SEQUESTRATION OVERSIGHT: UNDERSTANDING THE ADMINISTRATION'S DECISIONS ON SPENDING CUTS AND FURLOUGHS

HEARING

BEFORE THE

SUBCOMMITTEE ON ECONOMIC GROWTH, JOB CREATION AND REGULATORY AFFAIRS

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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SEQUESTRATION OVERSIGHT: UNDERSTANDING THE ADMINISTRATION'S DECISIONS ON SPENDING CUTS AND FURLOUGHS

Tuesday, March 19, 2013,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC GROWTH, JOB CREATION AND REGULATORY AFFAIRS, JOINT WITH THE SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND THE CENSUS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittees met, pursuant to notice, at 1:30 p.m. in room 2154, Rayburn House Office Building, the Honorable Blake Farenthold [chairman of the Subcommittee on Federal Workforce, U.S. Postal Service and Census], presiding.

Present: Representatives Farenthold, Jordan, McHenry, Duncan, Gosar, DesJarlais, Lummis, Meadows, DeSantis, Issa, Cartwright, Norton, Clay, Connolly, Pocan, Horsford, and Cummings.

Also present: Representative Mulvaney.

Staff Present: Kurt Bardella, Majority Senior Policy Advisor; Molly Boyl, Majority Parliamentarian; Caitlin Carroll, Majority Deputy Press Secretary; Drew Colliatie, Majority Legislative Assistant; John Cuaderes, Majority Deputy Staff Director; Brian Daner, Majority Counsel; Adam P. Fromm, Majority Director of Member Services and Committee Operations; Linda Good, Majority Chief Clerk; Tyler Grimm, Majority Professional Staff Member; Jennifer Hemingway, Majority Senior Professional Staff Member; Frederick Hill, Majority Director of Communications and Senior Policy Advisor; Michael R. Kiko, Majority Staff Assistant; Mark D. Marin, Majority Director of Oversight; James Robertson, Majority Professional Staff Member; Scott Schmidt, Majority Deputy Director of Digital Strategy; Matthew Tallmer, Majority Investigator; Jaron Bourke, Minority Director of Administration; Lena Chang, Minority Counsel; Devon Hill, Minority Research Assistant; Brian Quinn, Minority Counsel; and Safiya Simmons, Minority Press Secretary.

Mr. FARENTHOLD. The committee will come to order.

As is normal at our meetings of the Committee and Subcommittee on Government Oversight and Reform, we start each meeting by reading our mission statement.

We exist to secure two fundamental principles. First, Americans have a right to know that the money Washington takes from them

is well spent. And second, Americans deserve an efficient, effective Government that works for them.

Our duty on the Government Oversight and Reform Committee is to protect these rights. Our solemn responsibility is to hold the Government accountable to taxpayers because taxpayers have a right to know what they get from their Government. We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy.

This is the mission of the Oversight and Government Reform Committee.

At this point, I will make my opening statement and we will then let the ranking member give her opening statement and then this is a joint Subcommittee hearing so we will also go to the Chairman and Ranking Member of the other Subcommittee.

Today we are going to talk about stewardship of taxpayers' funds. That is what this hearing is about. It is about being responsible managers. And finally, it is about the credibility of this Administration.

The bottom line, is agencies should have planned better for sequester. And if the President, the Government agencies and the Secretaries who head these agencies would spend more time planning and less time with political posturing before the American people with scare tactics about the sequester, we would be better off.

Federal agencies have known about the sequester since August of 2011. My grandmother taught me a lot of things, but one thing that sticks with me that I use almost every day is plan for the worst and expect the best. Why didn't our Government agencies apply this bit of common sense in dealing with the sequester? Some did, some did not.

Those who didn't could have done some simple things, like rein in bonuses, cut wasteful and frivolous spending and, as we will learn in the course of this hearing, implement reports of their own IGs to save money.

But what have the agencies done instead? They have listened to irresponsible advice. Last summer, the OMB instructed agencies to continue normal spending and operations since more than five months remained before sequester took effect. This was reckless. Sequester was the law of the land then as it is today. So why didn't agencies at least have a contingency plan?

Even our Federal employee unions recognize that agencies did not take sequester seriously. A regional president of the American Federation of Government Employees recently commented that agencies really have not done their homework. They are under the illusion that the sequester was not going to happen.

With the sequester now upon us, some of the Administration's spending choices make no sense. The only conclusion I can draw is the President wants to politicize the sequester and make the cuts as painful as possible. Rather than looking for the low-hanging fruit of waste, fraud and abuse, we have furloughs. Rather than keeping the White House open for tours, we have Presidential golf outings. And, quite frankly, I am appalled the President has

thrown the men and women who would take a bullet for him, the Secret Service, under the bus for canceling White House tours.

I don't believe for a second that if the President had asked, let's find somewhere else to cut, they would have found plenty of options. Hey guys, how about looking at the $300,000 annual pay for calligraphers? The President and Executive Branch agencies are talking furloughs when on the day the sequester went effect, these agencies posted more than 400 jobs. You know, instead of those calligraphers, ZapfChancery comes free on every MAC and does pretty nice name tags.

I am also worried about the credibility of the Administration. We need to trust our President. But the trust is eroding due to his false rhetoric about the sequester. When President Obama said the janitors and security guards who work here at the Capitol will face pay cuts, the Superintendent of the Capitol had to send out an email to employees saying their pay and benefits would be safe. And when the Secretary of Education, Mr. Duncan, said teachers were getting pink slips, the Washington Post awarded him four Pinocchios for this claim.

The public is starting to catch on. Politico recently ran an article asking, did President Obama cry wolf about the sequester. And the Chicago Tribune ran an editorial this week headlined Truth-Squadding Sequester Hysteria, Officials Sabotage Themselves When They Manipulate, Exaggerate and Flout Common Sense.

Again, if our agencies would get to work and plan instead of using scare tactics, we would be better off.

Thank you all for being here. I am looking forward to productive discussion as we talk about how we are going to manage the sequester.

I will now recognize Ms. Norton for five minutes.

Ms. NORTON. Thank you very much, Mr. Chairman.

We should not be surprised by the scope of the damage that sequester will bring. Congress was warned what would happen if sequester took effect. We were informed about the potential devastation of vital Government programs and services and on furloughs of more than 1 million Federal employees. The Congressional Budget Office estimated that the $85 billion cut required by the Budget Deferral Act of 2011 will cause the loss of 750,000 jobs and will slow the economy by .6 percent.

Instead of trying to prevent the sequester from happening, our colleagues on the other side of the aisle embraced it. They wanted it to happen. In fact, a member of this Committee said just last month, quoted in her paper, "Sequester will take place. I am excited. It will be the first time since I have been in Congress that we really have significant cuts."

As a result of the sequester, Federal agencies, including the Department of Agriculture and the Department of Commerce and the Federal Communications Commission are now required to follow the specific mandates of the Budget Control Act to make across-the-board, indiscriminate and untargeted cuts to each account, and I repeat, each account, calligraphers, yes, and other accounts, you cannot substitute one for the other, program and project and activity by program, project and activity.

The agencies have noted that the law gives them little discretion at implementing the cuts and that such cuts could negatively impact their missions, the services they provide to the American people and the economic recovery itself.

For Agriculture, this would require cutting $2 billion across the board. Where do you think those dollars would have gone? To help the private sectors, to farmers, agribusiness and, yes, poor people. For Commerce, sequestration would mean $550 million in across-the-board cuts. Where do you think that money would have gone? To help the private sector, the small business and satellite infrastructure.

For the FCC sequestration, the cut would be $17 million. Guess who is going to benefit from those dollars? You guessed it, the private sector. Now that sequester is taking effect, Republicans want to shift the blame for the cuts to Government activities benefiting even the private sector.

Our colleagues on the other side of the aisle have accused the agencies of exaggerating the negative effects of sequestration for political gain. They claim that the agencies can simply undo sequestration by eliminating wasteful and duplicative programs or reducing other spending. Well, that is exactly what we would have done without sequestration. And that is what sequestration does not allow.

And they have criticized the Administration for implementing the sequester too slowly. A Republican-controlled House required across-the-board cuts as their price for extending the Nation's debt limit and overting the first fiscal default in the Nation's history. A Republican-controlled House has continued the longstanding practice of controlling the power of the purse which by law give Federal agencies the freedom to spend money as they choose. Why do they have to spend money as Congress chooses for them and are not free to do or undo sequester on their own?

A Republican-controlled House gave the agencies until April 11th, which is 30 days after the President issued the sequester order, to submit to Congress their sequester plans. As I look at the calendar, the agencies still have a couple of weeks to go. Contrary to the accusations of some Republicans, the agencies are not late.

So, this hearing today attacks the problem caused by sequestration from exactly the wrong angle. If the Republican House does not like the effects of across-the-board cuts, why did they insist on them? Why have some embraced them? Why have some feared for them?

If the Republican House does not like the fact that agencies' hands are tied by law, and that only Congress can mitigate the damaging consequences of sequestration, why have they not changed the law? If the Republic House does not like the time that Federal agencies are using to develop implementation plans, why did they give the agencies so much of it?

The course of sequestration can still be done. This is still the House of Representatives. Today's hearing really should be entitled Sequestration Oversight: What Were House Republicans Thinking? That might be something for American businesses to ponder in the days to come.

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

Mr. FARENTHOLD. Thank you, Ms. Norton.

I now recognize the Chairman of the Subcommittee on Economic Growth, Mr. Jordan, for an opening statement.

Mr. JORDAN. Thank you, Mr. Chairman.

Real quickly, in response to the Ranking Member's statement, the reason we support reducing spending and sequestration is because we have a debt larger than our entire annual economy. We do have to cut some spending around this place and we are finally taking some modest first steps.

Second, we did try to change how this was implemented. We passed two pieces of legislation in the last Congress that passed the House of Representatives but, as with so many other bills when they get to the Senate, it went nowhere.

With that, Mr. Chairman, I will go to my statement.

Today's hearing compares the reality of sequestration with the rhetoric of this Administration. The Obama Administration has misled the American people with horror story after horror story about the sequester.

First, Education Secretary Arne Duncan went on National television and claimed that teachers were literally getting pink slips. The Washington Post, that wonderful conservative newspaper, later awarded him four Pinocchios for his claim.

Next, we had the President. I guess he didn't want to be outdone and wanted his Pinocchios as well because he claimed that janitors at the United States Capitol would receive a pay cut. Washington Post gave him the same that they gave Mr. Duncan, four Pinocchios. The President's statement prompted the Superintendent of the U.S. Capitol to email his staff to reassure them that this was not, in fact, the case.

Now, newspapers are running stories about the Administration's smoke and mirrors. A Politico headline asked, "Did President Obama Cry Wolf About the Sequester?" The answer was a pretty resounding yes and included criticism from, among others, former Democratic Pennsylvania Governor Ed Rendell.

The Chicago Tribune ran an editorial last week entitled "Truth-Squadding Sequester Hysteria, Officials Sabotage Themselves When They Manipulate, Exaggerate and Flout Common Sense." It featured pictures of children unable to tour the White House holding up signs that said, the White House is our house, please let us visit. Now, news reports are indicating that the White House may cancel the annual Easter Egg Roll. The absurdity of this action would be comical if it were not so cruel.

The USDA and the Department of Commerce are also partaking in the doomsday rhetoric. In mid-December of last year, Agriculture Secretary Vilsack issued a memo downplaying the possibility of the sequester and informed his staff that should it occur, USDA may have to consider some furloughs. Then, just a little over a month later, he changed his tune and declared that the USDA would have to furlough over 6,000 food inspectors for up to three weeks. He recently walked back that statement saying the U.S. Department of Agriculture would not seek continuous furloughs. So the obvious question is, which is it? Might happen, probably won't happen, or three weeks, 6,000 people?

The Department of Commerce said it would furlough up to 2,600 employees at the National Oceanic and Atmospheric Administration. Yet, at the same time, it is advertising job openings at NOAA and it was hit with an IG audit that found NOAA paid more than $40 million in contracts without proper justification.

Finally, let me express my disappointment with the extraordinary amount of effort it took to get the Department of Commerce and the Department of Agriculture to testify today. Despite multiple offers by the Committee to move the hearing date to accommodate these agencies, and the willingness of the Committee to accept several different alternative witnesses from each agency, the Committee ultimately had to threaten to use subpoenas to secure their testimony.

Both agencies used delay tactics and appeared to play games with the Committee in an effort to avoid testifying. Even after finally agreeing to testify, the Department of Commerce notified the Committee that it was doing so "reluctantly." I mean, this is amazing. An agency spending taxpayer dollars won't even come in front of Congress, comes reluctantly after they are given multiple opportunities, multiple dates to come and share what is happening with the American people's tax money.

The American people have heard one dire warning after another about the impact of the sequester on their lives. Yet, when it comes to accountability and answering simple questions about what agencies are doing with the American people's money they throw up one roadblock after another.

The issue has been at the forefront of the news for months. Therefore, the agencies should have been planning for months and it is inexcusable agencies would not have multiple people ready and available to talk about it.

The American people have a right to know why they continue to be misled by this Administration in an effort to score cheap political points. They deserve truth. They deserve truthful and accurate answers, not more misleading rhetoric, and we hope, we hope to get the American people these answers today at this Committee hearing.

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

Mr. FARENTHOLD. Thank you, Mr. Jordan.

We will now recognize the Ranking Member of the Subcommittee on Economic Growth, Mr. Cartwright, for his opening statement.

Mr. CARTWRIGHT. Thank you, Chairman Farenthold, and thank you to the witnesses for attending the hearing today. I know we are pulling you away from your busy schedules to speak to us about the impact of sequestration.

Everybody in this room knows that it is not crying wolf about sequestration. I come from the 17th Congressional District of Pennsylvania where we have the Tobyhanna Army Depot which employs 5,200 people, about 430 of whom are getting pink slips, all of the rest of whom are being given furlough notices.

These are people who for the last three years have not had a raise, people who have diligently and faithfully been performing their jobs, supporting the Armed Forces of the United States and now are being told that they have to take a further pay cut of 20

percent just because the people in Washington can not come together and solve this.

For anyone to say that this is crying wolf, they are sorely mistaken because people, real people, are suffering because of this sequestration.

Also to say that nothing has happened despite Republican's efforts is also a complete fallacy. Two bills were passed by House Republicans last Congress and both bills died with the Congress. House Republicans who are in charge of the United States House of Representatives right now have not acted this Congress to avert sequestration.

Congress passed the Budget Control Act of 2011 which required across-the-board cuts to each program, project and activity within each budgetary account in the event that Congress failed to enact deficit reduction legislation. Agencies are further limited to implementing these congressional-mandated cuts by longstanding laws that Congress uses to enforce its power of the purse. Together, Federal agencies cannot avoid consequences like employee furloughs or the disruption of services on which Americans depend.

For example, USDA furloughs, even if they are not on consecutive days, really matter because when there is no USDA inspector in a meat packing plant, that plant has to close down, cannot process beef, cannot process meat. It is a big deal to the American economy when there is no USDA meat inspector on the job.

Now today, we are fortunate enough to have representatives from the Federal Communications Commission, the Department of Agriculture and the Department of Commerce discussing sequestration. These agencies are each losing valuable funding as a result of these blind cuts. The FCC is losing $17 million, resulting in possible furloughs in the future. These cuts are going to create hiring freeze at a time when people need jobs the most, reducing the ability to monitor the airways.

The Department of Commerce will see significantly greater reductions than the FCC with cuts of $551 million. The Economic Development Administration will be cut by $13 million at a time when economic development should be our focus.

Sequestration will also result in thousands of lost or unfilled jobs at the National Oceanic and Atmospheric Administration. No matter what a member thinks about a manmade climate change, NOAA is responsible for weather forecasts and warnings of natural disasters like Hurricane Sandy which impacted my District and millions of people across the Country. It is irresponsible and dangerous to cut a program that gives critical and lifesaving advanced warnings of impending disasters.

In fact, these consequences are just what was intended. In 2011, House Speaker Boehner emphasized these across-the-board cuts in a meeting of the GOP Conference in an effort to win Republican support for an extension of the Nation's debt limit. Recently, Republican members have repeated their support for across-the-board cuts labeling the cuts a victory and the best thing that has happened since they came into office.

I am here to tell you, last week in my District the Greater Wilkes-Barre Chamber of Commerce, which represents many businesses and business owners in my District, wrote a letter to me to

express their disappointment with the chilling effect that sequestration will have. They wrote whether is it the thousands of jobs at the Tobyhanna Army Depot and their subcontractors, small businesses aching for a forward-moving economy, school children or those most in need in our community, the cuts will be felt across the board.

They get it. The whole Country gets it. Across-the-board cuts to every Government project, program and activity can only be stopped by Congress. I urge Republican leadership to come to the table and put a stop to this ridiculous, ridiculous sequester.

Mr. FARENTHOLD. Thank you very much, Mr. Cartwright.

I would like to ask unanimous consent at this point to enter into the record an article from Politico "Now Dems Worry, Did President Obama Cry Wolf?"

Without objection.

Mr. FARENTHOLD. Without objection, members will also have seven days to submit their opening statements for the record.

Now, we are going to go to our panel. Let me introduce the panel first.

First, we have Mr. David Robbins. He is the Managing Director of the Federal Communications Commission. Welcome, Mr. Robbins.

Mr. Michael Young is the Director of the Office of Budgetary and Program Analysis at the U.S. Department of Agriculture.

And Mr. Hari Sastry, who is the Deputy Assistant Secretary for Resource Management at the Department of Commerce.

Pursuant to the committee rules, all witnesses will be sworn in before they testify. Would you please rise with me?

Please raise your right hand. Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth and nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. FARENTHOLD. Let the record reflect that all witnesses answered in the affirmative. You may be seated.

I know each of you has submitted written testimony but in order to allow for timely discussion, especially as we have votes coming up this afternoon, we would like to ask you to summarize that and try to keep your statements within five minutes. You have a red, green and yellow light in front of you. It works just like the numerous traffic lights on the streets here in Washington, D.C. Your entire testimony will be entered into the record and available for review.

So we will start first with Mr. Robbins from the FCC.

WITNESS STATEMENTS

STATEMENT OF DAVID ROBBINS

Mr. ROBBINS. Good afternoon, Chairmen Farenthold and Jordan, Ranking Members Lynch and Cartwright and other Members of the Oversight and Government Reform Committee. It is an honor to be here with you this afternoon.

My name is David Robbins and I am the Managing Director of the Federal Communications Commission. My core role is to ensure

that the Commission's resources are allocated and utilized properly and to manage the staff that supports the FCC's programs.

I joined the Commission on September 2, 2011 after serving as the SBA's Associate Administrator for Management and Administration. Prior to that, I worked at the FTC as an Assistant Director in the Bureau of Consumer Protection. I also have more than 15 years in the private sector.

I feel privileged to serve as a public servant in an agency with such important responsibilities. The information and communications technology sector, also known as the broadband economy, is a growth and job creation engine. The Commission's work to unleash wireless spectrum, extend the benefits of broadband to all Americans, protect and empower consumers, promote competition and ensure public safety is critical to our economy and society.

But I also recognize that these are challenging budgetary times for all Federal agencies. The FCC is a small, independent regulatory agency and we already have a very lean budget, even less than in some prior years, and we currently have our lowest FTE level in more than 30 years. The Commission's activities are completely fee-funded by our licensees, and these licensees will pay the same amount to the FCC regardless of whether the monies to go the Treasury for sequestration purposes or for agency operations.

To better understand the challenges we face, it is important to review our general budget situation. For Fiscal Year 2013, the FCC requested $246 million, with $8.8 million specifically dedicated to the Office of Inspector General. Our Fiscal Year 2012 Appropriation, including OIG funds, was $339 million and the current CR provides $341 million to the agency. Sequestration requires a 5 percent cut or $17 million from the FCC's regular budget, which would result in the OIG cut of $490,000 and the non-OIG cut of $16 million.

In addition, we have limited spending flexibility for a broad range of programmatic needs outside of fixed costs. Our compensation and benefits are a large part of our fixed costs, at about 72 percent, followed by rent, utilities and a portion of our contracts which together make up another 23 percent. That means that roughly 95 percent of our budget is committed to expenditures that are difficult to change quickly, leaving us with limited options from which to address these cuts.

So our starting point for flexible budget cuts is lower than would first appear. With a budget this small and targeted, there is not sufficient room to reprioritize during the year to ensure that we can handle contingencies and emergencies that may come up.

The Commission processes over 375,000 applications a year, including 16,000 equipment authorizations, and reviews over 300,000 consumer complaints and inquiries in addition to handling a broad range of issues related to public safety and homeland security, as well as universal service reform.

It is important to note that much of what we do is highly technical and dependent upon a skilled workforce of engineers, economists, attorneys and other experienced professionals. For that reason, our budget is workforce intensive and it is for that reason that we are taking every reasonable measure to minimize the risk of furloughing our employees. But that does not mean that we will

not be forced to furlough at a later date to ensure that the agency accomplishes its mission.

As we move forward, the FCC will be instituting cuts in every part of our budget in order to ensure that we reach the goal of $17 million in cost reductions. These cuts will affect every part of our operation, including the compensation and benefits we pay our employees, the rent and utilities we pay to occupy and operate our various facilities, the contracts and agreements that we utilize to purchase goods and to provide vital services to the agency, the myriad of administration costs that all organizations have in running their day-to-day operations, the services we provide to licensees and consumers, and the work we do to fulfill our public safety and homeland security missions and to advance Congressional Directives such as universal service.

We are working hard to balance the cuts necessitated by sequestration with the need to ensure that our licensees, consumers, stakeholders and everyone with an interest in the communications industry receives the highest level of services from the employees that are on staff.

With roughly 95 percent of our budget going to our workforce, rent, utilities and contracts, it will be a difficult task to find the $17 million of cuts required under sequester without adversely impacting our workforce and the mission of the agency.

Thank you for this opportunity to testify here today and I will be please to answer your questions.

[Prepared statement of Mr. Robbins follows:]

Statement of

David Robbins

Managing Director

Federal Communications Commission

Before the

Subcommittees on

Economic Growth, Job Creation and Regulatory Affairs

And

Federal Workforce, U.S. Postal Service and the Census

Of the

Oversight and Government Reform Committee

U.S. House of Representatives

"Sequestration Oversight: Understanding the Administration's Decisions on Spending Cuts and Furloughs"

March 19, 2013

Good afternoon Chairmen Jordan and Farenthold and Ranking Members Cartwright and Lynch and other Members of the Oversight and Government Reform Committee.

My name is David Robbins and I am the Managing Director of the Federal Communications Commission. My core role is to ensure that the Commission's resources are allocated and utilized properly and to manage the staff that supports the FCC's programs. I joined the Commission on September 2, 2011, after serving as the

Small Business Administration's Associate Administrator for Management and Administration. Prior to that, I worked at the Federal Trade Commission as an Assistant Director in the Bureau of Consumer Protection. I also have 15 years experience working in the private sector in a variety of managerial and non-managerial posts.

I feel privileged to serve as a public servant in an agency with such important responsibilities. The information and communications technology sector – also known as the broadband economy – is a growth and job-creation engine. The Commission's work to unleash wireless spectrum, extend the benefits of broadband to all Americans, protect and empower consumers, promote competition, and ensure public safety is critical to our economy and society.

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To better understand the challenges we face, it is important to review our general budget situation. For Fiscal Year 2013, the FCC requested $346,782,000, with $8.8 million specifically dedicated to the Office of Inspector General (OIG). Our Fiscal Year 2012 Appropriation, including OIG funds was $339,844,000 and the current Continuing Resolution provides $341,923,845 (including the 0.612% increase contained in the bill).

Sequestration requires a five percent cut or $17,096,193 from the FCC's regular budget. The OIG cut is $490,484 and the non-OIG cut is $16,605,709.

In addition, we have limited spending flexibility for a broad range of programmatic needs outside of fixed costs. Our compensation and benefits are a large part of our fixed costs, at about 72%, followed by rent, utilities and a portion of our contracts, which together make up another 23%. That means roughly 95% of our budget is committed to expenditures that are difficult to change quickly, leaving us with limited options from which to address these cuts. So our starting point for flexible budget cuts is lower than would first appear. With a budget this small and targeted, there is not sufficient room to reprioritize to ensure that we can handle contingencies and emergencies throughout the year.

The Commission processes over 375,000 applications a year, including 16,000 equipment authorizations, and reviews over 300,000 consumer complaints and inquiries, in addition to handling a broad range of issues related to public safety and homeland security, as well as universal service reform. It is important to note that much of what we do is highly technical and dependent upon a skilled workforce of engineers, economists, attorneys, and other experienced professionals. For that reason, our budget is workforce-intensive and our professional staff is our most important asset. So the inability to backfill critical positions will have a negative, cascading effect on agency operations and our ability to carry out our mandates. We are committed to taking every reasonable measure to minimize the risk of furloughing, but that does not mean we will not be forced to furlough at a later date to ensure that the agency accomplishes its mission.

As we move forward, the FCC will be instituting cuts in every part of our budget in order to ensure that we reach the goal of $17 million in cost reductions. These cuts will affect every part of our operation, including services we provide to licensees and consumers; work we do to fulfill our public safety and homeland security missions and to advance Congressional directives such as universal service; the compensation we pay to our employees; the rent and utilities we pay to occupy and operate our various facilities; the contracts and agreements that we utilize to purchase goods and to provide vital services to the agency; and the myriad of administrative costs that all organizations have in running their day-to-day operations.

Conclusion

We are working hard to balance the cuts necessitated by sequestration with the need to ensure that our licensees, consumers, stakeholders and everyone with an interest in the communications industry receives the highest level of service from the employees that are on staff. With roughly 95% of our budget going to our workforce, rent, utilities, and contracts, it will be a daunting task to find the $17 million of cuts required under sequester without adversely impacting our workforce and the mission of our agency.

Thank you for this opportunity to testify here today and I will be pleased to answer your questions.

Mr. FARENTHOLD. Thank you very much, Mr. Robbins.

We will now proceed to Mr. Young from the USDA.

STATEMENT OF MICHAEL L. YOUNG

Mr. YOUNG. Thank you, Mr. Chairman.

Mr. Chairmen, Ranking Members and Members of the Subcommittees, my name is Michael Young. I currently serve as the Director of the Office of Budget and Program Analysis which is essentially the Department's central budget office. I have been in this position for just over two years but essentially I have served nearly my entire career within the office in various other positions.

The 2012 budget for the Department of Agriculture was about $152 billion which made it the fifth largest budget in the Federal Government. As I mention in my written statement, the Department manages a very wide range of programs including nutrition assistance, food safety, conservation, research and, of course, the farm programs. Based on the annual appropriation acts, farm bills and other authorizing statutes, USDA has an extensive and detailed account structure.

In terms of the sequester, the Balanced Budget Statute exempts several of the Department's larger programs from sequestration. These exemptions include the Supplemental Nutrition Assistance Program, the Child Nutrition Program, the Conservation Reserve Program and most of the Federal Crop Insurance Program, among others.

For the programs that are not exempt, the sequestration order signed by the President on March 1st requires a reduction of 5 percent to the discretionary funds and 5.1 percent to the mandatory funds. For the Department of Agriculture, that translates into a reduction of almost $2 billion.

The statute provides requirements on how the reductions are to be calculated by the Office of Management and Budget and allocated across the Department's programs, projects and activities. OMB calculates the sequestration percentage that applies to each account and has now sent a report to the Congress showing those amounts.

The statute then requires that the reductions be applied equally to each PPA, each program, project and activity, within a budget account. Applying the definitions in the statute, USDA has identified over 920 PPAs in more than 110 separate accounts.

At USDA, we began the process to identify these PPAs and apply the Balanced Budget Act special rules on exemptions back in December of 2011. This became a longer term process and certainly intensified during the summer of 2012. This process has involved significant effort, working closely with agency-level budget officers, the Office of the General Counsel and the Office of Management and Budget.

Following this effort, agencies have been responsible for planning how to implement the sequestration given their specific account structure and the PPAs within those accounts. As the agencies move forward, the Secretary has asked them to implement sequestration in an equitable and fair manner and in the least disruptive manner possible that protects the ability to perform the USDA mission to the extent possible.

However, depending on the specific structure of an agency's accounts and the laws applicable to those accounts, more or less flexibility may be available to minimize the impact of the reduction.

To that end, I described in my written statement an example where the Department could use a limited transfer authority that we have which allows for transfers of up to 7 percent among accounts within an individual USDA agency. As an update, I would just note for the Committee that the Secretary announced earlier today his intention to use this limited transfer authority to reduce the disruptive impacts of the sequester in some of the farm payment programs.

In contrast, as members are likely aware, the Food Safety and Inspection Service identified a need to furlough employees for an estimated 11 days as a result of the sequester. However, the interchange authority would not assist FSIS in addressing its shortfall because there simply are no other accounts from which that agency could transfer funds to offset a shortfall.

Mr. Chairman, that is a very brief overview of some of the work underway at the Department of Agriculture to implement the sequester. I would be glad to respond to the questions you and members of the subcommittees may have.

[Prepared statement of Mr. Young follows:]

Statement by
Michael L. Young
Director, Office of Budget and Program Analysis
United States Department of Agriculture
Before the House Oversight and Government Reform Committee
Subcommittee on Economic Growth, Job Creation and Regulatory Affairs
Subcommittee on Federal Workforce, United States Postal Service and the Census
March 19, 2013

Mr. Chairmen, Ranking Members, and members of the Subcommittees, it is a privilege to be here today to talk with you about the implementation of the sequestration ordered on March 1, 2013, in accordance with the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended, within the Department of Agriculture (USDA).

The 2012 budget for USDA was $151.8 billion, which was the 5th largest budget in the Federal government. USDA's discretionary program budget authority, about $24 billion, or about 16 percent of total USDA budget authority, includes the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); food safety; rural development; research; marketing and technical assistance; soil and water conservation technical assistance; Forest Service programs; international programs; and program management. Mandatory budget authority comprises about 84 percent of the budget, or $127.7 billion in FY 2012. These programs include commodity and trade programs, crop insurance, a number of conservation programs, and the larger domestic nutrition assistance programs (such as the Child Nutrition and Supplemental

Nutrition Assistance Programs). Based on the annual appropriation acts, farm bills, and other authorizing statutes, USDA has a very complex and detailed account structure.

As Members are aware, the President was required by law to issue a sequestration order on March 1, 2013, canceling $85 billion in budgetary resources across the Federal government for the remainder of the fiscal year. Sequestration requires a reduction of 5 percent to non-exempt non-defense discretionary funds and 5.1 percent to non-exempt non-defense mandatory funds. Moreover, because these cuts must be achieved over the remaining seven months of the fiscal year, the effective percentage reductions are closer to 9 percent.

The statute exempts several of the Department's larger programs from sequestration. Those exemptions include: the Supplemental Nutrition Assistance Program; Child Nutrition Programs, including the National School Lunch Program, but excluding the Special Milk Program; the Commodity Supplemental Food Program; the Conservation Reserve Program; and prior obligations of the Federal Crop Insurance Program.

As a result of sequestration, the Department's overall budget has been reduced by nearly $2 billion for the remainder of the fiscal year. About two thirds of those cuts come from programs funded by discretionary appropriations and one third from mandatory programs, including those authorized through the Farm Bill.

The statute provides requirements on how the reductions are to be calculated by the Office of Management and Budget (OMB) and allocated across the Department's programs, projects, and

activities (PPA). OMB calculates the sequestration percentage that applies to each account. The statute then requires the reductions to be applied equally to each PPA within a budget account.

The statute defines PPAs as the items delineated in an appropriation Act or accompanying report, or, for items not provided for in an appropriation Act, in the President's budget. For USDA, that includes the most specific level of budget items identified in the Agriculture and Interior appropriation acts and accompanying reports. There are separate PPAs for each research location for the Agricultural Research Service and separate PPAs for each State for several Farm Service Agency accounts. Overall, USDA has identified over 920 PPAs in more than 110 separate accounts.

The Department began the process to identify PPAs and apply the BBEDCA's special rules on exemptions in December 2011. Given the broad scope and varied nature of USDA programs and funding accounts and the unique nature of sequestration, its application is complex and has involved significant effort working closely with agency budget officers, the Office of the General Counsel, and OMB. Agencies have been responsible for planning how to implement sequestration given their account structure and PPAs within those accounts. As the agencies move forward, the Secretary has asked them to implement sequestration in an equitable and fair manner, and in the least disruptive manner possible that protects the Department's ability to perform our mission above all else to the extent possible. To that end, where appropriate, the Department could use its limited interchange transfer authority (7 U.S.C. 2257), which allows for transfers of up to 7 percent among certain accounts within an individual USDA agency, and reprogramming authority as it implements sequestration. However, depending upon the specific

structure of an agency's accounts and the laws applicable to those accounts, more or less flexibility may be available to minimize the impact of the reductions. For example, based on the account structure of the programs administered by the Farm Service Agency, the Secretary could use the limited interchange authority to transfer funds among the several mandatory farm programs to avoid the administrative burden and disruption many producers would face if required to refund a portion of payments they have already received. In contrast, as Members are likely aware, the Food Safety and Inspection Service (FSIS) is in a position of potentially needing to furlough employees for up to 11 days as a result of sequestration. The interchange authority would not assist FSIS in addressing its shortfall because there are no other accounts from which the agency could transfer funds to offset the shortfall.

In closing, I would reiterate that the USDA budget is complex and covers a broad range of programmatic activity. This complexity, when combined with the requirements of the statute and current uncertainty regarding full-year funding levels, presents a wide range of challenges when implementing sequestration in the various agencies and offices of the Department.

Mr. Chairmen, I hope that this overview is useful to the Subcommittees. I would be glad to answer questions you and members of the Subcommittees may have.

Mr. FARENTHOLD. Thank you for your testimony, Mr. Young, and I applaud your administrators' efforts to make this as painless as possible.

We now go to Mr. Sastry from the Resource Management Department at the Department of Commerce.

You are recognized for five minutes, sir.

STATEMENT OF HARI SASTRY

Mr. SASTRY. Mr. Chairman, Members of the Committee, I want to thank you for inviting me to this hearing on the impact of sequestration on the Department of Commerce.

We appreciate your interest in protecting the Department's mission and the many services we provide to the American public. The Department values the Joint Subcommittees' oversight role and is committed to working with you on this important issue.

Before getting into the impacts, I would like to give you a few words about my background. I spent 13 years as a career civil servant under both Republican and Democratic Administrations, 11 of those years were at the Office of Management and Budget as both a program analyst and branch chief working in the area of Veterans Affairs and Defense Health.

For nearly two years, I have worked at the Department of Commerce as a Deputy Assistant Secretary for Resource Management. My responsibilities include aligning the formulation and execution of the budget with the Department's policy priorities. I also lead the Departments' Enterprise Risk Management.

As you know, the President was required by law to issue a sequestration order on March 1, 2013. As a result of this action, approximately $85 billion in budgetary resources across the Federal Government were canceled. Of that, $567 million were canceled within the Department of Commerce, which include $16 million from the Sandy Supplemental. For our larger bureaus, sequestration means budget cuts of $270 million to NOAA, $46 million to the Census Bureau, and $38 million to NIST.

In planning for and applying the cuts required by sequestration, our primary focus has been on protecting our mission. However, no amount of careful planning can mitigate the short-and long-term effects these cuts will have on the Department's ability to deliver on critical parts of our mission to serve the public.

Sequestration is unprecedented and the planning process has been confounded by the fact that we are currently operating under budgetary uncertainty with the current CR. Communities will feel the impacts as we are forced to reduce grants to States, localities and universities as well as renegotiate and potentially terminate contracts with private sector firms.

Our bureaus are already feeling the impacts as we are forced to implement hiring freezes, curtail or cancel training, and halt critical program investments. While we have worked hard to manage the challenges of sequestration as best we can within the context of this Fiscal Year, the longer it is in effect the more our ability to accomplish the Department's mission is degraded.

There is not a one-size-fits-all approach to this planning and, just have you have seen differences across departments, there are differences among our bureaus as well. The Department of Commerce

is extremely diverse, both in terms of the mission we administer and the populations we serve, as well as the makeup of our budget and the challenges posed by sequestration. Planning has been complex and we are continually refining our efforts as we work to protect our mission under sequestration.

Let me give you one quick example. Our Geostationary Operational Environmental Satellite, or GOES–R Program, is a critical component of our weather forecasting and will be one of the primary tools for the detection and tracking of hurricanes and severe weather. In order to maintain the current schedule to launch the first satellite in 2015, this program requires a $186 million increase in 2013.

Based on the information available to us, we initially projected a two to three year slip in launching the first GOES–R satellite. However, recently the House passed a CR supporting this program with significant increases and the Senate is due to follow suit. We will now adjust our plans to factor in these new possible funding levels. This is just one example of how the uncertainty drives continual updates and changes to our planning efforts.

Current law requires that all agencies submit operating plans by March 31st, but the passage of the CR under debate would amend that date and also change our projected funding levels. In the meantime, recognizing that the situation is still in flux as Congress completes its work, I am happy to answer your questions as best I can.

[Prepared statement of Mr. Sastry follows:]

WRITTEN TESTIMONY BY
HARI SASTRY
DEPUTY ASSISTANT SECRETARY FOR RESOURCE MANAGEMENT
OFFICE OF THE SECRETARY
U.S. DEPARTMENT OF COMMERCE

LEGISLATIVE HEARING ON SEQUESTRATION OVERSIGHT

BEFORE THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON ECONOMIC GROWTH, JOB CREATION, AND REGULATORY AFFAIRS
SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND THE CENSUS

U.S. HOUSE OF REPRESENTATIVES

MARCH 19, 2013

Mr. Chairman and members of the Committee, I want to thank you for inviting me to this hearing on the impacts of sequestration on the Department of Commerce. We appreciate your interest in protecting the Department's mission and the many services we provide to the American public. The Department values the joint subcommittee's oversight role and is committed to working with you on this important issue.

Before getting into the impacts, I would like to give you a few words about my background. I have spent 13 years as a career civil servant -- under both Republican and Democratic Administrations. Eleven of those years were at the Office of Management and Budget as a program analyst and branch chief working in the areas of Veterans Affairs and Defense Health. For nearly two years, I have worked at the Department of Commerce as the Deputy Assistant Secretary for Resource Management. My responsibilities include aligning the formulation and execution of the budget with the Department's policy priorities. I also lead the Department's Enterprise Risk Management.

As you know, the President was required by law to issue a sequestration order on March 1, 2013. As a result of this action approximately $85 billion in budgetary resources across the Federal Government were canceled. The order cancelled $567 million in budget resources from the Department of Commerce, including $16 million from funding provided through the Sandy Supplemental. For our larger bureaus, sequestration means budget cuts of $270 million to NOAA, $46 million to the Census Bureau, and $38 million to NIST.

In planning for and applying the cuts required by sequestration, our primary focus has been on protecting our mission. However, no amount of careful planning can mitigate the short-term and long-term effects these cuts will have on the Department's ability to deliver on critical parts of our mission to serve the public. Sequestration is unprecedented and the planning process has been confounded by the

fact that we are currently operating under budgetary uncertainty with the current CR. Communities will feel the impacts as we are forced to reduce grants to states, localities, and universities as well as renegotiate and potentially terminate contracts with private sector firms. Our bureaus are already feeling the impacts, as we are forced to implement hiring freezes, curtail or cancel training, and halt critical program investments. While we have worked hard to manage the challenges of sequestration as best we can within the context of this fiscal year, the longer it is in effect, the more our ability to accomplish the Department's mission is degraded.

There is not a one size fits all approach to this planning, and just as you have seen differences across Departments, there are differences among all of our twelve bureaus as well. The Department of Commerce is extremely diverse, both in terms of the mission we administer and the populations we serve, as well as the makeup of our budget and the challenges posed by sequestration. Planning has been complex and we are continually refining our efforts as we work to protect our mission under sequestration.

Current law requires that all agencies submit operating plans by March 31st, but passage of the CR under debate would amend that date and also change our projected funding levels. In the meantime, recognizing that the situation is still in flux as Congress completes its works, I am happy to answer your questions as best I can.

Thank you.

Mr. FARENTHOLD. Thank you very much, Mr. Sastry.

Just as a matter of housekeeping, we are expecting votes in the House of Representatives in about five minutes on a couple of procedural matters in the rule for considering the budget. We will start. I will do a five minute round of questions, we will let Ms. Norton do a five minute round of questioning, and then we will take a recess and reconvene here immediately after the votes to allow the other members who have questions the opportunity to ask questions. But, obviously our first responsibility is to vote on the matters on the Floor of the people's House.

So with that, I will recognize myself for five minutes of questioning.

Mr. Sastry, we will start with you. You were talking a little bit about the two NOAA satellites. I understand there has also been some problems with scheduling and management with these two satellites since 2007 when the Commerce IG issued a critical report. Is it really fair to blame the sequester for the problems with these satellites?

Mr. SASTRY. These satellites are critical to our weather forecasting capability which the Department takes very seriously. We have worked very closely with the IG on the issues that they have brought up going forward and we consider that a strong partnership.

Mr. FARENTHOLD. Well, the problem is that we have been struggling with these for a long time.

I also understand that your staff told this Committee that you would be testifying here reluctantly because you don't think you are in a good position to describe DOC's sequestration impacts with certainty. So I want to ask you, are you aware of page four of the February 8th letter from Deputy Secretary Rebecca Blank to the Senate Appropriations Committee Chairman outlining some of the impacts of sequestration on the Department of Commerce?

Mr. SASTRY. Yes, I am.

Mr. FARENTHOLD. Are you also aware that the letter referenced at least some of these sequester impacts as certain?

Mr. SASTRY. Yes.

Mr. FARENTHOLD. But today you are still not able to give us a great degree of certainty. What has changed between then and now?

Mr. SASTRY. When we responded to the Chairwoman's letter in early February, we had a set of assumptions and a set of estimates based on the information we knew at that time. Since then, we have had several changes that occurred from the Sandy Supplemental to the House CR to the Senate CR. Each of those required us to continually update our planning efforts.

Mr. FARENTHOLD. All right. I am going to request that we enter that February 8th letter into the record. Without objection, so ordered.

Mr. Young, let's talk a little bit about the USDA. One of my ongoing concerns is, and I mentioned it in my opening statement, is that we are trying to make this as painful as possible on people and I don't think that is appropriate coming out of the White House or the agencies.

I am an old radio guy. Mr. Robbins could probably look up when I first got my FCC license, assuming their computers work. But you all have spent in the past couple of years just a ton of money, a Hungry Pest Campaign, $942,200 for a marketing campaign, and a Save Our Citrus Campaign, I have actually heard those PSAs, and spent $200,000 to produce some PSAs.

Now, as an old radio guy, that is a lot of money to produce a PSA. I checked with the station I used to work for. They are running them for free. If you all want to do some more, I will do them for free in my office for you.

It just seems like we ought to be able to find some of these savings in these contracts or in other areas without laying off some people. Don't you think we might be able to do that? There is also one, the question here says I am supposed to ask you about a Smokey the Bear statute. Having heard the PSAs, I realize it is not Smokey the Bear, it is Smokey Bear. Do you think we could maybe save some money on this production?

Mr. YOUNG. Sir, I am not specifically familiar with the items that you mentioned. However, I would note that most of those, the Smokey Bear item would be in the Forest Service, they are not projecting to have a furlough, and the others sound as though they may be in the Animal and Plant Health Inspection Service, and they also are not planning a furlough.

Mr. FARENTHOLD. So I think in your testimony you said you have a 7 percent ability to move around those cuts. Why are we just getting to this now when we have known about sequestration for a year?

Mr. YOUNG. Yes, sir. The authority that we have, it is called the Secretary's Interchange Authority, and that allows for the Secretary to transfer up to 7 percent from one account within an agency to another account within that same agency. It is not available to the Forest Service due to a proviso in the Interior Appropriations.

Mr. FARENTHOLD. So, would you all be better off if we were to do an Ag Appropriations Bill and get it through the Senate and operating under a CR?

Mr. YOUNG. It would provide more certainty, certainly, for operations.

Mr. FARENTHOLD. All right. And let me get to Mr. Robbins before I am out of time.

You said the FCC, with a really tight budget, it looks like you probably are going to be able to pull this off without furloughs. I applaud you for that and hope you can do it. When did you all start planning for this?

Mr. ROBBINS. Sir, at the FCC, my teams spend a lot of time all of the time trying to make sure we are managing our budget well. So, sequestration, which we knew passed back in 2011, we have been working hard to ensure that from hiring to contracts to every part of our budget that we are managing the funds we have been given appropriately.

Mr. FARENTHOLD. So regardless of the OMB letter saying do not worry about sequestration, you all followed my grandmother's advice and planned for the worst and hoped for the best.

All right. I see I am out of time. I will now recognize the gentlelady from the District of Columbia for 5 minutes and 30 seconds.

Ms. NORTON. Mr. Chairman, I defer to the Ranking Member of the Full Committee, Mr. Cummings.

Mr. CUMMINGS. I want to thank the gentlelady for yielding.

When you cut $85 billion out of a budget over a course of seven months, there are consequences. Duh. Mr. Chairman, In today's hearing, the Majority wants people to believe that the across-the-board cuts that are coming are a choice made by the Administration and that the Administration has alternatives to cutting everything.

To our witnesses, is it not true that by law sequestration means across-the-board cuts to every program, project and activity? Please answer, gentleman, I do not have a lot of time. Go straight across.

Mr. SASTRY. Yes.

Mr. CUMMINGS. Yes.

Mr. YOUNG. Yes.

Mr. CUMMINGS. Yes.

Mr. ROBBINS. Yes.

Mr. CUMMINGS. Yes. Thank you.

The phrase "program, project and activity" that is a direct quote from the Budget Control Act of 2011 that the Congress, we did that, which means the most granular and specific level of spending. Is that right? Is that correct? Quickly, gentlemen.

Mr. SASTRY. Yes.

Mr. YOUNG. Yes, sir.

Mr. ROBBINS. Yes.

Mr. CUMMINGS. So the law says, the law that we created, we created this now, says that Federal agencies must make across-the-board cuts to everything, and Congress writes the laws. Now, some in the Majority have recently asserted that Federal agencies have the power to reprogram and transfer funds away from wasteful or duplicative purposes to more meritorious ones and in that way they can undo the across-the-board cuts caused by the sequester. My, my, my.

For instance, Chairman Issa sent letters to the Federal agencies seeking suggestions for specific program reductions for elimination "that would be more beneficial to the American people than the across-the-board sequestration." The letter suggests that agencies have flexibility to not make cuts across the board but rather selectively cut "wasteful spending" to achieve the congressionally-required reductions in spending.

Now, to our witnesses, sequestration has imposed a 13 percent across-the-board cut to everything in the Defense Budget and a 9 percent reduction to everything in the non-Defense budget. Do you have legal authority to restore, by reprogramming or transferring funds, those cuts right now without prior authorization from us, the Congress?

Mr. SASTRY. No.

Mr. YOUNG. Sir, we have the authority as I described.

Mr. CUMMINGS. That 7 percent that you talked about?

Mr. YOUNG. Yes, the 7 percent. But that does require us to notify the Appropriations Committees 30 days in advance of making such a transfer.

Mr. CUMMINGS. And you, sir?

Mr. ROBBINS. No, sir.

Mr. CUMMINGS. Is it not true that each of your agencies is restricted by appropriation acts and authorizing statutes from reprogramming or transferring funds to a degree necessary to completely restore the across-the-board cuts that sequestration requires?

Mr. SASTRY. We cannot transfer that much. That is correct.

Mr. YOUNG. Again, just with the caveat on our specific authority.

Mr. ROBBINS. I would just note the FCC has really one account. As a small agency, we are a bit different than the others who are testifying.

Mr. CUMMINGS. And how is that? Talk to me.

Mr. ROBBINS. We have one account.

Mr. CUMMINGS. Okay. All right. So, the law that Congress wrote, that we wrote, we wrote this, now, requires everything to be cut under sequestration and the laws that Congress wrote restrict Federal agencies from restoring those cuts on their own without new authority from Congress. In other words, Congress is responsible for creating across-the-board cuts and for enforcing them. That is just what the House Republicans intended all along.

In 2011, House Speaker Boehner emphasized that the price of extending the Nation's debt limit would be across-the-board cuts we are now seeing. Will staff put up the slide? Here is a slide created by Speaker Boehner to use in his presentation to the House GOP Conference in July, 2011. He used this slide to convince the GOP Conference to go along with an extension of the debt limit and avert default.

Look at what it says: "A new sequestration process to cut spending across the board and ensure that any debt limit increase is met with greater spending cuts." The only reason the House of Representatives voted to steer the Country away from the first financial default in its history was Speaker Boehner's promise that across-the-board cuts to everything would follow and would not be reversed.

With that, I see my time is out.

Mr. FARENTHOLD. Thank you very much.

And, as we are in votes now in the House of Representatives, we will take a recess. It will probably be around a half an hour or so that we will be gone for votes. We will reconvene as soon as votes are over. I am not going to give you a specific time. You all are welcome to move back to the Majority Lounge and make yourselves comfortable. We will be back and we appreciate your patience as we do the people's business.

So, without objection, we are in recess.

[Recess.]

Mr. FARENTHOLD. At this point, I think we are on the Republican side of the aisle so we will recognize Dr. DesJarlais, the gentleman from Tennessee, for five minutes.

Mr. DESJARLAIS. Thank you, Mr. Chairman, and bear with me while we gather our thoughts here. It was a short interruption.

Mr. Young, how did you interpret a July 31, 2010 OMB memo about the potential for sequestration and instructed agencies to continue normal spending and operations since more than five months remain for Congress to act? Did you follow that?

Mr. YOUNG. Well, sir, I would say that agencies did continue to have their full funding available. But I would indicate that a number of agencies had been taking actions to take reductions in various areas. I would say that a couple of the agencies, a few of the agencies, had closed a number of field offices and taken some other actions to reduce their spending.

Mr. DESJARLAIS. So you are saying that you did prepare for this?

Mr. YOUNG. Yes.

Mr. DESJARLAIS. Okay. According to USA Jobs last week, the USDA is advertising 152 open positions while at the same time announcing the furloughs of meat inspectors. Some of these open positions are things such as a visitor service information assistant at a salary of $31,000, a position for a liaison specialist with a salary of $47,000, Pathways intern student trainee salary $44,000 and so on, an agriculture commodity grader with a salary of $69,000. Why is the USDA advertising open positions for food inspectors while planning to furlough inspectors?

Mr. YOUNG. Well, it sounds like a number of those titles that you read off there would likely be in other agencies. I know that the Food Safety and Inspection Service that employs the meat and poultry inspectors has had a hiring freeze on for positions that are not in their frontline inspection system. I think those would possibly be positions in other agencies. I am not familiar with the specific ones that you mentioned but they may well be in other agencies that are not planning furloughs.

Mr. DESJARLAIS. Okay. So a position for a food inspector, salary $50,000, is that not in the same department as the meat inspectors?

Mr. YOUNG. That could be in the Food Safety and Inspection Service. I do not know the specifics regarding that instance. I would be happy to look into it for the record.

Mr. DESJARLAIS. Okay, so you are saying that the 152 jobs that are advertised just as of last week should not impact the plans to furlough meat inspectors?

Mr. YOUNG. No, sir, because I am guessing again to the extent that those positions are in other agencies, we just would not have any means to shift the funds from those other agencies to avoid the FSIS furloughs.

Mr. DESJARLAIS. Okay. How is it prioritized, how is the USDA prioritizing its furloughs? For example, is USDA prioritizing cutting conference and travel costs over furloughing employees and if so, how?

Mr. YOUNG. Yes, there have been reductions in both travel costs and conference spending.

Mr. DESJARLAIS. What are they cutting in terms of conference and travel spending?

Mr. YOUNG. I may be able to get you a number here. From 2010 to 2011, we reduced the number of conferences by 76 and the cost by $6.4 million.

Mr. DESJARLAIS. Okay. Let's talk about bonuses. I understand the USDA spent $33 million on bonuses for employees in Fiscal Year 2011. Did you issue bonuses in Fiscal Year 2012?

Mr. YOUNG. Yes. I know that some agencies did.

Mr. DESJARLAIS. Okay, so $33 million in 2011. How much in 2012?

Mr. YOUNG. I am not sure that I have that information with me today. I would be happy to get that for the record.

Mr. DESJARLAIS. Were they awarded for food inspectors?

Mr. YOUNG. I would have to check on that, sir.

Mr. DESJARLAIS. And you would not know how much then?

Mr. YOUNG. No, sir.

Mr. DESJARLAIS. Okay. With sequester looming, do you think it is responsible budgeting to hand out bonuses?

Mr. YOUNG. As I understand, there is guidance that we will not be issuing bonuses at this time.

Mr. DESJARLAIS. So you don't plan on doing that this year?

Mr. YOUNG. Other than those that are, any that might be required by law.

Mr. DESJARLAIS. There are laws that require bonuses?

Mr. YOUNG. Apparently. That would be a little bit out of my bailiwick. It is probably more in the Human Resources area.

Mr. DESJARLAIS. Thank you, Mr. Young.

Mr. JORDAN. [Presiding] I thank the gentleman. I will now yield to the gentlelady from the District of Columbia, Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman. I just want to clarify that my good colleague on the other side indicated, and it is very important, these differences, that the OMB indicated that you should continue to spend at normal rates because we were five months away from the sequester.

I would have hoped that you would spend at normal rates because normal rates would have meant that we were already into a 10-year spending reduction that had been required to avoid the debt ceiling debacle. So, you were already in a cut mode and, as you have just replied, spending at normal, to be sure cut rates, did not imply that you were not planning for what would happen in case of sequester.

But if I may say so, I would have thought that the American people and many of us here would have thought that the sequester would not occur because it is among, you look at the annals of Congress, perhaps falls into, outside of what Congress has done even in its most insane moments.

It has been suggested that you could find savings in, I don't know, Smokey Bear, and that it looks like the President is trying to indeed make the sequester as painful as possible. The last time I heard, that was the point of sequester. It was a hammer so painful that responsible members of Congress would never engage in it. But it was not something that the President was supposed to do, it was something that the sequester said you will do if you do not make the cuts in a balanced way or in a way that both sides can agree.

Now, I just want to clarify, therefore, when it says why are you not finding savings here, there and the other place that would be more sane to cut than, for example, meat and poultry plant inspec-

tion personnel, suppose you, this goes to any of the three of you, suppose you had found an administrative level, two or three administrative employees, that would be easier to cut than poultry inspectors, easier in the sense that you could do without them, to use that example, more easily without that layer of administrative cutting corners, to be sure, than you could do without poultry inspectors.

Could you have made, even if you found that level of savings needed in administrative positions, could you have made that choice under sequester? Could I have your answers?

Mr. ROBBINS. I think for the FCC, we have been managing our head count and our FT very carefully for quite some time. We subject every hire we do to a careful scrutiny. There is no automatic backfills. I suppose the answer for the FCC would be yes, although as I have mentioned earlier, while we are not currently planning to do furloughs, it is something that we cannot take off the table.

Ms. NORTON. Well, Mr. Robbins, I want to ask you about the FCC because your agency, I believe, is not funded by the American people as much as by regulatory fees. Is that the case?

Mr. ROBBINS. Yes, it is.

Ms. NORTON. So those fees are paid by business?

Mr. ROBBINS. Correct.

Ms. NORTON. Well, how are you subject to the sequester?

Mr. ROBBINS. Sequestration applies to the regulatory fee funded portion of the agency.

Ms. NORTON. So what happens? Do those who owe the funds, which are necessary of course to carry out the functions of the agency, do they get a break from paying the fees?

Mr. ROBBINS. No, they do not.

Ms. NORTON. Where do those funds go?

Mr. ROBBINS. Those fees will be collected, as required by our appropriation, and placed over at Treasury.

Ms. NORTON. Could I ask, in Agriculture we hear that there may well be the need for fund cuts, but not at FCC. Is this because some agencies are more labor intensive than others? It is not very pleasant for the American people who have seen some food scares in the last years to hear that plant, that poultry and meat inspectors could be cut.

What is the difference between these two agencies, one perhaps not needing furloughs, the other, Mr. Young, needing furloughs?

Mr. YOUNG. Well, I am not familiar with the specifics of the FCC.

Ms. NORTON. No, just discuss your agency, Mr. Young.

Mr. YOUNG. In terms of our Food Safety and Inspection Service, I would note that about 80 percent of that budget is devoted just to salaries and benefits, another 15 percent of it is spent on support activities for the frontline inspection process. And so, that essentially leaves very little flexibility.

Ms. NORTON. So it is labor intensive.

Mr. YOUNG. Very labor intensive, yes, madam.

Ms. NORTON. Does it have an effect upon the businesses you deal with?

Mr. YOUNG. If the inspectors are furloughed, those plants would not be able to sell their product in commerce.

Ms. NORTON. And if I just may see the difference then with Mr. Robbins whose fees comes from business and who believes that he may not have to do furloughs, the reason for that is, besides making savings before the sequester set in, are there any particular reasons based on the nature of the Commission?

Mr. ROBBINS. Just as my colleague, Mr. Young, had the difficult time time knowing what the difference between our agencies are, I also have the same problem. I would say for the FCC we have been trying to be careful stewards of the dollars that you have given us.

Ms. NORTON. What kind of cut have you taken so far?

Mr. ROBBINS. Our cut will be $17 million under sequestration.

Ms. NORTON. What percentage is that of your budget?

Mr. ROBBINS. So, as a percentage of the budget it is 5 percent.

Ms. NORTON. No, I am talking about before sequestration. You said you had been taking cuts and making savings before sequestration. That was part of the point I made earlier, that cuts were already in existence.

Mr. ROBBINS. I would say we have been carefully managing our budget and that has included being careful about how we hire people. So we are at a 30-year low right now as well as finding savings in every other part of our budget.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. JORDAN. Thank you. I recognize the gentleman from Arizona, Mr. Gosar.

Mr. GOSAR. Thank you very much, Mr. Chairman, and I thought sequestration was a backstop to have responsible Government, not to make it painful to the American people but have responsible Government. I think that is the first think I would like to address to the gentlelady.

But my question for you, Mr. Young, is this the first time that we have gone through sequestration?

Mr. YOUNG. No, sir. I believe that there were sequestrations in the late 1980s and perhaps in 1990.

Mr. GOSAR. Let me ask you a question. Did you think it was going to go through?

Mr. YOUNG. Well, we certainly realized that it was a potential, yes, sir.

Mr. GOSAR. How about you, Mr. Sastry?

Mr. SASTRY. We also thought there was a potential that it would go through.

Mr. GOSAR. Now, my understand is it is a two-way street, that you can also ask Congress in regards to making these cuts a little bit different. Is that not true, Mr. Sastry? That it is a two-way street in communication in regards to sequestration, is it not?

Mr. SASTRY. This sequestration law itself had very limited flexibility.

Mr. GOSAR. But you can ask Congress to give you that flexibility, can you not?

Mr. SASTRY. We can request reprogramming.

Mr. GOSAR. Yes, you can. Did it ever come from your agency? It did not. How about you, Mr. Young?

Mr. YOUNG. Yes, sir.

Mr. GOSAR. You actually wrote a letter in regards to this?

Mr. YOUNG. We, the Secretary did just sign a letter this morning with regard to transferring some funds within our Farm Service Agency.

Mr. GOSAR. No, but I am asking you did you petition Congress in regards to having some more flexibility within the agency?

Mr. YOUNG. We——

Mr. GOSAR. You did not. How about you, Mr. Robbins?

Mr. ROBBINS. As I mentioned earlier, the FCC only really has one account. And so, transferring funds is not the same issue for us.

Mr. GOSAR. Right.

Mr. JORDAN. Would the gentleman yield for one second?

Mr. GOSAR. Sure.

Mr. JORDAN. Mr. Young and Mr. Sastry, have you responded to Chairman Issa's letter asking you for ways that maybe we could work together and give you more flexibility? Have either of you responded to that letter?

Mr. SASTRY. I do know we received it and we are working on it, but we not yet responded.

Mr. JORDAN. You have not? Even though you have had 20 months to get ready for this? Mr. Young?

Mr. YOUNG. Sir, we are also in the process of putting together the response.

Mr. JORDAN. Thanks. I yield back.

Mr. GOSAR. I appreciate that, Mr. Chairman.

Let me ask you, Mr. Sastry, you are from OMB, right? Five years experience?

Mr. SASTRY. Previously, yes.

Mr. GOSAR. And do you follow the publication?

Mr. SASTRY. I am sorry, which publication?

Mr. GOSAR. Do you look over OMB waste, fraud and abuse within the agencies? Do you follow that at all? Have you looked that up recently?

Mr. SASTRY. The report from OMB on fraud and abuse?

Mr. GOSAR. Yes.

Mr. SASTRY. I have not read that report.

Mr. GOSAR. I am going to kind of pinpoint something for you. OMB actually looked at the prevailing wage and when they did an audit of the prevailing wage, more commonly known as Davis-Bacon, there was a 100 percent error rate in the calculations of it. And I want workers to be paid fairly. The majority of them are overpaid, heavily, on programs. But a lot of them were not paid adequately.

Do you know that if we recalibrate the prevailing wage, which is, I think very prominent in Commerce, I know it is very prominent in Agriculture, I do not know about you, Mr. Robbins, but you would save tens of billions of dollars? What I would like you to do is look within your agencies and see that cost savings and report back to the Committee if we actually took and calculated the prevailing wage appropriately. Because I think it is a very pointed aspect in regards to OMB that could give us a lot of savings.

But I am also going to ask you, you know, I am a private sector person. When you look at budgets, I mean, you have got to look at things that work and things that do not. You are always, and Mr.

Robbins I want to compliment your stewardship of the taxpayer dollars, but I find it disdainful when we are not looking at programs and looking at managing those monies much better.

Mr. Young, did you ever enter private business, sign the front end or back end of a paycheck?

Mr. YOUNG. I am sorry, sir, the question again?

Mr. GOSAR. Did you run a private business?

Mr. YOUNG. I have not run a private business.

Mr. GOSAR. How about you, Mr. Sastry?

Mr. SASTRY. No, I have not run one.

Mr. GOSAR. I would like that, hopefully that we would get some more principles of understanding in regards to public accountability of the public tax dollars.

Mr. Speaker, I will just yield back the balance of my time.

Mr. JORDAN. I thank the gentleman. I now recognize the gentleman from Pennsylvania, the ranking member, Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Mr. Chairman.

The Administration did not decide to impose across-the-board cuts to spending at Government agencies. It was Congress that did that, using Congress' power of the purse. And Congress also required Federal agencies to submit their sequestration plans 30 days after the President signed the Sequestration Order. He did that on March 1st, which means that the agencies here today are going to need to submit their plans by April 1st. Now by my reckoning, Mr. Chairman, criticizing Federal agencies on March 19 for not having their sequestration plans that are due on April 1st is premature, to say the least.

Unfortunately, Congress did not take into account the harm to businesses and individuals as a result of what I have called this ridiculous sequestration. Cutting the Federal Budget was not a means to an end but an end in itself. In some instances, cuts will result in furloughs, reduced benefits and disruptions to basic services.

Mr. Young, it has been reported that furloughs will likely be necessary for meat and poultry inspectors, as I mentioned in my opening statement. Can you estimate the effect of these furloughs on the meat processing industry and other related industries?

Mr. YOUNG. Yes, sir. I have an estimate here of about $8 billion if the furlough is in the range of the estimated 11 days.

Mr. CARTWRIGHT. And what has the USDA done in planning for this cut to minimize the impact on industry?

Mr. YOUNG. Well, we have, the agency has taken some steps to reduce their spending. I mentioned a couple of things in terms of reductions in travel and training, conference spending and that sort of thing, and having a hiring freeze for the non-inspection related part of the agency.

Mr. CARTWRIGHT. Thank you, sir.

Mr. Sastry, across-the-board cuts are estimated to reduce your agency's ability to spur job creation and economic growth among America's private sector. Is that correct?

Mr. SASTRY. That is correct.

Mr. CARTWRIGHT. And Mr. Robbins, the across-the-board cuts to FCC operations will impact economic growth and innovation in the communications sector. Am I correct in that?

Mr. ROBBINS. It may very well do so.

Mr. CARTWRIGHT. Now, I received a letter dated March 6, 2013 from the Greater Wilkes-Barre Chamber of Commerce which represents more than 1,000 member businesses that serve my constituents in Northeastern Pennsylvania. At this time, I do ask, Mr. Chairman, for unanimous consent to make this letter dated March 6, 2013 part of the record.

Mr. JORDAN. Without objection, so ordered.

Mr. CARTWRIGHT. Now, the chamber expressed their concern in this letter that these across-the-board cuts will have a chilling effect on our economy, slowing any further recovery, and it will be felt across the board. They wrote whether it is the thousands of jobs at the Tobyhanna Army Depot and their subcontractors, small businesses aching for a forward moving economy, school children or those most in need in our community, the cuts will be felt across the board. The only question is, who is responsible for undoing across-the-board cuts, Federal agencies or the U.S. Congress?

And to these witnesses, I ask you, do you currently have the legal authority to reverse the magnitude of these across-the-board cuts that this sequestration requires? Do you?

Mr. SASTRY. No, we do not.

Mr. YOUNG. Sir, I only have the one limited authority within a specific agency to move funds in between accounts but that does require the notification of the Appropriations Committee.

Mr. CARTWRIGHT. Okay. Mr. Robbins? Do you have that authority?

Mr. ROBBINS. No.

Mr. CARTWRIGHT. Now, who wrote the laws that prohibit you from exercising flexibility to undo the effects of this sequestration? Who wrote that?

Mr. SASTRY. The Budget Control Act was written by Congress.

Mr. CARTWRIGHT. It was Congress, was it not, gentleman?

Mr. YOUNG. Yes.

Mr. ROBBINS. Yes.

Mr. CARTWRIGHT. In the letter from my local Chamber of Commerce there is an explicit plea to members of Congress for both parties to work together and develop a solution that will not cripple our economy. They understand that solving the problems created by sequestration is Congress' responsibility. The whole Country understands that it is Congress that writes the laws and it is the law that mandated across-the-board cuts and it is the law that restricts Federal agencies from defying Congress' intent in the implementation of across-the-board cuts.

Now, Mr. Chairman, I am glad to have this hearing on sequestration today but I respectfully believe that the Majority has really got it backward.

Thank you.

Mr. JORDAN. I thank the gentleman.

Mr. Robbins, when Congress passes a law, does it automatically become the law?

Mr. ROBBINS. No, the President has to sign it.

Mr. JORDAN. Oh. I forgot. That is an important lesson that we all learned. Mr. Young, is that your understanding of how the law

works? Once Congress passes something, does the Executive Branch, the President, have to sign it?

Mr. YOUNG. Yes, sir.

Mr. JORDAN. Yes. Mr. Sastry, is that how you understand how it works in America, too?

Mr. SASTRY. Yes.

Mr. JORDAN. And to your knowledge, the President signed this law, did he not?

Mr. ROBINS. Yes.

Mr. JORDAN. He did? Imagine that. Mr. Young?

Mr. YOUNG. Yes.

Mr. JORDAN. Mr. Sastry?

Mr. SASTRY. Yes.

Mr. JORDAN. Okay.

Let me start with you, Mr. Young. Do you think it is important that public officials speak plainly to the American people, talk straight with the American people, talk straight to the taxpayers and the folks that support this Government? I mean, that it is important for all public officials, anyone who works in our Government, that they should communicate in a straightforward way?

Mr. YOUNG. Yes, sir.

Mr. JORDAN. Okay. So, I want to try and understand some of the statements that have come from the Department. We had in December of last year Secretary Vilsack saying we may have to consider furloughs as a result of the sequester. And then a month later he said no, we are going to have to have 6,000 food safety inspectors furloughed for three weeks.

And then if I look at your testimony, your written testimony from today, you say near the end of your written testimony that potentially we will need to furlough employees for up to 11 days because of sequestration.

And so it seems to me the American people just want to know which one is it? Might happen, no, 6,000 for three weeks or potentially for 11 days. So, which one is that? Which one is actually the truth, if any?

Mr. YOUNG. The current estimate is that it may be for 11 days. But I would just preface that by indicating that there is the uncertainty of the four-year funding situation and so, depending on where the funding comes out for the agency, that would then change.

Mr. JORDAN. And this is just in the Food Safety and Inspection Service part of your overall budget. Is that correct?

Mr. YOUNG. The 11 day furlough, yes, sir.

Mr. JORDAN. I mean the comments. He said may, then he said 6,000 for three weeks, and then you said potentially 11. It is all referring to that portion of the Department of Agriculture's budget?

Mr. YOUNG. Yes, sir.

Mr. JORDAN. Okay. Can we put up the slide? Because I just want to show you, this is what our staff, looking at your numbers from the Department of Agriculture, I know it is difficult to see, but you can see the trend. It is pretty much a straight line. It is not like it a big drop off in one particular year or the other. In fact, where you are at post-sequester, it is that line third from the right, that

is pretty much where you have been throughout the last several years.

And, I would further point out, you have had 20 months to get ready for this. This law passed, do you know when the sequestration law passed and was signed by the President?

Mr. YOUNG. In August of 2011.

Mr. JORDAN. August of 2011. So, it seems to me you should be able to deal with this in light of the history of this particular budget, the budget history there. Did you have to furlough any food inspection or safety people in 2009?

Mr. YOUNG. No, sir.

Mr. JORDAN. Did you have to furlough any in 2010?

Mr. YOUNG. No.

Mr. JORDAN. How about 2011?

Mr. YOUNG. No, sir.

Mr. JORDAN. What about 2012?

Mr. YOUNG. No, sir.

Mr. JORDAN. So, the lines are basically the same and in none of those years did you have to furlough. But suddenly a bill comes along that you had 20 months to prepare for and you are saying maybe 6,000 people are going to get furloughed for up to three weeks? And that has been revised down to we don't know how many but it might be 11 days. And you furloughed none in the whole pattern there.

How long have you worked at the Department of Agriculture, Mr. Young.

Mr. YOUNG. I have worked there since about November of 1983.

Mr. JORDAN. Since 1983. So, a few years, right? In all those years, can we go back, do you remember furloughing folks in any of those years? In the meat inspection and food safety part of your budget?

Mr. YOUNG. I don't recall a furlough during that time period.

Mr. JORDAN. Have any employees at the Department, this may have been asked while I was gone, have any employees at the Department of Agriculture received bonuses over the past year?

Mr. YOUNG. Yes.

Mr. JORDAN. How many?

Mr. YOUNG. I don't have that specific number with me.

Mr. JORDAN. Do you know what the dollar figure is?

Mr. YOUNG. I don't have the dollar figure, but I could get that for the record.

Mr. JORDAN. Okay. We would appreciate that. To your knowledge, has anyone instructed you at the Department, no, has anyone instructed you, or to your knowledge anyone else at the Department, to implement the sequester in the most politically painful way possible? Have there been any kind of instructions like that?

Mr. YOUNG. No, sir.

Mr. JORDAN. Have there been discussions at the Department to implement the sequester in a different way in which you are now implementing it? Were there other plans brought forward in discussions at the Department?

Mr. YOUNG. Yes. In fact, the Secretary's guidance has been that the sequester should be implemented in an equitable manner, in

the least disruptive manner and to take steps that would allow us——

Mr. JORDAN. What I am asking is have there been plans brought forward which say if we do it this way, there is not even potential of food safety and inspectors being furloughed for any length of time? Have there been any of those kinds of plans that come forward and say, you know what, under this plan, we have got Secretary Vilsack saying oh, we may have to furlough 6,000 people for three weeks, you are saying 11 days and some number, but have there been other plans brought forward that say you know what, if we do it this way, we will not have to furlough anybody in the food inspection and safety area?

Mr. YOUNG. No, I am not aware of a plan like that. And I would just say that the plans developed for the Food Safety and Inspection Service, as well as the other agencies, were developed within the agencies and submitted forward. So, I am not aware of such a plan.

Mr. JORDAN. Okay. Real quick as I am about out of time. Or, I am out of time. Can we put up the second slide which shows the overall budget if we can? I just want to make this a part of the record. This should be slide one, if we can look at this. I think it should come up. Get rid of the ugly face on the picture and get the slide up. There we go.

So Mr. Young, this is your budget. And if you notice, over the last several years, if you notice, and this is straight from the U.S. Department of Agricultural budget summaries, Budget Authority, if you look at the 2013 number after the sequester, it is larger than the 2012 number. And so, is it not true, Mr. Young, that your budget is going to be, is larger this year, even accounting for sequester, than it was last year?

Mr. YOUNG. It appears that that includes all programs, both mandatory and discretionary.

Mr. JORDAN. But are not all programs part of your budget?

Mr. YOUNG. They are all part of the budget but they are not all subject to sequester.

Mr. JORDAN. No, I understand that. I understand the difference between discretionary spending and mandatory spending. What I am asking you is, is it not true that the overall budget at the U.S. Department of Agriculture will be larger this year than it was last year, accounting for sequester?

Mr. YOUNG. Well, I don't have a comparison between 2013 and 2012.

Mr. JORDAN. We can show you. We have, this is the USDA, the Appendix to USDA Budget Summary and Annual Performance Plan and it indicates that in 2012 it was $147,534 billion and in 2013, after sequester, it is $149 billion. So, that is roughly $2 billion higher. Is that true?

Mr. YOUNG. Yes. I am sorry, I don't have those specific numbers in front of me.

Mr. JORDAN. We would be happy to give it to you. It is your document. It says Budget Summary and Annual Performance Plan, U.S. Department of Agriculture.

Mr. YOUNG. That would have been our President's budget submission from last February.

Mr. JORDAN. Okay. Great.

All right. We now go to the gentleman from Nevada.

Mr. HORSFORD. Thank you, Mr. Chairman.

The people of my district sent me to represent them here to solve problems, not to create new ones. I was a former State Senator, I served as the majority leader, I was the chairman of our finance committee, and I had to work during very difficult time to root out waste and to identify savings in order for us to achieve our goal of finding a balanced budget.

And I don't view our agency heads as the enemy. I view you all as partners. And I would just hope that we can change some of the rhetoric that this body and this Committee have been focused on because it is not what the American people want from us right now. They want us to work together to solve problems and the sequester is a problem that needs to be fixed.

Now, I would like to ask the witnesses who are here, we just went through the history lesson of the three branches of Government and whose fault this is that we have this sequester. Now that we have it, who is going to take the responsibility to solve it?

And my question is, do you have, under the Budget Control Act of 2011, the authority to reprogram in ways that would allow you to not implement the sequester? Yes or no?

Mr. SASTRY. Not to that extent, no.

Mr. YOUNG. Not in total, sir. We only have the one authority that I talked a little bit about before to transfer funds within an agency under certain conditions.

Mr. ROBBINS. The FCC is a small agency and we basically have one account.

Mr. HORSFORD. Will staff please put up the slide? Here is a slide that lays out the facts about agency authority to reallocate funds. The conclusion is that agencies are not free to undo sequester cuts mandated by the Control Act of 2011 and the restrictions on the agency authority to reallocate funds prevent Federal agencies from cutting a program altogether to offset the budget shortfall of another program.

Now, what I find astonishing is if you all took the authority to do this around the Control Act, there would be Members who would be calling you up here asking you why you did that without the authority of Congress. That is the irony.

The caps on the amount of funds that can be reallocated, emergency circumstances, purpose of reallocation and notification and approval requirements are some of the conditions on which programming is allowed. Is that correct?

Mr. SASTRY. Yes, that is correct.

Mr. YOUNG. Yes.

Mr. ROBBINS. Yes.

Mr. HORSFORD. So additionally, the size and scope of your respective agencies limit the ability to reprogram funds to offset budget shortfalls for another project. Is that correct?

Mr. SASTRY. Yes.

Mr. YOUNG. Yes.

Mr. ROBBINS. And again, as I have mentioned, the FCC has one account basically and so we have, I think, a little bit greater freedom than my colleagues.

Mr. HORSFORD. So, Mr. Chairman, I would just ask that, you know, the public understands that this reprogram authority is not an unrestricted power to pick and choose funding priorities based on the harm to the public. It is a highly-limited authority which Federal agencies will, of course, utilize where allowed by law. And if we do not like that, then we, as Congress, need to pass a law to work with our Federal agencies as partners to fix that problem.

The USDA provides an example of the limits of that authority. The USDA's potential furlough of meat inspectors and its food safety inspection has gained a lot of attention because of the anticipated affects it will have on meat processing.

So, in conclusion, Mr. Young, could USDA reprogram sufficient funds to prevent the unanticipated furloughs of all meat inspectors?

Mr. YOUNG. We have not been able to identify a means to do that, sir.

Mr. HORSFORD. So, how do you arrive at the decision to furlough employees?

Mr. YOUNG. That decision, or again, that planning effort was undertaken within the agency and given the amount of the budget that is devoted just to salaries and expenses, or salaries and benefits, excuse me, and the other fixed costs that are related to that frontline inspection effort just precluded the ability to avoid that.

Mr. HORSFORD. My time has expired. Thank you, Mr. Chairman. I would like to work together to find a solution, not just identify new problems.

Mr. DESJARLAIS. [Presiding] The Chair now recognizes the gentleman from California, Chairman of the Full Committee, Mr. Issa.

Mr. ISSA. Thank you, Mr. Chairman. I am going to follow up where the gentleman from Nevada left off.

I appreciate the ability to partner, but we are a separate branch of Government where our job is to hold you accountable. Let's go through some things. Mr. Young, were you aware of the letter that this Committee sent asking for what areas of reprogramming or changes would authorize you to save money on sequestration back in February around the automatic cuts?

Mr. YOUNG. Yes, sir.

Mr. ISSA. Are you aware that you have not responded?

Mr. YOUNG. Yes, sir.

Mr. ISSA. Is that because you have no, after 19 plus months you have no suggested changes?

Mr. YOUNG. I believe we are in the process of developing a response to that.

Mr. ISSA. Well, I appreciate your developing the response. Actually, statutorily, you owe Congress one on April 1st. The question is, if you wanted to avoid cuts, if you wanted to avoid the scare tactics that we have been hearing about not being able to get fresh meat, wouldn't you have responded at least with a couple that Congress could have acted on before the Easter recess?

Is there any reason that you don't have even one item of reprogramming, one item of legislative business, that we could take up on a bipartisan basis, sort of the no-brainer that could save some dollars? Is there a reason that you didn't send one? Other than the bureaucracy of wait until you get White House authority.

That one I don't want to listen to. Is there one reason you couldn't send us even one item to change?

Mr. YOUNG. Well, sir, again, in terms of actually reprogramming within the current——

Mr. ISSA. That it not what my letter said. What my letter said is, is there anything that given legislative action would allow you, what I basically said in the letter is to you and to your colleague to the left, the FCC didn't want, or didn't need one, it didn't happen to get one, you have taken care of the job quite well, is I was asking isn't there anything?

I could draw up a bill in an hour and to be honest, I would demand that my leadership immediately consider ones that were narrow and specifically toward areas of waste. We got no answer from anybody but DOD and the Department of Defense, quite frankly, sent us what they had already agreed to with the appropriators.

So, I will go your colleague, Mr. Sastry. You didn't respond, either. Is there not at least one item that you could have said Congress, I don't have authority, but if you will pass a quick law, a change, we could save money, we could avoid some portion of sequestration?

Mr. SASTRY. I do know we received the letter and it is being worked in a separate, in a different office. I will say that part of my job in resource management is to continue to plan for the current law that is in place which is sequestration which is what we have been focused on.

Mr. ISSA. Well, earlier today we had testimony that just the opposite, that nobody bothered to do anything in the way of actual true planning until the President signed the order, that they kept hoping that it would not happen. They kept noting that nobody could be as dumb, apparently, as the President for signing such a law and believing that it would happen. But the President signed such a law, agreed to do it, cuts only, not tax increases, and apparently he never meant it because you never prepared in advance for sequestration. And now you act surprised.

Mr. Young, I am going to hit you with the one that I am the most concerned about. Under President Obama, without legislative action, food stamp programs have skyrocketed, not because there are more poor but because the program has been deliberately expanded.

When the chairman of the subcommittee put up that budget number and you said that it may include the full budget, is it not true that, in fact, although entitlements were not subject to sequestration, it was part of your total budget and had the President made sensible reforms, including implementing the IG's suggestions, and brought down spending under entitlements, you would have in fact been bringing down your budget? Is that not true?

Mr. YOUNG. I am sorry, I do not have the estimates of what changes might have been.

Mr. ISSA. Have you looked at the IG's recommendations to the Department of Agriculture? Have you looked at some of the $67 billion of unimplemented IG recommendations?

Mr. YOUNG. We have looked at those, sir.

Mr. ISSA. Are you going to do that as part of sequestration, maybe implement some of those items? Budget sequestration is

only for the amount you need to have. If you save, as the FCC is, from anywhere through attrition and other means, if you save all or part of the amount, then the budget across-the-board cuts go down. Is that not true?

Mr. YOUNG. Well, sir, the way we need to implement it is by each individual program.

Mr. ISSA. But it is relative. If you cut, if you were to find savings so that your target number was less, your across-the-board sequestration would be less.

Mr. Robbins, in the case of the FCC, you have already hit your sequestration number, have you not?

Mr. ROBBINS. We plan to save $17 million through the rest of the year. We have not saved $17 million yet.

Mr. ISSA. But you have saved a considerable amount of it?

Mr. ROBBINS. We are in the process of saving that money.

Mr. ISSA. So anything you save before March 1st in fact lowers the across-the-board cuts you would have to make if you are unable to save it in any other way, isn't that correct?

Mr. ROBINS. That would be accurate.

Mr. ISSA. Mr. Chairman, I think the point I am trying to make is the FCC by comparison anticipated a law that has been on the books for 19 months and began making sensible, if you will, austerities. Well, agency after agency acts surprised that a law signed by the President 19 months ago actually meant what it said. I thank the Chairman and yield back.

Ms. DESJARLAIS. [Presiding] Thank you, Mr. Chairman.

I now recognize the gentleman from Missouri, Mr. Clay.

Mr. CLAY. Thank you so much, Mr. Chairman. And for my friend from California, I think we were all surprised that the sequester went into effect. But that was the law and we are a Country of laws and so we have to follow the laws.

Let me ask Mr. Sastry, from a June 17, 2010 presentation on the 2020 Census goals by Assistant Director for ACS and Decennial Census Daniel Weinberg, Mr. Weinberg stated that investment is required early in the cycle to reduce cost and risk as the decade progresses. And he stated that the more substantial a change to the Decennial Design that is contemplated, the more must be invested up front in research.

Sequestration will cut the Commerce Department budget by $551 million, $46 million of that will come from cuts to the Census Bureau. Mr. Sastry, how will the Census Bureau reach its goals of early monetary investments in program infrastructure to reduce costs for the 2020 Census if there is such a substantial reduction in the 2013 Budget and beyond?

Mr. SASTRY. Performing the 2020 Census at a reduced cost per household is one of their main goals, as you mentioned. And sequestration will reduce the 2020 Census, the early investment in the 2020 Census, just as it will every other program. And so there will be a risk that they will not be able to reduce the costs to the upcoming 2020 Census because of reduced investment.

Mr. CLAY. Yes, because that will increase the back loading of the budget for the 2020 Census. Was that taken into consideration?

Ms. SASTRY. As we continue to plan for sequestration, our mission is always our number one goal. However, the Budget Control

Act didn't provide the level of flexibility for us to make those types of decisions.

Mr. CLAY. Okay. Then how will the cuts to the Census Bureau affect the ongoing efforts to update the Master Address File and the Partnership Program, both of which are critical in outreach efforts to underserved immigrant and minority populations in correcting the undercounted and providing for a more accurate census?

Mr. SASTRY. Those programs, too, will be impacted starting this year which will limit their ability, limit their efficiency, as we get closer to the 2020 Census.

Mr. CLAY. It seems as though you have heavily weighted cutting from the Census Bureau's budget. I don't know if that is wise planning.

Mr. SASTRY. Our ability to plan for the cuts was very limited from the Budget Control Act so it, what the amount that was taken and from the programs it was taken was prescriptive from the Budget Control Act.

Mr. CLAY. I am sorry to hear that.

Mr. Young, because of the sequester, USDA identified a reduction of 600,000 lower-income women and children who could receive nutrition assistance and associated nutrition education and breastfeeding support through the Special Nutrition Program for Women, Infants and Children, WIC. Mr. Young, while SNAP and the National School Lunch Program are exempt from the sequester, how do the reductions to WIC disrupt and negatively affect the efforts of those programs to feed low-income families? Is there a relationship?

Mr. YOUNG. Well, I am not sure that I would have the specific information on that relationship. I do know that often folks who are participants in one of the programs may also participate in one of the others, depending on eligibility requirements. But as you indicated, the WIC Program is subject to the sequester.

Mr. CLAY. Yes. Would you be able to correlate or give us, give the Committee, some data relative to that?

Mr. YOUNG. I would be glad to work with the folks at the agency and see what we can provide on that.

Mr. CLAY. Okay, and you can also look at the First Congressional District of Missouri, which I represent, while you are at it.

Mr. YOUNG. Yes, sir.

Mr. CLAY. Thank you and I yield back, Mr. Chair.

Ms. DESJARLAIS. Thank you.

The Chair now recognizes the gentleman from North Carolina, Mr. Meadows.

Mr. MEADOWS. Thank you, Mr. Chairman.

I want to follow up a little bit on what Chairman Jordan had mentioned. He talked a little bit about bonuses. And so, none of you are aware of bonus levels that you have been paying to employees, is that correct? Mr. Young?

Mr. YOUNG. I do not have that information with me, sir.

Mr. SASTRY. I also don't have that information with me.

Mr. ROBBINS. I would be glad to answer that for the record.

Mr. MEADOWS. Let me go a little bit further then. The Department of Commerce, in 2011, paid $50 million in bonuses. A similar amount was suggested in 2012. USDA paid $33 million in bonuses.

So as part of this plan, I am a little unclear on whether you have a plan or whether you don't have a plan because we have talked on both sides of that. Do you have a plan or do you not have a plan? Mr. Young?

Mr. YOUNG. We do have draft plans for each of the agencies to operate in the sequester.

Mr. MEADOWS. And so those draft plans, did they include bonuses and guidelines for future bonuses?

Mr. YOUNG. Some agencies have made those sort of decisions. Again, I am aware that there are general guidance that bonuses will not be paid out during the time of the sequester.

Mr. MEADOWS. And the OMB made that general guideline.

Mr. YOUNG. Yes, sir.

Mr. MEADOWS. And have we seen employees leave because they are not going to get their bonuses? Have you seen people filing out of the doors because of that?

Mr. YOUNG. I am not personally aware of any.

Mr. MEADOWS. Okay. How about you, Mr. Sastry?

Mr. SASTRY. I am not personally aware of any but I certainly cannot speak for the entire department.

Mr. MEADOWS. All right. So, neither of you are personally aware of any lack of bonuses affecting the retention of employees. That is correct?

Mr. YOUNG. That is correct at this point, sir.

Mr. MEADOWS. Okay. So, we have had since August of 2011 to plan for these cuts and now we are talking about laying off people that are depending on their salaries on a weekly basis to put food on the table. And yet, we were giving out these bonuses and not planning. Is it because you relied on the OMB's I guess letter of July 31st that says we have five months to act so really, at this point, continue spending as if you have always spent? Did you rely on that OMB guidance there as well?

Mr. YOUNG. Well, again, the agencies did have their full amount of funding available to them. But I would point out that, for example, in the case of the Food Safety and Inspection Agency, they did take a number of steps to reduce travel and conference spending, that sort of thing. They closed, I believe, five of their district offices over the past year. So they were taking steps.

Mr. MEADOWS. And that is because of sequestration?

Mr. YOUNG. Well, that was because of operating more efficiently. They wanted to be in a position to operate more efficiently in the event that lower budgets for whatever reason, whether it be sequestration or lower funding levels, came about.

Mr. MEADOWS. Okay, let's go back to your testimony earlier. You talked about the fact that there was personnel and you talked about this 80 percent figure in terms of personnel, some of that being food inspectors and then another portion of that being support. What percentage of employees would be support for the folks who are actually doing the food inspection?

Mr. YOUNG. I believe that about 88 percent of the agency's personnel are related to frontline inspection work.

Mr. MEADOWS. Okay. So, 88 percent of them are frontline inspection.

Mr. YOUNG. I believe that is correct.

Mr. MEADOWS. Okay. So you have just a small administrative support mechanism. Why would you say that most of the bonuses then went to those senior level support and not to the rank and file? When you look back at 2011 in terms of the way those bonuses were shared, they were shared at a more senior level instead of those that are actually, the 88 percent that are doing the job. Why would that be?

Mr. YOUNG. Sir, I am sorry. I do not have that data in front of me and I am not aware of the breakdown.

Mr. MEADOWS. Okay. So, as we go forward, what other cost saving measures, other than furloughs, could you implement and become a part of your normal strategy?

Mr. YOUNG. Well, I do understand that the agency, for example the Food Safety and Inspection Service, does have a hiring freeze in place for non-frontline positions. So, some actions like that.

Mr. MEADOWS. But that is not long term. What long-term plans do you have to save money? I mean, you know, if we have hiring freeze right now, that can be lifted. Are there any other systemic plans that you have made that will be saving monies long term?

Mr. YOUNG. Well, the agency has put forth a proposal to revise its poultry slaughter inspection process and that would potentially have longer term savings once that is implemented. It takes regulatory action to do that.

Mr. MEADOWS. I see my time has expired. Thank you. I yield back.

Mr. DESJARLAIS. I thank the gentleman from North Carolina.

I would like to thank all of our witnesses.

Mr. CONNOLLY. Mr. Chairman, if you could just give me 30 seconds.

Mr. DESJARLAIS. Absolutely. The gentleman from Virginia is recognized.

Mr. CONNOLLY. I thank you.

My head, like probably the panel's, is spinning at some of the contorted logic going on about sequestration and the complete about face of some of my friends on the other side of the aisle who were talking apocalypse now just last summer and now the President signed it and it is not going to be that bad. And they are even getting helpful and presenting some suggestions of cuts.

Mr. Young, is citrus greening a serious problem to the citrus industry in Florida?

Mr. YOUNG. I understand it is, sir.

Mr. CONNOLLY. Would it be fair to say that it is costing the economy of Florida $3.6 billion?

Mr. YOUNG. I am not actually aware of the specific impact but we could certainly get that for the record.

Mr. CONNOLLY. Well, I have a study here that says it is $3.6 billion over five years including the loss of 6,600 jobs associated with this very serious deadly bacterial disease that is a growing threat to the citrus industry in your home State, Mr. Chairman.

And I seem to recall that one of our colleagues made a big deal out of that is the study that you should get rid of. We don't need

that. And I suppose that is matter of opinion. I commend the study to my friend the Chairman in the seat right now because we can get rid of studies like that, but they are not without economic implications.

With that, I yield back.

Mr. JORDAN. Mr. Chairman, if I could?

Mr. DESJARLAIS. Yes, the gentleman from Ohio.

Mr. JORDAN. Just to the same gentleman, while citrus greening may be a problem, is it not also true, or in your judgment, is a $16 trillion debt a problem as well, Mr. Young, for the Country? Is a debt bigger than the entire GDP, is that not a problem for the Country as well?

Mr. YOUNG. There will certainly be implications of a debt, but I believe that those sort of economic, larger-scale economic impacts would be not my bailiwick.

Mr. JORDAN. I understand. Thank you, gentlemen. Mr. Chairman, I yield back.

Mr. CONNOLLY. Would my colleague yield?

Mr. JORDAN. I would be happy to. I love this.

Mr. CONNOLLY. I just will remind my colleague that the context in which our friend and colleague from Texas brought up the study was not that we have to start somewhere. He actually ridiculed the study, as I understand it, and said it was clearly unnecessary which would come as news to an awful lot of citrus growers in Florida who actually understand the seriousness of this illness. If you want to eliminate it, go ahead.

But the idea that there are no consequences to sequestration, then there are consequences to sequestration, and then when we find consequences to sequestration we belittle them.

Mr. JORDAN. Will the gentleman yield?

Mr. CONNOLLY. Yes.

Mr. JORDAN. I don't think, people are not arguing that there may be some consequences to reduced Government spending. What we are arguing is that there are also consequences to continuing to spend more money than you have and piling on a debt that is now bigger than our entire economy. That is the point.

Mr. CONNOLLY. No, my friend, I don't think that is the point because if you take that logic, then we might as well just shut down the Government, which may be the intention of some people around here. We still have to function.

Mr. JORDAN. No, no, no. I'm not saying that at all. But we need to take steps, to start taking those steps to get spending under control and a 2.4 percent reduction in spending out of the overall budget is not that big of a first step.

Mr. CONNOLLY. Well, again, I am very glad to have people on the other side of the aisle want to diminish the importance of sequestration. I have a different point of view. I think it is actually going to be quite serious. And I think, of course, the alternative is that we have a balance of revenue and spending cuts, not just spending cuts. And that is the philosophical difference, is it not?

With that, I have to go vote.

Mr. JORDAN. Same here. Thanks, Mr. Chairman.

Mr. DESJARLAIS. Well, I would like thank all of our witnesses for taking time in their busy schedules to appear before us today.

The committee stands adjourned.
[Whereupon, at 4:05 p.m., the committee was adjourned.]

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Opening Statement
Rep. Eleanor Holmes Norton, Member

Joint Hearing
Subcommittee on Economic Growth, Job Creation, and Regulatory Affairs
Subcommittee on Federal Workforce, U.S. Postal Service, and the Census
Hearing on "Sequestration Oversight: Understanding the Administration's Decisions on Spending Cuts and Furloughs."

March 20, 2013

Thank you, Mr. Chairman.

We should not be surprised by the scope of the damage that sequestration will bring. Congress was warned of what would happen if sequestration took effect. We were informed about the potential devastation to vital government programs and services and the furloughs of more than 1 million federal employees. The Congressional Budget Office estimated that the $85 billion cuts required by the Budget Control Act of 2011 will cause the loss of 750,000 jobs and slow the economy by 0.6%.

Instead of trying to prevent the sequester from happening, our colleagues on the other side of the aisle embraced it. They wanted it to happen. In fact, the member on this Committee from Wyoming said just that last month when she was quoted in the Billings Gazette: "Sequestration will take place…I am excited. It will be the first time since I've been in Congress that we really have significant cuts." (Billings Gazette, Feb. 11, 2013).

As a result of the sequester, federal agencies, including the Departments of Agriculture and Commerce and the Federal Communications Commission are now required to follow the specific mandates of the Budget Control Act to make across-the-board, indiscriminate, and untargeted cuts to each account, program, project and activity. These agencies have noted that the law gives them little discretion in implementing the cuts and that such cuts could negatively impact their missions, the services they provide to the American people, and our economic recovery.

For Agriculture, this would require cutting $2 billion across-the-board. Where do you think those dollars would have gone? To help the private sector. To farmers, agri-business and poor people.

For Commerce, sequestration would mean $551 million in across-the-board cuts. Where do you think that money would have gone? To help the private sector. To small business and satellite infrastructure.

For the FCC, sequestration would mean a cut of $17 million. Guess who was going to benefit from those dollars? You guessed it – the private sector.

Now that sequester is taking effect, Republicans want to shift the blame for the cuts to government activities benefiting the private sector. Our colleagues on the other side of the aisle have accused the agencies of exaggerating the negative effects of sequestration for political gain. They claim that the agencies can simply undo sequestration by eliminating wasteful or duplicative programs or reducing other spending. And they have criticized the Administration for implement the sequester too slowly.

Every one of these charges made by my Republican colleagues is false.

A Republican-controlled House required across-the-board cuts as their price for extending the nation's debt limit and averting the first fiscal default in the nation's history.

A Republican-controlled House has continued the longstanding practice of controlling the power of the purse, which by law denies federal agencies the freedom to spend money as they choose. Rather, they have to spend money as Congress chooses for them and are not free to do undo sequestration on their own.

A Republican-controlled House gave the agencies until April 1 – which is 30 days after the President issued the sequestration order – to submit to Congress their sequestration plans. As I look at the calendar, the agencies still have a couple weeks to go. Contrary to the accusations of some Republicans, the agencies are not late.

So this hearing today attacks the problem caused by sequestration from exactly the wrong angle.

If the Republican House does not like the effects of across-the-board cuts, why did they insist on them? If the Republican House does not like the fact that the agencies' hands are tied by law and that only Congress can mitigate the damaging consequences of sequestration, why haven't they changed the law? If the Republican House does not like the time that federal agencies are using to develop implementation plans, then why did they give the agencies so much of it?

Today's hearing really should be titled: "Sequestration Oversight: What Were House Republicans Thinking?" That might be something for American businesses to ponder in the days to come.

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

Opening Statement – Chairman Jim Jordan

"Sequestration Oversight: Understanding the Administration's Decisions on Spending Cuts and Furloughs"

March 19, 2013 – 1:30 p.m.

Today's hearing will compare the reality of sequestration with the inflammatory rhetoric coming out of the White House. The Obama Administration mislead the American people with horror story after horror story about the sequester. First, Education Secretary Arne Duncan went on national television and claimed that teachers were literally getting pink slips. The *Washington Post* later awarded him "Four Pinoccio's" for his claim.

Next, President Obama claimed that janitors at the U.S. Capitol would receive a pay cut. The *Washington Post* awarded the President "Four Pinoccio's" for that claim as well. Even worse, the President's statement prompted the superintendent of the U.S. Capitol building to email his staff to reassure them that this was not, in fact, the case.

Now, newspapers are running stories about the Administration's smoke and mirrors. A *Politico* headline asked "Did President Obama cry wolf about the sequester?" The answer was a pretty resounding yes and included criticism from, among others, former Democratic Pennsylvania Governor Ed Rendell.

The Chicago Tribune ran an editorial last week entitled, "Truth-squadding sequester hysteria: Officials sabotage themselves when they manipulate, exaggerate and flout common sense." It featured pictures of children unable to tour the White House holding up signs that said "The White House is Our house, Please Let Us Visit!"

Now news reports are indicating that the White House may cancel the annual Easter egg roll. The absurdity of this action would be comical if it weren't so cruel.

The USDA and the Department of Commerce are also partaking in the doomsday rhetoric. In mid-December of last year, Agriculture Secretary Vilsack issued a memo downplaying the possibility of the sequester and informed his staff that should it occur, USDA "*may* have to consider furloughs." Then, just a little over a month later, Secretary Vilsack changed his tune, declaring that USDA would have to furlough over 6,000 food inspectors for two to three weeks. He recently walked back that statement, saying USDA would not see continuous furloughs. So which is it?

The Department of Commerce said it would furlough up to 2,600 employees at the National Oceanic and Atmospheric Administration (NOAA); yet, at the same time it is advertising job openings at NOAA, and it was hit with an IG audit that found NOAA paid out more than $40 million in contracts without proper justification.

Finally, let me express my disappointment with the extraordinary amount of effort it took to get the Department of Commerce and USDA to testify today. Despite multiple offers by the

Committee to move the hearing date to accommodate these agencies and the willingness of the Committee to accept several different alternative witnesses from each agency, the Committee ultimately had to threaten to use subpoenas to secure their testimony. Both agencies used delay tactics and appeared to play games with the Committee in an effort to avoid testifying. Even after finally agreeing to testify, the Department of Commerce notified the Committee that it is doing so quote, "reluctantly".

The American people have heard one dire warning after another about the impact of the sequester on their lives; yet, when it comes to accountability and answering simple questions about what agencies are doing with the American people's money, they throw up one road block after another. This issue has been at the forefront of the news for months; therefore, the agencies should have been planning for months, and it is inexcusable agencies would not have multiple people ready and available to talk about it.

The American people have a right to know why they continue to be misled by this Administration in an effort to score cheap political points. They deserve truthful and accurate answers – not more misleading rhetoric – and we hope to get the American people these answers today.

POLITICO

Now Dems worry: Did President Obama cry wolf?

By: Glenn Thrush and Carrie Budoff Brown

March 6, 2013 04:36 AM EDT

President Barack Obama hopes to spark a pitchfork revolt against Republicans over sequester-induced budget cuts — but many Democrats fret that he's undermined that effort with an early strategy marred by hype, poor planning and muddled messaging.

The stakes in the sequester debate aren't quite as high as they were during the debt ceiling battle of 2011, but Democratic veterans of the Obama-Republican wars of 2009 and 2010 are getting a creepy sense of déjà vu from a White House messaging shop they believe fumbled the rollouts of the stimulus and health care initiatives.

Over the past few days, Obama and his team have pulled back from a kick-off strategy that portrayed the $84 billion in automatic cuts this year as a parade of instant horrors — hellish waits at airports, a quick cascade of private job losses resulting from voided federal contracts, teachers immediately sacked.

That's part of a "recalibration," according to one Obama insider, intended to take the focus off the veracity of the administration's claims — and back on congressional Republicans who have refused to give ground on new tax revenue demanded by Obama as a condition of any long-term budget deal.

"I think they probably went over the top in terms of saying that the consequences were going to be horrible, especially because it's happened and the lines in the airports aren't long, the world hasn't changed overnight," says former Pennsylvania Gov. Ed Rendell, an on-again, off-again Obama critic who supports the broad outlines of Obama's $4 trillion "grand bargain" proposal.

"Some of this is going to kick in eventually — government workers will be furloughed, contractors will lose their jobs, people will start feeling this for sure — but it will take some time … and it probably wasn't the best strategic path for the White House to follow."

One top Democratic Congressional aide offered this bit of advice to Obama: "Don't accentuate a fight you don't intend to wage [and] can't win. … They spent two weeks building up sequester as a horror show and then got fact-checked a dozen times and were forced to back off their own claims of it being a disaster once they were forced to acquiesce to the cuts happening."

The cuts are coming, many after a one-month delay — and local media around the country were busily reporting details of tower closures at 173 small- to medium-sized airports by April 7. Republicans claim the administration could opt for less onerous cuts, but the Obama administration says the indiscriminate austerity of the sequester means

unavoidable pain.

Obama himself seemed to acknowledge the need to lower the temperature when he strode into the White House briefing room last Friday to make a significant messaging adjustment: It's going to be bad, but not the end of the world.

"We will get through this. This is not going to be an apocalypse, I think as some people have said," Obama said after exiting a perfunctory 52-minute meeting at the White House with House Speaker John Boehner (R-Ohio), Senate Minority Leader Mitch McConnell (R-Ky.), Senate Majority Leader Harry Reid (D-Nev.) and House Minority Leader Nancy Pelosi (D-Calif.).

"It's just dumb. And it's going to hurt. It's going to hurt individual people, and it's going to hurt the economy over all," he said, in a tone that was considerably less alarmist than the messaging emanating from his team the prior week.

Obama's aides deny his statement represented any kind of messaging reversal. It was, they say, intended to correct a false media storyline that he was crying wolf:

"We believe that the Administration has an obligation to inform the public of what the impacts of the sequester are going to be to prepare them in advance for what's likely to happen. But we have always said that the impacts won't be felt immediately, and they won't be felt everywhere," a senior administration official told POLITICO.

"Seems like some in Washington and the press chose to not hear the part of our statements about impacts not happening immediately or everywhere. But that's OK. We knew there would be some of that, and still felt it was necessary to tell the public in advance of likely impacts."

Scott Lilly, a former senior Democratic budget aide on Capitol Hill and a senior fellow at the liberal Center for American Progress, said the president waited too long to take his case to the public. He should've started a year ago — during the campaign — preparing the country for the negative consequences of the cuts, and sparing himself the need to publicize the effects all at once.

"I never understood their strategy on sequestration," Lilly said. "Greater granularity earlier would've helped the public understand what they were getting into and put more pressure on Republicans."

Since they cut the sequester agreement with Republicans in 2011, Obama's team has been "remarkably ineffective in explaining that choice and why they were forced into it and who forced them into it. The more people are confused about why this is happening, the more latitude the Republicans will have to continue with gridlock," he added.

The administration's attempts to quantify the impact of the cuts have, at times, created

more confusion than clarity.

Last week, Education Secretary Arne Duncan stumbled in saying a West Virginia school district had already sent out pink slips to teachers: The district said it had nothing to do with the looming cuts. Homeland Security Secretary Janet Napolitano said at a POLITICO Playbook breakfast Monday that airports were already experiencing long lines: The TSA and airport representatives said that wasn't the case.

Republicans and their allies have pounced on what they view as White House exaggeration about the sequester, a welcome respite from months of mirthless post-election soul-searching. FOX News has been running images of placid, uncrowded airports — a counter to the administration's warnings about looming tower and security cuts.

Obama's team likes to cite polls showing three-quarters of respondents backing his hybrid of cuts and tax hikes, and they tout the president's solid personal approval ratings, still in the 50s despite recent signs of slippage.

But the long-term impact of the fight remains ambiguous. A CBS poll released on Monday found that 38 percent of those polled blame the sequester stalemate on congressional Republicans. But 33 percent blame Obama, a gap wide enough to preserve the president's public standing, but probably not big enough to create the tidal wave of public opinion needed to drive the GOP back to the bargaining table.

One senior Republican aide joked that Obama's hope that constituents will force congressional conservatives to act is doomed because "our approval rating is already like 8 percent on a good day. … He's going to drive it down to 6? Big deal."

Brad Dayspring, communications director for the National Republican Senatorial Committee, thinks Obama's tougher stance with Congress will eventually sour the public, making a big deal even less likely.

"Finger-pointing only goes so far," he said. "The ability to build consensus shouldn't be a foreign concept to the president, but it seems to be. … At a certain point boiling the soup for too long will burn it."

People around Obama say the current situation isn't analogous to the flawed and often ineffective messaging campaigns that afflicted health care and the stimulus.

This time, they say, time is on Obama's side: As the impact of the pain filters down to individual districts — in the form of reduced government services, federal worker furloughs and deep defense cuts — Republican members of the House will come under increased pressure from constituents to cut a big deal on spending and entitlements with the Obama administration.

But Harry Reid and other Senate Democrats have argued that the current fight is one

Obama might have avoided if he had driven a tougher bargain a couple of months back. They opposed Obama's December fiscal cliff deal, which set a March 1 sequester trigger, because they wanted to extend the deadline by a year or more, giving Obama more leverage to cut a bigger deal with more revenue.

Moreover, GOP critics argue that the White House underestimated the resistance from Republican leaders to raising new revenue after agreeing to $600 billion in tax hikes on New Year's Eve.

Senior administration officials told reporters immediately after the fiscal cliff deal was reached that the president had plenty of tax-raising options left over to buy down the sequester, including, hundreds of billions in loophole closures that Boehner himself had identified.

And in the past two months, White House aides often reminded reporters that Republicans went from opposing tax rate hikes in November to accepting them in the fiscal cliff deal and predicted that a similar evolution would occur on the sequester fight.

"[Obama and his aides] have always been a little behind the curve in terms of understanding where the power in the House Republican conference lies," Lilly said. "The people they talk to are more reasonable than the people they don't talk to. The ones they don't talk to dominate how the Republican conference works."

Hours before the sequester went into effect Friday, administration officials said they never had any real hope that Republicans would bend by the deadline. They described the sequester fight as a long war and said the president would make it as hard as possible for Republicans to stick to their current position.

Even Democratic critics like Lilly still think Obama holds the winning hand and should be able to leverage public outrage over the cuts into a solution that includes new revenue.

To do that, however, Obama's team needs to tighten its message and avoid the kind of missteps that have plagued the initial phase of the sequester strategy, his own allies say.

"It's a fine line the [White House] has to be careful with, striking the balance of sounding the alarm without appearing to exaggerate," says veteran Democratic operative Karen Finney, who expressed confidence Obama will eventually prevail.

"The guy gets the long game, everybody always underestimates that," she added.

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THE DEPUTY SECRETARY OF COMMERCE
Washington, D.C. 20230

February 8, 2013

The Honorable Barbara A. Mikulski
Chairwoman, Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Madam Chairwoman:

Thank you for your letter of January 18, 2013, requesting information on impacts of sequestration. As you know, unless Congress acts to amend current law, the President is required to issue a sequestration order on March 1, 2013, canceling approximately $85 billion in budgetary resources across the Federal Government, of which $551 million is from the Department of Commerce (Department).

Sequestration would have both short-term and long-term impacts on the Department's ability to deliver on critical parts of our mission and would have a sizable economic cost for the Nation. All bureaus would see impacts to their missions as they implement hiring freezes, curtail or cancel training, and halt critical program investments needed to strengthen performance and improve efficient use of taxpayer dollars. All of these would have a harmful impact on our Department's ability to deliver services to America's businesses and keep our economy moving forward on the path of recovery. The Department is working hard to provide services in a cost-efficient and service-positive manner. We take our trust of taxpayer dollars seriously. As you have requested, I am providing you with some specific impacts to the Department below.

The Department's National Oceanic and Atmospheric Administration (NOAA) would see significant impacts. Communities across the country rely on NOAA every single day to preserve property, protect lives, prepare for extreme weather events, adapt to a changing world, and to enhance economic prosperity. NOAA's central mission of science, service, and stewardship touches the lives of every American and these cuts would negatively impact the ability for NOAA to effectively provide the products and services communities have come to rely upon.

As with all our agencies, these impacts are not abstract. They directly affect NOAA employees and partners throughout the country: up to 2,600 NOAA employees would have to be furloughed, approximately 2,700 positions would not be filled, and the number of contractors would have to be reduced by about 1,400. If sequestration is enacted, NOAA will face the loss of highly trained technical staff and partners. As a result, the government runs the risk of significantly increasing forecast error and, the government's ability to warn Americans across the country about high impact weather events, such as hurricanes and tornadoes, will be compromised.

Forced reductions in funding for fishery stock assessments, at-sea observers, and support for the regional fishery management councils jeopardize NOAA's ability to open fisheries that are economically important to our coastal communities, such as ground fish in New England and along the West Coast, Red Snapper in the Gulf, and the Nation's largest fisheries in Alaska. In addition, with these reductions in data and support for scientific analysis, NOAA will be forced to manage fisheries throughout the Nation more conservatively, which could mean smaller quotas and earlier closures as protections against overfishing. The economic impacts of these measures are unknowable at this point, but could be significant.

Significant and costly impacts to NOAA's satellites and other observational programs are also certain. For example, sequestration will result in a 2-3 year launch delay for the first two next-generation geostationary weather satellites (currently planned to launch in 2015 and 2017), which track severe weather events such as hurricanes and tornadoes. This delay would increase the risk of a gap in satellite coverage and diminish the quality of weather forecasts and warnings. Sequestration will also reduce the number of flight hours for NOAA aircraft, which serve important missions such as hurricane reconnaissance and coastal surveying. NOAA will also need to curtail maintenance and operations of weather systems such as NEXRAD (the national radar network) and the Advanced Weather Interactive Processing System (used by local weather forecast offices to process and monitor weather data), which could lead to longer service outages or reduced data availability for forecasters.

Marine transportation contributes $1 trillion and 13 million jobs to the American economy. NOAA provides nautical charts and real time observations, such as tides and water levels, to prevent ship groundings and supports the movement of commerce by sea and through the Great Lakes. Under sequestration, navigational safety, and therefore commerce, would be hampered due to reduced surveying, charting, geospatial and observing services.

All told, there would be significant impacts in NOAA's ability to meet its mission to preserve Americans' property, protect lives, prepare for extreme weather events, adapt to a changing world, and to enhance economic prosperity. It is unclear that future years of investment will be able to undo some of the damage—especially to the economics of America's fisheries and to our weather preparedness.

Sequestration would have to cut a total of $46 million from the Department's Census Bureau. The Census Bureau will be forced to significantly cut contract dollars and not fill hundreds of vacancies, pushing back research and testing for the 2020 Decennial Census as well as seriously delaying the release of critical economic and demographic data needed for this calendar year.

The last benchmark of economic statistics supporting America's assessment of Gross Domestic Product (GDP) and other key economic indicators was taken in 2007, prior to the recession. If the sequestration cuts move forward, the Census Bureau will be forced to impose a six-month delay in releasing vital statistics for these indicators, putting at risk our ability to take accurate stock of current economic conditions and well-being and potentially impacting policy making and economic decisions in the private sector.

Furthermore, delays in developmental work for the 2020 Decennial Census will increase the risk that the Census Bureau will not be ready to make major departures from past operational designs that are intended to save money without diminishing quality. The Census Bureau has committed to executing a Census that would cost less per household in real dollars. Cuts now are virtually guaranteed to force the Census Bureau to ask for larger investments later, putting at risk that goal of achieving more significant savings.

Cuts to the Department's Economic Development Administration (EDA) would hinder the bureau's ability to leverage private sector resources to support projects that would spur local job creation. The sequester would likely result in more than 1,000 fewer jobs than expected to be created, and more than $47 million in private sector investment is likely to be left untapped. In addition, EDA would be forced to impose administrative furloughs of roughly 6.5 days for each of its employees. These cuts would limit EDA's ability to be a strong partner to states and local communities in helping our country rebound from one of the worst recessions since the Great Depression.

The cuts at the Department's National Institute of Standards and Technology (NIST) would largely fall on grants, contracts, equipment procurements, deferment of open positions, and cuts in the repair and maintenance of NIST facilities that will negatively impact NIST's ability to keep them in acceptable working condition. While cutting in these areas will enable NIST to maintain its core scientific workforce, the forced reductions would negatively impact NIST's ability to deliver on its mission in other ways. For example, the elimination of some contracts and grants within the Scientific and Technical Research and Services would result in the elimination of at least 100 research associates at NIST who are important for the support of scientific research activities. The proposed cuts will also result in delayed or canceled equipment purchases needed to support work in critical areas such as advanced materials, advanced manufacturing, and alternative energy. In addition, if the sequestration moves forward, NIST will be forced to end work it is currently doing through the Manufacturing Extension Partnership (MEP) Center system to help America's small manufacturers innovate their business practices, make cost-effective improvements to their businesses, develop market growth strategies both at home and abroad, streamline their supply chains, and determine which technology investments make sense for their future. At a time when America's small and medium sized enterprises need help the most, programs like MEP warrant strong support. NIST will also be forced to delay efforts to help return small manufacturing enterprises back to the United States from offshore locations.

An important component of the Department's Bureau of Industry and Security (BIS) national security mission is to engage directly with end-users of sensitive controlled commodities and determine whether these items are being used in accordance with license conditions. If sequestration moves forward, BIS will be forced to significantly cut travel specifically in support of these checks, which will hinder BIS's ability to pursue some known threats to our national security.

The Department's International Trade Administration (ITA) would be forced, under sequestration, to reduce its support for America's exporters, trimming assistance to U.S. businesses looking to increase their exports and expand operations into foreign markets by nearly $15 million. In addition, ITA will not be able to place staffers in critical international growth markets, where there is a clear business opportunity for many American businesses to increase their sales and create jobs at home. These staff would have been part of a key program working to promote and facilitate global investment into the United States, supporting thousands of new jobs through foreign direct investment. Furthermore, federal trade enforcement, compliance, and market access activities would be cut by nearly $7 million, leading to fewer actions by the Federal Government to reduce trade barriers and ensure compliance with trade laws and agreements.

Sequestration will also force a cut of $4.9 million from the Department's Bureau of Economic Analysis (BEA). BEA will have to terminate work on key programs that help businesses and communities better understand GDP, foreign direct investment, and the impact of changes to economic activity within a specific regional economy (e.g., the economic impact related to Sandy).

Once again, thank you for your support of the Department, and we are happy to answer any specific questions you may have.

Sincerely,

Rebecca M. Blank

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