Dear Members of the Joint Select Committee on Deficit Reduction:

I am writing with two purposes in mind: to illustrate the consequences if the Joint Committee fails to agree on a balanced, long-term deficit reduction plan and to underscore the message that Federal Reserve Chairman Bernanke recently issued to Congress.

In his Congressional testimony on October 4th, Chairman Bernanke urged Congress to slash budget deficits more than planned over the long-term but not to make cuts in the short run, undermining economic growth. He said:

“One crucial objective is to achieve long-run fiscal sustainability. The federal budget is clearly not on a sustainable path at present. The Joint Select Committee on Deficit Reduction, formed as part of the Budget Control Act, is charged with achieving $1.5 trillion in additional deficit reduction over the next 10 years on top of the spending caps enacted this summer. Accomplishing that goal would be a substantial step; however, more will be needed to achieve fiscal sustainability.

A second important objective is to avoid fiscal actions that could impede the ongoing economic recovery. These first two objectives are certainly not incompatible, as putting in place a credible plan for reducing future deficits over the longer term does not preclude attending to the implications of fiscal choices for the recovery in the near term.”

I would emphasize that in all fiscal choices, it is imperative to focus on economic growth. When the economy weakens, revenues decline and safety-net spending increases. There is no way to transform a budget deficit into a surplus if our economy does not recover and if employment does not grow vigorously. I urge the Joint Committee to give serious consideration to the American Jobs Act and any other responsible proposals to promote economic growth, rebuild our deteriorating roads, bridges and other infrastructure, and create jobs in America.

I would also emphasize that everything must be on the table, including revenues, in order to reach long-term fiscal sustainability. If the Joint Committee excludes any major element of the budget, the Committee will be forced either to rely too heavily on sacrifice from the remaining elements or to lower the deficit reduction goal. Cutting too deeply from remaining elements or lowering the target will inevitably mean America does not achieve long-run fiscal sustainability.
The second purpose of this letter is to remind the Joint Committee that failure is not an option. I don’t need to rehash the bleak prospects for our nation if Congress can’t agree on a balanced, long-term deficit reduction plan. The independent commissions, whose reports gave birth to the Joint Committee, connected the dots from failure to reduce deficits to economic catastrophe. Moreover, the Budget Control Act made sure that if the Joint Committee could not agree, a special sequestration process would take effect to reduce deficits over 10 years.

To put sequestration in context, the Budget Control Act reduced the deficit by $2.4 trillion. The first $1.2 trillion results almost entirely from capping discretionary appropriations over ten years, from FY 2012 to FY 2021. The second $1.2 trillion in deficit reduction will either come from a balanced plan the Joint Committee develops, after careful consideration, or will come from automatic, across-the-board sequestration.

Sequestration will have consequences. The impact on our nation’s defense and security, economic competitiveness, and health, if even one year of sequestration is allowed to take effect, has not been spelled out. Sequestration also impacts Medicare and other mandatory programs. As the ranking member on the Appropriations Committee, however, I will focus on only the sequestration of discretionary appropriations, and only on the first year of sequestration.

CBO estimates that, if the deficit reduction committee fails, the automatic enforcement process specified in the Budget Control Act would produce the following results in 2013:

- A reduction of 10.0 percent in 2013 on discretionary appropriations for defense (Function 050 programs), a $55 billion cut in FY 2013 defense appropriations to take effect in January of 2013, over the last ¾ of the fiscal year.

- A reduction of 7.8 percent in 2013 on discretionary appropriations for nondefense programs, resulting in a $39 billion cut in FY 2013 nondefense appropriations to take effect in January of 2013.

**Defense**

Defense Secretary Leon Panetta has warned that sequestration “could pose a significant risk to national security” and would “literally undercut our ability to put together the kind of strong national defense we have today.” He also noted that unemployment could spike one percentage point if sequestration took effect. “We’d be shooting ourselves in the head,” Panetta concluded.

Office of Management and Budget Director Jacob Lew also noted that the across-the-board cuts would endanger our national security. The Defense Department “would almost certainly be forced to furlough large numbers of its civilian workers, training would have to be curtailed, the force reduced and purchases of weapons would have to be cut dramatically,” Lew wrote.

Under the Budget Control Act, the President has the authority to exempt military personnel from sequestration. First, let us assume the President does not exercise that authority. In that case, the amount of the cut to military personnel would slightly exceed the entire FY 2011 enacted amount for Military Personnel, Marine Corps. At the Marine Corps rate per person, this translates into a
loss of funding for over 200,000 active duty service personnel. This level is twice the number of personnel presently deployed in support of operations in Afghanistan. A reduction of this magnitude would make it impossible to sustain current deployments and maintain a reasonable quality of life for service personnel. Problems noted during the war in Iraq would return including: extended tours and significantly reduced dwell time (time at home between deployments). It would also likely make it impossible for the US to maintain current overseas commitments in areas such as South Korea and elsewhere in the Pacific and in Europe. The nation would be forced to rethink its military commitments overseas, not based on any change in foreign policy or military strategy, but solely because of the limited resources imposed by this form of sequestration.

If we assume, instead, that the President exempts military personnel, the size of the across-the-board cut to the remaining elements of the defense budget rises from 10% to 13%. Reducing Operations & Maintenance accounts by 13% will severely constrain the resources for housing, training and equipping the troops. Base Operations Support (BOS) would be reduced by $3.1 billion and Facilities Sustainment Renovation and Modernization (FSRM) would be reduced by $1.3 billion under sequestration. The safety, efficiency and basic functioning of all military posts, camps and stations, is put at risk by so limiting resources to maintain structures, provide base security or utility services. Sequestration would reduce readiness training by at least $3.3 billion and limit the availability of combat related training such as home station and rotational exercises required to maintain the readiness of US forces. Another $1.6 billion would be cut from Training and Recruiting, harming efforts to recruit personnel, provide skill development training, professional development education and training, and effectively operate the Military Service academies and ROTC programs. Depot Maintenance would also be reduced by $1.6 billion under sequestration. This reduction would limit DoD’s ability to maintain and modernize key weapon systems. Sequestration would severely degrade the Defense Department’s ability to maintain a trained and ready force, and would similarly ensure that the condition of combat equipment and military facilities would deteriorate.

The fiscal year 2011 enacted level for the Defense Health Program is $29.7 billion which would be reduced by $3.9 billion under sequestration. This reduction is contrary to the premise of DoD exempting military personnel from sequestration and would be fundamentally unworkable because military personnel, their dependents and retirees are entitled to care.

The 13% reduction to Procurement means 9 fewer UH-60 Blackhawk helicopters and 5 fewer CH-47 Chinook aircraft, slowing Army plans to modernize its utility and heavy lift helicopter fleet. Up to 8 Stryker vehicles would be lost, hurting the Army’s ability to keep Stryker brigades fully outfitted. Two fewer F-18G (Growler) aircraft would be built, impairing the fielding of electronic warfare capabilities. Sequestration will make it more difficult to avoid a carrier-based strike fighter shortfall by building 3 less F/A-18E/F aircraft. And one less P-8A would slow the Navy’s effort to field new surveillance aircraft. Sequestration would cut $2 billion from the Shipbuilding and Construction, Navy account, and depending on allocation, remove at least one new vessel. Sequestration would also cut one Evolved Expendable Launch Vehicle (EELV) potentially disrupting the schedule of military space launches. For ground forces, the reduction would prevent the prompt reset of equipment used in Afghanistan and Iraq.
Research, Development, Test and Evaluation accounts would also be cut by 13%, reducing the number of Joint Strike Fighters by five and cutting $99 million in advance procurement, putting the production ramp at risk for aircraft planned in the outyears. Sequestration would cut $112 million for the Aerial Refueling Tanker program and potentially slow the EMD contract.

Sequestration would cut over $2 billion from military construction accounts. This across-the-board cut would render the entire Department of Defense construction program unexecutable; the FY 2013 FYDP includes 150 projects ranging from barracks to child development centers. A cut of this magnitude would also have a severe impact on employment in the construction industry.

The National Nuclear Safety Administration (NNSA) would also be subject to the more substantial defense reduction. Under sequestration, NNSA weapons activities would no longer have the budgetary resources to support the Nuclear Posture Review and New START implementation. NNSA would not have the resources to maintain a level of Emergency Readiness commensurate with threat conditions and would be unable to operate and respond in the current concept of operations timelines, adding significant risk to the first responders and public's safety in the event of a radiological or nuclear incident.

Defense nuclear nonproliferation efforts would also be constrained. NNSA would not have the resources to achieve a four-year lockdown of vulnerable nuclear material, leaving materials vulnerable to terrorist theft and undermining our national security.

Naval Reactor programs would be at risk, as well. One year of sequestration would delay, by a minimum of 3 years, the Spent Fuel Recapitalization project, the OHIO replacement, and the Land-based Prototype Refueling Overhaul. Each year recapitalization is delayed forces the Government to spend $88 million per year in temporary facilities. In addition to delaying the OHIO replacement, the reduction also eliminates the life-of-ship core, an effort to extend the life of the reactor to that of the submarine. This would necessitate building 2 more ships than the 12 currently needed to meet deterrence requirements. And delaying the refueling overhaul would reduce the output of trained nuclear operators by at least 33% (approximately 1,000 operators per year), leaving submarines and aircraft carriers inadequately manned for safe operations.

**Homeland Security**

A nearly 8 percent reduction of budgetary resources for Customs and Border Patrol (CBP), Transportation Security Administration (TSA), and Immigration and Customs Enforcement (ICE) will imperil our borders, reduce the level of security at airports, and actually increase the costs of detention.

The 7.8 percent cut to CBP's Salaries and Expenses account will result in about a 25 percent reduction in Border Patrol Agents. The U.S. would have 5,350 fewer agents working along the Southwest and Northern Border. This would reduce the number of Border Patrol agents to levels not seen since 2007 before violence and drug-trafficking deaths reached epic proportions in Mexico and we had fears of spill over violence. The cut would also result in a
7.5 percent reduction of CBP Officers (-1,600 officers) who work at our airports and ports of entry, a level not seen since 2008. This cut would significantly increase wait times at our Nation’s already congested land ports of entry.

The reduction in TSA Aviation Security would result in an immediate hiring freeze because TSA would need to eliminate 9000 screener positions. This would cause massive delays at the nation’s checkpoints and force TSA to eliminate many of the security layers it has developed in the past several years, following the attempted Christmas Day bombing and the Yemeni air cargo plot. TSA would not have sufficient staff to man its checkpoints and keep the new Advanced Image Technologies operating full time. (AITs are a technology that screens passengers for concealed weapons—both metal and nonmetallic—explosives, and other threats as compared to a metal detector that only looks for metal on a person’s body.) At this reduced funding level, approximately 350,000 passengers a day will be screened using walk-through metal detectors, which cannot detect nonmetal weapons and explosives instead of by newer technologies, such as AITs, posing a considerable risk to the effective screening of the passengers.

Similarly, the reduction in TSA’s air cargo program would stop progress being made to implement statutory requirements to screen 100 percent of all air cargo on passenger aircraft. Currently, all domestic air cargo is screened but not all international cargo coming into the United States is screened for explosives. The reduction would result in TSA stopping all new international cargo screening efforts to maintain domestic screening. Also, TSA would stop investments in new technologies that would be approved for private sector partners to use to more efficiently screen air cargo.

A reduction of approximately $440 million for Immigration and Customs Enforcement would result in the elimination of 550 criminal investigators and intelligence analysts and the closure of one visa security office overseas that works closely with the Department of State to examine visa applications for fraud. It would also prevent the planned expansion to additional overseas posts. Finally, it would significantly increase the amount of time criminal aliens stay in ICE detention facilities before they can be removed from the United States, resulting in increased detention costs to the federal government.

Public Safety

The Department of Justice would have to eliminate approximately 11,000 on-board positions, or 10 percent of its total personnel, including 3,700 FBI, DEA, ATF agents and US Marshals, along with 975 attorneys. This would severely impact investigations and prosecutions related to terrorism, drug gangs, gun-running, and violent crime. This loss of personnel would come on top of nearly 6,000 positions that have become vacant during the last year due to a hiring freeze required by funding cuts in FY 2011. In addition, DOJ would be forced to furlough all of its remaining personnel for an average of 25 days, equivalent to the loss of another 5,300 positions.

To absorb its share of cuts, the Federal Bureau of Prisons would be forced to cut 6,891 on-board correctional officer positions, a 19 percent reduction in total staffing and would be forced to furlough its remaining staff for 30 days. Because this scenario would bring the inmate-to-staff
ratio up from 4.95 to 6.52, it would create an unacceptable threat to health and safety at Federal prisons and could not be implemented. As a result, other areas of the Department would have to take an even larger cut. Funding to detain individuals awaiting trial or sentencing would be exhausted two months before the end of the year.

The Judiciary would be faced with a 7.8% reduction in resources resulting in a reduction of an estimated 7,800 court staff - a staffing loss equal to 36 percent of the workforce. As a result, the federal courts would be unable to supervise properly thousands of persons under pretrial release and convicted felons released from federal prisons, compromising public safety in communities.

The Judiciary would eliminate $33 million in security systems and equipment countermeasures requested by the US Marshals Service to provide adequate protection for the courts. This cut would also translate into a staffing cut of 453 Court Security Officer positions. Reductions of this magnitude would create security vulnerabilities throughout the federal court system.

Sequestration would force the Federal Aviation Administration’s air traffic organization to lay off more than 2,000 employees, including more than 1,200 air traffic controllers, 525 technicians and 400 support staff. FAA would be forced to close 246 air traffic control contract towers. FAA would not replace more than 600 safety and aircraft certification inspectors that would be lost through attrition. Reduction in aircraft certification staff would delay the approval of new aviation products and the jobs these new products would create. FAA would need to furlough every single operations-funded employee for 3 days.

Sequestration would also cause significant delays of FAA’s NextGen program which is needed to modernize an already aging air traffic control system. It would also delay programs to improve data communications between controllers and aircraft, implementation of runway status lights which is a safety device at airports, and the deployment of a 5th satellite to improve GPS approaches at airports.

Funding cuts would significantly impact the National Weather Service’s forecasting capability. Cuts to NOAA weather satellite development would result in a 2- to 4-year period in which weather data from NOAA’s polar-orbiting satellite would be unavailable, putting American communities at greater risk from tornadoses, hurricanes and other major weather events. In addition, up to 10 percent of the staffing and other resources for local weather warnings and forecasts would be eliminated. Together, these budget cuts would significantly reduce the accuracy of weather forecasts all across the country.

A 7.8% cut would harm programs to address Wildland fire. In Preparedness operations, sequestration would result in a more than $45 million cut and mean the loss of 60 FTEs. Timber stands would be at greater risk of catastrophic fire as hazardous fuels treatments would have to be curtailed. Firefighting operations (Suppression) would not be funded at the 10-year average, greatly increasing the risk of funding shortfalls. Such a likely shortfall would impact more than just the fire programs. With little carryover funds and a cut in the FLAME reserve fund, agencies would need to take funds from various no-year appropriation accounts, like construction, to make up the firefighting shortfall. This would mean that construction projects (and the resulting
jobs they entail) would have to be halted or delayed. Grants to rural fire departments would be curtailed and firefighting equipment purchases would be scaled back.

Sequestration would cut $194 million from the Clean Water and Safe Drinking Water funds used to improve and repair water and wastewater infrastructure all over America. Christine Todd Whitman, the EPA Administrator under President George W. Bush, estimated that infrastructure needs of this sector topped $662 billion. An estimated 75 to 110 new agreements with communities, towns and municipalities would not be executed leaving them with outdated wastewater and drinking water infrastructure. It also represents a missed opportunity to add an estimated 4,800 to 10,700 engineering, construction and other support service jobs.

A sequestration-ordered 7.8% cut ($18.6 million) from the Bureau of Ocean Energy Management (BOEM), the Bureau of Safety and Environmental Enforcement (BSEE), and the Office of Natural Resources Revenue (ONRR) would have significant impact on oil and gas production, safety and environmental protection, and revenue collection. Following the Deepwater Horizon oil spill in 2010, significant reforms were instituted. To carry out these needed reforms Congress provided additional funds in FY 2011 as the first year of a multiyear effort to address the substantial shortcomings in drilling safety, environmental protection, and regulatory oversight that had been identified in the wake of the accident. A 7.8% cut would mean these agencies would have to reduce their FTEs, resulting in delays in the timely and thorough review of exploration and development plans, as well as a variety of permits. No additional safety inspectors could be hired and recently hired safety inspectors would need to be laid off, resulting in the potential for reduced safety and a greater number of accidents offshore. Ironically, a cut of this magnitude would mean less revenue collected for the federal government, as well as the increased possibility of fraud as audits would have to be curtailed.

The safety of our food would be put at risk. Sequestration would reduce the Food and Drug Administration’s (FDA) funding by nearly $200 million below the 2011 level. This would lead to fewer FDA staff including those who inspect our domestic and imported foods. It would also lead to a sharp reduction in the number of samples of food and medical products coming into our country from overseas. In addition, FDA would be unable to implement recent legislation to improve the food safety system.

Our meat and poultry would be especially vulnerable. The Food Safety and Inspection Service at USDA is responsible for the safety of meat and poultry products. Sequestration would reduce its funding to below even the 2008 level. This would result in furloughs or shortages in federal inspectors at slaughter and processing plants. Since plants cannot operate without inspectors, the plants would have to operate fewer hours or close their doors. This will hurt plants, local economies, and workers, producers and consumers, as prices rise.

**Protection of Financial Markets**

The Commodity Futures Trading Commission (CFTC) regulates futures markets to protect against fraud and manipulation and to ensure open and financially sound markets. Under sequestration, CFTC would be funded at less than two-thirds of the President’s request in FY
2012. The agency would lack the resources it needs to investigate high-risk traders and take action against Ponzi schemes. Industry registration applications and applications for regulatory exemptions would be delayed. Significantly less work would be done to implement the landmark Wall Street Reform and Consumer Protection Act with the agency struggling to carry out its pre-Dodd-Frank responsibilities.

The Securities and Exchange Commission (SEC) would reduce personnel by roughly 235 FTE under sequestration. This reduction would force major cutbacks in every corner of the SEC, and would have a dramatic impact on the largest programs: enforcement, examinations, and disclosure. The implementation of rules for the OTC derivatives markets will be delayed, the number and scope of Enforcement investigations will be limited and exam coverage of the industry will continue to be extremely limited.

International Affairs

Cuts to international security cooperation would jeopardize our commitment to allies and partners. An almost 8 percent cut would significantly impair our ability to: ensure Israel maintains its technological/military advantage; train and assist Mexican authorities to fight violent cartels; provide counternarcotics efforts and secure our southern border; support assistance to over 130 nations in efforts to deny al Qaeda safe havens and promote stability and progress. Sequestration would undermine the civilian transition in Iraq and impede U.S. efforts in Afghanistan.

Cuts to global health funding would jeopardize the progress we are making in saving lives and building a better and more secure world for children and their families. A 7.8% reduction will result in lost opportunities and lives in Sub-Saharan Africa and Asia - the neediest regions of the world. Eight million children and family members could be denied treatment or preventative interventions for malaria. 43,000 children and family members with tuberculosis could be denied treatment, of which 12,000 will likely die, based on average mortality rates. As a result of cuts to maternal and child health (MCH), 3,500 mothers could die and more than 40,000 children under five – of which 16,000 are newborns – could be at risk in the absence of highly effective child survival interventions, based on historical data. More than 900,000 undernourished children could be deprived of highly effective nutrition interventions, putting them at risk for stunting and child mortality. Further cuts to family planning and reproductive health programs could deny 8.5 million women access to family planning services, leading to 2.5 million additional unintended pregnancies. Evidence indicates this would result in 1.2 million more abortions, 28,000 additional newborn deaths, and 4,000 additional maternal deaths. A cut of 7.8% from FY11 levels would mean at least 223,000 new HIV/AIDS infections will not be prevented, and almost 1.1 million patients will lose access to life saving drugs. A cut in funding of 7.8 percent to HIV/AIDS treatment may result in an additional 191,000 children being orphaned.

The Food for Peace program, administered by USAID, ships U.S.-grown commodities to provide emergency and some non-emergency food aid around the world; about 75% of the commodities are shipped on U.S.-flag vessels. Sequestration would mean that up to 2.5 million people would lose access to desperately-needed, emergency food assistance. This would be a potentially
disastrous cut given volatile world food prices and recent famine in the Horn of Africa. Further, purchases of food from U.S. farmers and leases with U.S. shippers would drop dramatically.

**Education**

As many as 100,000 fewer children nationwide would be enrolled in Head Start — thereby losing comprehensive early childhood services. More than 30,000 Head Start employees could lose their jobs.

Title I Grants to School Districts would see a cut in excess of $1 billion, denying funding to an estimated 4,000 schools serving more than 1.6 million disadvantaged students. These funds pay for teachers, tutors, and after-school programs. Sequestration would mean job losses for approximately 16,000 teachers and aides.

The Department of Labor, Job Corps would need to reduce student slots by more than 4,600. A cut of this magnitude would also endanger the opening of any new center and could force the closing of centers. Job Corps provides a residential environment at 124 centers nationwide for at-risk youth to gain the education and skills they need to find and keep jobs, serve in the military or enroll in post-secondary education. Every dollar that a Job Corps center spends in its local area results in $1.91 in economic activity.

Impact Aid payments would be reduced to about 1,200 districts which serve approximately 950,000 Federally Impacted children, leading to more teacher layoffs and other cuts in services.

Special Education Grants to States/IDEA would face significant reductions under sequestration. States and school districts could be forced to lay off approximately 11,000 special education teachers and aides, as well as other staff serving kids with disabilities. More than 500,000 students with special needs stand to be impacted by this reduction in services.

**Health, Science, and Innovation**

Roughly 800,000-1,100,000 fewer patients would be served in Community Health Centers. Health Centers provide primary care and other basic services, with sliding fee scales based on ability to pay. They are an important source of medical care for the uninsured.

About 2,500-2,700 fewer National Institute of Health research project grants would be made to universities and institutes throughout the country for research into the causes and treatments of diseases like cancer, diabetes, Alzheimer’s, and epilepsy.

Centers for Disease Control and Prevention (CDC) would have about $440 million less to prevent and detect outbreaks of infectious diseases like flu, tuberculosis, and HIV/AIDS and to improve prevention and screening for chronic diseases such as diabetes and cancer. For example, sequestration of the budgetary resources for grants that help support immunization for people without adequate insurance coverage would mean that at least 22,000 children could no longer receive the recommended childhood vaccines though this program.
Funding cuts would cripple NASA’s efforts to establish U.S. commercial capability to transport American astronauts to the International Space Station. These cuts would effectively extend the period of U.S. dependence on Russia and its Soyuz spacecraft for these flights, now that the space shuttle has been retired. Thus, the cut would not be a true savings, as the U.S. would need to pay Russia for additional Soyuz flights, at a cost of at least $63 million per seat.

Funding for the National Science Foundation would be cut by approximately $530 million compared to FY 2011, including a cut of $430 million from research grants and $67 million from STEM education programs. At this level, NSF would fund nearly 1,500 fewer research and education grants, supporting approximately 18,000 fewer researchers, students, and technical support personnel than it did in FY 2011.

Safety-Net Programs

Approximately 35,000 low-income children of working parents would lose child care and development block grant assistance and many thousands more would experience a reduction in services. This would exacerbate the difficulty States are experiencing in serving low-income families at a time when State budgets are being cut. It also would set back State efforts to improve the quality of child care for our most vulnerable children.

If sequestration takes effect, it is estimated that 173,000 tenants would be evicted from their housing. In some rental markets, the income provided by Section 8 tenants wouldn’t be replaced by new tenants, so landlords could lose income as well. The cut to the Homeless Assistance Grant account necessarily means reduced capacity to serve the homeless. Approximately 31,500 more people would be unsheltered if sequestration goes into effect.

The Commodity Supplemental Food Program provides food packages for low-income elderly persons and low-income women, infants and children; a very high percentage of participants are elderly. It is available in 39 states, the District of Columbia and two Native American reservations. Based on current data, under sequestration, more than 47,000 of the approximately 596,000 current participants would have to be removed from the program.

The Supplemental Nutrition Program for Women, Infants and Children (WIC) provides supplemental foods to low-income, nutritionally at risk, pregnant, postpartum, and breastfeeding women, infants, and children up to age 5. Sequestration would reduce its funding to $300 million below the egregious levels in H.R. 1. Based on moderate projections of growth in participation and food prices, this would result in over a million participants being dropped from the rolls, a drop of eleven percent.

Sequestration would even cut Congress’s capacity to serve our constituents. Under a 7.8% cut, each House Congressional Office would lose $108,000. Mid-level congressional staff (legislative assistants) earn $48,762 on average, according to the 2010 House Compensation Study. Members of Congress would have to eliminate more than 2 Legislative Assistants to live within these new levels.
These illustrative examples are by no means comprehensive but suggest the complications and challenges that sequestration would impose.

In conclusion, the Joint Select Committee on Deficit Reduction must find a way to overcome partisan differences, agree on a balanced approach to long-term deficit reduction, focus on economic growth and job creation, and do no harm to the faltering economic recovery in the short-run. If you fail, dire consequences await our nation.

Sincerely,

Norm Dicks

NORM DICKS
Ranking Member
Committee on Appropriations
October 13, 2011

The Honorable Patty Murray  
Chairwoman  
Joint Select Committee for Deficit Reduction  
448 Russell Senate Office Building  
Washington, DC 20510

The Honorable Jeb Hensarling  
Chairman  
Joint Select Committee for Deficit Reduction  
129 Cannon House Office Building  
Washington, DC 20515

Dear Madame Chairwoman and Mr. Chairman:

As the ranking Democrat on the Energy and Commerce Committee, I am writing to offer views on the policies the Joint Select Committee for Deficit Reduction should pursue in its efforts to meet its deficit reduction goals. These views have been shared with the Democratic members of the Committee and reflect valuable input from the members.

There are important initiatives within the jurisdiction of the Committee that in combination would drive significant short-term economic growth and job creation, while being fiscally responsible over the long term. These include policies for spurring economic growth by providing more spectrum for continued technological innovation, for ensuring our nation can compete in the clean energy economy of the future, and for reducing health care costs while preserving the viability of Medicare and Medicaid.

These initiatives are described below. They would involve additional spending of $16 billion in the near term to grow the economy and create over 560,000 jobs. Over ten years, they would save over $150 billion for deficit reduction and addressing Medicare’s perennial doctor payment problem.

At the outset, however, I want to emphasize that any product of the Joint Select Committee must be balanced across spending and revenue accounts. Significant cuts in spending
have already been enacted this year through the appropriations process and the Budget Control Act. The 2011 appropriations reduced projected deficits over the next ten years by $357 billion and the Budget Control Act saves an additional $992 billion over the same period. Almost all of these savings come from spending cuts. As a result, the majority of the $1.2 trillion to $1.5 trillion in additional deficit reduction the Joint Select Committee is considering should be composed of revenues to balance the spending cuts already enacted.

**Economic Growth and Job Creation Initiatives**

*Spectrum Policy*

The Joint Select Committee should consider new spectrum auctions as a mechanism to create jobs and raise significant revenue for deficit reduction. Either as part of your recommendations or through separate legislation, Congress should provide the Federal Communications Commission with authority to conduct voluntary incentive auctions to efficiently and responsibly repurpose broadcast and other spectrum for wireless broadband uses. In addition to authorizing incentive auctions, such legislation should direct the Administration to identify any federal spectrum that can be utilized more efficiently and reallocated for auction or shared use.

A portion of the proceeds from auctions associated with these policies should be used to fund the creation of a nationwide, interoperable public safety broadband network.

If structured appropriately, these policies and auctions will deliver considerable economic and public safety benefits for our country. These benefits have been well documented by economists, industry stakeholders, state and local governments, and public interest organizations. Funding the deployment of a nationwide wireless broadband communications network for public safety agencies would lead to the creation of an estimated 100,000 new jobs in the information and communications technology industry and, over time, produce other economic benefits of $4 billion to $8 billion per year. Even greater benefits can result from auctioning new spectrum. Expert economists believe that the build-out of 300 MHz of new spectrum made available for commercial mobile broadband uses will create more than 300,000 new jobs and an additional $230 billion in GDP over five years. Because the proceeds of the spectrum auctions would significantly exceed the amount needed to build out the public safety network, the net savings should be in the range of $15 billion.

First responders, governors, state and local officials, and every major public safety organization in America urge that the critical “D block” of spectrum be reallocated for public safety use. This additional spectrum will ensure that public safety has sufficient bandwidth to meet current and future wireless broadband needs. The Joint Select Committee should include this reallocation in any spectrum proposal.
Clean Energy Policy and Environmental Initiatives

Our nation is in danger of falling behind China and other nations in the development and deployment of clean energy sources. This is a market we cannot afford to surrender to Chinese and other economies. The Joint Select Committee should approve several measures adopted by the House in the 111th Congress to support investment in clean energy technology and infrastructure.

The Home Star Energy Retrofit Act (H.R. 5019 in the 111th Congress) would create jobs, save energy, and lower families’ energy bills by providing rebates to homeowners to make their homes more energy-efficient. This legislation, authorized at a $6 billion cost, would help three million families to renovate their homes to be more energy efficient, resulting in $9.2 billion in estimated consumer savings on energy bills over the next 10 years. Home Star would also create 168,000 new jobs in the United States. The program is supported by a broad coalition of business, labor, environmental, and consumer groups, including the National Association of Manufacturers, the U.S. Chamber of Commerce, the National Association of Home Builders, and the Home Star Coalition.

Additionally, the Clean Energy Technology Manufacturing and Export Assistance Act (H.R. 5156 in the 111th Congress) would help bolster the competitiveness of the U.S. clean technology industry here at home and in the international marketplace by supporting the development and implementation of a national clean energy technology export strategy, and by assisting U.S. firms with export assistance in finding and navigating foreign markets to export their goods and services abroad.

Further, the Assistance, Quality, and Affordability Act (H.R. 5320 in the 111th Congress) reauthorized and increased funding for the drinking water state revolving fund (SRF) under the Safe Drinking Water Act. The drinking water SRF provides an important source of funding for public water systems, which are projected to face a significant increase in investment needs as existing infrastructure ages. This investment will create jobs and boost demand for sectors like the cement industry that are struggling with reduced government and private-sector construction.

Just last month, some of America’s leading businessmen, including Bill Gates, the CEOs of Xerox and General Electric, and the former CEO of Lockheed Martin, issued a warning that America cannot afford to give up on leading the clean energy future. These industry leaders said:

We know the federal government has a vital role to play in energy innovation. We know the federal energy innovation system can be structured effectively to achieve real results. And we know there are several ways to pay for public investments in this domain. If the
U.S. fails to invent new technologies and create new markets and new jobs that will drive the transformation and revitalization of the $5 trillion global energy industry, we will have lost an opportunity to lead in what is arguably the largest and most pervasive technology sector in the world.

It is imperative that we not surrender the clean energy market to China and other countries. The United States must have policies and incentives that are adequate to ensure that our manufacturers can compete effectively in the global clean energy market.

**Health Savings and Costs**

Health care spending has bedeviled budgeting by families and the federal government alike for generations. To address these issues, the last Congress engaged in a lengthy discussion and debate about the best way to address the future course of health care spending growth that culminated in the passage of the Affordable Care Act. It is premature for the Joint Select Committee to go further without seeing the ACA provisions implemented, and it is irresponsible to cut further only from public programs when there are deep concerns regarding healthcare cost increases in the private sector.

**Recognizing the Value of the ACA**

The delivery system reforms in the Affordable Care Act sharply reduced the growth trend in Medicare spending. Over the 25 years from 1985 to 2009, Medicare per capita spending growth averaged 6.7%; over the next 10 years, the Medicare Trustees project that Medicare per capita spending will grow by just 3% on average. Under the ACA, the long-run deficit in the Medicare Hospital Insurance Trust Fund was reduced by 80%, contributing to a significant extension in the solvency of that Fund.

In addition to dramatically reducing the growth rate in Medicare, the ACA recognized what has been acknowledged by leaders on both sides of the aisle: that Medicare and Medicaid costs cannot be considered in a vacuum. Addressing healthcare cost growth must also involve reducing private health care costs. That is why the ACA pursued cost savings across the entire health care system by encouraging the prevention of chronic disease; the furtherance of comparative research to identify which health care services work best; the establishment of competitive health insurance marketplaces where insurers will compete to offer the best deals to individuals and small businesses; and many other insurance market regulations that require insurers to compete on the basis of value instead of gaming.

The Joint Select Committee should recognize the value of the ACA provisions aimed at lowering healthcare costs and maintain its efforts to reduce costs across the health care system.
Protecting Coverage

It is equally important that the Joint Select Committee not pursue policies that would undermine coverage for Medicare, Medicaid, or people who will enroll in health insurance through exchanges. Many proposals put forth to reduce spending would undermine programs essential to the health and financial security of lower-income and middle-class families. To take an extreme example, the Republican budget adopted in the House of Representatives would cause tens of millions of people to lose their health insurance through Medicaid and insurance exchanges.

Avoiding Cost Shifts

The Joint Select Committee must resist the temptation to reduce federal health care costs by passing these costs to other payers who are even less able to afford them. Proposals that shift costs to states or to beneficiaries do not control health care costs; they merely shift around the burden to less privileged groups that are less able to defend their interests.

State budgets have been hard hit by the recession, so states are not equipped to manage a reduction in federal support for the Medicaid program. The Joint Select Committee should reject restrictions on state financing sources such as further limitations on provider taxes. Important integrity protections to assure those taxes are broad based and uniformly imposed have been in place since the 1990s. Further limiting their use takes away a critical source of support for the Medicaid program. Similarly, the Joint Select Committee should reject reductions to federal payments through establishing a blended matching rate or cutting matching payment rates that reduce federal dollars supporting state coverage efforts. This would lead directly to benefit cuts and payment cuts for Medicaid providers – cuts that will jeopardize access to care for the lowest income Americans and undermine implementation of the Affordable Care Act.

Beneficiaries in Medicare are similarly unable to cover extra costs that would arise from cuts to Medicare benefits. It is not widely known that Medicare coverage is actually less generous than most large employer plans. Less than half of the medical costs of Medicare beneficiaries are actually covered by Medicare. Medicare beneficiaries do not need more “skin in the game.” The Joint Select Committee should discard proposals that would increase beneficiaries’ premiums or cost-sharing, and that would reduce their benefits.

Rooting Out Inefficiencies and Overpayments

It is possible to identify areas where Medicare and Medicaid overspend, such as on prescription drugs and uncoordinated care. Your Committee should focus on those areas, where savings can be had without increasing burdens on beneficiaries and states. Waste, fraud, and abuse should also be a high priority for continued attention by the Congress, building on the
major anti-fraud policies enacted as part of the ACA that are currently being implemented by the Administration.

On the top of your list for health care savings should be righting the wrong done to taxpayers in the creation of the Medicare prescription drug program. Historically, Medicaid provided drug coverage for the low-income beneficiaries eligible for both Medicaid and Medicare. When these dual-eligibles received their drug coverage through Medicaid, drug manufacturers were required to pay a rebate to the government in return for the extra volume they received as a result of Medicaid coverage, a practice commonly employed by large private purchasers. This rebate is no longer being collected, however, because the 2003 Medicare Part D prescription drug law (known as the Medicare Modernization Act) transferred drug coverage for these dual-eligibles from Medicaid to Medicare. The cost to the taxpayers and beneficiaries is hundreds of billions of dollars. Addressing this issue would save the government an estimated $135 billion over 10 years.

The Committee on Energy and Commerce addressed this wrong in the version of health reform legislation it approved in the last Congress, as did the full House. The Joint Select Committee should take this opportunity to take back the taxpayer’s money in a way that benefits Medicare and that does not hurt beneficiaries.

*Fixing the SGR and Addressing other “Extenders”*

Any health savings should be first allocated to immediate problems in Medicare. The sustainable growth rate system, which controls the level of physician payments ever year, must be replaced with a sustainable, fair policy that encourages coordinated care. And a series of modest but essential “health extenders” need to be enacted with any health savings. Those include transitional medical assistance (to provide health insurance for Medicaid beneficiaries returning to work), the qualifying individual program (that provides cost sharing assistance to Medicare enrollees with less than $15,000 in income), and modifications to restrictions on therapy caps in Medicare (to ensure that Medicare beneficiaries can continue to access physical, occupational, and speech therapy), and some small payment provisions.

*Promoting Prevention*

As we consider various options to make our health financing programs more efficient and cost effective, we must not lose sight of the critical role of both health workforce programs and health promotion and disease prevention activities in helping to achieve this goal. Keeping people healthy and productive as long as practical is the best possible medicine for treating many of the ills of our nation’s health care system, including rising medical costs. We will not make significant progress in reigning in our national health care bill until we move from a medical-based to a wellness-based model of health care. The primary health workforce programs and the
Prevention and Public Health Public Fund authorized under the Public Health Service Act are designed to do just that. Because of their enormous potential in moving the country in this direction, even in these most difficult economic times, our financial commitment to these programs should remain steadfast.

*Lowering Generic Drug Costs*

The Joint Select Committee would be remiss if it did not recommend language similar to S. 27, the Preserve Access to Affordable Generics Act, a bill that limits the ability of brand drug companies to pay generic drug companies to delay the entry of a generic drug into the market. Limiting these “pay for delay” arrangements is essential if consumers are to get access to low-cost generic drugs at the earliest possible opportunity. Inclusion of provisions like S. 27 would save federal government close to $3 billion over ten years. Consumers would save even more.

*Conclusion*

The initiatives described in this letter would stimulate growth, create jobs, and promote long-term reductions in our deficit. They also reflect sound policies that promote the well-being of consumers across the country. I urge the Joint Select Committee to give these measures due consideration.

Sincerely,

Henry A. Waxman
Ranking Member

cc: The Honorable Max Baucus
    Member
    Joint Select Committee for Deficit Reduction

    The Honorable John Kerry
    Member
    Joint Select Committee for Deficit Reduction

    The Honorable Dave Camp
    Member
    Joint Select Committee for Deficit Reduction
The Honorable Fred Upton
Member
Joint Select Committee for Deficit Reduction

The Honorable Jon Kyl
Member
Joint Select Committee for Deficit Reduction

The Honorable Pat Toomey
Member
Joint Select Committee for Deficit Reduction

The Honorable Rob Portman
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The Honorable James E. Clyburn
Member
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The Honorable Xavier Becerra
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The Honorable Chris Van Hollen
Member
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