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HOW TO CUT THE FEDERAL BUDGET

How to Cut the Federal Budget, Seri...

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HEARING

BEFORE THE

COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

HEARING HELD IN COLUMBUS, OH, JANUARY 21, 1995

HEARING HELD IN PRESCOTT, AZ, JANUARY 28, 1995

HEARING HELD IN WEST COLUMBIA, SC, FEBRUARY 4, 1995

HEARING HELD IN MANVILLE, NJ, FEBRUARY 11, 1995

HEARING HELD IN BILLINGS, MT, FEBRUARY 18, 1995

Serial No. 104-2



Printed for the use of the Committee on the Budget

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HOW TO CUT THE FEDERAL BUDGET

SATURDAY, JANUARY 21, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Columbus, OH.

The committee met, pursuant to call, at 3 p.m., in Ohio Dominican Little Theater, Ohio Dominican College, Columbus, OH, Hon. John R. Kasich (chairman of the committee) presiding.

Representatives Present: Kasich, Hobson, Kolbe, Herger, Miller of Florida, Radanovich, Sabo, Parker, and Browder.

Chairman KASICH. The House Budget Committee will come to order.

I want to first of all thank the members of the committee for coming to Columbus today, and several of them from California and Arizona wanted to thank us for the great weather that we gave them.

Let me introduce the members, if I could.

To my left, the senior Democrat, the minority leader of this side of the House Budget Committee, Martin Sabo, who is from Minnesota, and Martin was—he is from Minneapolis, but he was born and raised in a little town in North Dakota, so he feels like we gave him a warm welcome here today.

To my right is Congressman David Hobson. Many of you would recognize Congressman Hobson because he is from Springfield, OH.

Next to Congressman Hobson is Congressman Jim Kolbe from Sonoita, AZ, just outside of Tucson; and then next to Jim Kolbe is Congressman Wally Herger from Yuba City, CA; and then next to Wally Herger is Congressman Dan Miller from Bradenton, FL.

And our newest member of the committee, a first-freshman from Mariposa, CA, Congressman George Radanovich; and then to the left of Mr. Sabo from Brookhaven, MS, this is the first time he has ever seen snow, Congressman Mike Parker; and to Mike's left from Jacksonville, AL, Congressman Glenn Browder.

Now, ladies and gentlemen, I first of all, want to thank obviously the committee for taking the time to come to Columbus today. This will be the first of what will be a series of hearings across the country. We will be in Prescott, AZ, we will be in Manville, NJ, in Columbia, SC, and then we will also be in Billings, MT.

I want to first of all thank the Ohio Dominican College staff, and particularly Sister Mary Matesich. Where is Sister Matesich?

We don't applaud in congressional hearings for witnesses or for members or anything like that, it is orderly, but we are going to make an exception here and give her a round of applause, along with her staff for the great work they have done.

This hearing really is unprecedented from the standpoint that we only have two witnesses that will appear today who have been prescheduled, Gov. George Voinovich and Mayor Greg Lashutka. The rest of the time we will hear from the panel. We will hear a number of panels, each of the members of the panel selected at random who will be permitted to address the committee for 3 minutes.

Members then will have an opportunity, if they feel moved, to be able to question the panel. For the last 30 minutes of the program today, we will actually use an open-style mike format and people for 1 minute will be able to address the committee.

The only rules are simply this, we are interested in having you tell us what ideas you have for being able to balance the budget, to be able to shrink the size of government, and to be able to help this committee in their job to try to save the next generation.

We are not inviting the special interest groups to testify, the lobbyists. They are good at getting to Washington, we are not interested in them, we are interested in you.

I will tell everybody here, that this committee is very excited about the attendance we have here today, and it demonstrates, clearly demonstrates that the American people want to be part of what their government does. The reason why we wanted to come and hear from you is because, frankly, most people have felt left out. We are no longer going to debate in the House about whether we should have a Balanced Budget Amendment.

We will have a debate, but the results are pretty well known. Over 60 Democrats have now signed a letter saying that they were going to support the amendment. We are going to have a Balanced Budget Amendment pass the House of Representatives, and I anticipate pass the Senate and, ultimately, be ratified by the States. The issue then becomes—

We are going to have order today, folks. This is an official hearing, just like we do in Washington, except we are out here, and we don't want to have a situation where people are going to say something and you are going to start cheering, we are not going to put up with that here today. We are going to have an orderly hearing, and we are going to be respectful to one another, that is the way we conduct our business.

What we want is we want you to be part of this. That is what it is all about, and that is why we are going to go across the country, and you know what we want to do? We want to listen, we want to learn, and then we want to lead. And I think it is exciting that so many folks took the time on a Saturday to come here. And we are going to listen to you, and we may have questions for you.

And one more time, I want to thank Sister Mary Matesich, the staff of the college, and the members of the committee for coming here.

And I would now like to recognize my distinguished colleague from Minnesota, Congressman Sabo.

Mr. SABO. Well, thank you, Mr. Chairman.

It is a pleasure to be here with John in Columbus, OH. We look forward to the opportunity to hear from all of you. In front of you, you have a breakdown of where the Federal dollars go. We wait in anticipation to hear your suggestions on how we can deal with

some real fiscal problems we have at the Federal level, and in particular, we are anxious to hear how you might suggest we deal with some of the very large and very expensive programs.

They are always worthwhile suggestions. We may hear on programs that they have a relatively small cost impact. The reality is that as we look at the discretionary spending that the Federal Government does, that which we appropriate every year, about half is to defense, half is for the balance of other things the Federal Government does. Then we have a large amount of expenditures that are entitlements, programs that go on year after year, unless we change the law. The overwhelming portion of that money is Social Security, Medicare, Medicaid, and a couple of other retirement programs. That is where the bulk of that money is expended. So we wait with interest to hear the particulars of your suggestions on how we could reform those programs to make them work better in our society and how we can save money.

But, John, we appreciate the opportunity to be here with you, and hear the suggestions of your constituents in Ohio.

Chairman KASICH. I want to thank Mr. Sabo.

I want everybody here to know that I think there is a sense that Republicans and Democrats have a hard time getting along. And let me be the first to tell you that Congressman Sabo has been an outstanding leader on the Democrat side, and we have had a wonderful working relationship during his chairmanship. And we anticipate that good, personal and professional relationship continuing now because, frankly, we don't believe we can get this job done of saving the next generation unless we can pitch in together.

And so I want to salute Marty here as we get started. And we are privileged and excited to have with us today Governor Voinovich, the do more with less, work harder and smarter.

And, Governor Voinovich, if you would like to take your seat and begin your testimony, we appreciate you taking the time to be with us today.

Governor George Voinovich.

STATEMENT OF HON. GEORGE V. VOINOVICH, GOVERNOR, STATE OF OHIO

Governor VOINOVICH. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, it is great having you are here in Ohio, a State that I believe is a true microcosm of the United States of America. I appreciate the opportunity to share some thoughts about a subject that impacts upon each of us every day, the proper role of the Federal Government, State government, and local government.

Our Forefathers referred to this as federalism and outlined our relationship in the 10th amendment. It is real short: The power not delegated to the United States by the Constitution nor prohibited to the States, are reserved to the States respectively or to the people.

Representing the National League of Cities in a speech before the Volunteers of the National Archives back in 1986 on the 200th birthday of the Constitution, I said:

We have seen the expansion of the national government's role into nontraditional domestic policy areas. We have experienced a tremendous increase in the proclivity

of the central government, both to preempt State and local authority, and to mandate actions on State or local governments. The cumulative effect of a series of actions by the Congress, the Executive Branch, and the U.S. Supreme Court have caused some legal scholars to observe that while constitutional federalism is alive in scholarly treatises, it has expired as a practical political reality.

I am pleased that we are having a national discussion about the way our government works. That is what this is about, because what we conclude will have an enormous impact on whether we can make any real progress toward reducing the Federal deficit.

In order to proceed with the discussion, we must respond to two basic yet powerful questions. They are real simple: First, we must define which government services are truly vital to society and which are not. As Abraham Lincoln once said: The legitimate object of government is to do for a community of people whatever they need to have done but cannot do it all or cannot do for themselves in their separate and individual capacities. I have always added, in all things the people can do for themselves, government ought not to interfere.

Second, once we have decided what government should do, we must then determine what level of government, Federal, State, local, or some combination thereof, should provide and pay for those services.

I commend the chairman and every member of this committee. I really appreciate your coming to Ohio today, appreciate your being here to hear from people here in Ohio and your commitment to hear from people across America. Involving State and local officials, as well as the average American citizen, will do more to restore federalism than anything else we have attempted to do in recent past.

Frankly, one of the reasons why our customers, and these are our customers, the people, are so fed up is that Washington does not listen to them. And, Mr. Chairman, I was heartened by your comment this week that we should listen carefully to the "America that pays the bills."

It is ironic that nearly a decade ago Congress was going through a similar exercise to reduce the Federal budget deficit. I was the mayor of Cleveland and was experiencing the loss of \$79 million in Federal funds, such as revenue-sharing, CETA, over half of our community development block grants. We reduced the city's work force by 10 percent, in 10 years our budget increased only 45 percent while the State budget went up 130 percent.

Mayors and citizens throughout the country were feeling the pain of these Federal cuts. In Cleveland, to make up the difference, the voters approved a one-third increase in the city's income tax.

We honestly believed that we had to do our part to get America back on track and on the road to fiscal responsibility. Imagine our disillusionment when the Federal deficit continued to spiral out of control, Congress continued to spend nearly a dollar and a half for every dollar in revenues, and today we are worse off than ever before.

Washington cannot be proud of the fact that it balanced its last budget in 1969, more than a quarter century ago. I support the Balanced Budget Amendment. It is needed to give Congress the backbone to deal with the deficit and guarantee that the sacrifice

we will have to make—and we will have to sacrifice—will not be in vain, as we did 10 years ago.

The country is in jeopardy because of the budget deficit, yet the average American wonders if Congress and the White House are really serious when some are arguing that we increase defense spending and others are advocating a tax cut.

Mr. Chairman, I congratulate you because you said that everything is on the table, including defense. This Nation is watching to make sure that Congress is serious.

Mr. Chairman, the new Congress has a wonderful opportunity for fundamental sweeping changes in the Federal budget process, in government spending, in the size and scope of government activities. Washington has the opportunity to do what State government and the private sector have done for years, to downsize and operate as efficiently as possible.

It has the opportunity to do what I said in my first inaugural address:

Gone are the days when public officials are measured by how much they spend on a problem. The new realities dictate that politicians will be judged on whether they can work harder and smarter and do more with less.

Including the budget I will submit next week to the legislature, our three budgets will represent the lowest percentage growth in State spending in 40 years. In my first 2 years, we had to cut \$711 million out of our budget. We changed our general assistance program and saved \$900 million, we reformed the long-term care reimbursement system and saved another half million dollars. I cite these numbers because under new federalism, State and local governments across the Nation will have to expand on these accomplishments, we will have to deliver services and utilize the dollars we have like we have never done before.

In many cases, State and local governments will have to raise additional dollars to take up the slack created by Federal cutbacks. I think we ought to talk about that fact; you just can't sit there and say it is not going to happen. It will happen. It will happen, and the communities in which we live will have to look more to their own resources to plug any holes in the human services safety net.

We can't kid ourselves or the American taxpayers, deficit reduction and the things that comprise a new federalism will require us doing more for ourselves, but again, let's not make the fundamental mistakes that can undo everything positive that we are trying to accomplish, shifting Federal program costs to shaft State and local governments won't do, nor will wholesale cuts or elimination of vital, social service programs.

Many of these programs were created in response to the needs that are still pervasive in our society, and, in some cases, in my opinion, more serious than ever before. Our job is to work as equal partners to reshape government, to consolidate and improve government services, to eliminate unnecessary layers of bureaucracy, and reduce the red tape that has entangled us for decades. This is the essence of my message today.

As all of you know, our mandate relief legislation is nearing final approval in both Houses of Congress, and I think Mayor Lashutka will make reference to that. Passage of this bill is a critical step in winning the confidence of State and local officials and will influ-

ence ratification of the Balanced Budget Amendment in the States throughout this country. But let me make clear that this bill does not address the mandates that are already burdening us. Between 1992 and 1995, existing mandates will cost Ohio taxpayers more than \$1.74 billion. Some of those mandates have huge Federal costs.

It is interesting to note that the Federal portion of Ohio's Medicaid has increased 55 percent, 55 percent since 1991. I think, Mr. Chairman, you ought to look at those mandates. They are costing both of us a lot of money, and mandates will consume 25 percent of all local government revenues by 1998.

If cities are not forced to pay the cost of unfunded mandates, they would not need the dollars provided by Washington for police protection, which is not a Federal responsibility in the first place. Another glaring example is the Boren amendment, a piece of Federal legislation which limits States' abilities to contain rising costs of long-term care and inpatient hospital stays under the Medicaid program. The net effect is that both State and Federal costs are artificially driven up without any direct contribution to the health or well-being of a single Medicaid beneficiary. Congress ought to get rid of the Boren amendment now.

Unfortunately, the examples don't end here. Congress has passed more than 175 mandates in the past decade alone. Speaking for my fellow Governors, as well as State legislators, mayors, county commissioners and township trustees throughout the country, it is imperative that Congress begin a comprehensive process to eliminate existing mandates before asking us to undertake new burdens in the name of Federal deficit reduction.

We have a golden opportunity right now to reverse some of the mandates that are reducing our competitiveness as a State and as a nation. State and local governments are looking for a commitment from you to work with us to address these problems.

Mr. Chairman, I recommend that you support, and that you ask Speaker Gingrich and Majority Leader Bob Dole to create a task force of State and local government people, the State and local coalition that we have been working together on mandates would be ideal, a bipartisan tasks force to start sifting through these various programs, mandates, and so forth, to figure out how we can work harder and smarter, to do more with less, reduce the deficit, free up revenues on the State and local level so we can take care of some of the responsibilities that are better handled at the State and local level. And I think it is really important, it is not just the governors, it has got to be the mayors, it has got to be the county commissioners, it has got to be your State legislators, your local government officials.

I went through new federalism back in the early 1980's, I represented the cities with the Reagan administration, and what happened was that the Federal Government sat down with each of the groups, and then after it was all over with, tried to get us to the table to agree on how we could get the job done. It didn't work.

Another thing we will be having this year, as many of us know, is a Conference of States. At that conference, I am hoping that Federal representatives recommend, as I will, that State constitutions be amended to give local government more capacity to deal with

their own problems rather than coming to Washington with their hat in their hand to a Federal Government whose pockets are empty. It is one of the problems today. In too many States, it is our fault, local governments don't have the capacity to deal with many of the problems that they should be dealing with, so what has happened over the years? They go to Washington—you have got the money—instead of dealing with those problems on the local level where they should be dealt with.

As President of the National League of Cities in 1986, I said we should dismember the useless parts of the Federal Government which have been created during the past 40 years. Personally, I would agree with those who say it is long past time we send education home. Let's face it, we only receive 6 percent of our education funding from the Federal Government. Schools won't be fixed and student performance will not improve because a centralized bureaucracy 400 miles away enforces new laws and regulations that require us to do certain things. And by the way, our local school superintendents have to fill out 170 reports every year to get 6 percent of their money from the Federal Government.

Today there are hundreds of Federal education programs that are highly prescriptive and heavily regulated. These programs are literally substituting Washington's judgments for those of the States, communities, and our families. Just last fall, the U.S. Congress passed a \$12 billion education bill, 250 pages of fine print that merely increased Federal micromanagement in education. There still might be a legitimate role, though greatly reduced, for the Federal Government, perhaps in research and perhaps in measuring a State's performance against national and international standards.

Another idea that deserves serious consideration involves our Nation's Federal transportation and infrastructure programs. For 35 years, until 1990, these programs were one of the few pure user-friendly Federal programs, funded almost entirely through the Highway Trust Fund dollars collected by the States.

Unfortunately, Federal decisions made over the past 4 years have diverted more than one-third, one-third of these tax dollars from the trust fund into the general fund. I believe that it is time we honestly face what has happened and engage in truth in budgeting. The gas tax increasingly has become a tool for deficit reduction, while States have seen their funding reduced and micromanagement increased.

Mr. Chairman, either we restore the word "trust" to the Highway Trust Fund or simply liquidate it, give us the responsibility for the highways within our borders, let us make informed decisions about our infrastructure at the local level. Should we not be allowed to decide what we need to build, how to raise the funds to pay for it, allow us to keep the gas taxes that Ohioans pay here in Ohio and eliminate the middleman who, by the way, is making it more difficult every day to maintain new and existing highways?

Go back and ask your local government officials how difficult it is today with all the Federal requirements to do anything in terms of roads. Contrary to what folks in Washington might think, we really don't need to have our money taken from us for the privilege of letting the Federal Government tell us how to spend it.

Program consolidation, the former block grants, I think also is another way we can get on with some of this. Today, there are more than 578 grant programs at last count. There are 154—listen to this, 154 Federal job training and employment services programs, drives our Ohio Bureau of Employment Services nuts, each with its own set of requirements. It is little wonder that States and local governments are so tangled in red tape and the public is so disillusioned with big government.

Block grants, rather than categorical programs, would help ensure a simpler, more rational, more flexible system of Federal grants, and it would encourage and reward State and Federal efforts to develop more innovative and more cost-effective programming services. Block grants also help to leverage more local public-private dollars. For instance, the \$57 million that we get in small city community development block grant money leverages \$252 million of public and private funds in the State of Ohio for housing.

As I have said before on many occasions, Federal money sometimes is the yeast that raises the dough on the local level, and one of the things that I think that you need to do as you look at these Federal programs and talk about cutting back, is to take into consideration how much money do those dollars leverage on the local level, private dollars and public dollars for purposes that we all think are important, and certainly housing is one of them.

Mr. Chairman, when looking at the programs across America, you will see that creativity and innovation are happening every day. With the chairman's help and with Congressman Hobson's help, we received recently Federal approval for our Ohiocare program which will overhaul the State's Medicaid program. For about the same amount of Federal and State dollars, we will be providing health coverage to nearly 400,000 Ohioans who are not currently covered by Medicaid.

Ohiocare is a perfect example of the kind of State-Federal partnership we should be promoting, especially because it also serves an important step toward achieving comprehensive welfare reform. And one of the things that I would like to point out today is that Ohiocare is the best initiative we have had in this State for welfare reform because, number one, it eliminates one of the major reasons why people, the working poor, drop out of a job, because we are going to give them health care coverage. When you combine that with the low-income tax credit—

Chairman KASICH. Governor, could you pull that a little closer, that microphone a little closer.

Governor VOINOVICH. When you combine Ohiocare with the low-income tax credit and the fact that in our State we provide day care for up to 133 percent of poverty, that is an incentive to keep our working poor on the job and not going on the welfare rolls.

The other thing it is going to do, it is going to help us reduce our welfare rolls because the major barrier for welfare people from going off welfare so often is the fact that they don't have health insurance, so that is going to make a real impact on what is in our welfare situation in the State—save you money, and it is going to save us money.

The thing that really excites me today about this hearing and the other hearings that you are going to be holding throughout the

country and in Washington, is that you are listening to your partners on the State and local level, and you are listening to your customers. I really believe, I really believe that if we do this right, if we do it right and take our time—and I am not saying you, I am talking about we, because we are with you, we are elected by the same people, the same people pay taxes to you as they pay to me, we are all in the same boat together. If we do it right, I think we can restore constitutional federalism as envisioned by our Founding Fathers, restore the balance between Federal, State, and local governments, reduce the deficit, balance the Federal budget, and restore the public's faith in our system of government.

I congratulate you again, Mr. Chairman, and every Member of the House Budget Committee, for getting outside of the beltway and listening to America.

Thank you.

[The prepared statement of Governor Voinovich follows:]

PREPARED STATEMENT OF HON. GEORGE V. VOINOVICH, GOVERNOR OF THE STATE OF OHIO

Thank you, Chairman Kasich, Congressman Hobson, and members of the House Budget Committee.

It's great that you are having your first hearing in Ohio—a State that truly is a microcosm of the United States.

I appreciate the opportunity to share with you some thoughts about a subject that impacts each of us every day—the proper role of government at the Federal, State and local levels.

Our Forefathers referred to this as federalism, and outlined our relationship in the 10th Amendment:

"The power not delegated to the United States by the Constitution, nor prohibited to the States, are reserved to the States respectively, or to the people."

In a speech before the Volunteers of the National Archives in 1986 on the 200th birthday of the Constitution, I said:

"We have seen the expansion of a national government role into new nontraditional domestic policy areas. We have experienced a tremendous increase in the proclivity of the central government both to preempt State and local authority and to mandate actions on State or local governments. The cumulative effect of a series of actions by the Congress, the Executive Branch, and the U.S. Supreme Court have caused some legal scholars to observe that while Constitutional federalism is alive in scholarly treatises, it has expired as a practical political reality."

I'm pleased that we are having a national discussion about the way our government works. What we conclude will have an enormous impact on whether we can make real progress toward reducing the Federal deficit.

In order to proceed with the discussion we must respond to two basic, yet powerful questions.

First, we must define which government services truly are vital to society—and which are not.

As Abraham Lincoln said:

"The legitimate object of government is to do for a community of people whatever they need to have done, but cannot do at all or cannot do for themselves, in their separate and individual capacities."

And I always add to Lincoln's words that:

"In all things people can do for themselves, government ought not to interfere."

Second, once we have decided what government should do, we must then determine which level of government—Federal, State, local or some combination—should provide and pay for those services.

I commend Chairman Kasich and every member of this committee for organizing this hearing, and the other hearings you will have across the country.

Involving State and local officials—as well as the average America citizen—will do more to restore federalism than anything else we've attempted to do in the recent past. Frankly, one of the reasons why our customers—the people—are so fed up is that Washington does not listen to them. Mr. Chairman, I was heartened by your comment this week that we should listen carefully to the "America that pays the bills."

It is ironic that nearly a decade ago Congress was going through a similar exercise to reduce the Federal budget deficit. I was the Mayor of Cleveland and was experiencing the loss of some \$79 million in Federal funds in such programs as Revenue Sharing, CETA, and our community development block grant program. We reduced the city work force by 10 percent.

Mayors and citizens throughout the country were feeling the pain of these Federal cuts. In Cleveland, to make up the difference, the voters approved a one-third increase in the city's income tax. We honestly believed that we had to do our part to get America back on track and on the road to fiscal responsibility.

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I support the Balanced Budget Amendment. It is needed to give Congress the backbone to deal with the deficit and guarantee that the sacrifice we all will have to make will not be in vain—as they were 10 years ago.

This country is in jeopardy because of the budget deficit. Yet the average American wonders if Congress and the White House really get it, especially when some are arguing that defense spending be increased and others are advocating a tax cut for the middle class.

The Nation is watching to make sure that Congress is serious.

Mr. Chairman, the new Congress has a wonderful opportunity for fundamental, sweeping changes in the Federal budget process, in government spending, and in the size and scope of government activities.

Washington has the opportunity to do what State government and the private sector have done for years—to downsize and operate as efficiently as possible. It has the opportunity to do what I said in my first inaugural address in 1991:

“Gone are the days when public officials are measured by how much they spend on a problem. The new realities dictate that public officials are now judged on whether they can work harder and smarter and do more with less.”

Including the budget I will submit next week to the legislature, our three budgets will represent the lowest percentage growth in 40 years. In my first 2 years we made \$711 million in spending reductions. Changes to our General Assistance program have saved us some \$900 million. And reform of our long-term care reimbursement system has meant another \$500 million in savings.

I cite these numbers because under a new federalism, State and local governments across the Nation will have to expand on these accomplishments. We will have to deliver services and utilize the dollars we have like never before.

In many cases, State and local governments will have to raise additional dollars to take up the slack created by Federal cutbacks. And the communities in which we live will have to look more to their own resources to plug any holes in the human services “safety net.”

We can't kid ourselves or the American taxpayer—deficit reduction and the things that comprise a new federalism will require doing more for ourselves.

But, again, let's not make the fundamental mistakes that could undo everything positive that we're trying to accomplish. Simply shifting Federal program costs to shaft State and local governments won't do. Nor will wholesale cuts or elimination of vital social services programs. Many of these programs were created in response to needs that are still pervasive in our society, and in some cases are more serious than ever before.

Our job is to work as equal partners to reshape government—to consolidate and improve government services—to eliminate unnecessary layers of bureaucracy—and reduce the red tape that has entangled us for decades. This is the essence of my message today.

As all of you know, our mandate relief legislation is nearing final approval in both houses of Congress. Passage of this bill is a critical first step in winning the confidence of State and local officials and will influence ratification of the Balanced Budget Amendment in the States, including Ohio.

But let me make clear that this bill does not address the mandates that already are burdening us. Between 1992 and 1995, existing mandates will cost Ohio taxpayers more than \$1.74 billion.

Some of the mandates also have huge Federal costs. It is interesting to note that the Federal portion of Medicaid has increased 55 percent since 1991. The members of this committee ought to look at these mandates. They are costing both of us a lot of money.

Mandates also will consume 25 percent of all local government revenues nationwide by 1998. If cities were not forced to pay the costs of unfunded mandates, they

would not need the dollars provided by Washington for things like police protection, which is not a Federal responsibility in the first place.

Another glaring example is the Boren Amendment, which limits States' ability to contain rising costs of long-term care and inpatient hospital stays under the Medicaid program. The net effect is that both State and Federal costs are artificially driven up, without any direct contribution to the health or well-being of a single Medicaid beneficiary.

Mr. Chairman, let's put an end right now to the Boren Amendment.

Unfortunately, the examples don't end here. The Congress has passed more than 175 mandates in the past decade alone.

Speaking for my fellow governors as well as State legislators, mayors, county commissioners and township trustees throughout the country, it is imperative that Congress begin a comprehensive process to eliminate existing mandates before asking us to undertake new burdens in the name of Federal deficit reduction.

We have a golden opportunity—right now—to reverse some of the mandates that are reducing our competitiveness as a State and as a nation. State and local governments are looking for a commitment from this committee and the entire Congress to work with us to address these problems.

Mr. Chairman, I recommend that you suggest to Speaker Gingrich and Majority Leader Dole that a bipartisan task force be created with the State and local coalition to start sifting through these various programs, including existing mandates, to determine how we can work harder and smarter and do more with less. I'm confident the work of this task force would help reduce the deficit and free-up revenues on the State and local level so we can take on some of the responsibilities that are better handled by us.

Additionally, governors and State legislators will be participating this fall in a conference of the States. At that Conference, myself and others will recommend that State constitutions be amended to give local governments greater capacity to deal with their own problems rather than going to Washington, DC, to a government whose pockets are empty.

There are other opportunities for real deficit reduction that also would go a long way toward improving the evolving relationship between Washington and the States.

As President of the National League of Cities, I said in 1986 that we should "dismember the useless parts of the Federal Government which have been created during the past 40 years."

Personally, I agree with those who say it's long past time we "send education home." Let's face it, we only receive 6 percent of our education funding from the Federal Government. Schools won't be fixed and student performance will not improve because a centralized bureaucracy 400 miles away enforces new laws and regulations that require States to do certain things. By the way, our local school superintendents must file over 170 reports to get this money.

Today there are hundreds of Federal education programs that are highly prescriptive and heavily regulated. These programs are literally substituting Washington's judgments for those of States, communities and families. Just last fall, the United States Congress passed a \$12 billion education bill—250 pages of fine print that merely increased Federal micromanagement in education.

There might still be a legitimate—though greatly reduced—role for the Federal Government in education. Perhaps a viable research function could be maintained, or an office that measures student performance at the State, national and international levels.

Another idea that deserves serious consideration involves our Nation's Federal transportation and infrastructure programs.

For 35 years until 1990, these programs were one of the few pure user-friendly Federal programs, funded almost entirely through Highway Trust Fund dollars collected by the States. Unfortunately, Federal decisions made over the past 4 years have diverted more than one-third of these tax dollars from the Trust Fund into the general fund.

I believe it's time we honestly face what has happened and engage in "truth in budgeting." The gas tax increasingly has become a tool for deficit reduction while States have seen their funding reduced and the micromanagement increased.

Mr. Chairman, either we restore the word "trust" to the Highway Trust Fund, or we simply liquidate it. Give us the responsibility for the highways within our borders. Let us make informed decisions about our infrastructure at the local level. We should be allowed to decide what we need to build and how to raise the funds to pay for it. Allow us to keep the gas taxes that Ohioans pay here in Ohio and eliminate the middle man, who is making it more difficult every day to maintain new and existing highways.

Contrary to what some folks in Washington might think, we really don't need to have our money taken from us for the "privilege" of letting the Federal Government tell us how to spend it.

Program consolidation in the form of block grants is another idea whose time I believe has come.

Today there are more separate streams of funding to States and localities than ever before—578 grant programs at last count. There are 154 Federal job training and employment services programs alone, each with its own set of requirements. It is little wonder that States and local governments are so tangled in red tape and the public is so disillusioned with big government.

Block grants would help to ensure a simpler, more rational, and more flexible system of Federal grants. They also would encourage and reward State and local efforts to develop more innovative and more cost-effective programs and services.

Block grants also help us to leverage more local public-private dollars. For instance, \$57 million in Federal funds this year from the Community Development Block Grant program have leveraged \$252 million in public-private funds for local housing projects. As I have said before, Federal money is the yeast that raises the dough on the local level. One of the things you should look at when considering programs is how much money do they leverage on the State and local level and for what purposes.

Mr. Chairman, when looking at the programs across America you will see that creativity and innovation are happening every day.

With your help, and with the special help of Congressman Hobson, we received Federal approval this past week for our OhioCare program, which will overhaul the State's Medicaid program.

For about the same amount of Federal and State dollars, we will be providing health coverage to nearly 400,000 Ohioans who are not currently insured or covered by Medicaid. This means better care, lower cost, and greater access.

OhioCare is a perfect example of the kind of State-Federal partnership we should be promoting, especially because it also serves as an important step toward achieving comprehensive welfare reform.

In my opinion, OhioCare will do more to reduce our welfare costs than any other initiative Ohio has undertaken. It eliminates the biggest reason why the working poor go on welfare. And it eliminates the greatest barrier to welfare recipients taking a job.

And that's what really excites me about this hearing today, and the other hearings you'll be holding throughout the country and in Washington. You are listening to your partners on the State and local level and you also are listening to your customers.

I really believe that if we do this right, we can restore Constitutional federalism as envisioned by our Founding Fathers; restore the balance between Federal, State and local governments; balance the Federal budget; and restore the public's faith in our system of government.

I congratulate you again, Mr. Chairman, and every member of the House Budget Committee, for getting outside the beltway and listening to America.

Thank you very much.

Chairman KASICH. Thank you, Governor.

That was outstanding testimony, with a lot of good facts. I will just ask one question, and then let my colleagues question you. I wanted to spend just a second here on the Boren amendment.

I wondered if you could for the members of the committee describe precisely how that works, precisely how that handcuffs you, and what the consequences of that amendment are, if we would change, repeal that amendment, how that would enable you to be able to deal with serving the public.

Governor VOINOVICH. The Boren amendment, and I hate to admit this, was put into the Federal legislation by the former Governor of Oklahoma and Senator from Oklahoma, Senator Boren. The purpose of it, I think, was to try and protect the nursing home industry and other health care providers so that they wouldn't get the short end of it in terms of negotiating their providing of health care to the public, particularly people who were benefiting from Federal and State programs. What, in fact, has happened is that

it has turned into a cost-plus operation, so that if we sit down and try to negotiate, basically what they say to us is that we get cost plus, because it is in Federal legislation, and if they don't like what we do, they take us to court, and we lose. And what we are basically asking is to remove the Boren amendment and let us negotiate with these health care providers on the local level so that we can do the same kind of thing with them as we have done in State government in negotiating our new preferred-provider organization and to reduce our State Medicaid, not Medicaid, but our State health care costs about \$29 million. So we would like to be free to negotiate with these people. And while we are negotiating for them, we are going to be negotiating for you, because you pay for in this State, you pay 60 cents on every \$1.00.

Chairman KASICH. Thank you, Governor.

Of course Medicaid is our most rapidly increasing portion of the budget. I will say that I will go back and talk to Newt and to our entire leadership about the idea of a task force made up of not just Governors but leaders like Greg Lashutka.

I spoke to the mayors via satellite and said we want all these ideas about—there are so many crazy and stupid and goofy rules out there that work to cost us money and keep us from doing our jobs, I think that is an excellent idea, and I like the bipartisan nature of it. But clearly, we don't want to just get to the Governors without including the city council and mayors and county commissioners, we are all in this together.

Congressman Sabo.

Mr. SABO. Thank you, Mr. Chairman and Governor, thank you for your comments.

As you visit about your involvement as mayor and governor, it brings back memories for me. In the 1970's, I spent extensive time as a member of what we then called the New Coalition, which was a group of State legislators, governors, mayors, and county executives working together to communicate with the Federal Government. So I wish you well.

Your statement raised a host of questions that I would like to pursue, but there is not time to do that. But let me just make one observation on a statement of fact that you made, which I would not agree with, and that is the statement as it relates to diversion from the Highway Trust Fund.

I am not aware of any diversion that has occurred in recent years. There was an increase in the gas tax that went to general fund, but that was not a revenue source that was initially in the Highway Trust Fund. All the revenues that were dedicated to the Highway Trust Fund in recent years remain in the Highway Trust Fund and are allocated to States and some of the local governments in the transit area every year according to the law. So if there was any diversion, I, frankly, am not aware of it, and I am positive there was not.

Governor VOINOVICH. Mr. Chairman, the only thing I can say to you is an hour ago I talked to the head of our Ohio Department of Transportation, Jerry Ray, and he indicated there is some \$10 billion sitting in Washington today that is not being released and that is being held in an account to help balance the budget.

Mr. SABO. That is different than diversion. That money remains.

Governor VOINOVICH. Not if you are a Governor and you are not able to build—

Chairman KASICH. Governor, would you suspend for just a second?

Let me suggest to you that this is a unique opportunity—and I really would like Columbus to just chill, OK, and let's try to maintain order and respect for one another here.

Congressman Sabo, I am sorry.

Mr. SABO. Clearly, the outlays from the Highway Trust Fund and the hundreds of trust funds throughout the Federal Government are part of our outlays every year. In a variety of fashions, we limit those outlays to control the deficit, those funds that flow into the Highway Trust Fund or a whole host of other funds like that remain within that trust fund available for allocation in the future. They are not diverted from it, they are there.

The resources that flow into that fund have not been diverted. We hear from every group that has their favorite thing they like to spend money on, but they want every penny spent for their cause and no restraint there as we try and limit the totality of government expenditures, but all the revenues that have been enacted by law to go into the Highway Trust Fund are still in that trust fund.

Chairman KASICH. Let me ask the members, my colleagues, we want to make sure we get to the public here and I know we have a few questions here, I think Congressman Herger wanted to comment on that.

Congressman Herger.

Mr. HERGER. Well, just very briefly on the trust fund. But where I believe the gentleman from Minnesota is technically correct, that money that has been put into the Highway Trust Fund, it cannot go for anything else, what has been happening in the Highway Trust Fund, as well as probably almost a hundred other trust funds, is that they are growing.

We are not—I believe there is in the vicinity of approximately \$10 billion in Highway Trust Fund now that is not being spent, and is therefore—hasn't been spent under the last leadership in the House and in the Senate to make the deficit appear to be smaller than what it really is and so we are technically correct.

In reality, it has been used as, I believe, as a trick on the American public to make the deficit appear smaller. Therefore, I think what we should be doing is spending these trust funds for what they were dedicated for.

I am sure there are plenty of highways here in Ohio, I can assure you there are in northern California, where we could use those dollars for what they were really dedicated and not as one more gimmick of the Federal Government to attempt to make the deficit appear smaller than what it really is.

Thank you.

Chairman KASICH. We are familiar with all your needs out in California, Wally.

Let me recognize Congressman Parker.

Mr. PARKER. Governor, you sound a little liberal to me, but I like you anyway.

Let me just say, I understand what you are talking about, and I think we may be talking about a little semantics here as far as being diverted, but Ohio has always gotten more money back on transportation dollars than it sent in. In the State of Mississippi, we only get 76 cents back for every \$1.00 that we sent in. It was on gas tax, supposed to go in the highway fund, it went there, but we didn't get it, and it is a bipartisan thing. It is not the former leadership of the House or the Senate that did it.

Under the Reagan administration, under the Bush administration, under the Clinton administration, every one of them have withheld money just to try to make the government look better and keep the deficit down. They have not given them money that our taxpayers have paid, and so we have a problem up and down the line. It is not a Republican or a Democratic problem, it is a financial problem, and it is a management problem more than anything else, so I think we are talking about semantics.

The same problems that you are having here, we are having in Mississippi, they are having all over country. And we have got to address those problems, we know that. But I appreciate your testimony.

Governor VOINOVICH. Mr. Chairman, I would like to say that we are a donor State, that the first thing I asked our congressional delegation to do after I became Governor was to work with Congress to increase our percentage. And the interesting thing is, we did get an increase, we went from about 76, I think, up to about 84 cents on the dollar. But the fact is that with ISTEPA and seven new management systems that the Department of Transportation has come up with, we are getting very few more little dollars out of the Federal Government. And like your constituents, our highway construction has come to a halt in Ohio, we are out of money, and we are sitting here, and we see \$10 billion in Washington that was raised out of the gas tax for the purpose of building highways, sitting there for the purpose of making the deficit look smaller than it really is.

Chairman KASICH. Let me just very quickly—Congressman Hobson has a comment.

Dave.

Mr. HOBSON. Well, I want to congratulate you for having the endurance to go through the waiver process on the CARE program. That generates out of a—generated a program out of Dayton, OH, originally called the Dayton Area Health Plan, which you have enlarged. I think you get a lot of credit for that.

I think one of the things that is going to help in health care across the country, is the experimentation, it has been going on in Mr. Kolbe's State for a number of years. We are going to be able to have an experiment, but the waiver process has been extremely difficult.

You might want to comment on your experience with that very briefly, but I also think this program can have a lessening of what they call the DITMA, the disproportional share money, if you do as well with Medicaid. Because a lot of those people that are not being reimbursed or are not getting back in, will come in through this program today and not show up in those emergency rooms either

on Medicaid or off of Medicaid, where they don't have any payment, and you had a great time with the waiver program.

Do you want to comment on any of that at all?

Governor VOINOVICH. Well, you are right, what we have done is we are going to be able to provide quality health care for less cost, and increase the access to it to about 450,000 people. That is wonderful.

We started our waiver process back in March of last year, and in all due fairness to the Clinton administration, it was a long, arduous process, but they did work with us, and at the time we were going through, several other States were going through, and it is not an easy negotiation, but it is one that I think Congress should look at. I think that we would all be much better off if those waivers were more automatic than they are today.

I think that we do have a health care problem in the country, I think that what the Federal Government should be doing is allowing more States like Ohio to experiment and get started with it so that we can bring costs down and increase access to more people and start to see what works and what doesn't work, and that will then give you a much better idea of how you can make decisions on the national level.

Chairman KASICH. We are running 20 minutes behind.

I know Congressman Kolbe has one final question for the Governor, then we will ask the mayor to appear, and then we want to quickly move to the public.

Congressman Kolbe.

Mr. KOLBE. I will make it very quick.

Governor, your testimony was very refreshing, you talked about reducing regulations and the size of government. Give us your first candidate for Federal agencies or departments that ought to be abolished. What is your top candidate?

Governor VOINOVICH. I would say education.

Mr. KOLBE. Thank you.

Chairman KASICH. Well, you can't be any shorter than that.

Thank you, Governor Voinovich.

Let's give the Governor a round of applause for taking the time today to come out.

STATEMENT OF HON. GREG LASHUTKA, MAYOR, CITY OF COLUMBUS, OH

Chairman KASICH. We will now welcome the mayor of the city of Columbus, a leader in the fight to end unfunded mandates on a bipartisan basis, Greg Lashutka.

Mr. LASHUTKA. Thank you, Mr. Chairman, members of the House Budget Committee, welcome to Columbus.

Mr. Chairman, you and I have known each other for a number of years, and Columbus takes great pride in seeing you and your committee hold your first outside-of-the-beltway hearing here.

Dave Hobson, Representative Hobson is certainly a familiar face here in the central Ohio area. And the rest of you, some from warm climes, I hope you don't mind our bracing weather.

I want to leave three messages with all of you today: One, Columbus and American cities will do our part to cut Federal spend-

ing, and I believe every program should be on the table and held up for scrutiny.

Second, I think we should measure the output of every program and get rid of those that don't work, and, in some cases, transfer those programs and resources to States and the local level where we can do a better job.

Third, in exchange for that new responsibility, cities and local governments should be held accountable for improving our own quality of life. Let me tell you why that is necessary and why I believe local government is up to the task.

Our city, Columbus, is really an American success story, and our region is testimony to that. We are the fastest-growing major city in the Northeast part of the United States, the last 20 years, 650,000 citizens, more than Cleveland or Cincinnati, and those are great cities, larger in land mass by both by a factor of two or three.

Columbus has grown because of our quality of life; 70 percent of our citizens, on a city council poll, asking how the administration is performing, said that our quality of life is good or excellent. We are the 16th largest city, and yet we rank 91st in crime.

We are growing in large part because we try to keep our taxes low and the expenditures low to fuel the private enterprise and job creation, our unemployment rate, 3.1 percent, the lowest in 26 years, and we have reached out to niche markets, things like the inland port and the trade point, but I won't bore you with that today.

We do view ourselves as a region, anchored by the capital city of Ohio. We formed effective partnerships with our surrounding communities on key issues such as water and sewer, education overall, solid waste, transportation, recreation and parks, and yet behind all that is not a perfect story and one you probably have heard from other cities.

We have too many people illiterate. We can't fill the jobs being created here sufficiently. We do have high crime areas, and youth violence particularly is troublesome to our entire population, and we don't have enough low income housing. We have families that must be healed that are broken today, and lost children in need, and as mayor I feel responsible for each one of those citizens, and when we see a neighbor in need, I would like to help, and yet under our scheme of government, we have decided to take the responsibility for urban problems to Washington.

You have taken over welfare, created food stamps and Medicaid and public housing, Congress has historically told us, and I think there is a refreshing change of that and one we are excited about, but historically you have said the job is too big for you, mayors, it is a Federal problem. We will take billions of Federal tax dollars out of your cities if you follow all the orders from us in Washington, and we will give back some of that money in the form of grants. Moreover, further regulation, Congress will fight the war on poverty for you and your people, mayors.

Well, Congress lost. America lost because 77 percent of the people in America live in metropolitan areas. If we don't have healthy regions where most of our people live, we are not going to have a healthy America. Just 30 years ago, it sounded like a good deal for the Federal Government to use their taxing powers to help our peo-

ple who predominantly live in cities, but then Congress ran out of money and started using borrowed dollars, and the proof is in the pudding, the deficit started racking up 25 years straight, and annual interest on the \$4.7 trillion debt nearly doubles the national defense, I believe.

During this time, many mayors came to Washington for more direct aid. We were treated much like special interest groups. I know you want to get on to hear from our citizens, but the people we represent were in fact the ones who suffered.

When Congress ran out of money and borrowed money, the concept of unfunded mandates reached full bloom, and that was the promise to pay. It was unfunded mandates, the ability for Congress spending State and local tax dollars that finally made mayors and Governors stand up and realize that the Federal spending machine was a source of many of our problems, not the answer. The Federal appetite became insatiable, much like Godzilla destroying everything in his path. That is why it is time for radical change.

To parallel what Governor Voinovich has told you about, we did get together to work with you, and that is now coming about through a reasoned unfunded mandates bill. To the Governor's credit, through the National Governors Association, working with the National League of Cities, U.S. Conference of Mayors, National Association of Counties and NCSL, we think that the first crucial step, which is fundamental before we move on to the deficit reduction upon which we are here and the entitlement issue, will allow us to stop unfunded mandates and then go back and reexamine the very ones Governor Voinovich talked about.

Parenthetically, I would like to say that we do see that the efforts of Senators Glenn and Kempthorne and Congress Members Portman and Condit have been resolute in that battle, and only then can we go on to the twin challenges again of the deficit and entitlements. As the first vice president of National League of Cities, a member of the U.S. Conference of Mayors, I cannot claim to speak for the entire memberships of both, but I can speak for many of both parties as was raised by I think Congressman Sabo.

This is a bipartisan effort, and we want to have and expect fundamental change in our relationship with Washington. In short, we want to be in charge of our cities and our people again. We want Washington to stop absorbing such a large share of the Nation's wealth, leave it locally where it can be put to work more effectively.

I am not here to say don't touch entitlements or CDBG, Community Development Block Grants, or mass transit or highway funds. You will go through that terrific policy debate as you look at the fiscal pressures that cause your committee to come to Columbus today.

I am here to say to put everything on the table, Mr. Chairman, and members of the committee, every constituency, every income group, every age group must be part of this solution. Every program must be measured to see if it is meeting a critical Federal need. If it is not a critical Federal need, then we should determine the appropriate level at which that service should be performed, if at all.

One such area is housing. HUD has created too many categorical programs and bureaucratic hoops for local housing officials to jump

through. We need a complete overhaul of the scattershot housing and development programs that currently exist. What exists now does not work effectively once it reaches the local level.

I think it was Congress Member Kolbe who asked the question what should be No. 1. I won't disagree with the distinguished Governor of Ohio, but when Congress agrees, President Clinton agrees and even the Housing, Secretary of Housing and Urban Development Cisneros agrees HUD must go through a thorough review.

Another area that could be deregulated is Federal review of highway design, and I won't get in the debate of where those dollars are, but our city engineers know exactly the Federal standards when they draw up their plans, and yet we must have Federal review, State review, and local review that adds years and costs to every project.

Many of you came in on the I670 road, one of the only portions of interstate in central Ohio left to be completed. That, too, needs money, but I am not here to lobby that today. It took 12 years of delay to build a 5-mile stretch between the airport and downtown. The missing link between downtown and west to I70 work began in 1984, and serious construction has still yet to commence.

Federal laws add millions to the cost per mile and prevents contractors many times from hiring low-skilled people who work in our cities and could be on those projects. The Federal Government has become obsessed with itself, and Federal policies must be replaced with a national policy that involve the partnerships that Governor Voinovich asked for and which we are prepared to work with you on. States, local government, our private sector businesses, not for profits, and citizens groups, many of whom are here today.

Let's go to the other example for a moment, if I could, Mr. Chairman. Crime, I agree, is a national problem, but it really is not a Federal problem. The original 1994 crime bill would have helped us hire very few officers. Our city was in a track of hiring more officers. In fact, we have hired 160 new over the last 3 years and we are on track for this year and next year hiring another 180 without those Federal dollars.

Mr. Chairman, thanks to you on the Republican side working with the Democratic side, you have added on a deficit neutral bill, flexibility for crime, law enforcement efforts as well as crime prevention, and I happen to believe in both. That is the approach we should take in my judgment, flexibility for those of us locally, not the dictates at the Federal level.

Our police are clearly the last line of defense in the cities that you come from and in our city. Only rarely, except through the crime prevention program, do they prevent crime. It takes concerned citizens to really make a neighborhood safe.

We started a program, I won't go into detail in Columbus, Together Against Crime, and tied it to neighborhoods of choice to harness all our resources, but let me give you one example. Jim Johnson, a retired citizen, recruited 100 block captains to keep an eye on their block, no city dollars or State dollars or Federal dollars. He got 20 young people age 8 to 20 involved, too, and they are trained to spot suspicious activity, report it to adults and the police officers, and if they successfully complete their tour, they get a \$50 savings bond.

And, yes, midnight basketball was maligned in some quarters and debated. We didn't ask for a single penny of Federal dollars. We did it locally. To call it a basketball program is a huge mistake. It is not really a sports program at all. It communicated with people that you and I probably couldn't communicate with, taught them substance abuse, how to get a job, and the best thing is when they left and got a job and never completed the program, it worked here.

I am sure some people will tell you that Federal cutbacks will hurt the disadvantaged. What I am telling you is that they are already hurting today. Federal programs have trapped them in poverty. By including cities, our citizens will hold us accountable. We are the only level of government that really reaches out.

My phone number is in the phone book, and I believe most mayors, and we do get those calls. Columbus is one of the most generous cities in America, and the Chronicle of Philanthropy ranked us No. 3 for giving, ranked No. 1 nationally for United Way. We run the largest food drive, but when 25 to 30 percent of our income goes to the Federal Government, we don't have a lot left.

The backlash against welfare spending is not a backlash against the poor, it is a backlash against a government program that took over the function of charity and failed to deliver. America is one of the wealthiest nations on earth, and we can afford to assist the needy, but we cannot afford a Federal bureaucracy that does not work.

Dissatisfaction with Washington performance started brewing years ago. It was evident in the unfunded mandates movement, and the reality of last fall's election is something we don't need to go into today. The Federal Government is incapable of dealing with the issues that matter most to people—education, the Governor mentioned, crime, lifelong learning, preservation of family.

Utah Gov. Mike Leavitt said this recently: Government cannot legislate goodness, but we can nurture it. Government cannot appropriate goodness, but we can teach it, and we cannot compel it, but we can practice it, exemplify it, and we must stand for it.

So let me again, in closing, repeat, let's put everything on the table first; secondly, determine which Federal programs are critical and determine which can work better at a local level and be more effective; third, let us again be accountable to the people we serve. I don't pretend this will be easy and certainly, Mr. Chairman, you know that and the members of your committee know that.

Shrinking the Federal Government to its appropriate size and restoring American civilization will take national resolve equal to anything in the great depression or as we honor, the 50th year of ending World War II or the advancement of the Apollo Project, it will take years to recalibrate our system of federalism, but it must be done because we cannot continue to dig America deeper in debt.

As you cut the Federal budget, let me again reiterate, we would like to be partners with you in making this work. We have a window of opportunity. Otherwise, I fear what could come afterwards.

If you are going to hand off those responsibilities to us, we also must do it as smoothly as possible. Cities and States must have predictability to balance our budget, and we will work with you, but the surprises will cause unnecessary pain for all of us. Let us

form the national policies, not just Federal policies, using all the organizations at our disposal. Our citizens expect no less from us, and clearly our children and grandchildren are owed this.

Thank you, Mr. Chairman, members of the committee.

Chairman KASICH. Thank you, Mayor.

I would like to just take a second to say to both the Governor and the mayor that it will not be the intention of the party to just simply get to zero. The purpose is to reduce the size and the scope and be creative and innovative and try to make things work better. That is our vision, and that is why we are consulting with so many people in so many different ways, and Mayor, your leadership on the unfunded mandates and your willingness to be bipartisan—Parker just looked at me and said what party is he in—demonstrates the fact that it is going to take a bipartisan effort.

Any questions for the mayor?

Greg, I want to thank you very, very much for being here. The mayor and the Governor, both.

How about a round of applause for our mayor.

OK. Now, let me tell you what we are going to do. We have got 16 citizens right here in front of us who have filled out witness slips. We have had a lot of people fill them out, we have looked at them, the ones that we think make the most sense, and let me say to the witnesses, you will be recognized for 3 minutes, and we will have several of these panels.

For the last 30 minutes we will actually come out in the crowd and let people speak for 1 minute. Let me say, I will call on you, and then—we have the first witness at the table. I want you to feel comfortable. I want you to have fun. These hearings are about having fun.

If we get through with five cities and we don't have some fun and we don't—look, this is a family deal, isn't it? Instead of spending \$3 trillion more, dad thought he was going to get a raise of \$3 trillion, he only got a raise of \$2 trillion, only \$2 trillion, and we have to figure out how to live within that, that is exactly what the numbers are.

The Federal Government, if going on its current path would spend \$3 trillion more over the next 7 years. To get to a balanced budget, we would be able to increase spending by \$2 trillion. Now, that is an increase per year of about 2 percent.

Now, that doesn't sound like much to you when you are thinking about your family budget, but let me tell you that in our city, trying to have government grow only 2 percent, particularly when some programs are growing double digits presents us with choices, and I want you to know that, and that is how you are brought into this, but I happen to believe as the members of this committee do, that there is a lack of new ideas, and sometimes a lack of common sense in that beltway, and the reason we are going out here is this is not some phony baloney kind of media frenzy, public relations deal.

This is designed to invite every single person in this country, whether it be through this hearing process, whether it be through the Internet, the committee is going to go on the Internet, we are going to make every effort we can, every effort we can to connect

with the people that pay the bills. First, our first No. 1 witness is—with a name like Kasich that is always misspelled, is it Reschite?

Ms. RESCHITE. I am Sandra Reschite from Columbus, OH.

Chairman KASICH. Sandra Reschite from Columbus, OH. You have 3 minutes, Sandra. Tell us what is on your mind.

Ms. RESCHITE. OK, I would like to thank you all, Mr. Chairman, and your committee, for coming out to the people. The people need to feel that they are being heard. I have several—

Chairman KASICH. Sandra, if you would pull that microphone closer so that we don't get the feedback, we would like everybody here to hear.

Ms. RESCHITE. All right. I have several things that might be cut that you can consider, and then I will tell you the most important thing that I would like you to think about.

One of them is to cut the payment, eliminate the payment of bonuses to Federal employees.

I would wholeheartedly agree with our Governor and ask that you eliminate the Federal Department of Education. That Department does not educate a single child.

Eliminate the Agency for International Development, and I know, Mr. Chairman, that you have worked on things like that before. I would like to ask that you use the research that has been done in this book, Martin Gross' book, "The Government Racket: Washington Waste From A to Z." If you don't have it, I will gladly give you mine. In the interest of fair-shared sacrifice, possibly consider cutting congressional salaries by 10 percent, and those of Federal employees.

Chairman KASICH. All right, I will let you clap for that one.

OK, go ahead.

Ms. RESCHITE. Find a new formula for setting congressional pensions which are out of line with those of us who pay the bills.

Please use one set of numbers when you are talking about the budget, don't play games with us and please tell us the truth.

The last thing I would like to suggest is that the single most important effort that could be made to cut the Federal budget could be done by restricting legislation to one subject only, allowing no nongermane amendments, and that would eliminate billions of dollars in pork.

Chairman KASICH. Folks, if we are going to clap, we are going to run out of time for the witness, so let's try to restrain ourselves. OK.

We are on yellow, you go to red. Is that it?

Ms. RESCHITE. I am done.

Chairman KASICH. The way this works for the witnesses, as you testify on how we balance the budget, we will go from—we actually got this figured out, from green to yellow to red, and we keep it consistent. You would think we would go red to yellow to green, but we actually are working with the rest of America here. When it gets to red, that is when your time will have expired and we will let you go a few seconds after that.

How about questions, Congressman Parker.

Mr. PARKER. Sandra, you have brought up some things. You can take every one of the things you have just mentioned, you are not going to balance the budget with that.

Let me ask you a question, what about the biggest problem we have in this country as far as cost, entitlement programs, because I think you are somebody, you have read these books, you are interested in it, you have got children, I am sure, and you are in a situation where you are worried about it, and you have thought about it. What about entitlement programs?

Ms. RESCHITE. Entitlements are going to have to be cut. There is no question about it.

The question is how do we do it, how do we keep from hurting those people that truly need help. This should be viewed as a helping hand to them, not a way of life, but there are people who need help, and that is going to make for some tough decisions for you all, and what I wanted to focus on, I am glad you asked me, though, because they do need to be cut, I wanted to focus on other things in addition to that. You are going to have to cut a lot of places to balance the budget. There are no easy answers. We did not get into this mess overnight.

Mr. PARKER. Thank you.

Mr. MILLER. Mr. Chairman.

Chairman KASICH. Congressman Miller.

Mr. MILLER. You mentioned, as did the Governor, the subject of the Department of Education, and I have serious concerns about the Department of Education in Washington too, and I think this is really a local, State, family issue.

What about for example, these are the type of problems we are going to have to face, college student loans that makes it possible for kids to go to college, the area of special education for kids who have special education needs, let me take those two areas, what would you do with those two programs?

Ms. RESCHITE. There are many college students who are going to college right now only because they have loans and aid to go to school on. However, in the area of things like special education, that doesn't have to be a Federal program, and education should be returned locally to the people. That is where they want it.

Mr. MILLER. But the college loans you feel would be a Federal?

Ms. RESCHITE. I don't know what that should be. There are people who need that. Maybe it could be done locally in the communities through banks.

Mr. MILLER. Thank you.

Chairman KASICH. Congressman Parker.

Mr. PARKER. Everybody that comes up here just thinks education is just totally a State thing. I have got a sister-in-law, I love her to death, and she is a home schooler, and she and I argue a little bit.

You all are very successful here in Columbus, you have got a good tax base, you have been able to grow a lot. I have got some counties in my district that are so poor, if it were not for transfer payments, people would be starving on the street.

I mean, it is ridiculous, and granted the government is as much to blame for this as anybody, but what do you do about those areas? If we didn't have some Federal dollars coming into those programs for education, we don't have a tax base, 51 percent of the people in the State of Mississippi are eligible for earned income tax credit.

Now, that may not sound like a lot to a lot of people, but we have got parts of the country that it is almost Third World. Now, what do I do about that? You know, it is good to stand up and say we are just going to destroy, we are just not going to send money, but I have got some people out there that just can't handle that, I am just not sorry, I just cannot handle just cutting it out.

Ms. RESCHITE. I understand exactly what you are talking about. We have counties and school districts in Ohio that are poverty stricken, too, and right now there is a battle going on for equitable funding for those school districts. It has to be fair, but if you took all of the money that goes into the Federal Government to run a department that does not educate anybody, what would that do to help those counties and those small poverty-stricken school districts?

Mr. PARKER. Not bad there, not bad.

Chairman KASICH. You may end up with a job before this is over.

Thank you very much to the witness. Very good job. We will go now to Ray Yocca.

Mr. RADANOVICH. Mr. Chairman, if I may make a real brief comment.

Chairman KASICH. You certainly can.

Mr. RADANOVICH. Thank you, Mr. Chairman. I think in order for this to be more productive for members, if I might request that people in the audience in addition to thinking about what should be cut, also consider ways in which those needs can be met by some other group in this community, including private nonprofit groups, charities, families, or different businesses. Also consider what can be localized, whether government should be doing these things, maybe they should come from your mayor or your Governor rather than from the Federal level. If you could keep those two things in mind while you are making suggestions on what we have to cut, I think it would be a real benefit.

Chairman KASICH. That is an outstanding point.

Mr. Yocca.

Mr. YOCCA. Yes. My statement is short and simple. We have children having children, and I do believe that the expense of the Federal Government being involved in encouraging this type of situation, I think that the responsibility should go back to the parents of the children having these babies. That is my simple statement.

Chairman KASICH. Any questions for the witness?

Congressman Kolbe.

Mr. KOLBE. I would just say, Mr. Yocca, that I think all of us on this panel probably agree with the sentiment of what you expressed. It is always, as they say between the lip of the cup and the mouth as to how you get there because the reality is it is very hard sometimes to translate some of these things into working proposals. There are many problems that occur when we have—the breakdown of families that can't be attributed to just one thing, and certainly I think we can look at our welfare system and say that it has contributed a great deal to the breakdown. But we want to be sure as we do this welfare reform that we do it correctly in such a way that we make sure that families are not left struggling to raise their children without some kind of a safety net beneath them.

There are people that don't have families, there are children who don't have families, and I think those are just some of the things we have to think about. I am interested in any thoughts you might have along those lines.

Mr. YOCCA. This is a program that in my opinion will have to—there will have to be adjustments based on the situations that you have just mentioned, not necessarily every family would be responsible financially. I think it would depend on possibly finances of the family itself.

Mr. KOLBE. Thank you.

Chairman KASICH. Let me just ask you one question, Mr. Yocca, how would you feel if we were able to take welfare to the block level, where you and your neighbors would sit and take a look at somebody that would have a problem, and you judge whether this person needs more help or whether they don't? What would you think about doing welfare not at the State level but actually down where you live in your neighborhood?

Mr. YOCCA. That is narrowing it too much. I would say possibly within the community itself to be judged on an individual basis, but as far as a block individual basis concern, that is too restrictive, that is too much responsibility on basically the accuser, I suppose.

Chairman KASICH. OK. Thank you, sir, very much. We will now hear from Warren Shively from Columbus, OH. Warren, fire away.

Mr. SHIVELY. Thank you, Mr. Chairman, and the committee for allowing us to do this. I definitely feel I am very much out of my league here. I have far from enough information to speak on the level that I have been hearing, but I do appreciate some of the comments that Governor Voinovich made and our mayor made that make a lot of sense to me.

I listed a couple of items that I feel look logical. I come from a farm in western Ohio, and as Mayor Lashutka indicated on HUD subsidy, I receive as much or more income, especially this year, from the government on land that I didn't farm than on the acres that I do farm and tried to sell the crops. It would seem to me that when we look at farm subsidy for grain, the dairy especially I have heard is one of the largest subsidies that we have.

I am really appalled that we subsidize the tobacco industry and then we turn around and even spend more money trying to tell people that you shouldn't smoke. It would seem to me that this direction of subsidy is unnecessary.

I guess I grew up in a family that thought supply and demand was the way to go. I just read an article on the airplane coming back from Iowa this week about I think it was China has a tremendous shortage of soybeans, and we are sitting here with an excess. It would seem that should be the thing that determines the market.

Then the next item that I had listed, and the last gentleman referred to, I have here that we should control welfare locally and make those that are able to work and do different items, that they be given those jobs. Again, I heard Mayor Lashutka talking about the freeway that isn't done, and we would have an opportunity, the people that are physically able, to do some of that work, the low value labor people that might fall into that category, and probably

as Congressman Parker had asked, how do you do this on a local level. I think obviously our church has fallen down very much along the way, but it has to fall to the neighborhoods, the churches, the city and the State.

It just gets too far removed. I can remember as a child when it was published in the newspaper who was on welfare. I don't think that was a bad idea. I think a few people that are on it might not be still on it if we published those that were on it. I don't know. As I say, I really don't have enough knowledge, I am not a politician, I am not into it, so that is just what I thought.

Chairman KASICH. We have a couple people that want to comment. Let me just say something to the folks that are here and to you, Mr. Shively, it doesn't take Einstein to deal with this challenge that we have. I am amazed when I listen to people say, I just don't have all the facts—it is not that tough.

I mean there are some complications, as Congressman Parker was saying, we have got entitlements, they are growing, you go where the money is and all that, but listen, folks, your ideas, you have got some of the best ideas that we could come up with. Don't ever feel like you cannot participate or send a good idea because you just don't know all the facts. Guess who else doesn't always know all the facts around here?

Congressman Hobson first.

Mr. HOBSON. John always steals my thunder, that is what I was going to say. The best witnesses in my experience in the State legislature, and I am sure the Governor, the mayor will say this, are you all. So often, though, you don't get through the way you need to get through, and that is one of the purposes in hearing you.

Frankly, your example about your farm—are you in my district, by the way?

Mr. SHIVELY. No.

Mr. HOBSON. But I think—I don't want to use your name in an example, but I would like to have your name and address after this is over because I think if what you are saying, and I don't doubt it is an exact fact, that is one of the facts that we need when we look at these things are real examples of what is happening, so often what we get are hypotheticals from people. Yours is real. Other people's are real, and those are the most important things.

Don't ever feel intimidated in walking up to one of us wherever you see us and telling us in a nice way hopefully what is your particular example that is wrong. Some of us are going to have to put our jobs on the line in some of these votes that we take because absolutely, you are absolutely right there are 320,000 people dying every year from lung cancer, and nobody wants to do anything about it.

We talk a lot about it, but nobody wants to do anything about it. There are lots of other things like that, and I want to thank you for being willing to get up in front of all these people and state the things and every one of the rest of you that do that because that is important to us.

Thank you very much. If you will get me that, I would like to have that example.

Chairman KASICH. Congressman Browder.

Mr. BROWDER. Thank you, John. I would like to say good afternoon to Mr. and Mrs. America. I would also like to thank you for scheduling these hearings, getting us outside of Washington, a special thank you for doing this.

Mr. Shively has started—I think set a good precedent here and the lady previously, Ms. Reschite, provided some, I think, some good suggestions for us, but Mr. Shively has set a good precedent that I would like the other witnesses to set for us.

As you go through these things where you think we should cut, I would like for you to identify which of the things that you want us to cut are things that you benefit from. For example, all of us benefit from something, whether it is—you know, our family, whether it is from student loans, whether it is senior citizens or veterans or even people you know whose family members are undergoing drug abuse treatment or some program such as that, most of us have some people in our family benefiting from programs, and as you go down your list I wish you would identify those things that you are benefiting from that you would be willing to cut.

I think that would be very helpful, Mr. Shively, and I appreciate you for citing one of your own programs that you think we should take a look at.

Thank you, Mr. Chairman.

Chairman KASICH. I think that is an outstanding suggestion, that really is.

Other questions for the witness? Sir, thank you very much for taking the time.

Roger Wood is our next witness. He is the only one that I have spoken to. Roger came to Washington to see me because he has a burning passion inside of himself as to how to fix Pentagon spending, and he asked if he could testify, and I said we would be more than happy to hear from you.

Roger, why don't you give us a little background of what you have included in your testimony.

Mr. WOOD. Thank you, Mr. Chairman.

Let me just share with you some comments on national security, but not in context with the traditional debates over increased or decreased spending on any particular program or any particular fiscal year. Rather, I would like to advance a concept or an idea to significantly improve how we manage our national defense investments, is there a way to keep America the strongest nation in the world but at the same time do that in a far more affordable fashion.

Management process—

Chairman KASICH. If I could ask you to get the microphone closer and speak up so that people all the way in the very—can you hear in the back way up in the balcony? You are having trouble?

OK, Roger.

Mr. WOOD. Thank you. The process by which we have historically managed our defense outlays in this country, many people, many representatives on the committee I am sure would recognize it as a thing called the defense acquisition process generally involves the way we procure, test, develop, and field systems. I believe that process can be substantially improved.

I have got an idea on how to do that. Let me first tell you or try to characterize what I think quite obviously is wrong with that system what has evolved out of about four decades of fighting a cold war. The system is far too long to at all be affordable.

For a complex system it takes easily 20 years, as represented by programs like the C-17, the F-22, the new Nation's fighter is rapidly headed toward that time period, why is it so long? Anything that long I believe the public can resonate with as recognizing simply is not going to be affordable.

So why does it take so long? To take a very complex process and try to synopsise it, it is not often recognized or described as involving five long-serialized sequential steps or gates or phases. The first of those quickly is an attempt by the user to set their operational requirements. It usually takes 2 to 3 years.

The next step has to be in sequence by government regulation, by DOD regulation is a step to demonstrate the technology that is going to be used on this system. That usually takes 3 to 5 years.

The next step is a phase called the development phase of the program, including the testing. That takes—has characteristic of now taking 10 years and sometimes even more. Half of that sometimes is involved in the testing of the system; 5 years easily of testing on new military systems.

Compare that, as an example, this Nation is bringing this summer to the delivery a brand new commercial airliner, the 777, which was kicked off by Boeing in 1989, 1990, it is going into service this summer, 5 years entirely equal to just the testing time to bring a new military system on line. The last phase is to bring it into production.

As I say, 10 to 20 years, depending upon the complexity of the system. Amazingly enough when it goes to service, the user himself rarely has any immediate concept about how to use that system. There is a matter of developing tactics and doctrine, the user is not involved in the participation of the process themselves, so how to improve that. I believe, and there are several—this is a way of integrating several thoughts together that are going on elsewhere in the country right now, but it would be possible to do these things in a more evolutionary fashion.

One might easily see—

Chairman KASICH. I am sorry, we are going to have to let you answer the rest if there are questions because everybody feels passionately about their subject.

Mr. WOOD. OK.

Chairman KASICH. Let me ask you a question, would it make sense that a C-17, which is a complicated transport, that it would take 20 years to bring that system on line as compared to commercial aircraft 5 years, couldn't you argue that of course it would take 20 versus 5 because of the nature of the system?

Mr. WOOD. The C-17's technology is not at all more advanced than the 777. As a matter of fact, C-17 was prototyped in the mid-1970's and could have gone with some production engineering improvements into service probably early in the 1980's, so, no, there is no reason why a three to 5-year cycle could not be used to get the equipment in user's hands.

Very importantly, and that would be part one of my recommendations, 3- to 5-year cycle, very importantly, get it in the user's hands and perhaps in relatively small squadron-size production lots, for several purposes: the best way to learn how to use a system, but also another important thing right now, and that is the best joining of unified roles and missions, there would be no better way of evolving into an improved roles and missions structure in this country than to get these systems in the user's hands and let the unified commands use them that way.

Chairman KASICH. Congressman Parker.

Mr. PARKER. I have never met a Congressman who didn't want a strong defense, and I want one, too, but just as we have thrown money at social problems for a long time, wasting billions and billions of dollars; I feel the same thing is true with our Defense Department.

Now, what you are saying is that you feel that tremendous amounts of money could be saved not from changing anything from the standpoint of what we buy, but just how it is developed, produced, and brought on line? Is that what you are saying?

Mr. WOOD. American industry has totally changed its competitiveness in the world by management process improvement in any industry that I know about. Boeing, for example, incredibly is reducing the order lead time on its new wide body jets from about 2½ to 3 years down to 10 months by technology utilization, manufacturing techniques, advancement, and management process improvement.

There is no question that there is a tremendous savings available by simply looking at this long 10- to 20-year sequential 5-year process, boiling it down to a shorter phasing, in phase with technology. What sense does it make to deploy a technology which is new today but 20 years from now it is outdated?

Mr. PARKER. Mr. Wood, the chairman said you have been working on this for some time. Give me an estimate out of the \$270 to \$280 billion we spend a year on defense, how much could be saved from that standpoint. Do you or the groups that you work with have any idea?

Mr. WOOD. No, it is a concept, Congressman, I think a seasoned group of gray beards have put the implementing details on this kind of a concept. I think it should be a collaborative thing. The Roles and Missions Commission is taking a look at process improvement. It is another opportunity to build this kind of thinking into that, the JCS is looking at this in the same kind of process requirements management in a way.

There simply has to be very substantive—time is money. I think the American people can resonate with that. I believe there is a key point here. If indeed Congress wishes to demonstrate significant savings with specific fresh new ideas, what better way than a management improvement approach which is what American industry has done. If you wanted to get something on the table that captures that idea, I think there is an opportunity.

Mr. PARKER. Thank you, Mr. Wood.

Chairman KASICH. I would ask the witness to shorten your responses, Roger, please.

Congressman Browder.

Mr. BROWDER. Mr. Wood, John Kasich and I both serve on the Armed Services Committee. We worked last year to pass acquisition reform. I would like for you to tell me basically in one sentence if you could what do you think about that reform? Is it going to work or if you haven't seen it, if you would take a look at that legislation and, not now, but later, write to us and tell us your view of that reform.

Mr. WOOD. The legislation embodied in the fiscal year 1995 authorization bill, appropriations bill, entitled Defense Streamlining has very little chance of succeeding or sticking to the wall for the simple reason that it was intended to advance more commercial technology utilization. Technology utilization cannot be effectively employed. In an overall management process, it takes 20 years. It did not deal with the real issue.

Mr. BROWDER. Could you follow up with something in writing to us, please?

Mr. WOOD. Yes, I would be happy to.

Mr. BROWDER. Thank you.

[The information referred to follows:]

COST SAVINGS ASSOCIATED WITH EVOLUTIONARY DEFENSE ACQUISITION

As summarized in the attachment, evolutionary acquisition focuses on three specific process improvements to reduce the overall acquisition time of defense systems: (i) management of operational requirements in incremental steps, (ii) use of a short development and production prototype phase and (iii) rapid fielding of the production prototypes for the critical first area to evaluate any new weapon-operational tactics and doctrine. Using the fundamental business premise that "time is money," this plan could reduce today's five-phase, 10-20 year acquisition cycle by more than half. The F-22 program provides a good illustration of achievable savings:

In the late 1980's, DOD invested some \$5B and 5 years in an ATF demonstration and flyoff phase, the second of the five long phases under current DOD acquisition policy. Using modern design and production tools, the F-22's and 23's manufactured in this phase were far more than flight test vehicles; they were very capable operational systems with aerodynamic, structural and stealth characteristics suitable for fielding after installation of new avionics developed concurrently in integration labs.

In the early 90's, the F-22 was nevertheless required to re-enter development under the third or today's acquisition phases, Engineering & Manufacturing Development [EMD]. This EMD phase has become a \$12B, decade or longer undertaking, and is following the same acquisition flow used for the C-17 which was likewise prototyped in the 70's before being recycled into EMD in the early 80's.

There is a definite cost-benefit tradeoff between rapid fielding of defense systems with good threshold capabilities versus stretched-out fielding of grand-design systems. Rapidly fielded systems, upgraded by model change over their operational life, have historically been economic while effectively keeping pace with hostile threat changes and emerging technology. This was the approach used by the current top fighter, the F-15, which first entered development in 1970 and was fielded in 1974. Conversely, when systems are reintroduced into the decade-long EMD phase, the requirements-creep to counter all conceivable future threats seems to consistently undermine prior prototype investments, re-introduce technology, schedule and budget risk and eventually lead to cost growth, schedule delay and resulting loss of national support.

So, what would the savings have been had an F-22 "evolutionary" approach been used? The answer is that the \$12B EMD investment could have been largely avoided and the production unit price could have been significantly less. Indeed, had all the prior \$4-5B investment been dedicated to just the F-22 rather than a two airplane F-22/F-23 flyoff,¹ that amount would have been more than sufficient to com-

¹The airframe and engine contracts funded less than half of this \$4-5B investment and the contractors financed the remainder. The competing designs were so close that this huge investment to support a fly-off would have been far more prudently expended by downselecting to one aircraft at the outset based on a full and open competition (the same way the F-15 was selected in 1970), and adding the F-22 avionics and fielding work described above to that phase.

plete the avionics installation design and procure a squadron of fieldable systems for the critical user evaluation of operational tactics and doctrine.

1994 FEDERAL ACQUISITION STREAMLINING ACT [FASA]

The FASA is an important beginning to removal of contract terms which have been a barrier to use of economic, high technology commercial items for defense. This Act's exemption of 19 non value-added laws, relief from government-unique certifications, more cost-effective thresholds for the Truth in Negotiation Act, broadened waiver authority for the FAR Council and steps to permit the use of commercial intra-company transfers will all begin to reduce overhead cost and remove statutory/regulatory prohibitions to commercial technology.

However, acquisition reform is not likely to fully succeed until the underlying five-phase 10-20 year process described above is also addressed. While the FASA, along with SECDEF's June 1994 policy decreasing the use of Mil-Specs and Standards will be beneficial for small dollar value purchases of end-item commercial equipments, the largest payoff for both affordability and system effectiveness would be the use of commercial technology in the area of the largest DOD outlays—major, integrated systems. This again demonstrates the need to re-engineer major system acquisition. Commercial technology turns over far more frequently than in 10-20 year cycles (the half life of modern processing technology is now 18 months), meaning that the present five-phase process with its orientation to repetitive development phases, custom technologies and requirements-creep through long design and technical data reviews will continue to be a strong barrier to the full success of acquisition reform.

It is understood that follow-on streamlining legislative action is planned. Visionary reform of a defense acquisition process designed to serve 40 years of cold war is needed in much the same way the new Congress is approaching visionary reform of a government designed over many years to serve the New Deal and Great Society. If the Evolutionary Defense Acquisition Process outlined in the attachment is appropriate for such visionary consideration, I would be pleased to discuss it further or provide testimony to any committees having an interest.

EVOLUTIONARY DEFENSE ACQUISITION

**A New Approach
To
Affordable Defense Programs**

By R.L. Wood For
House Budget Committee
Field Hearing - Columbus
January 21, 1985

**TODAY'S DEFENSE SYSTEMS HAVE BECOME UNAFFORDABLE
LARGELY BECAUSE OF THEIR LONG, 10-20 YEAR**

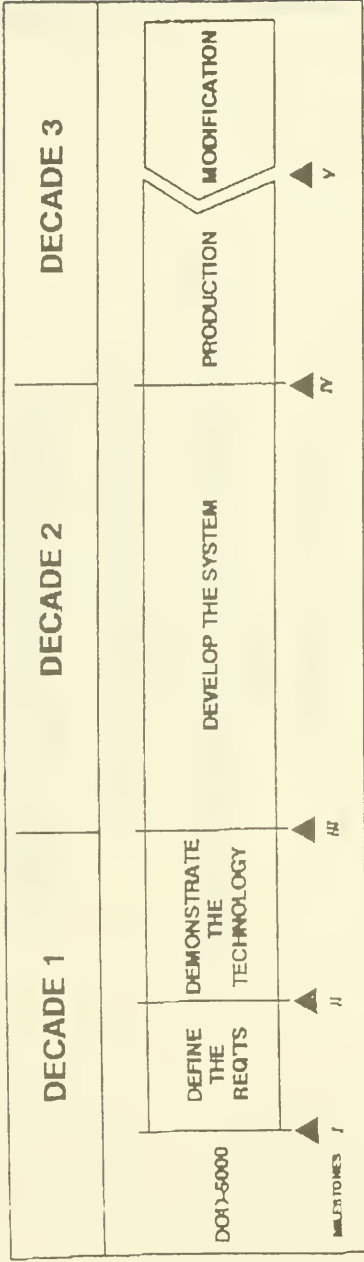
ACQUISITION CYCLE TIME

C-17

F-22

MANY OTHER SYSTEMS
(C³, BATTLEFIELD, MISSILE DEFENSE)

TODAY'S DEFENSE ACQUISITION PROCESS



- FIVE LONG ACQUISITION PHASES
- 10-20 YEARS TO FIELD SYSTEMS
- COSTLY "REQUIREMENTS CREEP"
- LARGE MGMT INFRASTRUCTURE

THREE BOLD PROCESS CHANGES TO IMPROVE CYCLE TIME AND AFFORDABILITY

1. IMPROVE REQUIREMENTS MANAGEMENT

DEFINE OPERATIONAL REQUIREMENTS IN INCREMENTAL STEPS (DESIGN-TO/GROW-TO) WHICH ARE MATCHED WITH RELATED TECHNOLOGY CYCLES AND EMPHASIZE COST-BENEFIT TRADEOFFS AT KEY MILESTONES.

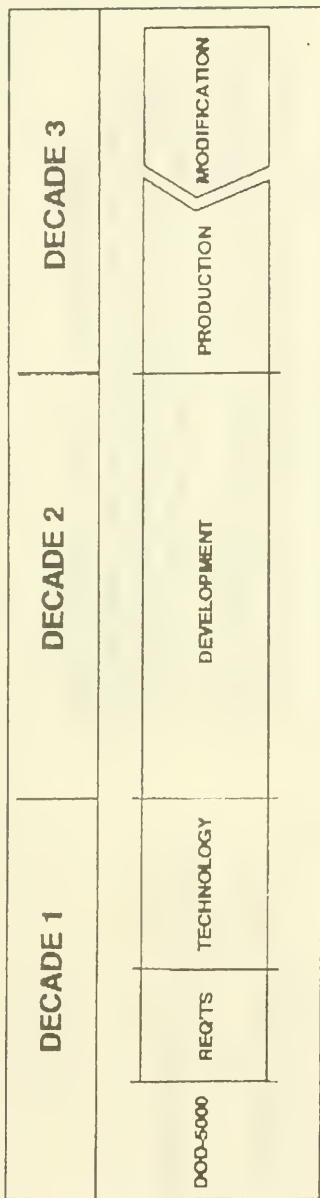
2. SHORTEN THE DEVELOPMENT CYCLE

REPLACE TODAY'S FIVE PHASES WITH A 3 TO 5 YEAR EVOLUTIONARY PHASE PACED BY THE TECHNOLOGY.

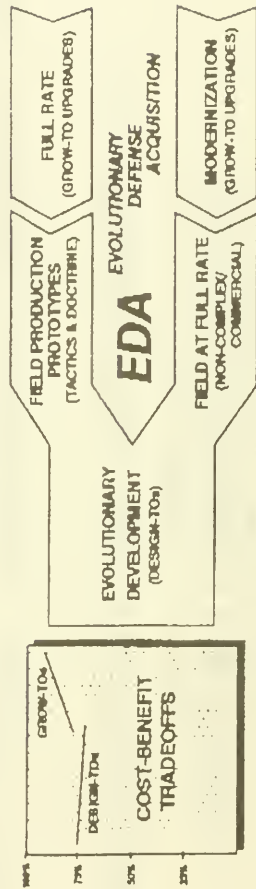
3. FIELD FOR EARLY USER EVALUATION

PROVIDE PRODUCTION PROTOTYPE LOTS FOR USER TACTICS & DOCTRINE, SPECIALIZED WARFIGHTING, EVALUATION FOR FULL RATE PRODUCTION AND TO REFINE THE NEXT LEVEL OF SYSTEM GROWTH.

POTENTIAL FOR CHANGE

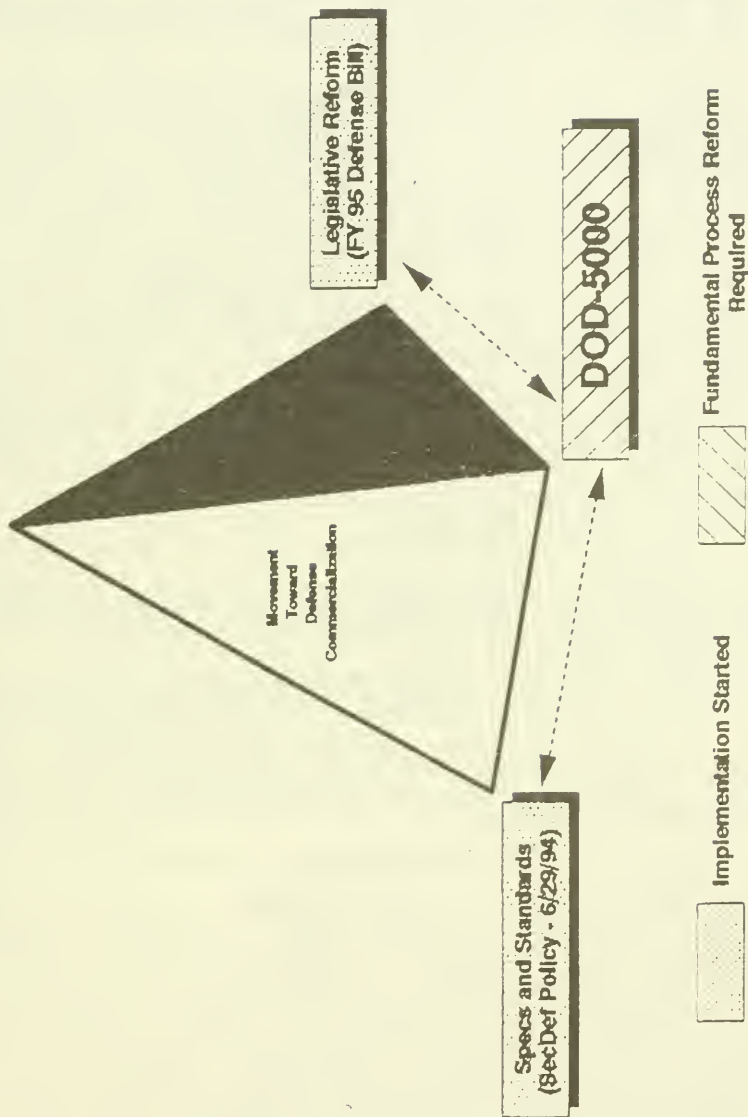


FIVE PHASES *** 10-20 YEARS TO FIELD SYSTEMS *** UNAFFORDABLE



TWO PHASES *** 3-5 YRS TO FIELDING *** AFFORDABLE

THE ACQUISITION REFORM TRIANGLE



Chairman KASICH. Congressman Kolbe.

Mr. KOLBE. I think the testimony is very important and very provocative and it is something that has frustrated me, though I am not an expert on this like you are.

It seems to me we have had hearing after hearing on \$600 toilet seats and what we have done is prescribe a defense system that rewards managers for not just making a mistake, not screwing up. You don't screw up if you just cover everything with more paper, dot every "i", cross every "t", you don't get any rewards for getting the system to the marketplace faster or getting it into production and getting it into operational use in the services any faster.

We need to have some kind of a system, it seems to me, my comment a quick response to it, some kind of system that rewards managers who get things done faster when you get some kind of system, give more latitude to procurement managers to manage systems effectively as you would in the marketplace. That is I know a broad comment, but is that what you say is needed there?

Mr. WOOD. A broad response would be that very few successful management undertakings in government or industry have been done on anything other than a teamwork or mutual interest basis. There is simply not enough of that. There is too much adversarialism built in over the last couple of decades. One example of teamwork would be, again, the great way that Boeing goes about reducing, if you will, and I have no affiliation with Boeing, goes about reducing that lead time, they go about it by teaming with their suppliers.

Chairman KASICH. I want to thank the witness for his testimony and maybe—I know the witness feels passionately about the subject. I think the members would be more than willing to look at your—I think the committee would be interested in your specific ideas. If you want to write to the committee, we would be glad to distribute your testimony.

Thank you for your time. Debra—is it Younger? Debra Younger from Columbus.

Ms. YOUNGER. Thank you, Mr. Chairman.

I am a professional at the local level in the field of community development. I have expertise in housing, economic development and community development, and with regard to the Congressman's request as to how that would affect me, potentially if we do some of these things right, I may be unemployed and need to avail myself of the very services I provide, but nonetheless, as a local leader in those areas, I recognize that balancing the budget is one of the most important initiatives that faces our country today, and I think that we, just as every locality, every city, every county, every year struggles with how we make revenues meet expenses, that we, too, at the national level have to do that.

We have to put everything up for scrutiny, and make everything—look at everything. I think one of the first areas we can start at is in those things that are duplicated. Currently we have agencies such as SBA, EDA, Department of Commerce, all who deal with economic development. There has to be overlap, there has to be duplication in all of those very same agencies all providing economic development services to the community.

We have the Department of Housing and Urban Development, we have Freddie Mac, we have Fannie Mae, we have FHA, all to deal with housing. They also have components that deal with economic development.

There again has to be overlap. There have to be economies and efficiencies of scale that can be achieved by consolidating, and thereby giving us some reductions in spending by just consolidating all of those types of agencies, notwithstanding each of the regulatory requirements that each of these agencies impose upon supposed beneficiaries of these programs, while not providing us to make local decisions as to how best to use those very entitlements that they in fact are going to provide.

I would suggest that when we look at restructuring our government, we get over the fear that Washington knows best and that localities will not do the right thing. We are the level of government that people can reach out and touch. We go to church with these people, we go to work with them, we go to school with these people, we are the level of government that will be responsible and accountable.

Don't hide behind the fear that we won't do the right thing. We are accountable to our local citizens, every day. We see them, we live with them.

I would also say that when you look at restructuring, look at the regulatory nightmare that some of these programs have created. We have issues such as lead-based paint. Now, no one would say that we don't want our children protected from lead-based paint. Nonetheless, we have what is in question is in fact how we eliminate those hazards.

We have currently houses that cost \$35,000 currently, that is their assessed value, and we are told that it will cost \$25,000 to eliminate lead-based paint on a house that is worth \$35,000. I find that unreasonable.

We have things such as Davis-Bacon that require us with administrative nightmare, that add to the cost of housing projects 15 to 30 percent. I find that ludicrous. Additionally, we have things such as historic preservation. All the communities want to preserve those things that are important to the communities, however, I would say that a single A-frame house that was built to house workers after World War II is not necessarily architecturally significant. It would make more sense to put vinyl siding on those houses, but we are not allowed to, so again we go back in the same neighborhoods and year after year have to make maintenance and renovation costs because we are not allowed to make local decisions about what is historically significant in our communities.

That is just a very short list of some of the incompatible costs and inefficient policies that come through some of our community development programs. I could give you a list forever and ever, as a practitioner in that field. I would say to you there are some Federal-local initiatives that have worked.

Those that provide funding to us in a block grant, if we would get rid of the regulatory requirements, give us the money, give us broad national objectives, let us determine how to use those, and we could reduce a lot—you could reduce how much you give us.

We could get rid of entire staffs of administrative people, people who do reports all year. We have people who do nothing but do reports all year and don't provide the very service that we are in fact chartered to provide. Those are some basic suggestions on what we could do. We recognize here at the local level that we are part and in partnership with you. Give us the opportunity to do the right thing.

Mr. HOBSON. You are a great witness. Are you on John's staff, by the way?

Ms. YOUNGER. Not yet.

Chairman KASICH. Debra, Debra, please be seated, if you would.

You know, us young people, we have a word for that testimony, we say awesome. That was really outstanding. I want to go immediately to Congressman Kolbe because he is heading a task force in the Budget Committee, has now, this is his third year of heading a task force called Human Empowerment, and it was Congressman Kolbe who developed the consolidation of the nutrition programs into a block grant and we were able to save money and yet still be able to double the amount of money for WIC, something that people who—they couldn't understand how we did it, but Congressman Kolbe is heading this, and, Jim.

Mr. KOLBE. Now that the chairman explained it. My colleague sitting next to me, as you were testifying, said it is just such plain common sense what you were talking about, and it is wonderful, it is right on, keep it up. I just wanted to mention one of the programs that we are working on in the Empowerment Task Force that John has asked me to head up for the Budget Committee is the idea of just taking the nutrition programs that we have, there are 10 separate I think, something along that line if my memory serves me correctly, separate Federal nutrition programs, putting those into a single block grant, every one of them has its own Federal administration, then it has a State administration, putting those in a single block grant.

Why can't we trust communities and States to figure out how to spend that money and what programs work best in the community? I am sure you agree with that from what you said.

Ms. YOUNGER. I think it is paranoia on the part of the Federal level. I think at one point 30, 40 years ago when we didn't have mass communication, it made sense, people weren't as in tune. Now we every day in our living room know what is going on in our community, it is required, we are required to come out and do that because our citizenry is informed, the basic tenet of a democratic society, and I think you have to trust those tenets of a democratic society to work.

Chairman KASICH. Congressman Radanovich, first.

Mr. RADANOVICH. I just wanted to make the point I was a county supervisor in California and I know back there about 90 percent of our budgets were controlled by State and Federal mandates. I just want to applaud you, and by the way you can get a job anywhere, so if you lose yours, I am not worried about it.

But the point I wanted to make was that this should be a priority, and not only do I think we need to pass the current legislation that makes unfunded mandates no longer allowable in Congress, but I think that we ought to go back and lift current unfunded

mandates so that your local governments, your mayor and your county boards have 100 percent discretion over their own budgets, so that you can go to them and make that a priority within your community and meet local needs.

What it does is it takes the Federal Government out of the loop, and I think that is what this is all about, so I applaud your efforts. You are sharp.

Ms. YOUNGER. Thank you.

Chairman KASICH. Congressman Herger.

Mr. HERGER. Just a quick comment, Mr. Chairman.

It is so refreshing to hear out here in the real world some reasons why we can make this system work, how we can balance the budget rather than what we hear within the beltway mentality of Washington, DC, only those reasons why we can't make it work, and I want to thank you again, you and all of you out here, and again real America for what you are presenting to us. And again I would like to just put this in perspective if I could, what we are talking about, the task, which is a major task, I am not for a moment making light of how big a task it is to come up with a balanced budget within 7 years, by the year 2002, but again, to put it within perspective, we are not really talking about cutting the number of dollars that we are spending. We are talking about cutting the amount of increase over the next 7 years, that is what we are talking about.

We are talking about whether or not we will continue at the projected Congressional Budget Office estimates of an increase of 5.4 percent or whether we balance the budget with an increase of only 2 percent, not a cut of 2 percent, but an increase of 2 percent, and again it is so refreshing to hear commonsense approaches of perhaps doing away with departments.

We have heard education, I haven't heard anyone say we are going to cut dollars going to local schools. I think what we are inferring is rather than pay for the bureaucrats in Washington, we are going to take those dollars and allow those of you here in Ohio or again in northern California, wherever we are, to decide how best to make use of those to make the system work and do what America wants us to do and what we have to do morally for our children and grandchildren to come up with a balanced budget.

Again, thank you very much.

Chairman KASICH. Congressman Sabo.

Mr. SABO. I have been interested in housing programs for many years. I am just curious what your involvement is in the housing area, where you are working.

Ms. YOUNGER. I work for the city of Columbus.

Mr. SABO. I am just curious, how does the community block grant program, CDBG, work in your city?

Ms. YOUNGER. It works very well to the extent that we are allowed to do what we want to do with it. It again comes replete with numerous rules and regulations that add to the cost of doing the job.

Mr. SABO. What are the nature of the regulations that limit your flexibility?

Ms. YOUNGER. Environmental, historic, lead-based paint, that is a short list.

Mr. SABO. Let me ask the question, the type building that gets on a list for historic preservation, does not that building get on with the recommendation of the local community?

Ms. YOUNGER. That is true, in the case of what you would call monument type of buildings, but when you are talking about a house, if it was built prior to 1950 it is potentially historic and then you have to have a ruling from first your local historic preservation.

Mr. SABO. Who decides if it is historic?

Ms. YOUNGER. Ultimately the U.S. Department of Interior.

Mr. SABO. Doesn't it come through the city council?

Ms. YOUNGER. No, we have no say. We go directly to the State, and on directly from the State it goes to the Department of Interior.

Mr. SABO. It goes not to the city, but from the State to the Federal Government?

Ms. YOUNGER. Right, we have had as long as 2 years to get a ruling on whether or not we can put vinyl siding on an A-frame house.

Mr. SABO. That sounds strange.

Chairman KASICH. OK, I want to thank the witness. Wait, listen, we are now definitely running behind, OK folks. Congressman Kolbe.

Mr. KOLBE. No question. I just wanted to say, Ms. Younger, before you depart, when we get the transcript of this testimony, I am going to call you and talk to you about some of the specific ideas here so I can talk to you about some of those.

Ms. YOUNGER. I would be happy to do that.

Chairman KASICH. Beverly Mollitor from Xenia, OH, from Congressman Hobson's district.

Ms. MOLLITOR. Good afternoon. I appreciate this opportunity to give you some of my ideas on areas where you might be able to cut the Federal budget and save everyone some money, and perhaps turn some power and control back over to the States and local areas. I will just run through these real quick. I believe one of the other ladies who testified touched upon this, and I might suggest that as a form of national leadership by example that Congressmen cut their salaries somewhat and be taking another look at their overly generous retirement plans. I personally feel that Members of Congress who are sent there to serve by our people should not get such tremendously greater retirement benefits than the people who paid them. So that is one area I might suggest.

But on a more important area that I had to speak about today was welfare reform. I am not at all opposed to assisting those in need, but I think it should be restructured and renamed perhaps if it is not to be done totally at the local level, which might be a good idea, but if there is to be a Federal aid program at all, it should be just that, a Federal aid program that offers temporary assistance, not a way of life that goes on sometimes generation after generation, and I can say, I can testify to that personally because members of my family are now receiving that aid who should be and could be working were it not so easy to take advantage of that system.

Some of the areas that I would suggest could be dealt with, I would like to see a Federal aid program designed that does some

of the following: limits benefits to a total of 2 consecutive years with the recipient becoming ineligible for 5 years thereafter. I think you could see what that would do. In the total lifespan, even if an individual who was a bit unethical worked the system to their best advantage, over a period of a lifetime, between the ages of 18 and 70, that individual could only receive benefits for 16 years of that time. That means that optimally the same individual would have to be working 36 years of that time, and that is a lot better than what we have in many situations now.

Two, I think the benefit should be substantial in the beginning but steadily be reduced over that 2-year period, giving the person who is not now used to having to take care of themselves time to adjust and build up, in other words train themselves to be self-supporting.

I would also suggest that perhaps the individual during that 2-year benefit period should have to work, either work 20 hours a week and go to a job training program, which would benefit them long term after the benefit ceased, or immediately begin working full-time with the idea of using the benefit to help themselves get off the aid system and steadily earning more and more money, getting a job record, learning how to spend money, learning how to budget, all these types of things that some of these individuals, I have dealt with by experience, they don't know how to do, and that, it seems that that would be the simplest way to start.

Another idea would be to, I would like to see payments eliminated to teenage mothers who have families who could care for them, and in most situations—not all but most situations that is true. Again, we have family members who have had teenagers who are not married, and they have gone on welfare, and the child moved out of the home, and went on welfare to get out of the parents' authority because she didn't want to stay at home and have those parents take care of her and make her finish school, so that would be an idea. I also think that—

Chairman KASICH. Excuse me, ma'am, as we say in Washington, your time has expired. I would love for you to go on, but we have a lot of people that still want to speak. I want to thank you for your testimony.

Any comments? Thank you.

Ms. MOLLITOR. I have one other suggestion.

Chairman KASICH. We will let you have one more second here.

Ms. MOLLITOR. I agree with—in fact I had written a letter to Mr. Hobson about it earlier. I agree with one of the other individuals who gave testimony that I think the Department of Education should be eliminated, and also close the HUD agency.

Chairman KASICH. Thank you very much. OK.

Next is W. Virgil Miller.

Mr. VIRGIL MILLER. Mr. Chairman and members of the committee, I am pleased to say that I am very encouraged by some of the things that I have heard here this afternoon, not only from the committee but from some of the speakers that were testifying here in front of the committee.

I have, too, a problem with some of the bureaucracy that is entailed. My wife and I started a business, a small business 25 years ago, and we have literally spent thousands of dollars in legal fees

and accountant fees just complying with government specifications for our business. How many thousands of dollars I haven't added up. It is staggering, but it doesn't seem to be getting any better.

Now, how some of these bureaucracies come up with these requirements for all this paperwork I am totally flabbergasted because I am sure most of it is never looked at. It is probably in the archives down there in the basement someplace inside the beltway that somebody is guarding with their life to protect anybody from ever touching it or looking at it, but at the same time it is costing me a fortune to get this paperwork put together.

Now, as I think all of you understand, the major portion of the employment increase in the United States comes about from small business, but they have certainly made it difficult for anybody to start a small business and be successful. This is probably the reason that about 90 percent of the businesses fail in the first 5 years. We are fortunate. We have survived that, and we are now in our 25th year. But no credit to the government for helping it.

In fact, when I went back to the government to Small Business Administration in 1970 to get some help, I first filled out about 10 pages of paperwork, and then they told me I didn't meet the qualifications, so we didn't get any business loan from them.

EPA is another thing. I don't know how many of you watched "Day One" the other night on TV, but this new gasoline additive I find out is not what it is cracked up to be, but it is spreading like wildfire across the United States. Alaska has thrown it out, but now we are spreading it across the 48. My group drives about 150,000 miles a year. We use a lot of gasoline, but if we are going to make somebody sick going down the highway that is following along behind us, I don't think that is very conducive to good relationships in our business, so I hope that somebody, and I have to look to you Congressmen, I am encouraged by what I am seeing and I am encouraged by the fact that half of the—or a third of the budget has been cut to cut off staff members and so forth and so on, that certainly ought to slow down some of the paperwork, but I think somebody needs to look at some of it that is already there and throw it out. EPA is a good example.

Chairman KASICH. Thank you, Mr. Miller. Your time has expired. I wonder where he would be on term limits. I will recognize Mr. Kolbe.

Mr. KOLBE. Mr. Miller, you are a small businessman?

Mr. VIRGIL MILLER. Right.

Mr. KOLBE. Has the Small Business Administration helped you?

Mr. VIRGIL MILLER. No, it has not. It was more of a hindrance than anything else.

Mr. KOLBE. Should we abolish it?

Mr. VIRGIL MILLER. As far as I am concerned, yes.

Mr. KOLBE. Thank you.

Chairman KASICH. OK, thank you, sir.

Mr. RADANOVICH. Just one brief thing.

Chairman KASICH. Congressman Radanovich.

Mr. RADANOVICH. Mr. Miller, if Washington or the Federal Government does a hundred things, the 1st one being the most important and the 100th thing being the least most important, what would be your 1st and 100th choice?

Mr. VIRGIL MILLER. I would need a little time to put that together.

Mr. RADANOVICH. I am sorry, I don't mean to put you on the spot. I guess I am just wondering, speaking in terms of prioritizing.

Mr. VIRGIL MILLER. Well, one of the things that certainly needs to be done is to give small business an opportunity to be able to get into business without so many restrictions, regulations, and everything else that goes along with it. They are just totally out of line, they are totally ridiculous. I don't know how they could come up with all those rules.

Mr. RADANOVICH. OK, thank you.

Chairman KASICH. Thank you, sir, for your testimony. I want to recognize Mr. Parker for a second.

Mr. PARKER. Mr. Chairman, I have enjoyed being here. I have got to go catch an airplane, y'all, because we don't have a bunch of airplanes going to Mississippi all the time, but I want to tell you something before I leave. I am looking forward to reading the testimony of the remaining witnesses who are going to be coming before the committee, and I appreciate the chairman calling this hearing, and for the hearings that he is going to be having.

A lot of people think that the person in Washington who has the hardest job is Bill Clinton; a lot of them say well, no, the person who has the hardest job in Washington is Newt Gingrich. I have news for you, I know who has the hardest job in Washington and he is your Congressman, it is John Kasich, and you are very fortunate to have him representing you. I don't in any way wish that I were in his seat right now because over the next few months they are going to tear him alive, they are just going to tear him apart, and he has got a tough job, and it is not going to be a pretty sight.

Mr. Chairman, I do appreciate the hospitality.

Chairman KASICH. Thank you, Congressman Parker. We will now hear from Jeffrey Darbee.

Mr. DARBEE. My name is Jeffery Darbee. I am enjoying an Ohio case of laryngitis, if you will excuse me.

Chairman KASICH. Excuse me, Jeffery, if we could get a little order. OK.

Mr. DARBEE. I live in downtown Columbus, OH, I am self-employed, I happen to work full-time in historic preservation.

If I can make a comment on some earlier testimony on this subject, it is incorrect to make a blanket statement that historic preservation regulations don't permit the use of artificial siding in housing rehab and government programs, it is used all the time. It depends on the particular program and the particular historic resource. That is an incorrect statement.

In fact, I can point to situations in Columbus where the preservation regulations resulted in a lower rehab cost because of techniques that allowed retention and reuse of existing materials.

As for my list of cuts, this is roughly in priority order. First of all, the tobacco subsidy, I would like to second that motion. It doesn't make any sense at all with our current debate over health care and the state of health care in this country that the Federal Government should be subsidizing the production and distribution of a known carcinogen.

Secondly, we need a radical reorientation of our transportation policies. Everybody knows this is the land of the automobile, but it is not the 1950's anymore. I don't expect that we are going to get out of our cars. I don't want to get out of mine, obviously we are going to have automobiles, but we no longer have the luxury of relying on the automobile as the primary form of urban and innercity transport.

Today roughly 1 percent of people traveling between cities take the bus, roughly 2 percent take the train, roughly 10 percent ride airplanes, and 87 percent use automobiles. If we are going to preserve the livability of our cities, if we are going to keep our air clean and breathable, and if we are going to reduce our reliance on foreign imported oil that comes from sometimes hostile regimes, then we have to radically rearrange our transportation policy.

My specific suggestion is to cut construction funding for new highways by at least 25 percent. Of that cut, half of it can go to deficit reduction, the other half I think should go to supporting rail transportation, both urban and inner-city. There should be a dedicated trust fund, like for other modes there should be a dedicated trust fund for rail transportation between cities in the United States.

No. 3, I would like to second comments on defense procurement costs, I think there can be—I know Mr. Kasich has worked on this for a long time. There can further improvements in the procurement procedures and the elimination of fraud and waste in defense procurement; and fourth, the provision of Federal flood insurance that encourages development in floodplains where we really shouldn't build really needs to be eliminated.

I am not suggesting we take insurance away from people who are already there, but it is absurd to outline areas where it is dangerous to build and then provide a subsidy to build there. We have seen particularly in the past several months instances of disasters that have occurred that probably wouldn't have if we had had a wiser policy. I think we need to eliminate the funding that makes it possible to build in areas where buildings should not occur.

I see I still have a yellow light so I am going to keep going.

Chairman KASICH. Yes.

Mr. DARBEE. I would like to suggest also—I would like to suggest that I have no more time, but I would like to thank you for the opportunity to speak today.

Chairman KASICH. We appreciate you taking the time to come here.

Any questions for the gentleman?

I think, I was just saying to Congressman Sabo, have we not fixed the problem in terms of any subsidy or any kind of Federal subsidized insurance for people who choose to live in floodplains? I think that is something that everybody in this country would say needs to be fixed, and I don't—we were just discussing whether we still had the Federal Government participating in that, but I think that is an excellent point, and we will check that one for sure.

Thank you very much for your testimony.

Carl Lyons.

Mr. LYONS. Thank you, Mr. Chairman. I want you to understand I believe we should be putting more faith in people and less in government.

My first suggestion is a way to simplify the health care and welfare system of this country. It would start with a simplification of the income tax, using a flat tax against gross income for people above three times the poverty level and using the negative income tax approach to handling welfare.

The only deduction that one would have would be deductions for health premiums. That would mean that a person on welfare at the poverty level would receive checks from the IRS quarterly showing that he had done community service and therefore that problem would not require a bureaucracy to handle welfare at the Federal level but just the IRS.

Health care premiums, insurance premiums being deductible, what do we need in the Federal Government then? For the welfare people I would suggest that the government with the IRS along with the payment to bring them to the poverty level give them \$3,000 a year for a health insurance policy. Under this scheme we have a simple IRS, a simple procedure for handling welfare, a simple procedure for handling health care that the government doesn't have to pay a lot of attention to, and it is one that would be understandable to the average person, particularly the simple approach to the income tax.

I would eliminate the food stamp program except for those to schools and day care centers. For the budget office, I would suggest the elimination of both budget offices in the executive branch and the congressional branch and establish some group like the Federal Reserve that independently will analyze the budget so we know what in heaven's name is going on.

In Social Security and Medicare, I would suggest immediately moving Social Security to 65 and Medicare. I looked at my statement this year on Social Security: \$495 was all it took for Medicare. That is ridiculous. Why not take a thousand dollars or at least 50 percent more and balance the Medicare program? Use military bases and abandoned Federal buildings for prisons, homeless, and technical training centers. I see my time is up. I would be happy to discuss the military problem.

Chairman KASICH. Let me suggest, you have got to learn a good witness never sees the light, never sees the light, and like Reagan, when you hear the gavel, you go, what? What are you saying?

Mr. LYONS. You remember my opening comment was to put more faith in the people, and that is all I am, a retired people.

Chairman KASICH. Carl, I want to thank you for your testimony. Members of the committee feel particularly good that while you called for the elimination of the Congressional Budget Office and the Office of Management and Budget, you didn't say we should be eliminated. We appreciate that.

Let me ask you one question, sir. Medicare under the current system, as you know, is fee for service.

Mr. LYONS. Yes.

Chairman KASICH. So when you go to the doctor and you get your bill, you go crazy and they say, well, don't worry, Medicare will pay for it or your insurance will pay for it or whatever. What

would your sense be if we developed a system of Medicare that would still give you choice and perhaps allow you to stay in some type of a fee-for-service program but that you would find yourself in the same kind of health care environment that your sons and daughters currently find themselves in?

Mr. LYONS. I believe that would be workable. My point was that simply—

Chairman KASICH. Let me ask you more directly, Medicare is going up by 10.5 percent a year. The fee for service medicine as we all know is the most expensive form of medicine. What if we were able to reduce the increased cost of Medicare by moving away from fee for service medicine? You could still choose it if you wanted to, but that you would, you know, there is a whole variety of private sector programs out there whether they are HMO's or PPO's or some kind of a network whereby you would have access to a great list of physicians, maybe even start to get even your prescription drugs paid in that kind of a setting. What would your reaction be to that kind of a change?

Mr. LYONS. Let me get even more wild. Remember I suggested including health care insurance as a deductible on income tax, right? If you get ridiculous, like I do now and then, you could eliminate Medicare.

Chairman KASICH. You say give you an incentive to buy your own insurance?

Mr. LYONS. Buy your own insurance, and I am taking care of the people at the poverty level by the government giving them a \$3,000 insurance policy, so everybody has got a health insurance policy if they choose. One of the things we have got to do is to make people more responsible and accountable fiscally and family-wise, and the only way to do that is give them the opportunity to make decisions even though they are wrong at times.

That is what happened to that business on the military. The trouble is the military can't make decisions because on the fitness report for a colonel he doesn't want any black marks, and the only way you can get no black marks is to do nothing, and so therefore we do nothing, and we will keep it going and cover it somehow. No wonder it takes so long.

Chairman KASICH. Any other questions?

OK, thank you very much, sir, for your testimony, and, oh, give him a hand, what the heck.

OK, Bill—is it Laib?—from Cincinnati, made the trip all the way from Cincinnati.

Mr. LAIB. Mr. Chairman, Congressmen, I am Bill Laib from Cincinnati. I am a member of the True Blue Patriots, and we are ardent students of everything that goes on in government. We are very thankful for C-SPAN, and we watch you diligently. My point that I want to bring to you today is that you are doing a great job of examining all government programs in this committee. I think it is very commendable the approach you take and I enjoy a lot of the witnesses that you have before you up there in Washington.

My feeling is that you should continue examining every aspect of the government and weed out the things you are talking about, and I approve of dropping education and especially I would like to see you emasculate the EPA. I think they have caused tremendous

problems all over this country from the neighborhood to the giant forest. I think they have just done a very bad job.

OK, and then further from that, in every new bill that you pass, I would like the rules to say that there should be no amendments that are not germane to the subject. This is causing a lot of trouble, it has caused trouble for years and years.

Also when you pass a bill that entails any regulations, that that bill state that all other regulations on the books that are affected by this new bill, that those other regulations be stricken from the record, and reduce our library of regulations from maybe a million to 100,000. That is even more than any one person could honestly abide by.

OK, and further from that, I am enrolled in Social Security, that is part of my income. I am willing if you cut out all the fat that you discover in your investigations, I am willing to take a 10 percent cut, not from the increase, a 10 percent cut in my Social Security right now. I am willing to take a cut, and AARP notwithstanding, I don't agree with a lot of their programs, but I am willing to take a cut in that to help satisfy the public debt.

And I would like to see a clearer distinction between your subject on reducing the deficit and reducing the public debt. I think there should be no deficit, and we should as soon as possible start working on the debt.

Thank you very much.

Chairman KASICH. Bill, thank you very much.

Is there a question?

Mr. MILLER. I would like to make a comment.

Chairman KASICH. Congressman Miller.

Mr. MILLER. I commend you for making a statement about Social Security. My district in Sarasota-Bradenton, FL, has the largest number of seniors in the Nation. I really believe seniors are willing to stand up and do things. We saw that I think in health care when they stood up against AARP.

One question keeps coming up is the Department of Education. I want to point out one little illustration that was brought out in a hearing this week with the Secretary of Education. President Clinton asked to eliminate 33 programs in the Department of Education last year, 33 programs.

Do you know what Congress did? We eliminated 13 and created 17 new ones. Now, things are going to change: \$400 million was added more than President Clinton even requested. So that is how we start going after the budget deficit. So education can be dramatically reduced from 300 different programs they have today.

Chairman KASICH. Thank you, Congressman.

Thank you, Bill. What we are going to do now, we have a number of people we still want to hear from. I am sorry to have to do this. That is what happens when you are chairman. We are going to go from 3 minutes to 2 minutes for each one of you, so we can get more people in here. I appreciate your patience and understanding of this, Jan Hills.

Jan Hills.

Paul Cover.

Mr. COVER. Mr. Chairman and fellow delegates, it is an honor to have you this far from the beltway. I am a retired scientist from

Batelle, and we spent millions of defense dollars at Batelle, and I think we accelerated the end of the cold war for which I feel proud, but I, too, collect Social Security, and the reason I am here is that I put up the sacred cow of reducing benefits from Social Security people and Medicare because I have millionaire friends that don't need Social Security, they don't need their hospital bills supplemented, and I also have friends that are collecting triple pensions, so I envy them having all that income which is an added benefit.

I cashed in my government pension when I left the Bureau of Standards many years ago, but I am now unemployed after leaving Batelle 8 years ago and spent a lot of time talking to school kids on promoting problem solving, either inventing or becoming research scientists, so as secretary of innovation reliance, I would like to propose that every time you enact a new invention or I think you call it a law in Washington you have a lot of side effects that really complicate everything.

Like we helped improve copy machines which may have speeded up the revolution in China, but it cut down a whole lot of trees. So every time you pass a new law, there is no way to anticipate all of the bad effects, so I admire the ability of you to sit down with your opponents of another party or independents who want to do something about improving our country.

Otherwise our grandkids are going to be sending 50 percent of their income to Japan and Germany that have sound, hard money, so I would like to encourage you to reduce the rate of increase in the budgeting and also decrease it. I was born a Republican, I didn't know what Democrats were until FDR got in, and I have lived so long now I see Democrats talking about a balanced budget, so there is hope for all of us.

Good luck.

Chairman KASICH. Thank you, sir.

Thank you, Paul.

We will move to Michael Harlow.

Mr. HARLOW. Hello. My name is Michael Harlow, I am from Toledo, OH. I am originally from Westerville, OH, and Congressman Kasich used to be my Congressman.

I suppose I should just get to the point about what I feel as a college student needs to be cut: farm subsidies, which an earlier gentleman talked about who was a farmer himself. I think it is very encouraging to see people who benefit from some programs testifying that they can—that these programs can be cut.

I would also cut foreign aid which seems to me to be a little more than a Christmas present for other countries. Federal cash comes with strings in this country and the thanks we get is "down with the USA" rallies when we don't give enough cash to other countries.

How about prison amenities such as rec rooms and cable television and free college education which hardly seems like the punishment we were taught as children that prison was supposed to be?

Let me tell you something about today's college student. Forget all the pep rallies, homecoming dances, et cetera. Some of us are fortunate enough to experience these events, but many of us will never get the chance to experience these events because we are too

busy working two jobs to pay for our college education. We grew up being told that hard work is rewarded and sloth is punished. Looking around we simply do not see that.

Mayor Lashutka said the government cannot create goodness, but we can nurture it. The government is not nurturing goodness, it is nurturing apathy and laziness with the assumption that the Federal Government in Washington, DC, can take care of all of us.

Thank you.

Chairman KASICH. Thank you. Congressman Kolbe.

Mr. KOLBE. Just a quick comment.

I appreciated what you had to say there and certainly with the Federal prisons, the comments you make about amenities for inmates in Federal prisons applies, but I would urge you to make sure those comments get heard by your State legislators since most of the prisons in this country are run by States, and that certainly applies there in Arizona. This year, for example, they yanked out all of the weightlifting equipment out of the State prisons there so they are not these big hulks. They can do aerobics, they can do jogging, but they don't need to look like big hulks there.

Mr. HARLOW. Thank you, Congressman, I will see to it.

Chairman KASICH. Jean Richards.

Ms. RICHARDS. Thank you for this opportunity to address you.

I have got my notes written down here. My first thing is on foreign aid, sending so much money overseas when we have such a deficit here and so much need here in this country. The chart that you have passed out shows that we spend \$21 billion a year for overseas. If these countries need money, they say just ask Uncle Sam, he will give it to you.

And another thing, too, is when there are catastrophes, we send so much money to the other countries, but I don't think I have ever seen where these other countries are sending the money to help us when we have catastrophes.

My next thing is Medicare. I think, and as they say I benefit from Social Security and I benefit from Medicare, but we need to set a price ceiling, a reasonable ceiling on medical providers. It would cut down the costs on Medicaid. As someone said a little while ago, if you go into a doctor and you say something about the cost, they will say, oh, well, Medicare pays for it or Medicaid pays for it, you don't have to pay for it.

Recently my mother-in-law who is 87 years old was hospitalized. The internist doctor, who was appointed by the hospital, charged her \$1,420 for 8 days. He told me that there was nothing he could do for her, and they kept her in the hospital. That amounted to his call to visit her a few minutes was \$177.50 per day. Now, that is completely outrageous.

Another thing, she had an ambulance service. They took her 8 miles. The bill showed 8 miles. She was charged \$585 for this 8-mile trip, \$525 for the trip and \$60.80 for other medical services. This is a place where I think that it could be cut down because if they weren't allowed to charge such outlandish prices, we wouldn't have to pay so much Medicare out on it.

Another thing is I know a young man who is legally blind, he is on Social Security, he needs dental attention, and he needs eye-glasses and tests. His Social Security pays him too much for him

to get Medicaid, and yet he is not eligible for Medicare. I think that we need to put some money someplace that can help people like him. Aliens can come into this country and get welfare and health attention when citizens cannot.

Thank you.

Chairman KASICH. Thank you, ma'am, thank you very much. Any questions?

Ma'am, thank you.

We have one last witness here, and then we are going to take some things from the audience, and we will do that for a little while and then I think we will have gotten a pretty good amount of impact here.

Bea Sanders from Urbana, OH, also from Congressman Hobson's district.

Ms. SANDERS. Yes, and I am here as a result of a letter that I wrote to Congressman Hobson and received an invitation from his office to be in attendance today, so ladies and gentlemen, writing letters does work.

There are three things that I would like to bring before the committee today, one of which I did write the letter to Congressman Hobson about and that is the National Endowment for the Humanities, the agency that gave taxpayer dollars to the commission that developed new history guidelines. Included in those guidelines, countercultural perspectives by oppressive-minded people. They were saying in these guidelines that people such as George Washington and Thomas Jefferson were a rich ruling elite, white elitists. That is not the kind of thing I want my grandchildren to be learning from their history classes at school.

The second thing I would like to bring before you is that I realize that any changes that are going to be made are going to come from the bottom up. They are never going to be coming from the top down, so it is up to us as citizens of this State and of this Nation to make sure that you are doing the job that we elected you to do.

Even though we have won a victory in the election in November, we don't want to sit back on our laurels and say, well, it is all going to be taken care of. We need to be very vigilant to be sure that these sorts of things are taken care of that we are very interested in.

I would also like to mention the NEA, the National Endowment for the Arts. I don't think any of us want to see obscene things. I am not saying that we should be—I can't think of the word I want to say right now, but we should not be saying that these people could not be allowed to make these artistic types of things, but we don't have to pay for them, our taxpayers do not have to pay for having these people make and perform in these obscene ways.

Then the last thing I would like to say is about the Public Broadcasting Service. They have recently in January or perhaps it has already been done, showed *A Tale of Two Cities*, which is a three-part miniseries celebrating homosexual life in San Francisco in the 1970's. Our taxpayers are paying for that, and I would like to see that abolished as well, so those three things.

Chairman KASICH. Thank you, ma'am.

Any questions for the witness?

Thank you. Thank you very much.

OK, we are now going to go to the audience-style business here. We have two people with microphones. Rick, do you have somebody there?

Glen is going to ask you a question before we—let's take a vote right now, let's get a little audience participation. Glen has a question. He would like to have a total show of hands, so, Glen.

Mr. BROWDER. Thank you, John.

You know, nobody has mentioned cut my taxes or increase my taxes, but we do have before Congress an idea about a middle class tax cut.

Now, you know, John is asking you to tell us how we can balance our Federal budget. I would like for you to show, by a show of hands demonstrate to me whether you would prefer to have the middle class tax cut or whether you would prefer to have that money applied to deficit reduction, so let me ask the middle class tax cut first, if you would prefer a middle class tax cut over deficit reduction, would you raise your hand? OK.

Now, if you would rather have deficit reduction over a middle class tax cut, would you raise your hand?

Thank you very much.

Thank you, John.

Chairman KASICH. Rick, go ahead with the first one. We will try to do this for about 15 minutes, and, now we are going to have to maintain a little bit of order here so, Rick, first question or comment here.

Mr. BEAUMEISTER. My name is Eric Beaumeister from Athens, OH. I am a student at Ohio University, originally from Indianapolis, IN. Is this for question or comments?

Chairman KASICH. Just make a comment for us.

Mr. BEAUMEISTER. OK, I want to say each year over \$2 billion is paid by taxpayers from people who are delinquent in repaying their student loans, and I know there is proposals about cutting student loans, and I think that that would cover, just by requiring those people each year to pay their loans back, would cover the cost of those students who are now in school.

I think that is something that is very important. I think that right now we are spending more money to run Congress than we are to help educate our youth after high school, and I also feel that with the state of our country today and the world today, it is ludicrous to even consider the increase in Federal defense spending.

We are spending more to defend a country that is more than adequately defended and more to incarcerate our criminals than we are to educate our youth. Let's also cut out the regulations that are strangling our State and local governments. Bureaucracy costs money.

This pie should be recalculated to include a several billion dollar segment for bureaucracy alone. Take the direct lending program as an example. It is freeing up moneys by eliminating redtape and the middleman. Federal dollars go straight from the government to the hands of students needing aid. Let our State and local governments make decisions for themselves and finally reevaluate, consolidate, and cut departments and programs where needed that are taking money away from—

Chairman KASICH. Thank you. I am going to ask everybody to keep it to about a minute so we can move it along.

Chris, your person.

Ms. HORN. Yes, I wanted to just say on the dismantling of the Department of Education, don't forget we currently spend \$420 billion on education through the Department of Labor, the Department of Health and Human Services, even NASA, at the Department of Commerce, and so let's not—if we are going to dismantle the U.S. Department of Education, let's not take education at the Federal level through the back door, let's make sure we completely get rid of it and give it constitutionally back to the local government.

Chairman KASICH. Thank you, ma'am. Rick, this is—as you know, we have a—forced to have a stenographer here, so we would like to have you—actually that is what this lady here is doing, and identify yourself because she needs to know who the person is for the Congressional record.

Ma'am, give us your name, the lady who just spoke.

Ms. HORN. Jenny Horn from Columbus, OH.

Chairman KASICH. OK, ma'am, thank you. Rick.

Mr. POLL. Your idea about—

Chairman KASICH. Sir, your name, please.

Mr. POLL. Wayne Poll, P-o-l-l. Your idea about having some of the private initiatives of Medicare is a very good idea. HMO, PPO products to decrease Medicare, increasing the age of Social Security eligibility, paying for South Korea's defense makes no sense whatsoever, all of their money goes for their defense with Japan. Any country that we defend should be paying the bill to us.

Chairman KASICH. Thank you. Rick, another one.

Mr. RODNEY. Yes, my name is Richard Rodney. I am an independent artist and designer, and I would like to speak about cutting funding to the arts.

When Moses came down from the mountain, the first thing he saw was men and women and children worshipping art. He was very angry at this event, and many people lost their lives that day.

Ladies and gentlemen, art and artists are not to be worshipped. To do so is to err. Art is for pleasure or business, and it is a very big business subsidized by State and local and Federal Governments. Who is making the most money from this business? Mostly the nonproducer class, critics, auction houses, museums, universities.

These groups control the art market with the help of our government. These groups must be forced to stand on their own two feet as the independent artists do. Stop the unfair competition. If the government wants to invest in the art business, it should expect a return—

Chairman KASICH. Thank you very much.

Chris, do you have one?

Ms. STOVER. I am going to do it in 25 words or less.

Chairman KASICH. OK.

Ms. STOVER. Pat Stover, Canal Winchester, cut OSHA, that costs us lots of money, and I don't know that the government has helped us in particular at all. That would also help to decrease some of our costs in medicine, period. I did it.

Chairman KASICH. Thank you.

Ms. JOBST. My name is Ruth Jobst, I want to speak frankly about something I received which I have not heard mentioned and which I think you should look at. No one would believe that a comfortable middle class woman like myself should receive a housing subsidy, but every year I can deduct from my taxes the cost I pay for my mortgage on my home.

I didn't earn this, I do nothing, produce nothing in return, I shouldn't be entitled to it, and I want you to look at mortgage interest deductions. I gain as much as a person on welfare about every year by taking this deduction, and I have never been made to feel ashamed about it. I want you to cap it, and that cap ought to be exhausted first by people who are buying their first home.

It ought to be exhausted by people who are buying small homes, it should not be available to anybody's second home, it shouldn't be available to my home. I want to say, too, that taxpayer money is paying for water rights so that farmers, corporate farmers in California can grow rice, of all things, in a dry climate. It is also going to fund mining and grazing and timber. These are companies who do fine on their own.

I am buying a house fine on my own. You don't need to do anything for us.

Chairman KASICH. Thank you, ma'am.

Chris, do you have one?

Mr. SLAGEL. My name is Roy Slagel. I am from Springfield, OH, Congressman Hobson's district. I have a question for Chairman Kasich. How are you going to get around the media in looking at the programs to cut? I heard the idea of show trials, and I think the American people would support cuts across the board if they were fair, but I think it is going to be incumbent upon the Congressmen to educate people where their money is going.

Chairman KASICH. Thank you, sir.

Rick.

Ms. FICKELLY. My name is Marjorie Fickelly, I am from Columbus, OH, and I just want to say I just want to congratulate everyone here today. This has been so great. I want to speak to—I think we have become a nation that has become numb because of government bureaucracy. I think that, yes, that we need to cut everything, everything needs to be on the table and seriously looked at, but if it doesn't return us to a nation that builds self-esteem, pride, pride in ownership, pride in neighborhood, every one of these government agencies and things that were set up were set to benefit this Nation.

Because of government and high bureaucracy what has happened is that we have become a nation that is no longer caring. We think I don't need to care about it because welfare will take care of it, I don't need to care about this, I don't need to care that possibly something may be said to our children that would build their self-esteem.

What I would ask you today is whatever you cut, whatever you do, please, please look at it, return this government back to the people, let us care about our neighborhoods, let us care about everyone here.

Chairman KASICH. Thank you, ma'am. I have got to ask you to clear the aisles, please, clear the aisles so we can get up and down the aisles. It is safety reasons as well.

Chris, do you have somebody?

Ms. PEDULSKI. Lisa Hamler Pedulski, Reynoldsburg, OH. I am stunned as advocates were told very clearly in the media this week that they were not welcome to speak, and I do believe that I did hear at least two of the testifiers state that they were here by special invitation from one of the Congresspersons. Shame on you.

My recommendations are to cut defense spending, starting with fiscal year 1996 by 30 percent, freeze at that level until the year 2002. Only through a Presidential order or a vote of three-fifths of the majority of both Houses of Congress permit any emergency spending, saving—\$81 billion a year.

Restrict starting in fiscal year 1996 purchases at military commissaries, also known as PX's, to enlisted personnel or retired persons with incomes only up to 185 percent of poverty. Nonactive or commissioned personnel should be denied purchasing privileges at the taxpayer expense. Cost savings \$3.5 billion a year.

Close all VA hospitals, starting in the year 1996, and move all patients to a public, private hospital or long term residential care center. Care would be superior to what they currently receive. Cost savings is estimated to be \$10 billion a year.

Restrict starting in 1996 Social Security expenditures to the current year collection of Social Security benefits, limit Social Security benefits to households or individuals with incomes above \$100,000 a year, and reduce Social Security benefits at a prorated share based on the income level. No elderly individual in this country should live with Social Security at a level of less than the poverty level. All low income elderly people should receive Social Security benefits at or equal to the poverty level, reducing benefits for those that make over \$100,000 a year.

Chairman KASICH. I want to thank the lady.

Let me just suggest to all of you here who get up every day and go to work and pay the bills that we have, all we have in Washington are advocates for spending more. Our purpose here, since we know we are going to pass a Balanced Budget Amendment because we believe the passage of it is going to literally save the next generation, our job here is to try to figure out how we work as a team to get that job done, so one of the things that we are doing as we go across the country is to ask people to tell us what their priorities would be, and I would like to commend the witness for bringing a number of things to the table here that we clearly will consider.

Rick, how about another person here?

Ms. COOK. My name is Renee Cook, Mr. Kasich, and I have been watching you and listening to you. I may not agree with all you say and all you do, but I have found that you stand up for helping young people. I want you and the committee to not hurt our young people.

You must stand up for them, you must fight for them with all the power God gives you. I know they talk about eliminating the education program, but just find some way to help because these kids need it. You must find a way to fund the Trio programs and

get rid of some of the foreign aid or some of the tobacco subsidies, but please continue to encourage and help our young people succeed in life.

Please continue to show that you care about our children getting a solid education. Please continue to encourage them to be the best that they can be. Please continue to stand up for what is right, continue to give them hope.

Thank you.

Chairman KASICH. Thank you. Chris.

Ms. DOWLING. Lauren Dowling, I am from New Albany. I am just going to read this.

So far the results of NAFTA trade is that we import more cars and trucks than we ever export. Now we are importing more than we ever had and the exports to Mexico, although they are up 400 percent, when you go from 50 million to 400 million, but what is coming in is hundreds of times that.

We are losing our shirts here, and what I am trying to do is see if we can look back and just mathematically two plus two is always four, you don't spend \$100 to make a dime, and just looking at the situation right now, they want to make a \$40 billion loan to Mexico.

We don't have it. We are in the hole \$5 trillion. We have got our assets, what are we? \$15 trillion in guarantees so far, we have only got a net worth of \$22 trillion, \$23 trillion in this country. We are broke.

I understand that we want to help our brethren, I understand, but we have to do smart things first, and that means don't spend what you don't have.

And you are asking about priorities. National defense first, that is what we have our government to do. We took this country from the Indians not 200 years ago because we wanted to and we could. Now, we need to make sure we have a strong national defense. We don't want anybody walking in here taking what we call ours.

Chairman KASICH. Thank you, ma'am.

We have time for just a few more.

Rick. OK, way in the back. Yes, sir.

Mr. NESTER. My name is Kevin Nester, and the comments I would like to make are in general about the area of entitlements. We have heard people talk briefly about that, but just let me set a few facts.

Entitlements encompass 50 percent of the budget today. By the year 2010, entitlements and interest will encompass the entire budget and there will be nothing left over for defense or any of the other programs we have talked about. We must focus on cutting entitlements.

That has got to be the No. 1 priority that you and all nine of you there on the panel and the rest of the Congress consider. There are many ways to do that. We have heard a number of those mentioned today, but it has to be done, and it has to be done for the sake of those programs, for the sake of my two young children so that when they retire some day they have available to them Social Security and Medicare should they need it.

I joined the Concord Coalition, an organization focused solely on this issue, simply because I am so committed to it. We have over

\$14 trillion, that is more than three times our current national debt, in unfunded liabilities for Social Security and Medicare.

Chairman KASICH. Thank you.

Mr. NESTER. We must focus on this program.

Chairman KASICH. Thank you, sir.

Chris.

Ms. LIPSCOMB. My name is Debbie Lipscomb, I am from Delaware, OH. It is Congressman Kasich's district.

I would like to see cuts in defense spending and to agricultural subsidies. I am not aware of major recent cuts to these programs. I have heard a lot of talk today about doing away with the Department of Education, and I think it is because our audience is not aware of the benefits of this program for low-income students.

When we talk about trying to have less crime and violence in our community, I think we need to have a good way to remedy that. Our Nation has asserted a commitment to providing educational opportunity for all Americans, regardless of race, ethnic background or economic circumstances.

In support of this commitment, Congress established the Trio programs in 1965 to help low-income Americans enter, graduate, and move on to participate more fully in America's economic and social life. We are not a welfare program nor a cash transfer program.

I cannot speak more specifically to innovative ways of cutting agricultural subsidies or defense. I am not equipped with that knowledge, but I do know what it feels like to be from a low-income family with parents that do not know how to get their students into college so that they can make a substantial benefit to their communities.

Chairman KASICH. Thank you, ma'am.

Ms. LIPSCOMB. Please do not cut these type programs.

Chairman KASICH. Rick.

Mr. MCCALLUM. Mr. Chairman, my name is Bob McCallum. I spent about 20 years being a salesman, and I didn't see tremendous price increases until everybody got an electronic calculator. I think we ought to eliminate this concept of COLA, cost of living increases. I am on Social Security. Many of my friends are retired military. There are a lot of pensions. I really think that we need to freeze Social Security.

This constant ingrained, God-given right to price increases is being perpetuated by this concept of belief in COLA. We are spending our grandchildren's future money, and because of that, we need to try to cut the Federal debt through voluntary contributions, through a volunteer organization to give \$100 a year for 10 years for each grandparent, and we could cut the debt. It would take 430 years to do it.

Chairman KASICH. Thank you. That will conclude this part of the program, and really will conclude our hearing. Let me, before you run, I want to—could we just be seated here and get just a couple things done. This is the first time anything like this has been done that we are aware of, and there is some things we will learn from this. I want to thank the members for coming here.

This show will be in Prescott, AZ, next Saturday, and—it will be real close to where Jim Kolbe is from. But what I want to say to

you is for those of you who didn't get to comment, we would love for you to write the House Budget Committee, Washington, you can write my office, but if you have suggestions, you are a little frustrated about not being included, we have a limited amount of time, of course, to do this.

We have been here now for coming up on almost 3 hours, so I think it has been useful. I hope you feel it has been useful, but here is what I want to say to you. Each and every one of you are important in terms of how we are going to get this solved, and I don't want anybody to feel as though I have got to give up on the system. We haven't perfected the way to reach out to people who pay the bills and who have felt as though they are essentially not listened to by their government officials.

We are going to do the best we can to keep perfecting this so that you are involved in making sure that this country for the next generation is going to be as successful as what you have had. That is our legacy, isn't it, to leave the next generation with more than what we have?

I want to thank you for being so orderly. I want to thank you for contributing. I want to thank you all for coming here.

The House Budget Committee will stand adjourned.

[Whereupon, at 5:40 p.m., the committee was adjourned.]

HOW TO CUT THE FEDERAL BUDGET

SATURDAY, JANUARY 28, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Prescott, AZ.

The committee met, pursuant to notice, at 2:50 p.m. at the Elks Opera Theater, 113 East Gurley Street, Prescott, AZ, Hon. John Kasich (chairman of the committee) presiding.

Members present: Representatives Kasich, Franks, Nussle, Shadegg, Sabo, Browder, Orton.

Member also present: Representative Stump.

Staff present: Chris Ullman, Michael Rubin.

Chairman KASICH. We want to tell you that we particularly enjoyed the flight to Prescott from over in Phoenix. Coming over the mountains, it was just beautiful. We particularly want to thank all the county officials of Yavapai County here, obviously, where we are, and thank them for the effort that they made to host us and to make all the arrangements. We appreciate that very much.

We're here because we are going around the country to five different sites. We were in Columbus, OH, last weekend and next weekend we'll be in Columbia, SC, and then we'll be in Manville, NJ, and then finally we'll be in balmy Billings, MT, to kind of conclude the program. The reason we're doing it is we really want to hear from the public.

As you know, in the House just this last week or this week, the Balanced Budget Amendment passed the House, and I would anticipate that probably after an effort to slow the proceedings down in the Senate, I anticipate the Senate will pass the Balanced Budget Amendment as well, and then they'll go to the States where I think we will see swift ratification.

The reason why we're here is to solicit your views on how we should balance the budget. We want you to give us whatever suggestions you have in terms of how we can bring greater efficiency to the operation of the Federal Government. In Washington, as you probably know, for those how live out in a town particularly where Barry Goldwater announced for President, in Washington we've been used to hearing from people telling us why we ought to spend more.

The reason we're traveling the country is to listen to how people think we ought to work to spend less and to balance the budget, and I want you all to know that this is not just some kind of a media event or some kind of a road show. We are out because we believe that for too long, the American people have essentially not

been listened to, and that this is an effort to do everything we can in this setting.

The House of Representatives is going to go on-line, so you'll be able to communicate. In fact, it's already been brought on-line. In the Budget Committee, we will go on-line, and there will be a variety of techniques we're going to use to make sure that the American people are included in this and we want to hear from you today. That's what it's all about.

I would like to quickly tell you who is here. I am from Columbus, OH, and my name is John Kasich. To my right is Bob Franks and Bob is from New Providence, NJ. I don't know if anybody from New Jersey moved here, but that's where Bob is from, and he, in fact, will be involved heavily in the conference in Manville.

The young man to Bob's right is the transition chairman. He is the guy that Newt Gingrich put in charge of turning on the lights and making things operate in the Capitol, and, as you know, that's been a difficult job, but he has done an absolutely superb job. His name is Jim Nussle and he is from Manchester, IA.

Of course you know John Shadegg from Phoenix. John is a new member of the Budget Committee and we're excited because he is a turbo-charged member of the Congress who hit the ground running and clearly wants to get things done.

To my left is Martin Sabo from Minneapolis, MN. Martin was the former Speaker of the House in Minnesota at some age below 30, I believe—I have not looked at the bio lately, but a very young start in politics—who rose to be the Speaker of the House, has been in the Congress for a number of years, and, you know, kind of, not to our pleasure, but to state the facts, the former chairman of the Budget Committee. Last year, Martin was the chairman and we enjoy a very good working relationship. Martin is one of the most knowledgeable people about budget procedures and the way things work.

Next to him from Jacksonville, AL, Glen Browder. Oh, I'm sorry, next to him Bill Orton from Provo, UT, and Bill, a leader to try to reduce the deficit; Glen Browder, a member of the Armed Services Committee.

Those are the folks that are here and then down on the end—where is Bob Stump? Oh, here he is and then, of course, way down on the far right where we usually find Bob—

[Applause.]

Chairman KASICH. OK.

I would ask unanimous consent for Mr. Stump to join the committee for today. Without objections, agreed to. See how easy it is, folks.

Anyway, we would like to start off by having Congressman Stump, the chairman of the Veterans Committee in Washington, make a few comments. Bob.

Mr. STUMP. Thank you, Mr. Chairman. First of all, let me thank you for allowing me sit up here with the committee. It's a real pleasure to welcome you here to what I think is truly God's country. Money Magazine selected Prescott a couple of years ago the No. 1 retirement area in the United States.

You mentioned Senator Goldwater. This is where Senator Goldwater kicked off all of his campaigns, Mr. Chairman, Mr. Conserv-

ative, including his presidential campaign, and also is the home of the world's oldest rodeo and where Teddy Roosevelt personally, personally, selected some of his Rough Riders that rode with him.

We welcome you here, Mr. Chairman. I think when you hear from these people today, you're going to understand what real America thinks.

I commend you and your leadership and the terrific job you've done so far on this committee for taking the initiative to get out in the field. I know you could be home with your constituents and with your family, and that goes for all of you, and we very much appreciate it, and I think you will enjoy the testimony today and maybe it will help you understand why I have such a conservative voting record.

Thank you, Mr. Chairman. [Applause.]

Chairman KASICH. Thank you, Mr. Stump.

Now, let me tell you a little bit about how we're going to run this. This is an official congressional hearing and we will conduct it as such. We will, of course, respect one another. I would ask you to refrain from applause.

We have a stenographer over here who we have to bring on the road with us in order to record the proceedings.

We're going to start with a group of people who were collected by virtue of the fact that they wanted to testify and they will be given 3 minutes to say what they have to say.

Any member then can question the witness and then after that—we'll do that for awhile and see how that flows, and then at some point, we'll actually take microphones out into the crowd, and you will be permitted for a minute to say whatever is it—what's on your mind and whomever wants to comment, fine, but the purpose of this is for us to give you a chance to make your feelings known.

I would say to anybody that wants to speak and to all of our witnesses, we want to have fun today. That's what this is all about. We really want to have fun and we ought to think about this like we do when we sit down to eat at the dinner table on Sundays. It's a chance to just kind of talk about some things and let's just consider ourselves all part of a big American family trying to do the right thing.

So our first witness is Andy Groseta from Verde Valley. Andy.

Mr. GROSETA. Thank you. Honorable Chairman Kasich and House Budget Committee members, I'm Andrew Groseta. For the lady over there, that's G-r-o-s-e-t-a. I'm a third-generation member of a ranching family from Cottonwood, AZ.

As you are aware, the majority of the West is owned by the Federal Government, with a very small percentage of the land held as private property.

The Bureau of Land Management is currently spending \$49.3 million per year to manage approximately 12 million acres here in the State of Arizona. That calculates out to be \$4.10 per acre or \$2,624 per section to manage lands here in this State. When you apply these exorbitant costs per acre across the entire West, it is an enormous amount of money. In private business and free enterprise, we manage land at a much cheaper rate.

In addition to ranching, I am co-owner of an agribusiness firm here in Arizona that manages ranch properties. To manage large

cattle ranches in this State, we charge anywhere from the range of 25 cents to 95 cents per acre, depending on the size of the ranch. That is 77 to 93 percent less in management fees per acre than the BLM cost.

You would think that the Federal Government, managing millions of acres, that it would definitely result in a lower management fee on a per-acre cost. Not so. This is a terrible waste of the taxpayers' money. The BLM, as many other Federal agencies, are not physically accountable, responsible, or prudent with taxpayers' money. The cost of managing a section of BLM land in Arizona in some cases is 8 to 10 percent of the total value of the land, which is absurd.

In addition, different Federal agencies, with multiple layers of management with overlapping jurisdictions over the same lands, often have competing missions and objectives. There is absolutely no unity of purpose among these Federal agencies. With a national movement to give the Federal Government responsibilities back to the States, those States out here in the West will need more tax base to support these added responsibilities.

In Arizona, only 17 percent of the land is deeded land or private property. In an effort to cut Federal spending, I submit the following proposal to you, and that is to transfer all BLM lands to private ownership.

Based on current ranch sales' data in Arizona, using a very, very conservative figure of \$50 per acre, if the 12 million acres of BLM land in this State were sold, the sales of these holdings would generate over \$600 million. Arizona would have doubled its deeded land ownership and tax base, but still that would only be 33 percent of the total land surface area.

This proposal alone will save the Federal Treasury over \$1 billion in the next 10 years, and that's just in Arizona. In addition, this privatization of BLM lands would substantially increase the tax base in Arizona and generate millions of dollars in new taxes for local, county, State and the Federal Government.

These additional revenues would definitely make it easier for the State to take on additional responsibility from the Federal Government. These figures do not include the savings from other agencies that expends tax dollars on these lands such as the U.S. Fish and Wildlife Service and a multitude of other agencies.

The original intent of the Taylor Grazing Act was, quote, "That in order to promote the highest use of the public lands pending its final disposal."

In closing, privatization of millions of acres of Federal land in Arizona and throughout the West will definitely reduce Federal spending and the national deficit. The enormous regulatory and agency costs will be drastically reduced.

Chairman KASICH. Andy, I'm sorry, we've got to keep you—the red light, when the red light comes on, we're going to have to wrap up. We'll give you another few seconds to conclude.

Mr. GROSETA. OK. I'm just about done.

I respectfully submit this proposal to you and your committee for consideration to start a new and different approach in Federal lands management. As a taxpayer, I am very pleased to see Congress take the lead to cut Federal spending.

Thank you.

Chairman KASICH. Thank you, sir. We will take—if any members have questions of Andy, we'll get to that, and then immediately following that, I just want to make sure Mr. Sabo has an opportunity to make a few comments before we hear any additional witnesses.

Questions from any of the members about this proposal? [No response.]

Andy, thank you very much.

Mr. GROSETA. Thank you.

Chairman KASICH. And we'd like a copy of that prepared testimony.

Mr. GROSETA. Thank you.

Chairman KASICH. Mr. Sabo.

Mr. SABO. Thank you, Mr. Chairman. It's a pleasure to be here.

As the chairman indicated, I come from Minnesota, and in the winter, I'd swear half the State of Minnesota is in Arizona. Particularly for those who are retired from Minnesota and the upper Midwest, it's a mass exodus to Arizona.

I think Minnesota or Iowa—Mr. Nussle, who is here—I think the two States are first and second in per capita golfers, and I'm not sure which is first and which is second, but I am told that really the motivation for the development of so many golf courses in Arizona were all the people from the upper Midwest coming here in the winter. So in many ways, Arizona is a second home for Minnesotans and other people in the upper Midwest. So it's good to be here. We look forward to hearing your comments today.

I have to tell you that I am particularly interested in hearing any comments people may have as it relates to controlling the escalating costs of Medicare and Medicaid. There are two programs that are escalating very rapidly in cost for the Federal Government, much more rapidly than any other program, and that's Medicare and Medicaid, both projected to grow over 10 percent a year.

Medicare, obviously, for elderly, Medicaid also primarily for elderly—the bulk of those costs are for long-term care for either elderly or disabled people.

I thought at one point when the Congressional Budget Office was projecting over 10 percent growth, they were maybe overstating it. Yesterday, I had my State officials in and I said, "What are you projecting in Medicaid growth in Minnesota?" And they said, "Double digits." I said, "Well, I was hoping those estimates were wrong." They said, "No, not from our experience." So for any of you that have particular wisdom on how we might deal with that problem, I would particularly appreciate it.

Thank you, Mr. Chairman.

Chairman KASICH. Thank you, Mr. Sabo.

Now we'll hear from Scott, is it—with a name like Kasich, I try never to get it wrong—Helfinstine?

Mr. HELFINSTINE. Yes.

Chairman KASICH. OK, Scott, it's all yours.

Mr. HELFINSTINE. My name is Scott Helfinstine, H-e-l-f-i-n-s-t-i-n-e. I'm married, have two young children. I'm a self-employed certified public accountant and certified financial planner. I'm also a graduate student of Arizona State University College of Business,

and I believe that Federal spending should be cut at all levels across the board.

All spending programs could be cut by a relatively small percent, 1 or 2 percent of current year levels, and you can cut spending in all areas except one: interest on the national debt. Unfortunately, this is the one area that is beyond the control of Congress and the President in the short run. Interest is determined by the amount of the national debt and the rate of interest.

But with the exception of interest, Congress can and should control Federal spending. The question then arises which programs to cut. It would be nice to be able to balance the budget by cutting a few politically insignificant programs, but that's not going to balance the budget.

The process of determining where to cut becomes extremely political. People desirous of perpetuating funding for their programs will fight harder to save those programs than will people on the outside trying to fight to try to stop spending. Congress has done a good job of listening to people in terms of deciding where to spend money; now it's time to listen to where to cut, and it should be cut across the board.

As a tax preparer for the last 17 years, I've prepared over 5,000 individual income tax returns, and I've talked to a lot of people about their views of taxes. Most people complain about paying income taxes, but their bigger concern is that the money is foolishly spent and, after paying in some cases hundreds of thousands of dollars of taxes, the deficit still exists and the national debt remains enormous.

Given time to study all the different spending programs, I think Congress could decide how to cut spending and where to prioritize, but I think we've run out of time. You must make cuts now and those cuts should be across the board.

Time is money. Literally billions of dollars are spent every week in government spending. Cut the budget across the board. Cut all categories except unfortunately the national debt. This means cutting defense, education, welfare, crime, health, foreign aid, Medicare and Social Security. In time, Congress can prioritize programs, but for now, cut across the board.

Thank you.

Chairman KASICH. Thank you.

Let me, just say to the security folks, if there are more people that want to come in—there are 300 people waiting outside to get in. If you want to bring some people and put them along the walls, that would be OK. If they want to go up in the back, that would be fine as well. And for those, after you've been here for awhile, if you're getting tired, if you're getting tired of listening to—well hopefully you'll have to get tired of listening to yourselves because we're going to do little talking here today—when you leave, somebody will get your seats. So if the folks outside could know that we'll try to get them in here, we'd appreciate that as well.

How about questions for Scott? Yes, sir, the gentleman from Utah, Mr. Orton.

Mr. ORTON. Thank you, Mr. Chairman; and Scott, thank you very much for your testimony.

I would ask you about this across-the-board cut that you recommend. One of the problems we find, particularly with a program like Social Security, is that Social Security is increasing. Even without increasing benefits to any individual, the costs of Social Security are increasing simply because there are more people who reach age 65. We have a longer life expectancy than was anticipated and so, therefore, the program is growing in cost.

To cut Social Security, even just to put a freeze on Social Security, would mean actual reduction of individuals' payments even if you didn't cut it. So if you're talking about cutting it, you're talking about not only growing for the increase in population reaching 65, not only cutting the growth for inflation, but actually taking additional money away from specific individuals.

First, I guess I would ask you if you favor and recommend an across-the-board with everyone, knowing that some people on Social Security are widows who make \$450 a month and that's their only income at all. Other people on Social Security are clipping coupons and making \$2 or \$3 million a year and receiving Social Security.

I guess I would ask you, if you want cuts in Social Security, could you be more specific and indicate what you think we should do to be equitable and fair or just across the board to everyone?

Mr. HELFINSTINE. Across the board to everyone initially. The problem I think can be resolved, though, by recognizing that Social Security is partially a welfare program. There are some people, many people, who have paid in far less to the program than they will ever collect—than they will collect. They collect substantially more. People receive their full benefits from Social Security after about 8 years of retirement.

Perhaps some sort of a modified means test where people are entitled to receive what they have contributed to the system plus some fair rate of interest. Once they have received that back out from the system, if they are needy, below a certain income level, they will continue to receive Social Security payments, but recognize that as welfare.

Those with upper incomes, after they have received all they've paid in and interest on what they've paid in, would then stop receiving Social Security.

Chairman KASICH. The gentleman from Alabama, Mr. Browder.

Mr. BROWDER. Thank you, Mr. Chairman. I think this gentleman has kicked us off on a lively foot here, but first, let me thank you, Mr. Chairman for bringing this hearing to Mr. and Mrs. America outside of Washington, DC, and a special thanks to Congressman Bob Stump for inviting us to his district and John Shadegg for inviting us or being with us here in the movie theater where he once watched movies as a child. So it's a special treat to be here with you.

I would like to ask a question and then make a request of our witnesses today. If I could, just to establish whether or not we have a consensus here, let me ask you by a show of hands, demonstrate to us what you—we know you're not from all over the United States—in this audience would prefer. As we face our budgetary problems our options are very limited, really.

We could continue to dig the deficit deeper and pile the national debt higher. I don't think that that's an option for us. We, of course, will target and are targeting now waste, fraud and abuse. But to really tackle the monumental problem, there are two oversimplified choices: raising revenues, raising taxes or cutting programs and services.

Let me ask you, of those two, which would you recommend for us. How many of you think we should raise revenues, raise taxes, to fight this debt? OK.

Now, how many of you think we should cut programs and services?

Well, I think that the consensus is here.

Chairman KASICH. Will the gentleman yield? Could you ask about both?

Mr. BROWDER. How many of you think we should have a combination of raising taxes and cutting services? OK. I think we get the sentiment here. Let me make a request of witnesses who come up.

As you look at the little pie chart, on the forms that were in your chairs, you will see what the Federal Government does with its budget, and if you look around that chart, you'll find most of us on there: defense, non-entitlement, domestic, that's agriculture and highways and so forth. Skip interest; we can't do anything about that. Medicare, Medicaid, Social Security. About all of us or many of us receive benefits from this budget.

I wish that each witness could specify for us, as you go down the list of cuts you're recommending, try to identify for us what programs or services you are benefiting from that you are willing to cut. That's a special request.

Thank you very much, Mr. Chairman.

Chairman KASICH. Thank you, Mr. Browder.

Are there other questions from Mr. Helfinstine? [No response.]

Scott, you're a very helpful witness. You did a nice job. Thank you very much.

Our next witness, Brad Newman from Prescott.

Mr. NEWMAN. Thank you, Mr. Chairman. My name is Bradley Newman, that's N-e-w-m-a-n, from Prescott. Thank you for your willingness to listen to what's going on out here. Thank you for at least appearing to want to know what's brewing within the collective consciousness, and thanks mostly for your stepping up and assuming your awesome duties and the gruesome work of serving as citizen statesmen charged with no less than cleaning up this mess.

For 19 years, it's been my distinct pleasure to serve as a director of a nonprofit charitable organization here in Prescott, set out some 20 years ago to provide employment opportunity for people with disabilities. The initial effort of the board of volunteers of businessmen, parents and teachers who put this idea together was greatly bolstered by a grant funded by the Rehabilitation Act of 1973.

Our program has flourished in the intervening years, mostly because it's a good idea based on a great American ideal: people wanting to go to work. But I must now look upon the labyrinth of this Federal vocational rehab program tucked somewhere amid the U.S. Department of Education or perhaps the Department of Labor. I don't know. I can't follow the organizational chart anymore. I

looked toward that Federal establishment in 1995 and asked often, "But what have you done for us lately?" And the answer, after prayerful reflection is, "Nothing much." Nothing much, that is, that the State of Arizona or my neighbors here in Prescott wouldn't otherwise do with the resources to do them readily at hand if this program and, what, hundreds of others were block granted in some reasonable fashion, until a time, in the very near future, when they would be assumed or discarded or changed to fit our future as seen fit by us.

Well, you asked for testimony as to what to cut. Here's my recommendation. No. 1, cut it out. You know how to fix this and you know we know you know how to fix this. Even I remember Senator Rudman, Senator Rudman resigning the most plum job in the world—excuse me—a U.S. Senator, quitting in frustration, stating, "We can fix this in a week if Congress had the courage to do it." [Applause.]

My time, my time.

Chairman KASICH. Let me tell you, if we're going to clap, we're going to hear from fewer—

Mr. NEWMAN. It gets better.

Chairman KASICH [continuing]. Because what you're going to do is you're going to run out of time.

Mr. NEWMAN. What needs to be done is this shakedown, yes. But let's get with the nineties, good people. The kick-start of a Federal movement for rehabilitation or education or welfare or environmental protection, the Federal movements of the fifties, sixties, seventies and so on, perhaps were needed in their time, and now these Federal initiatives suppose that we can't or won't take care of our own, and that is the root of the sophistry that encases the cynicism that is the core of that 30-year old joke, "I'm from the government and I'm here to help you."

Well, proceed at a pace with this shakedown, but put it all on the table: defense, domestic spending and, for goodness sake, the heart of the matter, entitlement programs, and the rate of growth of these programs and some means test for each and all of them.

There's no need to reinvent the wheel here. It's all laid out. Senator Tsongas and Senator Rudman created the Concord Coalition and their manifesto facing up. My gosh, it's all been spelled out in Senator Kerry's and Senator Danforth's recently buried findings on their commission on entitlements. You know this answer and we know you know.

Now, we'll take our tax cut, but after the budget is balanced. When we're faced with a shortfall at home, we don't take a cut in salary. The Balanced Budget Amendment, term limits—bad ideas whose times are coming.

You like your jobs. Do you like living in that crime-infested, traffic-congested city? You like Sam Donaldson and Connie Chung in your face every morning? Great.

If you want to keep your job, then do the right thing. You'll be embraced for accepting this short-term pain for the very long-term gain. You stand up and do what needs to be done, especially in regards to entitlement reform and the need for the movement behind the balanced budget, and term limits will vanish.

Like I told my son when he left for his first rock concert, "Don't screw up and you can go again." Gentlemen, you've been handed an historic moment, an historic moment on a silver platter. Don't screw it up and you can go again.

Thank you.

Chairman KASICH. Thank you, Brad. Let me first of all say, Brad, that I may actually pay your airfare to come to Washington.

Mr. NEWMAN. I'm there. I'm there. I'll go.

Chairman KASICH. Let me see if there are any questions for the witness. Any questions for the witness?

Mr. BROWDER. John?

Chairman KASICH. Yes, the gentleman from Alabama.

Mr. BROWDER. I hate to keep asking questions, but, Brad, let me ask you one question. You said we know what needs to be done; you got a pretty good round of applause. Could you tell us what you mean by entitlements?

Mr. NEWMAN. I mean Medicare, Medicaid, Social Security. The list goes on and on. You know. You're more familiar with that than I am.

Mr. BROWDER. So you're for going ahead and cutting those programs?

Mr. NEWMAN. I'm for some form of means testing, yes, cutting the growth of the entitlements. Haven't you just revealed recently that the way we've been calculating CPI for 40 years was wrong, and perhaps we've contributed unnecessarily to the growth of these programs by simply calculating the cost of living?

Mr. BROWDER. I just want to know if, after you define entitlements, if there was going to be a round of applause for you. Thank you. [Applause.]

Chairman KASICH. The gentleman from Minnesota, Mr. Sabo.

Mr. SABO. I'm sort of curious about the program you run.

Mr. NEWMAN. It's really neat.

Chairman KASICH. Folks, let me just say one more time, I don't want to start having to bang the gavel, but this is a hearing. It has to be under control. We've got to have respect for one another, and when you're in Washington and you sit in the gallery and somebody makes a great speech, if you clap, they take you out.

Now, I'm just asking you to try to remember the decorum with which we conduct the hearing. Trust me when I tell you that maintaining order is an important part of the hearing.

Mr. Sabo.

Mr. SABO. I am curious because you indicated your program started with voc-rehab funds. Is that how your program is still working?

Mr. NEWMAN. To a very small degree, and not Federal voc-rehab funds, but a program of the State of Arizona in a very small degree subsidizes the inefficiency of the work force as allowed by a disabled work force; and my comments speak to the fact that if this program was administered solely by the State of Arizona or the people of Prescott or Yavapai County had the opportunity to administer the same program, I believe they would.

Mr. SABO. Where does the balance of your funding come from?

Mr. NEWMAN. From the work that we do, just the same way anybody else's business would.

Mr. SABO. So you provide employment for people who are classified as disabled?

Mr. NEWMAN. Yes, sir.

Mr. SABO. And you pay them their salary?

Mr. NEWMAN. Absolutely.

Mr. SABO. Are these people, then, who are on SSI?

Mr. NEWMAN. Many of them, yes.

Mr. SABO. OK.

Mr. NEWMAN. And SSI has been incentivized over the very recent past, thank goodness, encouraging people to accept training and go to employment. It's working well.

Mr. SABO. Right. The reason I ask is that there are ways we save money by cutting spending, but there are other times when we spend money to save money. The reality is a very fundamental problem in this country today is how we deal with the growing number of disabled people, and how we get them back into the labor force to get folks who have problems, and some are physical and some are mental, back into the labor force. It's just a very fundamental problem that we have, and I'm curious of the type of success you're having.

Mr. NEWMAN. Well, it's been very successful and a lot of my neighbors here can attest to that. I have to tell you, sir, 19 years I have absolute, direct, day-to-day experience with industry leaders, big businesses and ma-and-pa shops who, on their own volition, recognize the value of our people in the labor force, recognize their unique skills.

Believe me, they will do something for 8 hours a day that I don't think any of us would do for 15 minutes without getting a little distracted. They recognize their values, their skills, their abilities, and they put them to work.

Mr. SABO. Are most of the people physically disabled?

Mr. NEWMAN. Most of them are developmentally disabled, in my book; about 106 people.

Mr. ORTON. Mr. Chairman?

Chairman KASICH. Yes, Mr. Orton.

Mr. ORTON. A very quick follow-up question with regard to your program and a preface for it. There are two different ways the Federal Government essentially spends money. One is the direct expenditure method through paying money for a program such as the vocational rehab expenditures, which the Federal Government writes a check to the State or to the private entity to help rehabilitate workers.

The other way that we spend money is through what is called tax expenditures; that is, giving credits or tax incentives or exemption status, giving a preference or priority through lowering an entity's taxes. That also is an expenditure from the Federal Treasury, by the way, because if you had charged revenue, you would have more revenue and less expenditures just the same as if you cut out the spending.

So I'm curious, you indicated your organization is a nonprofit. Is it also tax exempt?

Mr. NEWMAN. Oh, yes, sir.

Mr. ORTON. Would you also favor, then, that the Federal Government change its tax code other than just saying across the board

eliminate Federal expenditures or cut Federal expenditures? Would you also favor balancing out and equalizing the tax code and eliminating tax exemption status for companies such as yours?

Mr. NEWMAN. Well, I can only speak to an organization such as mine, and we're a nonprofit organization, 21 years old in this city, and, I must emphasize, very nonprofit. So the tax man can come at us and I don't know if it would be worth your while.

Mr. ORTON. The reality is that nonprofit organizations are nonprofit in a variety of different ways.

Mr. NEWMAN. That's right.

Mr. ORTON. I'm a tax attorney and so I've seen a number of nonprofit organizations. There are ways that you can tax that are more effective than taxing income or revenues. You can tax gross profits. You can have transfer taxes.

We're looking right now in the Congress at changing the overall methodology of raising revenues in the country. I'm just wondering if you would speak to whether you think we ought to apply the same basic standards to tax expenditures, incentives and so on that you would have us apply to actual outright outgo as an expenditure.

Mr. NEWMAN. Yes, I believe that that deserves a close examination. Now, nonprofit tax exempt organizations might hold, as you well know, a for-profit subsidiary. A lot of great work is being done in the country, in all kinds of movements, because the charitable organization owns a gas station and the revenue from the gas station, unrelated to their charitable mission, is taxed, and the revenues from that gas station are applied to the work of the organization. That should be encouraged and it also should be taxed.

We sat in board meetings, at strategic planning meetings, and we think wouldn't that be a great day when we had unrelated taxable income that we could pay tax on and be a corporate citizen, a corporate neighbor, in that way, and that's definitely worth looking into. I know there are some big, large endowment funds that could generate funds.

Chairman KASICH. Let me, Mr. Newman, first of all, this is very—you're making very compelling testimony here, and here's what I'm particularly interested in. There are approximately 60,000 people that live in this area, and you are dealing, obviously, with people who have some of the greatest challenges in life, and what you're telling me is that you are solving these problems with a community-based effort. Is that what I'm hearing from you?

Mr. NEWMAN. Yes, sir. I got the kick-start from the Federal effort, has some sustaining—you know, for us that's 38 percent, between State and Federal, something like that, sustaining effort that way; and I'm also suggesting that that effort, what I'll call the third-party effort, would be picked up by a community effort at the state level or even the local level.

Chairman KASICH. So what you do is you essentially manage this program with a very hands-on approach. How many staff people do you have?

Mr. NEWMAN. There are 24 including me.

Chairman KASICH. How many clients do you have?

Mr. NEWMAN. We have 106.

Chairman KASICH. And you then go to the community leaders and say, "Hey, I have somebody that has these skills. Could you"—is that how you do it?

Mr. NEWMAN. That's exactly how, and happily these days they're calling us. They're calling me. We enjoy a certain visibility in our area.

Chairman KASICH. Let me ask you one other question. Would you believe that the model that you use to run this program could be applied to larger cities, Phoenix, Chicago?

Mr. NEWMAN. Absolutely so, and other populations with unique needs. You know, the solution is work. The solution is work.

Chairman KASICH. Let me ask if you'd do me a favor. Would you be willing to put a paper together for me personally or for the committee, that we distribute to the committee, your vision of how you would begin to make these programs more community-based, less bureaucratic, more private-sector nonprofit oriented? Could you do that for us and get us something within a week?

Mr. NEWMAN. Absolutely.

Chairman KASICH. It would be very helpful.

Any other questions for the witness? [No response.]

Thank you very much.

Mr. NEWMAN. Thank you very much.

Chairman KASICH. The next witness is Frank Ramsey, and Frank is from Prescott.

Mr. RAMSEY. Brad is a very tough act to follow. I wish I was last in line rather than after him.

I'm Frank Ramsey, that's R-a-m-s-e-y. I live in Prescott. I retired from the defense industry a few years ago. I'm a widower.

Chairman KASICH. Frank, pull that microphone a little closer, would you? We'd all like to hear you.

Mr. RAMSEY. OK.

We feel here in Prescott that what needs to be done is to cut spending first, long before cutting taxes. To reduce spending, I propose cutting three programs. There's a thing called a B-22 tilt-rotor helicopter. It's a hybrid helicopter airplane. It takes off like a helicopter, lands like a helicopter, flies like an airplane after they get to altitude.

This concept, this idea, has been in development for some 30 years. The program is still in development and it still is experiencing prototype problems.

The committee should ask the Department of Defense to thoroughly examine this program and see if they can justify its continuance. I don't think it's justified. They keep coming back, "Just another year and we'll have it done. Just another year and we will have it done. Just a"—how many times? 30 times they've come back and said, "Another year, we'll have it done." I think it should be canceled. If it was my decision, it would be canceled.

This next one is a hard one. NASA space shuttle is popular. It's photogenic. Everybody likes to look at it. It's wonderful to see it going into the sky, but the things they do after they get it in orbit can be done cheaper with unmanned vehicles, and there's more than one group of people that feel this way.

I feel the same way about it as I did about the B-22. The program should be canceled. It's a money eater. It's a PR program for NASA and I just think it should go.

There's a third program that is on the horizon. There's planning for that program. It's the orbiting space station and it's going to take a lot of money to complete the planning for this thing, and if they start to build it and then go to operations, the cost will skyrocket.

It's an expensive program and it's the type of program that if we had surplus money, really, honest to God, zero debt and extra money at the end of the year, you might think possibly perhaps we ought to do it.

There's a group which Brad mentioned, the Concord Coalition. They've got a book, a plan they put out, that has identified a lot of things that the Congress could do to reduce spending, and I recommend that Congress review the proposals that Senator Rudman and Senator Tsongas created from this coalition.

Thank you.

Chairman KASICH. Thank you, sir. Questions for Mr. Ramsey. [No response.]

Mr. Ramsey, it's very, very useful, very specific, and we thank you very much for your testimony.

Barbara Parsons, all the way here from Phoenix.

Ms. PARSONS. Yes, indeed.

Chairman KASICH. Is that right?

Ms. PARSONS. Yes.

Ms. PARSONS. Chairman Kasich, Budget Committee members, I am Barbara Parsons, P-a-r-s-o-n-s. My message is simple and brief. I am here to let you know that the AARP doesn't speak for me. There are many of us oldsters who do not like being used for votes.

Do not let them bully you. We think it only fair that Social Security and its related programs be put on the table with all other budget items. Moreover, we don't like having a wedge drawn between the younger generation and us. We all need to unite for the common good.

I really and truly am insulted when budget discussions come up, and right off the bat, you all say, "We won't touch Social Security." That's an insult to those of us who feel that we need to sacrifice as well as everybody else as long as you're fair about it.

Thank you.

Chairman KASICH. Thank you very much, Ms. Parsons.

Questions for Ms. Parsons?

Mr. ORTON. Mr. Chairman?

Chairman KASICH. Yes, the gentleman from Utah, Mr. Orton.

Mr. ORTON. Would you grant me leave to do something similar that Mr. Browder did a moment ago?

Chairman KASICH. Sure, sure.

Mr. ORTON. To all of those people in the audience, I'm going to ask you two questions. First, if you are on Social Security, that's the limited group of people I want to hear from, those who are actually receiving Social Security, I'd like to hear from you.

How many of those think we should cut Social Security benefits and how many think we should not cut Social Security benefits? So

those of you who are on Social Security, how many think we should cut Social Security benefits?

SPEAKER FROM THE AUDIENCE. You've cut everything else.

Mr. ORTON. OK. Those of you who are on Social Security who think we should not cut Social Security benefits? It's actually two-thirds in favor of cuts, one-third in favor of no cuts.

Thank you, Mr. Chairman.

Chairman KASICH. Thank you, Mr. Orton.

Ma'am, don't go running off yet. Other questions for Ms. Parsons? I have a question for you, ma'am.

Ms. PARSONS. Yes.

Chairman KASICH. Maybe one of the things that you need to understand about why people have taken Social Security off the table is—basically two reasons—is whether we touch that program to deal with the operating deficit since they're not exactly linked; but secondly, because we made a promise, and we feel that, you know, as important as coming out there and listening to you is, we've got to keep our promises, and that's part of the answer for you.

But here's what I want to ask you about a program that you're going to hear a lot about, and that is the program of Medicare. Let me ask you a couple questions about that program. Do you have a son or a daughter?

Ms. PARSONS. Yes, I do.

Chairman KASICH. OK. And what do they do; where do they work?

Ms. PARSONS. Well, I have a daughter who is working for the Post Office.

Chairman KASICH. OK.

Ms. PARSONS. I have a son who is also working—one's in Colorado and one's in Flagstaff—also works for the Post Office.

Chairman KASICH. OK. Many people in our country, a growing number of people in our country, are finding themselves placed in managed-care type environments, HMO's, PPO's, where they may have a wide list of choice of the kind of physician they get to have. In fact, if they want to stay in a traditional fee-for-service medicine, they can do that. They might have to pay a little bit more for that, but they still would have the choice.

But, as you know, and I don't know the arrangements that your family is in, but there are many people who find themselves in more or less—in a medical-treatment situation that is not fee-for-service. Medicare, as you know, in most cases, not in all cases, most folks find themselves in this fee-for-service situation.

How would you feel about finding yourself in some kind of a managed-care environment where you would not have to have medi-gap insurance and where you would not have to have medi-gap insurance to cover Medicare?

How would you feel about being in the system where you would not have fee-for-service medicine, but in one that's more managed that would be cheaper? What would your feeling be about that?

Ms. PARSONS. I wouldn't care for it myself.

Chairman KASICH. Pardon?

Ms. PARSONS. I don't care for that for me, but I know there are people who don't mind it if it's costing them less.

Chairman KASICH. OK. And what would your sense be about the fact that if a senior citizen wanted to choose to stay in fee-for-service—well, let me just put it to you this way: if there were advantages to moving into a more managed-care environment, how do you think the senior citizens would react, where we would say, “Well, you can stay in fee-for-service, you might have to pay a few more dollars to stay in that, or you can find yourself in a managed care environment where you may actually have lower costs”?

Ms. PARSONS. Well, isn't that how most insurance is for people who are not old, on Social Security? I mean, you have two choices for your insurance. You can have the managed-care type or the fee-for-service type. So I see no reason why you couldn't carry that over to the Social Security aged people.

Chairman KASICH. Then why wouldn't you want to opt into—let me just ask you, if it's reducing the deficit, if moving into that would have a significant impact on savings, why would you object to that?

Ms. PARSONS. Well, you've asked me my choice and I would prefer to choose my own doctor.

Chairman KASICH. Sure.

Ms. PARSONS. That's it. However, if things got to a bad stage and that seemed like it was the right thing to do—

Chairman KASICH. What if I told you Medicare was going bankrupt?

Ms. PARSONS. Then I would say that would be the right thing to do.

Chairman KASICH. That would be an option that—

Ms. PARSONS. That's right.

Chairman KASICH. OK, other questions for—

Mr. ORTON. Mr. Chairman?

Chairman KASICH. Yes.

Mr. ORTON. Would you yield for a question?

Chairman KASICH. Of course.

Mr. ORTON. It's fairly clear that elderly people, over 65 on Medicare, who have the money to pay for an additional premium would have a choice of then selecting a fee-for-service plan. How do you deal with the elderly who do not have the money for an additional premium? What choice would they have under that scenario?

Chairman KASICH. Well, I would say to the gentleman that I'm not sure what kind of mechanisms we're talking about, but what I know is in California, if you have an open heart bypass surgery, it will cost you \$15,000 if you are in a managed care, an HMO. If you get that same operation in New Jersey with the same outcome, it would cost you \$45,000.

I think you have an increasing number of senior citizens who when they visit the doctor feel as though they're getting ripped off. But the issue is not exactly what the model ought to be. My sense is in determining how our seniors would feel about having the same kind of medical care that most of their sons and daughters are finding themselves in.

Any other questions for the witness? Mr. Sabo.

Mr. SABO. I'm just curious if any of the folks in the audience here are people who are here simply for the winter?

Chairman KASICH. How many are here for the winter, just the winter?

Mr. SABO. Snowbirds, somebody said. OK, thank you. I can't ask my question because it's unrelated.

Ms. PARSONS. Oh, that's too bad.

Mr. SABO. One of the things I'm curious about is I happen to be somebody from a State that has extensive managed care. We have an experimental program running for seniors who don't, frankly, like it, but they choose voluntarily to go into it. But there are certain problems with managed-care programs when you're 6 months in one State and 6 months in another State, and what I was going to ask was if there was anybody in that situation, and being there isn't, I won't.

Chairman KASICH. OK. Thank you, ma'am, very much for being here.

Allen, is it Balch?

Mr. BALCH. Balch.

Chairman KASICH. Balch. Allen is from Green Valley.

Mr. BALCH. Jim Colby's district. I'm sorry to see he's not here. Thank you, Mr. Chairman and members of the committee. My name is spelled B-a-l-c-h for the secretary.

First, let me congratulate you on the passage of a clean Balanced Budget Amendment. A super majority tax requirement would have been preferable, I think, but, as you can build your super majority against unwise tax increases in 1996, 1998, and 2000, you have the time. But time is of the essence if we're to get to that balanced budget in the next 7 years.

I would like to briefly address just two areas: the defense budget and Federal COLA's.

I'm glad to see Mr. Browder, who is a member of the Armed Services Committee, here.

Aside from entitlements, the defense budget is still the largest piece of the Federal pie, but it's the only major program in 1995 to suffer a significant cutback, about 7 percent.

We're at a fiscal crisis in this country. What is needed is for the Congress to force the Defense Department to come up with a realistic reassessment of the post-cold war threat, establish a force structure to meet that threat, and then provide adequate funding to assure the readiness of that force.

Part of that force restructuring is in base closures, the latest round which will be coming up next month, I believe. Some here in the State of Arizona are on that list; but as you all know, many of those bases that were ordered closed in rounds one and two are still operating.

Lacking any new measured technological threat around the world at this time, in my opinion, our current state-of-the-art weapon systems seem sufficient to see us through this period of budget balancing.

Having served during the last hollow-force structure of the late 1970's on the staff of a senator with a great fascination for big-ticket items, a time in which Air Force squadrons were grounded for lack of fuel and spare parts, Navy ships were moored to the docks for the same reasons and Army troops were essentially confined to barracks, I remember many hours of wrangling over whether it

was better to equip, maintain, and train the forces we had left or continue to buy nuclear carriers and A-7 attack aircraft just because the latter were being built in our home State, and I might mention the Osprey that Mr. Ramsey mentioned also as another one that could be cut.

The same is happening today, as witnessed by the Secretary of Defense and the Chairman of the Joint Chiefs just this week appealing to the Congress for over \$2 billion in emergency supplemental for this fiscal year to replace money that was spent on peacekeeping and other nondefense operations.

Tough decisions must be taken, including the elimination of weapon systems without a mission such as the B-2 and the Seawolf submarine. Get the force down to size and then equip it and maintain it at peak readiness. A lean and ready military is preferable to another hollow shell.

I am a member of the TROA, The Retired Officers Association. It, like the AARP, which has been mentioned previously, has lobbied long and hard on the matter of COLA's. In the case for TROA, one of its major points is the need for equity.

Don't single out military retirees for separate and unfair delays in COLA payments. However, we must agree that both of these organizations are, in fact, special interest groups for which equity can be achieved by one simple process: freeze all Federal COLA's for at least 2 years.

This alone is not going to solve the balanced budget problem, but every little bit helps. I believe, as has been indicated, most people in this country are willing to make sacrifices, but only if they are shared equally.

Gentlemen, I appreciate your time.

Chairman KASICH. Thank you, sir.

Questions for the witness. Mr. Browder?

Mr. BROWDER. Thank you, Mr. Chairman.

Mr. Balch, as you are probably aware, Mr. Kasich and I are both on the Armed Services Committee now.

Mr. BALCH. Yes.

Mr. BROWDER. We are facing some of the problems that you've just identified. I think you have demonstrated to us that you are on top of this situation. I would like to ask you and, again, the audience, you talk about a freeze for retired military COLA's.

Mr. BALCH. And civilians, all Federal employees.

Mr. BROWDER. And civilians.

Mr. BALCH. Yes.

Mr. BROWDER. Let me pursue that. If we were to consider freezing all cost of living adjustments, COLA's for retired military, Social Security, Members of Congress, Federal employees, everybody, if it were a freeze on everybody for say a year, 2 years, how many would favor an across-the-board, complete for everybody, freeze on cost of living adjustments say for 1 or 2 years? Would you raise your hand?

How many would oppose a freeze on cost of living adjustments? As the gentleman up here said, it has to be fair for everybody, but how many would like to see his idea not applied?

How many would oppose Mr. Balch's idea?

Thank you very much, Mr. Balch.

Mr. BALCH. Thank you, sir.

Mr. BROWDER. Thank you for your testimony today.

Mr. ORTON. Mr. Chairman, I would move that as we do these kinds of straw votes, that you indicate somehow in the record the rough approximation of percentages, so as we look back at this record, we can all have the benefit of what these people felt.

Chairman KASICH. That's a good point.

Yes, Mr. Sabo.

Mr. SABO. Very good testimony. I am curious what you think should happen with our basic force structure, because clearly it's the size of our troop, our troop structure, that fundamentally drives defense expenditure. That leads to whatever we have to spend on readiness, driven in part by the technology and the equipment, but more so with the size of the force.

I'm just curious if you have judgments on where you think we should go in size of force structure, and whether, in your judgment, the basic policy of handling the force structure to be able to fight two regional ground wars at the same time is one that makes sense.

Mr. BALCH. Well, maybe—

Mr. BROWDER. And let me ask the distinction. I think there might be a distinction between having the capacity to handle two regional conflicts with air power versus ground power.

Mr. BALCH. Well, this gets back to what I was saying about a realistic assessment of the threat and then building a force structure. I spent my last 5 years on active duty in the Pentagon, in the Joint Arena, and I know from where I speak about the fallacy of a lot of the plans that are drawn up regarding one war, two war, half war, you name it, every conceivable permutation and combination; and when we tried to war-game it, we found very quickly that we didn't have the forces that were suitable for whatever it was we were trying to do.

Trying to come up with something that says, "Let's fight two regional conflicts at a time" is very, very difficult at best because you've got to pick the place in the world for one thing, which determines your logistic requirements to a large extent, and we've seen recent examples of that in the gulf war and that sort of thing.

But the Pentagon has historically been very, very reluctant, I feel, and having worked in that arena, too, to be totally realistic. The point I'm trying to make here is we're facing a unique problem right now. We're facing a fiscal crisis that could see the end of this country as we see it and we're going to go bankrupt, and these tough decisions are going to have to be made.

You're going to have to eliminate some weapon systems. The only thing that I can recall of any consequence that has been recently cut was the reactor or the supercollider in Texas, my home State, but somebody bit the bullet and decided to do it, even after they had spent millions and millions of dollars.

This is the kind of thing—if we're going to see it through and still maintain a realistic defense that can fight one or two or whatever regional conflicts through some rapid deployment force that can handle it, then this is what's going to have to be done.

We did this in the late seventies. We got to this hollow force I was talking about and then Mr. Reagan came along and says, "If we're going to win the cold war, we're going to rebuild," and we did

and we won at a tremendous cost. So we want to avoid that if we can.

Chairman KASICH. Other questions?

Sir, very, very helpful.

Mr. BROWDER. Mr. Chairman, one last probe.

Does the gentleman know anything about missile defense?

Mr. BALCH. Very little.

Mr. BROWDER. Thank you.

Chairman KASICH. Thank you, sir. Thank you very much.

David Bowers from Flagstaff.

Mr. BOWERS. Mr. Chairman, committee members, my name is David Bowers. That's B-o-w-e-r-s. I'm a student in Flagstaff. I have two words that I want you to keep in mind during my talk today: generational equality. I want to tell you today about a major conflict brewing in America, the baby-boomers' early retirement and the new millennium.

Mark this date on your calendar: January 1, 2011. This is the first year of the baby-boomers' retirement. This is the year when millions of Americans will stop paying payroll taxes and begin drawing Social Security checks. This is the day that the Social Security System will dramatically accelerate at a pace toward a catastrophic collapse. The worker/retiree ratio will dramatically decline and we will no longer be able to afford to pay out benefits to all those who qualify.

As members of one of the most powerful committees in Congress, you have a choice to begin to reform Social Security today and put the money which is saved into investment programs such as education or allow the country to continue this path toward financial destruction. Over the course of the next 7 months, you have the rare opportunity to realign Federal priorities.

You must put Social Security on the table for discussion during this process. It is impossible to equitably realign the Federal budget when you are refusing to discuss 20 percent of it. To a student, 20 percent on a test is a B, and to have a balanced budget you can't afford a B. You need 100 percent.

Today there are over 500 millionaires—500,000 millionaires who draw Social Security checks every month. Social Security was designed to be a safety net, not a retirement fund for upper-middle class. Social Security was designed, or—excuse me—you must begin to means test entitlements for all incomes over \$50,000. This would create over a \$70 billion savings.

We currently means test student loan entitlements for young people and we should means test all other entitlements programs, including Social Security. This Nation no longer has the luxury to give Social Security checks to those who do not need it. We should be providing Social Security only to those who are in need, not to households that have incomes over \$50,000.

Mr. Chairman, I brought up a concrete point, that is to begin means testing all across the board. When we decide where that \$178 billion cut will be coming from, we can't go to the bottom third and take it from there and hope that the top third that gets the budgeted appropriations will not suffer. Everything has to be equal.

That's why in the beginning of my statement I made generational equality. It's also an equity of equality. Everything needs to be taken care of and everything is—all possible avenues need to be made attainable.

Thank you.

Chairman KASICH. I want to thank you for that testimony. It was good testimony.

Let me just say to the members, me included, we're running short in terms of how many witnesses we want to get, so if we could limit our questions, that would be great.

But how about a question for this young man. Any questions here? [No response.]

Sir, thank you very, very much for making the trip.

Mr. BOWERS. Thank you very much.

Chairman KASICH. Jud Jorgensen from Prescott.

Mr. JORGENSEN. Thank you, Mr. Chairman and committee members. My name is Jud Jorgensen, J-o-r-g-e-n-s-e-n. I am a junior at the high school here in Prescott, and over the last summer I worked at a restaurant here in town, and it really amazed me how much of my paycheck went to Social Security. Since I figured we're on a roll, we might as well talk about it again.

I'm not saying it needs to be cut or anything as drastic as that, but there's definitely a lot of room for change on the topic. Obviously, I'm not an expert in this subject, but it occurs to me from some reading that I've done that a lot of recipients don't need all the money that they're getting, like the millionaires.

If the average taxpayer—if it was found some way that the average taxpayer could take out only what he or she put in with interest, then I'm sure that would save a tremendous amount of money. For the citizens that really do need the money, there needs to be some sort of needs assessment, similar to welfare or other entitlements that require that. That way, the government could ascertain just how much the individual needs and help to support them.

If something isn't done to fix the program now, it's going to be up to my generation, working at minimum wage, to pay for the increasing number of retirees that are collecting Social Security. As of now, five people are paying for each individual who collects Social Security. By the time my parents retire, that number is expected to drop to two. If that's true, the amount of money out of my paycheck is going to do a lot more than just amaze me.

The time to fix the system is now before it gets any more out of hand. If we continue to ignore that Social Security is becoming a problem, then it will only create a larger burden for my generation and the generations that follow.

Thank you.

Chairman KASICH. Well, let me first of all, congratulate you, Jud, for coming here and having the guts to get up and do this. This town ought to be very proud of you. They ought to be very proud of you. And anybody who represents this area has got to get nervous in a few years, because you have a future here, young man.

Any questions for the—Mr. Sabo.

Mr. SABO. Let me also congratulate you for coming. You're the second or third person who's raised the issue of Social Security and

means testing. So it's not in response to you, but to others. I think the person before you was in college, was he not?

Mr. JORGENSEN. Yes.

Mr. BOWERS. Yes, sir.

Mr. SABO. We have a long-term problem with Social Security that we have to cure, and that will happen, and Social Security will be here. My own judgment is—I'm of the age where it's gradually phased into retirement at age 67. Clearly at some point, it's going to be age 68 and some other changes will be made.

But one of the great grants of Social Security is that people pay in throughout their lifetime and it's there universally as a base retirement for everyone. It is probably the most profound program that has ever occurred in this country, and so I am not one who would want to see us make the basic benefits means tested.

I think its importance as a broad-based retirement plan, not a full retirement plan, but as a base is incredibly important, and I think the importance of that broad base is probably going to grow as we find fewer and fewer companies having uniform pension plans. So I think we have to make sure it's sound fiscally in the long term.

I, frankly, will say that I was one who very strongly supported what we did last year in taxing Social Security benefits the same as retirement benefits for middle income and higher seniors. I thought there was no reason why they should be taxed more leniently on Social Security income than somebody who might be getting that income from another pension plan, and that's subject to controversy. But I think to do it through the income tax code is absolutely fair.

I would also have to say you raise another issue which has concerned me a long time. That is, I draw a distinction within your Social Security taxes. What you're paying for retirement eventually—how much you've paid in affects how much you get back. But you're paying 1.45 percent of your income for Medicare, and the only people we asked to pay for Medicare are those people who are earning income, whether it's you, as a student, or the other student before us, or other workers. I haven't had many friends or supporters on this, but I think we should apply the Medicare tax to all income, whether it's earned or unearned.

I think it's unfair for a young person, like yourself, to be paying Medicare tax and grandparents collecting interest income and paying no Medicare tax. I don't get many supporters on that proposal, but I continue to pursue it.

Chairman KASICH. Thank you, Mr. Sabo.

Any other questions? [No response.]

Young man, congratulations on doing a very fine job. Thank you.

Mr. JORGENSEN. Thank you.

Chairman KASICH. Sheila Donovan from Phoenix.

Ms. DONOVAN. Mr. Chairman and committee members, my name is Sheila Donovan. That's S-h-e-i-l-a, Donovan, D-o-n-o-v-a-n. I am a student at Northern Arizona University.

Over the next 12 months, as you go through the process of cutting the Federal budget and making the Federal Government live within its means, I believe we should be looking to cut subsidies to industries which threaten the environmental stability of this

country, and at the same time cause taxpayers like myself billions of dollars in subsidies.

Further, I think that this is an appropriate time to reevaluate the Mining Law of 1872. Polluter-pork is money the government gives to subsidize multimillion dollar companies which turn around and use taxpayers' dollars in ways which are damaging the environment. The Federal Government spends \$30 billion annually on such industries. No matter what your personal feelings are about a particular industry, there is no reason tax dollars of middle-class Americans should go to multibillion dollar corporations.

The following are examples of programs which can and should immediately be cut.

Nuclear power: The Nation is struggling to deal with thousands of tons of highly radioactive lethal waste from existing nuclear plants. As we struggle to deal with this problem, the Federal Government is subsidizing the nuclear industry at a rate of \$10.5 billion per year.

The Mining Law of 1872: This law forces the Federal Government to sell the mining rights of our national lands to companies which extract minerals from them. The land is usually purchased for \$2.50 to \$5 per acre. An estimated \$3.6 billion of minerals have been taken from Federal lands while none of the profits have gone back into the Federal Treasury.

Last year, Secretary Babbitt was forced to sell mining rights of Federal lands to a Canadian company for \$6,000. This land contained over \$10 billion in gold.

Mr. Chairman, of these programs in which we are subsidizing wealthy industries, we must start to establish new priorities for this Nation as we move into a new millennium. I urge the committee to cut these wasteful, harmful programs before you look into cutting the educational programs on the list.

These programs are an unbearable—I'm sorry—cutting these programs, the educational programs, is an unbearable burden to ask the middle class to pay and a detriment to the future of our country.

Chairman KASICH. Thank you very much, Ms. Donovan. Questions?

Just one quick one. All the information you have there, where did it come from, the numbers?

Ms. DONOVAN. It came from—

Chairman KASICH. The numbers?

Ms. DONOVAN. The numbers. Various sources, some from the public interest research group and some from various newspaper articles I've written and personal research I've done on my own.

While my argument isn't perfectly articulate, and I may seem somewhat naive, I am a student doing this type of research and also just a concerned citizen looking at the list and seeing where I think our priorities should be.

Chairman KASICH. Well, I want to tell you that, first of all, you're not naive by having done that research and working these things out; and secondly, there's a lot of common sense in what you say, and I think everybody pretty well agrees that one thing we're lacking in our Nation's Capital is more common sense.

So I would personally appreciate it if you would send a copy of those statistics to the members of the committee or to me and I will distribute them. I think there could be some useful information there.

Thank you very much.

Ms. DONOVAN. OK. You're welcome. Thank you.

Chairman KASICH. Mr. Donn Rawlings from Prescott.

Mr. RAWLINGS. Thank you, Mr. Chairman and members of the committee. I can't match the sophistication and breadth of that last statement. In fact, I want to support it and what I'm doing is a kind of footnote to it. It happened by accident, but that's where I am, because I too want to point out that there are many ways we can make cuts that will protect the environment, and the environment is the base for the long-range benefits of our grandchildren and their ability to pay their taxes.

So I want to add a kind of footnote to that previous statement and ask you to cut costly and unnecessary highway projects, cut unnecessary road and water projects on western lands, especially where these projects allow further costly and abusive practices in high impact timber, mining, agricultural, and recreational developments.

Restrict highway funds to the repair and maintenance of existing highways rather than building costly and environmentally damaging new construction projects. Cut all projects for building roads into currently roadless areas in the public lands of the West. Cut the subsidizing of below-cost timber sales that are based on the rationale that timber companies will provide more roads.

The national forests already contain a road network that is eight times larger than the interstate highway system and taxpayers lose at least \$400 million annually on these timber sales.

Prohibit roads built to salvage diseased or blow-down timber. Dead timber is worth more to taxpayers of the future where it falls in its contribution to forest ecology and as a base for future resources.

Reallocate Federal personnel currently managing wasteful road engineering and timber sales projects and other projects of this kind to long-range protection of forest resources and diversity for the benefit of all taxpayers.

Congress has rightly moved away from the funding, I believe, of so many large water projects in the West, but we need further cuts in Army Corps of Engineers and Bureau of Reclamation spending on unnecessary and often unworkable water projects that damage the environment such as, I read, I don't know a lot of the details, such as the \$462 million Animus Lapladaf boondoggle that was paid 37 cents on every dollar spent for irrigation.

Stop providing low-cost taxpayer-subsidized irrigation for huge agribusiness operations. The Department of Agriculture pays farmers not to grow surplus crops that are in oversupply while other Federal programs pay costs to irrigate lands used to grow the same crops. Ending this contradiction could, I gather, save over \$800 million a year.

In addition, these projects are often abused at costs to the taxpayers. A July 1994 Interior Department audit on unauthorized diversion of water said that between 1984 and 1992, American tax-

payers were cheated out of as much as \$46 million and rivers were depleted at further cost to national resources.

Help us build viable communities in the West, please, that sustain our resources and live within the limits of those resources without the wasteful and damaging misuse of government funds for unnecessary road and water projects.

Thank you.

Chairman KASICH. Thank you, sir. Questions for the witness, for Mr. Rawlings? [No response.]

Mr. Rawlings, thank you very much for that testimony.

Jane, is it Rein'l?

Ms. REIN'L. Rein'l.

Chairman KASICH. Rein'l. Jane Rein'l from Tempe.

Ms. REIN'L. My name is Jane Rein'l, R-e-i-n'l. I live in Tempe. I am a Social Security recipient, and I'd be delighted to shoot my mouth off about that if you want to ask me questions about it later, but I came to talk about the military budget and ways in which I think it could be reduced without endangering our security.

I have the strong impression that a lot of expenditure in the military is the result of corporate pork or welfare, special interests, turf, power politics within the military, rivalry among the three areas of the military, and so I'd like to suggest 10 things that you can do to reduce these, 10 things that you can cut out, and, if you want to, take notes and take them back to Washington.

No. 1—

Chairman KASICH. Speak slowly.

Ms. REIN'L. All right. I wondered whether you wanted me to do that.

Three new nuclear attack submarines. They're a danger in themselves more than a danger to our security if we don't have them.

C-17 transport planes. I picked these up, incidentally, from reading various sources that I think are trustworthy, and this is sort of an arbitrary combination. These are cargo lifters that can't even lift their own weight. Their wings buckle and the design is so flawed that it has to be changed at great expense. They are going to cost, I understand, \$330 million each; whereas it would be perfectly possible to buy commercial airlifters that would work just as well and would save \$3.5 billion over the next 4 years. I believe that has been suggested and turned down in Congress.

No. 3, Trident 2-DS nuclear missiles, another weapon that is a danger in itself.

No. 4, CUN-76 nuclear powered aircraft carrier, \$3.7 billion.

No. 5, Air Force F-22 fighter aircraft. This is a \$72 billion program. They cost \$160 million each, whereas, they could upgrade the F-15 at much less cost and that would be perfectly feasible to do.

No. 6, Navy SA-18 fighter planes, \$1.4 billion. I don't think the Navy needs any more fighter planes than it needs a hole in the head. The hole in the head might be more useful to the country.

No. 7, ballistic missile defense, which was formerly called the Strategic Defense Initiative and was also known as Star Wars, but changing the name isn't going to make it any more workable. We've already thrown \$35 billion at this fantasy and it's time to get real.

No. 8, \$150 million to keep open the production line for the failed B-2 Stealth Bomber—another idea that has exhausted its over-time.

No. 9, reduce the number of military personnel, which is significantly too top-heavy, and accelerate the return of military stationed in foreign countries. I'm not talking about the crisis management as in Somalia and Haiti, but those who have been stationed overseas on a long-time basis.

And No. 10, close the Selective Service Agency, which is overstaffed and inefficient and costs \$22.93 million per year. The Department of Defense itself has stated that draft registration is unnecessary for military mobilization and we can do without it.

Chairman KASICH. Well, I guess you could say that from the home office in Prescott, AZ, that's Jane Rein's Top 10 list, couldn't you?

Ms. REIN'L. You're right.

Chairman KASICH. Any questions for—

Ms. REIN'L. Bottom 10, let's say.

Chairman KASICH. Any questions? The gentleman from Iowa, Mr. Nussle? No?

Well, you've done so well so far I'd like to hear you shoot your mouth off a little bit about Social Security, too.

Ms. REIN'L. Oh, all right, I'll be glad to.

I don't consider it a welfare program. I consider it an insurance program for which people pay, and if they don't outlive it, they obviously don't get any benefits from it. I do not think that means testing is quite appropriate, but I do think that taxing Social Security after it's been received is perfectly appropriate at a certain level. You can't start at the very bottom.

Even if COLA's are reduced in Social Security, those who are relying on Social Security are going to have a very bad time. I myself do not rely upon Social Security, and I am perfectly willing to be taxed on that. I think that is quite appropriate. I also think that since I'm in favor of progressive and not regressive taxation, that it's being—that it's capped too early, that those who are making more money can continue to pay for that.

Chairman KASICH. Thank you. Other questions for the witness? [No response.]

Ma'am, thank you very, very much for being here today.

Ms. REIN'L. Thanks.

Chairman KASICH. Norva Skaggs from Cornville. We'll proceed on this—Norva, before you go, have a seat there—we'll proceed on this for awhile and then we'll get the roving mikes out there into the crowd at some point and let everybody be able to speak for a short period of time.

Norva?

Mr. SKAGGS. The reason I signed up to speak to you distinguished Congressmen is because I'm very concerned about my country. I see a government out of control and irresponsible. I pray that this 104th Congress will be more responsible than we have had in Congress for a long time.

The American Revolution was fought over some of the very same things that we're facing in our country today, and a lot of the American people are just about ready to revolt. I think you under-

stand that and I believe that that's partly why you have decided to get some input from the American people. I would like to congratulate whoever came up with this idea to bring the Congress to the people.

In the first place, government should never have gotten into all of the programs that they have gotten into. I would abolish about three-fourths of all of the Federal programs. I know that that's not going to be possible with the mindset that our Congress has, but I would privatize a lot of the programs that are now being done by the government because the Federal Government has proven to us that they cannot operate anything efficiently. That's a fact.

The Federal Government has crippled millions of people in this country. The American people, the American—this country started out with people that were very responsible and very ruddy and able to take care of themselves, and they got along a lot better before the government got into helping them out, and I think we would be a lot better off if we would just let the American people take care of themselves.

What we can cut out, if there's nothing that you can cut out entirely, I would cut 10 percent across the board, as someone else said, the second speaker up here. I would cut across the board. I would cut 10 percent the first year and I would do that the second year and I would do it the third year, the fourth year and the fifth year. You have heard about the 5-year program, haven't you?

I hate to use something that the Communists have used, but I think it would be in place here to have a 5-year plan, and we would cut 10 percent each year, and I think that would cut a few billion off of what we're doing.

I would put a cap on the retirement of government officials. In other words, some of our government officials get four, five, six different retirements, and they have more money than what they need and I think that a cap on that would be in order.

I would stop trying to police the world and spreading our money all around the world. The United States is a big country, but we're not big enough to take care of everybody in the world. I believe that we ought to stop sending these billions to everybody that has their hand out.

We're paying too much to promulgate the United Nations when they have plans for one world government which is not in the interest of the United States. The more government—

Chairman KASICH. You'll have to summarize in a very few seconds, Mr. Skaggs, and stay within the rules.

Mr. SKAGGS. The more government that people have, the less freedom they have, and that's why I would like to see the government cut down.

I am a Social Security recipient. I'm sorry that I was forced to be put into that program. I think if this program was privatized, it would be much better for the American people. I would be willing to take a cut in Social Security, 10 percent. Do it across the board and do it with everybody. Every program that you have, do it 10 percent.

I would like to say this—

Chairman KASICH. Thank you, Mr. Skaggs. Sir, I'm sorry, I have to stop you there and see if there are some questions for the witness.

Some questions for Mr. Skaggs? [No response.]

Thank you, sir, for your testimony. It's very helpful. Let me just make one comment to you, just to give you a sense of what—you said, "We would like you to do this, but we know you down there in Washington won't do it," the sense of us and them.

I want you to know that the current number of calls that are coming into the average congressional office regarding the National Endowment for the Arts are running 400 to 1 in favor of keeping it. What you need to know is the overwhelming majority of the calls that we receive at our congressional offices in Washington are almost always in favor of spending more for any program that comes under scrutiny. And part of the message that we're getting out of these hearings, at least the people that are coming to talk to us, is, you know, we know we have to step up to the plate.

So I want people to have a sense that it's not just us and them; it's who we hear from that makes a difference.

Thank you, sir, for your testimony.

Mr. ORTON. Mr. Chairman?

Chairman KASICH. Yes, sir.

Mr. ORTON. Could I also follow up just on one comment regarding entitlement cuts. This gentleman and many other people have indicated the need for cuts in entitlement programs. There are many different ways that you can do that. Certainly, government would want to try to do it in the most fair way possible so you don't impact the poor widows and orphans who have only one source of income flowing in. But the reality is that as the Kerry/Danforth Commission found, we cannot continue the level of entitlement spending forever into the future.

On October 6, I believe it was, I submitted to the floor of the House a sense of the Congress Resolution to ask the Congress to adopt that statement; simply, that we cannot continue the current level of entitlement spending and Congress should do something. I then suggested three specific areas that Congress could start in identifying entitlement reform. They were means testing of entitlements, cost of living adjustments, and the retirement age.

That was brought to the floor under a proposed rule of debate to allow open debate on those issues and a vote on whether or not Congress should look at these issues. The vote was 83 members in favor of bringing it to the floor of the House to debate. The rest of the members said, "No, thank you, we don't even want to talk about it." By the way, there was one Republican that voted for it, a Republican from my State. Other than that, every Republican in the Congress opposed that particular resolution.

So the point is, even bringing these issues to the Congress to get them out into the public debate is almost impossible. I would urge all of the people to contact all of the representatives of Congress and tell them, "We have got to talk about these issues. We have got to find the solutions."

Thank you, Mr. Chairman. I would ask your leave, because I was here about an hour before the event and spoke with many of the

people directly and I have to catch a flight back to my district. So, if it's OK with you, I'm going to depart at this time.

Chairman KASICH. Thank you, Mr. Orton. Thank you very much for being here. As you all know, he was out amongst you and spent a good deal of time and we really appreciate him making the effort to be here.

Steve Cory from Peoria. Is that Peoria? Peoria, AZ.

Mr. CORY. Thank you, Mr. Chairman. My name is Steve Cory, C-o-r-y, from Peoria. I'm going to tell you how it sounds in Peoria. I appreciate your committee coming out of the beltway, where money grows on trees, out here into America where people work for a living and Congress takes half of our paycheck.

To me, it's not acceptable to balance the budget in 7 years, even 3 years. A lot of people say, "Oh, you can't balance it that fast." I want it balanced this year, and the reason I can do it and you guys can't is because you guys are just tweaking with little percentages and things. I want to cut out all the garbage in this Federal budget that doesn't belong there.

I appreciate the chairman. Last year, the chairman put forth a Penny-Kasich bill which was the first serious attempt I've seen in a long time. It was only like 20 billion a year over 5 years, as I remember, and that wasn't even passed. OK, let's talk about what we're going to do about this.

The theme of my little speech here is going to be zero it out. The first thing I want to start with is not a big number and not a big money item, but it's the most ridiculous expenditure in the Federal Government. It's the National Endowment for the Arts. If we could get rid of the tinkling in a urine jar and have only Mona Lisa's and Sistine Chapels left, this is still not a function of government.

Neither is National Public Radio. I listen to it. I like it. Get rid of it. It doesn't belong in the Federal Government. Rural Electrification Administration—past its time.

OK. Now, let's get to some biggies. Let's get rid of the Federal Department of Education. Education belongs at the local level. Only 6 percent of the money comes from the Federal Government. They do a lousy job with things like Goals 2000 and H.R. 7 that you passed last year.

Let's kill this pork-laden crime bill that you gave us last year. What a bunch of garbage: midnight basketball with HIV quotas. I play basketball, but I don't need an HIV quota.

Kill the farm subsidies. American farmers can compete with anybody in the world. Let's get rid of these and hopefully they'll grow ethanol, but unsubsidized.

Get housing and urban development out of our neighborhoods. My neighborhood is going downhill because I've got these houses that are going to rot because HUD's got empty houses in my neighborhood.

Here's one I don't want you to zero out because there are some legitimate people receiving this: SSI. I want you to start every year and cut it by 50 percent and I want you to weed out the drug dealers and the payments to parents with kids exhibiting age-inappropriate behavior, doctors certification not required.

You've been stealing the Social Security trust fund and using it to mask the deficit. I want to privatize Social Security. I don't

want—15 percent of my salary is going to this. I'm not going to benefit from this thing. Please back that up to 13 or 12 over different age levels. Privatize this. Give me a 401K with that last 3 percent. I'll honor the commitments made to my parent's generation and that's fine.

No Mexican bailout. This is ridiculous. Quit talking about it. This is a bailout of the New York bankers. The purpose of government is to protect our liberties, not to take them away. OK. What should we be doing? Protecting our borders, including the one right down here on southern Arizona. And quit giving welfare checks to nonaliens.

Please repeal your last two pay increases and please eliminate pensions for all elected and appointed officials.

One thing, I don't want you to sell this great public land out here that we all enjoy using. I don't believe the State of Arizona in this case can manage it very well. Even though the National Forest Service has done a lousy job, they do have the NEPA process and it's a democratic process, and it's getting better because we participate in it.

That's all I have to say, I think.

Chairman KASICH. Thank you, Mr. Cory. You'd be great at the 1-minutes in Congress, wouldn't he, Jim?

Questions for the Michigan—now, are you a Michigan State alumni?

Mr. CORY. Yes. I lived in Columbus, OH, for 3 years, so I can appreciate where you're coming from.

Chairman KASICH. OK, sir.

Any questions for the gentleman, the witness here, Mr. Cory. Anybody? [No response.]

Mr. Cory, thank you very much for taking the time to be with us. Very, very good testimony.

Eliza Carney from Tempe, AZ. Tempe?

Ms. CARNEY. Tempe, right. And it's Eliza, E-l-i-z-a, Carney, C-a-r-n-e-y and I grew up in Columbia, SC, and I went to school in Columbus, OH, so I really feel like I should be following you all around. I really want to thank you for coming out and hearing what we have to say out here in Arizona.

I work mainly with churches and community groups and those that are trying to help the hungry and the homeless, and we are concerned very much about the budget cutting and how the budget cuts could hurt those programs that are really helping the hungry and homeless. Some are not working very well, but others are working very well, particularly in the area of prevention.

I think Mr. Sabo mentioned something about spending money to save money, and a lot of our hunger programs, food stamps, WIC, Head Start and those others, are really saving money by spending money. They're saving money in the long run. So we would—I am not against across-the-board budget cuts, but I think we can find places to cut the budget; but we want you to go after the fat in the budget and not the muscle and bone which are those programs that are really working.

One of the things that I think could be cut are the subsidies to agribusiness. In 1994, there were subsidies to agribusiness totaling \$29.2 billion. That kind of compares to the food stamp pro-

gram, which totals \$25 billion. And some of the specific programs in that are the market promotion program. I would be for means testing of market promotion.

For instance, Sunkist growers receive \$17.8 million to promote citrus products, and I think they can afford to do it themselves.

Gallo Wines receive \$5.1 million to promote wines. M&M bars—I mean people that talk about junk food receive \$1.1 million for candy bars.

McDonald's receives \$465,000 to promote Chicken McNuggets, and I really think if they're good businesses, they could be able to promote themselves without getting money from taxpayers.

The export enhancement program of the Department of Agriculture to help U.S. agribusiness compete with foreign suppliers, so companies receive surplus wheat, corn, and other commodities free—again these are big companies, these are not small. Cargill, Inc. receives commodities worth \$444 million. Continental Grain received \$429 million in surplus food and Louis Dreyfus received \$300 million in free food from the taxpayers.

Somebody has already mentioned below-market grazing fees. I know that's something that's sensitive up here in Prescott, but I'm talking about the big-buck guys like this J.R. Simplot from Idaho, a rancher whose net worth is \$500 million, paid \$87,430 in grazing fees to the taxpayers through BLM. If he would have ranched on private lands, he would have owed \$410,524 in market-driven grazing fees. So the U.S. taxpayers paid Mr. Simplot \$323,094 in what we might call fodder stamps.

So we support replacing the current regime with a system of means testing for these ranchers. We want to support the small ranchers and family ranchers and farmers around Prescott, but not these big guys.

The mining law has already been talked about and I support that, and also the logging regulations have been talked about and I support those. So that's about it.

Chairman KASICH. Thank you, ma'am. Very good testimony.

Questions from anybody on the panel? [No response.]

Ma'am, thank you very much for your testimony.

Next we'll hear from Sylvia—is it Duckett?

Ms. DUCKETT. Duckett.

Chairman KASICH. Sylvia Duckett from Prescott Valley, AZ.

Ms. DUCKETT. I never expected to be up here. My name is Sylvia Duckett, D-u-c-k-e-t-t. It's pronounced just like it's spelled. The one thing that bothers me is the line-item veto. I wonder, when you people vote for a bill that's written, how many of you have read it before you vote for it. I think if you would have the line-item veto and you would read and study the bill as it's written, maybe you could get rid of a lot of those bills that they add on that are mostly pork, and that includes your raise in wages.

Also, I would like to comment on the Post Office that's run by the government. They just raised our price of a first class stamp, but they didn't raise the price of this junk mail that everybody walks by the round container and drops before they even leave the Post Office.

I don't have any more comments.

Chairman KASICH. Well, I want to thank you for being here. Questions for the witness?

I'll bet—let me ask, I have one question for you. Do you feel better about having the chance to come here and say what you just said?

Ms. DUCKETT. Well, I've written to Mr. Stump several times—
Chairman KASICH. OK.

Ms. DUCKETT [continuing]. And he's been good about answering it.

Chairman KASICH. Maybe we could ask Mr. Stump if he's enjoyed your visit. Thank you very much, Ms. Duckett. Thank you. From Prescott, Charles Daniel.

Mr. DANIEL. I'm Charles Daniel from Prescott. That's D-a-n-i-e-l.

Mr. Chairman and members of the committee, it's a pleasure to be here and I'm amazed that I was chosen to speak here. I don't know what the process was, but I'm very happy.

I recently made a trip to our beautiful neighboring State of New Mexico, and while I was there I made a trip to the beautiful city of Los Alamos. It's such a lovely place, and if I didn't live in Prescott already, I'd consider moving there.

But what amazed me—I visited the national laboratory there, and what amazed me was to find that after the cold war is over and we're getting rid of our nuclear weapons, that the Federal Government is still funding 9,000 people to work at Los Alamos, and this is just one of a number of national laboratories. And I am not an expert in this, I don't know where they are or what they do, but my question is, is anybody looking at what these 9,000 people are doing up there that's costing the taxpayers an awful lot of money, and is it something that we can do without or is it just nice to have?

That's all I have to say.

Chairman KASICH. Thank you, sir. Questions for the gentleman? Comments?

Let me just suggest to you that there are a great number of labs all over the country and many of them are—they had a—your point is very good, sir. Your point is what's the purpose of it now.

Some of the labs are involved in weapons management. Some of them are involved, of course, in important efforts to make discoveries. But I will tell you that I think we are going to see the time come where we're going to look at the national laboratories the same way we've begun to look at military bases. There are too many labs, too many duplicative functions, and it is an area located within the Department of Energy, which is a department a lot of people wonder why it's around, that is going to undergo scrutiny.

I think you make a very good point and I very much appreciate your testimony. Thank you.

Mr. DANIEL. And I wanted to make one other comment. These laboratories contain fantastic facilities, laboratories and all kinds of scientific gear. Maybe they could be leased out to private industry for research work.

Chairman KASICH. Thank you very much.

Here's the game plan. We're going to take 10 more in this order and then we're going to go to the crowd. Is that OK? I mean, we

want to hear from you, right? OK. And we'll try to move through these quickly. If Mr. Bragg, Mr. Lajala, Ms. Glustrom, Mitzi Forbes, Bob Schober, Ruffner, Wrestler, Young, Miller, and Cook would all just head down front.

If your name was called, as they say on that show, come on down. The first person we'll hear from is Mr. Bragg from Payson, AZ.

Mr. BRAGG. Mr. Chairman, gentlemen. That's Walt Bragg, B-r-a-g-g, from Payson. I'm just a poor boy from Payson. One of the reasons I wanted to testify on this, I've just spent 2 days in Phoenix at the Arizona White House Conference on Aging, so I had a new concept of a few things.

But I'd like to start out at the very beginning saying that I do not believe that Social Security is an entitlement. I think that if anybody here had taken and opened up a bank account back when it was called Social Security Insurance, that it was 1 percent, and then the person you worked for had to put in the other 1 percent, and as it built up over a period of years, in my case 40 years, had I been able to have invested that with the interest that would have been drawn on it, now I would be real happy to take that approximate \$147,000, if they want to hand it to me, in cash, and I'll go my way. That's where I stand on that one. That's our money. We earned it. But there are many, many things that it is being used for that is not what it was designed for. It was Social Security Insurance. Let's take it back to what it was, to what Roosevelt set it up as the purpose of it.

The next thing, I would like to make a comment directly to Bob Stump, if I could, please. I would appreciate it, Mr. Stump, if you would check into why Arizona is the bottom on the VA system for monetary. We have here—I know by capita we're a small State, but we have the people coming in from all over the country during the wintertime, some in summertime, and they use the VA facilities, rightfully so. But it puts us in a position here, a bad position on that. I wish you'd check into that, please, if you would.

Getting to another comment that was made on block grants. You know, it's interesting, up in our area we have a little town, Strawberry, another one called Pine. In this little town, they have a senior citizens center which is paid for by the people. It's run by the sale of clothing and so forth, old clothing and whatever. They have a center like this. They furnish meals in the summertime to up to 240 people, in the wintertime maybe 15 or 20. They have a place to meet where the seniors get together and talk, work on their problems. They don't draw one cent of Federal subsidy, not one penny in any way.

I think this would be something to look into because I think we Americans want to take care of ourselves. We're fed up with big government. We don't want you guys coming in and telling us how to run our lives. That's where we come from. Give us a chance.

Now, when we get to SSI, there are a lot of good uses for SSI. There are a lot of people who really and truly need this, but, by the same token, there are a lot of people who are drawing SSI. One, women come in and have children, they go on SSI for a period of time, they go out, have another child. And I'm not talking about the average American woman, the good woman; I'm talking about

those out of wedlock. And I'm not saying those women aren't good women—that happens, too—but the point of it is, they draw SSI while they're pregnant, go back, get pregnant again, the first thing you know you've got four or five, the same thing right down the line.

The Older Americans Act, that needs to be looked into. There's a lot of pork in that. I see my time is running out on it. I have a lot more I would like to say, but I can't at this time.

Chairman KASICH. Are there any questions? Walter, we pulled a quick one on you. We've gone from 3 minutes to 2, so we can move it along. Any questions at all?

Mr. STUMP. Mr. Chairman, can I take 1 second to answer?

Chairman KASICH. You certainly can.

Mr. STUMP. Mr. Bragg, the question you asked about why are we so short on hospitals in this country is one of politics. For years, we continued to build hospitals in the Rust Belt, in the Chicagos and the like of the land, and neglected the area out West here because we didn't have the votes to get it done.

We're already looking into that. We're changing that and we're going to see that some of those assets are transferred from the Rust Belt to the Sun Belt.

Mr. BRAGG. I thank you very much and I want to speak one real quick statement because you cut me short. I have a lot of faith now in the House of Representatives because we are Republican.

Thank you.

Chairman KASICH. Thank you very much, Mr. Bragg.

Edward, is it Lajala?

Mr. LAJALA. In Finland it's pronounced Lajala.

Chairman KASICH. I want to do what they do in Finland. From Sedona.

Mr. LAJALA. My name is Ed Lajala. I'm a CPA. I live in Sedona, AZ. I'd like to congratulate you and your colleagues on passing the balanced budget.

Mr. BROWDER. Would the gentleman repeat his name for the secretary, please?

Mr. LAJALA. Yes, Lajala, Lajala, L-a-j-a-l-a.

First of all, I'd like to congratulate you and your colleagues for passing the Balanced Budget Amendment during this past week. I want to be sure you have a tremendous support throughout the country for this amendment as well as your other efforts to bring the elimination of the budget deficit in line.

Citizens want Federal expenditures reduced before you even think about cutting cost. Today I want to talk about a situation that we've created for our children to pay off. The balance sheet—if we put a balance sheet of the Federal Government together, it would show \$1.4 trillion in assets and nearly \$17 trillion in liabilities, \$14 trillion of which are unfunded benefit liabilities to be paid in the future, including primarily Social Security cash benefits and Medicare obligations. If you approach your banker with a balance sheet with those ratios and obligations and ask him for help, what do you think he'd say?

What we have done is given this balance sheet to our children and grandchildren and said, "Here's your inheritance." These obli-

gations have been incurred by the generation of the people in this room through actions of our elected officials.

Specifically in my case, I will get back my Social Security tax payments in 3½ years, whereas my children in their early thirties will need nearly 20 years to recover the contribution under the current law. We have to do something about it. The possible remedies that I would suggest include means testing for Social Security benefits based on family incomes of \$40,000 to \$50,000, freeze COLA's for a short period of time, 6 to 12 months, limit COLA's to a more realistic amount, perhaps, as Tim Penny suggested, a flat-dollar amount rather than a percentage.

Another suggestion I think would really be important is if we consider annuitizing Social Security benefits based on contributions that we've made through the years, plus a 3- to 4-percent return on amounts contributed.

Each of these remedies, I know, have serious political risks for elected officials. I'm well aware of the clout of the large lobbyists representing people affected by these proposals. I'm also confident that once your constituents are made aware of and think of the debt legacy they've thrust upon their children, you'll find grassroots support for your corrective actions. I know you can count on the Concord Coalition for their support.

Thank you very much for the opportunity to speak today.

Chairman KASICH. Thank you, sir.

Any questions of the witness? [No response.]

Sir, thank you very, very much.

Leslie Glustrom from Prescott.

Ms. GLUSTROM. Mr. Chairman, members of the committee, thank you very much. We all appreciate it so much the effort you've made to get here. My name is Leslie Glustrom, G-l-u-s-t-r-o-m, and we've had many fine speakers. I don't need to repeat what they've said.

They've said that even in Bob Stump's district, you came here because you thought you'd hear a very conservative message and we are conservative. We want that budget cut. We're very concerned about where the country is. If we're going to cut the budget, we need to start at the top, the biggest expenditures, defense and entitlements.

We'll know whether you truly keep your promises when we see your report. We really urge you—I really believe what happened in November was not about Democrats versus Republicans, but about being serious, getting beyond partisan bickering and doing these things.

One program I would like to talk briefly about because it is so kind of on people's mind here out in the West, and that's the grazing fee. I know you heard a lot about it in the last Congress. But to start with I want to say that anyone who is like a real rancher ought to be exempted. They can keep the grazing fee and they can stay out of the limelight.

But as you may or may not know, most of the public lands, especially around here—you can no longer really make your living as a rancher off of these public lands. If you're in Prescott and you look south, you'll see the Bradshaw Mountains. The permits—about 90 percent of the Prescott National Forest is managed for livestock

grazing. If you look at those mountains first, you should ask yourself whether we should even have cattle out there at all.

But if we're going to have cattle, most of those permits in the South Bradshaw Mountains are controlled by a fellow named Rex Mohn, a very wealthy individual from Texas. I was told he bought the set for the Dallas TV show with cash.

Mr. Mohn, our rancher, who's really a very rich urbanite in Texas, for the 3 cents that I paid for this bubble gum, he gets 12 pounds of forage off the public lands. You've heard some other figures; I don't need to run more figures by you. But we can keep the real ranchers on the land, but do we need to continue to subsidize the growing number of rich urbanites and millionaires?

I urge you to not drop the grazing fee debate. I urge you to continue to look at subsidies to corporations and individuals that are extracting resources from the public lands, and I wish you the best of luck. And start at the top, start at defense and subsidies to corporations and entitlements, and thank you very much.

Chairman KASICH. Thank you.

Questions for the witness?

I have one question for you. When we talk about means testing entitlement programs, what income level do you believe the means testing ought to start?

Ms. GLUSTROM. Sir, I have to be honest. I don't know that much about entitlements.

Chairman KASICH. Oh.

Ms. GLUSTROM. I mean, I vaguely know about—

Chairman KASICH. You say we should means test. Give me a sense of what dollar figure would make common sense to you.

Ms. GLUSTROM. As just a sort of, just sort of moderately-educated American, I'd say, you know, \$50,000 and above should be; and, you know, I work mostly on public lands issues, so I'd be happy to talk about the grazing fee, which I know a lot about.

Chairman KASICH. OK. Thank you, ma'am. Thank you very much.

Mitzi Forbes. Mitzi's from Safford, AZ.

Ms. FORBES. Yes, but now I live in Tucson because I'm a student at the University of Arizona. I'm a graduate student getting my Ph.D. in nursing. I've been a nurse for many years. I'm a single mother with two children. I'm divorced and on occasion I may get a rare child support payment, so I'm putting myself through school and supporting two children.

I notice that most of us here talked and when we raised our hands to answer questions, almost everybody in this audience came with pretty much the same suggestions. I was really surprised.

I also noticed that when the gentleman who left said that he had brought these things up for discussion before the House and they had been voted down for discussion, this side of the table looked really uncomfortable. You wanted him to shut up and leave.

I am not at all convinced that you're going to go back and take what we've said and do anything about it, and the reason I think is because, if I was a betting person, I would bet that the money you get paid as a representative is nowhere near the amount of money it took to get you elected, nowhere close, and that money did not come from us. So, you know, you really don't answer to us; you

answer to the special interests who fund your campaigns. So my first suggestion—

[Applause.]

Ms. FORBES. You're taking—I appreciate the support, but you're taking my time.

My first suggestion is set a cap, a firm cap, on total campaign expenditures any person can put out or anyone can put out for you. That way you're answerable to us, and all the big huge buildings in Washington that house the Blue Crosses and the Blue Shields and the AMA and every other special interest group isn't going to have more influence on you than we do. And I would suggest that if you don't deliver in 2 years, you're going to be swept out of office as fast as you were elected. [Applause.]

My second suggestion does have to do with health care. Stop subsidizing the tobacco industry. Not only are you going to stop that money on the front-end, but on the back-end you're going to save a mint in health expenditures.

Another thing that you need to—and you know it, the Congressional Budget Office has told it, you know it, we know it and everybody knows it—the cheapest way to bring health care costs under control is a single-payer system, and in spite of all the scare tactics put out by the Health Insurance Association of America and the AMA, the people who live in countries that have a single-payer system like their health care better than we do.

If we had a single-payer system, people would still have choice because everybody would be in the system, so they could go to whoever they wanted. People just couldn't charge everything they wanted. It wouldn't be fee for service. You know that's the least expensive way of doing it.

I can see my light's red and I've probably burned your ears already.

Chairman KASICH. Thank you.

Questions for the witness? The gentleman from Minnesota.

Mr. SABO. Let me just respond to one thing. There are always lots of myths that go on and on and one of them relates to the tobacco program. The reality is the tobacco program is not a subsidy program. It's a program that controls production and price and does not involve Federal subsidies for the production of tobacco.

So you may argue about the merits of that program. It frankly keeps the price up rather than down, and if it didn't exist, the price of tobacco would probably be less. But it is not one that we subsidize.

But we were at a meeting a week ago and we got that suggestion time and time again, and it's one of those things that creeps into our rhetoric that really isn't accurate.

Ms. FORBES. Thank you.

Chairman KASICH. The gentleman from Iowa.

Mr. NUSSLE. What you said about special interest struck a nerve with me, and I just wanted to—I've always wanted to say this, but I've always been afraid to say it in my own district because it sounds self-serving. Now I'm out of my district and I can say it because there isn't anybody here that can vote for me.

Ms. FORBES. Tell me what district you're in and I'll write and tell them.

Mr. NUSSLE. All right. I'm from the 2nd District of Iowa.

Ms. FORBES. Oh, OK.

Mr. NUSSLE. Now, there may be some Iowans here, but they're here maybe for good, and so whatever.

You mentioned that we've got about 2 years to do this and you're going to be watching, and then after that, you know, if we do a good job, fine, but if we don't, we're going to be swept out of office. Let me just suggest that most of the time we hear from special interests because those are the only ones that are communicating. And so I say this as a challenge during those 2 years. I've always wanted to say this. You've got to also be involved in that. I mean, part of the reason why maybe Members of Congress or Senators or government officials listen to those people is they're the only people that are talking. You know, if, in fact, you disagree with funding the NEA, then you've got to call that in. If you disagree with funding for grazing fees, you've got to call that in. You've got to let us know. You've got to make sure that Bob Stump and Jim Nussle and all of those people know that.

I am not, like I say, I am not trying to suggest that there are not bad apples in every bunch. All I'm saying is that for this next 2 years, as you're challenging us, let me challenge all of you, that if you care about this, and you obviously did to spend a whole Saturday afternoon coming out here to talk to us about this, then get involved and stay involved.

I'm impressed that we can change the system. I would not be in this if I wasn't optimistic about our chances of doing something about the deficit. I wouldn't have traveled all the way down here today. I would just as soon be home with my two kids, 6 and 4, on a Saturday afternoon spending it with them. So I just implore you to not only get upset about it, but then get involved. That's my challenge.

Ms. FORBES. I will and I think everyone else here will, too. [Applause.]

Chairman KASICH. Let me, before you go, just make one observation. I'm a Republican that fought to kill the B-2 bomber against my own President and my party, and let me suggest to you, however, that I happen to believe the most powerful interest groups in that city are not people who contribute to political campaigns. I think that the most powerful special interest group in America is the AARP, and they don't give a dime.

Now, you want to, I assume, you want to balance the budget, don't you, ma'am?

Ms. FORBES. Absolutely.

Chairman KASICH. OK. So we have to deal with entitlements, don't we?

Ms. FORBES. Yes, and I almost couldn't repeat what's been said because everybody else has said it and said it so well. You need to means test entitlements.

Chairman KASICH. Well, where do you think the opposition comes from when it comes to dealing with the problem of entitlements? Who do you think we hear from?

Ms. FORBES. You probably hear from the AARP.

Chairman KASICH. And what happens if we want to change the COLA for veterans, who do you think we hear from?

Ms. FORBES. Well, I think you should answer back to them and say that when you came here, and most of these heads are gray, most of the hands went up in favor of it.

Chairman KASICH. I just want to make the point and I want to tell you that I happen to believe that special interests do play too large a role, but what I do want you to realize is exactly what Mr. Nussle said: Some of the most powerful special interest groups that keep us from doing our job are the very interest groups that we see every morning when we brush our teeth and comb our hair. Sometimes we meet the enemy and, guess what, it turns out to be us.

This is the big challenge. The big challenge is to open the floodgates on people who pay the bills, and I think it's just a very important point.

The gentleman from Minnesota wants to make a comment.

Mr. SABO. We're here and we don't all agree. You know, John and I are good friends. Procedurally, we get along fine. Substantively, we have substantial difference. Sometimes we agree. Sometimes we are on the same side and—but we—groups also represent very legitimate interests in this country.

Our Constitution, I frankly—my Republican friends talk about their contract. I frankly was impressed when Bobby Byrd in the Senate talked about his contract being the Constitution.

One of the most fundamental rights of that Constitution is the right of people to petition their government, and over the years I've become—I've been at this business a long time, between State and Federal Government, and there are many times I've become very frustrated over some group who was on the other side where I wanted to be and my inability to win. You know, how can I change the system to get this, you know, this and that group, and then I stop and think, terrible, that's really a pretty bad thought, because that is a very fundamental freedom and right that exists in our country and that exists for people to do individually, but it also exists for the freedom of people to do collectively.

The reality is on most issues we face, we face people on the opposite sides of the issue who are all well organized in making their words heard to us. I suspect most folks in this audience are part of groups, not just simply AARP, and AARP has done some great work in defending the very basic institution of Social Security in this country. Sometimes, as every advocacy group is, they may overstate their case, but I expect that. That's our job, to sort that out.

Let me also say, we seem to be quickly shifting into this thought that Social Security is simply an entitlement and should be means tested, and I really have trouble with that.

Let me suggest—I've heard it from lots of students today—probably the most fundamental entitlement we have in this country is our basic public elementary and secondary education and higher education. I'm not sure many students would suggest that we should make that a means tested program and have it totally funded from tuition.

SPEAKERS FROM THE AUDIENCE. It is.

Mr. SABO. No, no. Part of it is through PEL grants and loans. The overwhelming portion of the public funding of all your state colleges and universities and elementary and secondary

education comes from general tax dollars that benefit everyone who attends them regardless of income, and probably the most expensive, broad-based, program that we have in this country, that we provide uniformly without relationship to income, is elementary and secondary and higher education.

So if you're young and looking at that Social Security benefit for seniors and saying that should be totally means tested, think of the impact that might have on your education also.

Chairman KASICH. Thank you.

Ms. FORBES. Well, if I might answer that one point, if you means tested for our education, most of us who are in school would get it free.

Chairman KASICH. Thank you, ma'am, for your testimony. [Applause.]

There's a lot of energy up in that balcony.

OK, we're going to go to two more folks and then we're going to the audience. First we're going to hear from Bob Schober and then we'll finish with Rebecca Ruffner.

Mr. Schober. Is it Schober?

Mr. SCHOBBER. Schober, that's spelled S-c-h-o-b-e-r, and I live in Flagstaff. I'm a carpenter. I'm an unabashed liberal, a counter-culture McGovern-ick and I'm glad of it, I guess. And I'm sorry I'm not old enough to have made Richard Nixon's enemies list. It would have been a real source of pride for me.

I don't have any specific recommendations for you today. I appreciate your coming out. I personally don't think the election of 1994 was a disaster. I think it's an opportunity for the country, and it certainly has been for me as I have begun to reevaluate some of my own views about the role of the government, and I think that is the broader discussion that I would like to see happen in the Congress and in the country, because I'm not opposed to putting everything on the table, I think everything has to be on the table.

What was great for me being here today is the willingness, I think, of almost everybody in this room to look at their own interests and correlate those with the interests of the country.

So what I think is the key issue here is you deliberate the issues about the budget and what to cut, what not to cut, is that it be fair, because my sense, in talking with people standing in line to get into this building, was that if there is a semblance of unfairness in the entire process, you think there's cynicism now about the government, I think there's going to be a lot more down the road if this process is not perceived to be totally open and fair for everybody.

So if you want to cut NEA and the Corporation for Public Broadcasting, which I'm not automatically opposed to, then I want you to also have a public discussion about grazing fees and so-called pork for big companies.

The Defense Department—I would like to see the Congress really engage in a broad discussion about what the security needs are and what the role of the United States should be because, you know, to me, the defense establishment is in total chaos.

I believe there are people probably in the CIA or the Pentagon that really wish the Soviet Union would resurrect. It would make for a far simpler world, and I don't think anybody has any answers,

and this is going to perpetuate a lot of unnecessary spending and confusion.

So to me, I think fairness ultimately is really the issue here for all of us.

Chairman KASICH. Thank you for that testimony.

We're going to take one last official, then we're coming out to you. So Rebecca Ruffner will be our final formal testifier.

Ms. RUFFNER. Thank you very much for the opportunity to speak to you today.

On the subject of fairness, being the last speaker in the public section, I would just like to comment on the fact that no one today, out of the myriad of recommendations that have been made for budget cuts in this country, has recommended cutting programs for disadvantaged children.

I'm concerned about the budgets of the future in this country. I don't want to see bloated crisis-oriented programs because Congress didn't have the foresight to invest in prevention programs today. The Balanced Budget Amendment and the Contract With America, if it is enacted, could dump millions of children now benefiting from preventative programs like WIC and Head Start onto the streets. Government will ultimately pay more when many of these children disrupt our classrooms, when they commit crimes, and when they are supported for the rest of their lives in our prisons.

I feel strongly that welfare should be dramatically restructured, but not by dumping mothers and children on the streets. The best thing government can do to assure safe and healthy communities is by providing jobs programs to these kids' parents so that they can provide living wages and maintain their families together and above a poverty level. [Applause.]

I'd like to ask you to consider five basic principles in looking at all the programs which benefit disadvantaged children.

No. 1, will the proposal make fewer children poor and increase the likelihood that children will grow up healthy and educated in this country?

No. 2, will the proposal make parents more self-sufficient and enable them to work by providing jobs and tools of work, education and training, child care, health care, and child support enforcement?

No. 3, will the proposal help families stay together and care for their own children?

No. 4, will the proposal save money in the long run, not only the short run?

And No. 5, will the proposal build communities and help us come closer together as a people?

Thank you.

Chairman KASICH. Thank you, ma'am, for your testimony.

OK. Now, we're going to get right out in the crowd, and if you have a question, raise your hand. Chris, why don't you give us the first person. If you'd stand, just say your name clearly and you get about—you know, you want to keep it short, so don't go too long.

Yes, sir.

Mr. BEAIRSTO. David Beirsto, B-e-a-i-r-s-t-o. One thing the government should think about, instead of spending so much money,

is they should make money on the money that they spend. In other words, I don't mean they should go into business, but consider a high-speed train system across the country which they would finance to start with, charge the people for the use of it, and then put that money back to work for the country.

One thing on Social Security. If the people are too young to pay Social Security, then start at an upper age and raise it one-tenth of a percent every year that you're in Social Security. This would give the people—when they make more money, they would be putting more money into it.

Thank you.

Chairman KASICH. Thank you, sir. Chris, get another one, would you? Move around as best we can.

Mr. GALE. My name is George Gale, G-a-l-e. I would like to talk about two things.

First of all, I think that you might start by abolishing several governmental agencies entirely; for example, the Board of Indian Affairs. Past injustices to Native Americans are a fact, but we are doing them no favor by continuing the inefficient administration of aid. The BIA is full of dead wood, cannot account for its resources or equipment or where its money goes.

It would be better to give the money directly to the tribal governments, which are sovereign nations, as a form of foreign aid and let them expend it as their own needs—as they see it. Tribes having gaming revenues and tens of thousands of dollars in some case for very small numbers should be considered self-sufficient and no subsidies are needed.

One other thing: Abolish the REA. It's outlived its usefulness. We subsidize—

Chairman KASICH. Thank you.

Mr. GALE.—electrical rates so that places like Las Vegas—

Chairman KASICH. OK, thank you, sir. We got the message. Get rid of the REA, we got you.

Mr. EWING. Good evening, my name is Michael Ewing. The last name is E-w-i-n-g. And this is a concern that wasn't raised today and I don't know exactly the figures on it, but concerning prison inmates and the amount that gets spent toward them on a yearly basis; and people on death row, for example, how much we spend on them, if they are put to death or should be, how long they're on there for, you know, say a period of years, how much we actually put into that system—and here's a little thing I would like to put in together. We also have a problem with recycling. So I'd say you take the people on death row and put them into the recycling, like landfills, and have them—it sounds radical, but it would kill two birds with one stone.

Chairman KASICH. Thank you. If we could just keep the aisles clear, please; and secondly, just stay in your seat. We'll try to get around to you. We'll do this for about 20 minutes.

Mr. HAGEN. My name is Pat Hagen, H-a-g-e-n, and I'd like to support what the first speaker said about returning the Federal lands to private. However, how about returning to the State under the equal footing doctrine?

Second, I would increase the recreation fees for users of public lands. In the Las Cruces BLM District, \$1,524,877 was collected

from grazing, while \$60,058 from recreation. The golden cow is subsidizing recreation.

Third, I would look at the Endangered Species Act. \$7 million and probably more was used to reintroduce the wolf. The wolf is heading back to Canada, its home, and I recently received a journal that says Mr. Babbitt plans to reintroduce the jaguar, no cost. I feel as a rural American that next I will be looking at an elephant.

Chairman KASICH. OK, thank you, ma'am. Thank you.

Chris, keep moving around.

Mr. SANCHEZ. Tony Sanchez, Pasca Yaqui Tribe, T-o-n-y S-a-n-c-h-e-z.

I feel that by providing adequate nutrition to our children and our elders, we are preventing and helping prevent a lot of diseases that are going to cost us later. Our reservation has a 66-percent diabetic rate and the cost of health care is going to be quite a lot.

I feel that nutrition programs for elders and weak and food stamps are badly needed on reservations. There are high levels of poverty rate. Government-to-government relationships that Indian tribes have need to be taken into consideration also.

Thank you.

Chairman KASICH. Thank you very much, sir.

Mr. DUNN. My name is William Dunn, D-u-n-n. I'm from Kearny, AZ, a fifth-generation rancher.

The Federal Government is currently buying up land that is privately owned at the rate of over 2,000 acres per day in this country. In doing this, it is taking the land off the tax rolls and eliminating its capacity to produce, thereby eliminating its ability to help with the budget problems.

The government simply has no business, according to our Constitution, in owning land. If the Federal lands are in as bad a condition as they say, it's because the government's running it. If you put that land back into private people's hands, we can do with it the way our country was founded on a free enterprise system and we can do it the right way.

Thank you.

Ms. BELL. My name is Jenny May Bell, B-e-l-l.

When you get to the means testing for retirement, I think you ought to raise the age. I didn't retire until after I was 71. I would still be working if the job was still available to me, and I think that you should also change the 62-year-old early retirement as well.

Ms. MARGITA. Hi, my name is Lina Margita. I'm a student at Northern Arizona University. My last name is spelled M-a-r-g-i-t-a.

Educational issues should not be an American split-issue by our bipartisan system. Most students on the university level survive by PEL grants, SSID, Federal endowment. Without these programs our tuitions will rise, thereby causing elitism. Elitism in our society was taken back by the Constitution. It said every man is created equal. Without education in this country, every man is not created equal.

You want to cut the Federal prison systems. You want to cut welfare. Give us an education. Give us what we want and what we're here for.

Chairman KASICH. Thank you, ma'am.

Next up.

Mr. TOLIVER. My name is Richard Toliver, T-o-l-i-v-e-r, formerly of Arizona, also retired from the services.

I want to commend you for what you're doing and I also want to point out the real target for many of us is the \$4.8 trillion debt. These programs and the total structure of our debt and our spending needs to be taken in the context of that.

May I point out \$235 billion a year on interest alone on that national debt. If we could get \$235 billion back, we could pay for all of the military and civilian retirement. We could pay for all of the public service. We could pay for all of welfare. We could pay the college debts. We could pay for the railroad retirement and many other programs and still have billions left over.

Let us keep our eye on the real target, the \$4.8 trillion debt, the need to pay and balance our budget so that we can start to recoup that \$235 billion a year that we're spending.

May I point out lastly the arts that we spoke about a little while ago. I would like to have a few hundred million dollars myself, but let us put that, in the context of the National Arts, around about a half-billion dollars; cast that in the contrast of 235 billion; we begin to get the right perspective.

Thank you.

Ms. ONTIBEROS. My name is Katrina Ontiberos, O-n-t-i-b-e-r-o-s, and I'd first like to say I am a Northern Arizona University student and I'm here representing two separate groups, Associated Students Women's Issues and the League of United Latin American Citizens.

I would like to say that I did take a poll in both of those—well, the present students of ASWI, and approximately 95 percent of those students will have to drop out of school if any of these programs, et cetera, are taken out.

I would also like to say that if you evaluate the military system and look at what is actually happening in that system—for example, approximately, let's say, \$3,000 is given to different battalions, and if they do not spend that \$3,000, they don't get that \$3,000 the next year. Well, therefore, it's just spent wastefully because they want to spend it. Let's just say they spend \$2,500, let that \$500 flow over to the next year and give them another \$2,500 so they can still continue with \$3,000. Don't cut that from them. Don't punish them and make them spend money uselessly. Let them spend it wisely and how they should instead of not giving them that money back later on because they just didn't tend to spend it this year. So please think about that.

Chairman KASICH. Thank you.

We're going to go for about 10 more minutes and then we're going to wrap it up. I would ask you to just hang in there because Glen Browder will have a question he would like to put to all of you.

Yes?

Mr. CROOK. Hi, I'm Al Crook, C-r-o-o-k, here from Prescott and I'm very concerned about the interest on our debt and, as they say, the \$4.8 trillion. We've got to wipe out our debt so that in a few years this interest won't take the entire Federal income. It's very important.

The other thing is we've talked a lot about cutting some of our programs here, but we've really got to cut entire programs out of the Federal Government and not only try to cut some of the Social Security and other things, because we've got to reduce our costs, reduce our expenditures. That's very, very important. Here 10 years—I'm a—I work in the Social Security system and I'm a Federal annuitant. About 10 years ago, they cut the Social Security that a Federal annuitant could have by 50 percent. That didn't solve our deficit. So we've got to do more than look at all these other expenditures; we've got to cut our spending.

Ms. CHARLES. My name is Marian Charles, C-h-a-r-l-e-s.

I want to see that budget balanced. I would also like to get a tax cut, but no tax cut before you get the budget balanced. And these last two people have talked about the debt. Let's take care of the debt, too.

Chairman KASICH. Glen, do you want to ask the question?

Mr. BROWDER. Yes, thank you, Mr. Chairman. That's a good opportunity for me to ask my question.

First, Mr. Chairman, if you don't mind, you've had some very good comments here. I would like to ask especially the young people who are here today to reject, I guess, the notion that there's a cynical adversarial relationship here today.

I think you're interested in settling this deficit issue. These members, and I can speak on both sides of the aisle, Democrat and Republican together—I think you have a different mood in Congress today than you've had in previous years and you, I, can testify to the folks on the other end as well as this end—we want to do so. But in order for us to accomplish this objective, I think it's going to take true Americans, that means true leadership from those of us in elected office, but also true citizenship from the people that we represent, as we try to have public debates about this issue. I think we should all realize that it's a new day and it's going to take us working together to do it.

So for the young people, I hope you'll go away from here today with a very positive attitude about the new way of going about our business.

Let me ask you one question. The lady raised a question about no tax cut until we do something about the deficit. Just about everybody has proposed a middle-class tax cut. I think all of us are positively inclined toward something like that, but we need to first consider the alternatives, the trade-offs, and then if we're going to do it, it needs to be a smart tax cut, smart in the sense that it's for investing in our future rather than just consumption.

Let me ask you in a show of hands, take sides on one issue—one way or the other. I know you're not—you're here because you're concerned about the budgets. I think you would be a different audience than Americans-at-large. But you can either have—you can have the middle class tax cut or you can apply that middle-class tax cut to reducing the deficit.

First, how many of you would prefer to have the middle class tax cut?

How many of you would prefer to have that applied to the deficit?

OK, thank you.

Chairman KASICH. OK, the record should show the overwhelming number here today oppose the cut before the deficit is reduced.

Mr. BROWDER. Thank you very much, Mr. Chairman.

Chairman KASICH. Now, we're not going to let that cut into your time. You get more time. Go ahead, Chris.

Mr. SEARS. My name is Jeff Sears. I'm from Phoenix. The last name is S-e-a-r-s. I also attend Northern Arizona University.

I would just like to further what Ms. Parsons had said, one of the first witnesses, about the dividing block that's being driven between our two generations. I'd like to say, from a student's standpoint, it's very disturbing.

I think we can all state none of us want to be personally attacked, none of us want to have our budgets cut. But I think if all of us work together and just took a bit, I think we could all afford to take a bit and just kind of look at an overall budget cut.

As far as you up on the board, I would like to say we elected you and we entrusted you with making these decisions that some of us might not be able to make, and so please do your best; we're entrusting our futures with you.

Chairman KASICH. Thank you. That's a very nice comment. Thank you. [Applause.]

Ms. RIEDEL. My name is Virginia Riedel, R-i-e-d-e-l. I am one of those real ranch women from Flagstaff, AZ. I would like to speak briefly.

It's been mentioned several times on grazing fees. I would wish to share and challenge with this committee and with this audience that you have heard some of the facts today, you have not heard all of the facts. I don't know what all of the answers are. I wish some of you people would come talk to me and we could work out some solutions. And I appreciate and welcome this committee to Arizona and thanks very much.

Mr. BARRETT. I'm Jim Barrett and I'm from Tempe. I'm a graduate student at ASU. Oh, Barrett, B-a-r-r-e-t-t, period.

I've been working with my home congressman, John Linder, about abolishing the Department of Education. I worked with the Department of Education. It is the most fraudulent organization in Washington as far as I'm concerned.

There is nothing that it does that local school boards could not do. All it does is puts—it just puts a serious burden on local school officials who are the heart of the initiatives that Washington says that it is putting out through the Goal 2000. That is nothing but a pure waste and that entire department can be just completely eliminated; Commerce, completely eliminated. There is no role for education at the Federal level anyway. It is a totally constitutional guarantee at the State and local level. And I've been providing Congressman Linder for the last 2 years specifics of waste abuse and I hope that you all will follow up and pass this legislation to abolish that department. [Applause.]

Ms. JENSON. Yes, my name is Jennifer Jenson. My last name is spelled J-e-n-s-o-n, and I'd like to welcome everybody first here to Prescott. I enjoyed an excellent third grade experience with Mr. Shadegg's wife down in Scottsdale.

I have some comments. Well, I am a student at Northern Arizona University also. I would like to inform the committee that I, as a

21-year-old taxpaying voter, will be willing to take a means test when I hit the age of applying for Social Security without a doubt and without any regret.

Also, I'd like to elude to what the representative—forgive me, I didn't recall your name. I can't see your—

Mr. BROWDER. Browder.

Ms. JENSON. Thank you. To what the representative had to say on investing in our future. Education is to invest in our future.

And I would like to echo the comments of the speaker from Tempe earlier. He gave you a list of 10 items in the defense area that can be cut. They are very interesting things, and I also think we need to reassess the nuclear threat that isn't out there any more to this country, and I encourage you all to look into those things.

Thank you.

Chairman KASICH. We're going to take two more and then we're going to wrap it up.

Mr. RIGES. I'd like to address the question on the Federal Reserve. My name is David Riges, R-i-g-e-s, Wickenburg, AZ.

My problem is with the system. We need to work on the fraud that's already in our government with the Internal Revenue Service and with the Federal Reserve, the Federal Reserve and IRS being owned by foreign corporations and banks.

In the first place, when they create money, they create it out of thin air and we pay interest on money created out of thin air. If they aren't creating money out of thin air, where is the gold and silver put back into the system to put that money out? Our Constitution says all the money must be gold and silver. If not, please come close to it and put the money back into the system somewhere and put it through a gold mill.

Thank you.

Chairman KASICH. Thank you.

This will be the last one right here and then we'll hear from Congressman Shadegg.

Yes, ma'am.

Ms. VACHRY. I'm Eileen Vachry, V-a-c-h-r-y. I flew down here from Seattle, WA, this morning because this meeting was so important to me.

I would like to address the area of welfare. I had a 3-minute speech ready to give, but I will simply say that I feel that welfare should be made much less appealing, that my proposal would be that welfare—that it's given to people who are able to work to be taxed just like State unemployment is taxed; and besides that, the people that take it to better their education that takes jobs away from other people—it should be a loan. It should be put into a revolving fund, that that fund could eventually help somebody else.

And the immigrant communities that are getting money and putting ACCESS in other people's names—we need to look into the welfare reform desperately bad.

Thank you.

Chairman KASICH. Thank you, ma'am. Thank you, Chris.

Congressman Shadegg would like you to make a comment here.

Mr. SHADEGG. I just want to first thank everyone for coming. I know the chairman's going to do that in a minute, but I have been

very impressed by this hearing. We as members usually don't get to every one of these hearings. So this is the first one I have had a chance to go to and it has been extremely educational for me.

There's been a lot of discussion about different areas. People talked about defense or education. I'll tell you, I'm a member of a freshman class in which many of the member of my freshman class are saying, "OK, we've got to eliminate agencies. We need to eliminate, for example, the Department of Education because it's not a proper role for the Federal Government." And I am personally inclined to support that, but I think I'm on the Budget Committee because I believe this is the most severe problem facing the Nation.

We've got to get control of the spending in America and balance the budget; and indeed, as a speaker just a few minutes ago pointed out, were we to do that and to eliminate the debt, we'd be looking at saving \$235 billion in interest payments per year which we could spend in other places.

A lot of the debate this afternoon or discussion was focused on fairness. I am concerned that we may be divided in this battle and that perhaps one of the best ways to get concurrence and to come to an agreement is to do across-the-board cuts. To say, well, that may not be the ideal way, and while I may have an idea of what I want cut and Mr. Sabo or someone else on the other side of the aisle may have an idea about what he wants cut, that fundamentally, if we don't make the cuts, we threaten the survival of the nation.

Then I guess I'd like to ask for a show of hands for those of you who would favor an across-the-board approach, if necessary, and view that as fairness or believe we should, on the other hand, be pursuing it an agency-by-agency approach and believe we can ultimately get there.

First, for those of you who believe that an across-the-board approach is the ultimate answer, if you would show your hands.

OK. And for those of you who think we need to continue it on an agency-by-agency basis?

Chairman KASICH. Let the record show the agency-by-agency item won. Probably because I think that's the surest way to do it. What the heck. It's like work for this man, right?

Any other questions or comments from any other member? [No response.]

I would just like to take a second to tell you that we hope maybe we've renewed your faith a little bit in the system. We believe, I can tell you, that you've renewed our faith in the fact that people want to step up to the plate and get this problem solved. I thought it was an outstanding hearing here today. We'll take these comments back, believe me. What has happened here today will be communicated back inside the beltway.

We want to particularly thank Bob Stump for being here today. He's been a great leader in the Congress for a number of years, and he wanted to be here and it's very important. Not a member of the Budget Committee, didn't need to do it, and he and John both drove from Phoenix to make sure they got here on time.

I want to thank all of you for just being great patriots. This is what it's all about.

The Budget Committee will now stand adjourned.

[Whereupon, at 5:40 p.m. the committee was adjourned.]

HOW TO CUT THE FEDERAL BUDGET

SATURDAY, FEBRUARY 4, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
West Columbia, SC.

The committee met, pursuant to call, at 2:12 p.m., in the gymnasium, Airport High School, 1315 Boston Avenue, West Columbia, SC, Hon. John Kasich (chairman of the committee) presiding.

Members present: Representatives Kasich, Inglis, and Myrick.

Also present: Representative Spence.

Chairman KASICH. We will call the Budget Committee to order, and I want to thank you all for being here today. We will run through a few things—first of all, we do not have all the members we thought we were going to have because they are stuck in Washington in a snowstorm and could not fly out. Mr. Sabo, Martin Sabo, we were hoping he was going to be here, he is the senior Democrat on the panel, but Mother Nature took her course and they are stuck in Washington. And the only reason I made it is I was in Ohio last night and we were one of the few flights out of Columbus. But it sure is great to be here.

I am John Kasich and I am from Ohio. To my right is a gentleman who many of you would know, a member of the Budget Committee in his second term, Bob Inglis from Greenville, SC. [Applause.]

And then of course next to Bob is the former mayor, two-term mayor and now freshman Member of the House from Charlotte, NC, Sue Myrick. [Applause.]

And then of course, next to Sue is your own hometown hero, Floyd Spence, from right here. [Applause.]

And I would like to ask unanimous consent of the members of the committee that Floyd be made a member of the committee for the rest of the hearing. Without objection, so approved.

Now let me lay a few ground rules down. Just so you understand, this is an official hearing of the House of Representatives, just like in Washington. And I would ask you to restrain from applause, from cheering, from hissing or booing or anything else, because that is what the gavel is for. We are going to have fun today and we are going to have a process where we are going to hear from witnesses who have filled out forms and they have been selected really essentially at random. They will have an opportunity to go to the witness table and to make a presentation about what they would do to balance the Federal budget.

Glenn Browder, who is a Democrat also, from Alabama, who was born very close to here, is celebrating his anniversary and asked

to be excused today. He did want to come. Glenn has kind of asked for an informal ground rule that anybody who does testify be willing to talk about what kind of things they would be willing to be sacrificing in terms of getting to a balanced budget.

Let me tell you a couple of things—must be a good football game going outside. [Laughter.]

The reason why we are here, the reason why we are in this part of the country is this is consistent with what we have been doing for the period of the last several weeks. We started this effort in Columbus, OH, 3 weeks ago, 2 weeks, then last weekend we were in Prescott, AZ, here and then next week, we will be in Manville, NJ, and then we will finish up in Billings, MT. The reason why we are touring is because frankly we think that the Congress has not been in touch with the American people. We feel as though the American people have felt very alienated from the Congress.

As you know, the balanced budget amendment has passed the House. I anticipate it will pass the Senate. Regardless of what happens in the Senate, in the House of Representatives, Speaker Gingrich has said that we are going to get to a balanced budget by 2002. And the issue is real simple, if we do not start to cut spending and if we do not balance the budget, I think everybody knows in here in their gut that we are going to jeopardize the future of the next generation. And the great legacy in this country is that our kids will be better off than we are.

And so as we go toward a balanced budget over the next 7 years, we think it is absolutely critical that the American people be invited in so that they in fact can be heard. So we will have a process today, we are going to hear from the Governor for a short time, we are going to hear from Floyd for a few minutes, the mayor of the city for a few minutes, and then we are coming to you and we will go as long as we think it is moving well in terms of the formal testimony and then we are going to come out in the crowd with some microphones and you will be given an opportunity to speak then.

Now I want you to understand that this is not a charade or a media event. This is serious business. This is all about letting you have an opportunity to tell us—because you are the bosses—to tell us the kinds of things that you think ought to be done.

So let us just move for a second to the gentleman from South Carolina, Mr. Spence for a few remarks. Floyd, we look forward to hearing from you.

Mr. SPENCE. Thank you, Mr. Chairman.

I just want to welcome you to my district and the greatest place on the face of this Earth, and since I am a member of the committee right now, I will not say anything further than that. Welcome to our area.

Chairman KASICH. Thank you, Mr. Spence. And I would like to do a special thank you to Scott Newman, the assistant principal of Airport High School; the Lexington County School District No. 2, Larry Merchant, the Lexington County School Board No. 2 board member; of course State Senator Joe Wilson, who met me at the airport and State Senator Jackie Knotts, all of whom played an important role in terms of making this event successful and making sure the people of this area had an opportunity to be here.

Well, at this point, I would like to ask the Governor, Governor Beasley, to come to the witness table and share with us a few of the things you would like us to know, Governor. I had a great opportunity to be with the Governor in Washington, I think he was the youngest Governor in attendance at both the National Governors Association and the Republican Governors Association, but he is not just young, he is very wise.

Governor, we look forward to your testimony here today. The floor is yours.

STATEMENT OF HON. DAVID BEASLEY, GOVERNOR, STATE OF SOUTH CAROLINA

Governor BEASLEY. Mr. Chairman, thank you very much. Excuse my voice, ladies and gentlemen, I am a little hoarse. I think we all have been working long hours because of the revolution that is taking place all across America. The chairman and I have enjoyed talking and working together already. Our Congressman, Floyd Spence, chairman of the Armed Services; Sue Myrick, it is a pleasure to have you, our neighboring friend from Charlotte, NC; of course our own and special Bob Inglis. Thank you all for having this hearing here. I think it is symbolic because South Carolina has always taken the high ground of having fiscally responsible decisionmaking procedures and practices. We have a balanced budget in South Carolina, and it works.

The people all across America have sent a strong message. They want less government and they want less taxes and they want sound fiscal policies and practices that secure our children's future. I ran upon the theme of putting families first and that is what we all want to do, but when you jeopardize the fiscal security of this Nation, you are jeopardizing our children's heritage and future.

We must do what we must do, and I ask you to pass the balanced budget amendment. We in South Carolina will do our part. If you pass the balanced budget amendment, I will do everything within my power as the Governor of South Carolina to be the first State in the United States to ratify the balanced budget agreement—we need it, our children need it. [Applause.]

When you put it in perspective about the deficit, it is really amazing, when you think a billion seconds ago was 1963; a billion minutes ago, Christ was walking in Galilee; a billion hours ago, nothing was walking on two feet and a billion dollars ago was only 10 hours ago in Washington, DC. [Laughter.]

It is amazing.

Congressmen, I applaud you. John Kasich, you and I have sat down and discussed the seriousness of this deficit and that the Governors and leaders all across the States are willing to sacrifice and do what is necessary to protect our future. We have made statements—for example, welfare spending—that if you will give welfare reform to the States, we will freeze the amount of money that States receive for 5 years, saving our Federal Government hundreds of billions of dollars. Why? Because we can do it more efficiently, we can do it more effectively and we can truly do it more compassionately. Let the States address these issues because we can do it in such a way that brings compassion and leadership from

the local level to address the problem, saving the taxpayers a lot of money.

There are a lot of programs that we can talk about, but needless to say all of us only have a few minutes. But I do beg upon you to take the high road, do what is right. People in this country are looking for the great leadership that is taking place now in Congress and I am confident that if we will listen to the people who pay the taxes and not just to the special interest groups who are demanding more government and more taxes and more failed social programs and problems that tear apart families and breaks the backs and places burdens upon our people, that we will make great headway. And I trust that you will do that.

I thank you for the opportunity to let me share with you briefly because I am of great confidence that the people in this State want you to balance the budget. The people of this State are willing to sacrifice for their children's future and heritage because we know with a limited government people prosper. With less taxes in Washington, people have more money at home to solve their own problems. If you give us flexibility on addressing programs with less mandates, less unfunded mandates, we can better address these problems.

I want to say last, you have got one of the most practical chairmen and leadership at this table, ladies and gentlemen, as I have sat down and discussed with them—a lot of times you will see politicians go publicly and they say one thing and they go in the private rooms and you hear another thing. Not with this group. I have never seen people more committed to the genuineness of these beliefs of less government. And I have sat down with John Kasich specifically and talked about unfunded mandates. Get these unfunded mandates off the backs of our taxpayers. That is very important—local governments, school, State governments—stop the unfunded mandates. And I applaud what you did just in the last week on unfunded mandates. Move forward on the balanced budget amendment and provide us with the cuts necessary and spending decreases necessary to assure a sound fiscal future for our Nation and our children.

Mr. Kasich, Mr. Chairman, thank you for the opportunity to be with you, my good friend Bob Inglis, Sue Myrick, it is a pleasure, and of course our wonderful, esteemed chairman of the Armed Services, Mr. Spence. Thank you very much.

Chairman KASICH. Thank you, Governor, thank you very much.

We will now take—we appreciate the Governor making the time today. You know the circus is in town and he has got a few kids and I think at some point today he is going to try to get to it, so thank you for taking the time, Governor.

Now we would like to recognize Mayor Coble.

STATEMENT OF HON. ROBERT COBLE, MAYOR, CITY OF COLUMBIA, SC

Mayor COBLE. Thank you, Mr. Chairman. Let me first welcome to the Columbia area the House Budget Committee. On behalf of all the local officials of West Columbia, Cayce, Springdale, Columbia and Richland and Lexington Counties, we thank you for choosing our area, and we think it is a very representative area and one

where you will learn a lot today, and particularly I want to thank Congressman Spence and former mayor, Congressman Myrick, we are delighted that you are here.

I also want to thank you for passing the unfunded mandates bill, I think that was very important and a very important step forward.

Let me make three very quick points, to give you advice from a local official in terms of what you are doing.

One, whatever the funding level may be on programs, I think the model of the community development block grant program works well for our local governments. You have the basic criteria, you have citizen input. I think that methodology works well and if it can be duplicated, whatever your funding level is, I think that works.

Second, Secretary Cisneros' new blueprint for reinventing HUD, going from 60 programs to 3. Regardless of where the funding level is, I think that makes sense. And I have heard that, I think it will work well and I think it will improve housing in our area.

Finally, support for the local government in terms of providing police officers, I think is very good. But I would make the local governments put up some money also. Do not give us a free ride, make sure that we have to make it hurt too when we pass our budget before we can get Federal help.

With that, I know you have a lot of people here to speak today and I will not take any more time. Thank you for allowing me to be here and thank you for the invitation.

Chairman KASICH. Thank you, Mayor. We welcome you to stay as long as you want. If you can be here the whole time, we would be thrilled with that and we really appreciate the opportunity to be here in your city. Thank you.

Well, our first witness will be Gene—is it Deragon, Gene Deragon from Lamar.

Mr. DERAGON. Lamar, SC.

Chairman KASICH. Now, sir, so everybody can see, we have got—it actually works the way it works here. Green means you go and red means you stop. This is a little timer and we will keep everybody on the timer. Thank you, sir, you can begin.

Mr. DERAGON. Again, my name is Eugene Deragon and that is D-e-r-a-g-o-n, and I am from Lamar, SC.

The first step in reducing the Federal budget should be to reduce the list of those who spend the money. Since it is not in your power to eliminate those elected officials who are responsible for drafting the legislation which includes wasteful spending, unless of course, you eliminate the House and Senate Appropriations Committees, the obvious area to concentrate on is the Federal bureaucracy, most of which comes under the heading of the executive branch. This chart illustrates that area. [Displays a chart.]

This chart represents 17 departments totaling 2,038,000 people, including the Armed Forces, 1,024,000, but not including 1,700 who work in the Office of the President. According to Martin Gross, the author of the book, "A Call for Revolution," the average cost of each Federal employee is \$83,000 a year in salary, benefits, and currently paid-out pensions. Even a 10-percent reduction would save a tremendous amount of taxpayer dollars.

I realize that the executive employment structure is under the control of the President, but the Congress still controls the purse strings.

By reducing the appropriations to the individual departments, it should have the same effect as the actual employment reduction. The total elimination of some of these departments should also be considered. The Department of Education would be a good place to start, as this department does not educate one single child. [Applause.]

In addition, this chart also includes 59 agencies with an overall employment of 925,000 people. Of the 59 total, 23 have an employment figure of over 1,000, with the Environmental Protection Agency at 17,000; the Federal Deposit Insurance Corporation at 19,000; the General Services Administration at 20,000; NASA at 24,000; the Tennessee Valley Authority at 25,000 and the Postal Service at 752,000.

In the business world, companies are downsizing and increasing efficiency. The Federal Government is in the habit of doing just the opposite. The recent increase in postal rates is a good example of that. Instead of becoming more efficient to account for a budget overrun, it is easier to raise rates. After all, the taxpayer will foot the bill.

This chart I showed you is January 1, 1991. I was unable to obtain a current one but I am on the list to receive it. There is ample proof that figures of today will be even higher, excluding military, than those shown on the chart.

Thank you for the opportunity to voice my opinion. Please come back again to our area after you have solved our Nation's problems. [Laughter.]

Chairman KASICH. OK, Gene, I want to——

Mr. DERAGON. Thank you for listening.

Chairman KASICH. Let me—Gene, I want to ask you one question.

Mr. DERAGON. Sure.

Chairman KASICH. You mentioned you would like to see the Department of Education eliminated. Any other recommendations you might have for us?

Mr. DERAGON. The Department of Commerce, the Department of Energy, the Department of Transportation, the Department——

[Laughter.]

Chairman KASICH. I think I got your message.

OK, any other questions for the witness? [No response.]

Gene, thank you. Thank you for being here today.

And let me just say to those that are going to testify, we are going to have some fun—that is really what this is about. I mean this is like a big family sitting around the kitchen table on Sunday and what we are going to do is come up, say what is on your mind, feel free to express it the way you feel, and I want you to just be relaxed.

OK, Betty Montgomery from Spartanburg, SC.

Ms. MONTGOMERY. Hello, I am Betty Montgomery. Good morning and thank you, Congressman Kasich and other members of the committee for coming to our great State of South Carolina.

There are four pieces to this puzzle of cutting back our debt for our children and our grandchildren, which any of you all can read in the first annual U.S. shareholders report and I urge you all to get a copy. These four parts of the puzzle are taxes or revenues, which no one wants to see our taxes go up, or at least 80 percent of Americans do not; spending cuts, and I urge every one of you on the panel to read Martin Gross' book and read it and read it again; promises are the third part, the future liabilities that we have generated; and the fourth are our assets which is our land and our gold, and I certainly do not recommend selling those.

The bipartisan Commission on Entitlements and Tax Reform headed by Senators Kerry and Danforth states that "We must resolve the long-term imbalance between the government's entitlement promises and the funds we will have available to pay for them." Under finding one, in the year 2012, unless appropriate policy changes are made in the interim, projected outlays for entitlements and interest on the national debt will consume all tax revenues collected by the Federal Government.

Social Security is the largest component, so it will need to be reformed. We need a win-win situation for Social Security. First and foremost, we need to guarantee the people on Social Security to get their money. Everyone receiving Social Security today should be guaranteed for the rest of their life. But now, we need to think outside of the box. We have to be creative. The generation that will start receiving benefits in the future will need another system. I am not here to tell you a specific plan but I am here to say we need to think of other methods of funding for their retirement plans. We could expand IRA accounts, 401(k) accounts are another option, savings accounts—and I am sure that some of you on your committee could think of other programs that I have not mentioned. If we expanded IRA accounts, young people starting out today could have alternative uses of their money for retirement, to buy a home, to educate their children.

Singapore, one of the most developed countries in the world, has a system similar to this. Now I am not here to tell you to adopt their system. All I am suggesting is that there are other methods that we should look at, outside of our method of thinking today.

This would also solve one of our major problems, and that is Americans do not save. We need to encourage Americans to save. We do not have adequate means for capital formation.

Thank you for letting me be here today.

Chairman KASICH. Thank you, ma'am. Questions for Ms. Montgomery? [No response.]

Ma'am, thank you very much for being here. Lynn, is it Bailey?

Ms. BAILEY. It is Bailey.

Chairman KASICH. Lynn Bailey from Columbia.

Ms. BAILEY. That is B-a-i-l-e-y. Good afternoon and thank you for the opportunity to address this committee. I am a consulting health economist here in South Carolina, my clients are hospitals, nursing homes, physicians and home health agencies across South Carolina. And I wish to address the committee this afternoon about health care.

Last year, I was fortunate enough to participate in Columbia's, the city of Columbia's planning process for its application to be des-

ignated as an enterprise community. We, unfortunately, were not successful in receiving funding, but I believe the experience was incredibly valuable for all who participated in it.

As a result of my participation in this process, I became more keenly aware of how our institutional health care providers are totally out of touch with many parts of their community. In South Carolina, many of the larger health care institutions are taking the lead in developing our managed care system for the State. But these institutions are out of touch with too many critical parts of their communities. Managed care is having a dramatic effect in slowing the growth of health care spending, but only for middle class people lucky enough to be covered by employer-sponsored health care programs. But managed care will fail to be effective in controlling total health care spending unless all members of a community are included.

This is where I believe the community development through community development block grants can dovetail with health care reform. Community outreach and primary care efforts need to be funded through community development block grants and this funding needs to come from current health care programs, specifically Medicare. We need to stop kidding ourselves and accept the reality that Medicare and Social Security must eventually be means tested. We must have the political courage to put these programs on the table for discussion.

I am a health economist and I follow the dollars, and Medicare and Social Security are where the dollars are. We need to reengineer these programs and totally change their incentives. We cannot expect programs designed in the 1930's and the 1960's to work effectively in the next century.

I am 43 years old and I do not expect to benefit from Social Security. I believe that immediately we need to tell people of my generation that you do not get to retire at 65 and roll onto Medicare and get Social Security, that I need to be realistic and look at retiring at 70 or 72. The longer we delay, the greater will be the pain when we do eventually hit the Medicare/Social Security brick wall.

In a recent survey published by the Charlotte Observer, there are indications that Social Security and Medicare are not the sacred cows that we assumed them to be. And I have a copy of that with me and I will leave it here. If we are serious about wanting to balance the government's budget, I believe we must have the political courage to seriously address Medicare and Social Security, but we need to use a scalpel and not a chainsaw.

Thank you.

Chairman KASICH. Thank you. Questions. Ms. Myrick.

Ms. MYRICK. Can you—when you mentioned just a few minutes ago about the funding coming in the form of CDBG—can you explain that a little further, exactly how you see that, exactly what you mean?

Ms. BAILEY. One of the things that we discovered when we were doing the planning in Columbia for the enterprise grants was that hospitals are really out of touch with the communities that they serve. They are very in touch with middle class insurance people and Medicare people, but if you are going to be working on a primary care model, you need to get into prevention and you need to

get into communities, you need to get into the housing projects and other neighborhoods, you need to deal with issues of transportation, you need to be able to change people's behavior. And that comes through community development grants. And I think that we need to take some of the money out of health care that we are spending on acute care and on institutionalizing people and put it back into the community to change the way the people behave.

Chairman KASICH. Mr. Inglis.

Mr. INGLIS. Ms. Bailey, are you familiar with the plan for Medicaid managed care that Governor Campbell discussed? Is that something that you support?

Ms. BAILEY. The last time I talked to anybody in the State House about that, there was some doubt that we would be able to do the waiver this year because of the crunch on State dollars, that we would look at having to cut back the State's Medicaid program. And you cannot change the system while cutting back on another system.

Mr. INGLIS. But the concept is one that you support?

Ms. BAILEY. Uh-huh, I believe that managed care is effective and working, but we are going to have to do a lot of things in a lot of different ways to change people's behavior. And we need to start in the communities and we need to start with primary care issues. And so yes, I am supportive of the Palmetto Health Initiative.

Chairman KASICH. Of course, Ms. Bailey, any kind of a managed care system extensively uses primary care physicians, which would be the goal of what you want to do with a managed care/Medicaid program.

Ms. BAILEY. I would like to use primary care providers, in addition to physicians, I would like to use nurse practitioners and other lesser trained people. And really one of the serious problems that many people have in navigating our health care system is really kind of social services or social work issues because they need to know how to get through the system. And I think that we probably are underutilizing our social workers in helping people get through the system.

[Applause.]

Chairman KASICH. Now—

Ms. BAILEY. And I am an economist, I am not a social worker.

Chairman KASICH. Let me ask you one other question. What is your sense about how senior citizens would feel and what the economic impact would be about making managed care a more attractive option to our senior citizens through Medicare?

Ms. BAILEY. I think that senior citizens would find it very attractive, particularly when you start including prescription drugs for them. Part of the problem with signing up for managed care in Medicare is that as a Medicare person, you are given the opportunity to drop out every month. So it is very hard to build that managed concept into that, across a continuum of service under Medicare's current rules.

Chairman KASICH. OK. Ma'am, thank you very much for your testimony.

We will now hear from Sam—is it Booher.

Mr. BOOHER. Booher.

Chairman KASICH. Booher, from Augusta.

Mr. BOOHER. My name is Sam Booher, B-o-o-h-e-r. I am from Augusta, GA. Thank you for this opportunity to share with you my thoughts on how we need to cut the Federal budget. I have three suggestions on how to stop wasting billions that will absolutely not impact anyone.

To reduce the budget, I would stop allowing my tax dollars to be used to build roads in the National Forests. I read that the Federal Forest Service has already built 360,000 miles, this is eight times more miles of timbering roads in our public forests than in the entire Federal highway system where the public drives. Please tell the Forest Service to start logging secondary growth forests from existing roads and stop wasting my tax dollars on building roads that are not needed.

The Federal Forest Service will ignore this idea unless you take a second step. Stop overlooking the dollars received from the sale of public timber. All money from the sale of public timber should go toward Federal deficit reduction and not each Forest Service division having its own slush fund to be used or misused as each district superintendent wishes. All funds raised from timber sales need to go into deficit reduction. Unless this is accomplished, public tax dollars will continue to be spent building roads just to increase slush fund dollars. I do not know how many billions last year the Forest Service spent in tax dollars so that they could take in \$360 million for their district slush funds. Now I need to make a correction to my written statement I have already given you. I found out this morning it was \$1.5 billion.

My last issue—the low cost timber sales do not even generate back enough to cover the cost of preparing and administering these timber sales. The Forest Service understates the cost and exaggerates the return. Why? These sales do generate some slush fund money for the Forest Service at no cost to them. One Forest Service estimate is that in the last 10 years, \$5.6 billion more in tax money was spent than they received for timber sold. Last year, the Tsongas National Forest, in documents they sent me, admit they lost \$20 million.

Thank you all.

Chairman KASICH. Questions for the witness? [No response.]

Let me ask you a couple, Sam. Did you come here all the way from Augusta, GA, to testify here?

Mr. BOOHER. That's 72 miles, sir.

Chairman KASICH. Good for you.

And tell me about your interest in this. How did you get so interested in this issue? What is your background?

Mr. BOOHER. I am retired. And when I retired, I started going out into Sumter National Forest, just going on walks and picnicking over there. In a sense, it is unique that I pay three dollars to park in the Sumter National Forest, but yet Japan can buy our 1000 year old spruce trees for a dollar and a quarter. That amazes me, that they can buy our trees for half what I have to pay to park to see them.

[Applause.]

Chairman KASICH. Yeah.

Mr. BOOHER. But I own stock in Georgia Pacific. Georgia Pacific owns its own timber, it gets absolutely no timber at all from our

Federal land. Federal Paper, major corporation, they get virtually no timber at all from our Federal land. So my question is why are we spending so many billions of dollars, taxpayers' dollars, building roads that are not needed. And I gave you the answer.

Chairman KASICH. Ms. Myrick.

Ms. MYRICK. Clarification question because I do not know anything about this issue basically, but who actually does the logging in those parks? Is it the Park Service that does it or do they contract to somebody else? How does that work?

Mr. BOOHER. Companies bid on blocks of land and they bid so much.

Ms. MYRICK. OK. But what you are saying is it is under what it should be.

Mr. BOOHER. Right. The Forest Service takes your tax dollars and builds the roads so that when those private companies come in, they can travel on roads that were built for them. So our tax dollars are built, not getting us any return. Then the money that comes back from those companies goes into the local districts. It is not appropriated money. So they get money appropriated for building roads, then they get slush fund money that they then also build roads with. So the Congress is not managing the roadbuilding of the Forest Service. You could eliminate out of their Federal budget all road money for the Forestry Service and they would still have money to build roads. You are going to have to take the money, our money, take it away from the Forest Service, use it for Federal debt reduction. Those are our trees, they do not belong to the Forest Service.

Chairman KASICH. Sam, I want to thank you for your testimony. In Prescott last week, there was a lot of comment about grazing fees, and this has been a contentious issue in the Congress for a number of years, but frankly, I would like to see whatever supporting documents you have on this if you would send it to the committee.

Mr. BOOHER. I would be pleased to, sir, I would be very much pleased to.

Chairman KASICH. I believe the whole operation of the Department of Interior is going to undergo transformation and I hope we are going to have some improvements in some of those areas.

Mr. BOOHER. Correction, sir. This is the Department of Agriculture.

Chairman KASICH. I understand that, but the Interior Department and the mineral rights, and it is really shared within several jurisdictions. But all of this has to be reviewed and scrubbed and I think we are going to see some major changes this year in the way in which we manage, particularly timber.

I want to thank you for your testimony.

Mr. BOOHER. Thank you, sir.

Chairman KASICH. And let me announce to anybody who is here today that has an idea and does not either get to do the 1 minute, you feel free to write to the House Budget Committee, to me or to the committee. Doug, are we going to have a way for them to—we will give you an address. What you have got to do is just write to the House Budget Committee in Washington and it will get to us, if you have a good idea, or write personally to any of us—to Floyd,

to Bob or to Sue or to me, any of you feel free to write, we want to hear from you.

I want to thank that witness and we will go now to Steve Ludwig from Florence, SC.

Mr. LUDWIG. My name is Steve Ludwig from Florence, SC, L-u-d-w-i-g. Thank you for the opportunity to speak to you this afternoon. It is a particular honor to meet you, Mr. Kasich—

Chairman KASICH. A little closer so everybody here can hear you.

Mr. LUDWIG. This one here?

Chairman KASICH. Yes, there you go.

Mr. LUDWIG. It is a particular honor to meet you, Mr. Kasich, from Ohio, the State of my birth.

For many years, the Federal Government of the United States has pursued policy, the focus of which has shifted away from the necessary functions of a Federal Government as outlined in the Constitution, to the growth of a bureaucracy which feeds like an ever-growing parasite off the good will of the citizenry, damaging our economy, our children's future opportunities, and promoting cynicism.

It is with all due respect for the creativity and expression of artists that I urge you today to eliminate funding for the National Endowment for the Arts. I urge this cut, not only because of the questionable nature of art funded by the NEA, but rather because of higher art forms funded by the NEA. The vast majority of its \$166 million budget goes to symphony orchestras and fine arts, which can rarely be enjoyed in rural South Carolina. In fact, a recent Wall Street Journal article reported the majority of NEA dollars go to New York City and Los Angeles even though tax revenues are received from poor rural families who rarely, if ever, step foot inside an art gallery or enjoy the music of a symphony. Those who enjoy the benefits of art should pay for it.

To put it in another perspective, approximately 1,700 people will work their entire lives to provide the tax dollars to pay for 1 year's funding for the National Endowment for the Arts, and most will never enjoy the benefits. I urge you to eliminate its funding entirely and allow it to prosper in a free market.

I also urge change in the budget process itself. After years of increasing taxes and proclaiming progress on the deficit, the deficit is still projected to explode after the 1996 election cycle, due to the continual postponement of real budget cuts until after the next election. We have to pay our bills sometime.

Which is why I also encourage you to pass the only remaining method of discipline available, the balanced budget amendment to the Constitution. The fact is, most of the ideas for cutting the budget, you have already heard. It is now merely a question of political courage to enact the suggestions presented. In the end, future generations will look at this as either an opportunity forfeited to political expediency and greed, or the turning point at which America's leaders faced up to the problems and secured America's future. I strongly urge you to choose the later course—cut the National Endowment for the Arts.

Thank you.

[Applause.]

Chairman KASICH. Thank you for your testimony. See, we get into cheering and then we are going to get into boeing and then who knows where we are going to end up. So let us try to restrain ourselves as much as we can.

Questions for the witness? [No response.]

Thank you for your testimony.

Claudette Holliday. What we are going to do—this is our sixth witness. We are going to go through the first 10, I will call 10 more up. Before we go to the next 10, we are going to come out in the crowd. So if you have got ideas, get ready.

Claudette Holliday, Lexington.

Ms. HOLLIDAY. Good afternoon. My name is Claudette Holliday, H-o-l-l-i-d-a-y. I am from Lexington, SC, and I would like to address the issue of the Rural Utility Services, the formerly REA—can it survive on the electricity superhighway?

Has the Rural Electrification Administration or Rural Utility Services, outlived its usefulness? This bank of last resort is conducting risky business. As a lender, should it provide substantial amounts of money to a borrower with no equity and at below interest rates? Is the efficiency of the borrower taken into account? These questions need to be asked.

The beneficiaries of RUS are subsidized monopolies, established in the 1920's, who are fighting to maintain an old regime and to preserve their protection from competition in a free and open marketplace. We have all heard about the information superhighway. There is also an electricity superhighway, which is a sprawling network of power lines linking most Americans to hundreds of electricity producers. Utilities and wholesale producers buy and sell electricity every day in an increasingly competitive wholesale market. This process is referred to as wholesale wheeling.

Growing numbers of large industrial buyers have recently begun to demand access to the electricity superhighway. They want the right to purchase power from any producer in the system. This is called retail wheeling. Industrial customers are impatient with the inefficiencies in the current system. Some industrial customers pay 4 cents per kilowatt hour while others pay up to 12 cents, the national average is 6 cents. It has been estimated that General Motors would save more than \$1 million per year—\$1 billion, excuse me—per year if electricity rates fell by one-third. Electricity customers as a whole would save \$59 billion per year, approximately \$614 a household—that is quite a savings.

In 1988, England and Wales began deregulating their power system. Today, any buyer who consumes more than 1 megawatt of power each year can purchase electricity from any power producer on the England/Wales superhighway. Consumers buy through a spot market in which prices fluctuate on a daily basis. There are plans to lower the minimum 1 megawatt requirement to allow small electricity buyers to exchange privileges on this pool. The important thing is this system is working.

Lack of competition in the utility market is discouraging to industrial development. Currently in South Carolina, a steel mill is looking at sites in Berkeley County and in Virginia, on which to build a \$500 million steel mill. The mill chairman cites high power rates as a major factor in his selection decision. One of the biggest

expenses at the mill will be its power bill, which will be an estimated \$20 million to \$25 million a year. Special legislation would be necessary to allow direct customer access to cheaper utility rates.

It is clear industry is street smart on the electric superhighway. Nevada and Minnesota are examining competition as a way to retain large industrial firms that threaten to leave in search of cheaper utility rates.

The RUS is outdated. It has outlived its usefulness. It is patently dangerous in today's atmosphere of progressive economic and industrial growth. It is encouraging, through means of subsidized funding, stagnant and inefficient monopolistic practices.

I, therefore, urge you to make the deregulation of these utility power pools, which includes dismantling of RUS, a priority on your congressional agenda.

Thank you.

Chairman KASICH. Thank you. Questions for the witness?

I am going to give you the award for the most technical presentation we have had in three cities. Let me see if I understand this correctly, because this is a position that is unique.

First of all, who do you work for?

Ms. HOLLIDAY. I work with the South Carolina Policy Council.

Chairman KASICH. And so what you are arguing is that these exclusive areas of power jurisdiction that would be represented by, for example, the REA, is really an impediment for good competition, lower prices for consumers and more industrial development. Is that what you are arguing?

Ms. HOLLIDAY. Right. I have an article that was in The State recently about the mill that is looking for a site in South Carolina, yes, that was listed as part of the impediment to the industrial growth.

Chairman KASICH. Because, as you know, in rural America, there is very strong feeling about keeping the REA right in place.

Ms. HOLLIDAY. Oh, I am sure.

Chairman KASICH. In fact, the REA currently, I understand, serves sections of Atlanta. It was designed only for rural electrification which in some areas of the country would be right, but I am not so sure how many people would like to have their money go to subsidize electric customers in Atlanta who are finding themselves isolated on the farm in the suburbs of Atlanta. But that is essentially—I would like to have any other studies you might have on this.

Other questions for the witness. Mr. Inglis.

Mr. INGLIS. Ms. Holliday, I had a very interesting conversation—

Chairman KASICH. We have a sound man here, but he is doing his best. There you go.

Mr. INGLIS. We are on now.

Ms. HOLLIDAY. Thank you.

Mr. INGLIS. Very interesting 2½ hour meeting I had one day with representatives from REA's, from investor-owned utilities and from municipal-owned utilities. It was very interesting because in the same room, they were gathered to give their arguments, and one of the things I find very interesting about being a Member of

Congress is quite often you hear one week from the REA's, the next week from the IOU's, and the next week from the muni's and the result is that each one of them has a rather persuasive tale to tell. It is very interesting to get them all together in the same room and the interesting thing is that the conclusion that I was drawing from that meeting is very much on the same line that you were talking about here.

Ms. HOLLIDAY. Yes, competition is definitely where this industry should be going—free and open market competition in utilities.

Chairman KASICH. Thank you, ma'am. I would like to have any studies you may have on this issue, because when we are going through the issue of the REA, which is going to be an issue we are going to examine, the argument you make that this is ultimately going to be a benefit to the folks who are being served by the REA if we changed it, is one that is particularly interesting to me. We would like to get whatever information you have. Thank you.

Ms. HOLLIDAY. Thank you.

Chairman KASICH. Now we will hear from Jeff Gossett from Newberry.

Mr. GOSSETT. Hello. My name is Jeff Gossett, I am from Newberry.

The topic I am addressing today is cutting the Federal budget through welfare reform.

Chairman KASICH. Jeff, pull that microphone right up there where everybody can hear you.

Mr. GOSSETT. OK, how is that? Is that better?

Chairman KASICH. Yes.

Mr. GOSSETT. OK. I would like to open my remarks today by reading a brief quote.

The lessons of history confirmed by the evidence immediately before me show conclusively that continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit.

President Franklin Roosevelt spoke these words over 50 years ago. Just imagine what he would say today when told that nearly one out of every seven children in the United States is raised by the AFDC program and that the Federal Government spent \$324 billion on 78 different welfare programs last year alone.

Almost 30 years ago, President Johnson launched the war on poverty. At that time, he told us that the war would be a short-term investment that will return its cost to society many fold. Well, since 1965, Americans have spent over \$5 trillion on welfare programs; \$5 trillion is a huge amount of money, more than the United States spent battling World War II. But at least America won that war. In this war, the war on poverty, we have been soundly defeated.

But Lyndon Johnson is not the only American president who promised victory. In the early 1970's, Richard Nixon pledged to end welfare. In 1988, President Reagan and his allies, including Senator Daniel Moynihan, claimed the Family Support Act would replace welfare with a child support system and only a few mothers working for their benefits would receive AFDC payments. And as late as 1993, President Clinton vowed to end welfare as we know

it. However, his solution was to give welfare recipients a job on the Federal payroll.

It is obvious the Federal Government simply does not have the solutions to this vast and constantly evolving problem. It is time we allow those closest to the challenge to develop the solutions. It is time to give the States an opportunity to solve the problems of America's poor.

Today, the American poverty rate is higher than it was when the war on poverty began. Large segments of our society are virtually crippled, dependent on Federal dollars for life's most basic needs, including food and shelter. It is here where the Federal budget can be significantly reduced, while simultaneously helping to solve the problems of poverty in America.

In regard to welfare reform, the Federal Government's policy should follow the old adage that government which governs best governs least. Following this theme, all Federal welfare programs should be abolished. The immense Federal bureaucracy that administers these programs, such as the Departments of Housing and Urban Development, Health and Human Services, and the others, should be eliminated, returning the money spent on these welfare programs to the States. This move would save the Federal Government billions of dollars every year in administrative costs alone. The States would then be able to return to their traditional Jeffersonian roles as laboratories of democracies, each working independently to develop unique solutions to solve society's problems in a manner that is both effective for the recipients of public aid and efficient for the taxpayers who must pay the bill for these programs.

Thank you.

Chairman KASICH. Thank you. Thank you for your testimony. Questions for Jeff. Mr. Inglis.

Mr. INGLIS. If I might just briefly ask Jeff if he would agree with this—that one of the real tragedies of the welfare system that we have got is not just the financial costs, which you documented here, to the taxpayer, but would you agree that it is the human cost to the people on the system that it is failing? In other words, it is literally failing those people.

Mr. GOSSETT. Yes, sir, absolutely. Like I said, back in 1965, when the majority of these programs kicked in, the poverty rate was a good bit lower than it is today, I think about half or a little more than that percent—the poverty rate is higher today than it was then. So that it is clearly not only the financial cost, but the human cost as well.

Chairman KASICH. Let me ask you a question, Jeff. You know, the big deal now is that we are going to give welfare back to the States, and I think that is the direction we are going to head, and let the States set their own rules. I noticed on the front page of the paper—I do not know if they carried it here—big changes in Massachusetts in the welfare program, the Governor and the legislature working to make major changes. What do you think about the idea of being able to shift welfare, rather than just to the States, right to the communities where we live, where each and every one of us would administer in our neighborhoods, a community run organization, maybe not government funded, I am not sure, but

would you not think that would be the best place to run a welfare program, a housing program? Not with the Governor, but right there where we live, where we have got some responsibility. What would your sense be about that?

Mr. GOSSETT. I would totally agree with you. But I guess we need to start one layer at a time. We are at the Federal Government right now, I think if we can cut it back and get the money out of the Federal hands, at least to the States and let the States funnel it to the local communities and let them handle, at least develop the solutions there and work out the funding.

Chairman KASICH. I appreciate that. Thank you, Jeff.

Mr. GOSSETT. Thank you.

Chairman KASICH. Other questions? [No response.]

Betty Fogg from—is it Chafin?

Ms. FAGG. Everybody wants to change my last name, so Rush Limbaugh, if you are watching, it is F-a-g-g. [Laughter.]

Sorry. I had to throw that in.

My husband and I own and operate a small business. It is an electronic service business and like small businesses all across this country, we struggle each and every year with the possibility of going out of business—increased taxation, costly government regulations affect us greatly. And I just wanted to say that to lead up into what I am leading to.

The Federal Department of Education illustrates what has gone wrong over the last few decades in Washington. This bureaucracy has become intrusive, expensive, and a bully. The on-site knowledge of parents and teachers has been taken over with controls from far distant bureaucrats. Education in America is the constitutional responsibility of the States, the social responsibility of our communities and the virtuous responsibility of our families. The Federal Government should never hinder the capacity of taxpayers, families, teachers, communities, and States to decide how best to provide education for our children, and should absolutely never substitute its judgment for theirs.

One suggestion I would make is to take every single activity currently housed in the Department of Education, and abolish it. On what grounds? On grounds that the Federal Government, the taxpayers, can no longer afford to spend money on programs that have outlived their effectiveness. The Education Department currently manages about 250 separate programs, about 50 of these have outlived any commonsense approach and such programs should be defunded and the savings be applied to reducing the Federal budget. William Bennett and Lamar Alexander, both former heads of the Department of Education, estimate these figures to be at \$2 billion to \$3 billion annually. Savings also could result from eliminating most of the cost of the Education Department management, which is about \$444 million, and the National Education Standards & Improvement Council.

Today's Department of Education falls short on two counts. It has come to contain harmful practices, bad ideas, extremely costly to operate, and the paid lobbyists. The paid lobbyists, I think is what upsets me the most on the bureaucracy part of it, because it seems that they care more about the well-being of education's producers than the consumers. It operates from the deeply false belief

that American parents, teachers, and taxpayers are too stupid to raise their own children, run their own schools, and make their own decisions.

I am not suggesting that we reduce the attention that this country gives to education, simply that it needs a complete overhaul. Our focus should be on the students in the classroom, and not on administrative bureaucracy. True leadership energizes people and communities to change, not shackling them with mandates and regulations that fall directly on the backs of personal property owners. We do not need to be straddled with Federal programs, a giant bureaucracy, and a Federal department for education.

Bureaucracy defends the status quo long past the time when the quo has lost its status. That best sums up the reason I feel the Federal Department of Education should be abolished and gives one avenue that could be used to reduce the Federal budget.

In closing, I wish to leave this committee with one request. Please have the courage to bring this country back to the greatness it once was before this clock stops ticking. Thank you.

Chairman KASICH. Thank you, ma'am. Questions for the witness? [No response.]

I have got a question for you. How would you feel about eliminating the Small Business Administration?

Ms. FAGG. I am for it.

[Laughter.]

Chairman KASICH. OK. I guess she told me, did she not? OK, ma'am, thank you very much for that testimony and the preparation you obviously put into it.

Ms. FAGG. You are welcome.

Chairman KASICH. J.J. Mahoney, and then we will go to Robert Thomas and then we are coming out to all of you. J.J. from Columbia.

Mr. MAHONEY. No, sir, Mt. Pleasant, SC.

Chairman KASICH. OK.

Mr. MAHONEY. M-a-h-o-n-e-y. Thank you, sir, for being here.

At first, I had in my files about 100 different ways of reducing spending and budgeting. I decided not to give you my first best two, I am taking a little different position on how to help than that.

It is based on a certain shock I got. I go back to the Hoover Commission days. And to tell you how long ago that was, I was a young lion with my own business trying to get something going there and Jack Kennedy was a freshman Senator. So I am hard to discourage, Congressman, I am still here trying to do it. But my discouragement flowed out of two problems—just two examples of problems you all seem to have. Here is one—in the current issue of National Review, it talks about blood-sucking funding of the left by agencies that are hard to track out, it can hardly be done. If it was the right, it would still be bad. It is not the left that is bad, it is just that that is a bad thing for agencies to be funding. And it is going to seem to me very hard to track out.

Another one hard to track out I see are these research grants, just by the hundreds. And I have seen some of what that so-called research is, and it is mind boggling, arcane and would offend most people in this room that money was being spent that way.

Then you get to tuition for students, which in itself may be good to educate students—I am not going to take a position on that this afternoon—but you do not track out that tuition and how it funds matching funds for all these exotic research things. So I took that as you all have got some really severe problems. There are only this many Congressmen, this many staff—I do not see how you can get into all that.

So I came up with something that might be useful. It was this, you are the green eyeshades, jeweler's eye, Sherlocks in every argument, and your opponents are compassionate, emotional defenders of great things. I do not see how you can ever win that argument in the public debate, so I came up with two things that are not original with me, that might be useful.

I think Senator Gramm's Dickie Flack story is worth being a test. Are you going to take money from hard-working Dickie Flack from this little print shop to fund whatever it is? If you can look him in the eye and do that, then I would think that would be—something would give you cover.

Another one, Senator Dole's referring to the 10th amendment. It seems to me if you can take the high ground, the imaginary line of the 10th amendment, and the Dickie Flack criteria, you might just pull it off.

Recommendation? Go back to the Grace Commission or Grace Commission II or call it something else, delve into it, but this time you have got a Congress that will actually do those things. Second, have a continuing Grace Commission, a continuing audit of these things, because you all do not have enough numbers to keep up with the cleverness of your enemies. They work at it 100 percent of the time. They have self-interest rightly understood. You are the hangman's noose that focuses their mind. So you need something continuing.

And you are taking all these good things down that these people tell you, but you need a continuing body to keep up with this array. You could man it with great executives like the Grace Commission was manned.

And then I have one little vignette that I would like to share, Congressman Kasich. And it is this—I was with a bureaucrat, he did a great piece of work for me, you would have thought he worked for the Ritz-Carlton or Federal Express, he was so good. At the end of this interaction with him, I said, "Gee, your agency must really be proud of you and thank you for the way you treat customers like me." He says, "Sir, my bosses never tell me I do a good job, they never thank me." That was a dagger to my heart. Why cannot that bureaucrat be privatized, have the dignity of working in the private sector and get commended by his bosses, promoted, monetary rewards, all the dignity that goes with a job in the private sector. There is no reason for his bureau to be not privatized.

Thank you.

Chairman KASICH. Thank you, sir. The way you describe us as the hangman's noose and everything else, we may not have many members on this committee in the near future.

Any questions for the gentleman? [No response.]

Thank you very much for testifying.

Let me get a show of hands in here. As you know, the Republicans have a contract that gives a middle income tax cut to families. The President has the same kind of a proposal. How many people here would like the tax cut before we balance the budget? And then I am going to ask how many think we ought to balance the budget before we give out a tax cut. Let us go to the first one, how many feel as though we ought to have the tax cut first before we balance the budget, raise your hands. [Show of hands.]

And how many here believe we ought to balance the budget before we give out a tax cut. [Show of hands.]

Let the record show that—what was the question?

SPEAKER FROM THE AUDIENCE. How about no tax cut?

Chairman KASICH. How about no tax cut at all, how many—OK thank you, thank you.

We are going to do some shows of hands, if any members of the panel have any questions like that. Let me ask one other. How many of you feel we ought to have a balance budget amendment, raise your hands. [Show of hands.]

How many are opposed to the balanced budget amendment. [Show of hands.]

Thank you.

OK, we will go to our next witness here, Robert Thomas from Columbia.

MR. THOMAS. I am a lawyer, I am here in my civilian clothes. And Floyd Spence and I were in law school together. Floyd, it has been 40 years now.

Chairman KASICH. You can rule him out of order, Floyd, any time you want to.

MR. THOMAS. I have served as one of the directors at the South Carolina Bar Foundation and as its president. The South Carolina Bar Foundation is a nonprofit corporation that is funded by private donations and by interest on lawyers' trust accounts. And the revenue is used primarily to help provide legal services for poor people and other law-related public services.

In the 1980's, some young lawyers had prepared some films called "The Ways of the Law", and on this particular occasion, they came to the South Carolina Bar Foundation board of directors and asked us if we would sponsor an application for a grant, \$98,000. And they wanted this money so that they could show these videotapes in the public schools as part of the civics program. I had two reactions to that, that were both negative. First of all, I thought well, you know, why are we teaching things like that in the public schools instead of mathematics and science and that sort of thing. And of course, the response was well, what is shown in the school is up to the school teachers and principals, which I thought was a valid point. But my second reaction was that from indications, the Federal Government was broke. How could they send money down here for something like this, because they were borrowing—the Federal Government was borrowing huge amounts of money every year because it did not have enough revenue. And I made the statement well, I would rather send the money back to Washington and let Washington keep the money. And so these young lawyers said well, you know, the money has already been appropriated. If we do not get it, somebody else will. And they said besides that,

it probably will not be granted. There will probably be about 300 applications and only 20 of them will be approved.

A majority of the board of directors voted to sponsor this grant and guess what—it was approved. The check for \$98,000 came in and it was disbursed to this group. But then the real kicker came about a year later. I got a letter from the Department of Education in which it said that the time has now come when we are accepting applications for grants, so if you want to make a grant you need to get it in by—and it gave a deadline. I took the letter and I threw it in the trashcan and I thought that was the end of it, but about a month later, I got another letter and they said, why have we not heard from you, you need to get this application in before the deadline runs by. Well, in my imagination, I could see whoever was running this program in the Department of Education going to you or—not you, but what is it, the Appropriations Committee, Ways and Means Committee—and saying we need more money. We have had over 300 applications and we had to turn down 280, so give us some more money.

And I just thought that that would make a point. Now I get tired of people saying well that is an insignificant amount of money, because they do add up.

Chairman KASICH. Thank you, sir, for your testimony. Any questions? Floyd, any embarrassing questions you want to ask the witness, now is your chance.

Mr. SPENCE. No, Mr. Chairman.

Chairman KASICH. OK. I want to thank you, sir.

We are going to come out now to the crowd for a little bit. Marion, you have the first comment. Try to keep these pretty succinct. Doug, you will be next. Marion, go ahead and give us one.

SPEAKER FROM THE AUDIENCE. First, let me commend the U.S. Congress for your ambitious plans to implement commonsense reform. As I see it, welfare reform is a critical part of the process. We need to stop the cycle of poverty that exists for many Americans. All of our children need a chance to succeed and live the American dream.

The first cuts we need to address are those articles of legislation that stifle our economy, reduce America's tax base and decrease smart research and informative based productivity.

Statistics prove that financial aid for students to attend college allows for greater cuts of areas of our budget by stimulating the economy, expanding the tax base and increasing productivity. Wage earners with incomes approaching \$50,000 a year, the median for college-educated men, are far more likely to be paying the highest marginal tax rates than wage earners with incomes below \$30,000 or \$20,000, which is the median for male high school graduates and dropouts.

A second cut should be the Federal Government's deposits into a growing public purse. Unemployment compensation and health care liability could be decreased by reallocation in other areas. Because they earn more and usually have more greater financial resources and are unemployed less frequently, college graduates make fewer demands on the public purse for needs such as unemployment compensation and health care.

Chairman KASICH. OK, sir, I am going to have to stop you and what I would ask—I am going to call out these names, and the names I call are people that will be in the next panel. If you would come up to the front if your name is called, for purposes of testifying once we finish the 1-minute. I am going to just call the last name and you come up and sit. Mize, Camford, Forbes, Hilberg, Caldwell, Cooley, Guild, and Kinard. OK, those names were called, you come on up to the front row.

I would ask you in this 1 minute to just give us a splash here, just give us a flash of what you think, not a big speech. Doug, go ahead.

Mr. BEASLEY. OK, my name is Paul Beasley and I think we can cut welfare dependence, cut our individual tax obligations, by supporting education for everybody. We are all in this together, we are not individual islands. Your individual well-being may mean nothing if you have others who are living in despair. Thomas Jefferson put it best when he said that education was the best safeguard to a sound democracy. And I think it is incumbent upon all of us to realize that we are our brother's keepers. Those societies that we envy, whether they be the Japanese or the Germans, have a mutual agreed upon dependence on each other and they support each other.

Now I specifically represent Trio programs, those programs have been very good at promoting educational opportunity and I would hope that we all realize the value of education, financial aid programs that allow educational opportunity, access to higher education.

Thank you.

Chairman KASICH. Thank you, sir. Marion.

[Applause.]

SPEAKER FROM THE AUDIENCE. I am here to encourage the Budget Committee to consider every other alternative before decreasing funding to public television.

When my husband and I decided to start a family almost 8 years ago, we knew there were some things we needed to shield our children from—things like violence, racism, sexism, and other forms of hatred. Educational television has helped us do this more successfully than anything. Thanks to people like Fred Rogers, Lamar Burton, and Big Bird, my 6- and 7-year-olds have a respect for other cultures and their traditions, an awareness of the arts and a sense of self-confidence in the very special places that they have on this Earth. Educational television has helped to make their small town lives very large, and the world they live in a much smaller place. And in the process of learning to love creatures who were not necessarily so lovable, they have also learned a few things too, they are a little bit smarter. When both of my daughters took their first grade readiness test, for example, they scored 111 points out of a possible 117. I can probably count on my hands the number of times my daughters have watched network television. However, one of their favorite things to do is to curl up in front of the TV and veg. As long as what they are learning is where in the world Carmen Santiago is or discovering how sound works on the magic school bus with Ms. Freo, they can veg all they like.

I am confident that the world is a better place because my two kids are in it, and I have the Corporation for Public Broadcasting to thank for this in part. Please consider the grave consequences that would result if American children were deprived of the opportunity my kids have had to grow and learn through educational TV.

Now my daughter would like to say something briefly.

BONNIE. My name is Bonnie and I am 6 years old. I am in the first grade at Chafin Elementary School. PBS is important to kids because they can learn from it.

I grew up watching Barney, Mr. Rogers, Reading Rainbow, and Sesame Street. These programs helped me to start getting my mind into books and to get my mind—now I love to read. Please do not take away PBS so other kids can learn as much as I have, and so I can keep on learning too.

Thank you.

[Applause.]

Chairman KASICH. Thank you. Doug.

Mr. WIGGINS. Yes. My name is Allen Wiggins, I would like to thank you for having this forum here today.

Awhile ago, Congressman, you asked for a show of hands of who would not like an increase, whatever, and just put it toward the budget. Sir, when you all raised taxes, you all did not come out here and ask us who wanted to raise taxes.

Chairman KASICH. There you go.

Mr. WIGGINS. So it is not your money.

Chairman KASICH. Let me ask that question real quick. How many feel as though when we balance the budget, we should do it without taxes, raise your hands if you feel we should do it without taxes. [Show of hands.]

OK, and how many feel as though there ought to be taxes in order to balance the budget. [Show of hands.]

There is a lot undecided. OK, Doug, do you have one there?

Mr. CRAIG. Hello. My name is Michael Craig. I am a small business owner, I run a small manufacturing company, about 25 employees.

I would like to point out that 15 percent of my employee's paycheck goes into the Social Security fund. I know this is the most taboo subject in the budget and that is why I want to talk about it, because it is also the biggest. My younger employees are well aware that they will never see one nickel from the money that is withheld from their paychecks and from the money that I as an employer put in to match it. I am not in any way advocating taking benefits away from those who have paid into the Social Security fund. However, those benefits cannot be limitless and unending. I think the Social Security fund should be set up like any other annuity so that those who pay in get a fair return on their investment. But just paying out and out and out and out and stealing from future generations to support the current retirees must end.

Thank you.

Chairman KASICH. Thank you, sir. [Applause.]

Marion.

Ms. BATCHLEY. Thank you for this opportunity. My name is Ann Batchley, I am the Director of the Low Country Crisis Pregnancy

Center and we serve, as a nonprofit private ministry, about 200 women a month. We are part of a nationwide network of crisis pregnancy centers that serve. We have about 400 crisis pregnancy centers nationwide.

And I feel very much that your committee needs to hear from people like me who are serving probably one of the highest risk populations that are consuming many of our tax dollars that are designated entitlements, because I feel that we know this population probably as well as anyone in America.

I would like to tell you a little story of one of the girls I talked to in the past couple of days named Stacy. From the time Stacy was 4 years old, her dad would strap her to the bed and have intercourse with her. Her mom left her and her dad. Stacy, of course, became promiscuous and one of her pregnancies, in the seventh month, her boyfriend beat her so badly that the child died in her arms 2 days after birth. Stacy does not need an educational opportunity, Stacy needs love and encouragement and an extended family, she has no family. And when we talk about the programs, I am very much a conservative. I really do not want to financially reward people for irresponsible behavior. I am also very much a Christian and I do not want to see girls like Stacy on the streets with their children.

And so, in this transition period between government dependency and moving toward the private sector, I would like to suggest, instead of welfare reform, government replacement in which we would think of ways in which we could enable ministries such as ours that have the spiritual freedom to give the character-building and value-building strengths to people like Stacy that they need in order to take advantage of programs. Government does not have that freedom, there are too many restrictions, and rightfully so. We do not want government imposing religion.

And so I would suggest tax credits during this transition period where our government would encourage our private citizens to write a check to ministries such as ours so that we can do what we do best and that is encouraging people.

Chairman KASICH. Ma'am, thank you, very compelling obviously. And I would just ask everybody to try to keep it as short as you can so we can keep moving.

Doug, go forward.

Ma'am, the lady that just spoke, before you leave here today, I think Sue Myrick would like to at least get your phone number, she may want to talk to you.

Go ahead, Doug.

Mr. WILLIAMS. Mr. Chairman, my name is Fred Williams from Florence, SC.

And I am supporting a cut in the military and a cut on foreign aid. I think it is sad that America has to build a big armor around America when everything inside is rotting. It just seems to me that we ought to invest in ourselves, our people, our children, and get away from cutting the type of programs that have made America great. The people that you are trying to pull the rug out from under are the ones that have given America protection, given their lives in wars and everything. And at this time, I hope that you will

be more compassionate in maintaining and securing programs that will help people.

Chairman KASICH. Thank you, sir.

Marion.

Dr. ALDER. Good afternoon. I am Dr. Rolif Alder, and what concerns me in all the proposals to eliminate departments and eliminate programs is that you would end up with a lot of unemployed people so that we will shift the spending to another area.

And I think the solution—and I do not know why it has stopped—is the shortening of the work week. But it need not be done on a simplistic basis, maybe on a basis like shorter work weeks at the beginning of the employment life where the new employee would spend less time working and more time training, going to maybe the full-blown 40 hours or maybe 35 hours, in the middle of life, and then later tapering again into a shorter work week which will make it possible to delay the retirement age without eliminating jobs or simply shifting spending from Federal programs to unemployment compensation.

Chairman KASICH. Thank you. Doug.

Mr. KING. My name is Graham King, Mr. Chairman.

I am a member of the Reserve Marine Force and what I have witnessed and what is of special concern to me is that I have seen Americans pay for peacekeeping missions abroad for United Nations, and we here in this country have our forces spread so thin—Congressman Floyd Spence has spoken about this—we have units that do not have enough money to train, do not have enough money for ammunition and we are funding U.N. peacekeeping missions all across the globe. I think it is wrong, I think it is wrong to compel American taxpayers to pay for these missions, to building a U.N. empire, whatever they are doing, and I think it is wrong to compel American fighting men and women to fight for the United Nations instead of fighting for the United States, which they swore their oath to protect and defend. [Applause.]

Chairman KASICH. Marion.

Mr. BUNCH. Thank you, Mr. Chairman, my name is Ed Bunch, I am from Cheraw, SC.

I would like to suggest that you and your committee look into eliminating the printing of the dollar bill as we know it and go to a coin, a dollar coin instead. Documentation that we have on this points out that we could save up to \$800 million a year on just printing costs alone, and the dollar coin certainly has worked in many other nations—Canada is one and there are numerous other nations in Europe that it has worked so well. Thank you.

Chairman KASICH. Thank you. Doug. We will do a couple more here and then we will go back to the panel. Yes, sir.

Mr. LOLLI. Mr. Kasich, my name is Joe Lolli, I am from Edisto Island, SC.

I have a proposal that—everybody always focuses on the amount of the deficit, which is roughly \$4.8 trillion. What I would like to look at is the other side of the ledger, which is the national assets. According to Louis Rukeyser on Wall Street Week, the U.S. Government owns \$27 trillion worth of assets. What I propose simply if you want to balance the budget is have a yard sale. [Laughter.]

If you can simply take 20 percent of the national assets, sell it— if we all remember from old Ross Perot's pie charts on TV, there is not enough cash in M-1 to have a \$5 trillion sale. You could take the \$5 trillion sale, sell it with 10 percent down and finance the balance with seller, in this case the government financing the balance. Take those mortgages that you would create and swap those mortgages with all of the outstanding Treasury bonds and Treasury instruments that are already held by investors in America. Now you have simply taken the buyer of those assets making their payments directly to the mortgage recipient, or the former Treasury bond holder.

What you have just done is you have moved \$5 trillion debt into the private sector and you have just saved \$300 billion in interest payments without cutting a penny.

Chairman KASICH. You get us a paper on that, OK.

Mr. LOLLI. Right here.

[The information referred to follows:]

HOUSE BUDGET COMMITTEE
The Honorable Representative John Kasich, Chairman

BALANCE BUDGET PROPOSAL

\$100 BILLION SURPLUS IN THREE YEARS!

(No Smoke. No Mirrors.)

Public Hearings
On Balanced Budget Proposals
Columbia, South Carolina
February 4, 1995

The Balanced Budget question demands an answer that looks at the complete budget structure and not simply spending-cut disciplines. *We need to re-engineer the current standard operating procedure of increasing Federal obligations through automatic increases.* Our Governments self-perpetuating obligations-- called entitlements-- have been increasing automatically through the Cost of Living Adjustment (COLAs) mechanism.

I propose re-indexing the COLA to a percentage of the growth of GDP. I do not proposed to index it directly to GDP, but as a percentage of GDP. In this way, the growth of the economy and tax revenues would always be greater than the rate of growth in entitlement obligations. However, this would only allow us to maintain our nation's financial integrity, but we must first get our financial house in order. In order to realize a \$100 billion surplus in three years and revolutionize this country's economic strength, please implement the following proposal.

THE LEDGER

Most everyone knows that the national debt is between four and five trillion dollars, but the question less often asked regards the other side of the ledger-- i.e. "What are the assets of our nation?" One who was asked this question, Louis Rukeyser of Wall Street Week on PBS, said the entire holdings of the United States Government is approximately \$27 trillion. This figure includes all of its tangible assets-- such as its real estate holdings, its military ships, its airplanes, vehicles-- and its intangible assets such as the US Postal System, the aforementioned PBS, AMTRAK and other such nationalized services.

This tremendous figure of \$27 trillion can be more easily understood when one considers that our federal government owns more than ONE THIRD of ALL of the real estate in our country. For example, over 40% of the land area in Idaho, over 60% of the land area of Colorado and over 82% of the land area of Nevada belong to the federal government.

When we consider that our accrued National Debt is at \$4.8 trillion dollars (currently increasing at \$1 billion per day) and our national asset is at \$27 trillion-- the solution *I propose is that the Federal Government engage in an old-fashion yard sale.* Lets have Congress pick 20% of all of the assets the government owns and sell them.

We all remember seeing Ross Perot's pie charts. From those charts we know there is not enough cash in the M-1 to fund a sale of \$5 trillion worth of assets. But by having the Government; 1) spread the sale of assets over a three-year period; 2) take a small (perhaps 10%) down payment; and 3) finance the balance of each sale, the M-1 would remain stable.

The Resolution Trust Corporation (RTC), over the past few years has successfully sold tens of billions of dollars worth of S&L related assets including real property, mortgage portfolios, and businesses. The RTC is fully qualified to do it again-- only this time with Government assets.

By having RTC sell \$5 trillion worth of Government-owned assets to the private sector, the Fed would raise \$500 billion in cash and would raise an additional \$4.5 trillion in marketable mortgage paper.

KEY TO THE PROPOSAL

As the assets are liquidated, the Government converts tangible assets into mortgage securities. These marketable mortgage securities would then be traded to holders of Treasury Bonds and Notes. The typical treasury-bond holder, being a conservative investor desiring a guaranteed secure investment, could be assured by having the Fed underwrite the mortgage being traded in the same way the Fed has underwritten GNMA, FNMA, and VA mortgages for the last 40 years. The purchaser of a formerly Government-owned asset would make their mortgage payments directly to a servicing bank that would act as agent of the former treasury-bond holder

Therefore, the RTC sells off the assets creating mortgage securities; the mortgages are traded for bond obligations; and taxable assets are moved into the private sector.

BENEFITS

It is possible that in three years the RTC could liquidate the required 20% of tangible assets held by the Fed, which in turn would move the \$4.8 trillion of National Debt totally into the private sector. The benefits of this transfer of assets would be astounding!

1) We would have immediately balanced the Federal Budget. How? In real terms, the interest payments on the existing debt is approximately \$280 billion. With the national debt moved into the private sector, interest payments would no longer be part of the federal budget. Considering our deficit is approximately \$180 billion, the interest savings would allow a \$100 BILLION SURPLUS.

2) \$5 trillion dollars worth of taxable assets would now be on state and local tax rolls, providing over \$50 billion dollars in new tax revenues from these formerly Government owned assets. The cash flow & credit ratings of state and local governments would be significantly strengthened.

3) When the Government is no longer competing for and consuming over 35% of the worlds available investment capital, the resulting glut of investment money would drive the cost of borrowing capital to record lows worldwide. Long-bond rates would plummet as investment capital would search for quality investments. Mortgage interest would be in low, single-digit rates-- thus home ownership would become affordable for those who never thought they could afford to buy a home. Housing starts would increase, jobs would be created and immigrant workers would be welcome as the unemployment rate would possibly drop below 3%.

4) Each subsequent transfer of these mortgage securities would produce commissions for brokers, profits for investors, and tax revenues for government. Under government ownership, these assets produce nothing and cost American taxpayers upwards of \$300 billion in interest payments each year. Under this proposal, those same assets would produce jobs, lower interest rates, and create wealth for our nation.

5) The tangible benefits of low market-driven interest rates, governed by the economic laws of supply and demand, would produce real wealth. Currently, interest rates are artificially controlled and subject

to manipulation and control, based on the mandates of the Federal Reserve Board and its views of the balance between public and private sector economic stability. If Government assets were transferred into the private sector, surplus moneys would be realized by the Government. This would be an ideal time to abolish the Federal Reserve Board and put additional teeth in the Balanced Budget Amendment by tying the M-I to a gold standard. If the Fed is limited in printing money to a finite index, Mr. Greenspan's fears of renewed inflation should be quelled. As an example, the Hong Kong economy grows between eight and twelve percent a year with virtually no inflation. So can ours.

SOCIAL SECURITY

Our existing Social Security system has occasionally been referred to as a sleeping giant that will someday wake up and destroy us. The Speaker of the House has said that changes to Social Security are to be left off the table for this year. But, with a \$100 billion-per-year surplus in federal revenues, the Government would have the opportunity to placate those who fear losing their Social Security benefits and-- at the same time-- solve future entitlement problems from this sleeping giant. The Fed could adopt a phase-in period of a parallel and partially privatized Social Security system for people under 45 years of age. These young folks could have ownership of the funds, in their own social security accounts. They could have the right to direct those funds in privately managed pension funds and they could do so over a minimum of a twenty-year vesting period before their 65th birthday. This is similar to the retirement system the citizens of Chile now enjoy.

Since young people would be paying into their own accounts, the \$100 billion-per-year surplus could fund the Feds existing and near future S.S. obligations. These would be the obligations to both existing and future Social Security participants that are in the 45 to 65 age group claiming a vested interest in the old system. This group will diminish in number over the years simply due to attrition. In forty to fifty years all Social Security participants would be receiving income from their own individual accounts and would no longer be a drain on taxpayers. Numerous countries have adopted this blended public-private Social Security System, which was designed by Dr. Milton Freedman. Chilean workers are now retiring to wealth beyond their dreams after a minimum of 20 years of investing their own retirement accounts, while Americans continue to demand to retire on taxes that their children will have to pay.

By the time the last "old system" Social Security beneficiary passes away, the private sector social security pension funds should control over \$50 trillion dollars in private sector assets. In Chile after just 22 years, the

retirement pension funds control more than 40% of their country's GDP. This is money that fuels investment in job creation, housing, capital expansion, and economic growth for their visionary nation.

The real costs of not liquidating our national debt is the high price we all pay to support an economy where more than one third of all investment capital has been removed from the marketplace by a non-productive Ponzi scheme that offers low risks and high yields. This is a treasury system that gambles on the next lender being fool enough to fund the debt satisfaction of the previous lender-- while we, the taxpayers, pay the ever-mounting interest. We have allowed our government to perpetuate the taxing and redistributing of our wealth via a system that promotes need versus self-worth; that rewards mediocrity and demonizes success.

The real cost of not privatizing our Social Security retirement system is that the money will be taxed and taken away from our children and simply flushed through another Ponzi economic scheme-- *resulting in no residual benefits to anyone*. It will perpetuate a system of high administration costs and meager subsistence to an increasing number of beneficiaries. It is an undeniable fact that we are running out of the required number of workers to support each of our future retirees. Even Charles Ponzi himself would recognize that our current system cannot last much longer.

CONCLUSION SUMMARY

- a. Have the RTC sell 20% of the Governments assets, raising approximately \$5 trillion dollars in marketable mortgage securities.
- b. Trade the mortgage securities, underwritten by the Federal Government, to treasury obligation holders in an asset for asset trade.
- c. Index all entitlement COLAs to a percentage of GDP and not to cost of living.
- d. Create a parallel and privatized Social Security system for those under age 45, where citizens have ownership of their Social Security account and have choices in its investment. Budget surpluses would fund the seniors and the over 45-ers for their existing Social Security obligations.

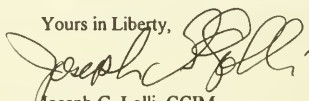
- e. Adopt Dick Armeys Tax Fairness flat tax plan and gradually reduce the 17% tax rate as the number of Social Security recipients receiving the above Social Security obligations diminish.
- f. Eventually, add an addendum to the Balanced Budget Amendment, that places a financial spending cap on the Federal Government to a limit of 10% of Gross Domestic Product. From a Constitutional perspective, there is no justification in the world for government being any larger than 10% of GDP. (similar to last year's proposed HR61-The Kyle Substitute)

* * * *

Thank you for allowing me the opportunity to express these proposals. The proposed changes in the operations of our government would result in not just a balanced budget, but in creating the highest living standard in the greatest nation on earth.

For additional information, reference data, economic projections, etc., please feel free to contact me.

Yours in Liberty,



Joseph G. Lolli, CCIM
7867 Russell Creek Drive
Edisto Island, SC 29438

Chairman KASICH. Marion.

Ms. KING. Thank you. I am Joan King, I came down from rural north Georgia.

No doubt that welfare needs to be reformed, but the poor and children are small potatoes compared to corporate welfare. The amount of money that is going into corporations—we give away our land, our grazing fees, and a number of things. I happen to have followed the nuclear issue and I know about the amount of money that has gone to nuclear, somewhere over 60 percent of the money for new energy has gone into nuclear, less than 10 percent of that has gone into renewables and even less into efficiency. And efficiency has proven much more effective. We always want more and more of everything instead of learning how to do more with what we have got.

Thank you very much.

Chairman KASICH. We are going to have one more here and then we are going to the panel. Doug, before you do it, let me go through the names one more time—Mize, Guild, Cooley, Caldwell, Hilbert, Forbes and I think it is Camford.

OK. Yes, Doug.

Ms. VINCENT. I am Nancy Vincent from Charleston, SC. I am concerned about programs which are out of control, detrimental to the environment, and fiscally not responsible, like the Federal Flood Insurance Program, road building and the Farmers Home Administration program.

The Farmers Home Administration funding for rural sewer lines, which results in housing subdivisions and the destruction of farmland should be cut. We should and do have a national policy to support agriculture, but tax subsidies to the Farmers Home Administration result in the conversion of farmland to other uses and these other uses are money losers to local governments. Studies show that for subdivisions built in rural areas, every dollar in tax revenues costs \$1.25 in tax services; yet for every dollar in taxes farmers pay, it costs local governments only 25 to 50 cents in services. The rural pattern of development that FHA promotes costs local governments more than it takes in revenues.

I recognize that politically, eliminating subsidies is very difficult. I believe the key to properly managing this budget crisis is to establish planning requirements and to look deeply at the policies that our revenues promote.

Chairman KASICH. Thank you, ma'am. OK, we are going to hear from Ms. Mize. Where is Ms. Mize? Ma'am, go ahead and take a seat. We will come back out in the crowd one more time before we wrap it up here.

Ms. MIZE. Thank you, Chairman. My name is Joyce Mize, Mize, I am from Lexington.

I have worked in the welfare programs for 20 years, three different States.

Chairman KASICH. Will you hold on one second? Let us get everybody kind of settled in so we can hear the witness. OK. Proceed, ma'am.

Ms. MIZE. I have worked in the welfare programs for 20 years, three different states—North Carolina, South Carolina, and Georgia. I have determined eligibility for all the different programs—

AFDC, food stamps, Medicaid—you name it and I have done it. I also have been an investigator for welfare fraud because there is a lot of fraud and abuse in the programs.

One thing I would like to talk about today is the Medicaid program, I think a lot of changes could be made. In South Carolina, we have anywhere from 17 to 18 different types of Medicaid programs with different income limits and different resource limits. There are some that do not even have a resource limit, AQUE, for instance. That is a program for pregnant women and children. There is no resource limit, so they could have thousands of dollars in the bank and we as taxpayers would pay their bills.

There is a new program that has just come out in January of this year, that is the TEFETRA children's program. We do not look at the parents' income or resources, so they also could have thousands of dollars.

Nursing home Medicaid—a couple can have \$68,480 in resources, that is bank accounts, stocks, bonds, things like that, and still be eligible for Medicaid.

The SSI Medicaid program is totally out of control. SSI, people who are alcoholics, drug addicts—I have even seen people be put on SSI just because they are obese. With this program, they automatically get a Medicaid card. But you take a poor person who has worked very hard all their lives and they make one dollar over the ABD limit which is \$614—that person cannot get a Medicaid card. So they are being penalized for working.

So we need to go back to the old work ethic—if you do not work, you do not eat. [Applause.]

Because like with the AFDC clients, most of them get free rent, they get food stamps, they get an AFDC check, which is nothing but spending money. I work two jobs, I would like to have some spending money. They get Medicaid, free lunches for their children. So why should they work?

I mean, we need to work out the system where people are punished for not working and rewarded for working. Thank you very much.

[Applause.]

Chairman KASICH. How about some questions for the witness. We need to try to maintain a little order here. Ms. Myrick.

Ms. MYRICK. Would you be willing to give those to us in writing; you know, the different programs that you named and the different problems with eligibility and that type of thing, so we could actually look into all that?

Ms. MIZE. Yes, I would. And I only hit some of the highlights. Like for optional supplemental Medicaid in South Carolina, you can give away thousands of dollars of resources and there is no penalty. You can give it away today, next month you can be eligible for the OSS check and for a Medicaid card.

Ms. MYRICK. We appreciate you coming forward to explain all that.

Chairman KASICH. Mr. Inglis.

Mr. INGLIS. Ms. Mize, a newspaper publisher in Berkeley, Allen Norris, told me one time that he is on the voc-rehab board and he said that if we ran disability through voc-rehab, he figured it would be better. Do you have any comment about that? And basically

what he was saying is we set people up on disability as though we are assuming that we are parking them there for the rest of their lives, that they cannot be retrained to do something else or they cannot move on to something else. Do you have any comment about that?

Ms. MIZE. In South Carolina, we run them through voc-rehab to qualify. But yes, after they get on, they stay forever and ever. I think every so many years, they need to be relooked at, reexamined, because some people—you know, even though you have a heart attack, a lot of times you do get well.

Mr. INGLIS. His idea was to basically have voc-rehab work with that person intensively and sort of push them toward some other occupation. If they are disabled, for example, from being a backhoe operator, they can do something else, rather than parking them on disability and leaving them there forever. Is that the kind of thing that you see as productive, that we could do?

Ms. MIZE. Yes, I do.

Chairman KASICH. Ma'am, let me see if I understand your background. You have worked for how many years in helping the poor obtain benefits—how many years?

Ms. MIZE. For 20 years.

Chairman KASICH. And you have been in both Medicaid and welfare?

Ms. MIZE. All of it. I work for the Department of Social Services. We implement all of the welfare programs, which is AFDC, food stamps and we have general assistance, foster care and then all Medicaid programs. Right now, I work with nursing homes and boarding homes.

Chairman KASICH. Let me ask you—let us make you President for a day. OK? What would you do with these programs if you could reform both Medicaid and the welfare programs including food stamps? How would you have these programs run?

Ms. MIZE. The people who are able-bodied, they need to be working. And this excuse, oh there are no jobs out there—go create one for yourself, go rake someone's yard, you know, do something. When a person gets on AFDC, maybe they just got the rug pulled out from under them for a little while, you know. Do not stay on it forever and ever. Because I have seen generation after generation, all they do is just change category. They start out with AFDC, then when there are no children in the home, they go to SSI, then they go to a nursing home or to a boarding home—all they are doing is changing categories. We are doing from cradle to the grave.

Now the other day, I had someone to die in the nursing home. The family calls me and asks me what I am going to do—you know. We have paid for this person for years and years and now they want to know if I am going to bury them. And when I suggested they cremate them, then I am a cruel, cold person.

Chairman KASICH. What about food stamps, ma'am, what has your feeling been. You have seen that program grow obviously over your tenure. Tell us what you would do about the food stamp program.

Ms. MIZE. Well for low income, if they are working—you know, you can still get food stamps even though you are working, you

know, I do not mind helping out people who are working, but people who just stay home, they do not do anything but watch soap operas and keep having more children, there ought to be some kind of sanctions.

Chairman KASICH. Go ahead, Mr. Inglis.

Mr. INGLIS. You know, we have got to think very creatively if we are going to come up with the kind of—hit the targets that we need to hit. And the chairman of this Budget Committee can tell you, we have got to do some serious reshaping of the Federal Government in order to hit the targets. So let me ask you about the food stamps. A creative idea I have heard is to basically abolish food stamps and to have a commodity system in grocery stores where certain goods are available to the poor—no qualification. So that you eliminate all the redtape of qualification. They are sort of basic stocks, you know, oatmeal, which my wife and I subsisted on in law school as our only hope of meeting our budgetary crisis, but I mean, do you have any thoughts about that, moving—I mean this is really a wild thought, I admit—abolishing food stamps, moving to a commodity kind of system. Do you have any thoughts about that as somebody that has worked in that area.

Ms. MIZE. I do not know how you would come up with who could get it and who could not, because to me, there would still be abuse in that.

Mr. INGLIS. One of the ideas that has been circulated actually is basically say if you want it, you can get it. But there would be somewhat of a—you know, not everybody wants to eat oatmeal every day, so the idea would be that it would be somewhat of a stigma to go into the commodity bin and take out oatmeal if you drove in there with a nice car and had on nice clothes, it would be a little bit of a stigma. But the idea is just to allow it to have people there to get it if they need it. It is a very avant garde kind of idea, it is a very different idea than what we are doing now. But it eliminates all the qualification, it eliminates—if I may be so bold, it eliminates half of your department really because nobody has to qualify the person and the store is there just for people to get it out of those bins.

[Applause.]

Chairman KASICH. Ma'am, thank you very much for your testimony.

We will hear from Robert—is it Guild? From Columbia.

Mr. GUILD. Thank you, Mr. Chairman, members of the committee, Robert Guild is my name, I am from Columbia.

Mr. Chairman, I believe we are facing a crisis in this society and that crisis is reflected in the fact that the majority of our citizens simply are not benefiting from the growth that we have experienced in our economy. I think it is evident that as the adage says, the rich get richer, the poor get poorer, and I think that most of us are losing ground slowly but surely.

The data that I have seen from your Joint Committee on Taxation and the Office of Management and Budget and the U.S. Bureau of Census indicates that some 40 percent of the income growth that we appreciated in 1993 went to the top 5 percent of our population. We believe very strongly that this historic inequity in the distribution of income is the product of government spending

and taxation policies. I believe that the most significant step that the Congress could take to address these problems is to end corporate welfare. [Applause.]

To end subsidies for the wealthy and for large corporations. Some \$100 billion a year goes to direct and tax subsidies for the largest corporations in this country. That \$100 billion is over twice as much as the entire budget for the Aid to Families with Dependent Children, and food stamp program, which is only \$40 billion a year. [Applause.]

I urge you to consider some of these subsidies as obvious sources for cuts first on your list. Some of my friends and fellow citizens have mentioned a number of these things. Mr. Chairman, we must end the subsidy for mining companies' removal of precious metals from our public lands without any payment of royalties to the public of the United States that owns those properties. We must end below-cost timber sales, as the gentleman earlier addressed. We must end the irrational and unfair crop subsidy programs for large agribusiness. They benefit no small farmers, they benefit principally large corporations that now control our agricultural production system. And, Mr. Chairman, you yourself mentioned the below-cost grazing fees that are enjoyed by large ranchers on the public lands of our west. I would add into this the generous tax and operating subsidies that the oil and gas industry appreciates. And finally and last, but not least, the wasteful and unnecessary military expenditures. At the top of the list I would put the multibillion-dollar Lockheed fighter jet program that is going to be appreciated by Speaker Gingrich's primary corporate supporter in his district, the Lockheed Corporation.

In short, Mr. Chairman and members of the committee, I urge you when you consider balancing the Federal budget, to do so, not on the backs of the poor and working Americans, but to look first at reducing the enormous government subsidies for the wealthy and for large corporations. Thank you.

[Applause.]

Chairman KASICH. OK, thank you. I have been in three cities now and I have not had to use it once. If we keep applauding in here and disrupting the hearing, I am going to have to use it and I do not want to. So let us have respect for one another and as we cheer, we are burning up the clock.

Sir, I want to ask you a question, if you would go back up. I wanted to ask you, you targeted \$100 billion in subsidies for rich corporations. I wish that number was true, because then we could figure up—give me three of them, what you are talking about and what kind of dollar total.

Mr. GUILD. Well, I would be happy to get the details. I have notes that were the summary figures, but as I recall, approximately half of that \$100 billion in subsidies were direct cash subsidies, and they may include the things that some other people have spoken to. Those are things such as failure to charge any royalties for billions of dollars of precious metals that are mined on Federal lands. Those are the below-cost timber sales, where you can directly attribute what the subsidy is to a large timber company from essentially removing trees that we own, when we pay for the roads and for the expenses of administering those timber

sales. The gentleman expressed those very clearly. But as I understand it, Mr. Chairman, approximately half of those subsidies, the total is \$104 billion a year, approximately half of those represent direct cash subsidies through the programs that we speak of and about half of those subsidies represent what are in effect the same thing, and that is subsidies through the Tax Code, essentially things like oil depletion allowances for people who extract oil and gas. They are things that are special interest shifts in resources that otherwise have to come out of the taxes of working and poor Americans. So there are no less government expenditures just because they are included in the tax subsidy category.

Chairman KASICH. Yeah, I would like you to send me any of the backup information you have.

Mr. GUILD. I would be happy to do that, Mr. Chairman.

Chairman KASICH. I think it is important that we recognize that in order to do this balancing of the budget, no one—the only thing we have taken off the table is Social Security. We had some testimony a week ago about the export subsidies from the Federal Government to very large corporations, which troubles me a great deal. Frankly I do not know why we do it. But I would like to see the whole list.

But I do not want people to have the impression that we can get this done without having to deal with the middle income entitlement programs. That is the bulk of the biggest single largest piece of this Federal budget, it is why we have not been able to do it up to now. Now the poor will play a role, not from the standpoint of trying to pull out a safety net, but as Governor Beasley said, ways in which we can deliver services better and maybe changing some habits. But no one should feel as though there is going to be one segment of the population that is going to be targeted, because frankly if you did that, you would never get there. And my sense is that everything is—it is not my sense, it is my feeling that everything is on the table and we have got to think about better ways to do things. But I want people to know that it is not just if we do this and change this Tax Code, it is going to be there. It is going to be a difficult process, but I am very interested in any of the information you have, or supporting documents.

Mr. GUILD. Thank you, Mr. Chairman. I just would ask that you consider that let us not be opportunistic and scapegoat the poor when we talk about balancing the budget. They are very easy targets, they cannot well defend themselves, and I do not think there is anyone in this room who has not benefited directly and personally from a Federal program. I know I have, I got student loans when I was in college—

Chairman KASICH. I will bet you paid yours back though, did you not?

Mr. GUILD. I did pay mine back, but the fact of the matter is that were it not for what was a welfare program that I enjoyed when I needed it, I would not be able to be a contributing member of this community. And I think that is true for everyone in this room. So there, but for the grace of God go you and I. Let us not punish the least of us as a way of political expediency in reaching the desired goal of efficiency.

Chairman KASICH. Appreciate your testimony. Any other questions for the witness? [No response.]

Sir, thank you very much.

Mr. GUILD. Thank you.

Chairman KASICH. We will now go to Michael Cooley from NATCA.

Mr. COOLEY. Mr. Chairman and distinguished members of the panel, I appreciate the opportunity to come and speak before you. My name is Michael William Cooley, C-o-o-l-e-y. I am from Columbia and I am also a member of the National Air Traffic Controllers Association.

I would like to start off by saying that the FAA, Federal Aviation Administration, does need to change—we do need a change on here. However, some proposals that we offer—basically the FAA has stated that by the year 2010, accidents worldwide could increase to one jet transport hull loss every week. This figure is a projection for the 5-year period from 1989 to 1993, taking into consideration that there will be an expansion of the number of aircraft in the skies. From 1989 to 1993, the rate of hull loss accidents for large commercial aircraft averaged approximately one every 2½ weeks worldwide.

With the projected increase in worldwide traffic, it changes the way the FAA does business. Safety of the American flying public will be adversely affected. As an air traffic controller working the system, I would like to see some enhancements in the air traffic system. The technology I use has to be improved. Under the current FAA system, procurement problems abound and money for improvement has to be dragged out of the appropriations process every year. We are still using—as Secretary Pena had stated, we are still using tubes, vacuum tubes, in our backup radios that weigh 50 to 60 pounds that you can buy at Radio Shack for probably less than \$20. There are some controllers, female controllers, whatever, that are not able to lift these pieces of equipment that we need to be able to carry downstairs to ensure the safety of the public.

To increase the safety and update the system, reduce accidents, I would support taking the FAA out of the budget process, so we can get some new equipment, making the FAA wholly user funded. Making the system user funded would satisfy our Nation's need to reduce Federal spending. Taking the air traffic control personnel off the government's payroll would reduce the Federal payroll. I support these concepts.

What I do not support is turning the safety-sensitive system over to private enterprise. Private enterprise is rightfully focused on making money and paying dividends to stockholders. Private enterprise is constantly looking to increase productivity and decrease costs. Selling our Nation's air traffic control to private enterprise would force economic pressures on a system that should be focused on safety. That is our main concern, is safety in the skies, not money-making. And we believe that we can indeed improve the finances through a semi-quasi government corporation.

Even if the air traffic control system were nonprofit, the users who sit on the board of directors would put pressure on the system to exact efficiencies or separation standards which could lessen the

margin of error. Time in the air means dollars to the airlines. I am concerned about the decrease in safety that could result from increased pressure from such groups over the cost.

I believe you can achieve the savings to the taxpayer without affecting safety, by not turning the air traffic control system over to private enterprise. What are the alternatives? A government corporation which is wholly user funded, but that the government retains control over oversight and safety, our main concern.

I would also support the FAA as an independent agency, if the savings could be achieved and it could be user-funded. I want modern technology and a safe system. We would like computers that do not take 7 years to get.

I would—well, I appreciate—

Chairman KASICH. You will stop. There you go.

Mr. COOLEY. I will stop right there. Thank you.

Chairman KASICH. OK, thank you. I think we got your message. Sir, are you aware that we now have vacuum tubes in many of the air traffic control operations in this country?

Mr. COOLEY. Yes, sir, I am.

Chairman KASICH. Vacuum tubes that we now buy from, you know where?

Mr. COOLEY. Well, from what I understand, we also have to make some of them sometimes.

Chairman KASICH. Yeah. Is that because we have a government run system that has not been able to procure the most advanced equipment in the country?

Mr. COOLEY. Yes, sir, that is. We have to go through a—well, like any agency of the government, a procurement system which takes years and years. And with technology improving, such as computers—our newest computer system took 7 years from start to implementation.

Chairman KASICH. Well, what do you think would happen if we did not have you doing this, procuring this stuff out of the government, and you let the private sector procure it. Do you think we would get it quicker?

Mr. COOLEY. I think if we changed the procurement process, yes, we would get it quicker.

Chairman KASICH. Thank you.

Any other questions for the gentleman? [No response.]

Sir, I want to thank you.

We are going to do just one or two more here and then we are coming back to the crowd. We have been here a couple of hours now, over a couple of hours and we will wrap up here in another 10 or 15 minutes. We would appreciate everybody hanging in there.

We are going to get Ms. Wanda Forbes up at the witness table and then we will go with one more. Go ahead, Wanda, it is all yours.

Then we will come out in the crowd and get a few more comments from all of you.

Ms. FORBES. Thank you. I am so proud of all of you for what you are doing and I thank you for being here. I was proud also last night watching C-SPAN when Senators Dole, Hatch, and Domenici talked about the phony budget coming out of the White House.

They called it a last minute attempt to derail your efforts, to kill the balanced budget amendment.

One of their most difficult obstacles was getting across to the media, the main idea, which seems to me to be pretty simple, that people want a return to sanity and to the intent of the Constitution in government spending.

Many of us recall the admonition about excessive government spending that was expressed years ago by Senator Everett Dirksen. Senator Dirksen reminded Washington back then that a million here and a million there, and pretty soon you are talking about real money.

I recently completed nearly 10 years service on one little known national commission, one of the tiny million-dollar agencies in Washington that could be considered a microcosm of the Federal bureaucracy, one of those nice but unnecessary Federal expenditures. Most of the agency's Federal allocation, almost \$1 million a year, goes to the upkeep of the small staff that they have.

In 1991, this agency sponsored, after much debate, a White House Conference for which Congress allocated some \$6 million. Some of the members of the commission, like me, questioned the exercise in view of the fact that the Nation had such a huge budget deficit. Nevertheless, Congress was lobbied very hard and the meeting took place. What happened when we tried to stay within the budget? When the bureaucrats took over, we went over the budget by about a quarter of a million dollars. We never had a real understanding just where those dollars went—into that black hole evidently. But Congress just voted a little supplement for the agency and paid the bills.

Congressmen, I feel that this is just one example of the Federal Government spending money that it does not have to feed the bureaucracy in Washington. And it is a tip of the iceberg example of what is happening to our country's economic future.

Thank you all so much for being here.

Chairman KASICH. Thank you, ma'am. Any questions for the witness? Mr. Inglis.

Mr. INGLIS. What is the name of the—the full name of the—

Ms. FORBES. Oh, I was afraid you would ask me that.

Mr. INGLIS. We are taking notes here. We are going to go back—

Ms. FORBES. It has the grandiose name of the U.S. National Commission on Libraries and Information Science. They held the White House Conference on Libraries and Information Services.

Chairman KASICH. Did they give you any direction, ma'am, as to what you should tell Members of Congress when you went to this conference?

Ms. FORBES. What did we tell the members of—

Chairman KASICH. No, I am asking were you folks given any direction as to what you should tell Members of Congress to be in support of your programs?

Ms. FORBES. No. The legislative mandate of the Commission is to advise the President and the Congress. It is only a 14-member commission plus the Librarian of Congress. We are all appointed by the President. I was appointed by President Reagan and President Bush reappointed me.

No, we did not get any instruction. The staff up there takes a lot of their information for Congress from the special interest groups.

Chairman KASICH. OK. Any other questions? I have always liked librarians, by the way. You did a good job here today. Thank you, ma'am.

We are going to have—and we would like to have any information you may have that you want to give to us on a program that you think did not make sense.

We are going to take one last person here and we might as well finish it with a bang. How about—is Bernie here somewhere? Is it Hilbert. Bernie, give us an earful before we go to the audience. I know you are dying to say this, so we want to hear it.

Ms. HILBERT. Well, I did not prepare any extended remarks or—

Chairman KASICH. Go ahead.

Ms. HILBERT. I looked at the Federal budget in the library the other day and realized it would take me several days to come up with some really good suggestions. But I like the fact that you said you would not be targeting any particular group as a scapegoat or whatever. I feel that is very important, that we look at proportionate cuts. If we are going to—as the gentleman said earlier about corporate welfare or whatever you want to call these kinds of subsidies, we need to—and if we are going to look at welfare—we need to proportionately, you know, consider that we are going to cut as much from the top as we do from the bottom. We want to look at the cuts to people, either in terms of tax increases or tax benefits or whatever, we want to look at people in the \$200,000 and above categories as well as the people at \$30,000 and below. I think that most of us would agree that those of us in the \$30,000 and below are the ones who get hit the hardest most of the time.

One line-item thing that—well, let me say this about that as a principle upon which you might want to operate—hopefully we could begin to be less partisan in the way we look at things, and instead of just following a political agenda as Republicans or Democrats, we could begin to look at these problems as problems for Americans. And in doing that, maybe instead of always talking about, you know, our campaign promises or our Contract With America, maybe we could just say, you know, as you are doing today, let us hear from everyone and let us do it fairly across the board, and not follow a particular political philosophy necessarily. Many of us have political philosophies in all ranges, you know, that do not fall neatly into any categories.

One line item that I think is probably there is salaries and pensions of Congressmen. So if you want a specific, I would like to see that looked at, because I have heard that those are rather out of line with the kind of pensions that people in comparable income levels do attain. Thank you.

Chairman KASICH. Bernie, thank you.

Now we will go out in the crowd and do a few minutes here and then we are going to break up.

Bob Inglis has a question I think he would like to ask and get a little show of hands. Bob.

Mr. INGLIS. Yes, I have got a show of hands question. Let me just preface it by saying this—the other day, Alice Rivlin, Director of

OMB, testified to the Judiciary Committee on the Balanced Budget Amendment, and she agreed with me with the statistic that Americans pay about 40 cents out of every dollar they make in taxes—Federal, State and local. That is a national average. Some places it is higher, some places it is 50 cents. But she agreed that as a national average, it is 40 cents on the dollar. So my question here is do you think that is—how many would say that is about right, 40 cents—in other words, not that you agree with the statistics, but do you think that is an appropriate amount for Americans to pay, 40 cents on the dollar. How many think that is about right? [No response.]

How many think it should be higher? [Laughter.]

How many people think it should be lower? [Show of hands.]

You know, there is something interesting that Bernie just said, she is correct, that \$30,000 and below people are really hit hard. It is because they are paying 40 cents out of every dollar. It is interesting—Mr. Chairman, let the record show that there is nobody here that raised their hands saying they thought it was about right or needed to be higher. Everyone I saw raise their hands said that they thought it needed to be lower than 40 cents on the dollar.

Chairman KASICH. Doug, let us do a few here. We are starting to get people restless, and I want to be sure everybody can applaud one another before we get out of here.

Yes, sir.

Mr. CUNNINGHAM. My name is Austin Cunningham from Orangeburg. I have been president of three different corporations, one of which I owned. And what we did every year was make a budget and strictly adhered to it, and we made it every year. The greatest strength that can be in a Congressman's arm and put steel in his backbone is to be able to say after we pass a constitutional amendment requiring a balanced budget, that we do not have the money—I wish I could help you, I am not able to. That is what you do in corporate life—I would love to help you, Joe, but I just do not have the money and the lawyers will not let me, it is part of the Constitution. That is what is needed.

Chairman KASICH. Thank you, sir. They may need you in the Senate with that testimony.

Where is Marion here?

Mr. KANEY. My name is Carl Kaney, I am from Cayce.

And I would like to tell you a few ways to cut the budget, cut the fat out of the Postal Service. One is get rid of the Board of Governors. They are high-salaried people, that is a plum, political job, they have nothing to do with the Postal Service, they meet twice a year, they come to Washington and have all expenses paid. They are unnecessary, and the only way they can determine postage rates is by what the Postal Service feeds them. Also, Postmaster General Runyan said he was going to cut out high-level management jobs, nonproductive, that has nothing to do with delivering the mail, and he has not done so. There is a lot of high management with no training at all in the Postal Service that does not need to be there. And that would reduce the cost of postage, instead of going up on the cost of postage.

Also, I would like to tell you that the attitude of the Postal Service is costing a lot of dollars through arbitration. Case in point,

they were unwilling to negotiate the contracts that are currently going on and they elected to go to arbitration. And that costs a lot of dollars.

And finally, I want to ask Floyd—if sending me a calendar ups the Federal budget, keep it; but I sure did enjoy it, Floyd.

Thank you.

Chairman KASICH. Doug.

Mr. COLIE. OK, very quickly, I think everybody was looking—my name is Edward Colie, C-o-l-i-e, from Columbia, SC—looking for a way to cut the budget, how about cut the budget and cut taxes at the same time. Go to a flat rate tax structure, typically 10 percent. You would cut IRS staffing by 60 percent, this would give you an immediate in-cash saving of \$162 million and \$254 million the second year, cascading to \$410 million after you have paid off the pensions in the third and fourth year. Simple, 10 percent, no deductions, no exemptions. Are you looking for ways to cut the budget? There is a fast one.

Chairman KASICH. Thank you, sir. Marion.

Ms. ROCKY-KOLIAS. Hi. My name is Gina Rocky-Kolias, I am from Charlotte and I have been living in Columbia for 4 years.

I have a hit list of items to help you reduce the Federal budget. First, have a flat tax for income tax and that will get rid of most of the IRS.

Second, keep student loans but put in a thing in the bankruptcy exemption that people cannot declare bankruptcy and skip out on student loans.

Prisons—make the prisoners and the wardens who are keeping the prisoners make the prisons profit; for the prisoners, make them pay restitution to the victims and make them replenish the legal defense funds who had to defend them, and make them pay their boarding so that takes the burden off the citizens.

The FDA—help the FDA have some services privatized so that items can be labeled FDA-approved or that the FDA will never approve it or that FDA approval is pending, and let people have informed consent. There are people who, like the AIDS patients, who want to have medicine and they are willing to try it.

Leave Social Security alone.

Health care—I want you to make age and pre-existing conditions—I want you to prohibit insurance companies from discriminating against people for age and pre-existing conditions.

Have a lot of police and teachers.

And welfare reform—put time limits on it.

And a special note—I want our money cross-collateralized. For instance, if you want to do job training for welfare people, let them use the school buildings at night, utilize our resources.

Chairman KASICH. You have got a lot of common sense, ma'am. Put your suggestions in a letter and get them to us.

Ms. ROCKY-KOLIAS. I have got them right here.

Chairman KASICH. Right here, Doug—give her a round of applause for a good job there.

Doug, go ahead.

Ms. WALKER. My name is Jacqueline Walker.

I find it reprehensible that in major cities such as New York City and California, able-bodied individuals with no dependents, just de-

dependencies on drugs and alcohol, are eligible for welfare. We have to revamp the work ethic and put able-bodied people back to work.

Chairman KASICH. Thank you, thank you. [Applause.]

Marion. We will do a few more here and then we will break. Marion, go ahead.

Ms. CONNOR. My name is Star Connor, I am from Winnsboro and I have got five children and my children love ETV too. But they also love the Sesame Street Magazine. I just do not think the government should be in the business of subsidizing any media. I do not think they should subsidize CBS or ETV or any other mass media.

I also think that the No. 1 thing that we need to do is to balance the budget. I want my five children to feel like they have the same opportunities that I have always felt like I had to be able to progress and do something. And the way things are now, more and more of our tax money is going to pay off the interest to the debt, instead of pay off the principal.

Chairman KASICH. Ma'am, let me ask you one question. Are you glad we came here today?

Ms. CONNOR. Very glad.

Chairman KASICH. OK. Doug, go ahead.

Ms. PERLSTEIN. I am Nancy Perlstein and I live at South Carolina Episcopal Home in West Columbia.

As is obvious, I am on Social Security, but I do not believe it should be not on the table. And I think Alan Greenspan's suggestion that since the rates of inflation are always overstated, if you would just take one-tenth or two-tenths of 1 percent and put the rises every year at that, you would save millions of dollars. And then you could use some of that to support the Corporation for National Broadcasting because with two South Carolinians sitting there, they are bound to know just how important South Carolina ETV and National Radio is to this State and to the Nation, because we make a lot of the programs that are broadcast nationally.

Chairman KASICH. Thank you, ma'am. Marion.

SPEAKER FROM THE AUDIENCE. I would like to see one simple thing—eliminate the IRS, all the red tape, all the money being spent on tax lawyers, auditors, and everything eliminated. Go to the States, see how much sales tax they are collecting per dollar, figure out how much money you need, put a flat sales tax, nobody gets out of it, no rebates, no returns, no exemptions—everybody pays exactly the same on what money they are spending, not saving. Do not penalize the saver, penalize the spender. People will have money to spend. You do that, you get rid of all the tax lawyers, all that expense for tax auditors from the corporations, they will have more money to pay their employees, the employee has more money to spend and that tax will not mean a diddly.

Chairman KASICH. Thank you. We will do a couple more here. Doug.

Ms. BLAKELEY. My name is Elona Blakeley and I am from Greenville, SC.

And I want you to know how grateful we are that you are here and that you are also in Congress representing us. We have a lot of faith that we are going to put in you to take care of these problems for us.

I am here to ask you to consider cutting spending first. I think that we have talked a lot about, you know, the welfare programs and what-not, but we just had in the 103d Congress \$37 billion worth of giveaways with the NAFTA agreement. We had the \$2.5 billion worth of giveaways for the implementing legislation of the WTO. The WTO will cost us \$40 billion over 10 years. We have a crime bill that was \$30 billion worth of pork—I mean a lot of pork anyway. And there is a lot of spending that you just gave us, or that you just put on us, that could clearly be reduced or eliminated, especially since all of those bills were passed against the—without the support of the American people.

Chairman KASICH. Ma'am, thank you.

Marion, we are going to do the last one right here. Doug, we will wrap this up, you will be the final, right here.

Mr. Albrecht. Mr. Chairman, Dave Albrecht from Columbia.

I would like for you and your committee to accept the A to Z plan proposed by the Concord Coalition, cochaired by Senator Paul Tsongas and Warren Rudman. OK? Thank you.

Chairman KASICH. Thank you. And for the final word.

Mr. BELL. My name is William Bell and I would like to make some comments about several problems, I have got a lot of information I would like to provide to the committee.

No. 1, white collar crime. We need to eliminate waste, fraud and abuse in the system. That goes right in the middle before you cut the spending and raise the taxes. If we eliminate a lot of this fraud and abuse—our Constitution is being violated in the area of municipal bonds.

In South Carolina—I want to provide you a grand jury report, an investigative report by the South Carolina Budget and Control Board. I want to provide you a Legislative Audit Council report where they talk about moral obligations. And there is a newspaper article that was in The State paper about the mysterious world of municipal bond financing. This is a problem all over the country.

What the savings and loans did is nothing compared to what the regular banks are doing. They have taken unconstitutional type of debt. Last year, over \$2 billion of South Carolina debt was in this category of moral obligations. Now our Constitution says we do not have that type of debt, but consequently we are facing a tremendous amount of problems, just like out in Orange County, CA.

The problem with white collar crime is unfortunately law enforcement is under the control of a lot of the bureaucrats and the people in the system and consequently, law enforcement investigators who have the job of looking out for our storehouse, are actually afraid to do it because they will lose their job. It is a sad commentary on our system when we have to have whistleblower statutes, codified ethics statutes. We need to do something about cleaning up the system, eliminating waste, fraud, and abuse. And I would like to see a show of hands on that.

Chairman KASICH. We will take your information, sir.

We want to thank you for being here. We want to thank everybody for being here. I hope you found it useful, I can tell you that we have and the House Committee on the Budget will stand adjourned.

[Whereupon, at 4:30 p.m., the committee was adjourned.]

HOW TO CUT THE FEDERAL BUDGET

SATURDAY, FEBRUARY 11, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Manville, NJ.

The committee met, pursuant to call, at 1 p.m. at the Manville VFW Post 2290 Meeting Hall, 600 Washington Ave., Manville, NJ, Hon. John R. Kasich (chairman of the committee) presiding.

Members present: Representatives Kasich, Walker, Allard, Lazio, Franks, Hoke, Molinari, Bass, and Browder.

Also present: Representatives Martini and Frelinghuysen.

Chairman KASICH. Everybody will take their seats, please. I call the meeting of the House Budget Committee to order.

I, first of all, want to thank everybody for coming today. And we are having a little difficulty seeing people all the way to the back, so during the question and 1-minute question period, if you can stand and tell us your name, that would be very helpful.

And I want to talk to you the ground rules so that everybody understands them. This is an official congressional hearing. Sitting right up in front is our stenographer, and the members of this committee—there are still a few who have not arrived yet but this is just like we would do a hearing in Washington. And as a result of that, it is going to be a hearing that we are going to keep under control.

We are going to have—this is going to be like a big Sunday afternoon family dinner where we sit around the table and kind of talk about things. But unlike some family dinners that I had at my house where everybody screams at the same time, we are going to hear from one person at a time. And I would ask you to not applaud. You are going to hear a lot of things here today that are going to make you want to applaud, especially if we get a few people picking on the Congress. We will let you applaud maybe once.

But I want you to know in order to get through this and do it right, we have to have respect for one another, respect for the members of the committee, just like the members on the committee have respect for one another, and we will have respect for what you have to say. And it is important that we keep order as we go through this.

Many of you want to know what are we doing here. Well, we were talking—we were asking ourselves that as we were heading up here. No, in all seriousness, we decided back after the November election that it was critically important, in fact I happen to believe the single most important thing we can do as a new majority is to have you, the people who get up every day and go to work

and pay the bills, to give you a chance to talk to your government, to be able to be heard so that at end of the day, even though you won't be satisfied with all the decisions that we finally make, you will have a sense that you were included in the process.

I think Americans across this United States have felt left out, excluded, not listened to. Doesn't matter what I think because who cares? They don't care in Washington. And this effort is designed to try to reverse it. And this is just one step in our effort to try to reverse that idea, because we want you to know that we are listening. We cannot write laws, we cannot pass a budget, we cannot balance a budget without having you involved in this, without you having input into the way we get this done.

Now, as you know, we have this structured in such a way as we would ask you to tell us what you would do to balance the budget. You might say why are we using this format? Well, I have been in Congress, now this is my 13th year and all I have heard, not all, but almost all of the testimony in Washington has come from people who talk about why we need to have government spending, why we need to have more government programs. We have rarely heard from people who have talked about what we can do to balance the budget, to save money, to create good priorities.

And why do we want to do it? We want to do it for one basic reason. My dad carried mail on his back. I come from a blue collar community and if there is one legacy that we have in this country, it is that the next generation, our kids, will be better—will have a better America than what we had when we passed it off to them.

Do we want our kids to be better? And I think everybody knows intuitively in the pit of their stomach that if Congress doesn't begin to balance budgets and begin to work down the national debt, we will, in fact, destroy the future for the next generation.

And in order to establish these priorities, and let me tell you that in order to get to a balanced budget over the next 7 years instead of the Federal Government spending \$3 trillion more than what we spent over the last 7 years, we will have to live with an increase of only \$2 trillion. And it will be our challenge to try to figure out how to save that trillion dollars in order to balance the budget and guarantee a bright future for the next generation.

That is enough from me. I do want to thank you all. I want to particularly thank Bob Franks who is here—here in his district. And I am John Kasich from Ohio. I live in Columbus, OH, and we have Bob Franks, of course, from New Providence. Can you see where Bob is?

To my immediate right, is Wayne Allard. Wayne is from Loveland, CO. We also have with us Rick Lazio, who just arrived. He represents Long Island. And we also have Charles Bass, who is from Peterborough, NH. We hope that Susan Molinari, also from New York, will be here. And we also hope that—oh, Martin Hoke is here from Cleveland, OH, and we hope that Mr. Browder will be here from Alabama and Bob Walker from Pennsylvania, the two members that are not currently up here to have the name tags.

We also have with us Bill Martini, who is a Congressman from here in New Jersey, along with Rodney Frelinghuysen, who, as you all know, played a major role in the New Jersey legislature.

Before we go any further, let me thank Andy Hinkle of the VFW; Mike Mostchac, the Manville Police Chief; Fred Metzger of the VFW; Mayor Angelo Corradino; the Key Club; Boy Scout Pack 193.

And I have been asked to acknowledge the 2-week series of articles on the budget run in the Courier News, helpful from the standpoint of letting Americans know what we have to do and what this budget is all about.

Now, I would like to turn to Bill Goode, the New Jersey State commander of the VFW who will lead us in the Pledge of Allegiance.

[Pledge of Allegiance was recited.]

Chairman KASICH. Thank you.

Let me tell you what we are going to try to do. We are going to maintain order but we are going to have some fun today. Everybody up for some fun today? We are going to enjoy ourselves and we are going to listen and learn.

Now, to kick off—OK. We will try—I am going to give Bob Franks a few minutes here to make a few opening comments. And rather than to limit them to that, I want him to introduce your Governor, who is going to say a few things to us today and be our lead witness.

Mr. FRANKS. Mr. Chairman. Thank you very much. I want to thank you and the members—Mr. Chairman, I want to thank you and the members of the committee for traveling here to New Jersey today to hear from real people: People who pay the taxes, who fund the government; people who want their kids to have an extraordinarily positive quality of life and who see that possibility being threatened by a \$4.7 trillion national debt.

Mr. Chairman, I can't think of a better place to hold this hearing. This community is called Manville, NJ, and in 1983 a facility no more than a quarter of a mile up the road used to employ 5,000 hard-working people. No one works at that facility any more. There were enormous health hazards that were discovered there. That company has been shut down and those people were put out of work. The homeowners and families in this community have had to struggle in the wake of that massive dislocation. This community has pulled together to make tough decisions, to move into the future with hope.

Mr. Chairman, that is a great backdrop for what we are doing today, for we too face a daunting challenge, but an equally positive opportunity to bring a more positive environment in this country for the sake of all of our children.

Mr. Chairman, I also want to say that not only have about 7,000 people written to me about the Federal budget over the course of the past 2 years, but thanks to the Courier News we have a couple of hundred responses here in terms of what can be done to help balance the budget. And I want to let all of you know that all of these comments and all of the comments that you are putting into writing today are going to become an official part of our congressional record. Each and every individual who has got something to say should be certain to write it down on the forms that were provided or take the time later today to send it to me. If they do that, I promise you it will become an official part of this hearing's record and we will be examining all of those documents.

I thank all of my constituents who are here, and I also want to thank the VFW, the mayor, and the community who helped to put this extraordinary event together.

Mr. Chairman—

Chairman KASICH. If the gentleman would yield, let me say to all of you who are in this room, we are going to have a process whereby people who filled out witness slips are going to be given an opportunity to speak for about 3 minutes and then will be questioned by the panel if there are questions. Then, we are going to come out into the audience. Like one of those talk show people, we are going to have some microphones out there where you are going to get to tell it like it is.

If you don't get called on, if you have ideas, we want you to write the House Budget Committee. You can either send your suggestions to Mr. Franks, you can write to the House Budget Committee in Washington, to my attention. We really want to know what you think. The business about having to be sophisticated, forget it. We need more common sense, not more sophistication down there. Any of your ideas, we want to hear from you.

Bob, why don't you go ahead and introduce your Governor.

Mr. FRANKS. Mr. Chairman, I would be delighted.

Mr. Chairman, we have faced some tough times here in New Jersey over the past several years and Governor Whitman has led the effort whereby New Jersey has tried to reduce the burden of taxation on hard-working people while limiting the rate of growth in the State government. She is somebody who has promised a particular platform and, lo and behold, she has delivered on the promises that she made to the people of New Jersey.

Mr. Chairman, it gives me a great personal honor to have the opportunity to introduce to the members of the committee the Governor of the State of New Jersey, Christine Todd Whitman.

Chairman KASICH. OK. OK—that is right. Let me just—let me—let me explain one more time. We have got about a thousand people in here. And we are all wanting to be heard. And I would ask you to please refrain from applause. We might give you one more chance at a good applause in the middle of this thing, but I would really ask you to try to maintain your enthusiasm and let's channel this constructively.

Governor, the floor is yours.

STATEMENT OF HON. CHRISTINE TODD WHITMAN, GOVERNOR, STATE OF NEW JERSEY

Governor WHITMAN. Mr. Chairman, thank you. And I welcome you and the members of the Budget Committee here to New Jersey and I tell you that you could not have picked a finer community in which to hold this.

As Congressman Franks outlined in his original comments, this community that you see here is as hard a working community, as cohesive a community, as dedicated a community as you will find anywhere in these great United States, and so you have found a very appropriate spot.

I also want to commend you for holding this hearing in New Jersey, for holding it outside of Washington, DC. It is something that is unusual, as we all know, and to find out what the American peo-

ple really think, there really is no substitute for getting outside the beltway. You know it and you and the members of the committee should be applauded for recognizing that and for coming out and hearing from the quote, unquote, real people.

Your willingness to engage the people directly such as this shows that the 104th Congress has done away with business as usual and truly is putting the taxpayers first.

As you mentioned before, seeking public input is not just good public relations, it is, frankly, good, sound policy. That certainly has been the experience here in New Jersey. For every tax cut we have cut, every regulation that we have shed, every reform that we have undertaken, we have tried to bring the people into this process and we are getting results.

Our tax cuts and spending cuts have boosted business confidence and restored the public's faith in government and we are finding better ways to help those most in need. From the experience we have had, I can assure you that the comments that you will have received from the Courier News and from those who write you directly are going to be very worthwhile comments.

Mr. Chairman, those who say Congress cannot cut taxes and balance the budget, I say, take a look at what is happening here in this State. In the parlance of recent campaigns: It is the spending, stupid.

By truly controlling growth, government at any level can acquire the fiscal discipline and creativity needed to balance the budget. That is why I support the balanced budget amendment. Federal spending has simply spun out of control generating Everests of debt. The American people know that this cannot go on.

Nobody can persuade the people that Washington is not spending enough. If current spending trends continue, the Federal Government will soon be little more than a transfer station for debt repayment and whatever entitlements it can still afford. There is no doubt that we have already mortgaged a big chunk of our children and our grandchildren's future. In other words, America badly needs a balanced budget amendment.

Now, I am well aware that a balanced budget amendment is going to squeeze the Federal dollars available to the States, but fewer Federal dollars need not translate into untenable pain for the States, not if we learn how to make better use of each dollar and not if Congress learns how to discipline itself.

I am delighted to note that the House and Senate took the first steps by passing the Unfunded Mandate Reform Act of 1995. Bob Franks has appropriately described unfunded mandates as a Federal property tax, since it is local tax dollars that underwrite these mandates. When signed into law, this will help end the Federal practice of passing the cost of Federal Government programs on to State and local governments.

The second way to make a balanced budget amendment a plus for the States is to make the Federal Government leaner, smarter, and less intrusive in our lives. Replacing programs that fail with government that works has got to be a top Federal priority.

By consolidating some programs, privatizing others, and eliminating some altogether, you can make each dollar do more.

And you definitely can cut red tape and administrative expenses by supporting block grants. The States know their citizens' needs better than Washington does. Giving States the flexibility to use Federal money as they see fit will allow more dollars to reach the people they are intended to help.

Mr. Chairman, you will be hearing from those who argue that Washington cannot trust Governors and legislatures to do the right thing by the most vulnerable members of our society. I could not disagree more with that. I don't know any Governor who would abandon those in most need or any population in their States who would allow that to happen. It is simply not true.

In fact, the most to make government leaner and smarter across the country has been aimed in large part toward improving the quality of education and social service, not in gutting them. Nonetheless, as we all well know, each line item in a budget has a constituency group behind it. Congress can expect special interest to rise up and oppose efforts to reform or reduce every Federal line item.

I would urge this Congress not to give in to those who simply object because they fear change. I would urge this Congress not to put dollars back in the budget to support programs that do not belong there or that have been badly managed.

Special interests have clout only to the extent that the public interest is excluded or muted. In New Jersey, we are prevailing over some of these because we put the public interest first and include the public in everything we do.

Mr. Chairman, I would say that the last election registered the public's disgust with a Congress that had become the plaything of lawyers and lobbyists. The 104th Congress now has the historic opportunity to put the people back in charge of government. I ask you not to squander it.

Thank you very much for this opportunity to testify.

Chairman KASICH. Thank you, Governor.

I am going to try to get this right, OK, because as some people said, it is not fair if you are going to let some applause. We are going to try to keep that to an absolute minimum.

Governor, normally we would have questions for you. I hope you are going to be able to testify before the Budget Committee in Washington. I would like to restrain questions from the panel today because we want to get to these folks, and I understand you understand that.

We want to thank you for taking the time to be here today and I think you are one of the best Governors we have in this country, and the people of New Jersey should be very proud of you.

Thank you, Governor, very much.

We would now like to hear from Mayor Corradino, the mayor of Manville. We want to get a word from him.

Mayor, the floor is yours.

**STATEMENT OF HON. ANGELO CORRADINO, MAYOR, CITY OF
MANVILLE, NJ**

Mayor CORRADINO. Governor Whitman, Representative Kasich, and members, fellow mayors and special guests, on behalf of myself, the members of Manville Borough Council, I am honored to

have been given the opportunity to welcome you. We hope the input you receive from the citizens present here today proves to be beneficial to all the residents of this country.

We want to thank Representative Kasich for selecting Manville to be one of the five municipalities in the United States chosen to host this historic event. I especially want to thank Representative Bob Franks, who in a short period of time has become one of Manville's favorite sons through his efforts and concerns for his constituents and for recommending Manville to the committee. Representative Franks' staff has spent many hours with us in preparing for this occasion.

I want to express my appreciation to the Manville High School, the Key Club, Scout Troop 193, and all volunteers who assisted in the preparation of the handling of today's events, especially Andy Hinkle and VFW Post 2290 for the hard work in preparing their facility to accommodate the large number of guests we have here today.

I want to welcome you, the concerned citizens who care enough about this country to take time out of your busy schedules to voice your concerns and ideas to this panel.

I congratulate Governor Whitman for the job she has done in the State of New Jersey. She has had the fortitude to drop the idea of politics as usual and the attitude of we know what is best for the people and is looking to the people for their input concerning their future and the future of generations to come.

On behalf of myself, and the citizens of the Borough of Manville, I wish you all the luck in the world in your quest to find the solution to the problem of establishing financial stability for all of America's people.

Again, thank you for affording me this opportunity to address you and may God bless you in your endeavors.

Chairman KASICH. Mayor, thank you very much, and we appreciate your having us in your town. We have been to Columbus, OH, Prescott, AZ, Columbia, SC, and next Saturday we will be in balmy Billings where we hope the temperature will get up to at least 20 below. We appreciate your beautiful weather here today.

Now we are going to go to the panel. Let me tell you how it was picked. We have Republican and Democrat staff people who have gone through the witness slips. They have been essentially picked at random. And we will go and hear from these witnesses.

We want you to be relaxed. We want to tell it to us from the heart. And then after the panel of 10, we will come out in the crowd and do some 1-minutes and then come back for another panel and then back to the crowd again.

Joining us is Glen Browder from Alabama, Congressman Bob Walker from Pennsylvania, and Susan Molinari from New York.

The first witness is Joel Whitaker from Manville, NJ.

When I flip this, you are going to get 3 minutes. You are on a timer. When it goes to red, you have got to wrap it up.

Mr. WHITAKER. Thank you. Welcome to New Jersey.

Mr. Chairman, as this committee begins and works forward on the task of working with the Federal budget, I believe there are four tests that should be applied to every program without exception. Those tests are, first of all: Is this a program that government

should do? Secondly, is this a program that government can do? Thirdly, can anyone else do this program as well or better? And, fourthly, with regard to existing programs, you ought to look at its measurable results thus far.

Mr. Chairman, smarter government does not mean starving all programs of funds until none is effective but all programs should be subject to a strict test. First and foremost, they must work. And there are, of course, many programs that do work; defense, agricultural extension, EPA's green lights program, and the National Institutes for Health, for instance.

But, unfortunately, there are also many programs whose time has come and gone. Here is my list: First, the Merchant Marine Academy. This educational institution was started in 1943 to meet a vital national need; namely, supplying Merchant Marine officers. Last year, unfortunately, over half its graduates could not get jobs. Five States have their own Merchant Marine academies, all of which offer at a lower cost per pupil basis than the U.S. Merchant Marine Academy. I would suggest that this is an example of a program that is being done very well by others and should be taken care of in that manner.

Secondly, the Legal Services Corporation. No one should begrudge providing legal help to poor people who have suffered injuries and such matters, but legal service has developed a different agenda. It has become a Federal agency which provides taxpayer funds for people to file suits against other government agencies, which then defends those suits in courts which again use taxpayer funds for their operating expenses. Here in New Jersey, Governor Whitman and our legislature dealt with a similar organization; they abolished it. You should do the same with legal services.

Third, the National Endowment for the Arts. Simply, Mr. Chairman, I don't believe this is an appropriate function for the Federal Government. It is an appropriate function perhaps for State governments, and here in New Jersey, Governor Whitman said that she would continue to strongly support our funding for our State arts agency.

It is appropriate for New Jerseyans to support New Jersey institutions and for Ohioans to support Ohio institutions, but it is not an appropriate function I believe for the Federal Government.

Finally, with regard to NEA, arts institutions, I believe, should be subject to a very simple test. If they can't get funding from the people who know their work best, why should they look to Washington to get funding?

One final point, the National Endowment for the Humanities is in basically the same category as the National Endowment for the Arts. It is a program that can be done better by others and should be.

Mr. Chairman, thank you very much for the opportunity to testify today. And I would be happy to take questions.

Chairman KASICH. Thank you, Mr. Whitaker.

Any questions for the witness?

Mr. Whitaker, thank you very much.

We will now hear from Frank D'Arcio. Is that right, Frank?

Mr. D'ARCIO. Yes.

Chairman KASICH. From Colonia, NJ.

Mr. D'ARCIO. Good afternoon, Mr. Chairman and committee.

Right to the point. The NEA is also on my agenda. I think that it is impossible to determine what constitutes art to individuals, and I cannot say to cut just one questionable project. Therefore, I suggest the total elimination of public funds for the National Endowment of the Arts.

Secondly, the elimination of the Office of the Surgeon General. I don't think this office is no longer needed, and you can see that as the results of our two—

Welfare reform, I think welfare should be limited to U.S. citizens only for a short period of time, not a life dependency or a generation-to-generation dependency. We must encourage people to go to work.

Public broadcasting, eliminate all funding for public broadcasting. I think they are self-sufficient and should generate their own finances.

Chairman KASICH. Please folks.

Mr. D'ARCIO. Housing and Urban Development, eliminate the Department of Housing and Urban Development. The States can administer the funds better than the out-of-touch Washington.

Social Security, this needs to be reviewed. People are collecting moneys from it who have large pensions. I think this should not be allowed. The program was intended to be a supplement to retirement, not a livelihood.

The last thing would be the Legal Services Corporation. I believe that should be eliminated, funding on anything that is going to countersue the Federal Government or other governments.

Thank you, sir.

Chairman KASICH. OK. Thank you. Questions for Mr. D'Arcio?

Mr. BROWDER. Mr. Chairman, I don't have a question, but just the request I would have the witnesses as they come forward and list these programs, if they would identify which of the programs they or their families benefit from or support that they would be willing to give up or cut. Just as the witnesses testified, I would like to make that request.

Thank you, Mr. Chairman.

Chairman KASICH. Any questions for the witness? The gentleman from New York.

Mr. LAZIO. I have a quick question. In Massachusetts, they passed a bill on welfare reform. They have changed the name from Department of Welfare to the Department of Transitional Assistance, just to underline the fact that it is meant to be a temporary help to people to move on. What is your sense of what kind of time limit would be appropriate for somebody who is receiving public assistance?

Mr. D'ARCIO. I would say 3 years.

Mr. LAZIO. Do you think 5 would be very fair?

Mr. D'ARCIO. I would think 5 years is fine. Anything is better than what we have now.

Chairman KASICH. The gentleman from Colorado.

Mr. ALLARD. Just one question, would you favor a work requirement on welfare?

Mr. D'ARCIO. Yes.

Chairman KASICH. Any other questions? Thank you.

Cole Kleitsch from Princeton.

Mr. KLEITSCH. Thank you, Mr. Chairman, and members of the committee. I am not sure of the protocols here, but I would like to thank you for the opportunity to tell you what we think about these things.

My list is not a laundry list of what programs should be cut. I, indeed, have one, but it would take longer than 3 minutes. I would like to go into something—

Chairman KASICH. Cole, I would ask everybody to speak right into these microphones and when the members have a question, get right up on this, because the people in the back are going to have difficulty hearing.

Mr. KLEITSCH. Better?

Chairman KASICH. Is that better in the back? Thank you.

Mr. KLEITSCH. My comments have as much to do with savings as fiscal responsibility. In America, we run around yelling at you and at each other about our particular programs and what we want saved and cut. I find that is a little disconcerting.

I think my fellow citizens and I should bear in mind that Congress is—forgive me—merely a weather vane and we are, indeed, the wind. And if these ladies and gentlemen are going to make any difference, we have to by showing up to vote and to be honest with ourselves that if we have a particular program or something that we benefit from, and one of the things that I mentioned is entitlements because it takes 51 percent of our budget, I know it is not a popular thing, but that is why it is. I would like everybody to stand up and tell me why their particular interest is more important than the future of the children in this Nation. And I challenge anyone to try to stand up and make that case.

We are in this together. We are not going anywhere and we have a long, tough road ahead. And in the last 10 years we have had the Gramm-Rudman, we have had Penny-Kasich and a variety of things put forward to try to make the point. And we have picked a title and not filled in the book. That is because we have not shown up.

If these ladies and gentlemen are going to make a difference, we have to first. We hear about contracts and covenants and compacts and we hear very little about courage. And that is what it comes down to, people. And we have to be willing to take our share and we are not doing it.

If 32 percent of us show up, who are we blaming? If you are going to blame somebody, go find a mirror and talk to that person for a good 20 minutes and be honest with yourself about where this country is going to be in 10 or 15 years if we don't get on the stick.

I am 33 right now and when I am 65, let us not kid ourselves, Social Security is going to be gone as we know it today. That is going to have to be on the table. You cannot take the turkey off the table. It has got to be up there and done.

The other thing, we cannot have a tax cut right now. I would love to. I don't have any kids, but when I do I want to be able to hug them at night and not pick their pocket. That is something I am not going to do.

Tax cuts, I know there are a lot of reasons to offer it, but from my perspective both parties are offering a political rebate and it is

\$500 a kid and those kids who you are getting the cut for are going to have to pay back \$2,000 with interest over time. That is not fair. And the people that it is going to hurt most, those children, are not in this room before this subcommittee or in Congress. When the Founding Fathers put us here, we were supposed to take care of that. That is our posterity. We are supposed to take care of that, not our posteriors.

Thank you.

Chairman KASICH. Any questions for the witness?

Thank you. Very good testimony.

Doris Stinson from Bridgewater.

Ms. STINSON. Hi.

First of all, I would like to appeal to Mr. Clinton directly—

Chairman KASICH. Doris, get right up on that microphone, please.

Ms. STINSON. I have the Persian Gulf war syndrome symptoms. I got exposed to chemicals but I didn't go to the Persian Gulf; I got it here in New Jersey. There is a company that I work for, it is probably the strongest pharmaceutical company in the world. They shut off the ethylene oxide warning alarms at their company. Nobody wants to listen to me. I know at least two people that have died from it. People are getting sick. They have respiratory problems. It is alleged that the alarms were shut off. I cannot work and I have filed for Social Security disability. You are going to pay for it. This company has gotten more ways of disposing of information and to keep their employees quiet. And you are going to pay for it.

It is what happened to Johns Manville. Nobody wants to listen. And you are all going to pay for it. It is going to be like Johns Manville in 20 years. I don't want to die. I want to know what they did. How many times, how many hundreds of times were we exposed to this chemical? Everybody is lying. OSHA refuses to have the emergency evacuation orders—you cut my mike, didn't you? Oh, OK.

I am afraid of my life. I am afraid I am going to be the next Karen Silkwood. This company has done, I allege, at least now, but I know—I know for myself what my symptoms were. I was one step away from coma and death. They have done just what Kerr-McGee did. Johns Manville—I believe du Pont did something similar where they knew it was going on and they did nothing to protect the employees.

You people are going to pay for it. As a matter of fact, you are paying for it now. I am on welfare. I cannot work. I have all the symptoms that the Persian Gulf war vets have. I have multiple chemical sensitivities. Governor Whitman was a freeholder at the time Johns Manville was going on and she knew what was going on. Johns Manville could not be sued civilly because the doctor lied to the people and told them that there was nothing wrong with them. In the State of New Jersey, you cannot sue the company unless the company doctor said, yes, you have an occupational disease and he sends you out back and you have to get sicker.

For all these people with Johns Manville when their worker's comp ran out, if they got it, and they had to go on Social Security disability, you paid for. Governor Whitman was freeholder, I be-

lieve, about that time. They knew what was going on. And you people in Congress knew what was going on.

I think you are all a bunch of murderers. OK. My great grandfather was Benjamin Franklin. I don't think that he wanted to separate from the tyranny of England only to have us under the tyranny of companies today who deliberately and carelessly expose their employees to toxic chemicals knowing—knowing that by the time these symptoms come out 20, 30, 40 years down the line, they are going to either be out of business or they are going to do what Johns Manville did and split the company up and go under a different name.

The Constitution even provides, OK, the article 14, 1968, it says no State shall make or enforce any law which shall abridge the privileges or immunities of the citizens of United States nor shall any State deprive any person of life, liberty, or property without due process of law. But you know, under workman's comp law, just threw this right down the drain.

The company I worked for, when they had problems with one machine, they sent it down to Benson, NC, to get a bunch of poor black and white people sick. That is all. They keep going and something has got to be done. The American people shouldn't be paying for willful chemical exposures and shutting off alarms just like Johns Manville. It shouldn't happen.

Chairman KASICH. Doris, thank you for coming today.

Folks, I tell you if you keep clapping, it is going to take time away. Every time I have to stop and do this, that is time we are burning up and you are going to cheat somebody here who wants to talk out of some time.

Ma'am, let me suggest that we get the information that you have. I know that the members from New Jersey would clearly want to be made aware of this, and I appreciate you taking the time to come here.

Any questions at all for the witness?

Thank you, ma'am. And we will make sure—

Ms. STINSON. Will there be any changes to the workman's comp law, do you think? User paying?

Chairman KASICH. I think that what we need to do in a case like this, is you obviously have—look, I come from a community where people had things happen to them in the workplace that was terrible. And we don't want to dismiss this. I don't know if you are right, but we don't want to dismiss it. We want to look at this case and if there is a way in which we can bring this to Governor Whitman's attention, I am sure Mr. Franks and Mr. Frelinghuysen would want to take a look at this.

Ms. STINSON. You heard it. The murder is going to keep going on.

Chairman KASICH. We will now go to Dennis Schvejda and Dennis is from North Haledon, NJ.

Mr. SCHVEJDA. North Haledon.

Mr. Chairman, U.S. taxpayers are subsidizing environmental destruction on a massive scale. America can create jobs, save money, even make money, and protect our environment for future generations by eliminating or modifying the following:

The 1872 mining law. For almost 125 years, mining has been regulated on our public lands by the 1872 mining law. Public lands worth billions are sold to mining companies, many of them foreign-owned, for as little as \$2.50 an acre. Companies are not even required to clean up the hazardous waste they produce.

Corporations remove \$3.5 billion worth of minerals yearly and pay no royalties. The American people are stuck with 50 billion tons of old mining and mineral processing wastes, 12,000 miles of contaminated rivers and streams, 180,000 acres of contaminated lakes and reservoirs and a cleanup bill of up to \$70 billion. This program has cost the American people \$231 billion since it was signed into law by President Grant. A fair market royalty on mineral extractions would raise more than \$400 million per year.

Next, Forest Service below-cost timber sales. Each year American taxpayers lose \$400 million because the Forest Service spends more on maintaining and building roads for timber companies than it receives from actual timber sales. Our national forests now have a road network eight times larger than the entire interstate highway system. Even stop roadbuilding and tree cutting in our national forests or require timber companies to pay the full costs of these activities.

Grazing, otherwise known as cowboy welfare. Only 3 percent of all livestock grazes public lands, yet American taxpayers lose over \$50 million each year because the grazing fees charged are nowhere near market value. Stop cowboy welfare. Require market value grazing fees.

Corporate tax deductions. End the tax deduction for polluting corporations who are convicted of breaking environmental laws or causing gross damage to the public health. Why should we be paying chemical companies' court costs when they challenge our public health protection laws? Corporations can deduct their lobbying expenses from their income tax.

The Joint Committee on Tax has estimates that we could save \$500 million over 4 years by making these companies pay their own costs. Why do taxpayers have to pick up the tab for polluting companies' lobbying expenses? Eliminate the corporate tax deduction for cleanup costs and civil penalties for environmental damages. Why did U.S. taxpayers have to help Exxon pay the bill for the Valdez cleanup?

National park concessions. In 1990, park businesses made \$564 million but paid only \$14 million in franchise fees to the government. Taxpayers could save \$42 million a year by increasing franchise fees to 10 percent on concession contracts held by private businesses in national parks.

And the last, Passaic River flood tunnel. Deauthorizing the flood tunnel project would save \$2.1 billion in construction costs and save millions annually for operation and maintenance costs.

I also have a report—I have a copy for each one of the committee members—that details \$32 million worth of cuts that not only help the environment but will help us save money. I am ready for any questions.

Chairman KASICH. I want to—I want to compliment you on the list. We are going to look at this list.

And what did you say on this tunnel? How much did you say canceling this tunnel would save?

Mr. SCHVEJDA. \$2.1 billion.

Chairman KASICH. Did you say billion?

Mr. SCHVEJDA. Billion. That is the projected cost. That is not budgeted as of yet. That is a future project under consideration.

Chairman KASICH. Thank you.

Questions for Dennis?

Mr. Hoke, the gentleman from Ohio.

Mr. HOKE. Thank you, Mr. Chairman.

Mr. Schvejda, I had two questions. I think you are on the right track with the lobbying reform in terms of the tax deductibility. Would you apply that to eliminating the tax deductibility to organizations that also lobby that are not necessarily for-profit but are not-for-profit organizations?

Mr. SCHVEJDA. I understand what you are trying to say. I don't think that is my place. I think if you can end so many deductions for the corporations, it will be an even enough tradeoff to end those, also. But corporations must have a massive number of deductions eliminated.

Mr. HOKE. You would apply that across the board?

Mr. SCHVEJDA. I would say why not. I don't work for a nonprofit. I am an ordinary citizen.

Mr. HOKE. I understand.

The other things I was wondering, I think that the way to get to the problem with—I think your phrase “cowboy welfare” is great—with grazing and the below-cost timber sales issues and the mining law reform and all of that is that the Federal Government owns so much land in this country, it is absolutely staggering. Would you support or do you think it is a good idea to, in a thoughtful, measured, and, you know, scheduled out way, begin to divest instead of buying more of that land and sell it off?

Mr. SCHVEJDA. I would say no. No.

Mr. HOKE. Thank you, Mr. Chairman.

Mr. SCHVEJDA. I wanted to jump over the crowd.

Chairman KASICH. I know how the Nets must feel.

Mr. HOKE. Why not? The government owns three-quarters of the land in the country right now.

Mr. SCHVEJDA. You are presupposing that we own all the land we have to own. In New Jersey, we have Sterling Forest north of the border. Where I live, there are 2 to 3 million residents that get their drinking water from that watershed. They are looking to build a 17,000 building complex there and dump in the reservoirs. We have to buy that. Governor Whitman is in support of buying Sterling Forest.

Mr. HOKE. I am not suggesting that we shouldn't be able to buy land when there is a good purpose. I am just saying that we own three-quarters of the land in the United States and probably there are opportunities to get rid of it.

The other thing I would suggest is that perhaps we ought to think about who would be the better steward of these kinds of lands, is it private ownership or public ownership?

Mr. SCHVEJDA. I would be in support of the private ownership if it was the Nature Conservancy. You don't see companies doing a

great job. The mining companies go in and rape the land and leave us to clean it up.

There was a report from Congress that I have, August 1964, called Taking From the Taxpayer: Public Subsidies for Natural Resource Development. Basically everything I said as far as grazing, mining, and timbering is in this congressional report.

Chairman KASICH. The gentleman from Colorado.

Mr. ALLARD. I just have one question. Would you be willing to let the States assume control of these Federal lands?

Mr. SCHVEJDA. In too many instances that I have read, and I read this in national publications New York Times and so on, the opinions that I get on this is that it would not be a good idea because local interests tend to have the local business interests in mind and not the national interests. There is more to these properties than just making money.

Mr. ALLARD. So you want the decisions made in Washington and not the State?

Mr. SCHVEJDA. I would plead that Congress would have a better way of managing these properties than they have done so in the past. I believe that Congress can do a good job managing these properties—you don't think so? OK.

Ms. MOLINARI. If you could just give me a little more detail on the Passaic River flood tunnel. It seems that a lot of people in this audience are familiar with this project and I am not.

Mr. SCHVEJDA. The Passaic River flows through northern New Jersey. There has been a history of overdevelopment and building on the flood plain where they should not have built in the first place. We have flooding periodically. We had a tremendous flood in the early 1980's. The Army Corps has proposed a system of dikes and an actual tunnel to help alleviate these problems. As we saw last year, the gigantic levies along the Mississippi River did nothing. We wasted our money with that.

There is an alternate buyout plan which I think should be looked at; buyout of the existing houses, the ones in existing danger. They cannot sell their homes. Who is going to buy them?

Ms. MOLINARI. How many homes are affected by this? Hundreds? Thousands?

Mr. SCHVEJDA. I don't know. Hundreds to low thousands probably. Would anybody want a copy of this report?

Chairman KASICH. We obviously would like to have all of that. Thank you. I appreciate the gentleman being here.

Carlene Raub.

Ms. RAUB. Good afternoon and thank you for letting me be here and inviting us all. Thank you very much. I realize the tough job that the House Committee on the Budget has before it to cut the budget, and I want you to know that I am offering my support as you consider each such drastic moves as eliminating the Department of Energy and HUD.

I will support and I am seeking any budget cuts that will decrease the power of the Federal Government and return the power to the States and local agencies, who are more capable of understanding the needs of its citizens.

I support the defunding of such educational projects such as Goals 2000, the Elementary and Secondary Education Act, and

also, as other people have mentioned, the National Endowment for the Arts, the National Endowment for Humanities, and the Corporation for Public Broadcasting, and many other far-reaching bureaucratic programs which are politically motivated.

I also just had a thought. I think you ought perhaps to look again at J. Peter Grace's report. This is all probably nickels and dimes in the total picture, but I do think that every little penny you can find to cut would help.

I believe the American people are strong. We are resilient and, I think we are and I am, ready to make some sacrifices to accomplish this goal of cutting the budget. We are hoping to have less government intervention at the Federal level and more power locally to make the decisions as they pertain to us at home where we know what is best for those in our communities, and I thank you all very much.

Chairman KASICH. Questions? The gentleman from New York.

Mr. LAZIO. Thank you, Ms. Raub. I have a question. Do you think the Federal Government has a role in education? Should it continue to have a Department of Education? Should it continue to fund programs that—

Ms. RAUB. No, I don't. I think that we could—the Federal Government should get out of the education business, return it to the localities, and they could do a much better job.

They are right there. They know their children and they know what their community standards are and they think they could handle the situation much better than the Federal Government, who is trying to please everybody, and I think specifically at a local level we could do a better job.

Mr. LAZIO. Would you also include student lunches in that?

Ms. RAUB. Oh, I like giving lunches. I don't know that I would—that I would defund lunches and things like that. I think the actual education, intellectual education can be better handled, but I really do believe strongly in feeding the children.

Mr. LAZIO. Thank you.

Chairman KASICH. Other questions? The gentleman from Pennsylvania, Mr. Walker.

Mr. WALKER. Just to follow up on that, what about the subsidies of lunches for essentially upper-income families?

Ms. RAUB. Is there a subsidy for lunches for upper-income families?

Mr. WALKER. Absolutely. We subsidize lunches for virtually everybody, including millionaire's kids.

Ms. RAUB. Well, I don't know—I don't know. I don't think that is necessary if they can afford their own lunch. But I certainly would not like to take a lunch away from someone who cannot afford it. And I don't know how you cut it or how you decide who gets it, but if you can afford your own lunch, I think you ought to pay for it.

Chairman KASICH. Other questions for the witness?

Ma'am, let me compliment you on your testimony. Let me point out, however, that all of the areas that you have talked about involve the area of what is known as discretionary spending. We are going to hear a lot today from people who want to get rid of depart-

ments and want to cut foreign aid and all of those things I think are very positive.

It is like the old saying goes, you have got to go where the money is, however, and are you aware of the fact that entitlements are going to have to be reformed in order for us to be able to get a handle on this budget problem.

Ms. RAUB. Yes, I am. And I personally—

Chairman KASICH. What is your sense about what we should do with entitlements? Any feeling about it at all? You understand it is a big problem?

Ms. RAUB. I think it is. I know.

Chairman KASICH. It is a big amount of money.

Ms. RAUB. I think we need to—you need to—

Chairman KASICH. Of course the President had trouble answering that question, so—

Ms. RAUB. Right. Thanks a lot.

Chairman KASICH. Let me just say to you that under most of the programs that we are talking about in terms of entitlements, and part of this is an educational process today for everybody, in virtually every one of these entitlement programs, we are not talking about cutting the programs in absolute terms.

If you, for example, you talk about Medicare; there is no plan that I am aware of that would mean that you would spend less the next year on that program than you did the year before. But Medicare grows at 10.5 percent. The question is can that rate of growth be brought down and still provide people the kind of services that they want? But you need to be aware of the fact that entitlements are a very big part of the solution to our problem.

Ms. RAUB. Yeah, I am—

Chairman KASICH. Restraint on the growth of entitlements.

Ms. RAUB [continuing]. And I am hoping that you all in your wisdom and expertise can come up with some solutions to that. If I could help, I would be happy to, but I don't have the knowledge that you do in that area. I don't know what the answer is.

I certainly don't want to take away people's health care and free lunches and things like that. No, that—but I do think that there are plenty of areas where we all could tighten our belts, and that includes myself. I am very willing to do that.

The gentleman that preceded me, I thought his comments were very good. Yeah, it does come down to you and to me, and to everybody in this room changing perhaps a little bit of their lifestyle and not take a vacation or whatever we had planned to do. I don't know, but I am willing to do it and I hope that everybody else is also.

Chairman KASICH. Thank you very much for your testimony.

Dr. Ann Marie Kralovich. My mother was a Vucovich.

Ms. KRALOVICH. On behalf of the citizens of Manville, I welcome you. And I am very glad to have this opportunity to speak to you and to voice my views.

I am a first-generation American of immigrant parents who came to this country and were given absolutely nothing except entrance. And they worked hard for everything that they got.

And when I hear comments like the speaker that preceded me that spoke about Social Security cuts and such, gentleman and la-

dies, I did not ask for anything. I prized education. I grew up in a very limited educational and economic environment and no one paid for my education. I was 47 years old when I got my doctorate. I am proud to be an American. I ask you for nothing. And so when I tell you about the list of cuts that are being made, I hope that you weigh it upon what I have given you as evidence.

I feel that you should look very carefully into foreign subsidies and appropriations. I think we have reached a point that we can no longer be the saviors of the world. I think we need to focus on our immediate environment and particularly the values which made our country what it is.

Eliminate and look carefully at pork-barrel projects, particularly those projects which are not—that are maybe benefiting corporations rather than deprived individuals.

Nonrelevant congressional and Senate visits abroad. And I take this from some of our TV reports. I do not intend to limit you from important matters that concern this Nation, but I feel the pleasure visits should be eliminated or else taken at your own expense.

Downscaling of governmental agencies. I think you can do a great deal about eliminating a lot of the agencies that you have and incorporating them into a smaller, one body.

Subsidies to immigrants and other world countries. It seems like we have opened the doors to the world and we can no longer afford to give them all the benefits which are coming in. Let's go back to the good old days when you came in, they said, do you have a job or do you have a family? Because that is who was going to take care of you.

Appropriations to corporate farmers. I am talking about large conglomerates who are making a good profit. They don't need your subsidies. But the smaller farmer who is struggling, that is where your focus should be.

Tax leniencies to corporations abroad. There has been a large influx of corporations going abroad where they can find cheaper labor. Please bring the jobs back home. And particularly those jobs that are really needed.

One more thing, downscaling of aid to foreign countries.

Chairman KASICH. I have got to stop you. Thank you, ma'am.

Questions for the—ma'am, if you will stay; Doctor, if you will stay. The gentleman from Ohio.

Mr. HOKE. Thank you, Mr. Chairman.

Dr. Kralovich, I related very much to what you are saying. My maternal grandfather was a Romanian immigrant and all he asked for was a chance, an opportunity.

What do you think of the proposal that has been on the board with respect to welfare reform that we would eliminate for the most part with some small exceptions, particularly as it applies to elderly people or people in emergency medical situations, where we would eliminate the payment of any welfare to noncitizens? That means including green-carded legal aliens. Do you support that?

Ms. KRALOVICH. I certainly do. I certainly do.

Mr. HOKE. Thank you, Mr. Chairman.

Chairman KASICH. Other questions for the witness?

Doctor, thank you very much. Appreciate you coming today.

Ms. KRALOVICH. I appreciate it, too.

Chairman KASICH. Dennis Lansing.

Mr. LANSING. Good afternoon. My name is Dennis Lansing and I am a 4th-year medical student at UMD-NJ, New Jersey Medical School. Having been a post-secondary student in college and medical school for the last 8 years, I am very familiar with and thankful for the benefits of government subsidy on my Stafford student loans and my loans received through the Perkins loan program.

In your effort to decrease government spending, I believe that the promotion of college education should continue in the programs which you choose to include in your new budget. The promotion of college education will enable you to cut government spending in the area of unemployment compensation.

College graduates are more likely to be employed than those without a college degree. In 1994, the unemployment rate for high school dropouts was about 10 percent. A high school diploma cuts that rate in half to 5.4 percent, and a college degree cuts that in half once again to 2.6 percent.

The promotion of college education through continued subsidy of low-interest loans will enable you to cut government spending in health care. Since college graduates are more likely to be employed and thus have their own health care, college graduates and their families will make fewer demands on the public purse in paying for health care.

As a graduating medical student and a future pediatrician committed to practicing in a primary care setting, I am returning to the country and to its economy the benefits that I received through the government low-interest subsidy with primary care services that I am about to render to my community.

My choice to enter the primary care field has been influenced greatly by what has been the relative affordability of my education as made possible by the government subsidy on my student loans. Without the subsidy, my monthly repayment on my loans would be \$300 more a month than what I would be paying because I did receive the low-interest subsidy. I know that the \$300 difference has allowed me to choose a primary care practice which will allow me to enter the National Health Service Corps. In the end, the difference in the loan repayment amount has to be passed on to my patients which will eventually make its way up to become yet another governmental burden.

As a future health care professional, I would also very much like to see an end to the tobacco subsidy which will save the government \$20 billion over 5 years which does not even include the savings in health care costs with the decrease in the incidence of lung and oral cancers.

Thank you very much.

Chairman KASICH. Questions for the witness?

The gentleman from New York, Mr. Lazio.

Mr. LAZIO. Dennis, I am sympathetic with your plight with respect to having to repay some of the student loans. It is a very large budget hit for us, \$9 billion I believe, Mr. Chairman, just to have some of that interest front-ended, even though you begin to pay it after you graduate.

Your primary concern is the amount of money that you would pay particularly in the early years of your career after you finished

school; is that correct? So if you had the ability to string out that loan over a longer period of time, would you still think that it would be fair to pick up the interest from the beginning of your education?

Mr. LANSING. I am not quite sure what the numbers would be, but if the numbers were more reasonable, it would probably make a difference.

Chairman KASICH. The gentleman from Ohio.

Mr. HOKE. Dr. Lansing, do you think that we should subsidize the interest during the time that you are in school for people that are making a choice, a commitment to primary care but not to, say, surgical specialties?

Mr. LANSING. The decision to make that sort of career choice does not happen until very late in the medical school education. Therefore, there is no way of telling who is going into what until maybe the 4th year.

Mr. HOKE. I think my understanding is it is all deferred—it is just one of the proposals that has been made, would simply capitalize that interest as opposed to forgiving. So you would not have to make the decision until your 4th year. I am not saying that you would have to make the decision up front. You could make the decision at the back end.

Under the circumstances, would that be good policy; do you think?

Mr. LANSING. Actually, the medical student receives loans that are also nonsubsidized so there is a foil toward the Stafford loans, and from what I could see, it still does not make a difference in the career choice that they make. And I think if your thrust is creating for primary care practitioners, you can't make that restriction on them at any time during their education. Sorry to be so restricting.

Mr. HOKE. But you suggested that you made that choice precisely because you didn't have to pay the interest on it. So that certainly suggests to me that—

Mr. LANSING. If I didn't pay the interest, I made that choice, and that was because I did get the interest deferred.

Mr. HOKE. Right. And so I am asking you if you think it would be good policy to not give that deferral to, say, people that are going into cardiac specialty, surgical specialties?

Mr. LANSING. They do not know until they are almost finished.

Mr. HOKE. But you don't have to make the choice on the loan. You would make it at the back end, the 4th year.

Mr. LANSING. I guess that would be reasonable.

Mr. HOKE. Thank you.

Chairman KASICH. The gentleman from Pennsylvania, Mr. Walker.

Mr. WALKER. Just to make one point; some of the easy cuts have been made. The tobacco subsidy program doesn't exist anymore. One of the easiest things to do was to eliminate that program and it has been eliminated.

Mr. LANSING. For all the health care practitioners, thank you.

Chairman KASICH. Thank you very much.

We have two more and then we are going to come out into the crowd.

Carol Kasabach from Hamilton Township.

Ms. KASABACH. Thank you. I am 54 years old and have been married almost 33 years. My husband and I both have jobs and we pay income tax and property taxes. I know that those taxes go to our government for a lot of programs. I am more than willing that those taxes will go to help those people who cannot make it on their own. And I know that.

We also pay Social Security. And I am willing to say, OK, let's take a look at Social Security and let's means test this. If I am able to manage when I get to be 65 without that Social Security, or part of it, then that is OK with me.

There are some other areas that I think can be looked at, too.

I am a homeowner. We have the ability to deduct the interest on our mortgage from our taxes. If a person can afford a home and is a high enough income, and you would have to determine that, then I don't think that they should be getting those interest rates deducted. There are some people, some first-time home buyers and some people with low income who would find this very difficult to manage. Again, it is taking a look at the means testing.

I would not spend any more money on expensive prisons. I would reduce the defense spending by at least 5 percent. Put it on the table. Look at it. Make those decisions.

I would take a very serious look at programs where people can't survive in this country without those particular programs. I am talking about the programs that would begin to help people achieve economic stability. I am talking about justice programs. I can afford a lawyer if I get into trouble. Those people with low incomes cannot. That is guaranteed by the Constitution.

Another thing we might take a look at, it alluded to some of the comments earlier; I would take a look at the amount of dollars that are spent shoveling sand around, especially on our very long coast in New Jersey. When are we going to be willing to give up a little to Mother Nature because we are not going to win in the long run?

You asked about Medicare and Medicaid. I have, my husband and my children have had excellent health coverage because it has been paid by our employers. I strongly recommend that you revisit health care reform and then you will be able to take a serious look as you are calling the runaway costs of Medicare and Medicaid. We do have a responsibility to our citizens in this country with regard to health care.

Thank you.

Chairman KASICH. Ma'am, we are going to go to witnesses, but before we do that, that was really outstanding. You should be proud of yourself.

Do we have questions for the witness? The gentleman from Pennsylvania.

Mr. WALKER. Just one question on Social Security. One of the main premises of Social Security in the beginning was that all people would pay in and all people would be eligible and the reason for that was to make certain that it was not just another welfare program. I gather you are willing to have Social Security, if you means test it, to be one of those things that becomes just another welfare program.

My point is when you means tested it and everybody is not eligible for the benefits, at that point it is available to only those people who meet the income criteria and it has become just another welfare program.

Ms. KASABACH. Just another welfare program? It is to help people survive in this country. We do have a responsibility to each other.

Mr. WALKER. But my point is that it is—it is a responsibility, though, that is shared across the board by all people at the present time. And it is shared because everybody then gets a certain amount of income. It is not just another welfare program at the present time. It is one of the underlying base programs of our culture.

When you begin to fool with it, and when you begin to suggest, as you have, that some people would not be eligible to collect benefits despite the fact that they have participated in the program, then what I am saying to you is that that type of means testing is what we do in other kinds of welfare programs, and the question is whether you are willing to have it become another welfare program.

Ms. KASABACH. Sir, my parents were very well off. They really were able to make it in this society, and when they turned 65, they got their welfare checks—their Social Security checks. And they went out and they could use that to buy a really great dinner. They didn't need it.

So, I mean, many of us can really do well in this society and many of us have done really well. And so that those dollars—if you want to use the word “welfare,” yes, this is for the welfare of all of us. And we have a responsibility to each other.

Chairman KASICH. I thank the gentleman from Pennsylvania.

OK. Let me tell you—let's try to chill a little bit here. OK?

The gentleman from Pennsylvania—the gentleman from New York.

Mr. LAZIO. I also want to say that I think you provide some very fine testimony. Medicaid and Medicare is sort of the mother lode in terms of where the savings are. Almost \$300 billion of our \$1.5 trillion budget goes to those two medical programs, and they are the fastest growing areas of budget, projected to rise 10 percent a year.

Would you be willing to live with a means test in the Medicare programs that people making \$80,000 or \$90,000 pay higher premiums with fewer benefits?

Ms. KASABACH. I think I would really take a serious look at that.

But then on the other side, I would sure take a look at Medicaid because a lot of doctors don't accept Medicaid patients and even some are leery about accepting Medicare patients because they may be obligated to only take the payment that is offered. And a lot of doctors will not do that either.

Chairman KASICH. Other questions for the witness? The gentlelady from New York.

Ms. MOLINARI. Thank you. I wanted to thank you for your testimony and to add that in the crime bill section that we just passed last week, we as a result of the efforts of Congressman Dick Zimmer from New Jersey, passed a portion of it that reduces the nice-

ties in the Federal penitentiaries, so it was one of your New Jersey Representatives who must have heard you and implemented that into being part of law.

Ms. KASABACH. I am very concerned about the crime bill because I don't want to see the prevention programs cut.

Ms. MOLINARI. If I could just say right now, the status of it is that the prevention programs will be mixed in with the police programs and we will leave it up to your local administrators and police chiefs and police captains to determine what these priorities are. Because we found out in a nationwide search we would not agree on the priorities, so we are going to step out of it and let the localities make the decisions.

Ms. KASABACH. Just don't diminish the dollars. Thank you.

Chairman KASICH. The gentleman from Alabama.

Mr. BROWDER. Just a program note, ladies and gentlemen, I hope you are paying attention to this. This lady has provided some very valuable testimony and what she has done is she has focused this meeting today on what we are facing. This is something in which we can identify a few things like the tobacco subsidy or foreign aid or a few things we could easily get at and work on waste, fraud, and abuse. But eventually we are going to get around to some very contentious questions which this audience and the American people are not going to be applauding unanimously. And I think she has very well articulated and focused the points that we are here to talk about. And I appreciate your testimony today.

Ms. KASABACH. Thanks.

Chairman KASICH. The gentleman from Ohio, Mr. Hoke.

Mr. HOKE. The question that I had, you suggest that we ought to means test Social Security, right?

Ms. KASABACH. Uh-huh?

Mr. HOKE. This is not a trick question. Where would you start to phase in the test? At what income level? Where is somebody's other outside income or earned income or unearned income or dividend income or pension income, when does that rise to a level that you feel that that person should—at what point do you start to phase out the Social Security amount and then when does it get to zero?

Ms. KASABACH. I think you really have to take a look at the—what it costs to live and determine that. I mean, you have been very good about determining poverty level and—

Mr. HOKE. What is your opinion? I mean, \$50,000, \$75,000, \$100,000, \$200,000, half a million, \$20,000?

Ms. KASABACH. I cannot judge that. Different people have different needs and obligations. I don't know how easy it is going to be to come, you know, with an across-the-board amount of money.

Mr. HOKE. This is exactly what we have to struggle with.

Ms. KASABACH. Yep.

Mr. HOKE. I am serious about asking for your input.

Ms. KASABACH. I know you are. I know you are. I don't—I—I don't have a figure. I know how hard it is for people to survive in this country on the welfare grant levels that they have now fighting with housing.

Mr. HOKE. Let me ask you briefly. President Clinton in his 1993 budget cut Social Security for people whose other income started

at, I think, \$28,000 if you were single and \$35,000 if you were married. Are those numbers right? Yes? You think those are about right?

Ms. KASABACH. Maybe they don't live in New Jersey. This is the second highest per capita income State.

Mr. HOKE. The President means tested Social Security at \$28,000? Is that right? Would you start much higher?

Ms. KASABACH. We can have a raffle here. I can't answer that.

Mr. HOKE. Thank you.

Chairman KASICH. Ma'am, let me just suggest that for our friends that are here covering from the press, this should be instructive to them—and, frankly, the first panel has been phenomenal because what you are seeing is people are saying, hey, I want to be part of this. Put me in there.

Let me just ask you one question. Private sector medical costs are increasing by about 5 percent. Some companies are actually experiencing declines in medical costs with very high employee satisfaction. We have a government-run health care system right now. Do you think it makes sense—the Medicare—

Ms. KASABACH. We have government-run health care?

Chairman KASICH. The Medicare system is administered—

Ms. KASABACH. Oh, Medicare.

Chairman KASICH. Do you think it makes sense for Congress to study the whole range of things that are going on in the private sector to try to still provide quality medicine but at lower prices?

Ms. KASABACH. I was hopeful that that is what you were going to do last year.

Chairman KASICH. See, where we got tied up last year was—

Ms. KASABACH. I am really serious about that.

Chairman KASICH. What we ended up doing last year and we ended up getting a program that actually increased the amount of government spending and government involvement in health care. And that is essentially why that plan didn't go anywhere.

We are going to have health care reform this year that will involve insurance reform. If you have a preexisting condition, you will still be able to get insurance. We are going to give some breaks to the self-employed so they can afford to buy insurance. There are going to be a number of things. Reform of our legal system so everybody is not suing everybody for everything.

Ms. KASABACH. I don't know about—I am really concerned about eliminating legal services because the poor really don't have anywhere to go at this point.

Chairman KASICH. Anyway, let's get back to the idea of whether we should study the private sector's solutions to health care and use those to try to build our new system.

Ms. KASABACH. I think all of that stuff has to be put on the table with regard to health.

Chairman KASICH. You are an excellent witness, ma'am. Thank you very much. Thanks for being here.

We have one last before we come to the crowd and that is Jeff Rubin from Jersey City.

Mr. RUBIN. Two more.

Chairman KASICH. This is the 10th person to testify and then we will include the next person in the next panel.

Jeff, go ahead.

Mr. RUBIN. Thank you. I am Jeff Rubin and I live in Jersey City, N. J. I know we don't have a lot of time.

I have a few different issues I want to address. The first point I wanted to address is the Davis-Bacon Act. If we could repeal the Davis-Bacon Act, or at least reform it, we could cut the costs of government construction projects and we could open up opportunities for contractors and workers who have traditionally been left out of government contracting work.

My second suggestion is to form alliances with other nations, the Russians, the Japanese, the Europeans, to help develop an international effort on the space program. I think that by working together, we have one goal in mind, and we should all try to work together and avoid duplication.

As a member of generation X, the younger generation, I am willing to accept a higher retirement age to get full benefits for Social Security, and to accept means testing. I think we have to be careful, though, about changing the rules for people who are already approaching Social Security age or people who are receiving benefits now. But as a younger person, I am definitely willing to accept a modified Social Security contract between me and the society.

And I also want to address one other way that I think we could start charity at home. The recent House historian controversy raises in my mind, why do we need a House historian?

The Speaker of the House has talked about a new spirit of volunteerism and civics and people giving, and I think that we could probably find people who are willing to be a House historian or House chaplain, who would be willing to do it on a volunteer basis and students who are willing to do an internship. And I think we need to look at everything. That is more of a symbolic cut than anything else, but I do think that charity should start at home.

Thank you.

Chairman KASICH. I want to thank you for coming here and testifying, Jeff.

Do we have any questions for the gentleman from Jersey City? Any questions at all?

Mr. FRANKS. Mr. Chairman?

Chairman KASICH. The gentleman from New Jersey.

Mr. FRANKS. I would be reluctant to participate because I want to hear from as many folks as I can, but Jeff, under this restructured contract that you would be willing to accept for perhaps lesser Social Security benefits in the future, what about the level of tax taken out of your paycheck to support Social Security? Would you expect that rate of taxation to go down because you expect to take out less?

Mr. RUBIN. As I understand right now, Social Security is 7.65 percent of your gross pay, up to a certain level. And actually, I believe that it should not cap out at a certain level and it should basically apply to all income. And no, I think that—I guess it is an evil we have to live with and we have been living with it for a while, and I would rather continue to pay Social Security tax at that rate than have to pay some new tax that has not even been invented yet like a value added tax or a national sales tax.

Chairman KASICH. Other questions? The gentleman from Ohio.

Mr. HOKE. Briefly, your idea of raising or eliminating the ceiling on income for Social Security tax, that would actually solve a lot of problems for Mr. Kasich. It would generate a lot more income but make an awful lot of enemies.

Mr. RUBIN. I think everyone knows that this is part of this process; right?

Chairman KASICH. Do you want to run for Congress, Jeff?

The gentleman from Pennsylvania, Mr. Walker.

Mr. WALKER. There is one other problem with that that needs to at least be acknowledged. The Social Security benefits are based on what you pay into the system, which means that very wealthy people who paid in at very high rates would then be eligible to collect massive amounts of Social Security once they were retired. If you don't test Social Security you would, in fact, bring about a payout to very wealthy people of thousands and thousands of dollars a month.

Now, if you means test the Social Security system and suggest that it is not tied to income any longer, you get by that problem. But it does, in fact, create a problem as the present formula is structured which means that we would have to undergo a drastic change in how we calculate the benefits to people that they receive from Social Security. And you are right, that would make a lot of enemies.

Chairman KASICH. Let me thank you, Jeff, for being here.

Let me tell you where we are going to head now. Would you listen carefully. If your name is called, I want you to come up to the front. Jeanne Borkowski will be our first witness. And then Edward Hummel, Sherry Zowader, Morris Clark, Doris Stinson, Pamela Tisza, Lynn Dell, Harry Mann, Michael Brennan, and Tony Kim. We will try to get to all of those, if we can.

Now we are going to go out in the crowd. If everybody wants to take one second and stretch. The situation will be this. Everybody sit back down again. We have two folks out here with mobile mikes and what you are going to do is raise your hand and they are way in the back. I will try to get them moving all over the hall.

We will do this for a while and then we will go back to the panels. And I would ask you to, if you would, just very carefully say your name and then we would like you to speak for about 1 minute. No longer. Just to give us a flavor of what you are thinking.

Chris, do you have the first witness back there?

Mr. ORZET. My name is Bill Orzet, Freehill Borough. I would like to address the 104th Congress through this committee.

As I understand the Constitution, there is only one entity that can raise taxes and appropriate money. That is the Congress. Why then did President Clinton give \$20 billion of our money to back up the Mexican peso, which bailed out Wall Street and the billionaires of Mexico? We want to balance the budget. Take that \$20 billion back.

Chairman KASICH. Thank you, sir. You did it perfectly. You gave us your name and where you are from and the people want to know that.

Rick, how about another one?

Mr. SANDER. Art Sander from Hillsborough.

No one has brought up anything about what I call the nonindigenous expansions that we have, such as the large banks who are paying no taxes and they get a write-off of billions of dollars each year. That, I think, should be looked into immediately.

Then we have the purchase of barracks and apartments for the Russian officers. Another indigenous, very tremendous—a private organization started to build the museum for the Holocaust and it cost approximately \$22 million a year, yet when we come to Social Security or benefits to veterans, these are pushed aside. I think those things should be looked into and transferred over there. Thank you.

Chairman KASICH. Thank you, sir. Chris.

Ms. MAGGIO. My name is Maggio, M-a-g-g-i-o. And I would like to be able to opt out of the Social Security that is taken out of my paycheck. I would like to invest that money myself. And I would like to be cut loose, gentlemen, and stop these unnecessary regulations that you have in this State and other States. You have driven manufacturing out of New Jersey because the EPA is much too oppressive in this country.

Chairman KASICH. OK.

Rick, do you have another one? All this cheering folks—go ahead, Rick.

Ms. DUGGAN. Hello. My name is Cheryl Duggan from New York.

I would like to know why isn't defense—I would like to know why isn't cutting defense on the table? Why do the Republicans actually want to raise defense? It makes no sense? Why do we need the ability to fight two wars at once in this post-cold war era? It makes no sense.

And also in terms of the Social Security issue, people are saying why it should be means tested. It is a welfare issue, really. And stop stigmatizing welfare people. These are poor people. It is a very small percentage of the budget. Social Security is the biggest part and health care. If we had a single-payer plan, we could get health care under control, and that is the single biggest rising—thank you.

Chairman KASICH. Thank you, ma'am.

Chris, go ahead with the next one.

Ms. HARVEY. My name is Denise Harvey, D-e-n-i-s-e. I am a full-time student at New Jersey Institute of Technology, and I don't know much of a lot of the policy, but I know that if it wasn't for Federal aid and college work study, I would not be in the position that I am now. I pride myself in that I am trying to get a better life and I came from a family that was poor and that struggled.

So I just hope that you take that into consideration and look at the many other issues that can be cut instead of the college work study and Federal aid for students like me who really need it.

Thank you.

Chairman KASICH. Thank you.

How about the next—Rick.

Ms. MCCLURE. My name is Mary McClure and I am from Rahway, NJ.

My question is this: Once the people start getting this cut in all of these proposed things that you are going to be doing that are passing the Congress, once they start getting less money, all the

people that are taking money from the government, isn't there going to be a reversal of feeling and aren't they going to start again wanting the government to start giving them back all this money that they are taking away?

How are you going to keep the power long enough to set these things in—get them into effect without eliminating some of the—well, I don't know how that can be accomplished. But with everybody in the country able to vote, and with 50 percent or more taking money from the government, how are you going to stay in power when—

Chairman KASICH. If the media people would get out of this lady's face and let her speak, she would have an easier chance, folks. We are here to hear from them. Let the lady speak. You are intimidating her back there.

Chris.

Mr. ELKINS. My name is Henry Elkins, E-l-k-i-n-s, and some years after the cold war has ended we are spending only 8 percent less for defense. I wonder who our real enemies are. It seems to me they are really the illiteracy, the drug abuse, and the crime, and that those big defense bucks are really not coping with this.

A good example is the C-17 transport. Its wings buckled. The transport now has lower specifications which could be met by commercial airlines for commercial transport airlifts which would save this fiscal year, 1995, \$1.9 billion and over 1995 through 1997, \$3.5 billion. That is a cut we should make to fight real enemies.

Chairman KASICH. Thank you, sir.

Rick.

Ms. SMITH. Good afternoon. I am Tonya Smith, T-o-n-y-a Smith, and I am also a student from the New Jersey Institute of Technology.

You cannot cut education. And you cannot make the students pay interest on their loans. It is bad enough we have to take out loans now. I got Federal aid—what do you call that? It is not enough. I got to scramble for loans and they keep telling me you have got to pay me more money, you got to pay me more money. And it is hard.

Where is this money going to come from? You want me to pay interest and that is ridiculous. I take out these loans and I am trying to go to school—I am sorry—I take out these loans and I am trying to go to school and you are trying to tax me on the loans I am taking now.

There are a lot of people who go to school who are scared to take out loans, and now if you make them pay the interest while they are going to school and then a lot of people are going to drop out of school and then you will have a higher poverty rate and the welfare system is going to be worse.

Chairman KASICH. Thank you, ma'am. We agree with you and we are not going to make you pay interest while you are in school.

Chris.

Mr. MAHER. My name is Wayne Maher, M-a-h-e-r, from North Plainfield.

And just as in our country one of the big events was the Boston Tea Party, I believe I have found the program for you, gentlemen, to cut out of the budget. There is a board called the Federal Tea

Board. I believe it has three members that get paid \$103,000 a year and they sip tea twice a year to make sure that the tea we get in this country is safe for the consumers. I would suggest that that should be the first place you should take a look.

And I suggest that there are also probably hundreds of more of these boards and commissions that are funded by taxpayers dollars that serve no useful purpose but to put people on the payroll for political purposes.

Chairman KASICH. Rick, how about giving us—we are going to do three more here.

Mr. FOSTER. Good afternoon. I am Drew Foster. I am with the Coalition to Reform Money. We are a nationwide organization seeking monetary reform. As I listen to all the comments and complaints in here today, there is one clear common denominator and that is a shortage of money.

I am wondering when you Congressmen are going to take your responsibilities seriously and stop monetizing debt and begin monetizing wealth, as your constitutional oath requires. The Federal Reserve statistics are clear. We have roughly \$1 trillion in M-1 money—that is our walking around with money—and a total indebtedness of \$27 trillion. That spells bankruptcy and I am looking for you, gentlemen and lady, to take your responsibility more seriously and fix this problem instead of bringing us in here and putting Band-Aids on these symptoms. Let's fix the cause of the problem.

Chairman KASICH. Thank you, sir.

Chris, how about another one there?

Ms. POMMETERRE. I am Audrey Pommeterre from Pestfield, NJ, and I would like to make a short statement in rebuttal to a couple of things that were said by the original board.

I happen to be a senior citizen. I don't collect Social Security, but I am on Medicare. I would like to make sure that the National Endowment for the Arts is not cut so that I can—thank you, thank you, thank you—I would like to also ensure that the public radio and television, which happen to be the only ones that I listen to and watch, are kept.

Thank you so much.

And in reference to Social Security, I would be very happy to have my Social Security subject to a means test at any time. Thank you, very much.

Chairman KASICH. Thank you, ma'am.

And we will get one more and we will come back out in the crowd. Don't worry.

Mr. HAIK. My name is Ed Haik from New Providence. I would like to make the point that I think Social Security was really considered as an annuity, not as a welfare deal. And I worked 46 years and I had a good job, but without Social Security, I could not have the standard of living that I think I deserve.

The other point I want to make is that one of the things that I read in the papers that there are billions of dollars that the Internal Revenue Service and all the others, HUD, these people have taken our money, they get a slap on the wrist. And I say, spend all the money you can for people to go out and find these people that have cheated on the government. Spend any amount you have

until you get it and I would say they should pay back money that should not be taken away from people that need it.

Chairman KASICH. Sir, thank you. We are going to do one last one.

Chris. The gentleman there.

Mr. NICKLAS. Phil Nicklas, Belford.

I am going to give you \$500 billion to cut. Community development. We are getting \$7,500 to award people unemployment 52 weeks, \$325 a year, paying people not to work. The fraud-ridden food stamp program, \$2 billion in fraud. Cut it out all together.

Chairman KASICH. I want you to hold one second.

Folks, I want you to have respect for the people in this room now. Now, please, that is the way we are going to get out of this mess, not booing one another. Just have respect for one another here.

Go ahead, sir.

Mr. NICKLAS. Farm subsidies, rail subsidies, shipping subsidies foreign aid, \$13 billion, railroad subsidies, welfare, illegal aliens getting money and no means test on Social Security.

I want you to cut my COLA and stop raising the taxes on it. Eliminate the tax abatement. Take the millionaires off of welfare. Get rid of the earned income tax credit and stop the underground economy. They are ripping us off. They are not paying any taxes at all.

I want you to get your rotten, filthy, stealing hand out of my pocket and set the American people free. We are sick and tired of this socialist tyranny.

Chairman KASICH. I want everybody to have it cemented in their minds that the reason why we passed the balanced budget amendment, and we are very hopeful it is going to pass in the Senate, doesn't have anything to do with just trying to get a balanced budget. It has to do with the best way in which we can provide opportunity to people in this country.

Now, we are going to go—

UNIDENTIFIED SPEAKER. Mr. Chairman? Mr. Chairman? Mr. Chairman? Mr. Chairman?

Chairman KASICH. Would the gentleman please—would the gentleman please—Jeanne Borkowski is now ready to testify. Would you ask the gentleman to suspend, just to be quiet.

Jeanne, you are now the witness.

Ms. BORKOWSKI. I would like to thank the members of the House Budget Committee for holding these field hearings—

Chairman KASICH. Hey, officers, just—

Folks, let's get to order now. Folks let's get some order. I would ask the officers—OK. Let's calm down now. I would ask the officers to let that—I don't know—to let that gentleman back in here and we will see if we can get a chance to hear from him at some point.

Let me just tell you the situation is simple. The situation is simple. Everybody wants to speak and you can't just jump up and try to jump in front of 30 other people. We are doing the best we can. And I think we are doing a pretty good job here of listening to you.

So let me just say to the officials here that we would hope the gentleman could be brought back in and he can get in line, and if

he gets called on, it will be great. It is not our intention that he is not called on but we have to have order.

Jeanne, go ahead.

Ms. BORKOWSKI. I would like to thank the members of the House Budget Committee for holding this field hearing and in particular the opportunity to provide input on how to make the budget leaner and not meaner. I believe that the budget cannot and must not be balanced on the backs of your youngest constituents nor can their future be sacrificed by reducing spending in sensitive areas of the Federal budget.

We all know that there is a lot of fat at the Federal level, and I applaud Congress' efforts to reduce their own staffing. I sincerely hope that you continue to further reduce the strain on my tax dollars by cutting out many of your own perks. You may have been elected to Congress but please remember it is just a job and it is no different from the jobs that millions of Americans work at each and every day. We just don't enjoy the amenities that we pay for you to have.

I am certain that you have heard over and over again that the Defense Department should be scaled back. I feel strongly that it should. While I do not know much about weapons systems or the organization at the Pentagon, I have become incensed about how my defense dollars are spent.

I feel very strongly that military bases should continue to be consolidated even if the political ramifications are unpleasant. We simply cannot afford to maintain bases that may no longer be militarily relevant.

It is no secret that entitlements make up the bulk of the Federal budget. Any discussion of a balanced budget must include cuts in Social Security and Medicare, as unpopular as that may be.

Social security benefits should be means tested, scaled to income. As income rises, benefits should be reduced. Just as the working poor lose their benefits as their own incomes rise, retirees, too, as their incomes rise, should have their benefits adjusted.

And Mr. Chairman, I know what I am talking about. My father was a steelworker who was 100 percent disabled when I was 17 years old. He died when I was 20. My mother was an assembly line worker in the factory. The \$90 that my family received each month for me as a minor child was considered part of my financial aid package at Rutgers University. I know what I am talking about.

I am opposed to the title V provision of the Personal Responsibility Act that merges all Federal nutrition programs into a block grant. Without Federal guidelines in place to direct funding to local agencies that provide direct services, I foresee State governments skimming off Federal dollars to support their own bureaucracies.

In New Jersey, we are soon to experience cuts in the number of State workers. In many instances, these employees will simply be shifted on to the payrolls of federally funded grant programs so that the personnel costs will not be borne by State government. I feel that this process will merely be accelerated if funds are merged into the block grant proposal without stringent regulation in place to ensure that adequate funds are provided to the communities that provide direct services.

Chairman KASICH. Ma'am, I have to ask to you summarize. We gave you a little bit more time because of the demonstration here, but go ahead. If you could summarize.

Ms. BORKOWSKI. In conclusion, please remember that the character of a nation is determined by the measures it takes to ensure that its children grow up healthy and safe. Please don't sacrifice our children merely to balance the budget.

Thank you.

Chairman KASICH. Thank you, ma'am.

Questions for the witness? The gentleman from Long Island.

Mr. LAZIO. One quick question. We have a monumental task in front of us and I think we are trying to focus on the children. I think we are talking about, and the chairman was saying, instead of spending \$3 trillion over the next 7 years, spending \$2 trillion. And the question is, how do you save that \$1 trillion?

The latest generational accounting analysis is that for somebody born in 1993, their lifetime net tax is going to be 84 percent of their income. And so there is a grave question about what we are doing now and how it is going to affect children. So many of us who are talking about trying to restrain government are focusing on government. I guess I should be asking a question but I just wanted to make that clear.

Chairman KASICH. The gentleman from Pennsylvania.

Mr. WALKER. I must say that as a member, that it is interesting to hear as many people come before us today who are suggesting that we cut Social Security benefits and means test them. I say that because Social Security is an earned program where you earn your benefits.

Now, what we have heard from a number of you is you want to say that you are no longer going to allow people to earn their benefits; you are in fact going to take away benefits from people who have earned them. And I think that that is a very, very serious policy issue that is going to have to be addressed. And I must say that I am interested in hearing that so many people, including yourself, have come forward today have suggested that we take away this earned benefit from at least some people.

Ms. BORKOWSKI. I believe unemployment is also an earned benefit and I have payed into this system since I was 16 years old. I was once unemployed for a period of 3 months and I applied for those benefits that I felt I was entitled to and had paid for. I was told that I was not entitled to them and I didn't receive them.

Mr. WALKER. There is a difference between the way the two systems are set up. I would say to you—

Ms. BORKOWSKI. But that is also something that I have contributed to, and I felt that I was entitled to it, also.

Mr. WALKER. Sure. I understand your point. But I am simply making the point that you are the second or third witness, including some back in the audience, who have suggested that having earned the benefit over a period of time that Congress ought to take the position of taking that benefit away. And I got to tell you, that will be a very serious discussion if it comes to that.

Chairman KASICH. The gentleman from Ohio, Mr. Hoke.

Mr. HOKE. Thank you.

I would just ask you the same question that I asked Dr. Kralovich, anyway, you suggest the means testing. Where would you phase it in and where would you phase it out?

Ms. BORKOWSKI. I think that is a difficult question. There are means tests in many other Federal programs. The guidelines that are useful anywhere between 100 percent of poverty up to 185 percent, that is a decision that someone certainly much more knowledgeable than I need to make.

Chairman KASICH. Any other questions for the gentlelady?

Ma'am, I appreciate you being here. Thank you very much.

And now we will hear from Edward Hummel from Hillsborough, NJ.

Mr. HUMMEL. I thank you very much for this opportunity to testify regarding the deficit. I know you have a very difficult problem and I urge the committee to find the courage to make the very difficult, hard decisions you are going to have to make in order to get the deficit under control. And I hope and expect you will find more understanding among the public for some of the politically unpopular choices that you will have to make.

In terms of specific recommendations, I urge you to greatly reduce the Federal role in Medicaid and welfare. Turn control of these programs over to the States. The States could come up with much better ideas for how to control the growth in spending for these programs.

I would also urge you to reduce the growth in Medicare spending; for example, by means testing it. Families which make large incomes should not be receiving subsidies for medical expenses.

I would use the Social Security, though, as a contract, essentially an earned benefit that people have paid into. It is a contract in which people have paid into an account. And I don't believe means testing is an appropriate way to reduce the cost of Social Security. Although I do think you need to get the system under control. And to that end, I would recommend you use methods such as raising the eligibility age for retirement benefits or capping COLA's, but certainly don't add an income requirement for when people can receive their payout.

In terms of discretionary items, I urge you to reduce funding for defense forces. I think it is significantly over the real need in the world today. Although I do urge you to maintain the level of funding for defense-related R&D, especially for technology development. I think it is important to keep the United States as No. 1 in terms of the quality of the arms we have.

Reduce or eliminate subsidies for agriculture, dairy, rural electrification, urban mass transit, public broadcasting, arts and humanities, those things. I think there is a lot of opportunity for cut-backs there. And those programs also can be better handled perhaps by the States.

In terms of bureaucracy, there is great opportunity to reduce government agencies such as Department of Energy, Interstate Commerce Commission, Small Business Administration, Export-Import Bank. You have been given a long list of those things today, and I will hope you will carefully consider ways to make real cuts and to actually reduce some of those agencies.

Thank you.

Chairman KASICH. Thank you, sir.

Questions for the witness, for Mr. Hummel?

Mr. Hummel, it is my sense after being—this is the fourth city we have been in—you just are hearing people say, we all keep talking about how hard it is.

First of all, we are not going to spend \$2 trillion more than we have spent in the last 7 years. And, secondly, I am just impressed with the comments that we get from folks. I mean it is a matter of priorities. Some people say education is more important than this and this is more important than that. But aren't you impressed with the general tone of what you are hearing in terms of people know that we have to get there?

Mr. HUMMEL. Absolutely. I think a great service has been done over the past few years in terms of raising the visibility of the deficit as an issue. And I think that although in Washington there has been a lot of noise, I think the general population really has grasped this as an important issue, and I think a large part of what happened in the last election was due to the people's real—trying to express their voice on this issue or these related issues.

Chairman KASICH. Let me conclude by saying—I am sincere when I say this—I know this is how our Speaker feels, if the American people don't want to do this, it won't happen. It is going to be up to all of us. It is not going to be up to the politicians. It is going to be up to the people of this country as to whether we do this or not.

Sherry—is it Zowader? Sherry, take the chair.

Ms. ZOWADER. First of all, let me say thank you for giving me this opportunity. And I think that Congress should really bite the bullet and take the first initiative by taking a 15 percent cut in their salaries.

I would also like to see some of the freebies done away with. I have to pay for my haircut. I think you should pay for your haircut, too.

Also, I think that we should over a 5-year period take a 20 percent cut in the military. This would not be a painful cut over 5 years, it would only be 4 percent a year, and I think that we should combine all the Armed Services under one hat instead of having them all separate. And that would downsize or rightsize the military as well.

I also believe there should not be any more entitlements to bail-outs such as the savings and loan, such as countries that really benefited Wall Street and not the country itself, and also for corporations.

I also think—and this is sort of like a defense thing for me, but I also believe that PBS and the NEA should remain endowed. When PBS was first begun and the bill was signed to create it by LBJ, it was to relieve people of having to be held hostage to certain special interests. They then had the opportunity to make those unpopular statements and come out with those things that not everybody agreed with. And I think that is very important in a free society that everybody have the right to their statements.

Chairman KASICH. Questions? Questions of the witness?

Ma'am, I want to ask you a question. What would your sense be in terms of public broadcasting if we guaranteed public broadcast-

ing stations a guaranteed frequency and that over time we would encourage the bigger public television stations to share revenues with the smaller public television stations and phase out public funding?

Ms. ZOWADER. I don't see how that would benefit the small stations versus the larger stations. I think that everybody has the right to what it is they want to say and do. And what happens in Podunk, Iowa, maybe that is important, maybe they are going to do a special on the sod, you know, fermentation and how it affects feeding livestock, and in New Jersey we are more interested perhaps in the shore. And the people we use to do that versus the people that they use, the moneys are different, its qualities are different, and the statements are different. I think it is all individual.

Chairman KASICH. The gentleman from Pennsylvania, Mr. Walker.

Mr. WALKER. But doesn't it strike you at all odd that we have \$25,000-a-year working families paying taxes to subsidize a billion-dollar industry called Big Bird?

Ms. ZOWADER. I have to tell you, I think that we can all pick out those things in government that we don't want our moneys to go to. And to me, you have to pay for the things you don't like as well as the things you do like in order to have a democracy. And that is what I see that this is.

Chairman KASICH. Any other questions for the gentlelady?

Ma'am, thank you very much for your testimony. Very good.

And we are losing—

Ms. MOLINARI. No, I will be back.

Chairman KASICH. Morris Clark from Cape May.

Mr. CLARK. Thank you for the opportunity to be here today.

I am here today as a taxpayer to join the chorus of people that are declaring war on our national deficit. I believe strongly that we have to cut our Federal spending because we are not spending our money anymore; we are spending our children's money, and this is not just bad economics, it is plain wrong.

I think we have a good idea that I need to give credit to a gentleman by the name of Doug Hall, who I ran into while surfing on the Internet. The idea is to have a national garage sale of some of our government's assets. Now, I understand that selling an asset is not the same as the necessary cuts in spending which we have to do if we are going to solve our problem. But selling some of—just some of our national assets would go a long way to reduce the deficit and at the same time put a down payment on the approximately \$4.8 trillion national debt, which this year you are going to spend \$235 billion to service. It is about 15 percent of the budget. And it is only that low because you financed a lot of it short term, low interest rates.

The national garage sale could be advertised on the Public Broadcasting System. The government could take deposits and buyers and then hold the balance as mortgages. Billions of dollars of assets would then be back on the tax roles.

How many assets does the government have? It is hard to say. Mr. Rukeyser, the Wall Street journalist, says \$27 trillion. I have seen other estimates that put it up to \$50 trillion. Nevertheless, this includes things not only in the military and the Postal System

but things like government surplus, property seized by the IRS, and the Drug Enforcement Agency. And realize you have got all kinds of real estate out there. The government owns one-third of all the real estate in the United States. That includes 60 percent of Colorado and 82 percent of Nevada.

What could we sell? We could start with the civilian air fleet. The cost of this far out—exceeds the cost of flying commercially. This would save approximately \$6 billion over 5 years.

How about the National Park Service? An Interior inspector general study says the service really doesn't have an idea of how much it owns. Many sites attract few, if any, visitors.

Just a few examples: Last year, the Hamilton Grange National Memorial in New York City attracted zero visitors. The Yukon River National Reserve attracted 646 visitors, and the Rio Grande wild and scenic river sites only attracted 690 visitors.

Then there are these sites that are really of dubious historical significance. For example, we have got the Amstead Water Sport Reservoir on the Rio Grande. That is a national park. There is Steamtown in Scranton, PA. Now, Yale University Prof. Robin Winks says that the old train collection that costs taxpayers \$66 million, he said, it is, quote, consciously an effort to provide a depressed city with a tourist attraction.

Now some things can't be sold outright and those things we should consider privatizing. For example, and I say this with all due respect for the veterans that laid their lives on the line for our country, I think we should do everything we can to support them, but let's look at the Veterans Administration health care system. It is a \$16 billion-a-year health care system. It has 24,000 employees. There are 171 hospitals; 4 of them are being built now. There are 80,000 beds; 363 outpatient clinics; and 128 nursing homes. There are 7,000 Veterans Administration bureaucrats that are making over \$100,000 a year. This system could be privatized and qualified veterans could receive Federal health care vouchers that they could use at any doctor's office or any hospital of their choice. Or needy veterans could be brought directly into the Medicare system. I got this idea from a former staff attorney of the Veterans Administration, Mr. Bauman, who was there from 1990 to 1993.

Of course we have got to be careful, gentleman, what we put up for sale. I understand that. We should not, for example, sell a new uranium processing plant like they did out there in one place, in Idaho; they sold to a guy for \$153,000 and he turned around and got an offer from Indiana for \$8.3 million. You have got to be careful about what you sell.

Nevertheless, we all have to get behind this deficit reduction plan. It has got to be a plan that cuts across the board comprehensively and it has got to be, more importantly than anything else, fair so that all of us will get behind it. It can't be done incrementally. It will not work.

Congress has to get behind this, too. And that is one more suggestion, please put up in the House of Representatives, in the Senate, and even at the White House, one of those big deficit clocks like in New York City and put it up there and look at it and maybe you should put under there: For the sake of our children and

grandchildren. I think that would help to get everybody behind the task that we have before us.

Thank you.

Chairman KASICH. Questions for the witness?

Let me say that you have obviously done a lot of work on this. We like these ideas that you have.

What do you think about the idea of letting corporations put their names on postage stamps and instead of putting the young Elvis and the old Elvis, we let a corporation pay to put their logo on a postage stamp and bring in money. What do you think about that idea?

Mr. CLARK. I haven't given that any thought but the important thing—

Chairman KASICH. They like Elvis here, it sounds like.

Mr. CLARK. As you know, we have got to look at ways that are going to bring everybody—everybody has got to feel a part of this. And I just want to come up with something that will be across-the-board comprehensive and absolutely fair.

Just all you got to do is just freeze a portion—have a deep freezing of just a portion of the increase of your spending. If you just froze everything at current levels, and just allowing \$10 billion extra a year for the few people coming into Medicare and Social Security, you could balance the deficit in 3 years just by freezing at current levels.

Chairman KASICH. The gentleman from Pennsylvania.

Mr. WALKER. What would you think of the idea of allowing everyone to take 10 percent of the taxes they are already paying, designate it for absolutely nothing but debt buydown, and then force Congress to cut the spending by the amount that the American people designate for debt buydown?

Mr. CLARK. We are sitting here grandstanding and talking about the importance of solving this problem of the national debt. I think it would be a great opportunity for us to put our money where our mouth is. But there has got to be some way to get everybody behind it.

When you approach it incrementally, the special interests are going to circle their wagons and scream and howl and you are not going to get anywhere. You have to make the pain—it is a great word, sacrifice. It is fair and across the board.

Chairman KASICH. Thank you, sir. Very, very good.

Lynn Dill from—where are you from?

Ms. DILL. Delaware. Colonia, DE.

Ms. DILL. Thank you for letting me address you gentlemen.

First, I would like to say that I think I heard someone talk before about the COLA with regard to Social Security. It seems that a lot of people think that was part of the original contract. It is my understanding that it is not. And I think that would be a good way to start by freezing the COLA on Social Security and also on Federal pensions, including congressional pensions, above a certain level.

I would also like to say I think one of the reasons why Social Security has been spoken about so much, in 1950, there were 120 workers supporting every Social Security pensioner. By 1960, the

ratio was 5 to 1. Today, the ratio is 3 to 1. By the year 2030, it will be 2 to 1.

Now, gentlemen, I am very, very, very, worried about the young people of this country. I am very, very, very, worried about the future of this country. The Social Security taxes have also gone up quite a bit. In 1960, Social Security payroll taxes rose from 1 to 3 percent.

It so happens that nowadays Social Security taxes have gotten so high, and one thing I would like to point out is that for some young couples, a two-income family, the Social Security tax that that family pays is enough for a down payment on a home. And when we talk about means testing Social Security, we don't want to take anything away—I don't want to take anything away from anyone that needs it. But perhaps incomes at a certain level, there could be a slight reduction in the Social Security benefit. But again, I would like to emphasize, I think the COLA would be a good way to start.

And another thing I would like to say, I would like to make a quote from yesterday's newspaper by Senator John Chafee. I believe very, very much what he said. I am unenthusiastic about these tax cuts. The real problem is what we are doing to our children, our grandchildren. We are living in a wonderful style and just sending them the bill.

And I would like to close by saying I assume that all you, gentlemen, you wanted to hold office to do good for the country, not just get elected. And both parties have an obligation to tell the truth to the American people and to lead. And the American people have not heard the truth. Politicians in both parties are telling the people what they want to hear. And I do not want to see both parties get into a bidding war to see who can promise the best tax cut to the American people.

Gentlemen, I am not looking for a tax cut. I want the best thing for the country and for the children. And if both parties did the right thing, no one would have to worry about getting elected.

And I would just like to mention one more thing regarding the Federal debt. Going back several years, these savings and loan bailouts, I believe that \$500 billion of the present national debt was due to the S&L bailout. That money came back to me. As I understand it, every person in this room who had any bank account anywhere in any savings and loan that went under was able to get their money back because their deposits were insured by the Federal Government.

Chairman KASICH. Thank you, ma'am.

Mr. FRANKS. Thank you, Ms. Dill, for your testimony. I am struck that you are yet another witness who recognizes the scope of the problem that we face and is talking about some solutions or at least approaches that have been too hot politically for people in Washington, DC, to engage in a meaningful discussion of.

You have brought up COLA's. You are suggesting that we perhaps consider freezing COLA's on Social Security?

Ms. DILL. Yes, I am.

Mr. FRANKS. Why is it that you believe that would be an appropriate response?

Ms. DILL. I think it is a good starting point. COLA was never a part of the original contract. It was enacted in 1972, if my memory serves me correctly. It was never part of the original contract and that is not something that people should feel that they should be entitled to if it is explained to them what it really is. A lot of people think that this is part of the original law. It is not.

Mr. FRANKS. Thank you.

Chairman KASICH. The gentleman from Ohio, Mr. Hoke, do you have a question?

Mr. HOKE. Yes. Actually, it is not quite a question. I just want to say that I think we are getting so much wisdom from the testimony that we are hearing today, and from both the preparer as well as from the audience, it seems to me that what we ought to do is require that half of all the hearings in the Congress should be held not in Washington, DC, but outside of Washington so we can get this wisdom.

And I am reminded of one other thing. You remember what the Republican Majority Leader Dick Armey said about 4 or 5 weeks ago, the knees of Congress will buckle when they see what is required to balance the budget. He didn't say that the people's knees would buckle; he said ours. And it seems that if ever we need to get the courage, all we would need to do is get outside of Washington and listen to people like Ms. Dill tell us what we have to do.

Chairman KASICH. Thank you.

The situation is this: We have two more witnesses and then we are going to come back to the crowd.

Mr. Browder, let me see—could we get a show of hands here. I haven't asked the question yet. It is hard to show hands. Let me ask the question first. Here is what I want to ask. I want to ask three questions. Let's try to do it so we can do it orderly.

First of all, how many people would feel as though tax cuts ought to be postponed until we balance the budget. Raise your hands. OK. Thank you.

How many of you would prefer to see tax cuts part of the first effort to get to the balanced budget?

Let me explain the situation to you. OK. Let's do that. How many of you think that the tax cuts can be part of the effort to get to zero; that we give you a little bit of something up front and then we go to balance the budget? How many of you feel that we ought to do it that way?

Let the record show that the tax cut lost.

Now let me ask one final question. If we were to tell you that we could get to a balanced budget and still give you a \$500 tax cut and credit for your kids and the capital gains business, and in order to get there we would be able to spend \$2 trillion more rather than \$3 trillion more, how many of you would then say, yeah, we ought to do the tax cut and the spending cuts?

Thank you. That is very helpful folks. Folks—folks. The gentleman from Alabama.

Mr. BROWDER. Ladies and gentlemen, let me ask one final question. The chairman has asked some very good questions that we in Congress are facing right now when we go back. But let me ask you one final question about this issue. Tax cuts now and deficit reduction now. How many of you would be in favor of placing a con-

dition on any tax cut that they only go into effect as we make progress and demonstrate progress on deficit reduction? Thank you.

Chairman KASICH. Thank you. We are getting a clock down to 2 minutes. We are getting down close to the end here. Pamela is up here.

Ms. TISZA. Most of the things about—

Chairman KASICH. Ma'am, I don't think we want to deny this lady her chance to speak.

Ms. TISZA. I have very little to say. Most of the people have brought up many of the major points and it is very nice we have had the opportunity to be here.

I think the major thing to me is the fact that everybody has to take a cut. And I think that we are thinking about doing something like we used to do when I worked and did budgets. Everybody takes a 10-percent cut. And I don't know how you can do it, but I think it needs to be done, and I think the military can take 20 percent without any question.

I am a senior citizen and I do feel that if we are going to have anything for our children or grandchildren we have to look at Social Security. And I agree with the people who have suggested that we do something about the COLA's. I felt for a long time—I think the average Social Security payout is about \$625, \$650 a month. I believe above that amount, the COLA should be graduated. Below that amount, a full COLA should be given. I have worked with women who get \$300 and \$400 a month. This is not enough for an elderly woman or an elderly man to live on and they need help, but when you begin to get above the average, most people have other income. And a graduated COLA to me takes good sense.

I would also like to suggest that since everybody is getting hurt, that the elderly, Congress, all Federal employees, go 2 years without a COLA.

I urge you very strongly to use any money that is saved against the deficit, not against a tax cut. That deficit is deadly, and unless we get it down, we are going to really have trouble. I thank you very much again.

Chairman KASICH. Ma'am, thank you for being here. That is from the heart and we appreciate that.

Any questions for the witness?

OK. We are going to go now to Michael Brennan and then to Harry Mann. And then we are going to go to you.

Mr. BRENNAN. Thank you, Mr. Chairman. I am Michael Brennan, a self-employed contractor from Basking Ridge, NJ, and I would like to identify myself as one of the Americans who, except for voting for Ross Perot, has stayed outside of the political process because I have had a lot of disdain for what I see going on. I am in a state of shock to actually be speaking to you.

I am just going to go on to my list.

No. 1, I think we should cut entitlements based on income. And for the gentleman from Pennsylvania, I want you to know that my 84-year-old aunt who happens to own two houses does feel that means testing for Social Security recipients should be carried out.

I think that we should eliminate the deduction for mortgage interest on all homes. This artificially inflates the price of real estate

and diverts capital from industry. People say there is going to be a loss suffered as a result of the decline in real estate values. However, the diversion of capital back into productive industry, which is really the source of wealth in this country, will more than make up for the loss on the part of homeowners and people in general in the future generations.

I think we should decriminalize drugs. This has created an artificially high price by restricting supply. As long as there is a demand. And let me tell you I could walk out of here and buy any kind of drug I want, no matter what the laws are. People will supply it as long as there is a demand. If we decriminalize it, the price will come down, the money can be spent on education rather than on putting people in jail and building jails, which is an enormous drag on our country. And we can be educating people about dealing with those matters.

I think we should have changed the environmental requirements of 100 percent mitigation and we should stop using the courts as a resolution system for trying to have these unreasonable standards.

We should also think about getting rid of the FDIC because that is what led to the problems in the banking industry. We thought there was somebody watching the pot. Well, everybody was asleep at the wheel. We have to look out for our own destiny.

And we came here to have an opportunity. Having an opportunity to succeed also means you have an opportunity to fail. And let me tell you, failure can be a good thing because that is where learning comes from. And out of our failures—and I have had a lot of them in my life. I have been self-employed for the last 20 years, and I am still at it and I would not have it any other way.

I also think that on a far out—as long as my little light hasn't switched over to red yet, I am going to keep talking—OK. I am over it.

Chairman KASICH. Michael, unbelievable. It is fate.

Questions for the witness?

So we want to thank you for being here and taking your time. And appreciate it very much.

And we are going to go to our final formal presenter from Martinsville, NJ, Harry Mann.

Mr. MANN. Thank you.

As you probably gathered, I am a retired one and my subject happens to be Medicare misuse and/or abuse, if you care to put it that way.

First, I would like to say that all of you are to be complimented and I am pleased to even be in a room where you have this kind of a breath of fresh air. Thank you all for coming, and I appreciate that very, very much.

And I will mention something later we could all violate our chairman's applause rule.

Let me talk about this Medicare thing on a firsthand basis. I am a recipient of Medicare and have had substantial benefit from it, but I believe that we all understand that there is a great deal of mishandling and what is called fraudulent activity in this area. Some people suggest that it is as much as 30 percent. If we use

the 30 percent figure on your numbers that you offered in your pie chart today, the number gets up around \$52 billion.

Now, the new—I guess he is new, Senator Cohen, at least he is new as being the chairman on the Committee on Aging, he suggested recently in our AARP bulletin that the fraud level is \$40 billion and he plans to do something about it.

Well, I know each of you in your own way have addressed this problem and, in fact, Congressman Franks was good enough to respond to me some many moons back about the fact that he had sponsored some legislation or was sponsoring some, et cetera, that would help this problem. I trust that all of you have heard this before and have many, many examples on your desk of Medicare abuse.

I only suggest to that you there is something that we can do that is outside of the legislature, as because—as I understand legislature, and I am beginning to become a convert, perhaps it takes a long time to get anything done down there, even with you new people trying to get things done.

I appreciate that some major things have been done recently, and I think that is also quite pleasant to read about. But let's take this Medicare abuse thing and get into it in an area where we can all do something without legislation, and that is my suggestion, is simply a standard marketing one. Have the public write in to all the editors of all the newspapers about Medicare abuse. Let's use that publicity peer level, if you will. I think someone mentioned let's put up this deficit clock idea. Same thing I think in a different way. But you will have enough clout to get all of these editors on board. When you go to Montana next week, get them on board, if you will. And good luck in Montana.

At any rate, I think we could exert some public pressure on this thing and we could reduce this Medicare expenditure substantially. Let's aim at something very realistic like 5 or 10 percent. I believe that is an area of \$4 to \$5 billion. And I don't think I know how to say "a billion dollars."

OK. What I am trying to say to you, folks, is that you have the clout to get it done. Let's please consider getting it done by everybody in our newspapers.

And one last other suggestion about the gentleman who said let's hold some meetings outside the dear old confines of Washington, I think we have a tremendous group of doctors in our world. And in this area, let's get one of your subcommittees to have a panel of this kind, of just the doctors, invite every single one of them. They will tell you how to reduce this Medicare expenditure and we will not lose benefits. That is a selfish thing on my part.

Now, please thank these people for coming here today. They are doing a fine job for us. Thank you all.

Chairman KASICH. Thank you very much. OK.

We are going to come out in the crowd. And, Rick, do you have somebody there? We are going to do this for a few more minutes and then we are going to recess. Go ahead.

Mr. CARDOZO. Al Cardozo from Brooklyn Heights.

There is one thing I have not heard anybody talk about, the one simple question that should be asked, and that question would be for each specific line item is this authorization of money authorized

under article 1, section 8 of the Constitution, which as far as I know is still in effect in this country. That would eliminate a lot of these questions, should we cut this or that? Because article 1, section 8 has a very specific list of what the Federal Congress is allowed to do and article 10 of the Bill of Rights or amendment 10 of the Bill of Rights says that anything Congress is not allowed to do is reserved to the States and to the people.

So please refer to the Constitution. That is the owners' manual for the country. If you use that as a guide list of what you can do, I think we would eliminate a lot of wasteful spending. Thank you.

Chairman KASICH. Thank you, sir.

Mr. DUNBAR. I am Walt Dunbar from New Jersey.

I share many of the concerns that we have heard here today. I would like to throw out for a consideration my heart to the young students here that are going to be graduating and are going to have a difficult time finding a job specifically because of the lack of the growth of the economy. I think if we focus on the expanding of our economic base will allow for prosperity and for taxes and we can all live better.

Thank you.

Chairman KASICH. Thank you, sir. We appreciate you being here. Rick.

UNIDENTIFIED SPEAKER. Good afternoon. I want to thank you for your patience. I think you are real soldiers to venture into this fortress.

I would like to mention two points. One is I think we need a vocabulary of terms. Throughout the day today virtually every comment on the deficit, I think people think they are reducing the debt. And I don't think the distinction has been clearly made between the difference between the deficit which is an annual number and the debt which goes on for life.

For example, the deficit reduction in my mind doesn't exist. If we have \$200 billion last year and \$190 billion this year, people say, well, we did better. All we did was run the debt up an additional \$390 billion.

And one area that you should look at is the Federal requirement to invest the surpluses of trust funds into security notes, Federal security notes. I think you should invest it in other types of securities.

The highway trust fund has a surplus and I don't know why it does because it should defray the current expense. I can understand it in Social Security and pension funds where you have future obligations, but let's take the surplus from the highway trust fund and pay off the New Jersey Turnpike.

Chairman KASICH. Thank you, sir.

Hey, let me give you one perspective. If you started a business at the time of Christ, if you lost a million dollars a day, 7 days a week, you would have to lose a million dollars a day, 7 days a week for the next 900 years to get to one trillion. And the national debt is \$4.8 trillion going to seven. Chris.

Ms. CRISCUOLO. My name is Maria Criscuolo, C-r-i-s-c-u-o-l-o, from Dunellen, NJ, and I would like to address a few things that were said.

One is in terms of welfare benefits for immigrants, illegal immigrants into this country. I know something has to be done about that, but I think we have to keep in mind that there are many resident aliens, people who are here legally that pay taxes and have for many, many years, and those people shouldn't be penalized because they are contributors to our country.

With Social Security, I don't think there should be a means test to the basic benefit but there should be to the Medicare insurance payments that we have. And I think in New Jersey the homestead rebate for \$500 should be subject to a means test as well for people on Social Security.

And I am a person with a disability. One thing I would like to see addressed is putting more money directly in the hands of the person with the disability to rebuild their lives. It is much less expensive than expensive bureaucracy. People can be helped to live at home and in the communities for maybe \$15,000 a year versus \$100,000 a year to live in an institution and not be any way a contributor to our society. And you can make big cuts in bureaucracy just in that area alone.

I also don't think entitlements are the only area you need to look at. There are many, many areas where there is redundancy in government and bureaucracy in government and you need to take a look at cutting those across the board, not just focusing on one area of our budget. There is defense, there is congressional spending, there is spending by all the other agencies in the country. And I think those all need to be addressed.

Chairman KASICH. Ma'am, I would ask you to write to the committee please and tell us your ideas for getting the money out—getting your money back to you as efficiently as we can. We would like to hear from you on that. Ma'am, we got to move it on.

Mr. HUNDLEY. I am William Hundley. I live in Summerville, NJ. I thought that I would bring up—could we consider, because we can't relate to you, cutting some of the benefits that you up there at the table enjoy? I am talking about bringing your medical benefits, your pensions in line with us. We can't relate to you and you can't relate to us. And this is a problem that I have with relating to most of you who are in Congress.

You voted in a 50-percent pay increase when my union was negotiating for a 2-percent pay increase. And I would appreciate you taking that under review because you are supposed to be our servants. OK? That is all I have to say.

Chairman KASICH. Thank you, sir.

Chris.

Mr. STERBINSKY. My name is Frank Sterbinsky of Manville, S-t-e-r-b-i-n-s-k-y.

Going back to August 31, 1982, I was on the panel of the then committee hearing held by Congressman Rinaldo. Too many people today in the country are being misled as to the Social Security trust fund being a part of the Federal budget. It is not. It has nothing to do with the Federal deficit. Not a bit. It never has been and never would be. That trust fund is being bounced around back and forth in Washington. Once you hear that it is a part and the next time you hear that it is not a part.

I am opposed to the means testing of it and even as Senator Moynihan has said, the pilfering of the trust fund is known as embezzling in Washington. So I would urge you people to make certain that the trust fund, the Social Security trust fund is maintained as a separate entity knowing that it has nothing to do with the Federal deficit because even the baby boomers and the younger folks that you have heard, there may not be anything for them when their time comes, if the Federal Government stops raiding it. Remember the trust fund is solvent until the year 2029. And I would say don't tamper with Social Security. Thank you.

Chairman KASICH. Thank you, sir. Rick.

Ms. ERICSON. My name is Debbie Ericson and I am from Bridgewater.

I wanted to just suggest that while we all have our favorite things that we would like to keep money in or have money taken out, I would suggest that the U.S. Government run its pocketbook just like most households do. When my husband brings home his paycheck, we don't say, let's increase our spending and then go to the bank and borrow the money for it. We need to spend what we have. And if we don't have it, we don't spend it.

And if we cut, as one of the witnesses said, perhaps 5 or 10 percent across the board everybody takes the responsibility for reducing our debt. Thank you.

Chairman KASICH. Thank you, ma'am. Chris.

Mr. GLOBINS. I am Norm Globins from Clamford, NJ.

I have listened to both sides of the argument on Social Security. I am old enough to be a beneficiary of this system. In fact, old enough to remember its inception. And this began as a compulsory annuity insurance program where the premiums were a function of your paycheck and the benefits were ultimately tied into your total payment of premium.

Now, over the 60 years that have ensued, this program has been diluted with all kinds of charity programs that are thrown into Social Security. And this is why we have such a divergent viewpoint of whether this should be means tested or not means tested.

I suggest that every program that is not in the Social Security, that it not be funded by—

Chairman KASICH. I am sorry, I know we are having trouble with that mike. Thank you.

I think what you are saying is that you want to make sure that Social Security is reserved for the purposes for which it was created, and the other things that have been added, be careful.

Mr. GLOBINS. Withdraw from Social Security all the programs that are not being paid for by beneficiaries. Put those into the welfare column. You will have Social Security remaining as one of the most secure financial programs in the Federal Government.

Chairman KASICH. OK, sir, I want to thank you.

We are done, except I want to say, first of all, to the members, we are going to need to move into the room from whence we came. I want to say to all of you that this was a tremendous session. I think we are all going to leave here greatly enthused and we learned a lot. Thank you, Manville, and the Budget Committee will stand adjourned.

[Whereupon, at 3:44 p.m., the committee was adjourned.]

HOW TO CUT THE FEDERAL BUDGET

SATURDAY, FEBRUARY 18, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Billings, MT.

The committee met, pursuant to notice, at 2:10 p.m., at Fortin Educational Center, Rocky Mountain College, 1511 Poly Drive, Billings, MT, before the Hon. John Kasich, committee chair, presiding.

Committee members present: Representatives Kasich, Hobson, Hoekstra, Shadegg, Radanovich, Pomeroy, Browder, Williams, and Orton.

Chairman KASICH. The How to Cut the Budget Committee will come to order. Hi, everybody. My name is John Kasich, and I am obviously the chairman of the House Budget Committee. I'm from Columbus, OH.

To my right is Congressman Bill Orton from Utah; to his right, Congressman Pomeroy from North Dakota; to his right, Congressman Browder from Alabama; and to his right, probably somebody you don't quite recognize, but if you squint your eyes real hard, that's, of course, Congressman Pat Williams from right here in Montana. [Applause.]

I'm going to give you a couple opportunities to applaud and then we won't have any more applauding. OK? To my left is Congressman Dave Hobson from Ohio, and, to his left, Congressman Peter Hoekstra from Michigan, and then John Shadegg from Arizona and George Radanovich from the great State of California.

The first order of business will be for me to make a unanimous consent that Pat Williams be made a member of the Budget Committee for the rest of the day. Is there a second? [Chorus of seconds.]

Without objection, so approved. Congressman Williams is now officially a member of the House Budget Committee.

Let me just tell you a couple of things and then I'm going to turn to Pat for a few opening comments. The reason why we are on this tour—this is our fifth city. We've been in Ohio, Columbus, OH; we have been in Columbia, SC; we've been over in Manville, NJ; we've been out in Prescott, AZ. This is the final leg of the tour right here in Billings. Amazingly enough, this is the warmest weather we've had of all the cities that we've visited. So we want to thank you for that. [Applause.]

I want you to know I also bought a coat this morning in one of your stores with my money. But I have to tell you when they found out I was a Congressman, they didn't want to take my check. Anyway.

I want you to understand that this is, in fact, an official hearing of the House Budget Committee. We have a stenographer here and as a result of that, we will try to maintain pretty strict discipline here today. I would ask you to refrain from applause and would ask you to not cheer or boo somebody when they make a statement because we want to have respect for one another.

As I've said in all the cities where we've traveled, this should be viewed as kind of like a Sunday after church or a Saturday after synagogue family meeting where we're going to sit down and talk about the things that we have on our minds in terms of how we are able to move to balance the budget.

As you all know, we have passed the balanced budget amendment in the House. I think there is an excellent chance it's going to pass in the Senate and my sense is it will just breeze through the states. In the House, we are committed to balancing the budget over 7 years. The situation is that we cannot do that, in my judgment and in the judgment of the Speaker, unless the American people are involved in this.

The reason why we have traveled the country is, frankly, because many of you have felt as though your government really doesn't care what you think. You feel powerless to impact your government. We have had tremendous success on the tour. We've had over a thousand people in each of the cities that we have gone to. We have somewhere near 800 people here today. So we're very, very happy with the fact that people have felt as though this is a useful process.

I want to tell you the way this is working is we're going to hear from folks out here for about 3 minutes. They're going to be on a timer. They're going to be able to make their presentation. The members will have an opportunity to question each of them. I would say to the witness we want you to be relaxed and give it to us straight from the shoulder. Then we're going to actually come out in the crowd with some mobile microphones and give you all an—not all of you, but as many as can get called on—an opportunity to speak to us for about a minute and tell us whatever is on your mind.

Congressman Browder has had a very good bottom line to most of the witnesses, a very good request to most of the witnesses, and that is that if you can also talk about what program you get and what you're willing to give up. We have a tendency to say we throw the balanced budget book on somebody else's program. So keep that in mind, and I think we're going to have some fun. That's what this is all about.

Let me recognize Mr. Orton, the senior Democrat here, for a few opening remarks and then we'll go from there. Mr. Orton.

Mr. ORTON. Thank you very much, Mr. Chairman, and to the people of Montana, thank you for participating in your government and in our process of identifying how we go about this very difficult task of setting priorities for spending, identifying ways to make the government more efficient and less costly.

It is, I believe, a shared goal of most, if not all in our government to make it more cost efficient, to bring down the deficit, and I believe an overwhelming majority of us believe that we must get to

a balanced budget. I certainly do. We're looking forward to hearing from you folks as to ways that you think it should be done.

This is the genius of our system and I applaud you for participating. I would also like to thank Pat Williams for hosting us in his district. He is one of my idols in Congress. When I first arrived a little over 4 years ago, Pat was our regional representative, heading our region. Being from Utah, I had an opportunity to learn a great deal about Congress and how it operates from Pat and you have a very excellent representative very capably representing the people of Montana.

So I thank Pat for allowing us to come to his district today to listen to his constituents. Thank you, Mr. Chairman.

Chairman KASICH. Thank you, Mr. Orton. I'd now like to recognize the gentleman from the great State of Montana, Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman. Welcome to Montana, John and my colleagues and friends on the committee. We are delighted to welcome you to the last best place, the Big Sky, and we welcome you here to Rocky Mountain College.

Mr. Chairman, this committee hearing will no doubt be very civil, but, nonetheless, you will be able to go back to Washington and say you had a rocky Budget Committee hearing in Montana.

This is, Mr. Chairman, a thing that Montana has liked to do, and that is to hear from their own and other Members of Congress. This is my 17th year representing Montana in the Congress. I have invited and we have had 36 hearings previously in Montana, 36 hearings that I've invited and that I've attended. And prior to the good you and your colleagues on your committee coming here, we had 53 Members of Congress during those 17 years that participated in those hearings.

So with this good group at this panel today, that brings the total to 61, and we Montanans have welcomed all of them and been glad that they would come at our request to listen to us.

Now, Mr. Chairman, having welcomed you here, I don't understand why you're surprised about the warm weather. It is always warm in Montana, sometimes warmer than others. If one agrees that 20 below is relative warmth, it's always warm here.

Finally, Mr. Chairman, let me thank you and the members of the committee for, with unanimous consent, making me a member of the Budget Committee. As you know, this marks the second time in my terms in Congress that I've been a member of the Budget Committee. I was actually elected by my colleagues, as each of you are now, to serve on the Budget Committee in the 1980's.

We have a rule in the House that you can serve three terms, 6 years on this committee, and then you come off and someone else comes on. Back then, we had a similar contingent of the Budget Committee. At that time, the chairman was Bill Grey, who you know, from Pennsylvania and Bill brought the Budget committee and about this many members, I think a couple more, to Helena and we were delighted with that committee hearing, as I know we will be with yours.

Finally, Mr. Chairman, it is important business that the committee is about here in Montana and throughout this country and one of the things that we need to determine as a people and as a committee is as we move to bring more common sense to Federal ac-

counting procedures and as we move to try to bring this budget either toward or into balance, one of the things we must determine as a people is which Federal expenditures are only expenditures never return to the Federal Treasury and which are investments that do return to the Federal Treasury and, therefore, do result, even though they're expenditures on the front end, do result in decreasing the deficit in the out years.

That's the kind of wisdom that this committee seeks and I'm hopeful that you'll receive some of that here in Montana this afternoon. Thanks again for coming.

Chairman KASICH. Appreciate the gentleman's comments. We will go now immediately to the Senator from Montana, Senator Conrad Burns, for a few comments. Senator Burns.

[Applause.]

STATEMENT OF HON. CONRAD R. BURNS, SENATOR FROM THE STATE OF MONTANA

Senator BURNS. Thank you, Mr. Chairman.

Chairman KASICH. We're going to give you one more chance, for your mayor, to applaud and then we're going to stop applauding, because we don't have the time to do it and it's not the right decorum. Senator Burns.

Senator BURNS. Mr. Chairman, thank you very much and thanks for coming to Montana. I will be brief in my comments because there's other people that you want to hear from. But I applaud you for bringing your hearing to Billings, MT. This is where I live. This is my hometown and we hope that you enjoy your stay here.

For those who may be listening in or watching in, outside this building snow is up to your hips. It's 30 below, with a 10-knot wind. So don't get all excited about the good weather that they're talking about. We'll play golf tomorrow.

I congratulate you on your approach to the budget situation. We all know that we've got tremendous problems. We're now over almost approaching \$5 trillion in debt and we're trying to find ways and new ways and new ideas to slim not only that debt, but also to do something about deficit spending.

You have taken a bold step in that way, and it's time. For too long the government has spent and spent and borrowed and borrowed and Congress has been fiscally irresponsible, along with administrations, in trying to bring this under control and it's been allowed to spend that way. Now there's a mess and the sooner we clean it up, the better we'll be.

The national debt, over 14 percent of every dollar that you send to the Federal Government now goes to service the debt. In addition, government spendings continue to outstrip the revenues coming in.

Now, what's at risk here? Our long-term economic security is what's at risk. We cannot continue to sacrifice long-term health of the economy for short-term gains. And I would ask my citizens of this country and the citizens of the great State of Montana how many here are willing to risk political and economic freedom not just for yourself, but for generations to come for that short-term gain? That's what makes it imperative that Congress looks at new ways and ways to cut spending.

We need to look at the Federal budget to see what works and what does not work. The idea of just picking winners and losers, that's not going to work, but we have to look at every program. If it works, keep it. If it doesn't, fix it or get rid of it.

The Federal Government consumes 23 percent of GDP. That's way too high. That doesn't allow for investment. It does not allow for small business to start. It does not allow our workers to receive a working wage.

Now, the House has passed a balanced budget amendment. We in the Senate are en route of talking the poor thing to death, but we are going to pass it and it will be and I think go to the states and I think it will be the next amendment to the Constitution of the United States. I am firmly behind that balanced budget because it makes us set our priorities, to pick and choose those programs that work and those that do not. It forces us to do the right things.

So with that, you know what your work is all about. We know what our work is all about. I congratulate this committee, both sides of the aisle, because the accountability of our government institutions and both of our institutions are in question if we don't take this problem to the citizens of the United States of America, because they, too, will tell us what priorities we want to spend our money and where we want to tax.

Thank you, Mr. Chairman, appreciate it, and welcome to Montana.

Chairman KASICH. Thank you, Senator. [Applause.]

Thank you, Senator. We will now hear from the mayor of Billings, Mayor Larsen, if you want to come and make a few comments.

Mr. POMEROY. You said we get to clap for the mayor.

Chairman KASICH. Go ahead. You've got to give the mayor a round of applause, right? There we go.

[Applause.]

STATEMENT OF HON. RICHARD LARSEN, MAYOR, CITY OF BILLINGS, MT

Mr. LARSEN. Mr. Chairman, Congressman Williams and members of the committee, Senator Burns, and all who have an interest in cutting the Federal deficit, we welcome you to Billings.

Chairman KASICH. Mayor, would you get right up in that microphone? We're having a little trouble up here hearing you.

Mr. LARSEN. I'll get right up into the microphone.

Chairman KASICH. Great.

Mr. LARSEN. Thank you. As the mayor of Billings, we are very proud to have you select our community and the State of Montana to hear words from people who have a very keen sense of what's right and what's wrong and what's heavily spent and when it shouldn't be. We have for years had to live on that type of a purse string in our cities and our counties and the State, as well as individually.

With that said, as a welcome to you, I'd like to offer the first suggestion, if I may, with your permission. I will give you a copy of this so that it doesn't get lost in the process. For a number of years, the U.S. Congress has funded Superfund projects all over

the United States and some here in the State of Montana. I'm not sure if anyone really knows how much has been spent, but during the past several years, these projects have cost several billions of dollars around this country.

In addition, another block of billions of dollars have been spent to assist industry and cities and counties in cleaning up the water, ground, and air in our country. The President and Vice President of the United States have both consistently expressed their concern over our environment and the necessity to aggressively pursue the course of cleaning up our environment throughout the entire Nation, generally at government expense or, at the very least, with considerable assistance by the government.

The President and the Congress have all expressed their interest in improving the economy and putting people to work. The current Congress has espoused their desire to have private enterprise, not the Federal Government, become the linchpin in holding our economy together and to be the engine to drive our future.

Now, the current Congress, in the pursuit of moving the economy and to stimulate investment, has not turned a deaf ear to tax credits, as I understand it. Now, with this said, I offer a win-win-win proposal and I think you're going to hear that type of scenario, win-win proposals, from the people here in Montana to your committee.

No. 1, require private enterprise to take on the responsibility to fully fund their Superfund cleanup and to aggressively pursue the cleaning of the air and water and ground pollution within their areas of responsibility. Then when that private enterprise has achieved a 95 to 98 percent total containment of the pollution-free or the reduction of the total pollution, then allow that industry to have a 100-percent tax credit. Only when they attain a 98-percent or better absolute pollution-free removal situation.

People will be put to work. The environment will achieve a 95- to 98-percent reduction in the total pollution of our water, air, and ground. The Congress then can reduce the budget by several billions of dollars each year, not over a 5-year period, but each year as you progress with this and then in future years, after the tax credit, these industries then will be generating increased revenues to the Federal, States, and cities and county governments based upon their increased value of the facilities or their increased corporate profits and more efficient operations of the industries themselves.

This puts people to work, gets the things going and achieves a great deal of win-win-win proposals for all concerned.

Again, we appreciate your being here. We appreciate very much your desire and willingness to listen to our people and you will find some very thought-provoking suggestions here. Welcome to God's country.

Chairman KASICH. Thank you, Mayor. Thank you very much. [Applause.]

OK. Our first witness will be Mr. John Rabenberg from Ft. Peck, MT. Sir, let me show you how it works, for all of our people who are going to testify. When this gets to red, just like a stop light. We even figured it out in Washington. Red means stop and green means go. We've got that much figured out. The floor is yours, sir.

Mr. RABENBERG. Mr. Kasich and members of the committee, I want to thank you again for coming to Montana. It's wonderful to have you here to be able to speak to you.

My name is John Rabenberg, R-a-b-e-n-b-e-r-g, from Ft. Peck. I would like to talk to you today about cuts in the agricultural budget. We have many programs and challenges in the Ag program. First, the average age of the farmer in our county is 59 years old. Another problem is that the bureaucrats are running our local elected boards.

Now, to cut the budget, we now have to go to our ASCS office and sign up for the program. It takes approximately 50 sheets of paper and 4 hours of time. That is because you are trying to manage all of the farm acre quotas from Washington. If you would allocate the amount of acres per each county, that would mean that the government would deal with approximately 1,500 counties instead of the millions of farmers and individuals that you have to deal with.

We could get rid of hundreds of people and let the county elected boards do their job in each county. We now have about six people in the administration per farmer. I believe that when we have a ratio of 6 to 1 in the administration per farmer, it's way out of reason.

There are many programs in agriculture that can and should be cut from the top, not from the local level. I believe we should cut from the local level also, but if we cut at the top first, then we will be able to cut out the local level. Please help us cut this monster we call the Agriculture Administration. Don't cut the money going to the farmers. Don't allow the target price to be decreased or the loan price to be lowered.

They aren't the problem of the cost. The administration is the problem. The loan problems aren't the cost. The loans are paid back 99.6 percent. But you don't know that because they are paid into the general fund. So it is like the loans, the gift to the farmers. That is a cost to the government, but they aren't a cost because they are paid back.

I have one other issue on transportation. You now want to cut our essential air service program, which costs about \$34.6 million. We maybe should cut our transportation budget. I think we should cut all transportation by 1 or 2 percent instead of cutting out a complete program which is so vital to so many people.

The essential air service program serves 26 States and it uses one-tenth of 1 percent of our transportation budget. I know we need to make budget cuts and I and all of us will be willing to work with cuts as long as everyone is treated equal. I don't think you should cut any one program out that is so necessary to rural America as this one.

I also think you could cut out the \$330 million that you plan for a new building for DOT. I also think we are spending far too much money on buildings and staff for the FAA. We are getting too high a ratio in administration of people per pilots. We don't need one administration person per pilot. The essential air service program has about four to six people in the administrative program for the 26 States.

I also believe that you should have the highway trust fund and the aviation trust fund off budget. Thank you.

Chairman KASICH. Thank you. Questions for the witness? No questions. Sir, thank you very much for your testimony.

Mr. POMEROY. Mr. Chairman, I would just add to Mr. Rabenberg's comment. This morning I flew out of Dickinson, ND. It is an airport facility entirely possible because of the essential air service grant. And the essential air service, as you point out, is a trust fund, funded by fliers for fliers. So the proposals to eliminate this program I think are particularly unwise. I appreciate your comments.

Mr. WILLIAMS. Mr. Chairman, I would ask the gentleman a question.

Chairman KASICH. The gentleman from Montana.

Mr. WILLIAMS. Would you give us again the statistics with regard to how many administrators there are in the Department of Agriculture per farmer?

Mr. RABENBERG. 6 to 1.

Mr. WILLIAMS. Does that include all of the nutrition programs or is that just in production agriculture?

Mr. RABENBERG. No. The production agriculture in the State and at the Federal level, all of the people that we have to answer to.

Mr. WILLIAMS. I will look at that. I don't think that's accurate. I think you're counting everybody in the Department of Agriculture, most of whom don't work in production agriculture programs. But it's very interesting. We'll look at it.

Chairman KASICH. Sir, I want to thank you for your testimony. Allan Bloom from Billings.

Mr. BLOOM. My name is Allan Bloom, from Billings.

Chairman KASICH. Allan, you're going to have to get that microphone.

Mr. BLOOM. I thank you for this opportunity to address my concerns. Your effort to listen to people outside the beltway about the Nation's financial difficulties contrasts favorably with recent visits to Billings by Mrs. Clinton and the chairman of the Health Care Task Force. Those meetings were closed to the general public.

Our distance from Washington makes workable suggestions difficult to propose. On the other hand, I can make no sense of a government which has been claiming serious and extraordinary deficit reduction for 2 years, but 2 weeks ago presented a bigger budget that foresees deficits higher than the average annual deficits of all of President Reagan's budgets.

But the real problem is the debt, its annual interest requirements, what it portends for my children, and my foreboding at what could happen when the bubble finally bursts. In the past 30 years, we have spent over \$5 trillion to improve our society and all we have to show for it is deterioration and unmanageable debt. We must stop spending beyond our income and recover some balance.

I believe the best way to do this is to impose across-the-board reductions in spending. Just as we are asked for fairness in taxation, so should we endure fairness in cutting back. Any other approach will fail because of overwrought complaints from advocates of programs affected. Nobody can rationally adjudicate that kind of thing

and it will simply deteriorate into political name-calling. Nothing will get done.

I like your approach of simply reducing the rate of expenditure increase combined with a serious defunding oriented review of every Federal Government program. I hope you will do it.

Some specifics. Defund the Corporation for Public Broadcasting. No emotional appeal for tax money can override their yearly income of almost \$1½ billion. I don't understand why we need to pay millions to bring wolves back to eat the income-producing stock of taxpayers out here who are, in part, paying for this program. Stop it now and let those private interests who have organized and forced this on us to pay for it, as well as for the livestock losses.

The government of all the people should not pay for cultural activities which are wasteful and disgusting to many. Defund those activities and let proponents of avant garde activity seek private grants.

Eliminate the Department of Education. This organization continues to wall parents off from education policy and distributes taxpayers' money on the basis of virtually unaudited application. Education is a local issue and welfare programs should be.

Eliminate the Departments of Energy and Transportation. They don't appear to do anything. Commission a serious study to investigate privatization of Social Security, and I am a Social Security recipient, 85 percent of which is taxed, by the way. Localize all welfare programs, including housing, education, job training and payments to individuals, then downsize and combine the Departments of Health and Human Services and Housing and Urban Development.

I agree with those who say you have one chance to reorient the finances of this country. If you can't get it done, I fear the result will be resumption of our dissent into chaos.

Thank you very much, sir.

Chairman KASICH. Appreciate your testimony, Mr. Bloom. Questions for Mr. Bloom. Mr. Orton.

Mr. ORTON. Yes. You indicated you favor an across-the-board cut in spending. I presume you would exempt nothing. You think everything ought to be across-the-board reduction.

Mr. BLOOM. I would exempt nothing from consideration. It would be foolish to say that everything should be cut.

Mr. ORTON. Including programs which are increasing because of increase in the population, such as Social Security. We have more people each year because our life span is expanding because there are more people turning 65 than those over 65 who are dying. We're actually increasing the numbers of people on Social Security. So even if you just froze it, it would require cutting actual benefits to recipients.

If you have an across-the-board cut, then it compounds that cut because you have more people eligible for the benefit. So I'm just wondering if you have considered those things and you believe that all things should be cut across-the-board or if you would exempt those that are increasing because of increase in population or if you would do it only for those that are increasing more rapidly than inflation.

Would you favor any of those kinds of tests or just you believe it ought to be flat across-the-board?

Mr. BLOOM. As to your first question as to whether all things should be cut, I've already answered it. As to your second question, whether or not population increase should be considered, of course it should. On the other hand, we should introduce a concept of performance indicators, what are we getting for our money.

There is going to be a monster problem in Social Security that my son will have to face. I wish that you would look into the privatization of Social Security, which I read as successful south of this country in other countries far smaller, but apparently far more sensible than we are.

I paid into the Social Security fund for almost 30 years as a military officer. I now receive a military retirement, I now receive a Social Security retirement, and none of that makes any sense. We should invest our money in the private sector, if it will work and you ought to take a look at it, and that would accommodate expanding populations, as you put it, as well as try to get some sense into spending of public funds, because you would be spending private funds and they would be investing. They wouldn't be spent.

Chairman KASICH. Other questions for the witness? [No response.]

Sir, I want to just stress what you have on your witness slip. You have across-the-board decrease of the rate of budget increase. Why don't you explain what you mean by that?

Mr. BLOOM. Certainly not to you, sir, because I heard it from you. I saw your charts. I saw your brief. You've been saying this for 2 years and is it possible that I'm the only one that heard you? Is that possible, Mr. Kasich?

Chairman KASICH. No. We've all heard.

Mr. BLOOM. We listen carefully.

Chairman KASICH. These are my friends.

Mr. BLOOM. Let me play it straight and answer your question. I don't know if it will work, but it certainly is a positive approach. I know that we talk about deficit spending when the real problem is the debt. Nobody looks at that.

Every year we come in with a budget or the administration comes in with a budget which is trumpeted as being cognizant of the need to reduce spending, but it's a little bigger than last year's. That adds to the deficit each year and the cumulative debt gets bigger.

Your proposal to moderately reduce the rate of increase of spending, after we get rid of baseline budgeting, of course, appears to show some promise. I think you should try it. I would like to see you try it.

Chairman KASICH. Let me just say to the gentleman that it was interesting that Mr. Pomeroy talks about essential air service and I think a good case can be made here in rural America. It's hard to argue that it isn't a priority program. Mr. Williams had a question about how many administrators there really are in Agriculture.

Most of the programs, the entitlement programs, of course, we're not talking about cutting any of them. There isn't anybody even laying out anything about cuts. We're talking about whether the in-

creases will be 20 or 30 percent as opposed to 60 or 80 percent, in many cases.

But what do you think about the idea of determining how much money we want to spend, for example, on an agriculture program and asking the various committees to—we're going to give them a check. We're going to say to the chairman of the Agriculture Committee, "Here's a check. Take the whole program and put it out in the parking lot and then bring in those things that you think are most important that will fit inside and be paid for by that check."

Do you think that would have a tendency for us to examine how many administrators there are or how many there aren't and whether air service is as important as some other? What do you think about that approach?

Mr. BLOOM. Mr. Kasich, I'm not competent to answer that question. Like you, I'm an urban animal and a military guy. The only thing I know about agriculture is that the food that I get here in Billings, particularly the meat, is good.

Chairman KASICH. OK. Thank you, sir. Thank you for your testimony. That was very good. Next we will hear from—

Mr. ORTON. Mr. Chairman, might I ask you to clarify? Because I don't know that the people—at least I didn't follow. You were talking about entitlements. The question was whether they would increase by 20 to 40 percent as opposed to 60 to 80. Now, you're talking cumulative increases over the 5-year budget period, is that right? Because none of the entitlements are actually increasing at 60 to 80 percent per year.

Chairman KASICH. No, no, no. It would be over a 5-year total.

Mr. ORTON. It's over a 5-year period. So the most rapidly increasing entitlement is the Medicare/Medicaid program, which is increasing at about 10 percent per year.

Chairman KASICH. That's correct.

Mr. ORTON. So you're talking about over an entire 5-year budget cycle, not annually.

Chairman KASICH. That would be correct. But, of course, we're talking about a 5-year budget. So we're talking about decreasing the increase in spending.

Let's move on to the next witness here, who is Elton Ringsak. And we love that shirt. I can speak for the whole committee in saying that. We might give you an extra minute for that shirt there, Elton.

Mr. RINGSAK. Mr. Chairman, members of the committee, my name is Elton Ringsak, R-i-n-g-s-a-k. I'd like to speak to you today about the Veterans' Administration. As you know, the total expenditures in the 1995 budget for veterans' benefits and pensions is \$38 billion. Out of that \$38 billion, approximately \$18 billion is for health care.

Now, there are 27 million veterans in the United States of America. I can speak to that uniquely in Montana. We have, on a per capita basis, the highest number of veterans of any State in the union. We have 47,000 Vietnam war vets. I myself spent 16 months in Vietnam and 11 years on active duty.

There is a need to keep the contract with the veterans, and I stress that, but currently our government is not doing a very good

job of it and I would like to recommend you make some changes in the Veterans' Administration.

As I said, the budget for 1995 is \$18 billion. Now, the numbers I'm to give you are of testimony given before the House and Senate Veterans' Affairs Committee on February 9 of this year. The Veterans' Administration says that in addition to this \$18 billion, they need the following. They need an additional \$1.5 billion to complete a backlog of construction projects. They need another \$1 billion to purchase the necessary medical equipment.

They need \$4 billion for 250 projects that are either in the design or planning stages. They need \$8 billion for major and minor medical facility construction.

That's \$15 billion in addition to the \$18 billion you're giving them for health care. I would suggest to you that you consider eliminating the VA in the area of health care to veterans. They don't do a very good job of it and they're extremely costly. This becomes real important in rural States such as Montana. We are losing small hospitals in Phillipsburg, MT, and Clancy, MT, because there's not enough customer service, not enough revenue to keep the hospitals open.

If you took and gave every veteran a veterans' benefit credit card and said when you get sick, you go to your local doctor in your local hospital and you bill the U.S. Government, you'll be taken care of. Now, you'll eliminate a tremendous amount of overhead. You'll eliminate a duplication of facilities, and, most primarily, it's a proven fact in medicine that the closer to home that the patient is, the better his chance of a complete recovery. You keep that patient close to home, you eliminate transportation costs. It's better for the country and it's better for the veterans.

Thank you for your time.

Chairman KASICH. Thank you for that. I'd like to go to the gentleman from Alabama, Mr. Browder.

Mr. BROWDER. Yes. Thank you, Mr. Chairman. I'd like to ask the witness. A proposal was made to do that on a pilot basis a couple of years ago and one of the VA hospitals was in my district. The reaction from the veterans was so strong and negative that not only did they kill the pilot program, but the Director of the Veterans' Administration resigned.

Could you tell me what would be different or what you think the reaction from the veterans would be that would be different now?

Mr. RINGSAK. Well, I would suggest to you two things. One, the bureaucracy that manages the Administration did all they could to get those veterans stirred up. Secondly, there's two kinds of hospitals in the VA system. There's your teaching hospital, such as the one at Salt Lake City. They are absolutely superb facilities. Then there's the hospital such as the hospital at Ft. Harrison, who have noncertified foreign doctors who can't pass U.S. medical exams, who are understaffed or have poorly trained staff.

I'll give you two examples in the last 5 years. I've gone over to the VA hospital in Helena and checked out two fellow veterans from Vietnam. One of them had not been seen in a 48-hour period of time. The other one was so heavily dosed on Thorazine that he was basically brain dead and unaware of what was going on around him.

The veterans are not getting good service outside of those teaching hospitals.

Mr. BROWDER. But you think that veterans would support doing away with the system, the veterans' hospitals, and mainstreaming veterans into our rural hospitals.

Mr. RINGSAK. If you explain to them what you're doing, yes, sir.

Mr. BROWDER. Thank you very much. Thank you, Mr. Chairman.

Chairman KASICH. Questions for the witness? The gentleman from Ohio, Mr. Hobson.

Mr. HOBSON. Going along with what Mr. Browder said, I happen to have a high percentage of veterans in my district, also. Probably not the percentage you have in this State, but I have Wright-Paterson Air Force Base in my district, so I have a lot of veterans.

Do you know of any of the Vietnam veterans or American Legion or Am Vets or any of those people? Are they going to back a proposal like this? Because what we run into is what Mr. Browder said. As soon as we attempt to touch the Veterans' Administration, even if we think it's an improvement, we get killed in our districts and we get killed in Washington.

Mr. RINGSAK. Less than 4 percent of those 27 million veterans use the VA as primary care and you will hear from those 4 percent. They are generally uninsured. Now, the VA must take care of that core group. The combat-related injuries, you've got an obligation to take care of them. The veterans from World War II, we're going to have a tremendous societal burden to take care of those people now. They're all getting 60, 65 and over and are going to need that care.

But the VA takes care of 4 percent of the 27 million veterans' primary care. The VA, in their own testimony, say they can service or assist less than 10 percent. They can help less than 2.7 million veterans annually.

Now, one of the best authorities on veterans in the country is Representative Williams. I've worked with him in the past. He has done tremendous things for Vietnam vets. In the situation of doing cost-effective work, the Vietnam veterans' outreach centers and storefront assistance centers were cost-effective and helped and we would have lost them a long time ago without Pat's help. He can talk to you better than I can, of course.

But in direct answer to your question, you'll get that 4 percent, 5 percent that will be very vocal and the problem, as always, is to get the silent majority, those 20 million veterans who are working and paying bills and insuring themselves, to support the changes. That takes information and education. That's the only way it comes across.

Mr. HOBSON. Thank you very much.

Chairman KASICH. Other questions?

Mr. POMEROY. Just a short one, Mr. Chairman. One of North Dakota's most highly decorated World War II veterans was named Ringsak. Any relation?

Mr. RINGSAK. It's my father, sir.

[Applause.]

Chairman KASICH. Sir, I want to compliment you on your testimony and I want to compliment you on being here, as I want to thank everybody for coming here today.

One of the things we're going to have to do is—you're saying that you believe in this proposal. Congressman Hobson says the lobby and maybe some of the veterans will fight against the proposal and people say, well, you know, the silent majority. The silent majority has got to stop being so silent, or we won't make the right decisions. That casts a bad light on us for not being willing to do the right thing.

But I would urge you to get very involved in this whole discussion within the veterans organizations. I had never considered the fact that doing something with the veterans in terms of a voucher may actually help to solve some of the problems with rural medicine, with which we struggle with all the time in Washington. I want to compliment you on your testimony. Thank you, sir.

Holly Pullar.

Ms. PULLAR. Mr. Chairman, members of the committee, my name is Holly Pullar.

Chairman KASICH. Get right up in the microphone, Holly.

Ms. PULLAR. Sorry. I wish to thank you for coming here and listening to the opinions of Montanans. I'm wanting to speak about foreign aid. That is something that is given out on a goodwill basis. That is something that oftentimes there are no strings attached.

We have currently just entered into—we've just passed GATT and we're going to be entering into the World Trade Organization. America played a very strong role throughout the history of GATT and I'd like to see America continue to do that. But how America will be able to do that—and I know that Montana was the only State in the Union that voted against GATT as a whole, so it's kind of interesting that someone is here for it—but is to continue to invest in our students, because that is one program that will allow it to have a long-term—it's a long-term solution.

By cutting those people, we're cutting our work force and we won't be able to stay up on the cutting edge. So that's regressive in the nature of cutting. That would be a quick fix and just in the State of Montana alone, 5,000 students will probably not be able to go to school next year if these cuts come through. That's 5,000 less people that will be able to compete, 5,000 less people that won't have the education in order to continue to add to the given tax base.

It's been proven time and time again that as people have a higher education, there are jobs to allow more money to come into the government. And no one particularly is targeted to give more money, not one person pays more, but you have more people paying more. And GATT and trade, and that's a reality, and we want to keep up with that and continue to be a world player and to continue to look out for the future of America together.

I think that you guys are faced with a very difficult choice on which cuts you have to make for the future and I admire that. I don't know if I could do that, but I do know that education is something that's worth keeping and it's something that will help America in the long run as a world player and as a reality for the future.

Thank you.

Chairman KASICH. Thank you, Holly. I want to compliment you on being here today and coming all the way from Missoula. Questions for the witness. [No response.]

Holly, thank you very much for being here. Gerry Doiron from Billings.

Ms. DOIRON. My name is Gerry, G-e-r-r-y, Doiron, D-o-i-r-o-n. I'm here to speak about cuts in welfare. I grew up on welfare.

Chairman KASICH. Gerry, can you get right in that microphone there so we can hear you?

Ms. DOIRON. OK. I grew up on welfare. I'm one of nine children who did. Today, of those nine children, not one exists on welfare. We all attained a high school education or education. I'm the only one with college. We rose above welfare. I believe if you take welfare and you find a way to raise minimum wage, where you can raise people above the poverty level, give them something to live on and make it where even insurance premiums can come down where people, the average people, that would eliminate a lot of your Medicaid and Medicare.

If we had a reasonable minimum wage to live on, if people had that, they wouldn't rely on food stamps, rent subsidies and all the welfare things. If you could invest in raising—finding ways to improve and raise the minimum wage where people can reach a decent living, I think you'd have far less welfare. And invest in people with disabilities and help them to get out in the community and to work and allow them ways to reach other than life on welfare. It would raise the self-esteem and make them proud members of their community, make them proud Americans to be able to go anywhere and be able to work and make a decent living.

Give them opportunities, open up doors for them, for everybody. And all it takes really is raising minimum wage to raise people above the poverty level. You can't do it without money.

Thank you.

Chairman KASICH. Thank you, ma'am, for your testimony. Questions for the witness. The gentleman from California, Mr. Radanovich.

Mr. RADANOVICH. Thank you, Mr. Chairman. Gerry, I think it's great that you were on welfare and are not on it now. Unfortunately, that doesn't seem to be the case or the average. Can you tell us how you did it?

Ms. DOIRON. Well, I kept looking around. I went from—I had about seven or eight different jobs before I finally reached a job that paid well enough for me to raise two children as a single parent. And neither one of those kids are on welfare today.

Mr. RADANOVICH. Well, who taught you the work ethic, even though you were on welfare then?

Ms. DOIRON. I learned it in school and everything just—you know, when I was in school, we were taught different ways to look for jobs. I took training classes in school where I learned how to present myself, how to look for jobs. I was told I had to have a high school education. I didn't graduate. I got a GED and everything. But all that is what gave me—and I was opening doors to me and I showed people I was put through training programs.

And I think even if people are coming out on welfare, if they have even a time limited situation for training where they can go out and acquire a job and be given the opportunity and the training that they need and the skills they need to get that job, I think the people—if you have an incentive, you'll get there.

But if you give the people the welfare, they don't have the incentive to get off of it because if you have a person sitting here making more on welfare than they can going out on a minimum wage job, well, I'm not going to go out there and work that minimum wage if I get more on welfare. That makes sense.

If the wages could be raised and even time limited programs to help get these people trained and give them the incentive to get out there, it can happen for them. I've seen it happen for—I've got eight brothers and sisters. It happened for them, it happened for me, it happened for my children, and it looks like it's happening for their children.

It can happen. I've seen it happen. And I know there's people who sit back on welfare because they make more money on welfare benefits. But there are people, whether they're disabled or non-disabled, that can get out there and work. You've got some wonderful programs opening up in support of employment and stuff like that. I think that's wonderful for these people. It makes them proud of themselves, makes me proud of them, because they want to be a good American just like you and I and get out there and work.

Mr. RADANOVICH. Thank you. Thank you, Mr. Chairman.

Chairman KASICH. Thank you. The gentleman from Montana.

Mr. WILLIAMS. Mr. Chairman, I would encourage the participants to hear two things that Gerry is saying. First is that the purpose of welfare is to achieve what it achieved for her family. The purpose of welfare is not to keep people in the low income strata. It is to move them into the middle class.

America, for the past number of years, maybe 10, 12, 15 years, has focused entirely on welfare's failures. That's all right, because it will help us to change welfare. But the focus has been so strong on its failures that we have forgotten or we constantly overlook some facts about welfare.

More than 80 percent of the people on welfare come off in a relatively short length of time. A significant percentage of people who were on welfare find that they and their children move into the middle class. There are successes in welfare and we ought to take advantage of those as we try to determine how to prevent the increasing failures in welfare.

The other point Gerry is making that I think we have to give attention to is that if a job is the pot of gold at the end of the welfare line, if a job is the way to get people off of welfare, then that job has to pay those people more than they make on welfare. Otherwise, how have you improved their economic status?

Now, one could say, well, the way to do that is cut welfare down, make it less—provide less income for people on welfare, but it seems to me that that turns this country back. That's like saying let's lower the minimum wage.

So it seems to me that if America is going to grow and America is going to prosper, we need to have good paying jobs that are plentiful under safe work conditions. I think that's the hallmark of the beginning of welfare reform.

Thank you, Gerry.

Chairman KASICH. Any other questions for the witness? Mr. Pomeroy.

Mr. RADANOVICH. Mr. Chairman, I have one more quick question. Gerry, you don't have to answer this but—

Chairman KASICH. The gentleman from California is suspended. The gentleman from North Dakota has been recognized, then we'll come to you.

Mr. POMEROY. Thank you. Gerry, thank you for your testimony. You indicated that you found the prospect of actually time limiting welfare—in other words, a maximum period of time for benefits allowed, is a concept that you could accept.

Ms. DOIRON. Yes, I believe so.

Mr. POMEROY. You went on to say two things that I think are probably critical components. I agree with you on that time limiting. I think we ought to have—this is—there's a limit and after that, no more, you've got to work. But in order to get that to work, two things you said I think are absolutely critical components.

Education and training and making work pay.

Ms. DOIRON. Yes, sir.

Mr. POMEROY. If you don't have those two—

Ms. DOIRON. It won't work.

Mr. POMEROY. It won't work. Thank you.

Chairman KASICH. The gentleman from California.

Mr. RADANOVICH. Thank you, Mr. Chairman. Gerry, you don't have to answer this question, but I just want it for my own knowledge. During this time of your transition from welfare to becoming independent, did you have a faith? Did your religion guide you in any way in that? Did that become a strong point in your life that helped you in the transition?

Ms. DOIRON. Other than I didn't want to be on welfare. Neither one of my children ever knew what welfare was about. I was above the welfare at a very young age. I think with the help of my parents, even though I dropped out of school and everything and getting there. And, also, when my final employer that I finally worked with for about 12 years, they gave me on-the-job training for my job and that is how I maintained that job for 12 years until I moved to Montana, where now I'm in college to learn a new skill because I can't do the kind of work I did before.

Chairman KASICH. Let me ask you, ma'am. You just brought up on-the-job training. Was that a Federal Government program or was that something your employer decided to train you and pay you?

Ms. DOIRON. That is something the employer does himself. Everybody that gets hired there goes through the program.

Chairman KASICH. What would you think about the idea of taking the Federal job training funds that are—there are 90, some say as many as 150 separate programs—and giving them to the State of Montana and having the State of Montana work with employers to create on-the-job training like you had?

Ms. DOIRON. I think that would be great because people—I mean, people know how to do a job, when they're trained to do the job, they're going to become active, productive members of society and provide to the basis of both State and Federal. If people can work, they're going to provide.

Chairman KASICH. One of the concerns has been that the Federal programs to job train people have trained them for jobs that don't

exist and haven't been practical, and I believe that there's got to be job training. The question is how do you link people up to the jobs. There's no sense being trained for something that—where they're in the job, and employers probably know it best.

Thank you for your testimony. Thank you for being here, ma'am, very much. Nick—is it Nick—try it, Nick. With a name like Kasich, I don't get them right. I've got to get them right. Say your name again.

Mr. SAYATOVIC. My name is Nick Sayatovic, S-a-y-a-t-o-v-i-c. I came here—

Chairman KASICH. He's from Butte.

Mr. SAYATOVIC. I'm from Butte, MT, right, and proud of it. I came here—I'm a member of a grass roots organization. I'm not even going to say which one in case I screw this up too bad. I told them that I was coming over to watch these things and they gave me a list of things just in case I got to speak, which here I am getting to speak.

They wanted me to touch on Rural Electrification Administration. I had four things to choose from—foreign aid, the Appalachian Region Commission and the Tennessee Valley Authority. They sent me all this information, which I will leave with you.

I read and tried to make a choice of what I was going to speak on and there's tons and tons of numbers and tons of numbers. I don't know whether they're true or not. That's your job to check on them, not mine. OK?

All I could see that stood out in all four of these categories is there's tons of waste. There is the Rural Electrification—REA is what it's called. OK? They were put together 15, 20, 30 years ago to run wires to rural places. The wires have been in—the wires to these rural places have been there for the last 20 years and we're still supplementing groups, paying them to get the job done. It's been done for 20 years. It's time we look into stuff like this.

Foreign aid is another example where billions and billions of dollars we're sending off to governments that not only the criminal aspect, we're just giving them more money to be more criminal. We're wasting tons and tons. And not only that, they don't appreciate it. They think that we're sticking our noses where we don't belong, and so do I.

The Appalachian regional thing and everything else. The waste that's in a lot of these things that have been around for 20, 30 years has got to be looked at and has to be cut from the budget. We need to put our education in our children and in our—like, for instance, we put some money into Chrysler and Chrysler paid it all back and has done really good since then. We need to look at places like that where our organizations, our people in the United States of America need some help.

And let's look at giving it to them and not giving it to people that not only don't appreciate, but they don't—they hate us for even being there in the foreign aid. Thank you.

Chairman KASICH. Thank you, sir. Questions for the witness? The gentleman from Montana.

Mr. WILLIAMS. Your example of the early day wires that were strung and then no more need for that now, we could turn that over to the private sector, is the reverse of our experience. Even

last year, in Montana—let me give you the example. There are telephone co-ops, similar to REA's. The major private telephone company that serves Montana decided last year that it did not want to serve the lines it owned and it had strung into rural small town Montana.

Why? It wasn't worth it to them. They wanted out. Rural Montana could have had no service, as far as that telephone company was concerned. They wanted out. And so the co-ops, in effect, the REA's, had to go in, make an agreement, and purchase those lines back so that people living in small town Montana could continue to have service.

So the notion that, well, it may have been needed in the old days, but it is no longer needed was disproven as early as just a few months ago in Montana. The private sector does not want to serve a lot of these areas. That's the problem.

Mr. SAYATOVIC. I do believe you're speaking about US West, that supplies most of the electrical phone in Montana. Many companies have offered to buy out US West's interest in the State of Montana and US West has turned them down.

Chairman KASICH. The gentleman from Utah.

Mr. ORTON. Yes. An anecdotal statement for you. I leaned over a few minutes ago and told the chairman there's a lady over here in a wheelchair sitting right in front of the speakers going like this because they're so loud. I said we may want to suggest someone move her away from in front of the speakers, and he said that's the difference between a liberal and a conservative.

A conservative says if she wants to move, she'll move herself.

Chairman KASICH. She's still there.

Mr. ORTON. She is, indeed. I would like to just follow up on something that Pat has raised, and that is a couple of your recommendations that TVA is one of the power marketing agencies that the Federal Government created. It continues to subsidize the Rural Electrification Administration.

It is an agency that the government created. There was a purpose. The purpose was the private sector either could not or would not, because of costs, expand services, either through utilities, telephone or whatever, to certain areas of the United States. The government, in a desire to be sure that people had access to that, had a couple of different approaches that they could take.

One is to require providers, private sector, to provide that service and cost-shift the cost of that to everyone else, or, through Federal subsidization, to do it through a government-sponsored entity. The reality was and continues to be that in many areas, the private sector will not do that because of costs.

If you impose all of that cost just upon those rural areas, then the cost goes up so high that people can't afford to live there. Now, we say, so what, if you don't want to live there, move into town. We also know from practical experience that we cannot function if everyone is living in an urban setting. We've got to have agricultural communities and so on and so forth. The country benefits in total by keeping rural America alive.

The question I have for you is if you favor the elimination of these agencies, do you then recognize, first of all, the cost impact on you through the private sector of so doing and do you favor that

approach over having the Federal Government, in effect, subsidize? The latest study I have seen indicates that if we eliminate the Department of Energy, if we sell off the power marketing agencies, if we eliminate the Rural Electrification Administration, if we eliminate all those Federal subsidies, we will, in fact, lower the deficit, but the average cost of utilities to pay for that to the average American will go up 30 percent.

So there is a tradeoff. The tradeoff is doing it through the government level or increasing it through the private sector. I guess I'm wondering, first, whether you're aware of that and, secondly, if you favor or believe that increasing the utility bill out across America is the better approach than doing it through the Federal Government.

Mr. SAYATOVIC. First of all, as Pat said—and, granted, people would lose possibly their phone lines. OK. We have a new invention in the United States. It's called a cellular phone. You don't have so much maintenance. You could probably give every rural American a cellular phone for free and save money. This is new in electronics.

Chairman KASICH. Folks, folks, it's a legitimate discussion. We're all trying to do our best here.

Mr. SAYATOVIC. I don't believe that the people of the United States, in order to get rid of our deficit—I believe that the people are ready and willing to take some cuts here and there and everywhere. I don't think that they're going to object to the \$30 a month raise in electrical to put it into privatization and in the long run save money by less government and someday maybe our kids and our grandkids can live happily ever after with a heck of a lot less government and the private sector will have taken over and profit and loss will take its effects.

And the bills, if you can afford to live there, you will, and if you can't afford to, you won't.

Chairman KASICH. The gentleman from Alabama, a question. I want to tell you a little bit about a place called Hetch Hetchy when other members are done asking questions. The gentleman from Alabama.

Mr. BROWDER. Thank you, Mr. Chairman. I'd like to just say a word for the benefit of our audience, who, at this point, may be somewhat confused. We've asked you to come here and tell us how you'd cut the budget and then we argue with you about why we can't cut that budget. That is the legislative process that we're going through.

What you are seeing is what we go through every day in the U.S. Congress, and we are going about this in a very deliberative manner and in a very serious manner. The difference is in Washington, when we hold hearings, most of our questions are from people who are saying we've got to have more money for these programs. Out here, we're hearing a majority of people saying cut these programs, and that's a benefit for us, a good experience for us as we go about this process.

I just want to thank the chairman—he's been thanked throughout these five hearings outside of Washington—thank him for bringing us here and your coming here and telling us these things. Our arguing with you is not saying that we're not going to cut

these programs, but it demonstrates to you the kind of things we have to consider as we sort these programs out and make the necessary cuts that we're going to have to make.

Thank you very much, Mr. Chairman.

Chairman KASICH. I thank the gentleman. Let me compliment the witness and just make a couple points. First of all, there is actually a program out in California called Hetch Hetchy. It is a program whereby the Federal Government subsidizes power to the city of San Francisco. In other words, the people of Montana and Ohio pay for this subsidization of this program.

Now, the city of San Francisco turns around and they sell power to other cities and they make a profit. So we're paying for the subsidization so they—not only are we subsidizing power, but then they're selling it and they're making a profit on it.

REA is currently serving citizens who live on the borders of Atlanta, hardly not rural America, but I do think there are areas of this country where REA does a fine job. The issue gets to be has government, as it intended, gotten too big and become too inefficient and are there ways in which we can either eliminate it or roll it back.

I appreciate the gentleman's testimony and thank him for being here today.

Mr. SAYATOVIC. Thank you for listening to me.

Mr. ORTON. In fact, Mr. Chairman, that was the purpose of my question, was to inquire of this witness and others—

Chairman KASICH. Nick? Nick, we're not done yet. It's like the dentist when he comes back and he says we've got a few more minutes.

Mr. SAYATOVIC. I hope I have a few more answers.

Mr. ORTON. The purpose of my question was to inquire of this witness and others about the level of understanding of the public about the tradeoffs between having government financed programs and private sector financed programs, because there are impacts when we eliminate Federally funded programs.

Either you eliminate the benefit that is provided to the citizens all together or there is a cost tradeoff, and that cost tradeoff then usually is spread out through the private sector, either through cost-shifting or through fees and services and so on.

So my question had to do with the level of understanding and whether or not the public is understanding of and desirous of shifting from government-sponsored programs to private sector programs, knowing that sometimes, even under economies of free markets, that there are some things government can do at a lower cost than private sector can do.

Now, I'm one of the deficit hogs who believes strongly in private sector, but that was the purpose of my question, is to find out at what level people understand and are willing to shift from government to private sector.

Chairman KASICH. We're going to go Mr. Hoekstra and then if the gentleman wants to be recognized, we'll recognize him. This is our sixth witness. We've got about three or four more and then we're going to come to the crowd and we're going to try to move it up. Mr. Hoekstra from Michigan.

Mr. HOEKSTRA. Thank you. Nick, I appreciate your testimony. You obviously are involved in a grass roots organization. I'm sure you didn't print that all out on your own little computer at home.

I'm just trying to get a feeling and build off some of the comments that you made toward the end of your statement in terms of what has motivated you to get involved in the process and why are you here today and what kinds of tradeoffs do you see being made between—you brought up your kids and your grandkids.

Is that the reason that you're here today, because you believe that if we continue the deficit spending, the quality of life that we have had an opportunity to experience will be something that our kids and grandkids cannot have?

Mr. SAYATOVIC. Can I answer the first—you're not going to like the first answer to the very first question, what motivated me to get involved in politics, but I will answer it, if you want to hear it.

Mr. HOEKSTRA. Yes.

Mr. SAYATOVIC. OK. The State of Montana had a vote of the people of the State of Montana and we voted that we did not want increased taxation of property in the State of Montana. Our Montana legislature slapped us in the face every way they could turn around and every way they could use an excuse and raised our property taxes. We, the people, asked them not to raise our property taxes. They, the legislature group of the State of Montana, raised almost approximately 80 percent of the people in the State of Montana's property taxes.

That got me a little upset and I got involved in what I can. I've talked to my local legislators a lot. They know my name. I'm not one of these people that sits around anymore. I sat around for 100 years wondering how the government was going to screw me next.

Finally, they screwed me one too many times. I got mad and I'm here now and now you guys got to listen to me.

I forgot the second question.

Mr. HOEKSTRA. I think there are a lot of people out there who feel the way you do. The second question is do you believe we're making tradeoffs between today and what the future holds for your kids if we don't get deficit spending under control.

Mr. SAYATOVIC. I believe that if we don't put our money into our own country to redevelop our factories and our—what our forefathers grew up on, we were the best at everything in the United States of America because we were the best educated, because we were a people that were out to grow and prosper and we worked very hard at it.

And now our factory jobs are going to other countries. Our education system has a whole bunch of money, but the children at the bottom, teach your children, that is not where the money goes. It goes into the administration and all the big-time dollars.

We had a guy that ran the national park, Yellowstone National Park, for example—you got me on a roll now—he ran Yellowstone National Park for I do believe—I'm not really good at numbers—for \$87,000 a year his pay was. Now, the job—after he was running the park for 6 years, the government decided that that should be a better paying job and they wanted to raise it to, I do believe, a \$115,000 job.

Well, the guy that was only making the 87 was only—he wasn't qualified in government enough to make \$115,000. I don't know whether he still has the job or not. He ran the park for 6 years, but he wasn't a high enough grade in the government's employment to make \$115,000 a year.

This is part of what we hear in grassroots legislation. We get 75,000—everybody is allowed to bring little bits and pieces of information that each of us hear about and we discuss it at our meetings every month. Pretty much we know, if we listen, what's going on around the country. This is how we find out about things and we get some nice stuff like this from the higher ups in our organization.

I don't necessarily take this as actual proof. I read it and I hope that they're not lying to me, but I also listen to you guys and I hope you're not lying to me, too. And that's the way it is. I never believe anything very much unless it's proven to me.

Chairman KASICH. Nick, thank you very much for your testimony. And when you folks have any information, you send to the House Budget Committee. We want to know it.

Mr. SAYATOVIC. I want this to go to the House Budget Committee, please.

Chairman KASICH. Clayton Fiscus. We've got four left and then we're going to come out to you, like one of those talk show hosts. Clayton.

Mr. FISCUS. First, I want to thank you very much for coming here. I was in a similar situation about 2 years ago with Donna Shalala, when she was giving us a \$500 million health care program, billion dollar health care program, and this is more enjoyable.

First, I think before we do anything, I think we've got to get the high ground in the news media about that we can balance the budget. My problem has been as I see President Clinton last night on the news and saying my budget is only \$200 billion or \$250 billion or \$300 billion, I mean, I got a Hewlett Packard calculator that's got 10 numbers on it and I can't even—I don't know what you guys are talking about.

I can't calculate the interest. I can't do—and that bothers me inside that we got to get the high ground on this deficit and let them know how serious it is. I've talked to the Congressman here, who has served our State well in a lot of areas, but he, 4 years ago, did not believe in a balanced budget or he told us at one of our campaign trips that—

Chairman KASICH. I would ask the gentleman to confine his remarks to what he wants to do to help us in our job.

Mr. FISCUS. OK. I would like you to get the high ground on this news media thing so that we can accomplish, because what we do is what we say. And I—instead of using the word accomplish, I mean spending cuts, I would like to see you use the word abolish in some cases. I would like to see spending cuts in other cases. And, Representative Orton, your comment about the Department of Energy, abolishing that, I think if we have to send money up there and then send it back, I think if we can—even if we have to increase our expenditures here at the local level, it's cheaper than to send the money up there, then administrate it back down.

So I'd like to see that kind of a system where anything that can be done in the State of Montana, let's cut the spending, let's not send it up there to Washington, DC, and then send it back. I'm speaking in generalities, but like the Department of Education, we've got tremendous people in education here. I think we can handle it locally. The Department of Energy, all these—Environmental Protection Agency—I think they can be either eliminated or cut or cut back drastically to monitor what's going in at the local level.

Chairman KASICH. Thank you, Clayton. Questions for the gentleman. Clayton, where are you from?

Mr. FISCUS. Billings, MT.

Chairman KASICH. Thank you for being here.

Mr. WILLIAMS. Mr. Chairman.

Chairman KASICH. The gentleman from Montana.

Mr. WILLIAMS. For every dollar, Clayton, that's spent in Yellowstone County on the schools, the Federal Government contributes about a nickel. And so if one eliminated the Department of Education and all aid to schools, I suppose one could make the point that that would not be a significant burden on the local taxpayers.

But let me raise a question with you. Are people in Yellowstone County going to want to pay the Pell grants and the guaranteed student loans so middle income kids can go to this college? Are people in Yellowstone County going to want to cough up the tax dollars to do Head Start and the other education programs?

You know, the Federal Government isn't involved in quality of schools. That's up to you all, and it ought to be, I say as a former classroom teacher. The Federal Government is only involved in equity, and that is trying to get every kid into whatever quality of school you want here in Yellowstone County.

But would the taxpayers in Yellowstone County provide the same type of unquestionable excellent service that the college loan programs and the elementary programs have provided for the kids in this county?

Mr. FISCUS. We have to have a chance to have that problem put before us and take care of it. We can handle it. I don't believe that we can send money up there and say it can be done better and more economically by sending money up there and then sending it back. I don't believe that. I believe we can do it privatized-wise. I believe we've got educators and people here that can locally take the money and say, hey, what do we need and then develop it. I don't believe we should send it to Washington and then send it back.

Mr. WILLIAMS. You may very well be right, but now that the Federal Government has demonstrated what equity in the schools and trying to get all the kids an equal opportunity to come to Rocky, now that the Federal Government has shown the way, maybe Montana can take it over. But for 175 years, the people of this nation were very patient waiting for local people and States to provide that equality in the school systems, to develop Head Start programs, to get all the kids into college, and they didn't do it.

So the people turned to Washington and said maybe this is one of those problems that the founders had in mind when they created a national system.

Mr. FISCUS. Sir, I really think that we can handle it here at the local level. That's my opinion. I don't believe that we have to send it to Washington, DC, for them to improve the program.

Mr. WILLIAMS. Well, just remember, when we send it to Washington, DC, from Montana, we get more than it back.

Mr. FISCUS. That's fine. That's right.

Chairman KASICH. The gentleman from Michigan, and then we're going to come out. We're going to hold Bill's—Bill Traeger is the next one up. We're going to have him wait till the next panel. The gentleman from Michigan, Mr. Hoekstra.

Mr. HOEKSTRA. Clayton, thank you very much for that testimony. I'd just like to provide a little bit of a different perspective than my colleague. I chair the Investigations and Oversight Committee now on the Education and Economic Opportunity Committee. I have talked to school boards around the country who talk about all of the paperwork.

I think it would be interesting if you think about a dollar going to Washington, think about what you have to do to get it back. No. 1, we've got to develop a program. Then you have to find out about it. You have to write a grant. Many school districts today have people that are employed only to do one thing—grant writers. That's to get your money back.

Think about it. You hire people to get your money back. The grant goes to Washington, people evaluate the grant to see where it's going to go, then they have to select. You may or may not get the money back. If the money comes back, you've got to fill out a whole bunch of forms to make sure that you're doing exactly what the government is telling you to do with the money. And, be careful, you may be audited. They will probably come in and audit you.

You spend the money. You have to then tell what kind of results you get. I think you bring out a good point that the dollars that go to Washington don't flow back very directly. What we're going to try to do when we do spend the money is to make sure we spend it efficiently and wisely, and I think the more we can leave here, the better.

Thank you.

Chairman KASICH. Thank you, Clayton. We're going to go out in the crowd now and the first person—Doug, do you have somebody? We'd ask you to just give us a bullet.

Mr. FOLSOM. My name is David Folsom. I live here in Billings. I simply want to address something that's not necessarily a cost saving, but in terms of the welfare system itself, including AFDC, Medicare, Medicaid, and so on.

In my visits to Washington, and I go there about 5 days a month, I see squalor on the streets on almost every block. What I'd like to suggest is that anybody that's a recipient of welfare become part of a national prides campaign in their own blocks where they live in every inner city. And what I'm suggesting here is the same thing that goes on in Sun City West right now with the senior citizens. They have a group of prides that go around the neighborhood cleaning up.

What this does for young people is to generate a work ethic that they don't have. I grew up in Boston. I've lived here 30 years and I've gone back to Boston and I know the neighborhoods that I used

to live in myself and the kids and the adults expect that they're going to get the money and they have to do nothing to earn that.

I'm saying that basically we could develop a national prides campaign that could be volunteers supervising.

Chairman KASICH. Thank you, sir. Chris.

Ms. JAMISON. Judy Jamison. I agree with you that the people in Yellowstone County would not be willing to pay for the Pell grants and the higher education for underprivileged students. So I appreciate your words.

I'm in favor of more cuts in the defense budget. What you're talking about now with Star Wars makes absolutely no sense to me. It's one of those wasteful programs that just goes into a hole. It builds nothing for the future.

Also, I would like to see cuts in agriculture. I don't believe in giving money to the large corporate farms. They're not small farmers, large corporate farms and ranches like they have in California, that I'm familiar with.

I also agree with what Secretary Reich said about cutting welfare for the corporations. Also, I believe for the very wealthy, maybe over adjusted gross income of \$200,000, with Social Security, they could take out of the Social Security pot what they paid in, plus interest. Why don't you cut your salaries, no more raises? Pay for your own medical insurance, since we don't get it paid for. Cut all of your percs, no air flights, no meals, no gifts, no chauffeurs—

Mr. WILLIAMS. You should have stopped her a little earlier, John.

Chairman KASICH. Thank you.

Ms. JAMISON [continuing]. No cars and no gyms.

Chairman KASICH. Ma'am, thank you. And I'll let you give her one round of applause. I know you're dying to. [Applause.]

OK, Doug. If I could, sir, if you could try to keep your comments to just a short statement.

Mr. SCHNAUD. My name is Ken Schnaud, from Billings. I'd just add a short opinion of, for some time, that the message from the government has been that government is supposed to be the provider and social engineer that creates dependence. The message I want to have changed back to the original 10 of government. I have just three short suggestions here that—

Chairman KASICH. Make them real short, sir. You're running close.

Mr. SCHNAUD. Eliminate immigrant assistance; 83 percent of American people support cutback or elimination of immigration. All of our frontiers have been settled. No. 2, every time we have a yearly deficit, that amount of unnecessary property must be sold to make up the difference. An example is the Park Service, that we'd have to eliminate or sell portions of parks to like the nature conservancy with public access.

Chairman KASICH. You'd better get to the third one. Sorry. We have to keep it moving.

Mr. SCHNAUD. And then pension reform more in line with the private sector.

Chairman KASICH. Thank you very much for your testimony. Chris.

Mr. PEARSON. Greg Pearson, Billings, MT. Mr. Kasich, thank you for coming here. I've already presented this to the fellow who will

put it in the record, so I'll just briefly summarize what I have in concept here. Mr. Orton has touched on this several times, several speakers have. I believe the fairest thing we can do is to cut across-the-board, a uniform percentage on everything, rather than imposing value judgments which brings up every lobby for every one of those things we make a judgment on. Rather, cut uniformly.

I've worked up on my spreadsheet some figures presented in U.S. News, in a beautiful article this week, giving four pages of Federal money figures for the budget for the next 8 years. By simply cutting across-the-board everything by either percent, including Social Security and Medicare, the untouchable, and raising Federal taxation by 7 percent, we get a budget surplus for the next 5 years. We actually cut the deficit.

I think it is absolutely foolhardy for Congress to talk about reducing taxes at all. If we just simply cut everything 10 percent and don't reduce taxes, we still run deficits every year. We've got to cut across-the-board and moderately raise revenues and I think we can get this monster under control.

Chairman KASICH. Thank you, Doug.

Ms. ECHART. Pat Echart, Billings, MT. I'm here to suggest that you should privatize the military bands. Their budget is \$160 million. I feel certain that various defense contractors would support them if they were able to put their logo on their uniforms. This is not without precedence. George Washington asked his officers to support their own military bands. And I do not suggest our officers support them, but I certainly think the defense contractors and it would save us \$160 million. Thank you.

Chairman KASICH. Thank you, ma'am. Chris.

Mr. SINZ. My name is John Sinz. The last name is spelled S-i-n-z. I hold in my hand what I think should be the guideline for any budget considerations—the Constitution of the United States. It tells you what you may spend your money on. If it isn't here, please don't spend it. Article I, section 8, enumerates a few of the things that the Congress may spend money for. The military, the post office, the patent office.

If it isn't here, it isn't constitutional. Thank you.

Chairman KASICH. Thank you, sir. [Applause.]

Doug.

Ms. CAMPBELL. My name is Angela Campbell and I'm originally from Forsythe, MT. What I'd like to address is the fact that our most popular form of reform in our prison systems is education. So rather than pumping the money into our prison systems to educate the people once they get there, why don't we educate our citizens before they get there.

The other fact is that our defense budget can desperately be cut. We have more citizens dying on our streets in America than we have dying in Somalia and Haiti. So let's turn our defense budget back into defense in America, in our country, clean up our streets and educate the people we have here.

Chairman KASICH. Chris.

Mr. STAR. My name is Sterling Star. I'm from Billings, MT. You gentlemen have a tremendous job and a tremendous responsibility to get our budget under control. I think you're going to need to establish some basic principles in order—and then flow down the re-

sponsibilities into the government in order to make it happen. The basic principle I would recommend is that you hold present spending at its present level going into the future and absorb whatever inflation there is and start with that basic principle and flow it down and let the various agencies work out their own ideas as to how to make it work.

Chairman KASICH. Thank you, sir. Doug.

Mr. BLACK. My name is Daryl Black. I live here in Billings. I want to talk about Social Security just a second. I like to think of myself as a young individual still, but I realize that when it comes time to collect Social Security at my age, 65, it's probably not going to be there. I'd like to see something in place to allow me to provide for myself through the expanded uses of IRA's or 401K's.

Chairman KASICH. Chris.

Ms. BERTZ. My name is Melissa Bertz, B-e-r-t-z, and I am from Liebi, MT, and I am a college student. When you began this hearing, you said that you didn't want to hear about certain programs. I don't feel that education is a certain program. If you cut our education, you cut our society. You make it elite and you take away our rights given to us in the Constitution to learn. So when you think about cuts, don't think about cutting education. Think about cutting things that are wasted. Education for every person in this room is not wasted. It's our right.

Chairman KASICH. Thank you, ma'am. Doug.

Mr. MERTONS. My name is Bill Mertons. I own a small business in Roundup, MT. My suggestion to cut the budget in this country is to do it like a business has to. If we don't have any money, we can't spend it. Let's freeze the budget where it is now and study every agency, see if it is viable. If it's not, cut it. That's what we have to do in business. As far as the minimum wage, I hired 16 people last year at minimum wage to grow my business. Four of them have since quit. I still have 12 of them and they make more than minimum wage now, because that's how a business will do it.

We don't pay minimum wage just to pay minimum wage. We pay it so we can create more profit, so we can pay people more.

Chairman KASICH. Thank you, sir. Chris, let's take one more and we're going to come back to the panel. Chris, and then Doug, and then we'll go back to the panel. Yes, sir.

Mr. BENNETT. Harvey Bennett, B-e-n-n-e-t-t. I had hoped for a little longer opportunity from the floor, but I'll take this minute. This did not happen to us overnight. It's happened over a period of 25 or 30 years. But we cannot go another year. It's time for a balanced budget amendment. It's time in 1996, not 2005 or 2010; 54 percent of our income tax goes to pay the interest on the national debt.

Can you imagine how wealthy we would be if everybody in here could pay half as much taxes, every corporation could pay half as much taxes and have all that money to spend on hard goods and services. It would create jobs untold.

The other thing is if we continue to add to the debt for another 5 years or 10 years while we bring this under control, the interest rate will be even higher. A 2-percentage point increase in the interest rate will take 75 to 80 percent of our income tax money. Like I say, it's time now to take the hit, whether it's across-the-board,

whatever you have to do, and then, when you have the balanced budget in place, fight over what we're going to have. If necessary, raise taxes to do what we need to do, but let's start paying as we go and get out of debt.

Chairman KASICH. Thank you. Now we're going to hear from one of the performers in ZZ Top and then we're going to go to the panel. Sir?

Mr. TUTWILER. I'm Donald Tutwiler, T-u-t-w-i-l-e-r. I propose you cut the IRS by at least 50 to 80 percent by going to a flat tax, with no deductions, include gross corporation tax in that, since they only pay 10 percent of their funds in taxes, and that's 20 percent less than what personal wages is, and it's the same to start with.

To protect the lower income people, you can either say take half the national income, national average wage, and deduct everything below that, or double the poverty level for that wage earner and deduct that amount.

Chairman KASICH. Thank you, sir. Thank you very much.

Mr. BROWDER. Mr. Chairman, I wonder if I might ask my question at this point.

Chairman KASICH. Go ahead.

Mr. BROWDER. And give everyone—I know we have a lot of people who wanted to participate and say something. I'd like to give everyone an opportunity to participate by a show of hands on a question. A gentleman raised an issue a couple of minutes ago about tax cuts. You know, we are here asking you how do we cut the budget, how do we move toward a balanced budget.

We have somewhat of a dilemma that we have got to work out, the problem is that we're trying to do spending cuts at the same time that we are proposing tax cuts. Let me ask you, by a show of hands, which you would prefer. Would you prefer that we do tax cuts or spending cuts, if we can only do one of those?

Those who would prefer to have tax cuts, would you raise your hand? [Show of hands.]

Those who would prefer that we do spending cuts, would you raise your hand? [Show of hands.]

Thank you very much. Mr. Chairman, would you have the record show that it was an overwhelming—

Chairman KASICH. And let me ask it one other way, to be instructive, and that is what if I suggested that we could give you the cuts, the tax cuts, still cut spending and balance the budget? OK? [Applause.]

Let me ask you this. What if I promised you a chicken in every pot, right? Listen, we're going to the final panel. And in response to Mr. Browder's question, the overwhelming people said they wanted to cut spending first.

If you get your name called, please come down. If Mr. Traeger wants to come to the chair. But then, also, we want to hear from David McClure, Jane Van Dyk, Roland Blasini, Vern Bass, Eugene Graff, Diane Jones. We'll get to there and see where we stand. If you folks want to come down and take seats. OK, Bill, you're up.

Mr. TRAEGER. Mr. Chairman, Mr. Kasich, I was hoping to address you most specifically with my testimony. I'd like to couch it in a little bit different way than some of the testimony that's been heard so far.

My recommendation to you as far as what it is that you would be most wise to cut in spending I would couch by setting up sort of a standard of measure for you. On my sheet, I put down—I believe I put down the honey subsidy and the tobacco subsidy, which, since I wrote it down, learned there isn't a subsidy. It's a price support, in fact, for tobacco. But my standard is this.

No. 1, what is the return on the investment that the Federal Government is getting with it and, No. 2, what does it do for the dignity of the people in the United States and in the States themselves? And when you put things up against that standard, you're going to find out that something like the honey subsidy doesn't necessarily enhance the dignity of the people in the United States overall. I really was hoping that Mr. Kasich would be here to hear this.

When you talk about cutting—

Mr. HOBSON [presiding]. He went to the bathroom, sir.

Mr. TRAEGER. Maybe he'll be back in time, then. I most certainly hope he will. When you put things up against that standard, you find out that the honey subsidy doesn't necessarily meet good criteria under either of those. There's not a great return on the investment and there's not—it doesn't do a lot for the dignity of the people in the United States of America.

When you propose cutting Federal aid to students, on the other hand, you find that it also meets—you will find that it meets those criteria beyond almost anything else I propose that you could come up with. One, it provides an excellent way to improve the dignity and the ability of the American people, but what's even better, if you like numbers, it's one of the best returns on investment that the U.S. Government has.

Some studies have shown that it's a 1-to-4. For every dollar that's pumped into Federal financial aid, the Federal Government receives \$4 back down the road when it's going to need it in the form of enriched tax bases, increased prosperity in the communities, and people that are knowledgeable and willing to participate in their government. I would argue against cutting Federal financial aid.

I think that it's a cliché that is overstated, but that is still extremely accurate, and that is that education is an investment. I know that I'm deviating from the course of things here a little bit, but I think it's important to understand that when Chairman Kasich talks about a mandate from the people to cut, I don't think that involved in that mandate was the idea to cut the foundation out from underneath the people in terms of their enhancement and their enrichment.

I'll leave it at that. Thank you.

Mr. HOBSON. Questions for the witness?

Mr. WILLIAMS. Mr. Chairman.

Mr. HOBSON. The gentleman from Montana.

Mr. WILLIAMS. Thank you. Let me elaborate on what the witness is saying. A few years ago, a number of us in the Congress asked the General Accounting Office to do a cost-benefit analysis on the return to the Treasury of the GI bill. In other words, because these GI's came back and went to college, they earned a higher income and we know about how much more college graduates earn than

people that don't go, and because they earned a higher income, they paid more taxes than they otherwise would have.

So we asked the General Accounting Office to calculate that as best they could and tell us whether or not the GI bill was worth it. The General Accounting Office came back with these results. The GI bill has now paid off the entire capital costs of World War II two-and-a-half times. The notion that America should cut everything blindly violates good business sense, violates proper investment strategies, and will end up in the end with a crushing deficit way beyond anything any of us can ever envision. This young fellow is right.

Mr. HOBSON. Could I ask you a question, Bill? When you talk about cut, are you talking about—what are you talking about when you mean cut?

Mr. TRAEGER. When I say cut, I'm talking about any dollars removed from what is now in the Federal financial aid budget.

Mr. HOBSON. We've never suggested that, have we? Did we say that today?

Mr. TRAEGER. I believe what you would call it is a trial balloon, and I'd like to do the best I can to stick some pins in those trial balloons right now before they go any further, sir.

Mr. HOBSON. But you understand that we're talking about spending \$2 trillion more than today—

Mr. TRAEGER. On education alone?

Mr. HOBSON [continuing]. Instead of spending \$3 trillion more in this government between now and the year 2002. Do you understand that?

Mr. TRAEGER. Sir, I'll tell you, I'm not a technical wizard and I don't have all the facts and figures, but this is what I do understand. If you're talking about a difference between paying \$3 trillion into education and \$2 trillion for education—

Mr. HOBSON. I'm not talking about that.

Mr. TRAEGER. OK. You're talking overall budget.

Mr. HOBSON. Well, what I'd like to suggest to you, Bill, and I understand your concern, but I—and I think education is very important and I have gone through school myself. My mother was a widow at 40. My dad was a postman, as was John's. So nobody came in and said here's a check, go to school.

I put three children through school, which I paid for. But we have a problem in this country and none of us have suggested, that I know of, on this Budget Committee that we were out to cut from current levels or anything else about this education program.

But I think all of us have an obligation to look at the problem overall and not just our own parochial view. I think we are setting the wrong standard when we just look at our own parochial view and we don't look at—we're looking at your generation. We're concerned about your generation. Not only your education, but about the quality of life that you have.

And so all of us are going to be asked what we can do for this country and not just ourselves as we look forward out here in the future. And I understand your concern. I've had a number of people talk to me from my district about this. And I'm on three university boards. So I understand the problem.

Mr. TRAEGER. And I'm overjoyed if you're willing to tell me that you're not planning on cutting financial aid a bit, I'm overjoyed. But to respond also to your statement is that the standard that I am trying to use is the one that I gave to the committee. One, what is the return on investment for America.

Mr. HOBSON. I think that's very good.

Mr. TRAEGER. And, No. 2, what does it do for the dignity of the people in the United States of America.

Mr. HOBSON. I think that's a very good standard.

The CHAIRMAN [presiding]. Thank you. Thank you for your testimony.

Mr. BROWDER. Mr. Chairman.

Chairman KASICH. The gentleman from Alabama.

Mr. BROWDER. I think we've had some very good dialogue, some very good testimony and some very good dialogue with the witnesses. At the risk of making, I guess, my colleagues—upsetting my colleagues, could I suggest that you turn the timer on so that we can get to more? I see we've got a lot of other people ready to testify and I would like to arrange it so that we can get to these people this afternoon.

Chairman KASICH. Good idea. We'll try to move it along.

Mr. BROWDER. If you could move it along a little bit.

Chairman KASICH. Thank you. Thank you, sir.

Mr. TRAEGER. Thank you.

Chairman KASICH. David McClure, from Lewiston.

Mr. MCCLURE. Thank you, Mr. Chairman and members of the committee. My name is Dave McClure, M-c-C-l-u-r-e. We've got a medium-sized family farm new Lewiston, which is about 140 miles northwest of here, right in the center of the State of Montana. I want to thank you again for coming to Montana and allowing us to be part of the process.

I think the national debt and the yearly deficit that adds to that debt is the biggest problem in America today. You've got a very large job cut out for you to turn that thing around, because the time is now to stop that continuing building on the national debt. It will never get any easier. It will get more difficult in the future.

I don't think that agriculture should take more than its fair share of budget cuts. The commodity portion of the USDA budget has already been cut by nearly 50 percent since 1986. If other segments of the budget had been cut the same amount or had the same treatment as agriculture over the last 9 years, the Federal deficit would not be a problem today.

We don't like taking an unfair share of the cuts and I think I would hope that your committee makes sure that any minority is not subjected to more than its fair share of cuts.

We, however, are willing to take cuts if it means balancing the budget and creating a stronger economy for our country. We would also submit that some programs are needed for agriculture to remain competitive. One would be research so that our producers don't come to a disadvantage with foreign producers and export programs to help combat unfair trade practices.

Government spending must be cut to balance the budget and spending must be cut to free up resources that can be more productively used by producers and savers. Even if the budget was bal-

anced now, the correct economic policy would be spending control and tax cuts to move resources to more productive use in the economy. Thank you very much.

Chairman KASICH. Thank you, Mr. McClure. Any questions for the witness? [No responses.]

Thank you, sir. Thank you very much. Jane Van Dyk, from Billings.

Ms. VAN DYK. Thank you, Mr. Chairman, members of the committee. I appreciate your coming out to Montana and I'd like to welcome you to Rocky Mountain College, which is where I work, and I would particularly like to welcome you to my building. I work in a TRIO program that's located right behind these doors up here. TRIO works with 250 disadvantaged students at Rocky Mountain College and our whole goal is to help them succeed in college and graduate.

I appreciate your coming out and listening to our suggestions for where the Federal budget could be cut. I have two. They are simple and very straightforward. I believe that the Social Security program benefits for the wealthy could be cut. I believe that Medicare benefits for wealthy people could also be cut.

I realize they are unpopular suggestions with elderly people. Being over 50 myself, I was sort of looking forward to these benefits someday soon. But I know there are millionaires who are receiving Medicare benefits and Social Security and I don't think that's necessary. I really wish that the members of the committee and everyone else here today could have attended the student rally shortly before the hearing and listen to the students talk about their concerns for possible cuts in Federal financial aid, to loans, work study, and grants.

I wish you could have heard from Terry Simmons, Terry Simmons from Roundup, MT, one of 10 children in a farming family. She's the first person in her family to go to college, to come to Rocky Mountain College. She's been on welfare for 4 years. If you cut her Federal financial aid, she will go back on welfare and she will not be able to get a good-paying job.

I wish you could have talked to Luzelle, a mother of four children. Luzelle and her husband are both working and they're barely keeping their heads above water. Her son has been accepted into an upward bound program. After she told the four kids don't even think about going to college because we're not going to be able to afford it, now with upward bound, she thinks we can afford it.

So I'd like to say don't cut education. Education is the lifeblood of our country. Don't stop the flow. Thank you very much.

Chairman KASICH. Thank you for your testimony. Any questions? Mr. Orton has one, but we've asked him to postpone it till later. So we want to thank you, so we can get another witness up here. Thank you, ma'am. Roland Blasini.

Mr. BLASINI. Good afternoon, Mr. Chairman, distinguished members, staffers, ladies and gentlemen. I have a testimony and I would appreciate if the Chair—the material would be circulated and included in the record in addition to that in order to speed up the process.

I'd like to bring to your attention that given the limited time allocated for testimony in these field hearings, I will only deal with

issues with regard to one area, and that is my concern with Puerto Rico. I would like to bring to the attention of the committee that Puerto Rico is a self-governing territory of the United States.

The Constitution divides taxes and its collection into two classes, direct taxes, which must be approved and apportioned according to the States on the basis of their populations, and indirect taxes. Based on the judicial precedent in *Benz v. United States*, we acknowledge the fact that Alaska, while being a territory, was subject to taxation.

It is interesting also to point out that on April 26, 1990, Phillip B. Morrison, the international tax counsel of the Department of Treasury, testified that 936 corporations, commonly known as run-away plants by the general public in the United States, received \$2.1 billion in net tax benefits in 1990 and that these benefits are predicted to grow at 10 percent per year, estimating that 70 to 80 percent could be recovered by the Treasury if 936 were phased out.

He also predicted an additional \$2.7 billion in 1990 dollars would be available for the U.S. Treasury. I would like to bring to the committee's attention also that it is time for both Congress to acknowledge the need for change of that Federal Internal Revenue Code section which is scandalous waste.

At this moment, it has been accepted Governor of Puerto Rico and the Resident Commissioner that Puerto Rico give its contribution or fair share. In my exhibits, I point out that they have accepted it and it has been well known in the Puerto Rican press to make a contribution. It should not be limited into a one phase of simply receiving Federal tax or benefits. Excuse me. Receiving benefits and taxes at the same time.

Therefore, we propose that, in my personal opinion, that gradually extend the Federal tax system to Puerto Rico over a 5-year period, while, during the same time, all Federal programs be gradually applied equally in order to shift some of the burden of operating our great Nation to the U.S. citizens in Puerto Rico. Phase out the cover overalls and Federal custom duties, fees and excise tax and the possession tax credit over a 5-year period. And last but not least, establish an economic incentive, such as President Reagan's enterprise zone, to help reduce unemployment in all affected areas.

Thank you, Mr. Chairman.

Chairman KASICH. Thank you for your testimony. We're very, very interested in what you've had to say and would make sure that you get your phone number and everything on there. We want to follow up on this. I very much appreciate the testimony. Vern Bass, from Billings. You've got a list here of 12 recommendations.

Mr. BASS. Yes, sir. Thank you, Mr. Chairman. I don't know if I can go into all of those, but I believe there is room for major improvements in budgeting methods, government operations, and selection of programs for accomplishment by Federal bureaus.

First of all, I think that, as was brought out in the economic hearings at the beginning of the President's term, we should shift to capital and operating budgets. Budgets should be separated into those two, as is done now in most State governments.

I think we should also institute biannual budgets and appropriations. The second year could be used to evaluate program effectiveness and refine program measures as needed to properly imple-

ment the Government Results and Performance Act. I think we should also use property sales revenue that we get as income into that capital budget and then we could use the money from those sales for capital improvements later.

I think we should eliminate the use of employment; that is, FTE ceilings and floors. I think we should use only performance-result measures and operating-process measures and not manage by full-time equivalents or employment ceilings. We need to integrate the relationship between operating costs and results to get true efficiency measures for each unit of output.

We need to analyze each program's needs and workloads. If any program is decided to be accomplished by the government, then we need to do an in-depth analysis of the workload and not just make an arbitrary FTE cut, as was recently done in the cut of 272,900 employees in the Federal Government. That's just common sense.

We further need to consolidate and centralize support functions. Within departments and certainly across the whole government, there is considerable duplication of support functions since each bureau maintains them independently. We need to conduct re-engineering studies for each function to improve their effectiveness, efficiency, and produce considerable savings when acted upon.

We should roll over year-end funds. Right now, if you got money at the end of the year in most Federal programs, you've got to spend it. What we need to do is be able to roll it over so that you don't have to spend it. Plus, we overwork the purchasing people at the end of the year. We also need to implement total quality management across the government and pass the quality commission bill that was originally introduced by Congressman Ritter and Congressman Gingrich 2 years ago.

We also need to unify all Federal quality awards by including a Federal Government category in the Malcom Baldrige National Quality Award instead of having the duplication that we currently have. We need to reduce financial burdens, such as eliminating time sheets and time cards and enter payroll data only on an exception basis. We should consider a government-wide travel bureau instead of placing all of the things out to the private sector.

We should set up quality purchasing from one vendor rather than continually trying to find more vendors. I have one more and that's it. I think power generating should possibly be grouped with power marketing if we're going to sell off the power marketing facilities. The reason is because we could probably get a better price if the purchasers could control the supply sources and, therefore, that would give—also, I think the rural electrification that was mentioned earlier should have first option to purchase all of those power marketing and power generating facilities. Thank you.

Chairman KASICH. Thank you for your testimony, sir, very, very much. Any questions for the witness? Thank you, sir. What we intend to do is take a couple more and then we're going to come out to you for a little bit. We've been going for over 2 hours. Let me get a couple more people to be able to testify. Then those that are left that I called, we'll try to get you on the 1-minute.

Eugene Graff, from Bozeman, MT.

Mr. GRAFF. My name is Eugene Graff. I'm from Bozeman, MT. Thank you. And, Mr. Chairman, Charlie Rouma says hi. As a par-

ent and citizen, I am concerned that the Congress will not be willing to make tough choices needed to break this seemingly endless cycle of deficit spending.

As the leaders of our Nation, you and your colleagues in Washington are now obligated to make across-the-board cuts in every possible program. Only by spreading the misery will you be able to justify these hard choices. If you do that, I, for one, can tell you that you will have my support and that of the vast majority of my friends who build homes and provide shelter throughout the country.

I am told that our government spends more than half of the total Federal budget, over \$700 billion, without any action by Congress on entitlements, such as Social Security, Medicare, Medicaid, and Federal retirement benefits, to name a few.

As an example, I am 53 and can see old age more clearly than I could a few years ago. The retirement age of 65 for Social Security didn't seem too bad when people were only living a couple of years past that. Today most people can remain active at least until they are 70 and still, by actuarial tables, have several years of retirement left.

My good friend Helen Johnson is still the leading producer in her real estate office 20 years after the retirement age. Another recommendation is to remove the upward bias from the Consumer Price Index. Federal Reserve Chairman Greenspan has suggested that the CPI may overstate the true cost of living by one-half to one-and-a-half percent per year. Removing this upward bias would have a large impact on the Federal budget deficit because the CPI is used to index entitlement programs and the income tax structure.

You should impose a moratorium on Federal land purchases. The Federal Government currently owns 30 percent of the land in the U.S., most of which it mismanages, but still spends more than \$300 million annually to acquire even more. Not only should it not acquire more, all but the most critical lands, not just aesthetically pleasing parcels, should be sold and put onto the tax rolls. The money from those sales should go directly toward paying off the debt, just as I have done with my assets over the past 10 years.

Thank you.

Chairman KASICH. Thank you. Any questions for the witness? Thank you, sir. And our last official formal testifier will be Diane Jones from Harlowton, MT.

Ms. JONES. Thank you, Mr. Chairman and members of the committee. My name is Diane Jones and I'm the administrator of Wheatland Memorial Hospital in Harlowton, MT, a community of just over 1,100 people, with a service area of a 60-mile radius and service population of 2,300 people. Our hospital has 18 acute care beds. We also have a 36-bed nursing home, clinic, home health, immunization and WIC programs to meet the health care needs of our community.

We have been diligent in developing our services to be the most cost-effective possible by locating these services under the umbrella of our hospital and by collocating them in the same physical area. We employ two physicians and a physician's assistant.

We recognize the importance of reducing the Federal budget deficit and of slowing the growth of Federal spending for health care programs. We also recognize that we have to continue to change the way we deliver health care services and hospitals all over Montana are working hard to explore ways to provide services in a more cost-effective way.

Medicare is critically important to people in Montana. Statewide, nearly half, 45.6 percent of total hospital charges are for providing hospital services to Medicare beneficiaries. In our hospital in Harlowton, that percentage is 65.

The responsible approach to reducing the cost of Medicare is to restructure the way health care services are delivered to Medicare beneficiaries. By this, I mean moving to a coordinated system of providing care or, as it is more commonly called, managed care. We in Montana are novices in managed care and we are in the beginning stages of introducing this new concept to our State.

My suggestion to the committee is twofold. First, build in some incentives to encourage providers and Medicare beneficiaries to move into managed care plans. Second, devote some resources to helping communities such as mine to adapt to managed care. That may cost a little money in the short run, but it will produce significant savings in the long run.

We also wish to thank you, our representatives in Washington, DC, for the support you have given the concept of the medical assistance facility waiver program and hope to see action to see this given permanent status to the Medicare program, because it has been a great success in Montana. Thank you.

Chairman KASICH. Thank you, ma'am. Any questions for the witness? Thank you very much. We're going to come out to the crowd for a few more minutes and then we'll let everybody go home and enjoy this Florida-like weather. Doug.

Mr. PHELPS. My name is James Phelps and I'm from Billings, and I want to talk about the Corps of Engineers projects. There's 11,000 miles of navigable waterways in the country and they are used without one dime of fees being paid to the government for their use. You'd save \$786 million if you'd phase them out. The other one is these levees up and down the Mississippi River. They flood out, people want to build again, and ought not be allowed to build them on the flood plains.

Chairman KASICH. Chris.

Mr. CRUTCHFIELD. My name is Cecil Crutchfield. I'm from Joliette, MT. That's C-r-u-t-c-h-f-i-e-l-d. I really wish that more of the citizens that have come out today and have given testimony had taken you at your word and looked at cuts, because that's what we really need to look at, what we're willing to take as cuts, not what more we want, more we want. We all know what we want.

What I would like to suggest is that we have a Christmas tree spending cuts bill, where every Representative and Senator go into their districts, come up with their constituents as to what bottles they can reattach back onto that tree that we have taken off as we've gone around on tax cuts and when we start creating benefits for this group or that group. Again, thank you.

Chairman KASICH. Thank you, sir. Representative Orton wants to get a show of hands here.

Mr. ORTON. Very fast straw poll by show of hands. There's a debate right now in the Senate whether Social Security should be out of the question in balancing the budget.

How many of you here believe that we should include possible cuts in Social Security in balancing the budget? How many think Social Security should be on the table? [Show of hands.]

How many think it should not be on the table? [Show of hands.]

OK. Overwhelmingly, probably 5-to-1, believe it should be on the table. Thank you.

Chairman KASICH. Doug.

Ms. JOHNSON. My name is Helen Johnson. I'm from Bozman. Obviously, I am a senior citizen. I notice and always have noticed that people are willing to cut everybody but themselves. In this case, I receive Social Security. I'm a recipient of Medicare. But I think at this stage that you should start in with every entitlement, including Social Security and including Medicare. And may I suggest your own salaries?

Chairman KASICH. Thank you, ma'am. Chris.

Mr. DALRYMPLE. My name is Roy Dalrymple. I'm known as the Happy Hooker in this community. I have a request and a statement, and my request is that I ask everybody to stand and give the Pledge of Allegiance to the Flag of the United States of America at this time. We always start meetings in Montana with a Pledge of Allegiance.

Chairman KASICH. Well, I'll tell you what, sir, we'll do it right now and you can lead us.

[Pledge of Allegiance.]

Mr. DALRYMPLE. My statement is I've been in seven VA hospitals since I left the military and I have received topnotch care in every one of those; Minneapolis, Ft. Harrison, Mile City, Salt Lake, Hinze, and Ft. Meade and South Dakota. I have disagreed with them at times, but I have received good care and I have yet to be in one of those hospitals where they had carpet on the floor or a huge fish pond in the lobby.

And I respect the care and the way the VA hospitals are run and I'll fight with every hook to the last minute. Thank you.

Chairman KASICH. Thank you, sir. Doug.

Mr. GILLILAND. My name is Hap Gilliland, from Billings. I think that one of the worst things the government does is to subsidize farmers who are growing tobacco. We know that we're trying to eliminate other drugs, but yet we are subsidizing farmers to be able to grow the drug that kills more people than all the others put together.

The other thing I think we should cut out is selling timber at below cost. The people who buy the timber should be paying the cost of getting it out of the timbers. It works where they're cutting timber on private land, why not on government land.

Chairman KASICH. Thank you, sir. Chris.

Mr. PEDERSON. My name is Pete Pederson. I represent seven eastern Montana cities—Sydney, Wolfpoint, Glasgow, Mile City, Glendive, Lewiston, and Haver, that are receiving ES funds. We believe in cutting and being businesslike and responsible in budget cutting. Cut the transportation across the board. We're willing to take a cut across the board at a percentage that the national trans-

portation industry cuts, and I have testimony that I would like to add and leave with you folks today.

Chairman KASICH. Thank you. And anybody here who has anything written that they'd like to leave with us, feel free to do that. Doug.

Ms. FRISBY. Hello. My name is Tammy Frisby, and I live here in Billings, MT. We talk about how all of us must suffer when we start to cut and we must remember that in America, Congress is part of America, too, and you also have to go under those cuts. But not just under salary, but under general congressional pork. Those nongermane riders that happen every single year.

And if the best way to do that to control the spending of you 9 and the 526 other Congressmen currently is through a line-item veto, then I say that that's what we need to do and we need to cut pork first.

Chairman KASICH. Thank you, ma'am. You should know that the line item veto has passed the House. Chris.

Mr. KLINGMAN. I'm Vern Klingman. I am a Billings resident and I'd like to address three or four things. One is to reiterate what Pat Williams has said, divide the budget between a capital budget and an operating budget and the problem is greatly reduced.

Secondly, follow the direction that Robert Reich has identified at the Department of Labor. Let's somehow cut the aid to dependent corporations. Third, let's get out of the spy business. Following Senator Moynahan's proposals, we've got 13 spy agencies, including the CIA. What we're spending on them is probably the one secret they're successful in keeping.

I heard Aldridge Ames, the incredible traitor, say he was never afraid of being caught because he had confidence in the CIA incompetence. The walls are down. One last word. The walls are down. We don't need a spy to go to Russia to figure out how to raise cabbage.

Chairman KASICH. Thank you, sir. Doug.

Mr. HINE. Hi. I'm Keith Hine, from Billings here, involved in a wholesale heating and air conditioning firm. I'm here to encourage Congress, yes, you, gentlemen, to balance our budget and you must learn to just say no. And as an example, in a most recent trade magazine, the first sentence says a new government industry utility consortium will fund development of geothermal heat pumps to the tune of \$100 million over the next 6 years.

Our tax dollars are over one-third of this funding. Of course, now you know why the government's name was elicited first. Now, \$35 million may not sound like much to you when debt figures are in the trillions, but, Congress, our Representatives to Congress, must learn to just say no.

Chairman KASICH. Thank you, sir. Chris.

Mr. SUNDBERG. My name is Vernon Sundberg, S-u-n-d-b-e-r-g. I'm from Bridger, MT, about 55 miles south of here. We have problems, a number of us, with the military Air Force bombers flying over our area and across our area between Bridger and Belfry, MT. These big military jet airplanes fly low over our area just above the low-lying hills from Rapid City to Great Falls, MT, on a 15 to 20-minute schedule, day and night, wasting thousands of gallons of fuel.

Now, flight simulators could be used like the one illustrated Friday, the 14th of—the 17th of this month, I'm sorry, on "Good Morning, America," channel 6, ABC TV, with Charlie Gibson in the cockpit, with trainers showing realistic simulated flight in Boeing Aircraft Co. unit in Washington, near Seattle, flying over Ohau, HI. Imagine the savings—

Chairman KASICH. Thank you, sir.

Mr. SUNDBERG [continuing]. That would be accomplished.

Chairman KASICH. Thank you. Doug.

Mr. SUNDBERG. And check north, south, east, and west for the same kind of thing being wasted.

Chairman KASICH. You get us those papers, sir. We're going to Doug, Chris, Doug and we're done. Doug.

Ms. WRIGHT. Hello. My name is Kate Wright and I'm from Bozeman, MT. First of all, I'd just like to say one way to cut the budget would be to reform the 1872 mining law by charging a fair market value for the land that we sell to miners and by posing even a reasonable royalty on the minerals that are extracted from our public lands for private profit. We could make at least a million or \$1 billion and bring that into the Federal budget.

Secondly, I would just like to say that the long-term interest of our country, we can't afford to compromise those and to sell off our public lands, as was suggested earlier here today.

Chairman KASICH. Thank you, ma'am. Thank you very much. Chris.

Ms. AMICUR. My name is Jessica Amicur. I'm currently a student here at Rocky Mountain College. I'd like to speak with you about TRIO. I'm part of TRIO. TRIO is a program, like Jane Van Dyk spoke of earlier, which allows students to succeed in college by various things. I don't think that cutting education is a valid thing because, in essence, cutting the education program will actually cost the country more money either by crime and by education in and of itself, because many people who go to college go to college to become teachers to teach from 1st grade to 12th grade.

One of the things I think would be a very good way to cut the budget is the Star Wars program, simply because we don't have the same fear that we had during the cold war. That has subsided for the time being.

Chairman KASICH. Thank you, ma'am. The final speaker. Yes, sir.

Mr. SHAW. My name is Jim Shaw. I've been involved in ranching and farming since I came home from World War II. Inflation and big government is killing agriculture, and that is the No. 1 industry in the United States of America.

Now, I was invited to Germany, big government, all powerful government. The only trouble of it was I had to shoot my way in there. I don't want to see that happen here. Cut government, I don't care how you do it or what you have to do, but do it.

Chairman KASICH. Thank you, sir. I want to, just in conclusion—I know it was a—

Mr. SHAW. I want to thank you for coming here.

Chairman KASICH. It was a beautiful day here in Montana. I understand that, Pat, the surf was up this afternoon. I want to thank everybody for coming here and participating. I hope you found it

useful. I can promise you that we did. The House Budget Committee will stand adjourned.

[Applause.]

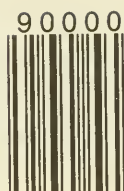
[Whereupon, at 4:30 p.m., the committee was adjourned, to reconvene at the call of the Chair.]



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