



SENATE COMMITTEE ON THE BUDGET

Office of Management and Budget Nominations

February 1, 2022 – 2:30 PM

OVERVIEW

On Tuesday, February 1st, the Senate Budget Committee held a hearing to consider the nominations of Shalanda D. Young to be Director, Office of Management and Budget, and Nani A. Coloretti to be Deputy Director, Office of Management and Budget. During the hearing, Senators and witnesses discussed: income inequality; healthcare and prescription drug prices; Medicare expansion; childhood poverty; defense budget; emergency supplemental and foreign aid; infrastructure funding; continuing resolutions; the COVID-19 response and economic recovery; mental health proposals; border funding; climate change costs; affordable housing; the federal workforce; and regulatory review.

OPENING STATEMENTS

- [Chairman Bernie Sanders](#) (I-VT)
- [Ranking Member Lindsey Graham](#) (R-SC)

WITNESS PANEL

- [Ms. Shalanda D. Young](#) – Nominee to be Director, Office of Management and Budget
- [Ms. Nani A. Coloretti](#) – Nominee to be Deputy Director, Office of Management and Budget

QUESTION AND ANSWER SUMMARY

Income Inequality

Chairman Sanders expressed concern about the growing gap between the very wealthy and everybody else, noting two people own more wealth than the bottom forty percent. He asked Ms. Young and Ms. Coloretti about the issue of income inequality. Ms. Young pointed to President Biden's tax proposals "that sought to not only pay for the investments in a fiscally responsible way, but also speak to this issue of fairness" in the United States' tax policy. Ms. Coloretti voiced support for the President's policies and

budget, which “aim to build this economy back from the bottom up and the middle out, both in tax policy and in investments in critical items, like childcare.”

Healthcare and Prescription Drug Prices

Chairman Sanders emphasized the US is the only major country not to guarantee healthcare to all people as a human right. He added, “we pay far more for healthcare than any other nation and pay the highest prices in the world for prescription drugs.” Ms. Young noted one of the key priorities for the president is to bring down the cost of prescription drugs. She agreed “the cost of healthcare in this country is unsustainable.” Ms. Coloretti highlighted her career in federal service started at OMB, working on Medicaid and health financing issues. She supported “looking for ways to expand healthcare coverage and lower costs.”

Sen. Sheldon Whitehouse (D-RI) pointed to a graph showing after the Congressional Budget Office (CBO) health care spend projection of 2010, actual federal healthcare spending was lower than what CBO projected. He noted even with the added spending during COVID, the amount is still below those projections. Sen. Whitehouse suggested these healthcare savings are related to the accountable care organizations (ACOs) established in Obamacare, which aim to make healthcare more patient-centered. He requested both nominees to work on saving money in healthcare spending, while also providing healthier patients and doctors who feel more rewarded in their practice. Ms. Young replied they are looking to do more of these cost containment mechanisms, similar to the ACOs.

Medicare Expansion

Chairman Sanders emphasized millions of senior citizens cannot afford basic healthcare needs around dental, hearing, and vision care. He inquired if Medicare should be expanded to cover hearing, vision, and dental care. Ms. Coloretti replied affirmatively. Ms. Young highlighted the President’s budget provided hearing, vision, and dental coverage as part of Medicare expansion.

Childhood Poverty

Chairman Sanders noted the US has the highest rate of childhood poverty of almost any major country on earth. He acknowledged the American Rescue Plan tried to address this with some success through the direct payments to working parents, which reduced childhood poverty by about forty percent. Ms. Young agreed the child tax credit looks to have reduced childhood poverty by forty percent, which was “a huge accomplishment for that program.” Ms. Coloretti advocated for providing universal pre-kindergarten for every three- and four-year-old in the US and making childcare more affordable for working families.

Defense Budget

Ranking Member Graham asked if Ms. Young worked on defense budgets as a member of the Appropriations Committee staff. Ms. Young replied, as staff director, she worked on all of them including defense. Ranking Member Graham highlighted the danger in the world right now but asserted President Biden’s budget proposal only spends 2.5 percent of GDP on defense, which is below the spending levels before the September 11th attacks. Ms. Young agreed on the need for a budget quickly. Ranking Member Graham asked when to expect the next budget. Ms. Young replied the State of the Union is scheduled for March 1st and “it is typical that the State of the Union would lead into a budget.”

Emergency Supplemental and Foreign Aid

Ranking Member Graham inquired about the need for emergency supplemental. Ms. Young replied they are assessing everything from COVID and the situation in Eastern Europe and will be in contact if they think the resources are needed. Ranking Member Graham asserted the UN’s World Food Programme has been under siege because of COVID, so an emergency supplemental would be well utilized both at home and abroad. He asked if designating foreign military financing for Ukraine should be part of an emergency supplemental package. Ms. Young expressed support for Ukraine aid, but noted the legislative vehicle should be dictated by appropriations leaders.

Ranking Member Graham mentioned President Biden promised to provide \$1 billion to replenish Israel's Iron Dome system, following the barrage of missile attacks from Hamas in Gaza. He highlighted the administration has not yet formally requested the additional Iron Dome funding. Ms. Young replied the Department of Defense has been clear with congressional leadership that they support that backfilling of Iron Dome.

Infrastructure Funding

Ranking Member Graham emphasized the bipartisan infrastructure package included a lot of money for roads, bridges, and ports. He expressed concern the Federal Highway Administration recently issued a memo that discourages the use of federal dollars for new highway capacity projects, which he asserted "runs counter to congressional intent." Ms. Young acknowledged she was not involved in that memorandum but committed to raising these concerns and working to address any shortcomings.

Sen. Mitt Romney (R-UT) mentioned his work on the bipartisan infrastructure bill and expressed concern the Department of Transportation indicated the bill's highway money cannot be used for increasing capacity of highways. He asserted this goes against the lawmakers' intent and the country's needs, particularly in high-growth states like Utah. Ms. Young explained Ranking Member Graham brought this issue to her attention at the hearing, and she committed to looking into the matter.

Sen. Debbie Stabenow (D-MI) noted the Infrastructure Investment and Jobs Act (IIJA) includes provisions to ensure federal purchasing and infrastructure spending prioritizes American-made products. She highlighted the bill codified the Made in America office's role within the federal government, and this office is tasked with ensuring spending dollars are used to uplift American manufacturing and shore up domestic supply chains. Sen. Stabenow asked what resources the office needs to ensure Buy America provisions in the bill are implemented effectively. Ms. Young explained they created the Made in America office in OMB through executive order and expressed support for codifying it in the infrastructure law. She acknowledged the pandemic showed supply chains are vulnerable, so they need to bring American manufacturing back. Ms. Young emphasized OMB is trying to bring some rigor to the Buy America waiver process because the waivers should be justified, not just automatic.

Continuing Resolutions

Ranking Member Graham questioned if Ms. Young agrees continuing resolutions are harmful to the Defense Department. Ms. Young replied, every two- or three-week increments "is not the way to budget."

Sen. Patty Murray (D-WA) voiced concern that Congress has not reached a spending agreement for fiscal year 2022, and she asked about the consequences if they fail to do so. Ms. Young emphasized they cannot address defense needs and the uncertainty in the world by two-, three-, or four-week increments. She also noted continuing resolutions do not include critical grant funding, delaying investments by state and local governments.

Sen. Jeff Merkley (D-OR) mentioned the challenge of continuing resolutions, noting at the end of its timeline, Congress can either enact another continuing resolution, pass the appropriations bills, or the allow the government to shut down. He asked if there should be contingency plans for that third option when a continuing resolution expires. Ms. Young expressed optimism the appropriators and the rest of Congress can reach a deal on full-year bills and suggested everyone understands "the devastating effects any threat of a shutdown would bring." Sen. Merkley inquired about agency planning for possible shutdowns. Ms. Young replied, for the last couple continuing resolutions, they have run exercises to ensure knowledge of the plans in case a deal is not reached in time. Sen. Merkley emphasized the importance of contingency planning, particularly for the National Park Service, and urged OMB to include Congress in the discussions.

COVID Response and Economic Recovery

Sen. Murray remarked as a result of the American Rescue Plan, there has been "a stronger and much faster economic recovery." However, she asserted there is more work to be done to recover from the

COVID-19 pandemic. She asked the nominees about “economic case for these strong and decisive proposals included in the Build Back Better [Act] to put money back into people's pockets and make sure our economy works for us.” Ms. Young highlighted the economy has grown with 5.7 percent economic growth, 3.9 percent unemployment, and over 6 million jobs added. She agreed there is more to be done, such as government investment to bring down the cost of prescription drugs and to help with childcare costs. Ms. Coloretti added direct investments can actually help people become more productive and contribute to a growing economy.

Sen. Pat Toomey (R-PA) argued the Build Back Better bill, as proposed, is “the single most damaging domestic legislation in generations” and he urged a “permanent hiatus” on the bill. He expressed concern the American Rescue Plan “allocated \$350 billion to state and local governments to spend on pretty much anything remotely related to even responding to the pandemic.” Sen. Toomey asserted Congress should not pass supplemental domestic spending when there are hundreds of billions of dollars that remain unobligated and state and local governments have “all-time record levels of revenue collections.”

Sen. Mike Braun (R-IN) inquired about the amount of unspent money that could be tapped instead of spending more money, especially for COVID relief items like masks and testing. Ms. Young noted OMB provided the information to the Committee by request. She stressed 97 percent of the funds pre-American Rescue Plan have been obligated, and most of the ARP funds have been obligated or announced. Ms. Young explained state and local funding represents most of the non-obligated funding. Sen. Young asked if states should be required to spend their unspent balances before Congress gives more money. Ms. Young replied, “the point of state and local funding was to ensure that they could at the state and local level respond to the pandemic, so I would certainly hate to see us do that and another variant come up.”

Sen. Rick Scott (R-FL) asked about the amounts of the federal deficit. Ms. Young replied the federal debt is currently about \$30 trillion and she committed to follow up on the numbers for the deficit last year and projected deficit this year. Sen. Scott inquired about the country's expenses and interest expenses. Ms. Young explained given the low interest rates for the last three decades, the US pays very little interest on its debt. Sen. Scott responded the US paid \$413 billion in interest last year, which is seven percent higher than 2020. He asked about the amount of unspent COVID money. Ms. Young clarified the state and local dollars are about \$300 billion, but most of the direct COVID response dollars are obligated. Sen. Scott asked about the current inflation rate, to which Ms. Young replied seven percent. Sen. Scott asked about the maximum amount of debt that is sustainable. Ms. Young explained it depends on the real cost of carrying debt because if the debt becomes too costly to carry, they cannot afford other important spending. However, she noted the interest rates remain low, so the cost of the debt has not crowded out other investments.

Sen. Romney expressed concern about the US spending more money than it takes in revenue, which he argued is “a precursor of economic calamity.” He disagreed with Ms. Young's testimony that interest rates have been about the same over the last thirty years, arguing they have come down dramatically and are now ticking back up. He asked if OMB will prioritize efforts to understand total spending and how entitlements are affecting the total debt and deficit. Ms. Young noted the Fiscal Year 2022 budget fully reflected the total outlays of the federal government and she committed to doing it again in the 2023 budget.

Sen. Chris Van Hollen (D-MD) reiterated GDP growth in 2021 was 5.7 percent, ahead of CBO's projection of 4.6 percent. He also noted the Chairman of the Federal Reserve stated during a Banking Committee that the American Rescue Plan helped reduce unemployment.

Mental Health Proposals

Sen. Stabenow noted during the COVID pandemic, mental health and substance abuse issues have increased substantially. She highlighted her work on community behavioral health clinics, which are successful in keeping people out of jails, emergency rooms, or homeless shelters if they do not need to be there. Sen. Stabenow explained the program is fully operationalized in ten states with startup grants, and she emphasized the need to implement the program across the country. She argued the President's budget

should include additional dollars for startup grants. Ms. Young and Ms. Coloretti expressed willingness to work with Sen. Stabenow on any mental health proposals.

Border Funding

Sen. Braun mentioned the Consolidated Appropriations Act passed with overwhelming bipartisan support in December 2020 included \$1.4 billion for the construction of border barriers. He noted despite the current continuing resolution, there is still an authorization and appropriation to build out the border barrier. Sen. Braun noted President Biden signed a presidential proclamation to pause construction and funding for the border barrier, and he asked if the administration plans to follow the law. Ms. Young noted the Government Accountability Office (GAO) “has found that this administration has acted properly within the confines of [the Impoundment Control Act] and that we are obligating prudently.” She added they are spending the \$1.4 billion on what they are authorized to spend it on, such as environmental remediation.

Climate Costs

Sen. Whitehouse mentioned Freddie Mac’s warnings of a coastal property values crash that will cascade through the rest of the economy, and global central banks’ warnings of a carbon bubble. He asked if OMB takes this problem of climate costs seriously. Ms. Young pointed to the climate investments in the President’s budget and asserted OMB takes climate change very seriously and commits to working on solutions. She also agreed with Sen. Whitehouse that getting ahead of the climate problem will save hundreds of billions of dollars.

Sen. Merkley expressed support for the funding of the National Guard to help provide fire crews in the West. He noted the President did not include fire training for the National Guard in the budget request. Sen. Merkley requested OMB to put it in next year’s budget because the National Guard has become an important competent to fighting those mega fires. Ms. Young explained the timing of the budget did not align with fire season and initiatives like the National Guard assistance. She expressed support for additional efforts and resources given the “devastating effect of those forest fires.”

Sen. Merkley mentioned the President’s commitment to direct forty percent of green federal investments towards environmental justice communities. He emphasized the importance of an “equity screen to track how agencies are spending their climate dollars” and inquired about OMB’s role in targeting and tracking those investments. Ms. Young noted OMB is the centerpiece and “keepers of that initiative” so it will be one of the office’s top priorities.

Sen. Alex Padilla (D-CA) noted Congress passed the fiscal year 2018 Bipartisan Budget Act to construct urgent flood control projects nationwide, including for San Francisco’s coastline. However, he explained inflation, supply chain issues, and the Army Corps’ initial underestimation of project costs have delayed these projects, which are now overbudget. He expressed frustration the Army Corps says it cannot finish the project until it has more money but when Congress gives the Army Corps more money, it does not allocate any to the project. Ms. Young replied they are working diligently with the Army Corps of Engineers on their legal interpretations on the mixing of money. She agreed if the government tells a community they are going to fund a project, it is unacceptable to leave it not completed.

Affordable Housing

Sen. Padilla emphasized the urgency with which they need to act on homelessness and affordable housing prices in America. He remarked over the past two years, many have lost their housing or struggled to make payments, and these hardships disproportionately impacted communities of color, lower income families and those with disabilities. Sen. Padilla asked Ms. Coloretti about her previous experience at HUD and how to strengthen housing programs. Ms. Coloretti replied the Biden administration has a strong commitment to increasing the supply and affordability of housing, noting the FY22 budget added additional dollars into housing choice vouchers, affordable housing supply, and resources to prevent and address homelessness. She highlighted her previous work at HUD on the issue of ending veterans’ homelessness.

Federal Workforce

Sen. Van Hollen mentioned concerns about the lengthy hiring process at federal agencies. He asked Ms. Young if she can commit to working with Congress and the Office of Personnel Management (OPM) to identify solutions for improving the merit-based hiring process. Ms. Young replied affirmatively, noting the infrastructure package requires at least 4,000 new federal employees to implement the law. She highlighted OPM is working with OMB on waivers and other things to hire people faster. Sen. Van Hollen noted during Ms. Coloretti's tenure, HUD was "the most improved mid-sized department in the Partnership for Public Services' Best Places to Work study." He asked about this accomplishment and the Biden administration's plan to improve employee engagement. Ms. Coloretti explained HUD looked at the data to understand the scores on the federal employee viewpoint survey and they learned only 51 percent of employees had filled out the survey. She added by increasing participation in the survey, they were able to get better data and crowdsource ideas from employees on how to improve and strengthen HUD.

Regulatory Review

Sen. Van Hollen explained the Office of Information and Regulatory Affairs (OIRA) is a part of OMB and serves the government as the central authority for the review of regulations. He noted there are currently over eighty regulatory actions under review by OIRA, such as improvements to energy efficiency standards. Sen. Van Hollen asked Ms. Young how she will prioritize these regulatory actions if confirmed. Ms. Young emphasized she has spent the last two months learning the OIRA process and stated the values of competition and equity need to be represented in regulatory policy. She noted the President has directed clear priorities for agency review, especially on climate change.

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Please click [here](#) for the archived hearing.