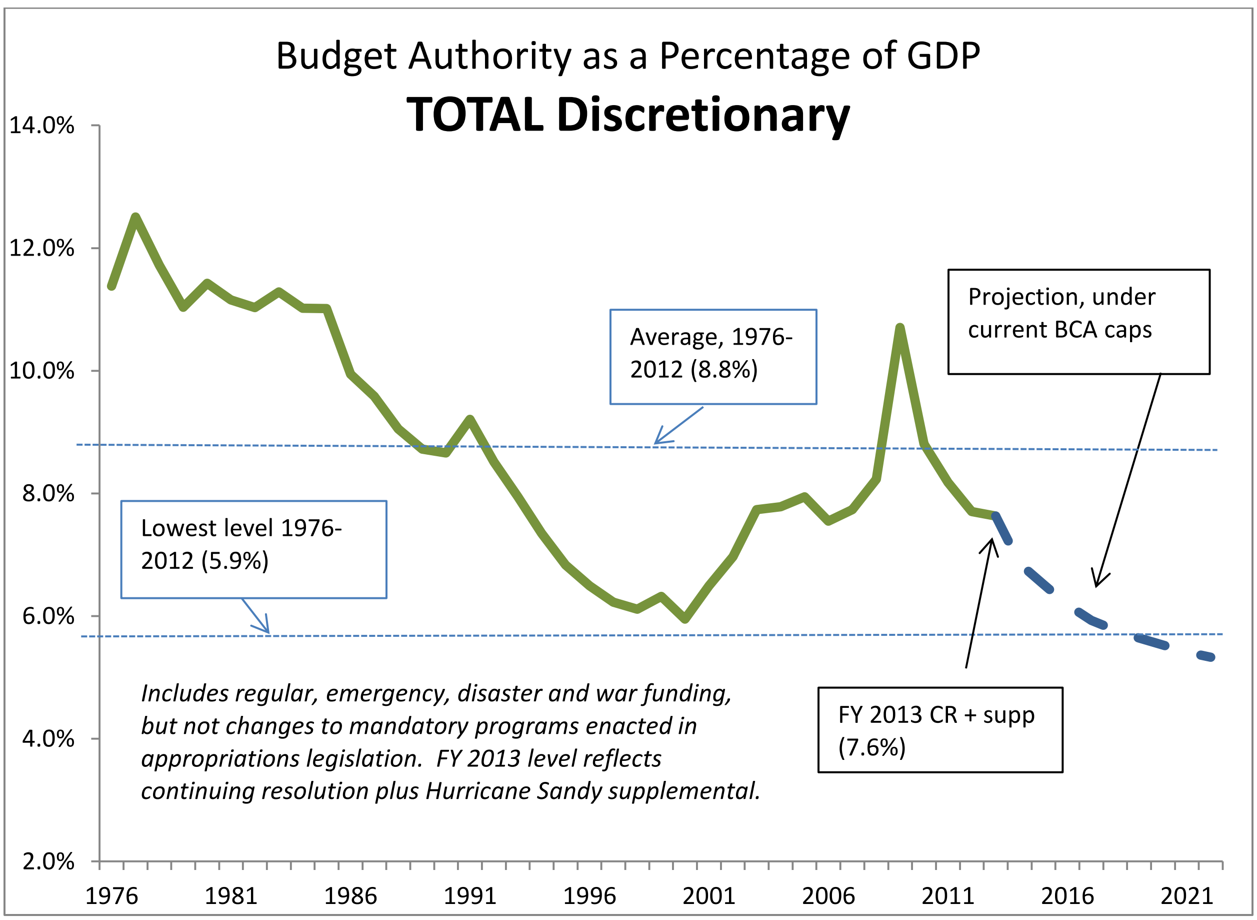
DISCRETIONARY APPROPRIATIONS WILL REACH HISTORIC LOWS UNDER EXISTING LAW

A study by the House Appropriations Committee Democrats

February 2013

We have taken significant steps to constrain discretionary appropriations. In 2011, Congress enacted legislation to reduce discretionary appropriations by a total of $1.5 trillion over ten years. In April, Congress enacted appropriations for Fiscal Year (FY) 2011 substantially below the CBO baseline, producing savings for FY 2011 and reducing baseline projections for FY 2012 through 2021. In total, that reduced discretionary spending by over $550 billion over 10 years. In August, as part of the Budget Control Act, Congress set caps on discretionary appropriations for FY 2012 through 2021 at levels well below the revised baseline projections. The caps cut more than an additional $900 billion over 10 years. Discretionary appropriations will fall to the lowest level as a share of the economy in 45 years.

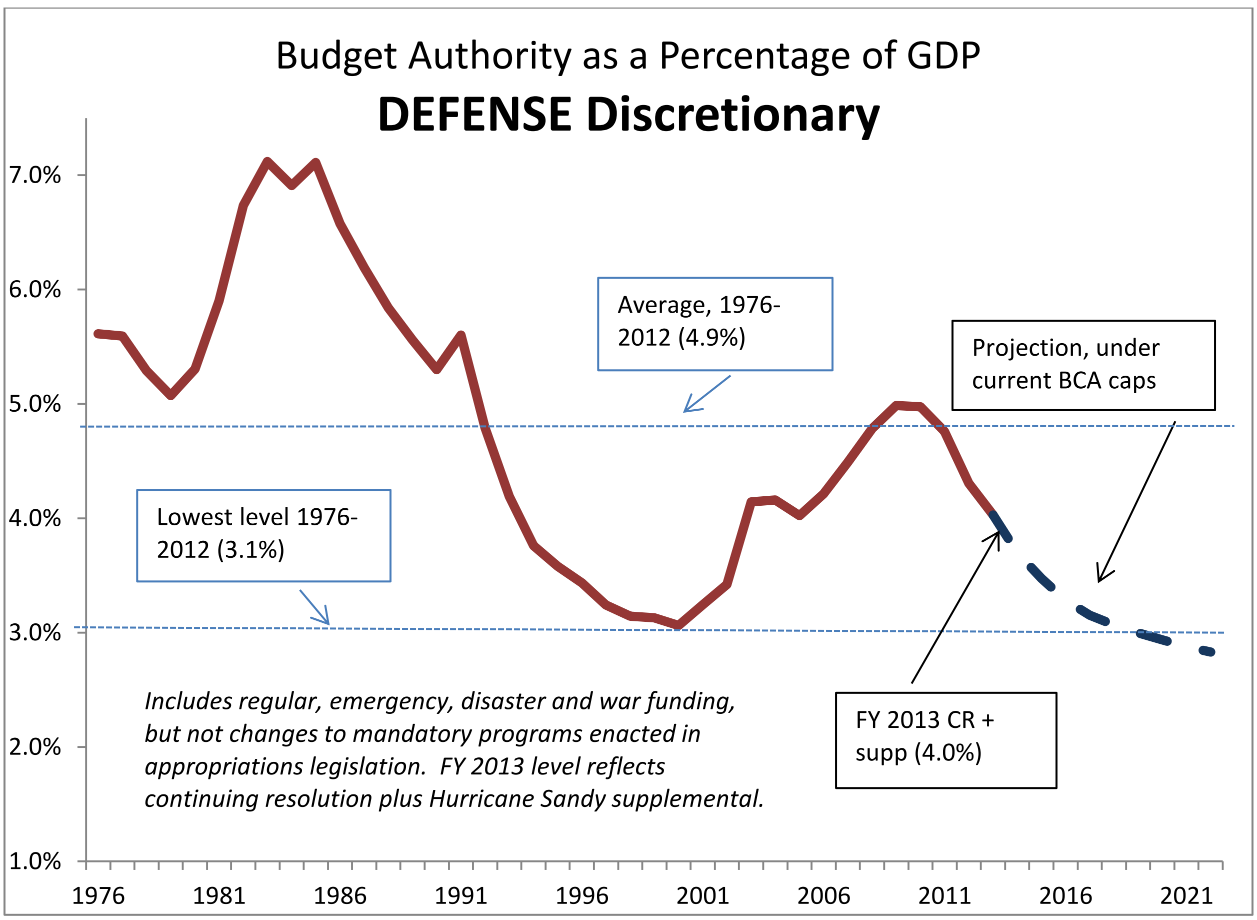
The caps imposed by the Budget Control Act, without additional sequestration cuts, will drive discretionary appropriations as a share of GDP lower than levels for any year for which we have comparable historical data, going back to 1976.



Over the period from 1976 through 2012, discretionary appropriations averaged 8.8 percent of GDP. Under current law, even assuming Congress averts sequestration, discretionary appropriations will decline to 5.4 percent of GDP in 2021. Before the Budget Control Act, the lowest recorded level for discretionary appropriations was 5.9 percent of GDP in 2000.

What do we mean by discretionary appropriations?

One element is defense spending, including funding for the Department of Defense, the nuclear weapons programs of the Department of Energy and the National Nuclear Security Administration, and certain activities of the Coast Guard and the Federal Bureau of Investigation. Defense spending averaged 4.9 percent of GDP from 1976 through 2012. Under the current FY 2013 continuing resolution, defense spending represents 4.0 percent of GDP. Before the Budget Control Act, the lowest level on record for defense discretionary appropriations was 3.1 percent of GDP in 1998 through 2000. Under current law, even without sequestration, defense discretionary appropriations will decline to 2.9 percent of GDP in 2021.



The other element of discretionary appropriations, non-defense discretionary, encompasses the whole range of other government functions, such as:

Education and training (including Pell grants and other student aid, support for local school systems, and job training)

Public safety (including air traffic control, food safety, public health, assistance to state and local law enforcement and emergency responders, and weather forecasting)

Social services and housing, nutrition and energy assistance (including administration of Social Security, child care, CDBG, housing programs, WIC, and LIHEAP)

Health (including NIH, community health centers, HIV/AIDS care, health workforce programs, and mental health)

Clean Water (including EPA, USDA rural water and waste, and Indian Health Service)

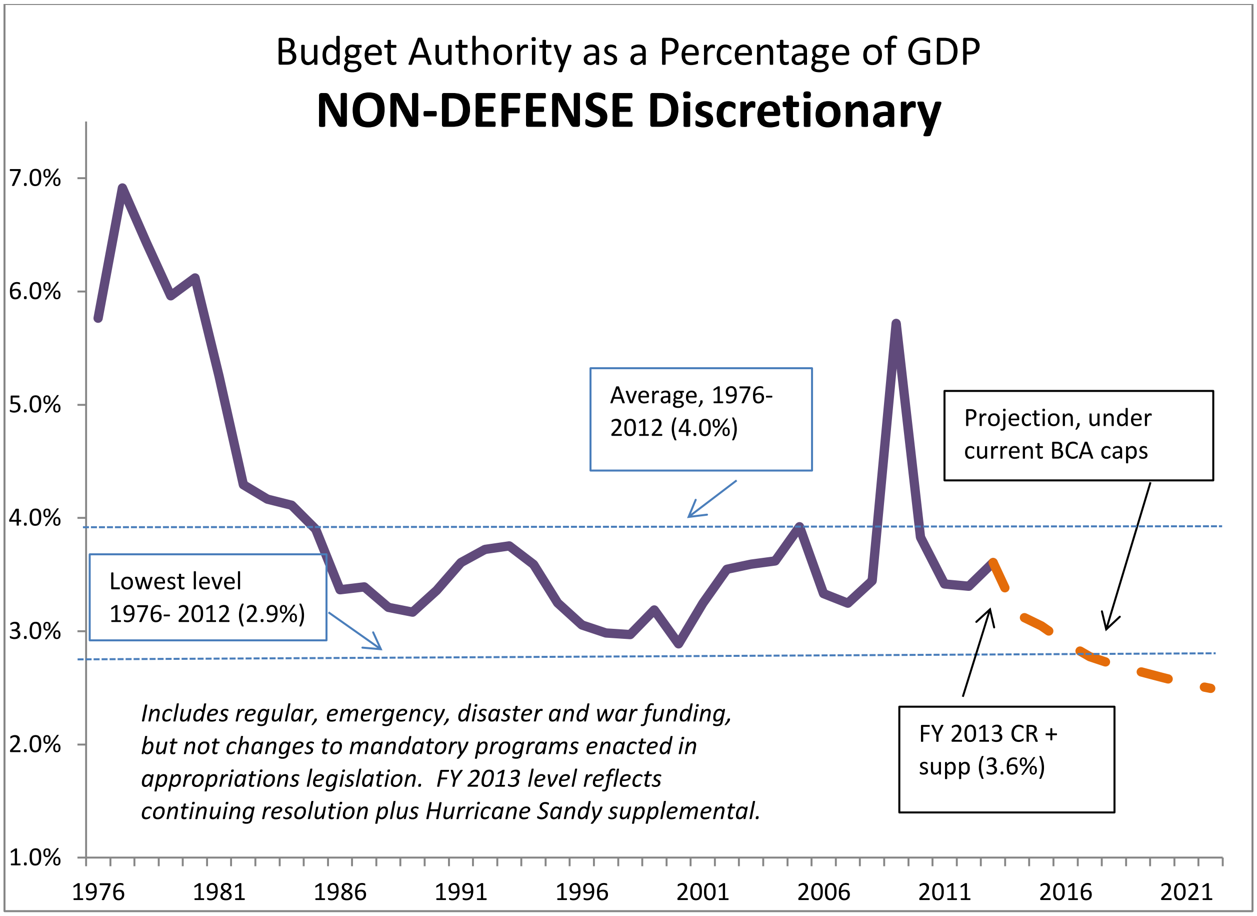
Natural resources (including national parks, forests, and wildlife refuges, Army Corps of Engineers)

Science (NASA, NSF, DHS Science & Technology Directorate, Interior and related agencies science programs, and DOE Office of Science)

International affairs (including passport and visa services, embassy security, international financial institutions, assistance and food aid)

Department of Veterans Affairs (including Veterans Health Administration)

Since 1976, non-defense discretionary spending averaged 4.0 percent of GDP. Under the current FY 2013 continuing resolution, non-defense spending represents 3.6 percent of GDP. The current level of 3.6 percent is slightly lower than the average during the Reagan administration. Before the Budget Control Act, the lowest level for non-defense discretionary appropriations was 2.9 percent of GDP in 2000. Under the caps, non-defense discretionary appropriations will fall to 2.5 percent of GDP, even if sequestration is avoided.



So far, we have discussed the downward path of discretionary appropriations as an abstraction, comparing current levels set in law to historical averages. The real-world impacts are severe.

If there was any question that cutting federal spending during a fragile economic recovery slows economic growth, news that the U.S. economy shrank by 0.1 percent in the fourth quarter of 2012 leaves no doubt. According to the Bureau of Economic Analysis, the single largest contributor to the downturn was the reduction in government spending. Cuts in federal spending alone accounted for 1.25 percentage points of negative growth, nearly 40 percent of the contraction.

We will see those severe impacts most clearly by looking at particular programs, examining non-defense discretionary first, then defense. In both cases, we will find negative economic impacts as well as federal responsibilities and public needs left unmet.

NON-DEFENSE DISCRETIONARY

EDUCATION AND TRAINING

Pell Grants

Pell Grants are currently helping more than 9 million low- and moderate-income students afford to go to college. However, the program is expected to face a serious funding shortfall in future years—not because of anticipated cost growth but because various temporary financing measures will run out. Program costs rose rapidly a few years ago, largely because of increases in participation that occurred during the recession as more people went to school (perhaps to acquire new skills after losing a job) and more people met the income-eligibility criteria. Other factors include an increase to the maximum grant amount to help keep up with college costs and some other legislative changes made in 2007.

In response, Congress enacted a series of measures estimated to reduce Pell Grant costs by a total of $24 billion through 2016. In addition, special one-time appropriations were provided to alleviate the shortfall, totaling more than $13 billion in 2011 and 2012 and more than $7 billion in 2013—generally financed through savings in other student financial aid programs. Estimates made by CBO last year indicate that Pell Grant costs have hardly increased at all since 2010 and that the growth rate is expected to remain around one percent over the next several years. Indeed, with the one-time supplements the program is now running a surplus.

However, only relatively small amounts of supplemental funding have been provided for years after 2013. This could mean that annual shortfalls of $5 billion or more could re-emerge within a couple of years—shortfalls that would need to alleviated through some combination of new funding sources or increased annual appropriations in order to avoid further cuts to the program. Providing a substantial increase for this very large program would be difficult enough under the current Budget Control Act caps but failing to do so could force cuts in the number of students assisted or the amount of their grants or both.

Education

Since FY 2010, forty-four federal education programs, totaling more than $1.1 billion, have been completely terminated. Those include valuable efforts such as Education Technology State Grants, Centers for Excellence for Veteran Student Success, and Tech-Prep Career Education State Grants -- just to name a few.

Other key education programs may have been spared outright elimination, but have been hit with damaging spending reductions. Teacher Quality State Grants go out by formula to every school district and are largely relied upon to support class size reduction. Yet these funds have been cut by nearly $500 billion, or 16 percent. Safe Schools program funding, which supports initiatives such as Youth Violence Prevention and School Preparedness has been cut by a staggering $127 million, or 66 percent. This leaves cash-strapped states and school districts on their own to come up with resources needed to protect children from harm every day while at school. Math and Science Partnerships – which have been cut by 17 percent – are distributed by formula to every state and then offered competitively to partnerships between local entities and institutes of higher education. The sole purpose of these funds is to improve math and science instruction at the elementary and secondary school level.

Even in the case of Title I and IDEA - the two primary federal K-12 education programs - where funding has not been cut, the absence of much needed funding increases is evident. Relatively flat funding has failed to match the growth in students receiving services, as well as the costs required to serve them. First, the number of children nationally - ages 5 to 17- living in poverty increased by more than 10 percent each in both 2010 and 2011. For Title I, this figure is largely responsible for determining the number of formula-eligible children under the program – forcing static program dollars to absorb an additional 1.2 million students since 2010. More specifically, when adjusting for inflation, schools and districts now receive approximately $140 fewer dollars per formula child. This leaves no question that low-income students are not receiving all of the extra services they need to succeed academically.

The National Education Association estimates that under the Budget Control Act caps, the number of unserved students under Title I would reach nearly two million over the next ten years. For Special Education, the funding cut under the Budget Control Act caps would be equivalent to shifting the cost of educating more than 600,000 students with special needs from the federal government to states and school districts during the same time period.

Workforce Investment Programs

Workforce education and training programs are critical to ensure that low-income individuals, low-wage workers, and those with low basic skills can enter and advance in the labor market. Equally as important, these programs provide American businesses with access to workers with the skills they need to compete in the global economy. When the economy is weak, reemployment and retraining services are needed to help unemployed people get back to work.

Yet after a decade of neglect, Employment and Training programs (ETA) at the Department of Labor have been cut by more than $1 billion, or roughly ten percent. This has occurred despite the fact that the nation's unemployment rate today remains at 7.9 percent, well above the 5.8 percent unemployment rate ten years ago. Demand for employment services has spiked by more than 200 percent, with 33.1 million workers in the past year alone seeking assistance from ETA programs.
The damage incurred by years of inadequate funding, combined with recent cuts is particularly apparent in the reduction of service points in local communities. The number of One-Stop Career Centers has declined nearly 23 percent in the past ten years from 3,582 in 2003 to 2,767 today. Specifically, State grants for dislocated workers have been hit particularly hard, having been reduced by roughly 15 percent or $177 million.

Today's Workforce Investment system is spread too thin to adequately support either employers' need for a skilled workforce or to help low-income job seekers and workers build the skills necessary to succeed in the labor market.

PUBLIC SAFETY

Air Traffic Control Modernization and Federal Aviation Administration (FAA) Operations

The modernization of our aging air traffic control system will slow down dramatically. The FAA's capital program to maintain and improve air traffic control facilities and systems has been cut by more than $205 million from FY 2010 to FY 2012 and out-year funding targets for FAA's capital programs have been reduced significantly. FAA is in the midst of a major modernization effort to transition the air traffic control system from a ground-based navigation system to a satellite-based navigation system known as NextGen. Absent these improvements, FAA will have to spend capital resources to maintain its existing, aging air traffic control infrastructure. In addition, FAA must upgrade or replace many of its forty-year old air traffic control facilities. In the FAA's FY 2010 capital investment plan, the agency estimated that it would need $3.62 billion for its capital program by FY 2014. With recent cuts, the FAA has revised those estimates downward to $3.08 billion for FY 2014. As a result, the full transition to NextGen will take longer and the air traffic control system will not realize the benefits for years to come.

On the other hand, during the transition, FAA Operations will need to grow. CBO estimates that FAA will require $12.7 billion for the operating costs of the agency by 2022, up from $9.6 billion in FY 2012,a 31.5 percent increase. The FAA employs more than 46,000 civilians including 15,000 air traffic controllers, 6,000 technicians, and 7,000 aviation safety professionals. Over the next ten years, FAA estimates that it will lose more than 12,100 controllers due to forced retirement at age 56 or through normal attrition. As a result, FAA will need to hire and train new controllers, many of which take three years or more to be fully qualified. As operating costs of the FAA continue to grow, the caps will constrain capital and research programs, further slowing the modernization of our aging air traffic control system.

Food Safety

GAO states that almost two-thirds of the fruits and vegetables and 80 percent of the seafood that Americans eat is imported. In 2011, $49 billion worth of FDA-regulated imported foods came into the U.S. from over 300,000 facilities in 150 countries. FDA inspected 2.3 percent of all food import lines in 2011, compared to 1.3 percent in 2007. This improvement was the product of large year-over-year increases for food safety at FDA in 2009 and 2010. But there were much smaller increases for food safety in 2011 and 2012. With the smaller increases and a rising level of imports, FDA estimates the import line inspection rate would drop by 24 percent in 2013, compared to 2011. Limiting funding growth annually to about 2 percent over 8 years would put at risk the agency's ability to maintain – let alone improve on – its already low rate of inspections of imported foods.

At the same time that FDA funding increases could be constrained to about 2 percent a year, it is likely that the growth in imported foods will be skyrocketing. FDA said in 2011 that "each year over the last seven years, food imports have grown by an average of 10%...Between 2007 and 2015, it is estimated that imports of FDA-regulated products [including drugs, devices, etc.] will triple, corresponding to a 15% growth rate." In addition, food imports from China and India are expected to increase 9 percent annually between 2010 and 2020, along with 6 percent increases from Eastern Europe during that time period, thus further raising concerns about safety.

Border inspections are critical to protecting public health. FDA has said that 70-85 percent of produce and seafood turned away at the border between 2000 and 2007 "were for potentially dangerous violations including the presence of pathogens, chemical contamination and other sanitary violations."

Public Health Preparedness

At the Centers for Disease Control (CDC), grants and other assistance to help state and local public health departments get better prepared to respond to health emergencies such as epidemics and bioterrorists attacks has been reduced by 14 percent, from $761 million in 2010 to $657 million in 2012. At the same time, appropriations for the CDC national stockpile of vaccines, drugs and supplies to deal with such events have been cut by 15 percent, from $596 million to $504 million. Further, Department of Health and Human Services funding to help hospitals better prepare for disease outbreaks and mass casualty events has been cut by 11 percent, from $420 million to $375 million.

FEMA Preparedness Grants

FEMA provides grants to enhance the capacity of state and local emergency providers to prevent, respond to, and recover from terrorist incidents. FEMA State and Local Grants, in FY2010, received $3.015 billion in appropriations. The level dropped to $1.35 billion in FY 2012, a cut of about 55 percent from the 2010 level. If we remain at this lower level, security measures in high threat urban areas will be slowed and communities of all sizes would not have the funding necessary to enhance their preparedness levels or harden port and transit facilities.

Assistance to State and Local Law Enforcement

In FY 2012, DOJ's state and local grant programs were cut by $1.48 billion, or 41 percent, compared to FY 2010. Among the programs that have been significantly cut are:

- The Byrne-Justice Assistance Grant program, which provides formula grants to states, tribes, and local governments to support law enforcement, prosecution and courts, crime prevention, corrections, and drug treatment and enforcement, was cut by $149 million, or 29 percent;
- Local Delinquency Prevention grants, which support programs for tribal youth, gang prevention, and enforcement of underage drinking laws, were cut by $45 million, or 69 percent;
- The Juvenile Accountability Block Grant and State Formula grant programs, which support the implementation of comprehensive state juvenile justice plans and efforts to fight serious and violent juvenile crime, were cut by $60 million, or 46 percent;
- State Criminal Alien Assistance Program, cut by $90 million, or 27 percent, contributing to reducing the reimbursement rate from 30 percent in FY 2010 to 18 percent in FY 2012;
- Second Chance Act offender reentry programs, cut by $37 million, or 37 percent;
- Assistance to states to upgrade criminal record systems, cut by $20 million, or 65 percent; and
- The COPS Hiring program, which was cut by $132 million, or 44 percent, which translates into 1,000 fewer officers hired, rehired or retained in FY 2012 compared to FY 2010.

Weather Forecasting

In FY 2011, the National Oceanic and Atmospheric Administration (NOAA) Procurement, Acquisition, and Construction account was funded at $1.34 billion, a cut of $848.7 million (39 percent) below the request. This underfunding led to a nearly two-year schedule delay in the development of the future NOAA polar-orbiting weather satellite, increasing its projected total cost more than $2 billion. The delay will create an almost-certain gap of at least one year in future weather satellite data, greatly diminishing the accuracy of weather forecasts across the country and forcing billions of dollars in additional costs for airline delays, agricultural impacts, and property damage from extreme weather. Furthermore, the signals from emergency beacons could take significantly longer to be received, leading to significantly longer emergency response times.

SOCIAL SERVICES AND HOUSING, NUTRITION AND ENERGY ASSISTANCE

Operation of the Social Security System

The workload of the Social Security Administration continues to increase, with rising numbers of applications for disability and retirement benefits and continued need to ensure program integrity and reduce improper payments. However, since 2010 there has been essentially no increase in funding for Social Security operating expenses.

The combination of increased need and stagnant funding has already affected service. Staffing has been cut by 6,500. SSA has closed 23 offices and plans to close 11 more. Offices that remain open are closing a half hour earlier and at noon on Wednesdays. Last year there were more than 816,575 disability claims awaiting hearings and decisions—an increase of more than 100,000 from two years earlier. SSA has already reduced costs and improved efficiency, but additional funding will be needed to keep services to the public from declining further—including further office closings, longer wait times for calls to the 800 number, and long delays in obtaining decisions on applications for disability benefits. Additional funding is also needed for continuing disability reviews, and SSI redeterminations to help make sure that benefits are provided only to people who qualify.

Child Care

The Child Care and Development Block Grant (CCDBG) helps low-income parents obtain child care subsidies that enable them to work, attend training, or enroll in education programs. In addition, this funding supports delivery of early and after-school child care programs to millions of children each month. Total federal funding for child care assistance has declined since 2002. Adjusted for inflation, FY year 2012 represented a 13 percent reduction in funding below the FY 2002 level for CCDBG program.

As a result, only one in six children eligible for federal child care assistance receives it, forcing too many parents to choose between the safety of their child and their ability to provide for that child. Between 2007 and 2010, the number of such parents, meaning those with children under the age of six, grew steadily to over 7 million families. With shrinking federal resources available under budget caps for the next decade, the cuts to child assistance will only widen the existing gap between low-income families' need for help and the availability of help.

Community Development Block Grants (CDBG)

Local communities are receiving less assistance in a tough economy.

CDBG funding has been cut by more than $1 billion, or over 26 percent, from FY 2010 to FY 2012. These grants are distributed by formula. Funds are awarded to state and local governments who have the flexibility to use the funds in five general categories: acquisition of land, economic development, housing, public improvements and public services. About 33 percent of the funds are used for public improvements and 25 percent are used for housing. Many of these funds backfill needs that are unmet by other local and Federal programs. For instance, 10 percent of all funds used in in FY 2012 were for water and sewer projects. HUD estimates that the FY 2012 levels resulted in 21,000 fewer jobs created or preserved.

Housing for the Elderly (Section 202)

New units of housing for the elderly are not being built.

The Housing for the Elderly Program (Section 202) provides capital and operating funds for multifamily housing for very low-income elderly persons. At the FY 2010 levels, the program was able to build an additional 3,500 new units of elderly housing and renew all existing contracts. From FY 2010 to 2012, funding was cut by 54.6 percent, from $825 million down to $374.6 million. With the FY 2012 funding levels, contracts were renewed but no new units of housing were built. There is a clear need for more of these housing units. Estimates show a need for an additional 730,000 units of housing by 2030, up from about 400,000. AARP estimates that about 90 percent of the units have waiting lists and there are 10 seniors on waiting lists for each of the current units.

HOME Investment Partnerships Program (HOME)

Less affordable housing for low-income families is being built.

The HOME Program is the largest Federal formula grant program for affordable housing for low-income families. The funds can be used to build new single or multi-family homes, rehab existing homes, provide homeownership assistance or provide short-term rental assistance. From FY 2010 to 2012, funding was cut by 545.2 percent, from $1.825 billion down to $1 billion. In 2009, there were about 250,000 fewer units of affordable rental housing than in 2008, most of those having been converted to market-rate housing. In 2010, the funds built 23,744 new units, in 2012, the funds only built 18,348 units. Each $1 million in HOME funding supports 17.87 jobs. At the FY 2012 levels, 8,048 fewer jobs were created or preserved.

Section 8 Housing (Tenant and Project Based)

CBO estimates that renewal funding Section 8 program will grow by $4.1 billion (15 percent) over the next 10 years, from $28.3 billion to $32.4 billion. The renewal costs are based on the fair market value of rents across the country. When national housing costs increase, the cost of this program increases. If these programs are funded below the renewal level, tenants will likely be evicted. Given this constraint, it is likely that other affordable housing programs would bear more cuts under the caps to make room for the Section 8 increases.

Supplemental Nutrition Program for Women, Infants and Children (WIC)

WIC provides supplemental foods to low-income, nutritionally at risk, pregnant, postpartum, and breastfeeding women, infants, and children up to age 5. Funding needs are impossible to estimate long-term since participation does not necessarily closely track economic conditions and food costs are variable. However, if the same rate of growth that the discretionary budget caps permit through 2022 had been used to determine WIC funding over the *last* eight years, some 970,000 women, infants, and children would not have been able to receive much-needed supplemental foods this year.

Low-Income Home Energy Assistance Program (LIHEAP)

Appropriations to help low-income families and senior citizens cope with the high cost of heating their homes in winter have been cut by $1.628 billion (32 percent)—from $5.100 billion in 2010 to $3.472 billion in 2012. According to the National Energy Assistance Directors Association, that cut has led to about 1.1 million fewer households being assisted in 2012 than two years earlier and the average assistance being cut from $477 to $414. Over the same period, Energy Department surveys indicate that prices for home heating oil have risen by 31 percent and prices for electricity have increased by 5 percent while natural gas prices have dropped by just 5 percent.

HEALTH

Medical Research at the National Institutes of Health

The purchasing power of NIH appropriations has eroded considerably since the plan to double NIH funding over five years was completed in 2003. Since this time there have been ups and downs, but the general trend has been funding well short of what would be needed just to keep up with inflation. Adjusted for medical research costs, NIH appropriations have decreased by about 8 percent since 2010 and 19 percent since 2003. In constant 2012 dollars, this represents reductions of about $2.5 billion since FY 2010, from $32.3 billion to $29.8 billion, and $6.9 billion since FY 2003, from $36.7 billion to $29.8 billion. The number of medical research projects supported by NIH is currently the lowest since 2002. Researchers seeking funding now have about a one-in-five chance of success, compared to about a one-in-three chance of success ten years ago.

NIH research seeks to advance basic science in order to improve treatments and find cures for life-threatening diseases such as cancer, heart disease, and diabetes. In addition to improving health outcomes, medical science and biotechnology are some of the strongest areas of our economy, and NIH funding has been vital to keeping that industry robust. Every dollar in research funding is estimated to result in more than two dollars of business activity and economic impact.

Continuing to allow the purchasing power of NIH appropriations to erode will have dire consequences. The number of research projects funded and the success rate of grant applications will continue to drop. Fewer research grants mean that curing disease will be delayed, young scientists and physicians will be discouraged from entering the medical research field, and the United States' role as a leader in medical research will be jeopardized.

Many believe it is time to once again expand support for medical research at NIH. Increasing funding will be challenging even if the appropriations caps are left unchanged.

Health Workforce Programs

The Children's Hospitals Graduate Medical Education program helps children's hospitals cover their costs for training the next generation of pediatricians; its appropriations have been cut by 16 percent, from $318 million in 2010 to $265 million in 2012. Over the same period, funding for the HHS "title VII" health professions training programs was reduced by $25 million or 10 percent, with cuts particularly targeted to programs aimed at increasing the number of physicians, dentists and other providers interested in serving rural, underserved, and minority communities.

Mental Health

Over the past 3 years, the economic downturn has led states to cut back funding for mental health care by a combined $5 billion. This represents the largest combined cut to mental health care financing since de-institutionalization began in the late 1960s, leaving a devastating gap in mental health services. At least two-thirds of states have significantly slashed spending for services for children and adults living with mental illness.

At the same time, there have been a growing number of Americans suffering from mental illness. According to a 2009 RAND study, 300,000 returning service members are suffering from post-traumatic stress disorder or depression. Nearly half of all states are experiencing increased demand for community mental health services and nationwide, public mental health agencies are serving nearly 7 million Americans, which constitutes an increase of ten percent over the number served in 2008.

This is a crisis in which the federal government should be stepping in to do more -- not less. Since 2009, a total of 3,222 state psychiatric beds have been eliminated and another 1,249 are proposed for elimination. However, federal funding to supplement state efforts has failed to address this challenge. Overall, mental health services at the federal Substance Abuse and Mental Health Administration (SAMHSA) have fallen by ten percent since 2010, when adjusted for inflation and population growth and some individual programs have been slashed by nearly one-quarter even in unadjusted dollars.

CLEAN WATER

Environmental Protection Agency

Since 2010, the Environmental Protection Agency (EPA) has been cut 18 percent. Most of the cuts over those two years have been from State and Tribal Assistance Grants, including sewage and drinking water loan programs (-32 percent), brownfields projects (-5 percent), Mexico border infrastructure (-71 percent), Alaska infrastructure (-23 percent), and Diesel Emissions Reduction Act grants (-50 percent).

The Clean Water and Safe Drinking Water State Revolving Fund (SRF) provides loans, some of which may be forgiven, to communities to improve their wastewater and drinking water infrastructure. From FY 2010 to FY 2012, the SRFs have been cut by $1.1 billion (-32 percent), from $3.5 billion to $2.4 billion. In 2009, the American Society of Civil Engineers (ASCE) scored the nation's drinking water systems at a D-, the equivalent of poor to failing. According to that ASCE report, America's drinking water systems face an annual shortfall of at least $11 billion to replace aging facilities. Additionally, Christine Todd Whitman, the EPA Administrator under President George W. Bush, estimated a decade ago that the country's wastewater and drinking water infrastructure needs were $662 billion. Yet, over the last two years the Clean Water and Safe Drinking Water Revolving Loan programs have been cut 32 percent. Admittedly the Nation's water infrastructure is a joint effort between State, local, and Federal agencies. Nevertheless, the Federal government must continue to provide significant resources to ensure that income status does not determine whether a community has access to clean drinkable water.

Rural water and waste disposal program

The program provides grants and direct and guaranteed loans for the construction of water systems and waste disposal systems in rural communities with populations of 10,000 or below. The communities must be unable to credit from commercial lenders or investors and must have urgent need for the improvements. From FY 2010 to FY 2012, the program has been cut $345 million (22 percent), from $1.571 billion to $1.226 billion. USDA has estimated that the drop between 2010 and 2012 means that some 1.5 million fewer rural families would receive improved water and waste services.

Indian Health Service

With the cuts that have been made to discretionary spending since FY 2010, funding of sanitation facilities construction for Native Americans dropped 17 percent in just two years; from $95.8 million in FY 2010 to $79.5 million in FY 2012. Further cuts in discretionary spending could have a devastating impact on the health and safety of Native Americans. According to the Indian Health Service, about 231,000 or approximately 60 percent of Native American homes are in need of sanitation facilities, including nearly 9 percent or 33,000 homes without potable water.

NATURAL RESOURCES

Wildland Fire

Firefighting programs have already been severely impacted by the cuts in discretionary spending made since FY 2010. In FY 2012, a total of $2.630 billion was appropriated to address wildland fire, a decrease of $743 million from the FY 2010 appropriation of $3.373 billion. Wildland fire is a growing problem. Fire seasons are growing longer and the fires that occur are more severe. Currently, wildland fire costs make up nearly 48 percent of the entire budget for the U.S. Forest Service and more than nine percent of the subcommittee's total allocation. Calendar year 2012 was a worse than average fire year resulting in a funding shortfall of $423 million, which forced agencies to borrow from other non-fire accounts until these funds were repaid in the first FY 2013 CR.

Based on reports prepared by the Forest Service and the Department of the Interior, as well as outside scientists, fire costs are expected to rise in 2013 and the out years as we go through a period of increased fire activity. Already the agencies are estimating that they could be more than $700 million short in FY 2013 based on their current appropriation, which would force them to again take funds from non-fire accounts to pay for fire operations.

Additional cuts in discretionary spending will severely squeeze firefighting programs and exasperate the negative impacts on non-fire accounts. We have no choice but to fight fires as they occur. When fire funds run out agencies will continue to draw from other non-fire accounts to cover fire costs which in turn will lead to program cuts within those accounts and unlike what occurred in the FY 2013 CR, it is extremely doubtful these funds would ever be repaid through supplemental appropriations.

National Parks and Public Lands Construction

With the cuts that have been made to discretionary spending since FY 2010, funding of construction projects for federal land management agencies dropped 31 percent in just two years; from $769 million in FY 2010 to $529 million in FY 2012. Further cuts in discretionary spending could have a devastating impact on the services to visitors of our national parks and public lands.

On federal lands, the vast majority of construction projects involve the repair or replacement of existing facilities. Leaking roofs and other hazardous conditions are common in an aging infrastructure. The GAO has reported that the Department of the Interior's deferred maintenance backlog in FY 2010 was between $13.5 billion and $19.5 billion. With the existing and future cuts to discretionary spending these numbers are expected to rise significantly.

Not only do cuts in construction funding mean visitors to our public lands suffer from poor or nonexistent facilities but we also forego an important source of economic activity in rural areas through the loss of construction jobs.

Corps of Engineers

Corps of Engineers funding was cut by $443 million from FY 2010 to FY 2012, from $5.445 billion to $5.002 billion. The reduction resulted in the termination or suspension of over 300 projects across the nation. These terminations included many flood control and storm damage reduction projects which result in net economic benefits to the nation. In addition, these projects avert expensive recovery efforts – such as those resulting from super storm Sandy. In the last 25 years, flood control projects operated by the Corps of Engineers averted $700 billion in damages due to flooding.

Approximately 95 percent of the dams operated by the Corps are more than 30 years old, and 52 percent have reached or exceeded the 50-year economic service lives for which they were designed. Since the mid-1980s, dwindling federal resources have limited funds available for water infrastructure operations, maintenance, and rehabilitation, and there is a considerable backlog of deferred maintenance.

The impacts of reduced funding also are apparent in the Corps ability to maintain adequate depth in the nation's port, harbors and inland waterways. Events on the Mississippi River in December 2012 are illustrative. According to the American Waterways Operators (AWO), in December and January alone more than $7 billion worth of goods was at risk of not reaching their destination. Further, it was estimated that a two month closure of the Mississippi River to barge traffic would impact 20,000 jobs and over $130 million in wages and benefits associated with those jobs.

Deferred maintenance on existing Federal projects has increased from $884 million in 2003 to nearly $3.0 billion in 2012. In the last 4 years the average annual increase in deferred maintenance has been nearly $400 million. Deferred maintenance requirements increased despite an investment of $4.6 billion in the Recovery Act in 2009. At the levels dictated by the discretionary caps, the Corps would have just $200 million for project maintenance given current fixed costs for the agency. Eventually, the Corps would have to move to maintaining only the highest priority projects and abandon efforts to rehabilitate most existing facilities as well as efforts to construct new projects. Further, Congress would have to divest and deauthorize existing projects in order to facilitate this move to an operation and maintenance only agency.

Scheduled and unscheduled lock closures have almost doubled in the last ten years. In the largest 59 ports the Corps currently provides authorized project depths in only half of the channel, 35 percent of the time resulting in delays and inefficiencies in shipping. Continued disinvestment in ports, harbors and inland waterways will lead to increasing inefficiencies in transportation costs which will ultimately lead to increases in consumer costs and reductions in the ability of American manufacturers and agricultural producers to compete globally. In 2010, imports through US ports were valued at $1.9 trillion, and ports support 13 million jobs. The ability to ship goods safely and reliably via inland waterways translates into about $7 billion annually in transportation savings for American businesses.

Every year, roughly 624 million tons of waterborne cargo transit the inland waterways, a volume equal to about 14 percent of all intercity freight and valued at nearly $70 billion. America's economy benefits from the cost efficiencies barge transport provides over transport by truck or rail. Approximately 60 percent of the nation's grain exports move by barge, helping our agricultural exports stay competitive in global markets. Barge transport also keeps energy sources flowing, fueling our industrial base and keeping our high-tech economy running. More than 22 percent of domestic petroleum and petroleum products and 20 percent of the coal used in electricity generation transit our inland waterways. With world-wide demand for waterborne commerce expected to more than double by the year 2025, our nation must invest in the waterways infrastructure needed to maintain America's economic competitiveness.

In an era of increased interest in energy security, decreasing investment in Federal hydropower projects has led to outages and operation at reduced efficiency and reliability. For the past five years, the cost of replacement power to the power marketing administrations has exceeded $50 million. Without additional Federal funding, the Corps' hydropower plants will continue to perform well below industry standards due to inadequate maintenance and recapitalization. Given the U.S. Treasury is fully reimbursed with interest for all hydropower capital investment this substandard level of performance is difficult to justify.

SCIENCE

In the early to mid-2000s, the President and Congress made a series of commitments to double the budgets for various science programs, in some cases over five years and in others over a decade. The commitment was a response to stark warnings from a group of government experts and business leaders found in their report, *Rising Above the Gathering Storm*. The report noted that the "scientific and technological building blocks critical to our economic leadership are eroding at a time when many other nations are gathering strength."

President Obama has maintained this commitment and the America Competes Act, which passed with bipartisan support, authorized the continued growth of the budgets of these agencies. However, the spending constraints imposed by the Budget Control Act threaten to reverse that growth. Cuts in spending for science, or even stagnant funding levels, will be a major setback to U.S. leadership in science and technology.

National Aeronautics and Space Administration (NASA) and National Science Foundation (NSF)

NASA and NSF are funded in the Commerce, Justice, Science (CJS) bill. That bill also funds the Census Bureau. The funding cycle for Census follows the same pattern each decade, with spending at low levels in the early years of the decade and ramping up steadily to the highest level when the census is carried out.

Because of the constraint imposed by the Budget Control Act caps, funding for all other CJS accounts would need to be cut in each year between FY 2014 and FY 2020 just to make room for the expected ramp up of Census spending. Assuming funding for the 2020 Census at the most conservative level estimated by the Department of Commerce, in FY 2020 alone all other CJS accounts would face cuts estimated to total $10.6 billion in inflation-adjusted dollars in FY 2020, or 14.6 percent.

In other words, NASA would receive at least $14 billion less over the next 8 years, much less than required to continue its current rate of activity. By FY 2020, this shortfall would result in the elimination of thousands of aerospace jobs while seriously endangering the scope of NASA's Space Launch System and Orion deep space crew vehicle; investments in NASA's planetary science programs; and/or the continued operation of the Space Station.

Between now and FY 2020, NSF would receive $5.6 billion less than required to keep pace with inflation, resulting in thousands fewer research grants over that time period, and tens of thousands fewer individuals engaged in research to help maintain America's leading role in science and technology.

Department of Homeland Security (DHS) Science and Technology Directorate (S&T)

S&T is the research and development arm of DHS. The Research & Development budget was cut by 56 percent from FY 2010 to FY 2012—from $598 million to $266 million. As a result of these reductions, S&T focused its research and development work only on four priority areas: Bio-Threat Security; Cyber Security; Explosives (Aviation Security); and First Responders, at greatly reduced funding levels. For example, research into explosives dropped almost 30 percent eliminating much of the mass transit R&D; research into biodetection, threat assessment and attack resiliency decreased by 43 percent and funding for first responder interoperability projects was almost entirely eliminated. In addition, little or no funding was provided for: border security; infrastructure protection; cargo security at the borders; chemical threat security; biometrics; advanced materials for explosive resiliency; natural disaster resiliency; hostile behavior detection; and violent extremism prediction. As a result of the budget cuts, the number of research and development projects dropped from nearly 200 to about 60 between FY10 and FY12.

Department of the Interior and related agencies science programs

At a time when we need more and better science to understand and address the complex changes occurring in the environment, cuts in discretionary spending since FY 2010 have led to reductions in science programs that are important to the protection of public health and safety and our environment.

The most significant cuts have occurred in global climate change science and adaption programs. Since FY 2010, funding for these cross-cutting programs has decreased from $400 million to $346 million. Some argue over the causes of climate change but the fact that the climate is changing cannot legitimately be disputed. Eight of the ten hottest years on record have occurred in just the last decade. The western United States has suffered through an extended period of drought and extreme weather events across the nation have become more common.

Science programs deal with a lot more than just climate change. These are the programs that monitor floods and storm surges, earthquakes, forest health, and water quality and quantity. They provide the science necessary to discover and develop rare earth minerals and oil and gas reserves. The information provided by these science programs are the basis for decisions across almost all sectors of the economy and fuel billions in economic activity. Continued discretionary funding cuts in science programs will not only endanger public health and safety but will also be a drag on economic growth.

Department of Energy, Office of Science

The U.S. Department of Energy Office of Science is the lead federal agency supporting fundamental scientific research for energy and the Nation's largest supporter of basic research in the physical sciences. Federally supported basic research at the Department of Energy has been a reliable source of new knowledge and new products. However, from FY 2010 to FY 2012, that funding has been reduced. House Republicans have tried to cut it more deeply. Further cuts to the Office of Science would significantly curtail fundamental research in areas of science that are a key to our nation's prosperity and to preserving America's place as the world leader in science and technology.

While the program's facilities are currently state-of the art, aging facilities, deferred maintenance, and new technological needs are estimated to cost from $5 to $10 billion over the next decade. The Budget Control Act caps, however, will make it difficult to provide such increases. As a result:

- Thousands of highly skilled scientists, engineers, technicians, and support personnel and contractors will lose their jobs at national labs and universities.
- Several facilities at national labs would be shut down including: the Lujan Neutron Scattering Center, Los Alamos National Laboratory; High Flux Isotope Reactor, Oak Ridge Tennessee; Relativistic Heavy Ion Collider, Brookhaven National Laboratory. Other facilities may be temporarily shuttered. Today these facilities represent the greatest collection of major tools for science discovery operated by any single entity in the world. Hosting 27,000 researchers a year, they provide uniquely complex and expensive scientific tools and instruments.
- The Advanced Computing effort focused at reaching exascale computing would be terminated, ceding the leadership of computing to China and other nations.
- US involvement in ITER, an international project to design and build an experimental fusion reactor, will have to be significantly curtailed or terminated. ITER will take fusion to the point where industrial applications can be considered for a cleaner, safer, and unlimited source of energy. This will further erode US credibility as an international partner.
- The program will lose its international leadership position in particle physics and nuclear physics.
- In light of substantial investments by our international competitors, the US risks its leadership in basic energy sciences, biological and environmental research and high performance computing.

INTERNATIONAL AFFAIRS

In response to the September 11th attacks, Congress increased core funding for State and Foreign Operations in order to respond to the increased demands placed on the State Department and USAID in response to the Global War on Terror. That stopped abruptly after FY 2010. Since a high in FY 2010 of $48.76 billion, core funding has fallen to $42.14 billion in FY 2012, a decrease of almost 14 percent. In order to continue to meet national security responsibilities, Congress relied on Overseas Contingency Operations (OCO) and broad transfer authority to make up for an inadequate core budget.
While this smoke and mirrors budgeting may take the sting out of an artificially low annual budget allocation, it is a shell game that is unsustainable.

Large supplemental/OCO appropriations have been pressed into funding essential on-going programs. Even refugee and disaster programs, global peacekeeping assistance, and some State Department and USAID operations have been funded through emergency supplemental funds or through OCO. The demands of an ongoing crisis in Syria and terrorism threats in North Africa, instability and opportunities in the Middle East caused by the Arab Spring and the ongoing transfer of operations in Iraq and Afghanistan are endangered by the political games and illusionary budgeting of continuing artificially-low base funding.

Our investments ensure America's leadership in global affairs, build relationships with host governments, and promote peaceful democracies. A robust yet efficient budget sustains the national security capabilities and interests. Reducing our presence creates great risks to our ability to impact and focus on world events.

Cuts to Passport and Visa Services

The State Department helps create American jobs. A cut to State Department's consular services would inhibit the work of the men and women domestically and abroad that provide passport and visa services. Such cuts directly compromise the ability of the United States government to promote U.S. business opportunities overseas, open new markets for U.S. firms, protect intellectual property rights and create a level playing field for U.S. firms to compete for foreign government and private contracts. The efforts of the State Department overseas directly support 20 million U.S. jobs.

The cuts and the reductions in force necessitated by the Budget Control Act caps severely jeopardizes efforts to provide secure-error-free travel documents, protect our borders by denying access to the United States to those who would do us harm, while allowing for the legitimate flow of commerce.

Consular services facilitate the lawful travel of international students, tourists and business people to the United States, adding greatly to our economy. Funding cuts would result in expanded wait times for visas and passports which would have a direct impact on U.S. business. In 2011, the State Department issued 12.6 million passports and passport cards for Americans to travel abroad. The Department of Commerce has estimated that one job is created in the travel and tourism sector in the United States for every 65 visas issued. Without the trained and professional staff employed by consular services, the travel industry would be severely impacted.

Consular services also support American citizens abroad. In 2011, the State Department provided emergency assistance to U.S. citizens in countries experiencing natural disasters or civil unrest. The Department assisted in 9,393 international adoptions and worked on more than 1,700 child abduction cases — resulting in the return of over 660 American children.

Embassy Security

Security is paramount not only to the men and women serving our nation abroad, but also for the thousands of American citizens traveling or working overseas. The State Department is maintaining missions in increasingly dangerous locations, making it more difficult to provide security in these locations and necessitating the use of more security resources.

Operating in a higher threat environment is part of today's diplomatic job. Yet, funding for worldwide security protection and the construction of secure facilities has been cut below the President's request and below the FY 2010 level for the past two fiscal years. At the insistence of House Republicans, in FY 2011 funding for worldwide security protection, or the protections of diplomatic personnel, was cut by $63.7 million from the President's request and $89.2 million below the FY 2010 level. In FY 2012 worldwide security protection funding was cut by $109.4 million from the request and, only with the inclusion of OCO contingency funding, was slightly above the FY 2010 level by $4.9 million. Funding for the construction of secure facilities, or embassy security, was cut in FY 2011 by $64.7 million from the President's request and $107.4 million from the FY 2010 level. In FY 2012 funding for embassy security was cut $231.5 million below the request and $154.2 million below the FY 2010 level.

These cuts in operations have severely impacted security programs where State Department personnel not only provide physical protection for diplomatic personnel and facilities overseas but advise United States corporations operating internationally on the security environment to help promote further business development and trade.

The cuts to embassy security that have already been implemented, combined with the restrictive budget caps, place at risk the ability for American citizens to travel and work overseas in safety. Without sufficient funding and staffing, Diplomatic Security's ability to execute its mission will be compromised.

Cuts to State Operations programs and the effects of long term budget caps will have a negative impact on the United States' ability to enhance the security of United States government facilities, both domestically and overseas, and to maintain secure facilities and embassies abroad. Currently more than 80 facilities are waiting for upgrades or new construction to be in compliance with Department of State security guidelines. As we recently were reminded in Libya and Turkey, we cannot fully protect against diverse threats, but U.S. personnel and the citizens and businesses that rely on their service deserve more than basic protection. Under the austere budget caps, security upgrades will be further delayed and United States personnel and property will remain at risk.

International Financial Institutions

The impact of funding cuts to multilateral and international financial institutions are not readily evident to constituents back home, as they do not see the impact such assistance has on job production. Yet, United States involvement in international financial institutions significantly advances opportunities for United States companies in developing markets by supporting growth in emerging economies creating new business opportunities and jobs at home.

Additionally, funding to multilaterals through international financial institutions is an extremely cost effective way to advance United States priorities in the developing world. These institutions serve our fundamental values, as well as our economic interests, by lowering trade and investment barriers, supporting private sector growth, opening the markets of tomorrow, and giving people a chance to succeed.

World economies will continue to become more interdependent and global financial stability will become more of a priority and a concern to domestic economic health. International financial institutions, like the IMF and the World Bank, will be increasingly called upon to contain financial crises. However, under the constraints of long-term budget caps, resources will be prioritized for bilateral programs and the U.S. will likely fall short of its international commitments.

In the next decade as institutions like the IMF and the World Bank grow in importance, another general capital increase is likely to be requested. Failure to contribute commensurate to our voting share will lead to a decrease in United States influence in these institutions and, in institutions such as the World Bank, loss of a U.S. veto over major decisions. Other nations, especially China, stand ready to increase their influence should we be willing to decrease ours.

Assistance Accounts

The long term effects of the caps established in the Budget Control Act will require indiscriminate cuts undermining vital assistance objectives. The majority of these reductions to foreign assistance would be borne by the Economic Support Fund (ESF), Development Assistance (DA), Foreign Military Financing (FMF), Global Health Programs (GHP), and humanitarian assistance accounts—the accounts that support some of our most critical security partnerships, development programs, and humanitarian interventions.

The United States conducts security assistance business with over 150 nations and international organizations around the world. Such large cuts to security assistance accounts would undercut our own national security and result in a loss of sales and jobs.

For instance, FMF dollars are spent on U.S. goods and services that provide jobs across the United States, strengthening the industrial base, and often lowering the cost for the same military articles and services to our own armed forces. A cut to FMF would likely lead to reductions in military assistance to Israel, Jordan, and other vital allies, undermining our commitment to their security and thereby degrading our national security posture.

Cuts to humanitarian assistance accounts would impede our ability to respond to humanitarian disasters at a time when the world faces growing needs in Syria and its neighboring countries and harm our capacity to respond to the ongoing crises in the Horn of Africa and the Sahel.

Food Aid

The Food for Peace (PL 480, Title II) program ships U.S.-grown commodities to provide emergency and some non-emergency food aid around the world.

Funding for the program has been cut by $224 million (13 percent) since FY 2010, from $1.690 billion to $1.466 billion. A cut of this size means that 5.9 million people have lost access to desperately-needed, emergency food assistance. In addition to the loss of humanitarian assistance, purchases of food from U.S. farmers have dropped.

The McGovern-Dole International Food for Education and Child Nutrition Program has also been cut.

Due to hunger, an estimated 120 million children around the world are not enrolled in school. The majority of these children are girls. The McGovern-Dole program reduces hunger and improves literacy and primary education.

Since FY 2010, funding for the McGovern Dole program has been cut by $26 million (12 percent), from $210 million to $184 million. This cut in funding means that an estimated 348,000 children, mostly girls, will not have access to school meals. Without the meals, many of these children will not attend school at all.

DEPARTMENT OF VETERANS AFFAIRS (VA)

The Department of Veterans Affairs is funded in the Military Construction, Veterans Affairs bill. In the past two years, funding for Military Construction has declined from $24.7 billion to $13.1 billion, a 47 percent cut.

In essence, cuts of that size were needed to make room for growth in VA funding. In the same period, Veterans Health funding increased from $45.1 billion to $51.2 billion and future years will see the need for greater increases. In 2013, the VA anticipates treating over 610,000 Operation Enduring Freedom, Operation Iraqi Freedom, and Operation New Dawn Veterans, an increase of 53,000 new patients over the FY 2012 level; the VA estimates an increase of another 57,000 new patients in 2014 over 2013 levels.

The Budget Control Act caps will require further cuts to military construction but there is a limit to how much more that side of the budget can be reduced. Eventually, there will be pressure to cut projected VA spending. Those cuts will result in fewer opportunities for mental health counseling, longer waits for substance use counseling, increased hardship for rural veterans, and reduced training for veterans' caregivers. The cuts could also result in hampering efforts to eliminate the backlog of disability claims.

DEFENSE

Department of Defense (DoD) financial plans for FY 2012-2021 include reductions of $626 billion. The FY 2012 and FY 2013 budget requests were both accompanied by justification materials listing dozens of programmatic reductions and organizational streamlining proposals to achieve these savings. Overall, savings include:

- $487 billion as a result of the Budget Control Act caps compared to the March 2011 baseline. DoD's January 2012 Strategic Review confirmed that these savings were taken from the FY 2013-2017 FYDP, and from long range planning guidance through 2021;

- $78.2 billion as a result of Sec. Gates's Efficiency Initiatives covering the budget/FYDP for the period FY 2012-2016; and

- $60.2 billion as a result of Sec. Panetta's initiative "More Disciplined Use of Resources" covering the budget/FYDP for the period FY 2013-2017.

Economic Significance of Further Defense Reductions

The reductions that DoD has begun to implement are having significant, negative macroeconomic effects. On January 30, 2013, the Commerce Department's Bureau of Economic Analysis (BEA) reported economic contraction at an annual rate of 0.1 percent between October and December. Among the reasons is reduced DoD spending which decreased by over 22 percent between October and December. The BEA also indicated that the economy would have grown at an annual rate of 1.27 percent given more typical DoD spending.

BEA's data support the CBO May 2012 forecast, "Economic Effects of Reducing the Fiscal Restraint That is Scheduled to Occur in 2013". In this paper, CBO projected economic growth for 2013 at 0.5 percent, including a contraction of 1.3 percent in the first half of the year, followed by growth of 2.3 percent in the second half of the year.

With regard to employment, the Shipbuilders Council of America believes 100,000 jobs will be lost solely because of cuts to Navy shipbuilding, and another 400,000 jobs may be lost related to ship maintenance, if further cuts are implemented.

Modernization

Unlike previous conflicts, DoD will cease combat operations in Iraq and Afghanistan without realizing significant force modernization. Procurement funding in these conflicts did not field more advanced weapons with the exception of mine resistant vehicles (MRAP). However, the MRAPs are purpose built vehicles for counterinsurgency operations unique to Iraq and Afghanistan and may not be applicable to more general combat operations.

The primary major weapon systems used by the Army remain the “big five” developed in the 1970s and fielded in the 1980s including: the Abrams tank, Bradley Fighting Vehicle, Apache attack helicopter, Blackhawk utility helicopter and Patriot missile system.

Over the period since 9/11, DoD fielded few significant next generation weapons. The Army Stryker is (arguably) one such system, the Air Force acquired most of the 183 F-22 Raptors during this period, and DoD refined the application of UAVs. However, the Stryker is an adaptation of a Marine Corps vehicle and the first procurement was initiated almost a year prior to 9/11; the F-22 was never deployed to either Iraq or Afghanistan; and the Department began fielding UAVs and associated precision weapons based on congressional direction well before 9/11. Funding to procure virtually all next generation weapons including the KC-46 Aerial Refueling Tanker, the F-35 Joint Strike Fighter, Ohio and Virginia Class submarines, the Ground Combat Vehicle and Joint Light Tactical Vehicle will occur after US combat operations in Afghanistan will have ended.

Readiness

DoD had planned to manage overall funding reductions to preserve the readiness of US Forces. Even at present levels (assuming a continuing resolution for the balance of FY 2013) this is in jeopardy.

The Joint Chiefs of Staff January 14, 2013, letter to the Chairs and Ranking Members of the congressional defense committees states that the current fiscal environment is about to precipitate a readiness crisis. Further reductions would exacerbate an already bad situation. The Joint Chiefs state: “Budget conditions unfolding right now are causing [a] . . . readiness crisis. The timing and magnitude of Sequestration under the 2011 Budget Control Act along with the 2013 Defense Budget Continuing Resolution-if carried through the end of the fiscal year-will trigger a cut in operating budgets of more than 20 percent across the Joint Force compared with the President's budget. The compelling need to fully fund preparation for and execution of combat operations and care for our wounded warriors allocates this cut across a smaller portion of the force, exacerbating the readiness decrease for forces that may need to respond to a contingency.”

In a briefing on January 24, 2013, the Army Chief of Staff, indicated “. . . we will very quickly go to extremely low levels of readiness in the next six months throughout the Army. We will probably cancel some CTC [combat training center] rotations. We will have to reduce work in the depots, which will delay the reset of our equipment coming out of Iraq and Afghanistan. We will have to delay maintenance on our current fleets. The sad part about this is once you start these delays, it will take longer and longer and longer to catch up. So this will not be just a FY13 readiness issue, it will be a readiness issue that goes into FY14 and FY15.”

In the same briefing, the Army Chief of Staff concluded: "If we do not have a legislative solution that provides our leaders with the time and the flexibility to shape our Forces for the future, we will create a hollow Force. For years, we talked about no more Task Force Smiths. We are headed to the largest Task Force Smith I have ever been associated with. For those of you who do not know what that is, it is the unit that first deployed to Korea when they were not ready. The Army has dedicated itself to ensure we never go there again. We are headed down that road. We must consider the impact of fiscal uncertainty on implementing Department of Defense Strategic Guidance, organizing and training our Forces for the evolving mission in Afghanistan, reducing our force structure and end strength, and developing the future Force."

Afghanistan Operations

Execution of FY 2013 resources to date in Afghanistan reflects a shortfall of as much as $6 billion due to transportation costs (because of the partially blocked ground line of communications (GLOC) through Pakistan), and increased contractor costs because of troop strength ceilings in theater. DoD will arrange its resources to protect contingency operations above other priorities. Further reductions will exacerbate this shortfall.

Department of Energy, Defense Environmental Cleanup

The mission of the Office of Environmental Management (EM) is to complete the safe cleanup of the environmental legacy brought about from five decades of nuclear weapons development and government-sponsored nuclear energy research. As the largest environmental cleanup program in the world, EM has been charged with the responsibility of cleaning up 107 sites across the country whose area is equal to the combined area of Rhode Island and Delaware. EM has made substantial progress in nearly every area of nuclear waste cleanup and as of September 2012, completed cleanup at 90 of these sites. However, funding from FY 2010 to FY 2012 has been reduced by more than $176 million, resulting in the loss of 3,600 direct jobs at the clean-up sites.

The Budget Control Act caps will require further reductions from FY 2010 enacted funding level ($5.2 billion) down to $4.9 billion by 2014 eliminating up to 4,000 more jobs in 17 states. The cost of completing the cleanup program will increase by approximately $140 billion—a 60 percent increase over the current estimate. All major compliance agreements with states and localities where the remaining sites are located will be adversely impacted, with overall delay in program completion of approximately 30 years. Virtually all of the agreements to States and Localities were made on the basis of a $6 billion program. Key site impacts include:

- Delays Hanford and Savannah River tank waste remediation—our highest risk and most costly cleanup—by approximately 7 years.
- Defers remediation of contaminated facilities and burial sites impacting groundwater resources at multiple sites such as Idaho, Los Alamos, Paducah, Hanford, and Oak Ridge.
- Places continued operation of the nation's only nuclear waste repository at risk.

More disciplined use of Resources

The savings proposals of both Defense Secretary Gates and Secretary Panetta emphasized reducing costs in the contracting arena. This is facilitated by a more skilled acquisition and contracting workforce. Planning for the current fiscal environment necessitates actions that will severely limit these initiatives. Further reductions will only make matters worse. Current DoD planning includes:

- Releasing temporary employees and not renewing term hires;
- Imposing hiring freezes; and
- As noted in the Joint Chiefs of Staff letter, above, DoD is planning for the possible furlough of up to 800,000 civilian employees for up to 22 days from April 2013 through the remainder of the fiscal year.

It is clear that the cuts to discretionary spending sustained to date are having a severe impact on American families and our economy. Further cuts expected through sequestration, set to begin March 1, 2013, will exacerbate the challenges addressed in this report, hurt job creation, and slow our economic recovery. Cuts expected in the sequester will be detailed in a forthcoming report from the House Appropriations Committee Democrats.