBO projects that both the highway and transit accounts of the Highway Trust Fund, which provide most federal spending for highways and mass transit, will be exhausted in FY22. The President's budget proposes hundreds of billions of dollars in new money for surface transportation infrastructure, yet remains silent on the status of the Highway Trust Fund. What is the Administration's plan to ensure the long-term solvency of the Highway Trust Fund?**

The investments in the American Jobs Plan will be fully paid for by the Made in America Tax Plan. The Administration will work with Congress on reauthorization of traditional surface transportation programs and consider options to resolve the long-standing issue of Highway Trust Fund insolvency. However, this must be done in a way that does not violate the President's commitment to not raise taxes on households making less than \$400,000.

**Sen. Graham**

The President's budget calls for a \$174 billion investment in the electric vehicle (EV) market through point of sale rebates, tax incentives, and grant and incentive programs. While I am generally supportive of EVs, I am concerned about their lack of paying into the Highway Trust Fund, which accounts for most of the federal spending on highways, roads, and bridges. In addition, OMB projects a more than \$4 billion revenue loss associated with "sparkling widespread adoption of EVs" as a result of the President's budget proposals. What is the Administration's position on EVs paying their fair share to maintain our surface transportation infrastructure?

Expanding the adoption of electric vehicles (EVs) by providing consumers with incentives is a critical part of the President's plan to tackle climate change. The Made in America Tax Plan would provide the offsets needed to pay for the Administration's infrastructure investments, including in EVs.

**Sen. Graham**

**The FY22 discretionary request calls for an increase of more than \$14 billion to tackle climate change. Climate initiatives are also included in the mandatory proposals, including everything from a Civilian Climate Corps to research and development. Over the ten year budget window, what is the total of proposed climate spending?**

The Budget includes \$36 billion in discretionary investments across nearly every agency to tackle the climate crisis while creating good-paying jobs with a free and fair choice to join a union and collectively bargain, revitalizing America's disadvantaged and energy communities, and positioning America — an increase of more than \$14 billion compared to 2021. This funding will be bolstered by the President's American Jobs Plan, which includes mandatory funding for climate-related programs and tax incentives.

**Sen. Graham**

**Every spending bill for the last four decades has included the Hyde Amendment and related provisions to defend the conscience rights of many Americans who would otherwise be forced to pay for abortion. Why were these bipartisan safeguards removed from this Administration's request?**

The President stated his position regarding the Hyde Amendment during his presidential campaign, and the FY 2022 President's Budget reflects that position.

**Sen. Graham**

**The President's request would provide Americans two years of free community college by partnering with States and tribes to waive tuition and fees for students. The justification goes on to imply that if all States, territories, and Tribes participate, about 5.5 million students would pay \$0 in tuition and fees. However some studies suggest that states would need to increase their investment collectively by roughly \$3.7 billion. If states choose not to participate, what happens to their share of the federal dollars?**

This is structured as an indefinite appropriation, so the federal funding for this program would be based on the number of eligible students participating. Funds would only be appropriated to meet the current use of the program, so and there would be no unused funds for States that do not participate.

### **Sen. Graham**

**The President's request includes \$20 billion for a new Title I Equity Grants program to increase funding for Title I schools. However, the funding is provided outside the Title I allocation formula. Can you provide information on how these funds will be allocated and distributed to states?**

The proposed Title I Equity Grants program would provide additional Title I formula grant funding to States and Title I-eligible school districts to help address long-standing funding disparities between under-resourced school districts and their wealthier counterparts, including by (1) providing meaningful incentives to examine and address inequalities in school funding systems, (2) ensuring that teachers at Title I schools are paid competitively, (3) increasing preparation for, access to, and success in rigorous coursework, and (4) expanding access to high-quality preschool for underserved children and families

The funds for the Title I Equity Grants would be allocated by formula to Title I-eligible local educational agencies (LEAs) through a new formula that builds on the existing, foundational Title I Grants to Local Educational Agencies program, targets most funds to LEAs with the greatest concentrations of poverty, and provides new incentives for more equitable State and local education funding systems.

Currently authorized Title I allocation formulas succeed in delivering a significant share of Title I appropriations to the highest poverty school districts. Nevertheless, the formulas also yield per-pupil allocations that vary widely from State to State and district to district (both across and within States), even across school districts with similar shares of students from low-income backgrounds. A more targeted formula in the proposed program would advance equity to the greatest extent possible while leaving in place the existing Title I Grants to Local Educational Agencies program, including the current formulas for existing funds.

The Administration looks forward to working with Congress to distribute the new funds in the most equitable way feasible.

### **Sen. Grassley**

**I appreciate President Biden's budget mentioning his commitment to lower prescription drug costs. I believe there is a real opportunity to pass my bipartisan and negotiated prescription drug bill that Senator Wyden and I worked on last Congress. It would save taxpayers \$95 billion and seniors \$72 billion. There are at least 10 House Democrats who want to work on a bipartisan prescription drug deal. There are other partisan prescription drug ideas that would eliminate Medicare's non-interference clause. I don't think there is support for those partisan ideas from all 50 Democrats in the Senate, much less 60 Senators. Alternatively, Grassley-Wyden can get 60 votes in the Senate.**

**Can I infer from the fact that the President's budget does not assume passage of H.R. 3 that the Administration accepts that there is no path forward for that approach? Would you recommend to President Biden that he instead focus the Administration's efforts toward supporting my bipartisan and negotiated prescription drug bill knowing it can get 60 votes in the Senate and will result in significant budgetary savings as well as providing much needed relief for American seniors?**

The President supports reforms that would bring down drug prices by letting Medicare negotiate payment for certain high-cost drugs and requiring manufacturers to pay rebates when drug prices rise faster than inflation. These reforms would lower drug costs and save money for Medicare beneficiaries and people with job-based insurance. The reforms could also yield over half a trillion in Federal savings over 10 years. The Administration is committed to working with Congress to provide needed drug pricing relief for all Americans.

### Sen. Grassley

**The President's budget spends heavily on electric vehicles with \$600 million in changing vehicle fleets and tax credits for consumers and businesses. However, this year, the Energy Information Administration projects that 79% of cars on the road will be internal combustion engines in 2050. And last year, only 2% of new car sales were electric. The quickest way to decarbonize the transportation sector immediately is to utilize higher-blends of biofuels. Ethanol can reduce carbon intensity by up to 60% and biodiesel by 88%. Why did the President's budget ignore biofuels and instead focus solely on electric vehicles? Would you agree that we need both biofuels and electric vehicles to decarbonize the transportation sector?**

The 2022 Budget reflects substantial investments in programs that support the development or incentivize the production of biofuels and biobased products. USDA's budget requests \$253 million for biofuels research and development and deployment. Biofuels will play an important role for decarbonizing modes that are less able to be electrified such ocean-going vessels as well as aviation.

In addition, as part of the American Jobs Plan, the 2022 Budget proposes significant investments to help commercialize advanced biofuels and the use of new renewable energy technologies for the production of biofuels. Specifically, USDA's budget proposes to invest an additional \$14.5 billion for the Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance program and \$1 billion in new funding for biofuels projects in the Energy Assistance Payments account.



**Sen. Scott**

**My office has repeatedly asked the Office of Management and Budget for feedback and technical assistance on draft legislation.**

**Will you commit to responding to these requests in a timely manner?**

**Will you commit moving forward that OMB, under your direction, will respond to requests for feedback and technical assistance on draft legislation in a manner that is consistent with an effective and timely legislative process?**

Yes to both questions.

### **Sen. Scott**

**According to Americans for Tax Reform, President Biden's budget includes 30 tax increases, which will cost families and businesses an estimated \$3 trillion over the next decade. That's on top of the already rising cost of living Floridians and Americans are dealing with thanks to Biden's reckless spending policies. I have repeatedly asked the Administration for their plan to address the inflation crisis, and have heard nothing.**

**We know the White House is concerned with inflation because it has held private meetings and now we know President Biden has spoken with Larry Summers. How does the President take into account rising inflation and prices in its estimates and projections in his proposed budget? Will you admit there is a growing inflation problem?**

We keep a close eye on every indicator, including inflation. It is important not to mistake temporary movement with the fundamentals. What's really important is that long and medium-term inflation expectations remain well-anchored and in line with the Budget's projections. In other words, markets and forecasters and economists all agree that price increases over the next several years will be well within our recent historical experience.

## Sen. Scott

On February 1st, I wrote to OMB asking for information about how much of the funding allocated from last year's and this year's coronavirus relief packages remains unspent. I believe it is important Congress have a full picture of the needs before committing to new spending. My office has still not received a response from OMB to this letter. Therefore, I request that you provide detailed information to my office on how much of the coronavirus funding has been obligated and spent as of June 9, 2021. I further request a response to the following questions which were also included in my February 1, 2021 letter to OMB:

- How much has been obligated and spent to date on vaccine distribution and development? How much is unspent?
- How much has been obligated and spent in the Paycheck Protection Program (PPP) program for small businesses? How much is unspent?
- How much has been obligated and spent to date on testing distribution? How much is unspent?
- How much has been obligated and spent to date for schools and education? How much is unspent?
- How much has been obligated and spent to date on transportation services and grants, including airlines, public transit, Amtrak and the motorcoach industry? How much is unspent?
- How much has been obligated and spent to date for rental assistance? How much is unspent?

As of the end of May, roughly 80 percent of all COVID relief funding has been obligated. Most of the remaining 20 percent has been allocated to specific purposes, though not technically obligated yet. We will review your letter and this specific request and respond in a timely manner. We will work with your office to ensure you have updated information on the status of COVID relief funding.

