



SENATE COMMITTEE ON THE BUDGET

“The President’s Fiscal Year 2023 Budget Proposal”

March 30, 2022 – 11:00 AM

OVERVIEW

On Wednesday, March 30th, the Senate Budget Committee held a hearing entitled, “The President’s Fiscal Year 2023 Budget Proposal.” During the hearing, Senators and witnesses discussed: government spending, the federal deficit, and inflation; tax policy; childcare; mental healthcare; drug prices; climate concerns; immigration at the southern border; defense spending; energy costs; housing costs; education funding; VA funding; and IT and technology modernization.

OPENING STATEMENTS

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

WITNESS PANEL

- [The Honorable Shalanda D. Young](#) – Director, Office of Management and Budget (OMB)

QUESTION AND ANSWER SUMMARY

Government Spending, the Federal Deficit, and Inflation

Sen. Chuck Grassley (R-IA) asked if the Biden Administration would oppose any revised version of the President’s Build Back Better (BBB) plan that the Congressional Budget Office (CBO) does not score as deficit-neutral. Director Young argued a proposed budget must reduce costs for the American people and expand the productive capacity of the economy. She added the President’s goal is to produce a deficit-reducing plan. Sen. Grassley argued, “even without the inclusion of spending or tax increases from BBB, government spending and revenue are projected to be at a near-record high under the proposed budget.” He inquired how much more spending and tax the American people can expect under a revised BBB plan. Director Young explained the President remains committed to a bill that reduces childcare, healthcare, and energy costs, and believes it should be paid for through tax reform.

Sen. Mitt Romney (R-UT) inquired about the current percentage of publicly-held debt in the US, and what level that debt would have to reach before “economic calamity.” Director Young explained the percentage of publicly-held debt is projected to be 106 percent of the country’s gross domestic product (GDP) in 2032. She argued the Administration believes the best way to examine debt is to look at how much it costs to service the debt. Director Young asserted it remains at a low rate and does not crowd out other investments. Sen. Romney argued in every year in the proposed 10-year forecast, there is a projected deficit of over \$1 trillion a year, and asked how the Administration plans to address this and avoid financial distress. Director Young argued the proposed budget includes a \$1.3 trillion deficit reduction this year.

Sen. Pat Toomey (R-PA) raised concerns about tax increases in the proposed budget. He argued the top one percent of wage earners in the US earn about 20 percent of the nation’s total income, but pay 40 percent of the nation’s taxes.

Sen. Mike Braun (R-IN) asked if there is an ideal rate of spending the Biden Administration would like to see as a percentage of the nation’s GDP. Director Young argued it is more important to ensure the federal government pays for its proposals than to analyze spending as a percentage of GDP. Sen. Braun noted the proposed budget calls for a 14 percent increase in domestic spending, and only a 4 percent increase in defense, and raised concerns these rates are not appropriately proportional. Director Young clarified non-defense spending includes funding for veterans, the Federal Bureau of Investigation (FBI), the Department of Homeland Security (DHS), and the State Department, which she argued are all critical to national security.

Sen. Tim Kaine (D-VA) raised concerns about rising inflation rates and asked if inflation is a problem unique only to the US, or if it is a global concern. Director Young argued inflation is a global trend, noting many countries have emerged from the pandemic with similar inflationary pressures. Sen. Kaine inquired about the key features of the President’s budget to address inflation. Director Young highlighted the Administration’s efforts to improve supply chain issues, including supporting ports where ships are experiencing backlogs, and supporting workforce development for truckers. She also noted the Administration is investing in the Federal Trade Commission (FTC) and Department of Justice (DOJ) antitrust offices to ensure there is competition in the US economy.

Sen. Rick Scott (R-FL) raised concerns federal budget increases over the last 20 years have not been proportional to population increases, noting the budget has increased by fourfold, while the population has only risen 16 percent. He inquired about the rationale of these increases. Director Young explained the bulk of the increased funding has been for Medicare, Medicaid, and Social Security. She argued it is necessary to address structural issues in the US, including the aging population, and added the President will not cut funding to those benefits. Sen. Scott noted the proposed budget aims to reduce the consumer price index, currently at 7.9 percent, by 2.9 percent. He inquired how the budget aims to do this, given inflation continues to rise. Director Young argued the proposed budget aims to begin conversations with Congress to address rising inflation and interest rates. She added the Administration’s proposed forecasts are in line with private forecasters.

Tax Policy

Chairman Sanders noted in 2020, 59 large, multinational corporations did not pay federal income taxes. He also argued the tax rate of American billionaires is 8 percent, lower than the rates for American nurses and teachers. Chairman Sanders asked how President Biden’s budget will address this disparity. Director Young argued nurses, teachers, and firefighters pay at least double the effective tax rate for billionaires in the US, and explained the President believes billionaires and those who make more than a \$100 million should pay the same effective tax rate as the average American.

Childcare

Chairman Sanders noted the American Rescue Plan (ARP) expanded and extended the child tax credit for working class parents. He argued this credit expired in January 2022, resulting in a “skyrocketed childhood

poverty rate.” Chairman Sanders asked what the President has proposed to address child poverty. Director Young explained President Biden continues to advocate for the extension of the child tax credit. She argued the credit brought down childhood poverty extensively.

Sen. Patty Murray (D-WA) inquired how the Administration’s childcare plan would lower costs for families. Director Young explained the Biden Administration believes addressing childcare costs can help address inflationary pressures. She argued many families pay an exorbitant amount of their percentage of income on childcare costs, which the Biden Administration believes is one of the barriers to bringing women back to the workforce. Director Young explained the budget proposes families should not pay more than seven percent of their income on childcare costs.

Mental Healthcare

Chairman Sanders argued there is a mental health crisis in the US, which has only been exacerbated by the pandemic. He noted over 100,000 Americans were lost to opioid abuse last year, and inquired how the FY23 budget will mitigate this crisis. Director Young explained President Biden believes mental healthcare should be covered in the same manner as physical health, and highlighted proposals that insurance companies will be required to cover mental health services the same as any other covered ailment.

Sen. Debbie Stabenow (D-MI) noted President Biden proposed the largest increase in support for mental health and addiction services since President Kennedy signed the Community Mental Health Act in 1963, and asked Director Young to elaborate on why this expansion is necessary. Director Young commended Sens. Stabenow and Blunt on their efforts to address the mental health crisis in the past. She noted the budget proposes major investments for the mental health workforce and reforms to mental health coverage to improve access to mental health treatment and enable the provider workforce to respond to the crisis.

Sen. Sheldon Whitehouse (D-RI) inquired if the Administration agrees children’s mental health and addiction-related mental health issues, such as recovery and police encounters, are key areas to focus investments on in mental health policy. Director Young agreed, and explained the budget includes proposals to help those suffering from mental health issues, provide aid to address community violence, and address addiction issues.

Sen. Kaine asked about the mental health and criminal justice investments included in the proposed budget. Director Young explained the President believes police are key to addressing violence in the nation’s communities, and argued they must be community-oriented. She highlighted proposals to invest \$2.3 billion, a 32 percent increase, for the DOJ to address gun violence, \$1.7 billion for the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) to track firearms, and funding for community violence reduction. Additionally, Director Young noted the budget proposes investments to ensure mental health coverage is treated the same as physical health, and argued these issues are all interrelated.

Drug Prices

Chairman Sanders raised concerns about rising drug costs and asked how the budget proposal will lower prescription drug prices. Director Young argued the President believes Congress should draft a package that reduces the costs of prescription drugs, childcare, and healthcare costs. She explained the proposed budget leaves revenue space for that package.

Sen. Van Hollen (D-MD) asked if the federal government could save the Medicare system money by allowing Medicare to negotiate the price of prescription drugs. Director Young agreed, and explained reports estimate the government could save as much as \$600 and \$800 billion.

Climate Concerns

Chairman Sanders raised concerns about climate change and questioned how the budget proposal will address the climate. Director Young explained the budget would invest over \$40 billion to address the climate crisis, including the Administration’s commitment to ensure the poorest countries in the world can

also meet these growing challenges. She argued climate change must be addressed domestically and globally to meet the necessary climate goals.

Sen. Whitehouse questioned if most of the world's central banks have warned about a carbon bubble that could burst and damage the global economy. He also asked if Freddie Mac has warned of a potential coastal property value crash related to climate change and sea-level rise which could cascade across the entire national economy. Director Young agreed this is "an absolute crisis waiting to happen," and stressed the importance of acting on climate change before catastrophe.

Sen. Whitehouse raised concerns about coastal flooding issues in coastal states across the US and advocated for policies to support coastal communities as they address rising flood threats. He argued the Army Corps of Engineers focuses more on inland flooding, despite sea-level rise and storm surges increasing risks to coastal communities. Director Young committed to engaging with the Army Corps and the Appropriations Committee on this issue.

Sen. Alex Padilla (D-CA) raised concerns about wildfires and disaster preparedness. He advocated for increased funding for federal land management agencies to ensure Americans living in the west have adequate resources to address these growing concerns. Sen. Padilla noted the US Forest Service saw its firefighter ranks drop by more than 20 percent between 2019 and 2021, and asked how the budget aims to address firefighter workforce shortages and mitigate the backlog of hazardous fuel reduction and post-fire landscape rehabilitation projects. Director Young explained the budget includes \$1.8 billion for the Forest Service in the Department of Interior, a \$560 million increase. She also highlighted the President's commitment to ensure firefighters earn at least a minimum wage of \$15, which will hopefully help with recruitment efforts.

Immigration at the Southern Border

Ranking Member Graham asked Director Young if she is involved in discussions about Title 42 deportation policies. Director Young explained she does participate in those discussions, as there are budgetary consequences to Title 42. However, she noted Title 42 is also under consideration by the courts, and may be decided by the judicial branch. Ranking Member Graham asked if the Biden Administration has plans to change Title 42 policies. Director Young stated she would not comment on the status of Title 42, but highlighted the proposed five percent increase in funding for the Department of Homeland Security included in the budget. Director Young argued the Biden Administration is prepared to ramp up resources to address the current pattern of migration. Ranking Member Graham asked if Director Young would support the elimination of Title 42. Director Young explained she does not have a personal opinion on Title 42, but noted from a resource perspective, the budget provides enough funding to address the historic patterns of migration. She added the proposal provides more than just physical infrastructure, and includes funding for technology upgrades.

Defense Spending

Ranking Member Graham asked if the current global threat landscape has become more dangerous recently. Director Young argued global threats have increased, even more so since the beginning of the Russian invasion of Ukraine. Ranking Member Graham noted with the proposed budget the US will spend 2.4 percent of GDP on defense in the next decade, and asked if this proposal makes sense given current threats. Director Young noted while budget proposals are required to plan on a ten-year basis, defense budgets typically plan for five years; she explained the defense-related proposals will be evaluated again in five years and adjusted accordingly. Ranking Member Graham argued the budget proposal plans to spend less on defense, GDP-wise, as compared to the modern history of America. He raised concerns about military progress made in nations like China, Russia, and Iran and advocated for increased spending.

Energy Costs

Ranking Member Graham asked how much of inflation increases are driven by energy costs. Director Young explained energy costs drive inflation by a fair amount, and have increased since Russian

aggression began. Ranking Member Graham asked if the budget eliminates tax advantages for oil and gas companies related to exploring domestic resources. Director Young responded affirmatively.

Sen. Scott argued inflation cannot be reduced without decreasing energy costs, and asked what the proposed budget will change to reduce energy prices. Director Young noted energy prices are market-driven, and have increased primarily due to Russian aggression. She added the President has recently called on oil and gas companies to ensure they price things fairly.

Housing Costs

Sen. Mark Warner (D-VA) raised concerns about rising housing costs and emphasized the need to increase funding for low-income housing. He asked how the proposed budget will address housing supply, particularly for low-income Americans. Director Young agreed supply of affordable housing is an issue, and explained the proposed budget would invest \$50 billion through direct spending and incentives to states and local governments to remove barriers to building affordable housing. She added the proposal also includes a tax credit system to encourage affordable housing development.

Education Funding

Sen. Van Hollen expressed support for proposals included in the budget to increase funding for schools through Title I and asked if the proposal would double the allotment for Title I compared to what was just passed in the omnibus. Director Young explained the budget requests \$19 billion more between discretionary and mandatory funding.

VA Funding

Sen. Ben Ray Lujan (D-NM) raised concerns about closures of Veterans Affairs (VA) centers across the country and inquired about proposed funding for the VA. Director Young explained the budget includes \$135 billion for the VA, which is a 29 percent increase compared to the 2021 proposal. She added this funding includes a \$3 billion allocation for VA infrastructure.

IT and Technology Modernization

Sen. Warner raised concerns about underinvestment in the technology Modernization Fund (TMF). He inquired about the current IT and technology modernization needs that Director Young oversees at OMB. Director Young explained the TMF was oversubscribed, and the government could not keep up with increasing technology needs. She argued this makes the US more vulnerable to foreign actors, and hinders the federal government's ability to provide needed services for the American people.

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