S. HRG. 110–161

NOMINATION OF HON. JIM NUSSLE, OF IOWA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

HEARING & EXECUTIVE MEETING

OF THE

COMMITTEE ON THE BUDGET UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

July 26, 2007—NOMINATION OF HON. JIM NUSSLE, OF IOWA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

August 2, 2007—EXECUTIVE MEETING

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NOMINATION OF THE HONORABLE JIM NUSSLE, OF IOWA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

THURSDAY, JULY 26, 2007

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m., in room SD–608, Dirksen Senate Office Building, Hon. Kent Conrad, chairman of the committee, presiding.

Present: Senators Conrad, Murray, Wyden, Nelson, Stabenow, Cardin, Sanders, Whitehouse, Gregg, Domenici, Grassley, Allard, Bunning, and Crapo.

Staff present: Mary Naylor, Majority Staff Director, Scott Gudes, Staff Director for the Minority.

OPENING STATEMENT OF CHAIRMAN KENT CONRAD

Chairman CONRAD. The hearing will come to order.

I want to welcome everyone here for the hearing on the confirmation of Congressman Jim Nussle of Iowa for the position of the Director of the Office of Management and Budget. I want to welcome everyone to the hearing this morning.

This is the way we will proceed this morning. I just want to advise my colleagues we will allow those as a courtesy who are here to introduce the Congressman to go first, starting with Congressman Spratt, the Chairman of the House Budget Committee, who we are very pleased to have on this side of the aisle. Congressman Spratt and then we will, if Senator Grassley is here, have him go with his statement so that they can be excused.

And then Senator Gregg and I will make our opening statements, and then we will swear the witness, and then we will give Congressman Nussle a chance to make his statement. And then we will go to questioning rounds.

For the advice of my colleagues, we thought this morning we would limit the questions to 6 minutes a Senator because we know we are going to have a lot of attendance this morning. So that will be the order.

I see Senator Grassley entering now. Senator Grassley, who is a very respected member of this Committee, as well as a very important member of the Senate Finance Committee that we work with very closely. So we are delighted that Congressman Nussle has

these two very distinguished speakers here this morning to introduce him.

OPENING STATEMENT OF CONGRESSMAN SPRATT

With that, we will turn to the House Budget Committee Chairman, Congressman Spratt, a very dear friend, for his introduction.

Mr. SPRATT. Thank you, Mr. Chairman, Mr. Gregg, Ranking Member, Senator Wyden. Thank you for this opportunity.

I should say, and I should have explained this to Jim Nussle before I agreed to undertake this assignment, that the last time I testified in support of a candidate here was a special experience. It was a classmate of mine from high school who was getting his third star and becoming Deputy Chief of Staff of the Army.

He was one of these generals who had managed to spend most of his career in the field, not the Pentagon, and being in a Congressional setting like this was a little unusual for him.

I spoke to Senator Exon before I came in. My old classmate sat down. A few minutes later, with a wrinkled brow, he turned to me and handed me a piece of paper. I unfolded it and it was a note from Exon to the nominee. It said having Spratt speak on your behalf is not a fatal mistake, but it will help your cause enormously if you dissociate yourself from him and denounce him thoroughly in any remarks you make.

[Laughter.]

Mr. SPRATT. So Jim, I do not know whether you realized what you were getting yourself into when you invited me to do this.

During all the years that Jim Nussle was the Chairman of the House Budget Committee, I sat next to him as the ranking member. Our working relationship became one of comity and respect. Despite our disagreements on the budget, and they were significant, Jim Nussle was collegial not just toward me but toward other Democrats on the Committee. He agreed to ground rules for committee proceedings that allowed Democratic members who were in the minority a fair chance to be heard, not to win a vote mind you, but to make a point or to raise a question.

A good example of that is markup. When we marked the budget resolution, his side could have required our side to do what we must do on the House floor under the House rules, and that is offer only amendments which are full substitutes. We instead negotiated a plan that allowed our side to offer and argue some 35, 40 amendments which we arranged in three tiers. The top tier got 20 minutes and the bottom tier 10 minutes. This led to marathon markups, over which Jim presided in an evenhanded manner late into the night, long after he would have gladly gaveled the meetings to a close.

Off the hearing room stage, Jim dealt with us fairly on administrative issues, allowing us for example the computers and equipment we needed and a staff allotment equal to a third of the professional staff. Our minority staff were located behind the Cannon building in an old motel. I think it was an old Howard Johnson's motel. The most you could say for it was that each staffer got his own bathroom, tub included. We were delighted to learn that the building was scheduled for demolition until we found that that

would mean we were going to be on the street. There was nowhere else for us to go.

Having wandered around the basement of the three buildings on the House side for several days, we went to Jim. He intervened on our behalf with the Speaker's office and we found space in the Cannon basement that was tight but adequate.

I cannot point to any bipartisan budget agreement on which Jim and I collaborated, unfortunately. But then the only bipartisan budget on which I have worked for the last 10 years was the Balanced Budget Agreement of 1997. At that time John Kasich was Chairman of the House Budget Committee. But if Jim Nussle had been chairman instead, I feel sure the outcome would have been the same. I have no doubt that he would have worked in earnest with us to find common ground.

At the same time, he would have stayed in line with his leadership and his fellow Republicans because, make no mistake, he is a team player.

When he was still a back bencher on the budget, Jim asked John Kasich to let him chair a task force to study improvements in the budget process. Kasich agreed and at my recommendation named Senator Cardin cochair. In the end, I did not agree with many of the suggestions the task force put forth, for example making the budget resolution a joint resolution. But Jim Nussle came to me several times repeatedly and sought my input. I saw that there was a separation between us on the uses but there was a potential still for working together.

Having overseen the assembly of several budget resolutions, Jim Nussle is conversant with the budget. Having chaired the Committee within the last year, he can easily pick up where he left off.

At OMB, Jim will assume the task of defending the President's budget and it may arrive at an acrimonious time if vetoes start flying, as the White House has threatened.

But regardless of who is Director of OMB, I am afraid we are likely to continue having disagreements over major budget policy. For example, everyone, myself included, admires the current director, Rob Portman, but we have not achieved a lot of conversion unfortunately on budget issues under his tenure. But to his credit, he has sought to initiate negotiations over entitlements.

Given our history on the Budget Committee, I consider Jim Nussle a worthy adversary, able, knowledgeable, and fair. I am pleased to share with you just a few of my experiences with him and to recommend his appointment, confirmation of his appointment, for Director of OMB.

Thank you very much.

Chairman CONRAD. Thank you, Chairman Spratt.

I would say to Congressman Nussle, you have got a real friend there. It matters a lot to the deliberations of this Committee, and I can say to this Chairman, that Chairman Spratt has endorsed your candidacy so warmly.

We are also joined this morning by Senator Grassley, the senior Senator from Iowa, and a very respected member of this Committee. And also a real powerhouse on the Senate Finance Committee.

Welcome, Senator Grassley. It is good to have you in this position today, as well.

OPENING STATEMENT OF SENATOR GRASSLEY

Senator GRASSLEY. Thank you, Mr. Chairman.

I am very pleased to be here to introduce the nominee. I think I take off where you left off, and that is in regard to Chairman Spratt being here. I do not think there is any higher commendation that a Republican can have, appointed by a Republican president, of why Jim Nussle ought to be confirmed.

Because in that position of Director of OMB, Congressman Nussle, if confirmed, will have to be negotiating for the President between Congress and the President and, of course, representing the President because the President has been elected and the President has the right to choose his OMB Director.

But knowing of the interactions that have gone on between Congressman Spratt and other Democrats over the years that Congressman Nussle has been in the Congress, then I think that that ought to be very meaningful to us in the Senate as we try to work for some comity on budget issues.

I have known Jim Nussle for nearly 27 years. I first met him when he was a student at Luther College in Northeast Iowa. He drove me around in an old Ford during my campaign in 1980. He did not charge anything for doing it.

Chairman CONRAD. Did he ever get you lost?

Senator GRASSLEY. He never got me—I do not think he ever got me lost. At least it is not memorable.

When he decided to run for Congress at age 29, he was elected when he was 30, it was a sort of a thing where after he got the nomination he asked me to help him. I was very glad to help him because you know I had five kids, I wanted one of them to be in politics. They hated politics because I had been in it and spent so much time with it.

So I saw Jim as a little Grassley, and an opportunity for me to have somebody who would work with me and carry on a tradition that I think is a great tradition, and that is of public service. Not for just Chuck Grassley, for everybody that is in public service. And I like young people to do it.

And so I worked for him in his campaign and I made it very clear to the voters that I considered him like part of the family.

So he was elected and he has demonstrated that leadership well within the Congress of the United States and he has not done anything to let me down while he has been in the Congress of the United States. So I absolutely have no regret working for him for Congress. He has been a great public servant and I think he is going to be a great Director of OMB.

I think he has shown himself to be a wise steward of taxpayer's money. I think that he took seriously this responsibility very early in his congressional career. Ferreting out wasteful and unnecessary spending is an obligation we all have.

And I think that he has always been looking toward long-term challenges, not just short-term goals as well. I think some of the long-term goals would best be evidenced by his work on the Deficit Reduction Act when we saved the taxpayers $40 billion over 5

years with that DRA. He has not considered the budget process a perfect process because he chaired the Bipartisan Task Force that came up with the Comprehensive Budget Process Reform Act of 1998 and he did that in a bipartisan way, working with Congressman Ben Cardin, now a member of our body.

So he has demonstrated, as best demonstrated by Congressman Spratt being here, working across the aisles.

Now in addition to that, I have had excellent testimony in support of his nomination when Senator Harkin testified on his behalf before the Senate Homeland security and Governmental Affairs Committee just this week. He noted that Congressman Nussle is superbly qualified.

Given Congressman Nussle's experience, knowledge, and commitment to public service, it is fitting that he has been nominated to be Director of the Office of Management and Budget. He's highly qualified, knows the budget, knows Congress, and most importantly, he is a decent and honorable man.

So I commend him to you, Mr. Chairman.

Chairman CONRAD. Thank you very much, Senator Grassley. And again, we appreciate very much your being here to introduce your colleague. That also carries special weight with this Committee because of your valued service here.

It also carries special weight with me because I have come to know you as somebody who is absolutely honorable and somebody who can rise above partisan positions to try to get something done that is important for the country. We very much appreciate your providing witness here today.

I would now indicate to Chairman Spratt and Senator Grassley that you are excused. We will now go to the opening statements of myself and Senator Gregg, and then we will turn to questioning rounds after the Congressman has a chance to make his opening statement. So let me just begin with a brief opening statement.

Again, welcome, Congressman Nussle, to the Senate Budget Committee. By the way, you could not have had better introducers than Chairman Spratt and Senator Grassley.

OPENING STATEMENT OF CHAIRMAN CONRAD

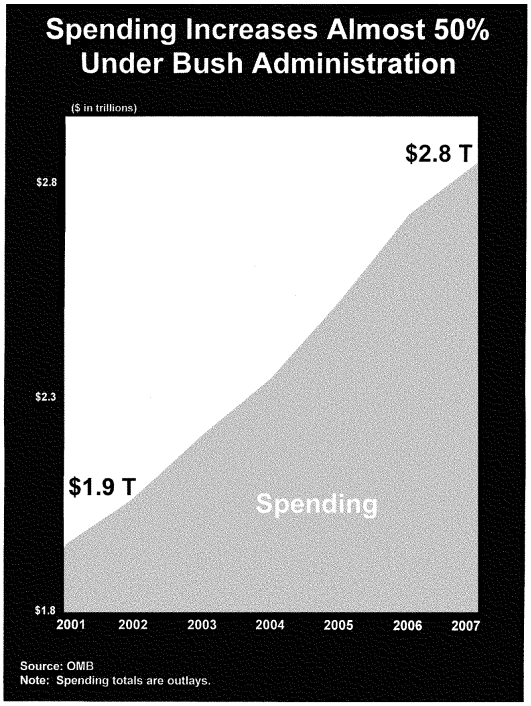
Chairman CONRAD. I think we all know this is an important nomination. The Office of Management and Budget is the person that represents the president of the United States on these issues, on these questions. I think all of us know, in this Committee, that our country faces very serious physical challenges, both short-term and long-term and that we have got to work together to solve them. Certainly the long-term challenges are not going to be resolved unless there is a bipartisan consensus.

And so I look forward very much to hearing from Mr. Nussle on how he intends to work constructively and cooperatively with Congress to address these challenges. And I hope that we will hear from you, Congressman Nussle, some concrete steps we can take to break the current logjam that exists with respect to the outstanding issues for this year.

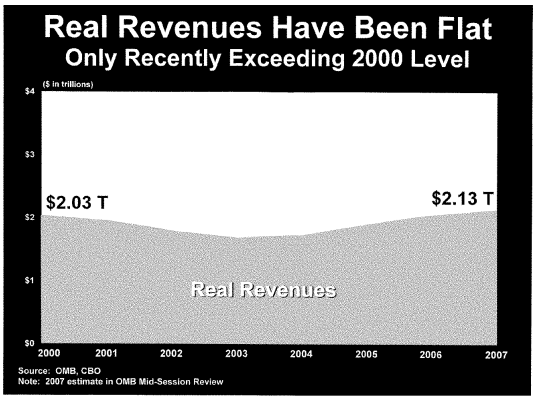
As my colleagues know, I have very serious concerns about the budget condition of the country and the fiscal policies of this Ad-

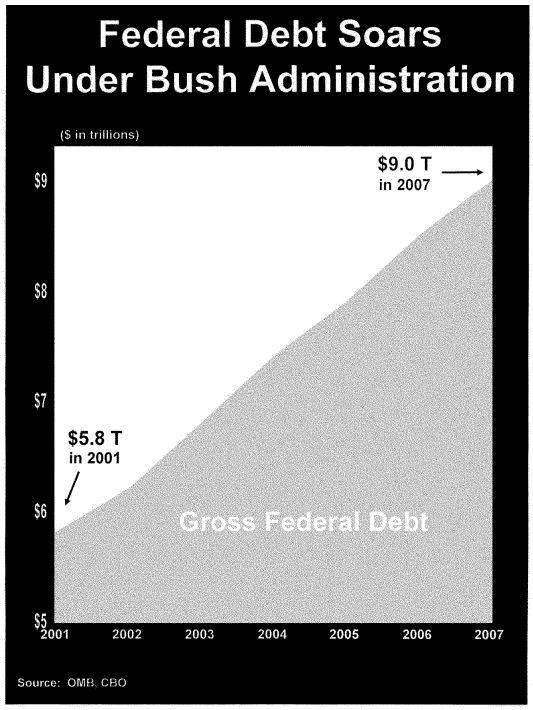
ministration. Let me just run through briefly a couple of charts that make the point and raise the concerns that I have.

This is what has happened with spending under this Administration. Spending has gone up almost 50 percent. And all of us know that that has been driven in large measure by the war and by homeland security. But nonetheless, spending is up sharply. Let us go to the next slide.



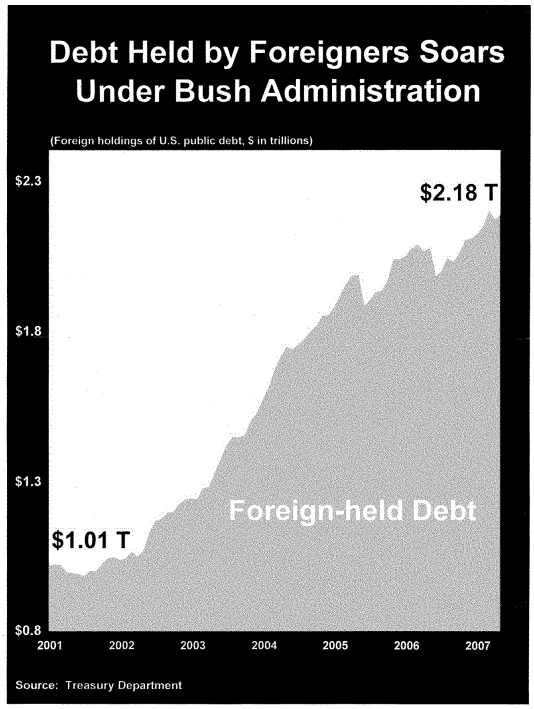
While spending is up sharply, revenue has stagnated. Real revenue, that is adjusted for inflation, is just now getting back to where it was in 2000. So while spending has gone up sharply, revenue has been largely stagnant in real terms over this Administration's life. And that has led to an explosion of the debt. The debt of the United States has gone from $5.8 trillion at the end of the President's first year to an estimated $9 trillion at the end of this year.


Real Revenues Have Been Flat
Only Recently Exceeding 2000 Level
($ in trillions)
$4
$3
$2
$1
$0
$2.03 T
$2.13 T
Real Revenues
2000
2001
2002
2003
2004
2005
2006
2007
Source: OMB, CBO
Note: 2007 estimate in OMB Mid-Session Review



Of course, that means we have had to borrow more and more money and, increasingly, that money is being borrowed from abroad. Let's go to the next slide.

Foreign held debt, that is the U.S. debt held by foreign countries, has exploded more than 100 percent increase in foreign held debt. That means that increasingly we are in hock to China, Japan.



Let this go to the next that shows Japan we owe over $600 billion; China we all over $400 billion; the United Kingdom over $160 billion; and on it goes, the oil exporters over $120 billion. This is a deep concern.

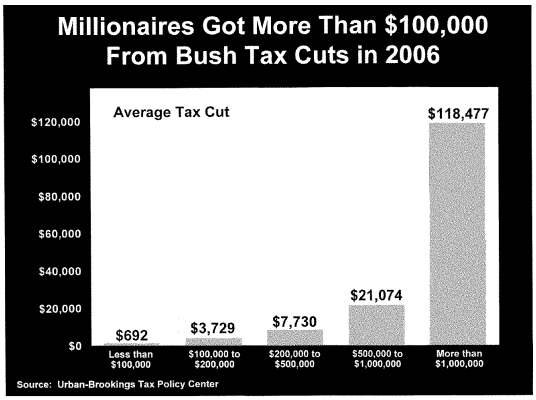
Top Ten Foreign Holders of Our National Debt

Japan	$615 B
China	$407 B
United Kingdom	$168 B
"Oil Exporters"	$121 B
Brazil	$82 B
Luxembourg	$62 B
Hong Kong	$59 B
Taiwan	$57 B
South Korea	$52 B
Germany	$51 B

Source: Department of Treasury
Note: As of May 2007

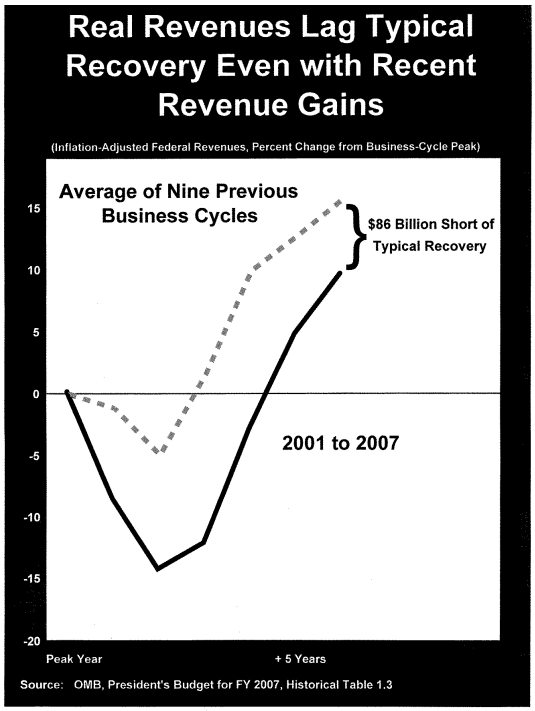
Let us go to the next slide, if we could.

At the same time, we have had significant tax reductions and they have been heavily weighted to those who are the most fortunate among us. You can see in 2006 those with incomes of over $1 million a year got an average tax reduction of over $118,000.

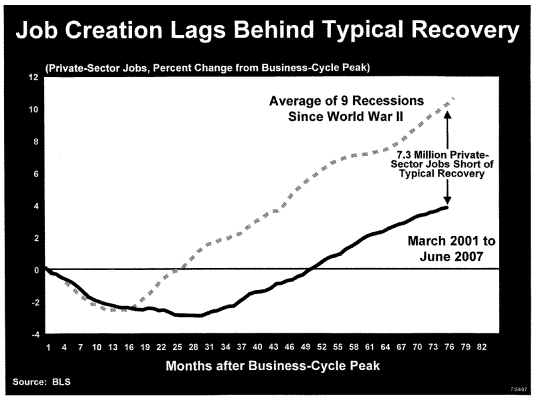


Let us go to the next slide, if we can.

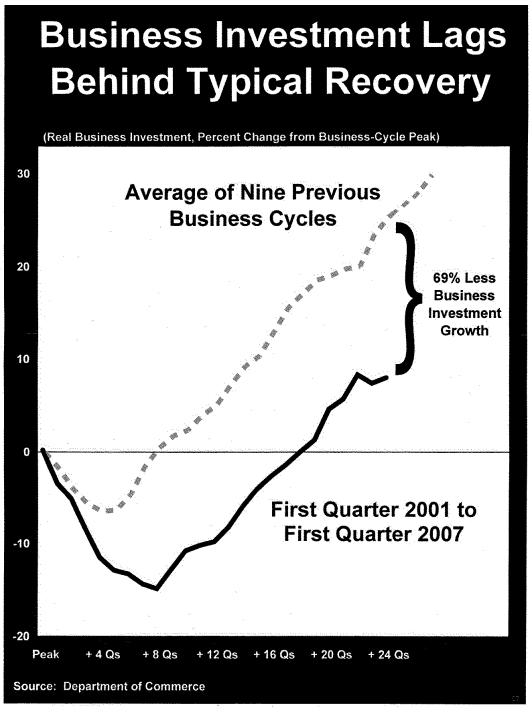
The Administration has told us that the tax cuts have fueled economic growth. Unfortunately, when we look at this recovery compared to the nine previous recoveries since World War II, looked at the nine major recoveries since World War II, we see that this recovery is running well short of the average of those other nine major recoveries since World War II. In fact, on revenue we are still $86 billion short of the typical recovery.



It is not just on revenue, let us go to the next slide. We see the same thing with respect to job creation. Job creation, again, if we look at the nine recoveries since World War II, take the average and compare this recovery, we see we are still 7.3 million private sector jobs short of the typical recovery.



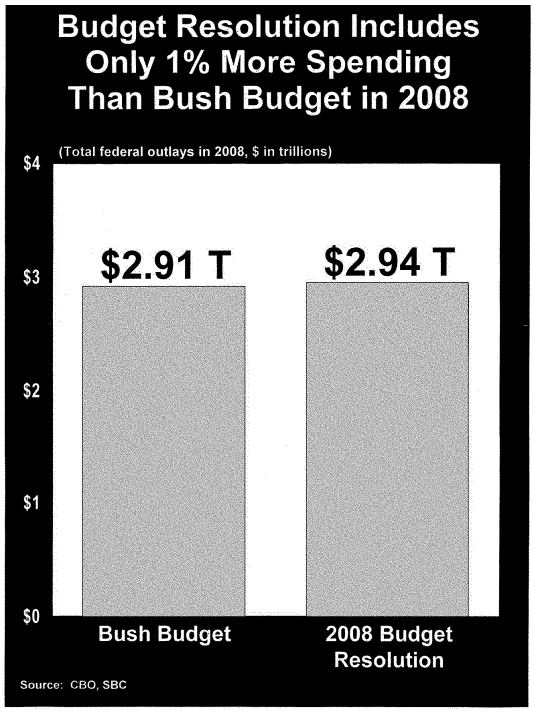
The final point is on business investment. This is perhaps the most striking. Again, comparing this recovery to the nine major recoveries since World War II and averaging all of them, we see this recovery running 69 percent behind, on business investment, those other recoveries.



Something is wrong. I am increasingly concerned with the direction of the economy. We all know the subprime market is raising questions. Interest rates are rising. Markets are unsettled. So we have got a lot of work to do.

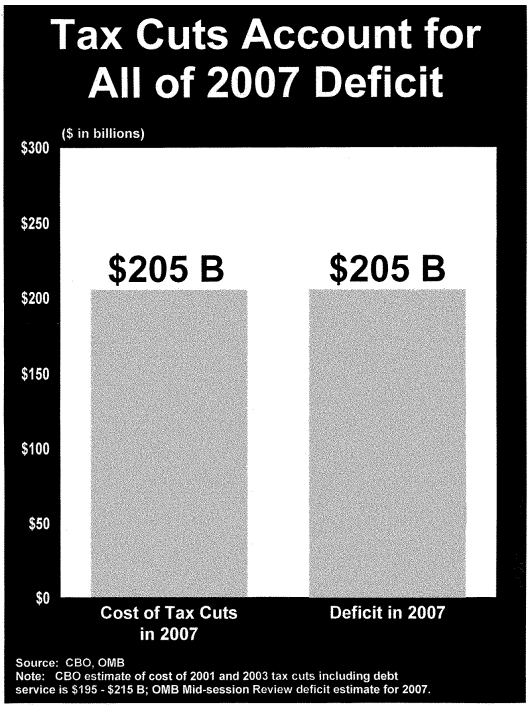
And of course, the biggest hurdle of all are the long-term challenges. This is a place where, Congressman Nussle, I think you and I and Senator Gregg are perhaps in very close agreement, at least in the diagnosis of the problem. We all know that we are headed for a cliff. We have got an unsustainable course here for the country and it is going to take working together to have any chance to deal with it.

We have heard the President say that the budget resolution adopted by this Congress spends too much. Let me just put up a slide that shows the difference between the spending—the overall spending between what the President called for, $2.91 trillion, versus what is in the budget, $2.94 trillion. That is less than a 1 percent difference.



Goodness, if we cannot resolve this matter, how are we ever going to resolve the question of the long-term imbalances that exist, especially the looming challenge of the health care accounts, which is the 800-pound gorilla. It is the thing that can swamp about and we have absolutely got to turn our attention and do it in a bipartisan way to addressing that challenge.

I would like to make just a final point on the tax cut. CBO, let me just go to that last slide, CBO now tells us that we would not have a deficit if we did not have the tax cuts for this year. Now I do not think any of us take the position that none of these tax cuts should be extended. I certainly do not take that position. I think certainly those tax cuts aimed at the middle class need to be extended.



I think we also really owe it to the country to review our entire tax system. I am increasingly convinced that it is badly outdated, does not deal with the challenge currently facing the country. We have got the Alternative Minimum Tax hanging out there, it cost $800 billion to fix. It is the old millionaire's tax, rapidly turning into a middle class tax trap. We have got all of these other tax provisions that are going to not be extended past 2010. That, I think, is an impetus to reform.

And most of all, our competitive position in the world ought to be an impetus for us to thoroughly revamp the current tax system.

We have got the looming prospect of a demographic tsunami called the baby boom generation. And all of us know that we are going to have to fundamentally reform our long-term entitlements. If we fail in that, we put the country's long-term fiscal strength at risk.

With that, I want to turn to my very able colleague, the ranking member, Senator Gregg.

OPENING STATEMENT OF SENATOR GREGG

Senator GREGG. Thank you, Mr. Chairman, and Congressman Nussle. I would join with the Chairman in saying that having Congressman Spratt and Senator Grassley introduce you is certainly a very strong statement of bipartisan support for your nomination and reflective of your years of work here and the fact that it has been well received and seen as fair and constructive.

Being called a little Grassley, however, that could really do some damage.

[Laughter.]

Senator GREGG. As a practical matter, I had not intended to spend a lot of time on the large picture. I was going to focus more on your qualifications, which I think are extraordinary. I mean, you bring to the table obviously great talent and ability, the fact that you were Chairman of the Budget Committee, the fact that you were cochairman with Senator Cardin of the Budget Reform Task Force, and the fact that you ran the Budget Committee on the House side in a fair, open way.

The budget is inherently a partisan document. Regrettably, but it is. And it has always been that way. There has been, I guess, one exception to that. It would be nice if there were more. But as a practical matter that is the way the structure works.

So the key to doing this document, however, has always been—and I congratulate Senator Conrad for his handling of it in this way—is to recognize it may be partisan. But that does not mean the opposition does not get a fair hearing at the table, get to make their points, and have a chance to make their case. Obviously, in the final count, the vote is usually going to be whatever the ratio is of the majority to the minority.

And you did that. And I enjoyed working with you when I chaired this Committee and found our relationship to be open, frank, and constructive, and very professional.

I think that is what we need at the OMB job. The OMB job really is very much a liaison with the Congress. Obviously, you are the traffic cop within the administration for spending, as OMB Director. But equally important, you are the person that, as we go into the appropriating process, the Congress works with most often in order to resolve issues of how the day to day operation of the Government is going to occur and how appropriations bill are going to be structured.

So your knowledge and your track record of bipartisanship and willingness to work across the aisle is critical and I think very much a positive here.

On the larger issue which has been referred to by the Senator from North Dakota, and I did not bring my charts today—I thought I would give everybody a break.

Chairman CONRAD. He has got a very good charts, by the way.

Senator GREGG. Excellent charts. But let's cite just three basic statistics which I think call into question the general theme that the economy is a disaster and the policies of this Administration have been a disaster on the issue of fiscal policy, which is I think the theme of the Senator from North Dakota, along with the theme that I do agree with, which is that we have to address entitlement spending.

But three statistics. The first, is that the economy is in good shape. The unemployment rate in this Nation is, I think, about 4.6 percent. It is extremely low. And we have, I think it is 25 straight quarters of economic growth. And we have had added somewhere over 8 million new jobs. That represents a pretty robust economy and essentially a fully employed economy.

The second statistic which I think is important is that revenue of the Federal Government now exceeds the historic norm. The historic norm has been, since World War II, about 18.2 percent of gross domestic product has come into the Federal Government in revenue. We are now up to about 18.6 percent of gross domestic product in revenue.

And that has been a function, I believe, of having a tax law—which is a product of the work of Senator Grassley—which is fair, which says that if you are an entrepreneur, go out and invest, take a risk, and as a result create jobs for Americans. And as a result of doing that, people have gone out and taken a risk, been entrepreneurs, and created jobs for Americans.

The practical effect of that is that more revenue has come into the Federal Government because more people have been working and there has been more capital activity. And capital has been more efficiently used instead of inefficiently used.

And so we now have revenues above their historical norm. No matter what chart you want to hold up, that is the basic test. Are we generating the revenues that the Federal Government needs in order to fund itself at its historic levels? Yes, we are. Are we spending too much money? Yes, we are doing that, too. But that is primarily a function of entitlement spending and the war.

The third statistic which I would cite is that these tax policies which Senator Grassley evolved with the help of the President, have created a distribution which is extremely progressive. High income individuals today are paying a larger percentage of the tax burden than they paid under the Clinton Administration. The top 20 percent of people with income in this country are paying 85 percent of the income tax burden of this Government, 85 percent. That is a pretty big number. Under the Clinton Administration they were paying 82 percent.

On the other end of the scale, the bottom 40 percent of people with income in this country are receiving more back because, as a practical matter, they do not pay income taxes. They are receiving more back from the Government than they have received under the Clinton Administration by a factor of about two.

So the lower income individuals are getting more benefit from the Government, higher income individuals are paying more into the Government as a percentage of the cost of the burden of taxes, and that is progressivity.

And it is a function of the fact that we have created a tax law in this country which basically taxes capital fairly so that people are undertaking investments which are taxable. Instead of avoiding investments by looking for tax shelters, high income individuals are willing to do taxable activity.

The response of the other side of the aisle in the short time that they have been here was basically summed up by the Senator from North Dakota's chart which essentially represented that we are not

paying enough taxes. They want to raise taxes. They basically want to repeal the present tax rate on capital gains, the present tax rate on dividends, and the rate of the upper bracket. They want to raise that. Significant tax increases are essentially the game plan of the other side of the aisle.

In addition to that, not only are they restive about the fact that we have got a tax law which has generated all this revenue because we have created a fair tax on capital, they essentially want to go out and even expand that effort and through regulatory activity, intend to pursue capital formation in a way that is going to drive capital overseas.

It is really a cutoff your nose to spite your face policy because the thing that has been generating this economic recovery has been the fact that we have created an atmosphere where capital formation, entrepreneurial activity, and the resulting jobs that occur have generated the income to the Government.

In addition, spending is exploding around here. You can use all the charts you want to try to make it look like these lines are coming together, but it is not. Every time we turn around we are seeing on the floor of the Senate proposals to spend a heck of a lot more money in nondefense areas. It is not healthy to this economy.

The supplemental that came through here for the Defense Department, which was supposed to fight the war, had put into it $17 billion of spending which had nothing to do with our national defense but was basically a price to pay which was required by the other side of the aisle before they would support funding the troops in the field.

The budget which was passed by the other side of the aisle had $23 billion of spending over the President's request on the nondefense domestic discretionary side. And we are seeing a variety of expansion of program in the entitlement account area which is not paid for.

So spending is growing and growing dramatically. And that is one of the things that is maybe driving the other side of the aisle to say that we should be raising taxes.

So there is a philosophical difference. I think our numbers are even more defensible than the other numbers.

But that brings us back to your nomination, which should be the topic of this discussion.

[Laughter.]

Senator GREGG. I think what you will bring to the table, and what I know that this process requires, is that you will be seen as a fair arbiter, obviously someone who is going to be carrying the message of the administration but somebody who will listen fairly to the other side, who will work effectively with the Congress because you understand the Congress, and who can hopefully bridge some of these differences so that we, as a Government, do not end up in the situation we are under right now which is functioning under a continuing resolution but can actually proceed to appropriate the funds necessary to manage the Government as we go into the next fiscal year.

Chairman CONRAD. Thank you, Senator Gregg. You can see, you know, we are in almost complete agreement here in the Senate Budget Committee, except when we are not.

If you will please stand and raise your right hand, do you swear that the testimony that you are about to give will be the truth, the whole truth, and nothing but the truth?

Mr. NUSSLE. I do.

Chairman CONRAD. Again, we want to welcome you, Congressman Nussle, to the Committee. Please proceed with your statement.

Then again, for the advice of my colleagues, what we intend to do after Congressmen Nussle makes his opening statement, and I hope he will take that opportunity to introduce his wife who is with him and other guests who have accompanied him, we will then have 6 minute rounds. We have agreed to 6 minute rounds because of the number of Senators who are interested in getting time in.

We have also been advised we can expect a vote, a roll call vote, at about 11:35, which is about an hour.

Again, welcome to the Committee.

STATEMENT OF HON. JIM NUSSLE, OF IOWA, NOMINEE TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

Mr. NUSSLE. Mr. Chairman, thank you very much.

As many of you know, when you go for a job interview oftentimes you speak before people, you are interviewed by people who have not met you before, never worked with you before, do not know anything about you. And that is probably not the case here today. I have worked with three members of this Committee as chairman, and I am honored that they are here today. I have good memories from all three of those encounters and I appreciated your service.

I have members that I served with in the House, I believe nine on the Committee all told, that I served with in the House. In fact, two that are here that I came in with as classmates, and I am honored by your service.

And also members that I have worked with in a partisan way and in a bipartisan way over the years, on committees, in the House, and I am honored by the reintroduction to all of you.

Even some staff here that went over the wall from the House that are now here in the August Senate and I hope the promotion is going well for you and I am honored that you are here, as well.

Mr. Chairman and Ranking Member Gregg, thank you for your comments. I appreciate the opportunity to be here before the Committee and I thank you both for the time you have taken in counseling me and giving me advice, not only previous to this nomination but also subsequent to the nomination. I look forward to continuing those conversations and meetings on a regular basis.

I want to thank Senator Grassley. As you said, and I understand the circumstance in which we find ourselves. I have to tell you a little bit about John Spratt. When I first called him about this nomination, he volunteered to do this. When I picked up the phone he had heard about it and he said if you need me to come over, I will be happy to do it. He volunteered to do that.

You can say a lot about people but when they make that kind of a personal effort on your behalf, it is something you are honored by and will remember. John Spratt and I have had, as he said we both regret the fact that—both because we could not and sometimes because we would not agree on different things over the

years. Possibly our hands were tied. Possibly it was not the right timing. The budget, as Senator Gregg said, is such a partisan process. I regret that.

Senator Cardin and I, I believe, in our reform package, attempted to take a little bit of that sting out. I do not know if it would have. That was certainly our intention, to try and bring some of these big decisions more forward in the process and look for agreement earlier in the process.

But be that as it may, it is a partisan process and it is something I think we all regret because there is so much that we agree on.

If you would permit me, I really did listen to what both our Senators, my friends, and the Chairman and ranking member just said. If I could recap, and I know this is dangerous because I have to be careful that I was listening carefully.

But if I would be permitted, let me suggest that both of you said that jobs were growing but maybe they could grow faster. Both of you said that economic growth was up but economic growth we would all want to be growing faster. The deficit is down but it could come down faster. And it is a short-term priority only we know, as you both said, that the long-term is the real challenge.

You both have indicated and are leaders in the effort to look at our tax code.

And last but not least, I guarantee you, having been the Chairman of the Budget Committee, that while there is a disagreement between $933 billion and $955 billion, I guarantee you within both of those numbers there is a lot of agreement.

We disagree on the top line possibly, that may be the debate and conversation and rhetoric today. But we all know embedded within those numbers is a lot of agreement on how to secure our country, how to make sure our next generation is prepared, how to make sure that our families have the kind of security they need for the long term. There is so much that we agree on.

And I believe, as the Chairman said, and he asked if I could maybe point the way. First of all, I wish I could today. I am not at liberty yet to negotiate. Nominees find themselves in an awkward position—I do not know if it is limbo or what you call it—where you may know a lot or you may think you know a lot about the process but you are not yet equipped either with any authority or the responsibility to do much about it.

I would be honored with your consideration for confirmation to get to work to do just that.

I am anxious to work on these areas where I know we have common ground. We are going to have a difficult challenge in bridging that and finding exactly where the particular common ground is. But the mere fact that we agree on the challenges oftentimes, I believe, is a pretty important foundation to move forward.

I am spirited by the opportunity for this challenge. I am an optimist and I am someone who enjoys that kind of challenge. I would say to all of my friends and Senators and colleagues, former colleagues on this Committee, that I want to be able to help with that.

Also, I kind of got off my statement here. I just want to thank a couple of other people if I may, Mr. Chairman. John Spratt's current staff director was also here, he may still be, Tom Kahn, was and is also good friend. My former chief of staff, Rich Meade, they

worked together and they still are friends and work together. I think one thing that John and I were able——

Chairman CONRAD. If I could stop you there, Rich enjoys a good reputation over here, too. Let met just say I talked to my staff this morning and they tell me they have always been able to work well with Rich. We welcome you to the Committee, as well, Rich.

Mr. NUSSLE. I think one of the things that we all know is that when we lead by example, the people who work with us also follow that lead. They have the same kind of positive rapport.

I also want to introduce my wife, Mr. Chairman. Karen is here with me. We all know that our spouses are our anchor and they have to put up with a lot whenever we go into public service. And she does it with grace, as our spouses do. It is because of her that I am able to be here today and do that. And so I want to thank her and introduce her to the Committee, as well.

Chairman CONRAD. Karen, you are more than welcome here. We enjoyed meeting you before the hearing began. Welcome to the Senate Budget Committee.

And we promise, we will be respectful with your husband.

Mr. NUSSLE. Mr. Chairman, too, the one thing that you do not know about when you take on a responsibility like this is how much support you will need. When the President asked me to do this, I have never been through this before so you do not really know what happens next. In fact, if I would have known a little bit more about this maybe it would have been a little bit different process.

But the OMB staff has just been fantastic. I am sure that they shudder every time a question gets asked and they wait for my answer. But they have done just an outstanding job. It is such a professional staff.

I knew that when I was Chairman but I have gotten to see it firsthand. And I know many of you have enjoyed working with the great professionals at OMB. I am honored that they have tried to help prepare me for today.

Mr. Chairman, as I stated, when the President nominated me, I am really humbled and privileged by this opportunity. If confirmed, I look forward to helping to develop the policies that we talked about on behalf of the President, trying to keep the economy going and growing, creating jobs, balancing the budget by 2012.

And then looking, as we were just talking about, how we can deal with the unsustainable growth in entitlement spending in Medicare, Medicaid, and Social Security. If I should be confirmed by the Senate, I intend to work everyday, wake up everyday and work on these challenges that we have talked about in private with many of you and that we will discuss here today.

I also have to tell you, it feels good to be back here in Congress. I learned some amazing things in this body. I had the honor of working with so many of you and forged a number of lifetime friendships and also lifetime experiences that not very many people get to have. I am honored by that, as well.

If confirmed, I also have the opportunity to follow in the footsteps of some great people. In particular friends, Rob Portman, who was my Vice Chair on the Committee, and also Josh Bolton are two that have blazed the trail before me and our good mentors. These

two people give public service a real good name and I am honored to be able to work with them.

As I was sitting trying to figure out what to say today, I kept having this flashback to a classroom 30 years ago in Decorah, Iowa where it was when it was I had that Ford that I drove Senator Grassley around in. I was sitting in my Intro to Congress Class, I was a political science major and had an economics minor. I was sitting in class and the professor, Joan Thompson, decided she was going to teach us about the Federal budget process.

I thought to myself, as I know all of us have had this experience, you think when you are in school in particular, when in the world am I ever going to use this information? Do I really need to know this stuff? Is this going to be on the exam? I think is probably what you think.

But something happened during that. I got hooked. I am an admitted budget wonk. I love the budget. I love the process of the budget. She taught me, and I have learned through my experience here, that so much is interwoven in what we do in the budget, what you do in the budget here.

I have to say I never thought, as a 19-year-old at Luther College, that I would ever be chosen by my peers to be the Budget Chairman, let alone be sitting here in front of all of you nominated by the President and under your consideration to be the OMB Director.

It is truly an awesome thought and I hope it is something I hope my teenage kids take a lesson from. I hope many students do, and that is you never know where life is going to take you. You ought to pay attention. Pay attention, listen, learn, because you really do not know what is going to be on that the final exam. I have a feeling that I am going to get some of those tough questions on that exam here today.

Listening and learning is something I took very much to heart in my role as a representative. I feel that we all govern better when we listen to our constituents and learn from them. So should I be confirmed by the Senate, I intend to continue those philosophies which I first learned from my parents and which were instilled in me by my constituents about listening and learning and teamwork and being open and honest.

This is not easy work. We know there are huge challenges ahead of us.

But I congratulate you, Senator Conrad, on passing the budget. I know how challenging that is. And I congratulate the work that this Committee does. And I very much am eager to get to work, if confirmed, to work on these challenges. I know they are going to be difficult but I believe that I have the tools necessary in my toolbox to help us find some of those answers, even if they are not obviously apparent here today.

I thank you for the opportunity to come before you and testify.

[The prepared statement of Mr. Nussle follows:]

Opening Statement of the Honorable Jim Nussle
Nominee, Director of the Office of Management and Budget
Senate Budget Committee
July 26, 2007
As Prepared for Delivery

Thank you, Mr. Chairman and Ranking Member, for your introductions. I appreciate this opportunity to come before your Committee. I also want to thank both of you for the time you have taken in the past few weeks to meet with me and give me your advice and counsel. I look forward to continuing those meetings on a regular basis.

Thank you also to my two home state Senators for testifying at the Homeland Security Committee on Tuesday, and I am honored and grateful to have Senator Grassley here again today to support me. Thank you Senator Grassley not only for today, but for your leadership and guidance throughout my career, and for your devoted service to the state of Iowa. We are all proud to have you serve us with dedication and passion.

I would also like to thank my good friend, Chairman John Spratt, for making the long haul over to this side of the Capitol to support me. Some of my fondest memories during my time as House Budget Chairman relate directly with time spent with you and your dedicated staff director, Tom Kahn. More than anything, I thank you for your friendship and I am truly honored that you are here today.

I'd also like to thank the staffs of both the committee and OMB. Your professionalism, hard-work and dedication to public service may go unnoticed by the public, but for myself, and I believe I can speak for all public officials, what you do each day is very much realized. Much, if not most, of the work would not get done without you. Thank you.

Thank you also to my wife Karen, for being here today, and every day, to support me. I know it can't always be easy but you do it with grace, understanding and patience and I am grateful to have you by my side.

As I stated on the day the President nominated me, I feel truly humbled and privileged for this opportunity. If confirmed, I look forward to helping develop policies that will keep us on track to balance the budget by 2012, keep our economy growing, and address the biggest budgetary challenge we face: the unsustainable growth in entitlement spending for programs like Medicare, Medicaid and Social Security.
If I should be confirmed by the Senate, I intend to work day in and out with Members of Congress to honor the awesome responsibility placed upon me.

I also have to tell you that it feels good to be back here in my second home – Congress. It was in these halls that I experienced amazing things, learned valuable lessons, met incredible people, and formed friendships that will last throughout my lifetime.

I feel a special allegiance not only toward the building just across the street from here, but for my former colleagues – Democrats and Republicans – who are still working here

each day. Many of you I have worked with in the past, and I'm excited for the opportunity you might give me to work with you in the future.

If confirmed, I'd have the honor of following in Rob's footsteps, my former vice-chair; and to continue my professional relationship with Josh, who provided excellent leadership at OMB and continues to serve the President well as Chief of Staff in the White House.

These two individuals give public service a good name with their steadfast devotion to it. And I intend to continue that way of working should I be confirmed.

As I sat to write my opening remarks for today I could not help but get a little nostalgic. I hope you will indulge me for a bit.

It was almost 30 years ago that I sat in the classroom of one of my college political science classes when my professor decided to teach us about the budget. At the time I remember thinking to myself, "When in the world am I ever going to use this information?" "Do I really need to know this stuff?"

But then something happened. I got hooked. Yes, I'll admit it – I love the budget, the budget process and everything else that goes along with it.

But never, in a million years, would I, as a 19 year old Luther College Student, have ever thought that I would have been chosen by my peers to become the House Budget Chairman, let alone have this opportunity to sit before you as you consider me to be the next director of OMB.

It is truly an awesome thought for me and I hope my teenage daughter and son are paying attention today. My story is a lesson of listening and learning, even at times when you don't know exactly why you are doing it. It is because you truly never know where life is going to take you.

Listening and learning was also something I took to heart for the 16 years I was blessed to represent Iowa in the House. I believe that we govern better when we listen and learn from those we represent. Should I be confirmed by the Senate, I intend to continue those philosophies my parents first taught me were important, and that the people of Iowa cemented for me – listening, learning, teamwork and being open and honest.

Mr. Chairman, I am eager to answer your questions and the Committee's questions. I want to thank you once again for this opportunity and I look forward to you considering my nomination. Thank you.

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Chairman CONRAD. Thank you, Congressman Nussle, for that statement.

Let me just ask a housekeeping question first, which is when asked, will you agree to appear before this Committee, given reasonable notice?

Mr. NUSSLE. Yes, sir.

Chairman CONRAD. We thank you for that.

Second, will you agree to answer questions put to you by this Committee when you are not called as a witness, but to answer questions that this Committee or members of this Committee might have?

Mr. NUSSLE. Yes, sir.

Chairman CONRAD. We appreciate that.

Let me just go to this first question. I listened very closely to my colleague, Senator Gregg, and he talked about revenue being at a level that is somewhat above the average. The problem with that is if we had revenue at the average level the last 20 years, none of the budgets would be balanced. The problem is the bottom line. The bottom line is when you put spending together with revenue, the amount of spending we are doing with the amount of revenue we are raising, the two do not match. We are spending far more than we are taking in. And we are doing it before the baby boomers retire.

The result is this is what has happened to the debt. Let me ask you this question. Is this dramatic increase in the debt during this Administration a good thing, a bad thing, or does it not much matter? What would be your assessment of what this increase in the debt means to the country?

Mr. NUSSLE. As the Senator knows as well—if not better—than I, there are many reasons why our debt is going up and has gone up. I consider it a huge challenge, a fiscal challenge, for our country, an enormous challenge that we have to grapple with. It is not a short-term challenge. It will not be addressed this year or in the next budget in total.

But we have to, as you know, I think I have heard you say and I have heard others say—I have probably said it myself—when you are in a hole the best thing to do is to stop digging.

So I agree and I believe it is a shared—it is one of those shared principles that all of us agree, that we need to do our best to reverse that trend as quickly as possible and get back on the road toward responsibility.

Chairman CONRAD. And why does it matter? Why should anybody be concerned about this trend line?

Mr. NUSSLE. Again, the Senator can, the Chairman can—and I appreciate you asking me that question. The reason I am concerned about the trend line is because of the opportunities that are often missed either today or in the future by being saddled with debt. This is true whether you are a farmer or in small business or an individual with high credit card debt, or it is true as a Nation.

Having said that, there is, I believe, some silver lining, if there is. The fact that we are an economy that can grow at amazing rates when we are growing, the fact that our debt is debt that is attractive and purchased by others is a positive. There are some coun-

tries where people are running away from the indebtedness instruments. So there is a lot of silver lining, too.

But I would concur with you and I believe there is bipartisan support in the area of concern over growing debt.

Chairman CONRAD. Let me just go to the second one, on foreign holdings of debt. Let me ask you your view on this issue. This is what has happened to foreign holdings of our debt during this Administration. It really is quite striking. It took 42 presidents 224 years to run up $1 trillion of U.S. debt held abroad. This president has more than doubled that amount in just these 6 years.

Does this trend line of foreign holding of U.S. debt concern you or not? I would ask the same question I asked previously, is this a good thing? Is this a bad thing? Or does it not much matter?

Mr. NUSSLE. I am concerned about it, Mr. Chairman. Obviously when you—and all of us are, I compliment you on your chart. There are many ways to construct a chart. If you compare that indebtedness to a denominator which I think is a common denominator that all of us would choose to compare these big numbers to something, when you compare it to GDP we, I think, see a much more reasonable indication of our debt compared with our ability, our strength of our economy to pay it back.

But I will not quibble with your chart. It is a challenge. You held up another chart involving the different countries. I believe 9 percent, as an example, is held by Communist China. Again, it could be a lot higher. It is good that our indebtedness is something that is attractive to be purchased. But I consider that and others to be a concern that we should never shy away from.

Chairman CONRAD. Why is it a concern? Why does it matter that we have this doubling of U.S. debt held abroad? Why should somebody listening and watching this perhaps care?

Mr. NUSSLE. Obviously at some point in time it may need to be paid back. That is the most important indication.

Probably the second, however, is that we currently do not have an agreement on a plan by both sides or between the Congress and the President to address that long-term unsustainable growth in entitlements. We have seen good proposals but we do not yet have a meeting of the minds and active reform legislation to deal with those challenges.

It is true with anybody who has problems with their debt, whether it is their credit cards or their mortgages or whatever it might be, if you do not have a plan to deal with it, how much you have is less relevant than how much you are going to continue to accumulate if you do not deal with that long-term challenge.

Chairman CONRAD. Let me just say this to you, Senator Gregg and I have a proposal that we will be introducing in the near future that suggests with respect to the long-term challenges that we face that we put together a working group, 16 members, eight Democrats, eight Republicans, two of whom would be representatives of the administration. We contemplate the Secretary of the Treasury being the chairman of this working group. We would really anticipate—obviously the president would decide who his other representative would be but it would likely be you. And that these people be given an assignment to come up with a plan to deal with these long-term entitlements.

If you are confirmed and if this plan goes forward, is that something that you would be willing to devote your time and attention to, coming up with a plan that could be presented to a future Congress?

Mr. NUSSLE. If confirmed, yes sir.

Chairman CONRAD. Senator Gregg.

Senator GREGG. Thank you, Mr. Chairman.

Senator DOMENICI. Mr. Chairman, could I ask before you do that, did you mention names name for that commission you were talking about or just the job?

Chairman CONRAD. Just the job.

Senator DOMENICI. Thank you.

Senator GREGG. Mr. Chairman, thank you.

Congressman Nussle, following up on the Chairman's questions, the concept that we have been working on is that this would be fast tracked, it would not be amendable, and that any report would be bipartisan. Of the 16 people on the commission, at least 12 would have to be in favor of any recommendation. We would hope it would be unanimous. And that the members of the commission would be experts, within the Congress primarily, on these issues. And that any final passage would require 60 votes. So you would have fairness and bipartisanship as the underpinning of the proposals.

Obviously if this went forward, you would play a role in it as OMB Director, I would hope.

On another issue, however, we are headed for a self-inflicted train wreck here on the appropriations process. The Senate has not taken up but one appropriations bill and here we are 2 weeks before the break for August. It is very obvious that there is not a plan in place to take up the rest of the appropriation bills, or at least not many of them, and to conference them. And to get them back to the president before the end of the fiscal year on September 30th is a physical impossibility due to the fact that they have not been brought to the floor. So it is purely self-inflicted.

I guess I would be interested in your thoughts on how we sort through that type of situation. I recognize you are not OMB Director yet, but as a former Chairman of the Budget Committee and an active member of the House, any thoughts for how we work through this, what appears to be an intended train wreck?

Mr. NUSSLE. Senator, I have watched this process, as you have, for quite some time. And I have noted that in those years—and it seems as though there is always a pretty healthy rumor of a train wreck. It has happened in divided government times and it is also happened, strangely enough, in times where one party controlled all of the different branches, we have heard this word train wreck.

This is why in my budget reform proposals I have always tried to accelerate the process by which we discover that there is a challenge—that there are actually two trains heading down the track at one another, but also to provide a mechanism to begin the process of talking.

Again, I am not suggesting any of you need to support a joint resolution but that was one way that you would have an early warning and an opportunity to bring all parties to the table in order to accomplish that. We do not have that mechanism today.

What I would commit to you, if confirmed, and I would commit this to all members, that the Administration and the Congress need to begin communicating as quickly as possible on these matters where we agree and where we disagree. I understand, I have seen in the media a flurry of letters and meetings and I think all of that is a positive step forward. I hope, and I am as anxious as I can report to you, that I have the opportunity, if confirmed, to be part of that process.

I believe, not only having a little bit of an understanding of where the Administration is coming from, but maybe even more importantly the advantage Rob Portman had is he understood a little bit about what was happening up here on the Hill on the part of members. I think all of that would give me some ability to help in this process and I would want to be able to use my efforts in that regard.

Senator GREGG. I think that is certainly an appropriate approach and obviously I understand there is going to be a meeting down at the White House on this issue with the Democratic leadership next week, I think it is, which will be constructive.

But this is a self-inflicted event. There was obviously a conscious decision made that appropriation bills would not be brought to the floor of the Senate and would not be conferenced individually because of the issue of a veto having been put forward on bills that exceeded the President's budget. And under the budget passed by the Democratic leadership here, they exceeded the President's budget by $23 billion. So the event, the die was cast.

How you work through this now becomes a very interesting exercise. The problem, of course, was that in the last Congress we had a continuing resolution which ended up going for the whole year. Our side of the aisle was properly excoriated by the other side of the aisle for not passing the bills and having a continuing resolution which went for the whole year. It appears that we are going to be in a position where that might happen again, or something similar might happen again.

I guess I would be interested in your thoughts on continuing resolutions which run for the whole year, what effect they have on running a government efficiently?

Mr. NUSSLE. Senator, I am of the view that continuing resolutions do not define success. And I would just suggest that both sides are losers when that is the case.

Now there are some who may suggest that there may be some victory in that, and I can understand where that might be the attitude. But my view is that it does not define success. The president is not able to move his agenda and priorities forward under a continuing resolution. Congress is not able to work its will and exercise its authority of the power of the purse under Article I in a continuing resolution.

I do not believe anyone wins. It certainly is a better answer than a closure but it is, to me, not a successful conclusion to the process because of both sides having an inability to move their agenda forward in any positive way.

Senator GREGG. Thank you.

Chairman CONRAD. I would just briefly observe, on this question, there is no decision on our side not to bring the appropriations bills

to the floor in a regular order. In fact, I have just attended a meeting in which the overwhelming sentiment was to try to conclude work on the appropriations bills in the regular order.

This discussion at the White House with the leadership of the House and the Senate that is going to occur, as we discussed before the hearing began, very, very important, very important. I commend you for your statement on a continuing resolution.

I think all of us—those of us who have been deeply involved in the budget process would agree this is just not the right way to do business here. We are much better off if we are able to complete the appropriations bills in the regular order, to give full consideration so that we can prioritize the use of resources. CR is just taking last year's and continuing it. So I think you have made an important statement here.

Senator WYDEN.

Senator WYDEN. Thank you, Mr. Chairman.

Good to see you, Mr. Nussle. I have appreciated our working relationship and certainly serving as OMB Director is not a job for the fainthearted. I am looking forward to your responses this morning.

You could get a little bit of a sense of the back and forth here in this Committee. I sure hope you can revive tax reform, for example, in the administration.

I have a proposal, S. 1111, the Fair Flat Tax. I have asked the President several times if he would like to work on a bipartisan basis. It does not, for example, raise the top rate. It holds the rates down for everybody, gives everybody a chance to get ahead. So I wish you well in terms of being able to pump some new life back into the tax reform talks.

The questions I want to zero in on first are what I think are the overriding issues of our time, and that is changing course in Iraq and fixing American health care. Both issues involve hundreds of billions of dollars and go right to the heart of what you will be tasked to do if confirmed at OMB.

On the Iraq war, I believe that there has been a systematic effort by the Bush Administration to hide the real costs of the war in Iraq. I think we very much need some truth in budgeting with respect to the war's costs.

So let me ask you first about several actions you have been involved in. First, to your credit, I noted that when you were Chairman you did criticize the Bush Administration for not including war funding in the budget and instead relying on just the supplementals. But when the bipartisan leadership of the Budget Committee sent a letter to the President urging him to include foreseeable war costs, you did not sign the letter.

Why wouldn't you have signed a bipartisan letter, given the fact that you had an interest as stated?

Mr. NUSSLE. Thank you, Senator, for your comments and for your question.

Frankly, I do not remember the context of that letter and I do not know why I would not have because I was probably the earliest—certainly the earliest Republican House leader that came out in favor of including and recognizing the out-year challenges of the

war within our budget. So it sounds like a letter I probably could have drafted and probably should have drafted.

But I am not familiar with that letter or why I would not that have signed it. But I would be happy to try and take a look at it and give you a straight answer on that.

Senator WYDEN. Thank you.

For the fiscal year 2008 budget the Bush Administration, for the first time, included some of the funding for Iraq and Afghanistan. It included a $50 billion placeholder for 2009 at a time when the country is spending $10 billion per month on the war and nothing was included for 2010 and future fiscal years. Do you think that is truth in budgeting? And what would you do again to make sure that the American people really see what costs are involved here?

Mr. NUSSLE. Senator, I would first indicate to you that, of course, I did not write that budget. I cannot answer the question of why the number was chosen. I would reflect on the fact that it is a number that I, actually, together with then Chairman Gregg, negotiated as part of the first indication of long-term obligation for the war was $50 billion. We used it as what we call, as you all know, a plugged number because we did not know exactly what that cost would be from a Congressional standpoint.

My assumption, it is dangerous to do so sometimes, is that they have continued that practice. The good news is that the Administration is starting to recognize that. I would work with you and with the Congress, if confirmed, to do a better job.

If I may point out one other thing, too——

Senator WYDEN. Let me, if I might, because I think that is a constructive response and I appreciate it. It is going to be especially important given the stories we saw 2 days ago with General Petraeus talking about a deep commitment for several more years. And so we are going to need your involvement in this question of additional efforts to be transparent and offer more information on the budgeting. And I appreciate your answer.

I wanted to get into one other area and that is the health care issue that you and I talked about in my office.

Senator Bennett and I have brought to the Senate the first bipartisan health care overall in more than 13 years. I think there is a real opportunity, even in this session of Congress, to act. The Administration has focused on tax changes with respect to health care. I happen to think the tax code is a mess with respect to health. And I am willing to meet them halfway in that effort.

But just changing the tax code is not going to do it. Because if all you do is change the tax code, folks are still going to go out into the broken marketplace, insurance companies can cherry pick, people get discriminated against.

My question to you is are you open to working with us on a bipartisan basis to say yes, we do need to make those changes in the tax code but we are also going to have to look at some of these reforms along the lines of what I mentioned and others because the two go hand-in-hand and they will be a prerequisite to fixing health care?

Mr. NUSSLE. Yes, Senator. I had an opportunity to visit with Senator Bennett and you both on your proposal. I believe it is something that we need to continue to work on. And if confirmed,

I would be honored to continue that conversation and work. And I applaud you and he, as well as on your work for tax reform, in both those areas. Because they are, as we discussed earlier, part of the pieces of the puzzle I believe if we are going to have longer term fiscal responsibility for our country.

Thank you.

Senator WYDEN. My time is up and I will have some additional questions on a second round.

Thank you, Mr. Chairman.

Chairman CONRAD. Senator Bunning.

Senator BUNNING. Thank you, Mr. Chairman. And welcome, Congressman Nussle.

We served together on the Ways and Means Committee and on the Budget Committee in the House, so I have some experience and knowledge about Congressman Nussle.

Let me start out with a couple of questions. You have said that it is your goal to work constructively with Congress on appropriation bills. As the Senate continues to consider House-passed appropriation bills, we consistently find ourselves in a situation in which spending exceeds the limit proposed by the President. How do you plan to work with Congress to bring our appropriation bills back to the point where they are consistent with the President's request?

Mr. NUSSLE. Senator, as a nominee it is awkward—it is impossible, let alone awkward—to begin that negotiation here today. So I do not have a proposal that I can make for you on either how to do it or what the substance of that might be.

I think we all share a concern about growing spending, about the deficit, about the debt, about our need to rein in our entitlements. And I believe, as I said in my opening, if we can work from where we do agree I believe we may be able to set a foundation that all of us can then work from to build an agreement around.

Senator BUNNING. Just to followup on Senator Wyden's questioning, in the past the Department of Defense has been criticized for its budgeting practices. Last year they made some progress, and you and Senator Gregg made progress, by putting a plug in of $50 billion in anticipation of what was coming.

Yet emergency supplementals are still needed to meet the operational cost of the war in Iraq and the Global War on Terror.

In the past, some of my colleagues have argued that more of the costs are needed to be added to the baseline budget. But this could inflate the defense budget.

How do you plan to work with the Department of Defense to ensure that they have a fiscally responsible budget, yet still have the flexibility to meet the needs in this time of the war?

Mr. NUSSLE. You are hitting the nail on the head, Senator. As you well know, and this Committee knows, your question is the one big challenge. Senator Wyden was bringing it up, as well.

This is one big challenge about budgeting for the war, and that is you plow this into the baseline of the defense budget and then they buildupon that as if that kind of spending needs to continue forever and we do not recoup any advantage or any reforms or any changes in the out years.

Senator if I am confirmed, I will work with you and others, particularly with this Committee who I think recognizes his challenge

more acutely than maybe anyone else, in trying to ensure that while we are finding what we agree upon and what is determined to be agreed upon for the war and what is needed, and to do so in a responsible way that does not just inflate the baseline for the Defense Department at a time when we all know the Defense Department needs more oversight not less when it comes to their financial management and the potential for waste within their budget.

Senator BUNNING. This one has something to do with that same type of budgeting.

I have been working with OMB on the budget analysis of long-term contracts for jet fuel. Unlike the rest of the aviation industry, our military is stuck with short-term market price contracts for fuel where they were $1.6 billion over budget for jet fuel in the last year, just the last year. The Air Force has strongly supported this new authority.

What is your view on the long-term contracts that provide secure fuel for our military? Will you work with me to create long-term contracts authority that are fiscally sound?

Mr. NUSSLE. Senator, first of all, yes, I will work with you. This is not an area that I have had particular information or knowledge about. But this gives, I think, all of us an indication of the M in OMB and why good fiscal management is so crucial to whether or not we are going to spend the taxpayer dollars wisely.

So I would be honored to learn more about this. Since you have obviously done some work in this area and taken a lead in this area, I would work with you to first learn about it and then see if we cannot do a better job with regard to it.

Senator BUNNING. The last question, because my time is about to run out, for the last 30 years the Abandoned Mine Land Program collected taxes from current coal producers to pay for future reclamation projects. While the program was required to provide 50 percent of the money collected to the States, the States' share has been locked up. Locked up, by the Administration. Thanks to legislation passed by Congress, States like Kentucky are finally going to receive the money they are owed.

And I must say Wyoming is owed a lot more than Kentucky.

Can you assure me that OMB will move quickly to distribute these funds as Congress intends, if you are confirmed?

Mr. NUSSLE. Senator, if confirmed, I will certainly work with you on that. This is another one of those areas that I have to admit that I have not studied and had any particular briefing on. But let me get back to you on that. I think it is clear that this is area of concern for you. That is obvious. And you deserve an answer.

If for some reason it is not going to move in an expeditious way, you deserve an answer on that. So let me, if I may, get back and work with you, if confirmed, on that important issue.

Senator BUNNING. Thank you.

Mr. Chairman, I would like to put my opening statement in the record.

Thank you.

[The prepared statement of Senator Bunning follows:]

STATEMENT FOR SENATOR BUNNING
SENATE COMMITTEE ON THE BUDGET
Nomination Hearing:
Congressman Jim Nussle
July 26, 2007

Thank you, Mr. Chairman.

I am pleased that we are here today to consider the nomination of Congressman Jim Nussle, with whom I served for many years on the House Budget Committee.

That Congressman Nussle is well qualified to be the Director of the Office of Management and Budget is beyond doubt. I wonder why he would choose to take on such a difficult task, but I commend him for accepting the challenge.

I look forward to working with Congressman Nussle as Director of OMB, and I will, of course, do whatever I can to assure that he is confirmed quickly by the Senate. The President deserves to have his nominee for this important office confirmed, and confirmed without delay to allow the President to carry out the mandate for which he was elected.

Thank you.

Chairman CONRAD. Thank you, Senator Bunning.

Senator CARDIN.

Senator CARDIN. Thank you very much, Mr. Chairman.

Mr. Nussle, welcome. It is nice to have you here.

As has been pointed out already, we have had the opportunity to serve together on the Ways and Means Committee for many years. I admired your service on that committee and I thank you for your public service.

Some of our colleagues have already mentioned the committee that you and I cochaired on budget reform. It is true, we did work in a very bipartisan manner on that committee. We brought out a very aggressive recommendation, and one that, had it been adopted, would have avoided some of the problems that we confront today by having a budget resolution that confronted the executive branch earlier, dealing with accrual accounting rather than just so much cash accounting, dealing with entitlement spending and being fiscally responsible.

But as you know, we ran into bipartisan opposition to that effort. So hopefully we will have a better go of it here.

I want to followup on Senator Wyden's point, first, that we can view things in the short-term and long-term. And the long-term, clearly the Chairman and the Ranking Member's point about entitlement spending is something that we need to get involved with in this next year and a half. We cannot let it go. We have to start confronting those issues. But there are certainly longer-term problems.

Senator Wyden mentioned health care. And I do think that we need to initiate a better working relationship between the Executive and legislative branches when it comes to dealing with health care. The amount of resources it takes, not just from the Government funding but from our entire economy, drains our ability to provide access to affordable quality health care to all of our citizens.

So we really do need to engage and come up with a strategy that will make our system much more cost-effective, because the results just are not there today.

In the meantime, we have short-term issues. This Congress, through the budget resolution that was passed and through the work of the Senate Finance Committee, is working on a proposal now to expand the SCHIP program. It received strong bipartisan support in the Senate Finance Committee. It came out of that Committee with a 17 to four vote.

I had discussions yesterday with some of my Republican colleagues in the House about how that bill will provide preventive health care, and lower the costs of our health care system. Because if you provide children with health care services, they are going to have better health care outcomesduring their lives.

I mention that because we already are setting up a conflict with the President on that particular program.

You are going to have to use your talents to bring together different views between the White House and Congress. We have very strong views about moving forward with the children's health care initiative. We have very strong views on some of the appropriations bills that are moving through Congress. I believe that the home-

land security bill passed by a unanimous vote in the Senate Appropriations Committee and it is $2 billion more than the President's number.

How do you intend to deal with the issues such as CHIP? How are you going to use your negotiated skills to convince the White House that they are going to have to move, and yes Congress is going to have to move, if we are to have a successful year on the budget?

Mr. NUSSLE. First of all, Senator, if I may, the interesting thing about your question is that it is a question that came up in a lot of our—Senator Whitehouse brought this up, Senator Wyden obviously brought this up.

The challenge I see is, and this is sometimes typical in my observation of the way things sometimes operate in Congress, is that we know there is a huge challenge out there. We look for the train that is moving at that moment and we try and solve that big challenge on the small train that is moving.

I think the challenge that we have here with SCHIP, if I may just from observation, is that we all know there is an uninsured challenge out there, a number of families, children, adults, young people who are uninsured. We see a reauthorization process moving down the track for SCHIP. I think there is an effort to try and resolve not just reauthorizing an important program that started and intended to reach out to children at 200 percent of poverty who were not covered by Medicaid, and expand it to help solve a much bigger problem that maybe should move through a process that you just described or that Senator Wyden described or that Senator Whitehouse described to me in our meeting.

That is not much of an answer except to say that if we continue to have a stalemate on the conversation of these big issues, we will look for forced ways to solve them that are awkward and oftentime fly in the face of either the other party or the Administration and I think that is what we see here.

What the Chairman described, as far as a task force or a commission, I applaud. You have served on those in the past. I have as well. We need to tackle those bigger issues so that we do not force those big issues into smaller authorization processes that are moving through, in my judgment.

Senator CARDIN. I agree with you that we have to deal with the big picture. And I think Senator Wyden is right on target in having us look at the overall health care system.

But in the next year and a half, we have got to move forward on some of these issues. And we are not going to accomplish the big picture as aggressively as we would like in the next year and a half. We need to make some progress, on the long-term and also on getting things accomplished by enacting legislation in this Congress.

With the children's health care initiative, we have a chance to get something done that can help. I see what is happening my own state of Maryland and I saw a young child, a 12-year-old, die because he could not get care for a toothache. He lived six miles from here and could not get care for a toothache. He fell through the system.

We know that children who do not have health care are very vulnerable in our society. We have got to make some progress. And you are going to have a chance, as OMB Director, to do something about it. You have to bridge the gaps between what the White House is doing and what we are doing here in Congress.

You have those talents and you are going to have to be aggressive. Otherwise were going to lose the opportunity over the next year and a half.

Thank you, Mr. Chairman.

Chairman CONRAD. Let me just say to my colleagues, they have got a vote that they are telling us will be roughly 11:35. I have called over and asked them to delay that somewhat to 11:45, because I think we might be able to conclude if we are able to do that. So I would just ask my colleagues to keep that in mind.

Senator ALLARD.

Senator ALLARD. Thank you, Mr. Chairman.

I also would like to join my colleagues in saying that it was a pleasure to serve with you on the Budget Committee on the House side when I had an opportunity to serve over there. Senator Nussle and I both had an opportunity to work on a number of issues together, and I have always appreciated his openness and willingness to listen.

First of all, I think it is remarkable that you got Senator Grassley to come up and say some words. Every time I want to talk to him, I have to get up at five o'clock in the morning and go jogging with him.

So my question to you, if Senator Grassley and I want to talk to you about an issue, will you get up at five o'clock in the morning and go jogging with us?

Mr. NUSSLE. I am usually running away from things. I do not know if running with you is probably the best way for us to come to much agreement. But if that is the best way, I will do it.

Senator ALLARD. I just wanted to check out your commitment, how far you would go to listen to us. So thank you. Thank you, Congressman, for your service.

On a more serious note, I do have a great deal of concern about accountability in the bureaucracy. We have passed legislation through the Congress, where the bureaucracy is expected to set some goals and objectives in a measurable way, such as the PART program.

An important part of your responsibilities, as well as working with the numbers, is to work with the agencies and review them to make sure that they have a way of measuring how they are proceeding along when they set goals. I do think it is important because your budget is tied to setting those measurable objectives. Hopefully we can work closely to tie our budget, as we move along, toward that.

So I would like to hear some comments from you about the PART program. I think it is important. Both the Chairman and I have talked about holding some hearings on the PART program. And again, we may very well call you as a witness on that. So I would like to hear some of your thoughts about the PART program and the way it has been implemented.

Are there ways that we can improve it? Do you think it is serving us as it should at this point in time?

Mr. NUSSLE. First, Senator, I would be honored to come back and visit with you. I would also hope that you would include—I am sure you would—the Deputy Director for Management, Clay Johnson, who has really taken the lead in this area.

The Program Assessment Rating Tool is just that, a tool. It is one of the tools in the toolbox that we should all use to provide the oversight that is deserved both on the part of the Administration, also on the part of Congress in order to determine whether or not a program is doing the kind of job it should be doing, using the money appropriately, getting the results necessary, and interacting with the rest of the Government programs in an appropriate way to make sure that the people or the issue that we are trying to serve is served.

I take the M part of OMB very seriously, and I would be pleased to come up and continue that conversation either as a colleague or also as a witness in the future.

Chairman CONRAD. Can I interrupt on that point?

Senator ALLARD. My time is running but go ahead, Mr. Chairman.

Chairman CONRAD. I will extend your time.

I will say this, that this really is very important. If there is one thing I think we all know, we do not do enough oversight. The M is distinctly lacking many times. Senator Allard and I are committed to try to make this program work better and we would appreciate your help.

Mr. NUSSLE. You know, Mr. Chairman, this is one of the areas that, like you, I felt that there was not enough emphasis on the M. But I have to tell you, in the last number of weeks in visiting with the OMB staff, this is probably one of those less glamorous parts of the job and therefore we do not hear about it a lot. But there is a lot of M going on. There is a lot of management going on.

I was impressed by that and I think it would be good to inform the Committee. If confirmed, I would be honored to keep that conversation going.

Senator ALLARD. One other thing, just following up on this. An important part of it too, I think, is keeping the public informed as to which agencies are performing. Such as you do through the website Expectmore.gov. I would like to get a commitment from you that you keep that as user friendly as you possibly can so that in the public can look at that and see how their favorite agency or maybe least favorite agency is performing or not performing. I think that that is a valuable aspect, so I would hope that you would keep up that webpage and get a chance to review it from time to time.

Mr. NUSSLE. Yes, sir. If confirmed, I would be happy to do that.

Senator ALLARD. You know, another issue that comes up is static scoring versus dynamic scoring. My time is getting short here, but it is, I think, a source of some of our debate as to what the budget is going to look like, what our revenue is going to look like out in the future. Can you share any thoughts with us about static scoring as opposed to dynamic scoring when we look at these future figures?

Mr. NUSSLE. It is a fair question and probably deserves a much more in-depth answer. I will be very brief and suggest to you that I always adopted the view that even though static scoring was imperfect, it was the perfect that we knew at the time. And that dynamic scoring needed a lot more work before it was ready for prime time.

I certainly worked with the CBO directors and others on this issue. But I never assumed that we could—the challenge with all of the scoring is trying to give Congress the best information possible to make decisions. And at this point in time, I believe the static scoring, so called, is far better than any other tool that I am aware of.

Chairman CONRAD. If I can interrupt just to alert my colleagues, here is the situation we face. The 11:35 vote is locked in. It was locked in by unanimous consent and cannot be moved. So that creates a bit of a challenge for us.

I think the best thing we can do is go to 5-minute rounds and try to complete before that vote.

Senator ALLARD. I am going to yield right now. I expected to yield to my colleagues in respect for their time.

Chairman CONRAD. Senator Allard, I thank you for your courtesy.

Senator SANDERS.

Senator SANDERS. Thank you very much. Jim, it is good to see you. I have known Jim Nussle, we came in together 16 years ago. It is good to see you.

Jim, let me tell you the concerns that I have with your nomination. It is not that you are not smart. The partisanship does not bother me. I think if you stand up and fight for it, you believe. And where I come from that is not something to be held against people.

This is my concern, Jim. I think the American people believe that President Bush is increasingly out of touch with reality in many areas. It is not just Iraq. It really has to do with the economy.

Today we have heard from Senator Gregg and others that the economy is really robust, is the word they use here in Washington.

Let me ask you this: since Bush has been president over 5 million people have slipped into poverty, nearly least 7 million Americans have lost their health insurance, median household income has gone down by nearly $1,300, 3 million manufacturing jobs have been lost, 3 million American workers have lost their pensions, home foreclosures are now the highest on record, the personal savings rate is below zero which has not happened since the Great Depression, the real earnings of college graduates have gone down by about 5 percent in the last few years, entry-level wages for male and female high school graduates have fallen by over 3 percent, wages and salaries are now at their lowest share of GDP since 1929.

Now I will concede that President Bush has done a wonderful job for the wealthiest people in this country and for the CEOs of large corporations. If you receive this position, a very important position as head of OMB, are you prepared to go into the office and say Mr. President, you have got to represent more than the wealthiest 1 percent, that the middle class is shrieking and poverty is increas-

ing, and Mr. President we need policies to address the concerns of ordinary Americans?

Mr. NUSSLE. Senator, as I said to the Chairman, I am not satisfied, even though there are statistics to show that there is growth. You pointed out a number that show that we are lacking, and that there are people that are still not able to succeed in our country. There are many reasons for that. I am not sure it can be pointed at either one person or one policy. But I would concur with you that our work is not done yet.

I, as you indicated, some call it partisanship, I call it being passionate, when you believe in something. I have not shrunk from that, in talking either with my colleagues. But I would not shrink from that in speaking with the president, either.

Senator SANDERS. Jim, the President has insisted that at the time when we have the highest rate of childhood poverty, an issue that we do not talk enough about. But as you may know, over 18 percent of the children in this country live in poverty. The highest rate by far of any country on earth.

The President believes that we should completely repeal the inheritance tax in a way that applies only to the wealthiest 0.2 percent.

If we repealed the inheritance tax the Walton family, which owns Wal-Mart, one of the wealthiest families in America, would receive over $32 billion in tax breaks.

Do you think it is appropriate to give $32 billion in tax breaks to the wealthiest, to one of the wealthiest families in this country at the same time when we have 9 million children living without health insurance in this country and the highest rate of childhood poverty? Is that a good sense of priorities, in your judgment?

Mr. NUSSLE. First of all, Senator, any witness, any nominee on the part of an administration will most likely represent that administration. I concede that. That would be true under the Clinton Administration, the Bush Administration. No matter who the administration is, the people that they nominate need to work with them. We serve at the pleasure——

Senator SANDERS. Do you know my question?

Mr. NUSSLE. I know your question and I respect it because I know you and I——

Senator SANDERS. $32 billion in tax breaks for one family and the President cuts back on programs for our children. Does that make sense to you?

Mr. NUSSLE. I also know, Senator, that if you increase the taxes on that one family you would not solve the problem either. There is a lot of work to be done within our tax code. We just had a conversation about how our tax code is not performing, it is not doing the job it needs to.

Senator SANDERS. Do you think we should repeal the inheritance tax so that one family gains $32 billion?

Mr. NUSSLE. Well, not for that purpose. No, sir, Senator. But I did vote on that issue in the House. So I have already voted on that, and my vote was yes, I will report to you as I know you know.

Senator SANDERS. I know I know. You know I know.

Jim, this country has by far the most unequal distribution of income and wealth. Senator Gregg was talking about how the

wealthy are paying all of the taxes. He forgot to tell us that the top 300,000 Americans now earn nearly as much income as the bottom 150 million Americans. 300,000, 150 million, the gap between the rich and the poor is growing wider. These hedge fund guys are making more money than anyone could possibly imagine.

Does that growing gap between the rich and the poor in America, which is now by far the highest in the industrialized world, concern you?

Mr. NUSSLE. Yes, sir, it does. But I would say to my friend that my view is that we should do everything we can to help the people who are not succeeding, who are poor, succeed. And I do not think that has to be done to the detriment of people who have been successful.

Senator SANDERS. I would just say that that is the line that we have heard. But in reality what has happened in the last 6 years is that spread has become much wider. We have given tax breaks to billionaires and cut back programs for the middle class and working families.

I think, Mr. Chairman, my time has expired.

Chairman CONRAD. I thank the Senator.

Senator GRASSLEY.

Senator GRASSLEY. The Senator from Vermont is a friend of mine and works with me, and I am not going to take issue with him. I do not know the family he is talking about.

But the other side of the coin is you can do like the Buffets or the Gates do and give $34 billion and $60 billion to foundations and not pay taxes on it, either. So we think we are going to get that money into the Federal Treasury, it is not as certain as not repealing the estate tax is.

I would ask the Chairman before I start my questioning, I hope that there is a good feeling about, that I sense at this hearing, that we will able to move this nomination along. I am not going to ask you to comment on that. But that is my feeling. And I would think that, based upon this hearing, that we would be able to move it along.

I want to get back to some of the issues that has been brought up about taxes because I am on that committee that has responsibility over tax policy.

Some on the other side have been highly critical of the Bipartisan Tax Relief Plans of 2001, 2003, and 2006. One of their criticisms is that the Federal budget picture would be much brighter if the Bipartisan Tax Relief Plan had not been enacted. That seems to be the way that these critics framed the questions to the Congressional Budget Office in a recent letter that we have heard so much about in the press. Estimates such as those cited by the CBO letter are produced to guide decisions that we in Congress need to make. Estimates often vary quite a bit from actual Federal fiscal results.

Fortunately, over the last several years, the actual performance of the receipts side of the budget has been much brighter than estimates when we passed those tax relief measures.

The charge of the critics is that the bipartisan majority screwed up. We should not have done—we should have done something different. That criticism is framed solely from the view of the revenue

loss of the policies. Let me be clear, there is revenue loss over a 10-year period when you provide tax relief to virtually every American taxpayer.

I have got a chart here that shows the revenue loss of these policies on an ongoing forward basis. It is a big number, $1.9 trillion over a 10-year period of time.

A fair question to ask of both supporters and critics is to look at the tax relief category by category and then ask whether it would be a wise decision, whether the policy was a wise decision. And depending upon where the person comes down, should we extend the particular tax policy beyond 2011?

So we have heard today that you were one of the architects of this policy. So I would like to go through this category by category.

Marginal tax rates, $553 billion over 10 years. Was it a mistake? Should we let it expire in 2011?

Mr. NUSSLE. Senator, as a Member of Congress, as a former Member of Congress, and judging my record, my answer would be no, I do not believe that was a mistake.

Senator GRASSLEY. The 10 percent bracket, $299 billion over 10 years. That was to help low-income people. Should we let that in expire in 2011?

Mr. NUSSLE. Senator, as someone who wants to be the Director and as a nominee, I have to be careful. I cannot speak yet on behalf of the Administration. But I can tell you my personal opinion and what I would be an advocate for and that is I believe that should be extended.

Senator GRASSLEY. The President has advocated that we make these permanent so you are not going against what the President said.

Mr. NUSSLE. I know but I am trying to be a little careful.

Senator GRASSLEY. The child tax credit, $216 billion over 10 years. That is helping lower middle income and low income people. Should we let that expire in 2011?

Mr. NUSSLE. Again, I do not believe so.

Senator GRASSLEY. The capital gains and dividends lower tax rates, $216 billion over 10 years. Was it a mistake? Should we let that expire in 2011?

Mr. NUSSLE. Again, I do not believe so.

Senator GRASSLEY. And the marriage penalty, I mean how can you justify a penalty if you are married? And we did away with that. It had been on the books for a long time. That is $52 billion over 10 years. Was that a mistake? Should we let that expire?

Mr. NUSSLE. I do not believe it was a mistakes, sir.

Senator GRASSLEY. Small business expensing, something to encourage investment, to make small business efficient and effective to compete, and to create the 80 percent of the jobs that it created in America. That cost $19 billion over 10 years. Should we let that expire?

Mr. NUSSLE. Again, I do not believe so.

Senator GRASSLEY. Education tax relief, $12 billion over 10 years. Was it a mistake? Should we let it expire?

Mr.. Nussle. I do not believe so.

Senator GRASSLEY. I think that when you get down to this piece by piece it is pretty difficult to make a case that the tax cuts of

2001, 2003 were mistakes, particularly when Chairman Greenspan says it is the reason why we created 8.2 2 million new jobs.

I yield the floor.

Chairman CONRAD. Senator Stabenow.

Senator STABENOW. Thank you, Mr. Chairman.

And first, welcome Congressman Nussle. it was a pleasure to serve you in the House and it is a pleasure to have you today.

Mr. Chairman, I first want to start, as our distinguished ranking member was speaking about appropriations, I actually looked around to see if we were on the Daily Show or if there his tongue was planted firmly in his cheek when he was talking about appropriations and the concern about where we are in appropriations. Because just for the record, it has been our—the Republican leadership that has filibustered every single move we have tried to make in order to be able to get to appropriations.

So just for the record, and I know that the Chairman and I know that the distinguished members of appropriations and our leadership is working very hard not to be in any situation that would involve a continuing resolution. And we are certainly committed to that and we certainly are committed to doing everything we can not to have a train wreck that was talked about earlier.

I do think it is important, though, and you have a tough job, Congressman, coming into this position. Because we are in a situation where in the first 6 years, the last 6 years I should say, the President did not veto any appropriations bills. There were not veto threats in the last 6 years. We know it was a different Congress, it was a Republican Congress and now it is a Democratic Congress.

But we have on the one hand to no vetoes to the President saying he is going to veto all nine appropriation bills coming out of the House. So you have a very tough job ahead of you to try to figure out how we go from no vetoes to vetoing everything and averting that train wreck.

Because I would agree with you that continuing resolution is not a success for anybody.

I am also very concerned that we are working on things in a bipartisan basis here, a number of things. Senator Cardin talked about the children's health care program. This is a bipartisan effort. It came out of the Finance Committee, of which I am a member, 17 to four. The leaders, certainly Senator Grassley certainly being a key leader in that effort. And yet, the President says he is going to veto that.

We have a homeland security bill in front of us now. The only difference is the President says it should have a 6 percent increase. We say 8 percent increase, certainly given the reports that we have recently received and concerns about safety and homeland security and the threats to families and communities in the country. But it is only a 2 percent difference. And now we hear the President talking about veto.

I am also very concerned that we passed last week, with 78 votes in the Senate, we passed a very important student aid bill. It is a very significant bill for young people and older people wanting to go college, to get the skills that they need to be able to compete in the global economy.

You know as well as I know, this was a very important effort that has been going on in the House and Senate to create more opportunity, and particularly for middle-class families that feel squeezed on all sides right now, trying to be able to help them, help students not come out of college with this huge debt. And all of us who have had college students appreciate and understand what that is about. $19 billion for families and students fully paid for. The President says he cannot support the bill, 78 votes in the U.S. Senate.

So I guess my question to you is do you think it is wise for the President? What is your perspective on the President indicating he is going to veto a bill that had 78 votes in the U.S. Senate or veto a bill on children's health care before he even saw the legislative language, he said it was going to veto it, something that came out overwhelmingly out of committee.

We want to work together. We do not want a train wreck. We want to move forward and have things happen that are really important for the families of this country.

How do you come into this? You are, unfortunately, walking into a situation that is pretty tough.

Mr. NUSSLE. I realize my timing is—or maybe Rob's timing was not——

Senator STABENOW. Maybe it was on purpose.

Mr. NUSSLE [continuing]. Was not perfect. No, I do not believe that at all. He is a friend.

Let me go to your question. First of all, I was not privileged to be part of those conversations so I am not sure I can report to you on the conversation and exactly how that was developed. I can make some guesses but I do not think that is probably appropriate as an answer.

If I may observe, and I think you rightfully asked the question why weren't there vetoes in the past and why all of a sudden is this coming?

Let me just step back into my own shoes of having been the Chairman of the Budget Committee. I actually thought there were some times it would have been good to have a couple of vetoes, I would say to start with.

No. 2, in all of those years, again and I am not going to suggest this is perfect but I think it is a fact nonetheless, there was a top line agreement between the administration and those Republican Congresses on the top line number. That was a lot of disagreement within. But as I recall, and I may be mistaken, I am sure there was negotiation as I recall, as well. But there was at least a final top line agreement on what that top line appropriation number would be.

As part of that, I believe that the administration gave some leeway within the appropriation bills for puts and takes, recognizing that Congress has to work its will. I believe that is there, as well, even in this regard.

But I believe that is the biggest reason why all of a sudden there was a difference. That is just my belief watching this, having been a private citizen for 6 months and reading the papers. And so I have not spoken and have not been part of those meetings but that is what I observe as possibly the reason that triggered this.

But as I say to start with, there were many of us that thought it would have been good to have a couple of vetoes during that time, if for no other reason just to wake a few of us up.

Senator STABENOW. Thank you, Mr. Chairman.

Chairman CONRAD. Thank you, Senator.

Senator DOMENICI.

Senator DOMENICI. Thank you very much, Mr. Chairman.

I learned a lesson today. If I want to ask questions, I had better get here early. I will run over here as fast as I can and get my seat but I will be in my tennis shoes when I do that. Then I will leave and go do a little work and come back. I will still have my seat; right? OK.

Chairman CONRAD. Early bird rule.

Senator DOMENICI. I will try to use only a couple of minutes.

I told him when I was chairman, I used to have some pity for older chairmen and I would let them go ahead. He looked at me and said well, he did, this chairman looked at me and said well, that was not very good because you were the only chairman they ever had.

[Laughter.]

Senator DOMENICI. I think that might have been true. I said no, I was talking about the Democrats.

Mr. NUSSLE. Pity is a new face for you. I have never noticed that with you, Senator.

Senator DOMENICI. I do not ever want to wear that.

But I have a question that is a tough one for you and it is going to require some solution, I am afraid, some serious declarations on your part, on the part of the Administration, before you can get confirmed.

This has to do with an issue called loan guarantees., if you have not heard of it yet, as it applies to the Department of Energy and the bill that we passed in 2005 the Energy Policy Act, a big energy bill. It contained within it a provision, an entire chapter, that had nothing to do with anything other than making sure that loans were going to be made available to the public from the Department of Energy for clean energy development.

It is very clear that it is a self financing program. It is very clear that they have to pay the risk factor up front, that is determined and it says that in the statute. And it is clear that if that was set in law properly, in regs properly by OMB, that would be all anybody would have to pay because that is what the risk factor is, a given amount, maybe 10 percent, as high as 10 percent.

But OMB has been dragging their feet and I do not know which cabinet members have been involved. I surmise as of now the Secretary of Treasury is himself involved.

But I can tell you, Mr. Nussle, that this is one of the most important provisions of the Energy Act. It should have already been done and it should have had $25 billion to $30 billion in the loan guaranteed fund. It is still not ready and the recommended amount by OMB is $9 billion. That will not fly.

This is a pot of money that is there in case a nuclear power plant wants to borrow to build a nuclear power plant. They may never do that. But if they need, they need $1 billion, not 50 cents.

We have got two or three new coal plants that are needed that are new hybrids. We expect to get them built with loans from the Federal Government. One of them cost $540 million.

I know that somebody in Government and maybe in OMB does not think that this is the way we ought to do things. But you know it is too bad. When you write the law, the president signs the bill, it becomes the law of the land and you read and reread it and reread it and it cannot come out any other way.

Now you got some very smart people over there, I do not feel like calling you Jim. I never did know you that well before I worked with you, so I will call you secretary or whatever it is, Mr. OMB Director Nussle.

I can guarantee you that they are not going to read this one the way they have been reading it because they have been reading it wrong and causing nothing but trouble.

It seems to me all the work that has been done, you have got about 48 hours, to sit down and get this fixed. I can give you a piece of paper that outlines all of the problems. I cannot fit them on less than two. I can give you those and do not expect anything from you since you might not even want to agree with what I have said.

I would rather that you just acknowledge that Domenici, who was chairman when this was all passed, gave me those pieces of paper and I am looking at them.

Is that a fair answer on your part?

Mr. NUSSLE. Senator, I believe that is very fair. I met with you on this topic. I know you are very serious about this. And if I am confirmed, I will work with you on this. In the meantime, I will make sure your message is delivered to current Director Portman.

Senator DOMENICI. Well, that may be OK, but you understand that sometimes we expect the people who are not yet current to write something down too, as to how they feel.

Mr. Chairman, I am thinking that I feel that way about this nomination versus this very, very major, major error that has been made that makes plenty of people sick. We should have had $10 billion or $12 billion invested out there. You know it. You would be on my side in a minute. You helped us write it.

Chairman CONRAD. Yes, sir. I am on your side.

Senator DOMENICI. You helped us write it. You said that is the only way to do it, put in the bill how it should be constructed. Do not leave OMB constructing it because we know what will happen, it will not get done. So that is where we are.

Other than that, I think you are wonderful.

Mr. NUSSLE. Thank you very much.

Senator DOMENICI. And your wife also. I remember you were just getting married when you left the chairmanship or went home to get married and I did not get a chance to meet her. But that is her there, right?

Mr. NUSSLE. Yes, it is. Thank you.

Chairman CONRAD. Thank you, Senator Domenici.

Let me just conclude where I began. We have only got just a couple of minutes left on this vote.

This is really, I think, the toughest question. Here is, I think, the toughest question. This is what is happened to the debt during this

Administration. You were, as House Budget Committee Chairman, one of the architects of the policy that has led to this explosion of debt.

Why, as a policy matter, separate from our feelings about you as an individual—and let me just say publicly, I always felt I got along well with you, Jim Nussle. I like you. And I always thought we had a very constructive working relationship. My staff feels good about your staff.

But this is apart from personal feelings. This is a question of policy.

I think this is a—I think this has been a very serious—well frankly, I think it is a disaster for the country, this run up of debt before the baby boomers retire. This has been the record of this Administration. You were one of the architects of this policy.

Why should we confirm you if the intention is to follow this policy? To continue this policy?

Mr. NUSSLE. Senator, it is a very fair question. I will report to you, as I think you know, there was no intent is a direct policy matter to run up debt. It was a reaction to challenges that faced us in 2001 that you and I worked on in a bipartisan way in many of those responses.

Obviously the dot-com bubble bursting, the corporate scandals, the recession, the 9/11 attacks, what that did to the marketplace, the response, the emergency response to 9/11 which we worked on and did in a bipartisan way and was done cheerfully in a bipartisan way in the best interests of our country.

Certainly part of that was the tax relief to try and jumpstart the economy, which Chairman Greenspan said was the right tax relief at the right time in order to deal with that, as well as the new Department of Homeland Security and the war. Each one of those red dots on that map are those policies.

Chairman CONRAD. Let me ask you this, Senator Grassley put up a list of things that he would like extended. There is no suggestion of paying for any of it, no suggestion of paying for it.

You earlier said, in response to my question, you do not want to dig the hole deeper. But now, in response to the questions from Senator Grassley, he wants to spend $2 trillion here and not pay for it. And you have endorsed that.

That gives me great concern that while I hear you saying you do not want to dig the hole deeper, when you ask the specific policy questions all I hear is the whole is going to get dug deeper. And we are going to go more in debt at the worst possible time, before the baby boomers retire.

One of the things we have done, and I am proud of doing in this budget resolution, is reinstating PAYGO. So we say if we want more tax cut you can have them but you have to pay for them. If you want more mandatory spending you can have it but you have to pay for it.

Do you believe that the PAYGO procedure ought to be followed?

Mr. NUSSLE. First, with regard to digging the whole, Senator, there are two entities that have shovels. The Government has a shovel that is shoveling it out and the American people have a shovel that is shoveling it in. And I am concerned about the ones

that are shoveling it in, as I know you are, too. I am not suggesting you do not.

But I do believe that economic growth is a very—and I have heard you give very eloquent speeches on our need for expanded economic growth. The tax code is one way to accomplish that. It is not the only way but it is one of, I believe, the best ways for us to help with making sure that we are not all doing the shoveling on just this end.

With regard to PAYGO, in the bipartisan agreement that I had with Senator Cardin, you may be interested to know that we, in a bipartisan way, agreed to extend PAYGO. I have had the belief that there are ways that we can work together in order to provide speed bumps to spending as well as speed bumps to all sorts of things in order to prevent that hole from digging deeper.

The President has indicated his position on that and, if nominated—excuse me, if confirmed, obviously I will be someone who works at his pleasure and will help instill those policies.

But I also know there are ways that we can work together to reform the process to provide more fiscal responsibility, and I would look at any reform proposal that comes forward as we consider ways to improve that process.

Chairman CONRAD. Senator Wyden.

Senator WYDEN. Thank you, Mr. Chairman, and I will just sprint on this.

Mr. Nussle, as you know, the Bush Administration is trying to change on a dime 100 years worth of history in the rural west where the Federal Government owns most of the land. We have got communities in Oregon that literally are talking about going out of business, shutting down.

Will you commit today to taking a fresh look and working with us Westerners on a bipartisan basis so we can get a responsible multiyear program? So we get enough time so they can transition to a different fiscal approach?

Mr. NUSSLE. Senator, after our meeting when you brought this issue to my attention, I went back and asked the questions about it. I have learned a little bit more about it.

Yes, if confirmed, I would be happy to look into this with you and take a fresh open-minded approach.

Senator WYDEN. Thank you.

Thank you for the extra time, Mr. Chairman.

Chairman CONRAD. Yes, sir.

I would just indicate for members of the Committee and other members, we will hold the hearing record open until noon tomorrow. That is a hard deadline. I do not intend to extend it. so the hearing record will be open until noon tomorrow.

Thank you, Congressman Nussle, for your appearance here today. Thank you for your willingness to continue in public service.

We will close the hearing.

[Whereupon, at 11:58 a.m., the Committee was adjourned.]

PREPARED STATEMENT

Opening Statement of Senator Allard
at the Senate Budget Committee Hearing on the Confirmation of Jim Nussle
to be Director of the Office of Management and Budget
July 26, 2007

Congratulations on your nomination to head the Office of Management and Budget (OMB). I am pleased that the President chose someone with your depth of knowledge and expertise of the federal budget process to replace the very able Rob Portman. You are a highly qualified nominee who is deserving of timely Senate confirmation.

I have first-hand knowledge of your qualifications from my service under your leadership on the House Budget Committee. As Chairman of the House Budget Committee, Mr. Nussle worked effectively with fellow House members, Senators, and the President in crafting the federal budget—much like he will be required to do if confirmed as Director of OMB. Moreover, your record demonstrates a firm commitment to fiscal responsibility and economic growth.

This economy is strong. More than eight million jobs have been created since August of 2003, unemployment is at historical lows, and paychecks are rising. One of the reasons we are enjoying a strong economy today is because the Republican Congress and the President created conditions for individuals and small businesses to thrive. These pro-growth economic policies include reducing income tax rates, reducing capital gains and dividend tax rates, reducing the estate and gift tax, and increasing incentives for small business investment. These policies, combined with the hard work and ingenuity of American workers and entrepreneurs, have resulted in several consecutive years of robust economic growth.

The economic growth stimulated by the tax cuts has not only led to more money in the pockets of the American people, it has led to increased federal revenue and reduced deficits. Since 2003, revenues have rebounded sharply following several years of decline. Last year, revenues were up almost 12 percent to $2.4 trillion, the highest in our Nation's history. As a result, we cut the budget deficit in half several years ahead of schedule and put us on the path toward balancing the budget.

While we are making progress in the right direction on the revenue side, looming on the horizon is the potential for a crisis on the spending side of the budget equation. The level of growth in just three entitlement programs–Social Security, Medicare and Medicaid–is unsustainable, threatening the economic well being of this and future generations. The President and the Congress must work together to ensure the solvency of these entitlement programs. There is no better time than the present.

The Office of Management and Budget, in addition to its well known budgetary function, performs an equally important, albeit lesser known, management function. President Bush, with initiatives like the President's Management Agenda and the Program Assessment Rating Tool (PART), has given OMB and the Congress the management

tools they need as overseers of a large, complex, and sometimes cumbersome bureaucracy.

This is particularly important because Congress excels at creating programs to address perceived problems. Where Congress could use improvement is in its conduct of oversight. Tools like the PART are critical to Congress's ability to hold agencies and programs accountable. President Bush, with the launch of www.expectmore.gov, has put the same powerful tools in the hands of the American people. I ask that you maintain a robust PART program to ensure that the President, the Congress, and the American people have the tools they need to ensure that taxpayer dollars are being spent wisely.

In sum, I look forward to working with you and members of the House and Senate Budget Committees to craft future budgets that reflects many of our Nation's priorities: protecting the homeland and fighting terrorism, keeping the economy strong with low taxes, ensuring the solvency of entitlement programs for future generations, responsibly controlling spending, and making Federal programs more effective.

Thank you for your testimony here today.

United States Senate

COMMITTEE ON THE BUDGET
ROOM SD-624
(202) 224-0642
WASHINGTON, DC 20510

STATEMENT OF BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES

A. BIOGRAPHICAL INFORMATION

1. Name:

Jim Nussle, James Nussle

2. Position to which nominated:

Director of the Office of Management and Budget

3. Date of nomination:

June 25, 2007

4. Address: (redacted).

5. Date and place of birth:

June 27, 1960; Des Moines, Iowa

6. Marital status:

Married; Kim

7. Names and ages of children: (redacted).

8. Education:

Luther College, 1979–1983, BA, May 1983
Drake University, 1983–1985, JD, December 1985

9. Employment Record:

1/2007–6/2007
Navigating Strategies, LLC
Chairman
2265 Meadowbrook Drive SE
Cedar Rapids, IA 52403

1/1991–1/2007
U.S. House of Representatives,
Member of Congress
U.S. Capitol
Washington, DC 20515

6/1986–12/1990
Delaware County,
IA County Attorney
301 East Main Street
Manchester, IA 52057

3/1985–11/1985
Governor Terry Branstad,

Intern
Iowa State Capitol
Des Moines, IA

5/1982–8/1983
Tom Tauke for Congress
Campaign aide
Locust Street
Dubuque, Iowa 52001

1/1982–5/1982
Office of Congressman Tauke
Intern
319 Cannon House Office Building
Washington, DC 20515, n/a

6/1981–9/1981
Marko Dumlija Contractor
Painter
Tinley Park, Illinois
773-206-2002

6/1980–8/1980, 7/1979–9/1979
Viking Metal Cabinets
General Labor
5321 W. 65th Street
Chicago, IL 60638
708-594-1111

10. Government Experience:

5/1985–8/1985
District Court Judge George Bergeson
Clerk
Polk County, IA

11. Business relationships:

Navigating Strategies, L.L.C., Chairman
Rudy Giuliani Presidential Exploratory Committee, Advisor
Roche Pharmaceuticals, Consultant
University of Dubuque Board of Trustees, Member

12. Memberships:

Delaware County Farm Bureau
Delaware County Volunteer Firefighter
University of Dubuque, Board of Directors
International Rett Syndrome Association

13. Political affiliations and activities:

(a) List all office with a political party which you have held or any public office for which you have been a candidate.

Delaware County Prosecutor, US Representative from Iowa, candidate for Governor of Iowa

(b) List all memberships and office held in and services rendered to all political parties or election committees during the last 10 years.

US Representative from Iowa
Candidate for Governor of Iowa
Rudy Giuliani Presidential Exploratory Committee Advisor

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years.

7/1/03, Bush-Cheney '04, $1000 (personal contribution)

14. Honors and awards:

American for Tax Reform Award, National Taxpayers Union Award, Citizens Against Government Waste Award, the Council for Government Reform Award, the

National Tax-Limitation Committee Award, the Concord Coalition Award, and the Farm Bureau Golden Plow Award

15. Published writings:

Understanding The Multiple Budget Deficits
Roll Call (Rep. Jim Nussle)
February 26, 2004

In 2001, the books of the federal budget showed that we were running a surplus. That was historic, and a goal that I was very proud to have played a role in helping achieve. But beneath the government's positive balance sheet, there were many other deficits that we would soon have to address.

The projected surplus wasn't "squandered," and it didn't simply disappear into thin air. We intentionally acted to shore up the areas in which we had serious deficits. The result of these numerous deficits has created a budget deficit.

The Defense Deficit. Beginning in the early 1990s, military spending began a steady decline, eventually reaching its lowest percentage of gross domestic product since before the bombing of Pearl Harbor. Infrastructure began to deteriorate. Many Marine cargo helicopters were older than their crews. Military pay also lagged: In the mid-1990s, the Department of Defense estimated that about 12,000 service members were receiving food stamps. The salaries of servicemen and - women had fallen well behind comparable positions in the private sector.
Over the past three years, basic pay alone has increased 21 percent, and when food and housing allowances are added, the increase has reached almost 29 percent. Overall, DOD's annual budget has increased more than $130 billion to prosecute the global war on terrorism and carry out military transformation.

The Intelligence Deficit. The attacks of Sept. 11, 2001, and the inadequate intelligence regarding Iraq, North Korea and Iran made it abundantly clear that there was a deficit of resources and focus in our intelligence community. Throughout the 1990s, not enough was done to provide the resources and people necessary to keep up intelligence capabilities.

In the past three years, we've made substantial investments in both of these areas.

The Homeland Security Deficit. As the attacks of Sept. 11 proved, our country was not properly prepared to deal with an attack on our own soil. Since that fateful day, this Congress and President Bush have spent extensively to safeguard our nation against future attacks. We've invested $50 billion and created the Department of Homeland Security, reorganized 22 agencies consisting of 180,000 employees and their missions, and invested heavily to protect the homeland against threats such as bioterrorism.

The Growth Deficit. Beginning in 2000, the seemingly robust economy had begun its decline. Corporate scandals and the burst of the Internet bubble rocked the financial markets and investor confidence. Then came the blow of Sept. 11 and its devastating human, emotional and financial toll.

Even before the shock of the terrorist attacks, President Bush and this Congress had acted to buoy the flagging economy. And we continued - and strengthened - those efforts as our nation's

economy fell into recession. Our investment paid off. As a result of our actions, the recession was among the shortest on record.

Today, we've witnessed two consecutive quarters of strong growth, with fourth-quarter growth at 4 percent - and third-quarter growth at 8.2 percent - the highest surge in GDP in 20 years. Almost every major economic indicator is soaring. The unemployment rate, at 5.6 percent, is at its lowest level in two years and lower than the 5.8 percent average of the 1990s. The increase in payroll employment in January was the best job growth in three years. And since September, the five-month gain in employment has totaled 366,000 new payroll jobs.

The Medicare Deficit. Medicare was on a short path to bankruptcy until President Bush and this Congress worked to modernize the program that had been running under the same system since its creation almost 40 years ago. We've also brought the program into the 21st century by adding a prescription drug benefit for seniors.

Like these deficits, we will correct the budget deficit as well. The one proven way to eliminate budget deficits is to have a growing economy and to control spending. I will work with my colleagues to write a budget that will do just that.

How Much Money Is Your Agency Wasting?
Federal Times (REP. JIM NUSSLE)
July 14, 2003

If a family makes $69,000 per year, how much of it can they afford to waste - $1? $1,000? $10,000?

Our government spends more than $69,000 per second - more than the average American family makes in a year. How much of that should we waste each year? Hundreds? Thousands? Billions? If you said the latter, you're right on track with how the government is currently doing.

How did we get to this point? With the economic boom and budget surpluses of the late 1990s, Congress spent generously and government programs grew by leaps and bounds.

Since 1995, overall government spending has increased nearly 41 percent. Among individual budget categories, Overall education spending has grown 82 percent, veterans' mandatory spending has grown 49.3 percent, Medicare mandatory spending has grown 55.9 percent, and Medicaid mandatory spending has grown 77.6 percent.
But while we expanded many important programs, we did not increase our oversight at the same rate.

Waste, fraud and abuse were already long-standing problems. And they got worse as the government got bigger.

The General Accounting Office provides a disturbing list of examples: improper Medicare payments for many drugs and procedures; fraud in student loan programs; high rates of error and illegal activity in the food stamp program; and in 2002, the IRS paid out between $8.5 billion and $9.9 billion in false earned-income tax credits.

The Office of Management and Budget has stated that erroneous payments exceed $35 billion a year. And this is just one part of the wasteful spending that goes on every day.

Americans worked hard for that money - their money - so it could be sent to Washington, supposedly to pay for important programs and services. It is disrespectful for us to knowingly allow that money to be wasted or spent inefficiently. It is a failure to meet our obligations as stewards of public resources.

We in Congress have begun the effort to change the culture of tolerating waste, but we need your help.

Back in April, we passed a budget that requires every authorizing committee to identify means of eliminating waste, fraud and abuse within its jurisdiction by Sept. 2 of this year. The goal we set for each committee was to find one penny in savings for each dollar they spend. We understand that some might find a little less, or a little more, but this is the goal we set as a starting point.

And last month, the House Budget Committee - joined by House Republican leadership and committee chairmen - publicly announced our determination to end wasteful spending.

This effort will span the entire government. We are asking all agency heads, division directors, Cabinet secretaries, federal employees and contractors to take a look at their budgets, their programs and the way they are doing business, and ask: "Are we spending the taxpayers' money in the best and most efficient manner?"

Federal employees and contractors are on the front lines of this effort. Each day, while serving the American people, you see waste and inefficiencies firsthand in the various procedures and programs your agency employs.

In many cases, it may be a simple issue that can be resolved within your office; it may need to be addressed within the department; or, in some cases, it may even require a legislative fix from Congress.

We have created a link on our Web site - www.budget.house.gov - that allows you to anonymously report your observations of government waste. My committee will use the information to bring this waste to the surface, where it can be eliminated.

We might find $10 million, or we might find $10 billion - but every dollar we do find is a dollar that will be better spent.

And as taxpayers, we all have a stake in ensuring that the money we send to Washington is spent responsibly.

Unfinished Business:The Economy; Fiscal Discipline Is Best Way to Boost Economy
Roll Call (Rep. Jim Nussle)
September 23, 2002

Earlier this month, Federal Reserve Chairman Alan Greenspan delivered a clear, uncompromising message in testimony to my committee: In order to promote economic growth and improve our budget outlook, Congress must exercise spending discipline.
It's a simple message, yet many in Congress just don't seem to get it. Calls for more spending continue to grow - as if the answer to every problem is more government.

We have enough government. What we need now is to assure the urgent and necessary spending increases that were needed to address the crises of the past year do not translate into permanent, uncontrollable spending.

That's why it is so important for Congress to heed Chairman Greenspan's warning. But to fully appreciate that, one must understand how the budget works as a part of the economy and how spending affects it.

Excess government spending is a drag on the economy because it requires the government to borrow economic resources that would otherwise be available for efficient uses to fuel economic growth. Reducing excess spending reduces that economic drag. As the deficits from excess spending decline, job-producing capital formation can expand. Productivity tends to improve, and interest rates tend to fall. All of this happens because the government simply gets out of the way.

That's what unfolded in the mid- to late-1990s. We reduced deficits and balanced the budget by constraining spending. And it wasn't until 1995, with the Republican control of Congress, that financial markets and businesses truly believed that spending discipline was real and that a balanced budget could be achieved.

That was when we really started to see the benefits of credible spending discipline. The economy, in effect, started outgrowing the budget, which created virtuous cycles of higher economic growth and better federal budgets. Financial markets and businesses saw a less uncertain and less risky environment - driving risk premiums down and boosting productive private investment spending.

This reversed a pattern that had been entrenched for nearly three decades, during which time government spending had outpaced the economy's growth. The reversal marked a genuine achievement in the spending discipline that Chairman Greenspan supports.

When the 107th Congress took office, the economic and budget outlook were quite different from what they are today. The economic slowdown and recession of 2000-2001, coupled with the unforeseen and uncontrollable events of the past year, have led to dramatic changes in our fiscal situation.

With the benefit of hindsight and new government data, we now realize just how slow the economy was in the second half of 2000 - prior to when President Bush and the 107th Congress took office. Economic growth, as measured by real GDP, plunged from 4.8 percent in the second quarter of 2000 to an anemic rate of less than 1 percent in the second half of 2000.

Bush and the 107th Congress faced an economy already slipping into recession in the first quarter of 2001 when they took office. And then, last year's terrorist attacks shocked the already struggling economy, exacerbating the recession.

That recession, the terrorist attacks and our bipartisan response to them - including strengthening our homeland security, fighting a war and stimulating the economy - created urgent and unforeseen spending and budget costs.

Recognizing that our country's strength depends on our economy, we worked with President Bush, starting last year, to promote and adopt policies that have helped the economy and the workers who depend on it.

In 2001, Congress and Bush took decisive action to get the economy moving again. Last year's tax relief was perfectly timed, giving workers a cushion against the recession and the economic shock of the terrorist attacks. Most experts credit the tax cut with making the recession softer and the recovery more robust.

We also adopted emergency provisions to help with rebuilding and war efforts in addition to passing the stimulus package with investment tax incentives and unemployment benefits. Without last year's tax cuts and this stimulus package, over 1 million more American workers would be out of work today.

Although these policies have helped, ultimately it is the people of this country - not Washington - who have continued to press on and make things work to get the U.S. economy moving again. The one word I keep hearing again and again in reference to the economy's performance is "resilience." Our nation and its economy have been tough, yet flexible enough to adapt.

Even so, we still have an unemployment rate that is too high, and that is not acceptable. We need to do our best to promote jobs and high real wages. Getting the economy growing at a healthy pace again is the best way to promote income growth and increases in federal budget revenues.

The right way to do that is by controlling spending. That will keep our budget deficits as short and shallow as possible, which is vital to supporting the economic recovery and promoting long-term economic health. Controlling spending to reduce deficits is the most direct, effective way for Congress to help the economy.

The first thing you need to ensure spending discipline is a budget. Both the president and the House have a budget that promotes spending discipline and economic recovery, but the Senate still has no budget.

How can you have spending discipline without a budget? You can't. We've seen it time and time again: Because the Senate does not have a spending blueprint, the sky is the limit.

Indeed, the Senate is currently considering appropriations spending for next fiscal year well above the president's request. Bills that, if adopted as proposed, would result in a discretionary spending increase of about $15 billion more than the president's proposal. That would actually raise baseline spending by $225 billion over the next 10 years.

And some of the Senate bills exceed even their own professed spending goals. Whether it is $6 billion in additional farm spending that is not paid for, or a full concurrent receipt for veterans that exceeded their initial plans, the Senate is out of control when it comes to spending. They want to spend more and do so without any discipline - that is the height of irresponsibility.

The House has committed to sticking with the budget, committed to spending discipline, and committed to getting the fiscal house back in order. That's the best way we can support the American workers, entrepreneurs, and investors who are the heart of our economic recovery.

We must prioritize our spending demands
The Hill (Rep. Jim Nussle)
January 30, 2002

There are only three reasons the federal government should ever go into budget deficit: war, recession or some type of national emergency. This Congress is facing all three - a triple threat that will make this one of the most challenging, and pivotal, budget seasons we've seen in quite some time.

The biggest challenge will be addressing both our long-standing priorities and new short-term needs, without sacrificing our fiscal responsibility. The triple hit we face - and the response to it - will force us into deficits. We will get back on track if the economy rebounds, as is already being predicted, and if we in Congress restrain spending. That means prioritizing spending demands responsibly.

Obviously, our top priorities are to fully fund the war on terrorism so we can win and protect America's homeland. The paramount responsibility of government is to protect the security of our nation and its people. If we can't do that, nothing else really matters.

We will continue to support our economy's recovery and the job creation that comes with it. A healthy economic outlook is the key to a healthy fiscal outlook. That's why we must continue to reward the productivity and investment of the working Americans who create prosperity and pay taxes. They are the engine that drives the economy and expands job opportunities. Without that, the government's financial support would stagnate.

We also remain committed to our long-standing priorities of education, healthcare, retirement security and Medicare modernization. These will continue to be high priorities in the budget.

Meeting all of these priorities while responding to the triple hit will make the budget deficits it creates deeper and longer. That is necessary for the time being. We must do whatever it takes to defeat terrorism, protect Americans here at home and foster the economic growth necessary for a full recovery.

But in doing so, we must not lose sight of our long-term fiscal and economic health. Moving from status quo deficits to balanced budgets and

surpluses has been the single most important contribution to our long-term fiscal health. It proved that we can control the budget, and not be controlled by it.

Right now, the biggest threat to that long-term fiscal health is careless spending. There is no doubt that a great need was created on Sept. 11, and there should be no doubt that Congress will provide all necessary resources to meet those needs.

But this does not mean that every spending request is a requirement. Washington's resources are plentiful but they are not infinite. Budgeting is still about making choices by prioritizing - more so this year than any other in recent history.

But the question remains whether Washington will make the tough choices necessary to re-prioritize spending in the aftermath of Sept. 11. If those tough choices are not made, there will be a lot of special interest "hitchhikers" trying to catch a ride with homeland security spending.

We must ensure that the shift in our short-term focus and priorities does not undo the progress we have made over the past seven years, and that our detour into deficit is temporary. We must not return to the days when deficit spending was practiced almost without a second thought.

In the days after Sept. 11, we learned once again that the great strength of this country lies in its people, and is expressed in part by the remarkable economic prosperity they create. The best way we can support this strength and sustain long-term economic growth is to return stability to our fiscal policy as quickly as possible.

Need to streamline referendum process
Telegraph Herald (JIM NUSSLE)
June 18, 2001 Monday

Member of Congress, Washington, D.C.
Recently the Telegraph Herald published an opinion column questioning my actions related to the decision by the United States Department of Agriculture to continue the Pork Checkoff Program with modifications. I wish to clarify my position in this matter.

Over the past two years, I have been contacted by a number of pork producers, on both sides of the checkoff debate, eager to share their views on the situation as it developed. As a United States Congressman, I am at times in the position of representing constituencies with divergent points of view, and the pork checkoff situation is perhaps one of the best examples of this type of circumstance.

My official role in a process such as this one is to remain neutral while forwarding constituent concerns to the appropriate federal personnel; a role I have dutifully fulfilled. Included in this correspondence was a letter I personally presented to Agriculture Secretary Ann Veneman, on March 14, detailing pork producer concerns with the agency's decision to continue the checkoff. Interested constituents may obtain copies of my correspondence with various federal agencies regarding the pork checkoff by contacting any of my offices.

Producer support is an important component of the success of any checkoff program, and the means for gauging that support should be simple and straight-forward. Perhaps most importantly, any referendum should be clearly identified as binding or advisory prior to any voting taking place.

In my opinion, current regulations governing the calling of a binding pork checkoff referendum are cumbersome and ambiguous at best. Common sense would seem to indicate the current process could be streamlined and clarified, and I plan to introduce legislation to do just that. I encourage interested constituents to contact my office with any ideas for reforming the referendum process.

The pork checkoff debate has been a contentious issue for over two years now, and I have done my best to represent my constituents in a fair and balanced manner. I view the USDA's actions over the past two years regarding this situation to be additional evidence for my assertion the agency must be reviewed thoroughly to determine if the Washington bureaucracy is operating in a manner which benefits our nation's farmers.

My position on the Pork Checkoff Program has always been that it's fate should be decided by pork producers, for pork producers. The current referendum process, as well as the USDA's questionable administration in this area the past two years, has undermined this basic premise.

Let's simplify and clarify the referendum process and let pork producers, not judges or Washington officials, decide the future of the pork checkoff.

This budget is realistic
USA TODAY (Jim Nussle)
March 29, 2001

Wednesday, House Republicans passed another balanced budget. When we became the majority in 1995, sky-is-the-limit spending and deficits as far as the eye could see were the status quo. Nobody even considered the possibility of a balanced budget. My, how things have changed.

Republicans not only balanced the budget, but we also locked away every penny of the Social Security and Medicare surpluses, paid down historic levels of debt and gave the American people the first significant tax relief in years.

That fiscal discipline was tested, and at times distorted, by the atmosphere of one-upmanship that existed in the budget process under the last administration. Budgets tended to be written more for their public-relations value than policy merits. Amid the quest to win the public battle, budgets became unrealistic and almost irrelevant.

While there are rules designed to keep the budget process on track, they only work if Congress and the administration are committed to them.

That has a better chance of happening these days. We have a president in the White House who shares our priorities and is committed to serious governing, not public-relations battles.

Republicans in Congress share that commitment. In fact, my No. 1 priority as Budget Committee chairman has been to create a realistic and enforceable budget that will serve as an actual planning document.

Even our fellow Democrats seem to welcome this new chance to debate budgets on the merits.

That shared commitment presents us with an important opportunity to take a more serious, realistic approach to budgeting.

The budget the House passed this week meets that goal and will be adhered to. The budget responsibly holds the overall growth of spending to roughly the rate of inflation, while increasing funding for important priorities such as improving education, preserving Social Security and Medicare, strengthening defense and improving health care.

It also provides the greatest amount of debt reduction in history.

After all that, there is still a tax surplus that we refund to the taxpayers who created it.

We have passed a budget that secures the future of American families. We are committed to sticking to that budget.

Nurse anesthetists put the 'care' in Medicare
The Hill (Rep. Jim Nussle)
September 20, 2000

A big health care rumble is brewing in Washington - a heated debate between the anesthesiologists and Certified Registered Nurse Anesthetists (CRNAs) over the way Medicare reimburses hospitals for anesthesia services.

Both sides want anesthesia services delivered in the safest possible manner. But they disagree over whether states should be free to decide if physician supervision of CRNAs is necessary.

Fortunately, seniors will be fine when Medicare's hospital anesthesia payment rules defer to the states on physician supervision. Medicare will work better, and be more responsive to local communities' needs. And seniors and others, especially in rural America, will have greater assurance of quality care where and when they need it.

Each state and each health facility has its own laws, regulations and standards of health care practice. Local and state officials make better decisions for their neighbors than federal bureaucrats can, and that maxim rings true for most every health field, including anesthesia care. Anesthesia is being practiced chiefly by specially trained CRNAs and also by doctors. Thanks to better training and technical progress, anesthesia is 20 times safer now than 20 years ago, and it's getting safer all the time.

But the Medicare Part A hospital program mandates anesthesia care different from most modern health practice by requiring "physician supervision" of anesthesia delivered by nurse anesthetists - which makes no sense. Anesthesia is not administered without surgery, which of course requires a surgeon.

This mandate is inconsistent with other federal health programs. The Medicare Part B provider program makes no such requirement, and Medicare Part A defers to the states many other types of health care provided by non-physician professionals. Nor does this mandate improve patients' outcomes.

Medicare recognizes this problem. For almost a decade, Medicare has been carefully, prudently, and with public hearings and study, seeking to modernize by proposing to pay for hospital anesthesia that is administered by the laws of each state.

My bill - H.R. 804, the Anesthesia Services Preservation Act - would accomplish this goal, as would S. 818 by Sen. Kent Conrad (D-N.D). Deferring this decision to the states would make Medicare work better for everyone - especially in rural hospitals, where the physician supervision requirement threatens access to anesthesia and health care.

This mandate affects all hospitals, but is of particular concern to hospitals struggling to keep their doors open. If the physician supervision mandate prevents these hospitals from offering surgical care because they cannot provide anesthesia, they will close and Iowa seniors will have to travel even greater distances for health care.

Anesthesiologists oppose the rule that would let states decide how best to settle this question. They maintain anesthesiologists are needed to provide safe anesthesia services. But I have first-hand knowledge that CRNAs can do this safely.

Lost in the debate is the proven track record of nurse anesthetists. Nurse anesthetists put the "care" in Medicare, and the "aid" in Medicaid, by actually administering anesthetics to patients in surgery rather than "supervising."

Furthermore, because CRNA and anesthesiologists' initial anesthesia training is similar, nurse anesthetists handle tough and ordinary cases alike. CRNAs also must meet more rigorous and regular re-certification and continuing education requirements than anesthesiologists.

Nurse anesthetists' excellent outcomes history also stands up to scrutiny. Health providers' outcomes and risks are noted in the marketplace through liability insurance premiums, which have declined by 52 percent for nurse anesthetists over the past 10 years.

Medicare studied this issue for nearly a decade, concluding that physician supervision of nurse anesthetists is something the states can decide for themselves - just as states (not Medicare) regulate prescriptions, orthopedics, brain surgery and most every other aspect of health care.

We have been waiting four years now for the administration to publish the rule deferring to states on physician supervision of anesthesia care. We're not trying to dictate the way anesthesia services should be provided. We want to let each state decide, and remove any roadblocks that some are trying to put in the way of the Health Care Financing Administration implementing its rule.

Congress can help seniors, save rural health care, and end Washington's anesthesia wars all at once - by simply letting the rule take effect.

Rural areas need full health care access
The Hill (Rep. Jim Nussle)
July 19, 2000

Health care, in many parts of this country, is more an issue of access than an issue of choice. Managed care, a prescription drug benefit and a patient's bill of rights don't mean much to people if the doors close on your only hospital or clinic.

In Iowa and rural areas across this country, access to health care is measured in miles, not minutes. Miles on a highway can be the difference between life and death when your nearest emergency health care is 40, 60 or 90 miles away.

And sometimes our access to health care is blocked by the distance between reality and the one-size-fits-all thinking that emanates from Washington bureaucrats.
More than once, a member of my family has needed anesthesia prior to surgery - including one emergency, at Delaware County Memorial Hospital in my hometown, Manchester.

Fortunately, Iowa is one of 29 states that does not require physician supervision when a certified registered nurse anesthetist (CRNA) administers anesthesia. I say that's fortunate, because when my family needed emergency anesthesia services, the nearest anesthesiologist was more than an hour away.

CRNAs are highly skilled health care professionals who complete graduate-level education and, by definition, achieve the highest levels of training and expertise in anesthesia services in order to be certified.

The current Health Care Financing Administration (HCFA) rule requires hospitals to pay for both a physician and a CRNA, or to pay a specialist - which hurts rural health care providers because specialists, like anesthesiologists, gravitate toward larger cities where there is more demand for specialists.

States like Iowa struggle to attract physicians - particularly specialists. In fact, CRNAs are the sole anesthesia provider in 65 percent of the hospitals in rural and medically under-served areas of this country.

When you factor the relatively few anesthesiologists in rural America with physicians' fears that the current HCFA rule increases their liability while supervising CRNAs, the bottom line is another bureaucratic quirk that keeps health care out of reach in far too many areas of this country.

If your hometown hospital doesn't employ an anesthesiologist, and your state isn't exempt from the HCFA rule, that means you better gas up the car and head for the nearest big city hospital.

Every patient, especially those covered by Medicare and Medicaid, should have access to the safest delivery of anesthesia.

Iowa is among 29 states that allow CRNAs to do their job without direct supervision by a physician. This is small comfort given the federal override by the Medicare supervision requirement.

I have fought the HCFA for four years for a rule that would allow every state to decide the appropriate levels and methods of physician-supervision of CRNAs.

And for four years, I have heard the HCFA's version of "the check is in the mail."

Earlier this Congress, I introduced the Access To Anesthesia Services Act - a bill that would require the HCFA to defer to the states on this issue.

The latest word from the HCFA is that the new rule is now scheduled to be finalized in August.

Forgive me if I don't make reservations for a press conference and celebration just yet. This fight will be won only after I see the new rule in black and white - published and official. And, given the fact that some in Congress will try to block its implementation or repeal it once it's published, I will be working hard throughout the balance of this session to see that Congress does not override the HCFA's expected ruling.

The HCFA has now taken more than four years to settle an issue that is obvious to anyone who lives in rural America. We must pursue every possible avenue of health care delivery in rural America. If a certified, registered nurse can administer anesthesia safely, we must not allow federal rules and bureaucracy to stand in the way.

Certainly, we would welcome the news if the HCFA actually does issue a final rule in August. And yes, it would be wonderful if these new regulations reflect the reality of access to health care in rural Iowa.

Congress can help the process by letting the HCFA rule move forward.

But as former Yankee baseball Manager Yogi Berra used to say, "It ain't over 'til it's over."

Federal Budget Process Reform Would Bolster Fiscal Responsibility
Roll Call (Rep. David Minge, Rep. Jim Nussle & Rep. Ben Cardin)
May 20, 1999

Over the last two decades we have experienced repeated breakdowns of the budget process. These damaging episodes have resulted in uncertainty and delay in the passage of appropriations bills; temporary funding extensions; pork-laden "emergency" bills; bloated, two-foot-thick legislation that no one could possibly read; and government shutdowns.

Clearly our budget process has not worked well, regardless of which party controls Congress or the executive branch. We must make a change in the way we operate.

Both sides in these conflicts recognize the potential for destructiveness in the current process. The House Budget Committee appointed a bipartisan panel to investigate possible reforms to existing procedure.

During the last year, our Budget Process Reform Task Force has held hearings with experts in the field and engaged in honest dialogue about the failures we have experienced since 1995. Our bipartisan proposal for reform, H.R. 853, would go a long way to reducing the uncertainty, delay and waste that is fostered by our current budget process.

The most damaging characteristic of the current system is that in its early stages, the budget process does not foster communication between the majority in Congress, members of the minority and the White House. The first blueprints for our nation's budget, the budget resolutions passed by each chamber, are never the product of give-and-take or bipartisanship.

With the exception of 1997, the pattern has been that a partisan budget resolution is passed, the subsequent spending bills then pass both houses of Congress and then we must endure the inevitable September showdown between Congress and the White House.

This brinkmanship results in delays in getting our business done, and in 1995 resulted in a lengthy government shutdown. Tens of thousands of Americans' plans were upended when the passport offices, park facilities and other needed services were cut off because of this breakdown in the process. We don't care who is to blame. We want to ensure it never happens again.

All of us recognize that in our representative democracy, when the branches of government are divided between Democrats and Republicans, no purely partisan budget will pass. If the political parties want to make statements about their budget priorities, that's fine, but let's not hold the American people hostage to partisan rhetoric.

Our bipartisan proposal's biggest change to current procedure is to bring the White House into the picture early in the negotiations. By making the budget resolution a joint resolution, the president would need to sign off on it before the process could continue.

And we are hopeful that future administrations can play a constructive role with their own meaningful budget proposals. No longer would the budget resolution, the year's first budget

blueprint, be a purely political document. We could begin bipartisan negotiations in the spring, early in the process, and not wait until crunch time in September. Starting a reasonable rather than rhetorical process early would go a long way to avoiding brinkmanship.

As a backup in the event of a breakdown in this revised process, and to avoid government shutdown, our proposal includes a "soft landing" provision that would temporarily fund government operations if Congress and the White House fail to approve spending bills. Too often our appropriations bills become waylaid by extraneous issues. This provision would ensure that government services would continue without interruption.

Every year, Congress passes additional funding for "emergency" operations to cover needs that were not anticipated. While much of these emergency appropriations bills have gone to fund legitimate emergencies, Congress cannot resist the temptation to throw in projects that ought to be paid for in regular spending bills.

Members know that when emergency legislation is "must pass," they can secure funding for a pet project by hooking their caboose on the train. We saw in this year's emergency bill to fund Kosovo operations and provide assistance to U.S. farmers that other less time-sensitive projects were included. This is not a wise use of scarce resources, and it must stop.

To avoid these yearly opportunities for pork-barrel spending, our proposal creates an emergency reserve account. Our bill would force Congress to stop misusing the emergency spending designation for non-emergency projects. We would also institute a limit on the size of these emergency spending bills.

Our proposal includes other common-sense provisions to provide truth in budgeting and to force Congress to make tough choices above board. This is our responsibility. Congress takes its power of the purse very seriously, and we respect the prerogatives of the institution.

But we must maintain fiscal discipline even when our federal books look pretty good. Regardless of who controls Congress and the White House, governing is about getting the vital work done. We must put partisanship and parochial interests aside.

Rep. David Minge (D-Minn.), Rep. Jim Nussle (R-Iowa) and Rep. Ben Cardin (D- Md.) are the original co-sponsors of H.R. 853.

Tear net of dependency
USA TODAY (Jim Nussle)
April 19, 1995

In the name of compassion, the federal government has changed the welfare system from a safety net to a tangled web of bureaucracy - a web that is cruel and traps individuals into a cycle of dependency.

Our failed welfare system is a perfect example of how Washington responds to society's problems. Washington attempts to solve problems by creating new federal programs, erecting marble office buildings and hiring teams of bureaucrats who write more regulations.

Unfortunately, in the current welfare system compassion is measured by the amount of money spent, bureaucrats hired and regulations written.

This top-down, Washington-knows-best approach to solving problems has resulted in more than $ 5 trillion being spent on anti-poverty programs in the past 30 years, the creation of more than 300 separate federal welfare-related programs, and a poverty rate today of 15.1%, compared to 14.7% when President Lyndon Johnson launched his "war on poverty" in 1964.

The federal government is now spending an average of $ 3,400 for every taxpaying household to finance welfare programs. Who benefits the most from this spending - the single parent in Waterloo, Iowa, trying to make ends meet or the Washington bureaucrat trying to solve that family's problems from behind his or her word processor?

Change is never easy. And for those people who trust the federal government more than they trust their state and local officials, and believe the federal government makes better decisions than families can make, then the changes proposed by the House Republicans are difficult to understand.

Republicans are suggesting in the bill passed by the House last month that Washington does not have all of the answers to the problems that occur every day in our communities.

While a single parent in Dubuque, Iowa, may face similar challenges as a single parent in New York City, the solutions to their problems will be very different. That is why the current system of Washington dictating a one-size-fits-all answer to the states does not work.

The Republican welfare-reform bill empowers states to give people who need assistance a hand up, instead of a life of dependency. The success of the states will be measured by the number of individuals who are freed from the welfare rolls and brought into the workforce - not by the amount of money spent.

States will be given federal funding to provide nutrition programs, child care, job training and many other services. States also will be granted freedom from the costly mandates and paperwork requirements of the current system.

We are challenging the states to design innovative ways to prevent people from falling into a cycle of dependency.

However, if society is going to be successful at restoring hope to those trapped in the current welfare system and giving them a shot at the American dream, the real challenge falls on you, the American citizen, to come up with innovative ways to help your neighbors and your community. The compassion of a government check can never replace the compassion of a friend or neighbor.

16. Speeches:

1

University of Dubuque Commencement Address
June 12, 2005

President and Mrs. Bullock, Members of the Faculty, Honored Graduates, Parents, Guests - thank you for giving me the honor of speaking to you on this very important day.

Let me first say "Congratulations – you made it!" This is your last official day of college!

It is truly an enormous accomplishment, and one that will enhance the rest of your lives.

So, that's the good news…

But -- and I hate to break it to you -- all the studying, the homework, and grading you had to endure to get to this point aren't over – they never really are.

Thankfully, learning is a lifelong process. Unfortunately, so is getting graded. And I should know… let's just say I'm probably getting graded as I speak.

You see, perhaps like many of you, I too have seen some pretty tough grades from a UD professor. My wife Karen is not only here today listening, but she's also one of your very own. She is a part of your UD family as a *Public Speaking* professor!

So I'm sure on the ride home I'll hear how I did. (She tells me it's all about knowing your audience, so please make sure you clap loud and laugh when appropriate – that might help my grade).

Karen and my kids Sarah and Mark are my inspiration and my passion. They support me through thick and thin.

And it is my great hope that all of you here have as wonderful, loyal, and loving a support system – through your experience here, and throughout your lives – as I'm lucky enough to have. We all know we wouldn't be here without them – our family and friends. So let's take a moment to thank them for all they have done to help us get to this day. (...see I got you to applaud!)

As I look at all of you today, I remember being in your shoes. First thinking, "Great! I finally graduated!" And then, "What on earth am I going to do NOW???" The atmosphere at school was challenging, but generally safe.

I remember the feeling that comfortable was "over" and it was time to work without the proverbial "safety net".

So, having ventured far from my own college graduation day, and having worked without a "safety net", I'd like to think that I have some relevant wisdom – or at least experience – to share at this critical point in your life's journey.

In case you were wondering, I'm not going to try and deliver lofty, theoretical or academic speech about the state of society today. I'm just hoping to give you some actual tools that I've found useful in my own journey that you can use as you set forth tomorrow and begin creating what will be your life's journey.

So I'll ask you all a question to start things off...

Will you know where you're <u>at</u> when you <u>get</u> where you're <u>going</u>?

Seriously, some of you may still not know how you got *here*; let alone where you're going *next*.

I've often heard there are three kinds of people in the world:

People who watch what happens;
People who make things happen and;
People who wonder...what just happened???
YOU are the only one who can determine which kind of person you are. And if you're not the person you want to be, *today, right now,* this is the perfect time – the perfect opportunity – the perfect moment -- to start making the key decisions to get you where you want to go.

You can go along for the ride;
You can watch others take the ride or;
You can decide where your ride will take you!

You get to decide where you're going and what it will look like when you get there.

It's really the difference between living by choice or living by chance. The difference between living with purpose or just letting life happen to you.

My challenge to you is to live with purpose. Live your life's journey by choice, not by chance.

Know where you want to go so you'll have a chance to recognize where you are when you get there.

Your education milestone celebrated today is an investment in the tools not only to reach your goals but to excel.

Keep investing in yourself. Create your "Life Plan" - A plan that's just for you.

It's been said that every journey begins with the first step.

Well, I think most journeys begin with a map. A map may not mean much on a so-called college road trip – but trust me, it's going to help you now.

Of course, you *could* choose to live your life by chance. You *could* wake up every day and just check the boxes of life, just get by and fulfill the minimum requirements to get the grade. Just float along.

You *could* take the first job that comes along -- because you can't believe anyone would actually hire you and pay you to work. Just "check the boxes" at work. See what happens next.

But if you want to live with purpose – if YOU want to be the one who determines your destiny and have impact on your destination, you need a plan.

So, *where* do you start? *How* do you start?

From my own experience, I'll share a few tips that can make a big difference.

First: Strive to live your life with passion.

Second: Plan your work, and work your plan.

Third: Establish -- and Nurture -- partnerships to help achieve your goals.

Let me cover why I believe these are so important...

Live with Passion

First is live with passion. Passion comes when you're doing something you enjoy; something you've developed a talent for and something that lights your personal fire.

I can honestly tell you that I enjoy what I do every day. Sure, there are challenges and routine that can confront you, but, I'm passionate about my work. And I feel very fortunate to be where I am, and do what I get to do.

And, I didn't get here by chance.

Sure, there will always be twists and turns on the road of life, maybe even a detour or a dead end. But exploring your passions will make life's journey a much more enjoyable ride.
And yes, a little lucky break here and there can help, but you really put yourself in that position. It's a truism that you make your own luck.

It's like saying Tiger Woods sunk a "lucky" 40 foot chip shot to win the Masters tournament. Yeah, but think of everything the man did to get to that point... (Some of you golfers saw it) standing greenside, at the 16th of Augusta, in the final pairing, with a pitching wedge in your hand, on Sunday of the Masters...does any of that happen by luck??? How about four times???

And, I can tell you, winning the Masters was on Tiger's "Life To Do List". He decided long ago that one of the things he wanted to accomplish in his life was to win the Masters. And he lives it with passion... If you wonder, just watch him swing a golf club...wow!

Tiger is living his life by choice. Playing in the Masters would only be by chance for me...and not a very good chance. But for Tiger it's by choice...his choice.

Did he have talent – of course. But more than that, he recognized this talent and worked on it every day so that one day he could be the best in the world.
There's a good chance that your passion and your talents are in alignment. Let them be your guide.

Karen gave me a book that the sophomore students read this past semester called, "Let Your Life Speak." And in it the author quotes Frederick Buechner who defined vocation as "the place where your deep gladness meets the world's deep need." I think that pretty much sums it

up. Chances are that what you like to do will be what you do best. So live with passion.

Have a Plan

The second tip I want to talk about is to plan your work and work your plan. I have something I call a "Life Plan"... I recommend you develop one yourself and I'd like to share some steps with you to help you decide your "Life Plan." So this is your first post-college homework assignment.

First: Make a list of 100 things you want to do before you leave this life. I call it the "List of 100".

The "List of 100" includes EVERYTHING you want to do and accomplish.

As you create your list, consider different categories to discover your passions: career, adventure/travel, spiritual, service, material gains, family, experiences, relationships and friendships.

You might include climbing Mount Everest, learning to play the piano, serving people with disabilities, making your first million by age 30, discovering a cure for AIDS, quitting smoking, writing a book, going further in school, or re-establishing a relationship with your Dad.

What passion makes you get out of bed a little faster in the morning? What passion will keep you thinking and dreaming way into the night?

What are you good at? What makes you *really* happy? What have you always wanted to do, or see, or experience? What relationships are the most important to you? What are your special God-given gifts or talents you were given to use on this earth?

What are the 100 things you want to have accomplished during your life? And don't just limit them to material possessions and personal bests – what kind of person do you want to be?

Who do you want there with you when you get to where you're going? What do you plan to give back to God and your community?

The exercise is fun and simple...take out a piece of paper and number it 1-100. Then take just 30 minutes and write them all down. Some people will take the entire time just to get 50 and some will be beyond 100. That's OK. The time limit is there to push you. The point here is that these are the things right below the surface. Things you don't have to think about very long to decide.

As a result, you will have your list of 100 things you're truly passionate about.

Second: Plan Your Actions. You have to think through and plan how you're going to accomplish the items on your List. What are the courses of action you have to take to make each one of them happen?

Some may be very complicated, challenging, difficult and many years in the making.

Some on your list may seem impossible when you first put them on paper. But, if it's your passion and you carefully plan to meet your goals, they may begin to develop focus.
I think of Dr. Mae Jemison, first black woman astronaut who flew on the Space Shuttle in 1992. If someone back in the mid-sixties, when the space program was still new, when Mae's passions were developing and people of color were not allowed to have the same dreams as white Americans, looked at her life list they would have laughed to see her put down "I want to be an astronaut".

They might have said: "You're black, AND you're a woman. Can't you think of something else to stir your passion, because you can't do *that.* It's impossible. No one "like you" has ever done that before."

You know what her advice is today: "Don't be limited by the limited imagination of others."

Had she waited for "chance"...she'd still be waiting. If she just put the goal on paper and didn't develop her plan, it wouldn't have happened. If she hadn't worked and sweated and fought, and cried, and toiled, and planned and adapted and pushed and dared to dream beyond anyone else's imagination, her only flight might have been as a passenger on an airline.

But she made a *choice* to live her passion; *to* make a plan, and work hard every day to follow it. By doing that, she was able to reach her goal and the stars at the same time.

It required work, it required education, it required sweat, it required passion, it had heartache and failure and detours and dead-ends, but she made it because she followed her passion, and she made and followed her plan.

She's proof that you can do that too.

Establish Partnerships

My third tip is to establish partnerships. You know the song which goes "I get by with a little help from my friends...?" (I know, you can tell how old I am when I'm quoting the Beatles)

But, it's true.

We all can use a little help in getting where we're going.

Some of your best partnerships are sitting with you here today; family, friends, professors, classmates.

As the saying goes; it's not always what you know; sometimes it's who you know.

Always treat someone how you'd like to be treated. In other words, look for the abilities and strengths in everyone. Show respect. You never know who might be helpful to you in your efforts to realize your "Life Plan."

Get to know as many people as possible, and more important let them get to know you. It's a fact that the people you associate with today may be the ones to help you 20 years from now.

When I was a college student at Luther I began to develop my passion. I was lucky enough to have a professor who took time to invest in me and introduced me to *my* congressman, Tom Tauke. It was through this meeting that Congressman Tauke encouraged me to apply for an internship in his office and offered a position to me.

When my internship ended, I made a conscious decision not to end my contact with him and worked to stay in touch. Years later he told me he wasn't going to run for re-election to his House seat.

He remembered that I had passion for public service and because we had stayed in close contact since the time I had left his office, gaining more experiences along the way, he encouraged me to run for his seat.

Eight years after I had worked as a college intern for him, I was competing to take the job he was leaving.

That's been eight successful elections and 15 years ago for me...

Do the work to stay in touch. Develop a system which helps you remember the people you meet. With today's means of technology (blackberrys, palm pilots, wireless laptops, etc) that should be pretty easy.

Do you know how impressed a person you met once five years ago will be if you remember to ask, by name, how all of their children are doing?

They'll be blown away. And you can bet they'll remember you from then on.

People love to tell their own stories and how they were successful in reaching their goals, so ask them. Learn from them.

Find a mentor who can take you under their wing, give advice, open doors, kick your butt when you need it, and be there to encourage you when you only see a dead end.

Remember to thank the partners you develop and be ready to help them and others in return, which brings me to the last exercise.

Finally: PASS IT ON!

This is the challenge to all of you here today.

As we are taught, the greatest commandment is "Love the Lord your God with all your heart and all your soul and all your might and love your neighbor as you love yourself."

Just as you have formed partnerships for the help you will need to realize your own dreams, you must pass on that help to others.

God gave you freedom to live and follow your dreams. It is a true and very precious blessing. It is the thirst for that liberty that founded our country and causes us to defend it for the generations to come.

Not everyone is as able to reach the dreams that await you.

That's where service comes in.

It is true that for those whom much is given, much is expected. You need to pass on your wisdom, experience, help, passion, and tools. Someone

will help you reach your dreams and some day it will be your turn to pass it on.

Some day, you'll be a mentor for someone. *You'll* be the one to help them reach *their* goals. The one to help them find their passion and to tell them to make their "List of 100." You have to believe what you pass on.

Now, after everything I just said, you may be sitting there saying, "Yeah right, I don't have the kind of talents this guy is talking about, and I don't know what my passion is. How am I going to do all of this?"

I want to relate one last story to you – it's actually a sermon I heard not long ago, by Father Henry Huber at St. Mary's Catholic Church in Manchester where I live. It really spoke to me about how we are to live our lives.
Your life here at UD has been unique – this is a special place. You've gotten a fantastic education - one that has not only given you skills and knowledge, but also an appreciation for learning, for service and for spiritual devotion.

If you think what I'm asking you to do is impossible, overwhelming, just too big for you, imagine how the disciples felt following Jesus. After he had finished preaching to over five thousand people and he told the disciples to feed them, the disciples said "Hey, are you crazy? We only have 5 fish and 2 loaves of bread! This is impossible." And Jesus said, "tell the people to give me what you have and I'll take care of the rest."

And you know what? There was abundance; there were leftovers.

This is an important life lesson for you as you journey forward from this point. You were placed on earth not by accident and not by your own doing. God put you here. And He put you here for a reason. He gave you unique talents and gifts. In exchange, He expects you to discover how to best use them, give them abundantly to others and pass it on.

12

Give God the best you have – he'll take care of the rest.

He doesn't want you to get up every morning and wander through life accidentally. You are not a leaf on a river, traveling without a destiny, bumping into a rock here or there to determine your course. You're in a boat, and you have oars. Use them to guide you.

Ralph Waldo Emerson said it so very well, "Do not go where the path may lead you, go instead where there is not a path and leave a trail."

Live with Passion. Have a Plan. Build partnerships. And Pass it on!

And when you get to where you're going, you will definitely know you are there!

Live with Purpose... and Pass It On!

Prepared Opening Statement for
Chairman Jim Nussle
House Budget Committee Hearing
The President's Budget for Fiscal Year 2007
February 8, 2006

Good morning, and welcome, everyone.

Notes: 1) Thank Members for attendance, since no votes until 6:30.
2) Hearing will end at 2:30 because at 3:25, the President will sign into law the DRA.

On Monday, we received the President's budget request for fiscal year 2007, which marks the traditional start of Congress' budget planning for the coming year.

We have with us today the Director of the Administration's Office of Management and Budget, Josh Bolten, to walk us through the President's proposal. As always, the President's request is based upon OMB's budget and economic forecast, so I think one of the goals of this hearing today is to get a solid understanding of that foundation.

But before we hear from Mr. Bolten, I would like to take a few minutes to review what Congress' budget experts – the Congressional Budget Office – had to say about the budget and economic outlook, in their report released a few weeks back, since that has more often than not been the basis Congress has used for developing our budget.

Revenues

So let's start with the good news – and that's revenues.

Over the past few years, we've lowered the tax burden for all Americans, because it is our *fundamental* belief that the people back home make better decisions about their daily lives – and the investment in their businesses and their families and their communities – than the federal government can make for them.

And as a result of giving Americans more control over their money, we've seen more investment, more jobs and greater opportunities in this country. The economy as a whole has grown at a strong average of 3.8% since the tax relief we passed in 2003. Over 4.7 million *new* jobs have been created in the past 2 ½ years, and the unemployment rate has fallen to 4.7% – the lowest level in years.

As our economy grows, more jobs are created and personal incomes increase. As a *direct* result of that growth, revenue coming into Washington rises. In fact, we saw that revenues coming *into* the federal government have *increased* – by almost 15% – last year alone.

Let me say that again. We lowered the tax burden – told people to keep more of *their* own money to spend as *they* saw fit – and federal revenues actually went UP.

[Chart – Revenue Projection]

And, according to our own Congressional Budget Office – assuming we don't increase taxes – that trend is set to continue.

So, that's the good news.

Spending

But of course, that's only one *half* of the picture. The problem – and *our challenge* – lies on the spending side of things.

Over the past few years, we've seen a *major – but necessary* – shift in our nation's spending priorities. We were already faced with the ongoing demands in critical domestic areas – such as education, transportation, and the environment.

And now, we're now facing the continuing threats of international terrorism, the nearing retirement of the baby-boomers, and the growing pressures of inadequate domestic energy supply and skyrocketing medical costs.

All of these needs place greater demands on an already stretched federal budget. And it doesn't get any easier from here. Getting control of the budget requires that we understand – *and manage* – this ongoing shift in the balance of our priorities.

Last year, we set a bold PLAN to keep our economy growing strong and creating jobs, control spending – across-the-board – and continue our progress in reducing the deficit.

We followed that PLAN, and – even in the face of an ongoing war and debilitating natural disasters – we made some real progress.

We kept our economy pumping along at a robust pace, and – as I've noted – have seen the creation of millions of new jobs, unemployment rates at historical lows, and *increases* in revenues coming into the federal coffers.

We held our non-security discretionary spending to a near *freeze* – tighter than last year's 1.3% growth, and a marked improvement from the previous 5-year average growth of about 6.3%.

And just last week, we completed work on The Deficit Reduction Act of 2005, which the President will sign into law later today. This legislation begins the process of reforming the federal government's largest – *and least sustainable* – programs for the first time since the Balanced Budget Act, and in the process saves taxpayers almost $40 billion over the next five years.

As a result of all this, we've also accomplished dramatic deficit reduction the past few years.

[Chart – Deficit Projection]

But as OMB tells us today – after $200 billion in consecutive deficit reductions – we now have a short-term *increase* of $105 billion in our deficit picture. This increase is due to the $85 billion in emergency spending we provided to help folks on the Gulf Coast following Katrina, and the additional $70 billion that the President proposes to fully fund our soldiers in Iraq and Afghanistan and provide for addition hurricane relief.

And we know that – had our economy not been so resilient – the bump in the deficit would have been much worse.

That setback served as a pretty solid reminder that controlling the budget isn't a one-stroke fix. It's a long-term, step-by-step commitment – and one that takes resolve, *particularly* when extraordinary circumstances make it difficult.

FY07 Budget

So, that takes us to today, and the opportunities – *and challenges* – of crafting this year's budget.

Our priorities are clear: We must support our economy's continued strong growth and job creation; ensure our freedom and security here at home and abroad; continue our efforts to reform and strengthen our most critical programs – and do all of this while continuing to reduce deficits.

Our challenge is also clear: We must determine the best course – *and craft the right PLAN* – to proceed from here. And that process starts today.

The President this week presented *his* plan in his budget request to Congress, and today, we have the pleasure of having with us his Office of Management and Budget Director, Josh Bolten, to walk us through that plan.

Director Bolten, welcome back, and we look forward to hearing your testimony.

With that, I'll turn it over to Mr. Spratt for any opening statement he wishes to make, and then we'll receive the testimony of Director Bolten.

Mr. Spratt?

Prepared Opening Statement for Chairman Nussle
Domestic Entitlements: Meeting our Needs
February 17, 2005

Good morning, and welcome to this Budget Committee hearing to discuss the longstanding, and worsening, problem of overall entitlement spending in the federal budget.

Today, we'll hear from: Gail Wilensky, a senior fellow at Project Hope; Ron Haskins of The Brookings Institution; Kent Smetters, Associate Professor at the Wharton School of the University of Pennsylvania; and Judy Feder, who is the Dean of Policy Studies at Georgetown University.

Welcome to all of you, and we look forward to receiving your testimony.

You know, I have to remind myself when I go back home to Iowa – or really anywhere outside the beltway - that not all folks realize there are *two* types of spending in the federal budget. First, there's *discretionary* spending, and that's the kind of spending we review each year, hold hearings on, debate – often at *great* length – and only *then* decide how many taxpayer dollars will go to any particular program. But this type of spending makes up only about 39% of our total spending.

So we have another kind of spending, and that's entitlement – or probably the better word here – *mandatory* spending. In a nutshell, to keep *this* kind of spending going and growing every year, it's a relatively simple process. Our budget office tells us how much bigger mandatory spending is expected to get in the next year, we say ok, and stick that number in the budget. And while that's a little simplified for the point of explanation, that's truly pretty much it.

I've referred to this many times as the federal government's "auto-pilot" spending. It's spending that simply continues to grow – year after year – largely without any review, modifications, or even oversight from Congress. Many of the programs that make up our mandatory spending were created decades ago and still operate – without basic reforms or modernization – on the very model and technology that existed at that time.

That is the kind of spending we're here to talk about today – and specifically, why that kind of spending has become an ever-growing problem and burden on the federal budget.

Let's take a quick look at *why* the sustained, unchecked growth of these programs has become such a problem.

[CHART: Pie Chart on Mandatory]

The share of the budget consumed by entitlements has been growing rapidly since the mid-1970s, and now stands at about 54 percent. So today, this makes up *over half of all government spending*.

And as you can see from the chart, continuing at the rate we're going now, by 2015, that portion will grow to 61%, and eventually crowd out more and more of our other priorities, and threaten, really, *any* kind of overall budget control.

Now, let's take a look at, One: why we – and our predecessors – have let this problem continue unchecked ; and Two: why, even now, when this problem is staring us in the face, and putting in peril funding for *every other program* whose spending we actually control, why there are *still* very few who not only are willing to come forward and try to get their hands around this problem – but who are even willing to admit that there *is* a problem.

To answer the first question, by its very nature, mandatory spending is difficult to control. This spending is tied to a variety of factors outside Congress's control – such as demographics, economic conditions, medical prices, and so on. So as we talked about at last week's Social Security hearing, we've got an aging population, with longer life expectancies, increasing benefits, and as we're all well aware, ever-increasing prices for such things as medicine.

And attached to all of this, mandatory programs – particularly the larger ones – tend to have a never-ending labyrinth of paperwork, layers upon layers of government bureaucracy, and – let's face it – huge sums of money at stake.

Second, at the root of these programs are critical needs that must be met – such as Medicare payments, Social Security benefits, and other un-breakable commitments that must be fulfilled, such as providing for the needs of our veterans.

And just about everyone in this country is somehow touched by one or more of these programs – either themselves, their children, their parents, or their grandparents. So these programs are *highly personal.* In many cases, people associate a program in its totality to that one check with *their name on it.* And even talking about a program *as a whole* strikes a highly personal nerve in a whole lot of people for whom we *must* ensure that safety net continues.

These factors makes it especially difficult not only to control entitlement spending – but even to *discuss* getting it back under control without *deserving* people worrying that their benefits will be changed.

So everyone here – certainly myself included – understands that we've got a big problem to deal with, not only in getting our hands around it and looking for solutions, but in doing it in a way that's fair to today's program recipients, and *also* all those who will need these programs to be around in the future.

I commend the President for taking steps in his budget to address this problem by including *savings* in mandatory programs as part of our effort to get the growth rate under control, and help reduce the current deficit. These recommendations serve as a benchmark for Congress as we develop our own budget resolution.

On a final note, I think it's important to remind everyone that this hearing isn't happening in a vacuum. Congress has already acted to get our hands around our discretionary spending, reduce

some of the most obvious examples of wasteful and fraudulent spending, and keep our now-strong economy growing and creating jobs.

But over the long run, the federal burden of mandatory spending will become too great for us to simply grow the economy *enough,* or reduce wasteful or unnecessary spending *enough,* to be able to continue to sustain some of the larger programs.

So not only will our discretionary programs – education, environment, science, and all the others – get squeezed tighter and tighter, our strong economy – which I think we're all extremely pleased to see creating jobs and helping to reduce our deficits – is also at the peril of the growing share of mandatory spending.

And this problem becomes bigger, more serious – and even more difficult to get control of – with each passing year.

I think that there is – and should be – bipartisan acknowledgment that this is a growingly-serious problem which we can hopefully work towards finding bipartisan, common sense solutions.

I'm looking forward to what is certain to be an interesting and informative discussion today, and I'm sure for some time to come.

With that, I'll turn it over to Mr. Spratt... for any opening comments he might have, and then we'll hear from our witnesses.

Prepared Opening Statement
Chairman Jim Nussle
Committee Hearing with Chairman Alan Greenspan
March 2, 2005

Good morning, and welcome to today's Budget Committee hearing.

Today we welcome back with us the Chairman of the Federal Reserve, Alan Greenspan, to discuss the economic outlook and the federal budget.

I'll note to Members that the Chairman will be available until 1:00 today – so I'll ask everyone to keep their questions to the allotted time so we can get everybody in.

Chairman Greenspan, welcome back. Each time you appear before this Committee, the economy continues to look better and better. The steady improvements are not only a testament to the resilience and flexibility of the U.S. economy, but also to the policy successes of the past several years from tax relief, and your guidance of monetary policy.

Last year, you appeared before this Committee on two occasions – in February, and again in September. When you were with us in February, we were just beginning to see stronger real growth, as our economy was rebounding from the recession and other adverse factors we'd faced – including the bursting of the stock market bubble, corporate scandals, the terrorist attacks of 9-11, and the ensuing war on terrorism. Yet at that time – just last year – we were still waiting to see solid evidence of stronger jobs growth.

When you appeared before us six months later – last September – we had seen *continued* strong real growth in the economy – the best in 20 years, in fact – and we were *finally* seeing solid evidence of improvements in labor markets, with falling unemployment and increases in payroll jobs. But many critics were *still* claiming that it was a jobless recovery and that it was the worst economy since the Great Depression.

I think – *or at least I certainly hope* – that we're *all* thankful that those critics were wrong.

Today, the general consensus of both private and public forecasters is that the U.S. economy is now in a *sustained expansion* with solid growth of real GDP and payroll jobs, and with low unemployment and low inflation.

[GDP Growth chart]

Today, real GDP has increased for 13 consecutive quarters and real growth rate in 2004 was 4.4% – the strongest growth in 5 years, and one of the strongest rates of the past 20 years. Private forecasters expect solid growth to continue, *and even the Federal Reserve's* published forecast expects real GDP to grow 3½ to 4% this year, and 3¼ to 3¾% *next* year.

Real business equipment investment has increased at a 15% annual rate over the past year and a

half – the best performance in 7 years. The investment tax relief we passed helped that to happen.

[CHART on homeownership rate]

We see the best performance of housing markets in *decades*, with housing construction its best in 20 years and the homeownership rate at a record high.

[CHART on unemployment rate]

Perhaps most important, *labor markets* are in much better shape. The unemployment rate is down to 5.2% – and is now lower than the decade averages for the 1970s, the 1980s, *and* the 1990s.

[CHART on payroll employment]

Payroll employment has increased by 2.7 million jobs over the past 20 months and forecasters are expecting ongoing, significant gains of about 190,000 jobs *per month*, or 2¼ million more jobs by the end of the year. Significant improvement in jobs and labor markets has occurred, and is expected to *continue,* as new claims for unemployment insurance are at their lowest levels in over 4 years.

[End charts]

So, how did we make it to this point?

As everyone is well aware, this nation has been through an incredibly tough couple of years – including a recession, a difficult rebound after 9-11, and the uncertainties of the Afghan and Iraq wars. In response, Congress and the President acted together and took quick, *deliberate* action to correct not only the economic growth deficits we faced, but also the deficits in our homeland security and military defense.

As a result of the response to those challenges, and the *necessary spending* associated with that response, we've seen the return of budget deficits.

Chairman Greenspan, when you were with us *last* year at this time, the Administration projected a deficit of $512 billion for fiscal year 2004. And you told us that if we wanted to reduce that deficit, *not only* had we better keep the economy growing and creating jobs, we'd also better get a hold of federal spending.

Last year, we worked to ensure the continuation of the critical tax relief we'd passed – which has played a significant role in boosting the economy out of recession, through recovery, and into sustained expansion. We also – for the first time in a *long* time – started to get our hands around our out-of-control *discretionary* spending.

And lo-and-behold, the deficit actually started to go *down*. We ended last year with a deficit of $412 billion – still way too high by most anyone's count – but $109 billion *less* than we'd anticipated at the start of the year. That's a good start.

But I know – and I think we all know – that strong, sustained economic growth and tight funding in our discretionary programs – even level funding for that matter – *even these things combined cannot get us back to balance.* Don't get me wrong – we do need both – but alone, they're just not enough.

This year, President Bush has taken some tough, but necessary *next* steps in his budget for slowing our currently *unsustainable* rate of spending growth. Not only does his proposal hold all non-security spending *below* inflation, it also begins the process of looking for savings in the largest part of the federal budget – the 55% of our spending that simply operates on auto-pilot each year – and that's the mandatory side of the ledger.

I commend the President for these efforts, and it's pretty clear that Congress – maybe not in the *exact* way the President has proposed – but in whatever way we decide – we must begin the process of slowing the rate of growth in the largest, and most rapidly-growing part of our budget if we even want to *think* about reducing the deficit – let alone getting back to balance.

We've asked Chairman Greenspan back with us today, first to review the current economic picture, but also to hear what he believes is our best course for keeping this momentum going – which I'd guess, as it has in the past, will include a discussion of Congress' spending habits – and particularly at this time, on the mandatory side.

And, I anticipate that we'll hear more on your views about the critical issue of Social Security reform.

I'm very much looking forward to receiving your testimony, and I appreciate your being with us today.

With that, I'll turn it over to Mr. Spratt for any comments he may have.

Mr. Spratt?

Prepared Opening Statement for Chairman Nussle
Budgeting for The Congress
June 22, 2005

Good morning, and welcome, everyone, to today's hearing on the congressional budget process.

I'm pleased to have with us several experts to participate in our discussion today, including:

First, former Congressman – and former Ranking Member of this Committee, back when the Republicans were in the *minority* – Bill Frenzel, who was well known in his time here for his expertise on a wide range of issues. And particularly, for his knowledge of the budget process – in terms of history and context, as well as policy and politics. Bill, welcome back.

We also have with us Professor Allan Schick, who was actually involved with the development of the Congressional Budget Act, and has since written some of the most perceptive analyses on the history and context of the congressional budget process you can find.

Finally, Richard Kogan, who is well known as a fierce partisan, but who is also equally known for his commitment to the integrity of the budget process, and one of the most knowledgeable individuals in the field.

Welcome all.

You know, every few years or so, we hear from a handful of "experts" that the congressional budget process has completely fallen apart – lost its usefulness, is irrelevant, or even *dead*. Of course, this tends to be a more frequent declaration in those years when we've missed deadlines, run past spending limits, lumped several appropriations bills into one big omnibus package, or certainly, when *one* of the Houses of Congress has failed to even pass a budget.

And in fairness, I don't think anyone – myself included – would argue that the budget process is perfect, or that it works perfectly through every step of the overall process, every year. But I do think *most* would agree that – *while admittedly, in some years more than others* – it's served as a critical tool for Congress these past 30 or so years.

So before we get too far into the myriad discussions I know are ongoing on how we might *reform* the congressional budget process, I thought it would be a useful exercise to

step back and take a comprehensive look at the *current* process, including its various aspects and implications – both for policy and the practical operations of Congress – and why we have it, and *need* it, in the first place.

The Budget Act of 1974, for the first time, gave Congress an actual process for budgeting – rather than a series of piecemeal responses to the President's spending requests.

It empowered Congress to set its own priorities– whether or not they agreed with the President's – and to set in motion the policy choices that need to follow. It gave Congress the means to determine spending: by setting a limit on total spending; by directing spending to what they had determined the nation's most important priorities; and by the power to enforce the agreed-upon spending limits, through points of order.

And of particular consequence this year, the Budget Act gave Congress a means of addressing *mandatory* spending within the context of an overall budget plan.

In short, the Budget Act empowered Congress to control the purse – by determining its own priorities and policies, and establishing a systematic means to organize its decisions, set policy goals and combine all of this into one blueprint – the budget – to guide Congress throughout not only the coming fiscal year, but into the future.

Let's take this year as an example. We've got appropriations bills moving through the House at a brisk pace, providing for our most critical priorities first, *and* – for the first time since Reagan was in office – with an actual *reduction* in many non-security discretionary spending programs. At the same time, we've got eight authorizing committees talking about reform, and working on actual savings proposals in their mandatory spending programs, including such challenging areas as reforming Medicaid, and strengthening our nation's defined-benefit pension system.

<u>All of this was laid out in the budget process</u>. And while the interest in reform didn't start there in every case, it's the budget that's given the work on reforms a much-needed push – and maybe most important, set a schedule for beginning to tackle some of the federal government's biggest challenges in the coming years.

This year is far from over, and we've got a lot of difficult work ahead. But as far as budget years go – so far, so good, and so much for the claim that the budget process is dead.

Now, all that said, I'll be the first to admit that things don't go this smoothly every year. But it's particularly in *those* years – when Congress' priorities might not be as clear, or its will as strong – that we *need* a strong, solid budget process to keep us headed in the right direction.

And as I noted a moment ago, there are various discussions going on, generating an *enormous* range of ideas on how budget process should be reformed – with suggestions ranging from adding a point of order here and there, to scrapping the whole thing and starting over.
I'd guess that every Member of this Committee has *at least* one idea that they feel must be

included for a successful reform. It's no secret that I have *my own* ideas on the "right" way to do it. And I could have easily rounded up a group of like-minded witnesses to tell us all how great *my* ideas are. But as I'm sure you'll gather from our panel today, that's not what we did.

I genuinely believe that it is in *all* of our best interests to ensure that we not only have a solid grasp of what we've already got – but that we also try to keep an open mind about what it is we actually need – before we start making decisions on how we'd like to change it.

So I want to stress, once again, that the purpose of today's hearing is to take a *comprehensive* look at the budget process... This is about how we use it to *make* decisions – *not* about the decisions themselves. How does it help us determine priorities, set agendas, and guide Congress' work throughout the year? Why do we have it, why do we need it, and what – in a big-picture way – is working, and what's not?

I think that this is a critically-important discussion in-and-of itself, and a much-needed step in laying the groundwork for budget process reform.

So while I have no doubt that Members might be tempted to use their time to tout their own personal ideas for specific reforms, I'll ask now that – as Members of the Budget Committee – you try and recognize the importance of having this discussion *first*.

With that, I'd turn to Mr. Spratt for any opening comments he may have.

Mr. Spratt?

Prepared Opening Statement for
Chairman Jim Nussle
House Budget Committee Hearing
AFTER THE HURRICANES:
Impact on the Fiscal Year 2007 Budget
October 6, 2005

Good afternoon, and welcome to this Budget Committee hearing.

When this Committee last met back in July, our discussion was on the mid-year budget and economic outlook. *And things were looking pretty good.* We were continuing to see steady, strong economic and jobs growth; tax revenues were up 15% over last year; we were keeping discretionary spending on track; and we were seeing *dramatic* reductions in the deficit of $94 billion.

Things weren't perfect – they never are – but we certainly seemed to be headed in the right direction.

But just weeks later Katrina blew in, our nation was hit with the worst natural disaster on record, and everything changed in an *instant.*

Within days, this Congress acted to get victims the critical, emergency assistance they needed by approving $62 billion in emergency funding. And Congress clearly remains committed to doing whatever is needed to recover from the disaster.

But at the same time, we'd better understand that our obligation to the hurricane victims – and to *all* Americans – doesn't end with quickly writing a bunch of big checks.

That's the easy part. Congress must now prove we can handle the heavier lifting that follows by making *reasonable, responsible* choices in this next phase of our Katrina response.

Spending "Fence"

And I think the first thing we have to do – and what is currently lacking – is to make clear the distinction between what *is* and is *not* an "emergency."

I know that in the rush to get victims critical help in the first days and weeks after the storm, making this distinction was far from our top priority. But today, a month later, *it's time.* Congress must set clear criteria to ensure any spending deemed an *emergency* – and thus not subject to budget limits – is actually used to respond to *immediate, urgent* needs in the Gulf.

If funding requests do not meet these emergency criteria – *and reconstruction funding is a good example* – they must be subject to the judgment, deliberation, and oversight that are part and parcel of the regular budget process.

The purpose is not to *limit* help the federal government provides to hurricane victims; it is to prevent *non*-emergency spending from sliding through on the fast-track, without proper oversight, in the name of "emergency" relief.

Further, we must aggressively follow *all* funds to prevent waste, fraud and abuse – ensuring that every taxpayer dollar we spend is hitting its intended target. Which goes hand-in-hand with our government program reform efforts, which I'll get to in a moment.

Making a Down Payment

Congress must also begin to make a down payment on emergency spending. I know there have been myriad ideas floated. And one of the most puzzling *I've* seen was in a letter – actually two letters...I received another just yesterday – from my friends on the other side of the aisle.

In them, they suggested that the best way to respond to this emergency was to *cancel* our plans for government program reform. Or in simpler terms – Congress' best response to the immense, new spending needs spurred by the hurricanes is to refuse to even *look* for savings in other areas of the budget – and instead just move to increase taxes. Interesting logic, but I really don't think that's going to *help*.

From several of the folks on the Republican Study Committee – which I'll note is *particularly* well represented on this Committee – we've heard suggestions for "offsetting" Katrina costs, ranging from focused program cuts to across-the-board spending rescissions.

And just this past Tuesday, President Bush said in a press conference that Congress should "pay for as much of the hurricane relief as possible by cutting spending."

The President also pledged to work with Congress to finance Katrina reconstruction efforts in a fiscally responsible way, *and* supported increased savings in mandatory programs.

And my response to that is, "Great – let's go!"

But we need to have a strong partnership among the House, Senate and Administration – *with a strong commitment on all sides* – to get this done.

So, here's what I believe *Congress* must do:

First, Congress must reduce spending and make a down-payment toward the emergency spending.

In consultation with Leadership, I will propose an amendment to the budget for fiscal year 2006 calling for additional savings in *both mandatory and discretionary spending*.

I note that prior to Katrina, we were on course to holding non-security discretionary spending *below* last year's level.

I would suggest that we *further* reduce this spending in three ways: First, with additional across-the-board discretionary reductions.

Second, a rescission package for unnecessary, or low-priority FY '06 funds.

And Third: *Permanently* eliminate and *de*-authorize programs that have already been zeroed out by Appropriators so they don't become funding "priorities" in the future.

Appropriations Chairman Lewis has done a remarkable job this year, and I have every confidence that he and his committee can make this additional step.

On mandatory spending, I propose: Total net saving for reconciliation should be increased from the current $35 billion under the budget resolution – to a minimum of $50 billion in savings – over five years.

In addition, I propose that any hurricane-related mandatory spending increases must be fully offset.

Reconciliation

Long after this current budget challenge, our challenges with mandatory spending will still exist. The baby boomers will still retire, medical costs will still skyrocket, and our largest government programs will still grow far beyond our means to sustain them.

If we fail to get a hold of this spending – or simply throw up our hands and say it's too hard – as many have certainly suggested – this spending, which currently takes up over half the federal budget, and is quickly growing – will eventually crowd out every other priority – education, agriculture, science, the environment, you name it – and will *severely* limit our ability to cover our basic costs – let alone respond to any future disasters.

And this isn't just about saving money. It's about reforming our largest, most critical government programs – many of which haven't been updated since their creation – to ensure they're meeting their fundamental responsibilities – providing assistance to those most in need.

So we'd better get this started, and we'd better do it now. Again, this years budget required $35 billion in savings. We can do that – *and more* – *without* losing sight of needs related to hurricane victims.

Second, this Committee will begin our work on the fiscal year 2007 budget NOW.

We will not just "add on" emergency spending or give a blank check for an *undefined* reconstruction. We must re-prioritize next year's budget to reflect this enormous, nation-changing event.

We must begin now to debate the appropriate role for the federal government in any reconstruction effort.

We must ensure that *any* non-emergency costs – including reconstruction – be addressed through the regular budget process.

That means that the Administration must provide details for any reconstruction plan, a full accounting of reconstruction costs, and the President's budget must include a post-emergency reconstruction financing plan.

We cannot fund hurricane reconstruction through regular, predictable "emergency" requests to Congress. I haven't been shy about my frustration with the Administration's financing the war in Iraq through repeated supplementals. I've adjusted *my* budgets to reflect forward planning of the war's costs.

Congress has already provided an unprecedented $62 billion in disaster relief – largely without an up-front explanation of how that money would be spent, or how it would be financed. And I understand that about 2/3 of that emergency funding remains in FEMA accounts.
That said, I understand that $62 billion will not be the final number. I want to start planning for that next request NOW, and the best way to do that is through the regular budget process.

Also, starting this year, I will again insist that future budgets must include more realistic funding for natural disasters – that are bound to occur – to avoid a perpetual cycle of emergency spending. I have attempted these mechanisms in the past, and I believe their time has finally arrived.

So here's the bottom line: Congress needs to *clearly* identify the emergency spending from the disasters in the Gulf. We need to make a down payment on that emergency spending by reducing spending and reforming government *over and above* what was already planned for in this year's budget.

In addition, I challenge the Administration that *any* plan for reconstruction be detailed in its policy to answer three questions: what is the total costs; how will be spent; and how it will be financed.

Finally, it is my intention that today's hearing marks the beginning of Congress' deliberations on the FY 07 budget, which I intend to be accelerated from its traditional schedule.

On a final note, I've heard loud and clear from my own constituents – as I'll bet have most of my colleagues – that while they want to do everything reasonable to help the folks in the Gulf recover, we'd better do it responsibly.

For me, this was best expressed in the form of a question by a fellow Iowan from Des Moines, who experienced the flooding in 1993; he said, "Explain to me why it is *compassionate* to rebuild a persons home 15 feet below sea level after this experience, and explain to me why it is *responsible* to do that with my tax dollars"?

This is a question that we MUST be able to answer.

We've asked Doug Holtz-Eakin – director of the Congressional Budget Office – to be with us today to share his insight and perspective on these issues.

Director Holtz-Eakin, welcome back. I am certainly looking forward to your testimony.

17. Selection:

(a) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

The President chose to nominate me because of my background and budget experience, my relationship with my former colleagues on Capitol Hill and because of my overall support of the President's fiscal agenda.

(b) Were any conditions, expressed or implied, attached to your nomination: If so, please explain.

No.

(c) Have you made any commitment(s) with respect to the policies and principles you will attempt to implement in the position for which you have been nominated? If so, please identify such commitment(s) and all persons to whom such commitments have been made.

No.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

Yes.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, please explain.

No.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? If so, please identify such person(s) and commitment(s) and explain.

No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, please explain.

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain.

See ethics agreement letter.

2. Identify and describe all investments, obligations, liabilities, business relationships, dealings, financial transactions, and other financial relationships which you currently have or have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

I was on contract for 3 months this year with Roche Pharmaceutical advising them on the issue of appropriations for Tamiflu.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity.

Advice to Roche on legislative and administration strategy.

4. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the Office of Management and Budget and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

Yes.

5. Explain how you will resolve potential conflicts of interest, including any disclosed by your response to the above questions.

See ethics agreement letter.

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendre) by any Federal, State, or other law enforcement authority for violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

To my knowledge, no "investigations" as such. But one contact with police relating to a pizza ordered while in college, for which the vendor made a routine complaint to local police because student payment by check did not clear; after notification, complaint was dropped when payment was made in full. Amount involved was less than $10.

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party of interest in any administrative agency proceeding or civil litigation? If so, provide details.

No.

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with our nomination.

None.

E. TESTIFYING BEFORE CONGRESS

1. If confirmed, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If confirmed, are you willing to provide such information as may be requested by any committee of the Congress?

Yes.

F. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents.

1. Please provide personal financial information not already listed on the SF278 Financial Disclosure form that identifies and states the value of all:

(a) assets of $10,000 or more held directly or indirectly, including but not limited to bank accounts, securities, commodities futures, real estate, trusts (including the terms of any beneficial or blind trust of which you, your spouse, or any of your dependents may be a beneficiary), investments, and other personal property held in a trade or business or for investment other than household furnishings, personal effects, clothing, and automobiles; and
(redacted).

(b) liabilities of $10,000 or more including but not limited to debts, mortgages, loans, and other financial obligations for which you, your spouse, or your dependents have a direct or indirect liability or which may be guaranteed by you, your spouse, or your dependents; and for each such liability indicate the nature of the liability, the amount, the name of the creditor, the terms of payment, the security or collateral, and the current status of the debt repayment. If the aggregate of your consumer debts exceeds $10,000, please include the total as a liability. Please include additional information, as necessary, to assist the Committee in determining your financial solvency. The Committee reserves the right to request additional information if a solvency determination cannot be made definitively from the information provided.

(redacted).

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients and customers. If dates or amounts are estimated, please so state. Please only include those items not listed on the SF278 Financial Disclosure form.
(redacted).

3. Provide the identity of and a description of the nature of any interest in an option, registered copyright, or patent held during the past 12 months and indicate which, if any, from which you have divested and the date of divestment unless already indicated on the personal financial statement.
(redacted).

4. Provide a description of any power of attorney which you hold for or on behalf of any other person.
(redacted).

5. List sources and amounts of all gifts exceeding $500 in value received by you, your spouse, and your dependents during each of the last three years. Gifts received from members of your immediate family need not be listed.
(redacted).

6. Have you filed a Federal income tax return for each of the past 10 years? If not, please explain.
(redacted).

7. Have your taxes always been paid on time including taxes on behalf of any employees? If not, please explain.
(redacted).

8. Were all your taxes, Federal, State, and local, current (filed and paid) as of the date of your nomination? If not, please explain.
(redacted).

9. Has the Internal Revenue Service or any other state or local tax authority ever audited your Federal, State, local, or other tax return? If so, what resulted from the audit?
(redacted).

10. Have any tax liens, either Federal, State, or local, been filed against you or against any real property or personal property which you own either individually, jointly, or in partnership? If so, please give the particulars, including the date(s) and the nature and amount of the lien. State the resolution of the matter.
(redacted).

11. Provide for the Committee copies of your Federal income tax returns for the past 3 years. These documents will be made available only to Senators and staff persons designated by the Chairman and Ranking Minority Member. They will not be available for public inspection.
(redacted).

12. Have you ever been late in paying court-ordered child support? If so, provide details.
(redacted).

13. Have you ever filed for bankruptcy or been a party to any bankruptcy proceeding? If so, provide details.
(redacted).

AFFIDAVIT

Jim Nussle being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Jim Nussle

Subscribed and sworn before me this 10th day of July, 2007

Lorraine D. Hunt

Notary Public

Lorraine D. Hunt
Notary Public, District of Columbia
My Commission Expires 2/28/2011

PRE-HEARING QUESTIONS AND ANSWERS

Questions from Chairman Conrad for the Honorable Jim Nussle,
Nominee to Be Director, Office of Management and Budget

Deficits/Debt

1. **Question:** Do you believe deficits matter? Why or why not? If yes, how specifically do you think deficits impact the economy?

Answer:
Deficits do matter, first and foremost because they are an indication that the government has failed to limit spending within the bounds of available revenue. From that standpoint, I see the recent progress in reducing the deficit as welcome news and I support the shared goal of the President and the Congress to work toward a balanced budget by 2012.

I believe the economic impact of deficits comes when deficits are large and sustained over a long period. While a concern, recent deficits as a share of GDP have been moderate in historical terms and do not appear to have posed difficulties for the economy, as demonstrated by the solid growth we've seen in jobs, productivity, the economy, and by the relatively low Treasury interest rates. However, looking ahead to the future fiscal pressures of Social Security and Medicare spending, I believe it is critical to eliminate even today's moderate deficits and bring the budget into balance to put the budget in a stronger position to face our long-term fiscal challenges.

2. **Question:** At what point, if ever, do you believe that higher deficits and debt lead to higher long-term interest rates?

Answer:
International experience tells us that governments that run massive deficits relative to GDP with rapidly accelerating debt levels face severe economic dislocation in the form of higher interest rates, inflation, and the collapse of investment and economic growth. With the level of deficits that we have seen in recent years in the United States, however, it is more difficult to see the relationship of deficits and interest rates. For example, Treasury interest rates in recent years have been quite low by historical standards.

In my view, the primary reason to balance the budget is it will demonstrate that the government is committed to living within its means. It also positions us to address the future challenges of the baby boom retirement and its effect on entitlement spending. At some level, deficits and debt will affect interest rates and it is important to take action well before that occurs. That is why I believe it is important to tackle the long-term problem of the unsustainable growth in mandatory spending.

3. **Question:** When you were Chairman of the House Budget Committee, you oversaw the budgets that shaped budget policy for several fiscal years. During those years, the debt increased dramatically. In what ways did the policies supported by your budget contribute to this increase in the debt?

Answer:
When I was Chairman of the Committee on the Budget of the United States House of Representatives, our country faced important and dramatic challenges that required direct action from our Federal government. We faced the bursting of the stock market bubble, a decline in manufacturing, a recession, corporate accounting scandals, the terrorist attacks of September 11, 2001, and the Global War on Terror – and that was just in the beginning term of my tenure as Chairman. All of these factors had significant direct budgetary effects, and the Federal policies needed to deal with them also had large immediate and ongoing budgetary effects. Later, we saw yet another unanticipated event in Hurricane Katrina.

I am proud to say that the President and the United States Congress responded to these challenges and implemented policies that helped our country rebound from the shocks it faced. The budgets that were passed through Congress when I was Chairman of the Committee on the Budget included tax relief that helped our country grow again out of the economic slowdown and recession of 2000-2001. The budgets included increased funding to help secure the United States homeland to provide protection in the face of the ongoing potential for more terrorist attacks. The budgets included increased funding for military actions in the Global War on Terror – to defend the American people against difficult enemies. Budget resources were also used to provide for the recovery of Louisiana and Mississippi and others that were adversely affected by Katrina. And that is on top of all the other ongoing responsibilities of the Federal government – including funding for education, health care, and veterans.

The Federal debt increased while I was Chairman of the Budget Committee and for very good reasons. We faced challenges that were directed squarely at our economy, our government, and our way of life. And we responded with the policies that were required to successfully deal with them. The United States homeland is more secure, the Taliban no longer controls a country from which to export terror, Louisiana and Mississippi are recovering and levees are being made stronger, and the United States economy is in the sixth year of economic expansion with growing employment, incomes, and Federal budget revenues. The Federal budget deficit is falling, and is historically low relative to the size of the United States economy. And the Federal public debt is also now declining relative to the size of the economy.

4. Question: The level of foreign holdings of United States debt has more than doubled over the past six years and now exceeds $2 trillion. Do you view this increase in foreign-held debt to be a problem for the United States? Why or why not? Doesn't the large amount of foreign holdings of United States debt leave us vulnerable to the priorities of foreign creditors?

Answer:
I believe the United States savings rates is too low and we need to do more to increase savings in the United States, which would reduce our reliance on foreign capital. We need to ensure that United States debt is at sustainable levels and we need to pursue policies that encourage greater savings in the United States. Measures to increase United States saving, including steps to reduce the budget deficit, could ultimately help to promote better balance in our international accounts. Our trading partners also need to do more to maintain healthy growth rates, promote open markets, and eliminate interference in the determination of exchange rates. Such actions will support ongoing growth in demand for United States exports and help to reduce our trade deficit and our current account imbalance.

It is certainly true that international investors and foreign governments are buying United States financial instruments in large quantities – including Federal debt securities. These securities are publicly traded and many foreign governments hold our Treasury securities as reserve assets, demonstrating the ongoing confidence in United States government assets and dollar-denominated assets more broadly. In addition, while foreign investors do hold a substantial amount of Treasury debt, their holdings of nonfederal assets are much larger.

Foreign purchases of United States financial assets first and foremost demonstrate the belief that the United States is a good place to invest – we have a stable political system, stable inflation, relatively low tax rates and relatively strong growth prospects. We need to continue pursuing policies to assure that taxes remain low, inflation remains stable, and the economy remains strong.

Ultimately, foreign investors and foreign governments that hold United States securities have the incentive to maintain the value of those holdings.

Long-term Budget

5. **Question:** Do you believe a comprehensive plan to address our long-term fiscal challenges should include changes in both spending and revenues? Why or why not?

Answer:
Most experts believe that the current promises in our largest entitlement programs, including Social Security, Medicare, and Medicaid, are not sustainable. As analyses by the Administration, CBO, and others have demonstrated, the retirement of the Baby Boom generation and the continuation of healthcare cost increases that exceed growth in the economy, will raise outlays in these programs dramatically in coming decades. Without comprehensive reform, spending for all three programs will rise much faster than GDP.

In order to address the flaws with the current federal tax code, I believe that fundamental tax reform could make it a simpler, fairer, and pro-growth system.

6. **Question:** If confirmed, what actions would you take to foster an environment where a bipartisan compromise could be reached to address the nation's long-term fiscal challenges?

Answer:
The most important action is frequent communications on a bipartisan basis with both the House and Senate. I believe it also requires commitment and trust from both sides and I will work with the Committee to develop that trust and commitment and work to find solutions to the long-term fiscal challenges facing the country.

7. **Question:** In recent years, the annual reports of the Social Security and Medicare Trustees have included measurements of the unfunded liabilities of Medicare and Social Security over an "infinite horizon". Many analysts believe these infinite horizon calculations are speculative and provide little useful information about the long-range financial outlook for these programs.

   Do you believe that infinite horizon calculations provide the most accurate picture of the long-term funding challenges facing Social Security and Medicare? As Congress and the Administration work to strengthen Social Security and Medicare, do you believe the goal should be to close the funding gap over the infinite horizon? Should such calculations be used for other policy analyses, such as projecting the long-term costs of tax cuts?

Answer:
The traditional measure of the fiscal gap in Social Security and Medicare has been the 75-year actuarial imbalance. I believe most policy makers would be happy to enact reforms in those programs that put them on sound footing for the next 75 years – the equivalent of three generations of Americans.

The problem with the 75-year measure, however, is that the structural gap in the Social Security and Medicare programs grows rapidly over time. The 75-year actuarial imbalance in Social Security is 1.95 percent of payroll, according to this year's Trustees' report. A bill that eliminated the actuarial imbalance would only do so for one year. Next year, when the 75-year calculation included one additional year, the program would again have an actuarial imbalance – small at first, but growing in each subsequent year. In other words, the bill would have resolved the reported 75-year imbalance, but for just one year.

Because of this problem, I believe that it is important to look beyond the 75-year horizon when we assess the impact of potential reforms in Social Security and Medicare. I believe the same point applies generally when looking at the long-range fiscal gap in the budget – any solution should stand the test of time, rather than failing one year later.

8. **Question:** A key issue for addressing our nation's long-term budget problem is to reduce expenditures of the major health entitlements, such as Medicare and Medicaid. Do you believe that these programs can be substantially reduced in the absence of broader reforms to the nation's health system, both private and public? Stated another way, do you think it is possible over an extended period for Medicare and Medicaid to grow more slowly than health costs in the private sector?

Answer:
Clearly, growth in health care spending is a complex issue involving a number of interactions. While there is no magic bullet that will solve this problem, we need to identify ways that will encourage efficiency and quality while controlling spending growth in both the private and public sectors. We also need to reform the health care marketplace to promote more competition, quality, and affordability.

Separate from broader health reform, there are opportunities to slow the growth of Medicare and Medicaid and I believe that we should pursue them. This includes the President's Budget proposals and any other ideas Congress may have to rein in entitlement spending. These proposals will be even more effective if we can adopt additional reforms to address cost containment in the broader health care system.

9. **Question:** Is universal coverage an essential goal of health reform? Do you believe that universal coverage can be achieved by making incremental changes to the current health care financing system, or do you think that more radical changes to the system would be needed to ensure that all Americans have health insurance?

Answer:
In terms of health reform, I am most interested in encouraging the private and public markets to adopt innovations that will increase affordability and quality and lead to greater health care coverage. For example, reforms that change the current tax system to remove the tax bias for employer-sponsored coverage could result in more people receiving health insurance. Changes that reduce the rate of health care inflation will lead to more coverage and greater access to health insurance. I believe those are promising policy directions.

10. **Question:** Do you believe that access to health care is important? How do you respond to CBO's assessment that the Medicare cuts proposed in the President's FY 2008 budget would reduce the access of seniors to health care over the long run?

Answer:
Access to care for Medicare beneficiaries is very important and we need to monitor it to ensure that beneficiaries continue to have access to quality health care services. I understand that beneficiary access to Medicare services is strong.

Based on what I've seen, the Medicare proposals represent sound health payment policies. These proposals could reduce excess spending, encourage efficient health care delivery, and reduce premiums and cost-sharing for most beneficiaries. In fact, I believe that the Budget proposals also improve the care beneficiaries receive by building in stronger incentives for high-quality care.

Unless we address the growth in Medicare and Medicaid spending, the greatest threat to future seniors' care will be the Nation's diminishing ability to finance that care.

Discretionary/Appropriations

11. **Question:** How do you believe the overall level of discretionary spending should be set each year? In your opinion, what is the proper role for Congress in determining the total amount of appropriations needed each year?

Answer:
Under the Constitution the President and Congress share a role in setting the total amount of appropriations each year. Appropriations can only become law if passed by Congress and signed by the President, unless they become law without his signature or by overriding a veto. In the past the level of discretionary spending at times has been established in the context of a bipartisan agreement on the overall budget. In the absence of such a framework, it is important that the executive and legislative branches have a continuing dialogue about how the discretionary spending in individual appropriations bills fits into the larger budget picture.

12. **Question:** What is your view on the use of earmarks? Are Congressional earmarks ever appropriate? Do you think the use of earmarks grew too much between 2000 and 2006? If, yes, what do you think caused the increase in earmarks?

Answer:
Not all earmarks are unworthy of funding and there may be cases where earmarks may be appropriate. There has been a huge growth in earmarks since the early 1990s and that continued after 2000. I do believe earmarks grew too much after 2000, and I'm glad Congress began to curtail earmarking and increase transparency beginning in 2006, and continuing this year. I support the President's call for the Congress to cut the number and cost of earmarks by at least half. As Chairman, I called for no new earmarks in 2005 and 2006.

13. **Question:** Was an earmark that was not included in either a House- or Senate-passed bill ever inserted into a conference report, the last stage of the legislative process, at your request? If so, what was it for?

Answer:
I requested funding for individual projects based on their merits, and did not request that inclusion of a project be withheld until conference. I believe the best course is for Congress to lay out funding for such projects as early as possible in the process, so they can be subjected to appropriate scrutiny.

14. **Question:** Each year, the President includes a number of earmarks as part of his budget request. How many earmarks were included in the Administration's FY 07 and FY 08 budget proposals? In your view, are these appropriate? If so, are they more appropriate than earmarks included by Congress? If so, why? What steps would you take to review the number and amount of earmarks included in the President's budget?

Answer:
I am not familiar with the details of the President's FY 2008 Budget. However, it is my understanding that the Administration allocates requests for funding, including grants and contracts, to meet national priorities using merit-based or competitive allocations under requirements set in law, and the results of many of these processes are detailed in the President's Budget and agency justifications that are submitted to the Congress. I believe this is appropriate, and that Congress can make better funding decisions when such detailed information is available.

15. **Question:** What principles would you use to guide your decisions on whether to recommend to the President that he sign or veto an appropriations measure?

Answer:
I would look to the President's major policies and his highest priorities. I would try to be careful when to recommend a veto, making sure to recommend a veto only on very problematic proposals. However, if the Congress chooses to send bills to the President with significant provisions that do not align with the President's priorities, I believe it is my duty to point those out to the President and recommend a veto, if necessary.

My preference, however, is to communicate early and often with Congress, in order to produce bills the President can sign. Sometimes that will require informing Congress that preliminary versions of the bill are objectionable and must be changed in order to avoid a veto.

16. **Question:** If confirmed, what specific steps would you take to ensure that the 2008 appropriations process is completed in a timely and efficient manner?

Answer:
If confirmed, I recognize that we need to complete the appropriations process in a timely manner and I want to help bring about that result. The process relies on Congress operating in a timely manner to complete appropriations bills. If confirmed, one key aspect of my job is to keep the dialogue open between the Administration and the Congress and to help find solutions that can bring the appropriations process successfully to completion.

17. **Question:** What do you think is an appropriate rate of growth for discretionary spending?

Answer:
Total discretionary spending is getting close to $1 trillion annually, a vast sum of money. I believe there are tremendous opportunities for savings in these programs that by looking for programs that are duplicative, inefficient, or ineffective. Government spending now comprises 20.2 percent of GDP. To balance the budget, we need to pursue pro-growth economic policies to maintain revenues and reduce the growth of total spending, discretionary and mandatory combined, below the rate of growth in the overall economy. If entitlement spending is not addressed now, I believe that brings a greater urgency to constraining the growth of discretionary spending. For FY 2008, I support the rate of growth in base discretionary spending proposed in the President's Budget, 6.9 percent by CBO scoring (6.5 percent with Administration scoring).

18. **Question:** The President's budget and supporting documents customarily have included details for all years covered by the budget. The 2006 through 2008 budgets, however, failed to provide any discretionary account-level policy detail for years after the budget year. This lack of discretionary spending data denies both Congress and the public the information needed to fully assess the President's budget policies, particularly his proposal to reduce the growth in overall domestic discretionary spending. If the President is going to submit a five-year budget, shouldn't he submit five years of policy detail? Why or why not? Doesn't the lack of detail undercut the President's commitment to controlling discretionary spending?

Answer:
The annual discretionary budget process incorporates policy decisions primarily for the upcoming budget year. As a consequence, the President's Budget for discretionary programs is also focused on the current budget years. It is my understanding that, except for a handful of accounts, the Administration does not make account-by-account policy decisions for the outyears and the Administration has, therefore, not published this level of detail because it does not represent the President's policies. I understand that this year, for the first time, the congressional justifications for agency spending were posted online – increasing transparency of federal spending.

Revenues

19. **Question:** You were quoted in the BNA Daily Report as saying: "Tax cuts don't need to be paid for [with offsets] - they pay for themselves" (BNA, March 17, 2004). In contrast, CBO, JCT, former Federal Reserve Chairman Greenspan, current Federal Reserve Chairman Bernanke, the vast majority of academic and business economists, and current OMB Director Portman all believe that tax cuts reduce revenues relative to what otherwise would have occurred. Do you agree with them, or do you still hold the view (as suggested by the BNA quote) that tax cuts pay for themselves?

Answer:
On the issue of "paying for tax cuts," I believe it is important to recognize that taxpayers pay for everything the government does. Government does not pay for anything. It spends money it collects from taxpayers. Relative to a baseline projection that is based on current law and uses static models, the Joint Tax Committee and the Department of Treasury analyses clearly show a revenue loss from tax reductions. However, I believe, lower taxes clearly have positive effects on the economy. The extent to which these effects reduce the net revenue impact of a given tax cut depends on the timing and design of the tax cut in question.

Tax relief that promotes economic growth will have a greater amount of offsetting benefit to Federal revenues than tax cuts that do not generate positive incentives. Even if tax cuts don't generate a full offset from the resulting higher economic growth and associated increases in tax receipts, it is still true that the static receipts estimates that are used for scoring purposes overstate the declines in receipts that occur with tax cuts.

I believe the President's 2001 and 2003 tax cuts were exceptionally well-timed, and well-designed, to bring an economy out of recession and to strengthen the recovery once it began to take place. We see the results of those policies in the strong economic and job growth now in progress. With strong economic growth comes strong growth in tax receipts. We've seen receipts to the United States treasury grow by double digits the past 2 years – by 14.5 percent in FY 2005 and by 11.8 percent in FY2006. And the Mid-Session Review of the Budget estimates receipts will increase by nearly 7 percent for the full fiscal year.

20. **Question:** Do you believe that the 2001 and 2003 tax cuts made deficits larger or smaller?

Answer:
The budget was headed into a deficit, whether tax relief was enacted or not. The stock market decline of 2000 and the recession all led to a steep decline in revenue. In addition, we had unavoidable expenses to recover from the terrorist attacks and to wage the war on terror.

The initial effects of the 2001 and 2003 tax cuts were to make the deficits larger in the initial years in which they were implemented. For subsequent years, the record has been very strong. The deficit began declining after 2004 and we have seen double-digit growth in federal tax collections the past two years and revenues as a share of GDP are estimated to be 18.8% of GDP, well above the 40 year average of 18.3 percent.

21. **Question:** Do you believe that making the 2001 and 2003 tax cuts permanent will enhance or weaken the federal government's ability to meet its long-term commitments and address its fiscal challenges? Please explain.

Answer:
The long-term challenge we face for the Federal government's commitments and the Federal budget outlook is primarily one of obligations for excessive entitlement spending.

As we consider the long-term challenges we face, it is important that we maintain a strong economy to provide the tax base to provide revenues to fund Federal programs. Objective observers recognize that the fundamental long-term problem we face is excessive spending, and that our economy would not be able to tolerate the high tax burden required to meet the excessive entitlement obligations.

Revenues to the Federal government currently are above their historical average, and the Administration's MSR shows that revenues will continue above the historical average, even with the extension of the 2001 and 2003 tax relief. It is important that the tax relief be extended to keep the United States economy strong and thereby able to provide the resource base to meet our long-term obligations.

22. **Question:** Do you believe that the share of taxes paid by the affluent is a good way to measure the progressivity of the tax cuts enacted in 2001 and 2003? Why or why not? How about other measures of progressivity? For instance, CEA Chair Edward Lazear has noted that a tax change makes the code more progressive when it "narrows the difference in take-home earnings." Do you agree that the change in after-tax income is a good measure of progressivity? Are the 2001 and 2003 tax cuts progressive under this measure?

Answer:
There is no uniform way to measure progressivity. Different measures show somewhat different results regarding the progressivity of the President's tax cuts, but the evidence shows that upper-income taxpayers paid a greater share of income taxes following the tax cuts than before.

The top 1 percent of taxpayers paid 35.7 percent of all taxes paid in 2004, the most recent year data is available. This was a higher share than during 1993-99 under President Clinton.

The Department of the Treasury estimates that in 2007, the top 1 percent will pay a higher share of individual income taxes with the tax cuts than they would have without the tax cuts; 36.0 percent with tax cuts and 35.8 percent without tax cuts. The share of the bottom 50 percent of taxpayers is lower after the tax cuts.

Other measures of progressivity have been constructed. The change in after-tax income produced by the Tax Policy Center (Brookings/Urban Institute) show that high-income classes have had a greater increase in after-tax income with the tax cuts than those in the low-income classes. But that, in large part, reflects the fact that those with the lowest incomes pay little or no income taxes in the first place.

23. **Question:** In your opinion, relative to the size of the economy, is there an optimal level of revenues? If so, do you believe that the optimal level for 2007 is also the optimal level for 2057?

Answer:
I believe that we need to hold down the tax burden on the economy. We know that excessive taxation has adverse effects on the economy by destroying the incentives that spur businesses and entrepreneurs to take on risk – that leads to innovation, job creation, and economic growth. The optimal level of taxation is the one that minimizes these adverse effects while allowing us to fund our most critical national priorities.

Currently, according to the recent Mid-Session Review, the Federal tax receipts level for 2007 is at 18.8 percent of GDP. That's above the average of the past 40 years – 18.3 percent.

And beyond Federal taxation, State and local taxes also are high relative to history. If we look at the taxes for total government – combined Federal and State and local taxes – the total level of taxation is greater than one-third of national income. The average for the past 3 decades was at 32.8 percent of national income, and in 2006 the level was at nearly 34 percent – and 2007 could be even higher.

24. **Question:** In a time of deficits, isn't it the case that enacting additional tax cuts shifts today's tax burden onto tomorrow's taxpayers?

Answer:
Deficits are caused by spending exceeding revenues. Even with the full effect of the President's tax relief program, revenue is growing – by double-digit rates the past two years and above the 40-year historical average. The President's Budget permanently extends tax relief and balances the budget by 2012.

The problem for tomorrow's taxpayers is not a lack of revenue. It is the unsustainable growth in mandatory spending.

25. **Question:** The IRS estimates the tax gap – the difference between the taxes owed and the taxes collected each year – is about $350 billion. In addition, experts estimate that approximately another $100 billion of revenue is lost each year to tax shelters, tax havens, and offshore activities. Do you believe the administration and Congress should aggressively address these compliance problems? If so, what specific measures should be put in place? While not all of these lost revenues can be collected, what percentage do you think could be collected if a comprehensive program of legislative and administrative actions were undertaken?

Answer:
The tax gap is absolutely an issue that the Administration and Congress should aggressively address. I know the Administration sees this as a priority, and it is the subject of great interest in Congress. If confirmed as OMB Director, this would be one area where I would hope we could work together to make significant progress. The Administration put forward a number of proposals in its budget this year, and I would hope that we could build on those to maintain the recent healthy growth rates in revenues while keeping our current low tax rates in place. In pursuing these policies, it is important that we recognize the distinction between closing the tax gap through improved enforcement, and simply raising taxes.

One other aspect of reducing the tax gap is targeting IRS resources toward tax enforcement. In that regard, the cap adjustments for IRS enforcement proposed by the Administration and contained in the Congressional Budget Resolution are a useful mechanism for ensuring that discretionary funding is targeted to this high-yield area.

26. **Question:** The Treasury Department released a study in July 2006 looking at the impact on the economy of making the 2001 and 2003 tax cuts permanent. It found that, under favorable assumptions (which include assuming that the cost of the tax cuts would be fully offset by unspecified spending cuts) the tax cuts would increase the overall size of the economy by only 0.7 percent over the long run. This translates into only a tiny increase in annual GDP growth. Doesn't the Treasury study counter claims that making the tax cuts permanent would have a significant impact on the economy? Do you agree with the findings of the Treasury study? Why or why not?

Answer:
First, I don't believe it is the best use of terminology to refer to "the cost of tax cuts." Tax cuts are not a cost. It is true that scoring would show that the tax receipts that the Federal government collects are reduced by tax cuts. But that isn't a "cost." The reductions in revenues for the government are simultaneously increases in take-home income for taxpayers.

The Treasury study showed that the President's tax relief had significant beneficial effects on the United States economy. In particular, the short-run benefits were quite important, helping to boost economic growth, increase employment, and help the economy return to sustained expansion. The tax cuts were implemented at a time when the United States economy was in a recession and slow recovery, when the terrorist attacks had been aimed at the heart of our economy and our government. The tax cuts helped to make sure the economy rebounded.

We can agree or disagree about how large the long-run beneficial effect has to be for it to be considered significant. But the Treasury study did show that the tax cuts did benefit the economy. The Treasury estimates also help illustrate that not all tax cuts have the same beneficial effects. Tax cuts aimed at capital – including dividends and capital gains tax reductions – can have particularly beneficial output effects.

Finally, the Treasury study implicitly provides information about what would happen if tax relief was not extended. It would have adverse effects on the economy, slowing economic growth, hampering jobs creation, and threatening to end the sustained expansion.

27. **Question:** Some have criticized official revenue estimates because they do not reflect "dynamic scoring." While these estimates include certain assumptions about behavioral reactions to tax changes, they do not reflect the effects of tax changes on the economy. Yet recent studies by CBO, JCT, and Treasury all show that the impact on the economy of tax changes is relatively small - and can be either positive or negative depending on the assumptions used. The conclusion seems to be that there is not a significant difference between conventional scoring and dynamic scoring. Do you agree with this conclusion? Why or why not?

Answer:
I believe we could probably all agree that the current state of "dynamic scoring" estimates isn't where it needs to be to generate sufficient confidence. That's why the estimating process so far has been referred to as "dynamic analysis" rather than "dynamic scoring" – recognizing that it isn't really a "score" in the traditional sense of the word.

My recollection from presentations by the Congressional Budget Office was that the most beneficial combination of policies that were examined in their dynamic analysis – in terms of promoting economic growth and boosting the size of our economy – was a simultaneous reduction in taxes and spending growth.

Budget Process

28. **Question:** How should the government budget for emergencies? What, if any, reforms of the emergency-designation process would you recommend to Congress?

Answer:
The federal government can and should budget for emergencies in the major programs that regularly fund response and recovery from natural disasters and other recurring events. It is my understanding that the Administration generally proposes base funding for those programs based on the average frequency and severity of such events. Supplemental funding may still be required for especially large incidents, but hopefully those examples will be few.

I believe that the budget treatment of emergency-designated items could be improved by (a) enacting binding discretionary spending caps, enforced by a sequester, and (b) requiring the concurrence of both the Congress and the President to allow an adjustment of those caps for emergency requirements.

The term "emergency" should be limited to circumstances that are urgent and unforeseen. The definition should include the following elements: the requirement is a necessary expenditure that is sudden, urgent, unforeseen, and not permanent. This would codify the criteria that have been the standard for a number of years.

29. **Question:** Do you believe the system of PAYGO and caps on discretionary spending created in the 1990s is a good mechanism for dealing with current deficits and debt? Should PAYGO apply to both revenues and mandatory spending? Why or why not?

Answer:
I support enforceable statutory caps on discretionary spending and I support bringing greater discipline to mandatory spending growth. The Budget Enforcement Act of 1990 created tools that were an effective mechanism to control the growth in spending. When surpluses arrived in the late 1990's, these controls were circumvented, resulting in substantial additional spending.

I believe there is a fundamental distinction between proposals that lead to higher government spending and proposals that let taxpayers keep more of their own money. If PAYGO is applied to tax relief proposals, it could result in automatic tax increases. In addition, current baseline rules have a bias towards spending increases and a bias against extension of tax relief. Finally, we have seen very strong revenue growth and revenues are above historical averages. I believe our budget problems are due to excessive spending growth, and not a lack of revenues.

For these reasons, I do not support applying PAYGO to tax legislation. I do support the Administration's approach to controlling mandatory spending, in which spending increases must be offset by spending reductions or face an automatic spending reduction.

30. **Question:** The tax code includes tax expenditures – which Alan Greenspan has called "tax entitlements" – totaling hundreds of billions of dollars a year. Yet the Administration has opposed applying PAYGO to revenues, arguing that it should only be applied to spending entitlements. But if revenues are exempt from PAYGO, won't that create an incentive to simply fund more entitlements through the tax code? Is there a reason to treat "tax entitlements" and "spending entitlements" differently, even if they can be used to achieve the same policy goals?

Answer:
I believe there is a fundamental difference between what is classified as a "tax expenditure" and spending. A tax expenditure is defined as an instance in which a taxpayer is allowed to keep a portion of his or her tax liability. Spending must be financed by either taxing other individuals or borrowing.

Even so, the tax code is too complicated and too burdensome. And, I believe there are probably many tax provisions that are either unwarranted or excessive. I support fundamental tax reform and I believe tax expenditures should be reviewed as part of that effort.

31. **Question:** The President has consistently advocated the use of biennial budgeting. Do you support budgeting for the federal government on a biennial basis? Why or why not?

Answer:
My understanding is that the President supports biennial budgeting and that each of his past 7 budgets has proposed a biennial appropriations and budget process. There are many potential benefits of such an approach. A biennial budget could free Congress to conduct more oversight, give agencies more stable funding levels, and free up time for agencies to more effectively manage programs. Reaching agreement on budget priorities and providing appropriations for two years could also allow agencies to devote more time to program evaluation and aspects of management and facilitate longer-range planning. Finally, almost any program would benefit from greater certainty of funding. The programs that would benefit the most are those that require long lead times, such as procurement, or those that are carried out over longer periods of time, such as research and development. The recipients of grant programs would also benefit from the greater certainty that funds would be available.

32. **Question:** OMB and CBO both develop baselines to assess the current condition of the budget under existing laws and policies and to judge the impact of proposals to change those laws and policies. Do you believe these baselines are useful and reliable? How many years do you think a baseline should cover? Are there any changes you would recommend making to the rules guiding how OMB and CBO develop baselines?

Answer:
A baseline is a necessary feature of the budget process, because it provides an assessment of the path of current fiscal policy and a benchmark against which to measure legislation. Whether baselines are reliable or not is a different question – we all saw the wild swings in the baseline in the late 1990s and early years of this decade, due in large part to changing estimates of tax collections.

Because the uncertainty of the baseline increases the further out that it extends, it seems sensible to me to keep the baseline at the current five-year horizon that is used by the President's Budget and by the Congressional Budget Resolution. Both the President and the Congress have endorsed a balanced budget goal within this horizon, and that should be the focus of our current budget efforts. CBO and OMB both make extrapolations of the budget out to 2050 and beyond in order to assess the future implications of current policy, and I believe creating a role for those extrapolations in the budget process would be more fruitful than extending the detailed baseline for another few years.

In terms of changes to the baseline, I know that the Administration has proposed a number of revisions to make the baseline a more useful benchmark. Currently emergency appropriations are extended in the baseline just like regular appropriations, which leads to artificial swings in CBO's winter and summer baselines depending on when supplemental bills are enacted. For that reason, the Administration's proposal not to extend emergency appropriations seems sensible to me.

33. **Question:** The President proposes to change baseline rules to require CBO to ignore the sunset dates included in the 2001 and 2003 tax cut bills and to instead assume those tax cuts are permanent for baseline purposes. Didn't CBO and OMB take those sunsets into consideration when originally scoring the cost of those tax cuts? Wasn't it because of those very sunsets that the tax cuts were able to be passed using fast-track reconciliation procedures? If they were extended in the baseline, wouldn't that result in Congressional scoring *understating* the actual impact of the tax cuts on the budget? Wouldn't extending these tax cuts in the baseline only make sense if CBO and OMB had originally ignored the sunsets and scored the tax cuts as if they were permanent? Shouldn't it be the policy of OMB to ensure the budget process fully captures the cost of all proposals, including even those supported by the President?

Answer:
Extending the 2001 and 2003 tax relief in the baseline improves the usefulness of the baseline as an indicator of the path of current fiscal policy. In that sense, this change in the baseline is in the same spirit as the rule that extends expiring mandatory programs such as the Farm Bill, or the rule that extends expiring excise taxes dedicated to a trust fund.

From a practical perspective, the main implication of not extending the 2001 and 2003 tax relief in the baseline is that it imposes a pay-as-you-go point of order against extending the tax cuts. Even at today's low tax rates, revenues are above their historical levels as a percent of the economy. I do not believe it is appropriate to apply procedural hurdles against legislation that would prevent those low rates from rising back to prior levels, raising taxes on families with children, senior citizens, and small business owners, and jeopardizing future economic growth.

34. **Question:** Assume that Congress created a new entitlement that sunset after five years, and CBO took into account the sunset when it scored the measure and when it projected the program's cost in the baseline. In your opinion, would it be appropriate in this case to change the baseline rules and require CBO to ignore the sunset and treat the new program as permanent for baseline purposes? Why or why not?

Answer:
First, it is the common practice for CBO to extend an entitlement program in the baseline, even when the authorization for the program expires. I believe that the more important issue concerns whether mandatory spending and revenue provisions are treated equally in the baseline. My understanding is that the Administration's proposed baseline rules do treat them equally.

Defense

35. **Question:** Do you believe that the budget and accompanying projections should reflect the best estimate of the multi-year costs of ongoing military operations in Iraq, Afghanistan, and the Global War on Terror? If troops are likely to remain in Iraq and Afghanistan for some time, shouldn't the budget include these costs? Aren't virtually all multi-year estimates uncertain? If the concern is with building war costs into the regular defense budget, can't the administration reflect these costs separately in a general allowances function rather than in the defense function?

Answer:
My understanding is that the President submitted to Congress in February a request for total war needs in FY 2007 and 2008 and that it included an unprecedented level of detail. The Budget also included an allowance of $50 billion for anticipated war costs in FY 2009.

The $50 billion allowance was chosen to strike a balance between acknowledging that we would have some war costs beyond 2008, and the difficulty of predicting what those specific costs will be.

It is difficult to predict the precise situation on the ground in Afghanistan and Iraq two to three years in advance. To provide such detail is at best false precision and at worst a signal to our adversaries.

Keeping war funding and base budgets separate provides the necessary flexibility to reduce war-related resources as the pace of operations in Afghanistan and Iraq declines. If they were combined, it would be more difficult.

36. **Question:** When the President announced his plan to "surge" additional troops to Iraq, he and the Department of Defense indicated that the total number of troops that would move to Iraq was only about 21,500. Later the DOD and White House indicated that an additional 10 to 15 percent might be needed to provide support to those combat troops. The CBO estimated that the total number of troops needed to provide the additional combat units was more likely to fall in a range from 35,000 to 48,000. When the Budget Committee held a hearing addressing this issue, DOD and the administration strongly objected to the CBO analysis. What are the actual troop levels now (of all services) supporting Operation Iraqi Freedom? How much have they increased from the levels planned for 2007 if only 15 combat brigades had been deployed to Iraq?

Answer:
As the President's nominee to be OMB Director, I have no independent knowledge regarding precise troop levels or the number of combat brigades in Iraq. If confirmed, I would work with the Department of Defense to ensure planned troop levels are appropriately reflected in the Budget.

37. **Question:** OMB is responsible for setting federal policy on outsourcing and public-private competitions through the circular A-76 process. Press reports indicate that as many as 120,000 contractors are currently working in Iraq. That is about three for every four United States troops. What portion of total war funding to date and proposed FY08 war funding has gone or will go to pay for contractors in the Iraq and Afghanistan theaters of operations? How many contractors are working for the United States government in each of those theaters? Looking specifically at security contractors, what is the average cost to hire a security contractor to work in Iraq compared to the cost of deploying a member of the United States military?

Answer:
I share your interest in making sure that contracting activities tied to the wars in Iraq and Afghanistan are transparent. If confirmed, I will work with the relevant agencies to ensure that data on contracting practices in support of contingency operations are clear, understandable, and available.

It is my understanding that OMB staff are working with the Departments of Defense (DoD) and State, including the United States Agency for International Development (USAID), to create an integrated database that would serve as a repository of information on all of their contracts in Iraq and Afghanistan.

DoD's recent report to Congress on DoD-Funded Service Contracts in Iraq and Afghanistan estimated that about $60 billion has been allocated to contractor support in Iraq and Afghanistan since 2001.

As a nominee, I don't have a precise number of United States government contractors working in both Iraq and Afghanistan on the average cost of a security contractor in Iraq versus the cost of a United States servicemember.

38. **Question:** GAO has found that a lack of sound business practices exposes DOD to unnecessary risk, wastes resources, and complicates efforts to hold contractors accountable for poor service acquisition outcomes. Do you believe that the Department of Defense, which spent almost $300 billion on contracts in 2006, has adequate procedures in place to ensure the best value possible for taxpayers? If not, what do you propose to do as Director of OMB to rectify this situation?

Answer:
The Department of Defense is facing an extraordinary challenge in the war on terror, particularly in Iraq.

The Defense Department – and all agencies – must embrace high standards of integrity, transparency, and accountability and perform effective contract management and oversight to hold contractors accountable for measurable results.

I will look to the Administrator for Federal Procurement Policy of Defense and the Controller of the Office of Federal Financial Management to work with the Department to ensure that internal controls are effectively holding contractors accountable for meeting the government's requirements and providing the best value for our taxpayers.

39. **Question:** The President's budget request for FY 2008 included a straight-line estimate of FY 2008 war costs, assuming that the "surge" did not continue past the end of September 2007. If troop levels in Iraq remain elevated, additional funding will be required. If confirmed, how would you advise the President to request supplemental funding for additional FY 2008 war costs? Would you advise that he submit the request in calendar year 2007 or in 2008?

Answer:
Decisions about future force levels will be based on advice from our military commanders. As you know, General Petraeus and Ambassador Crocker are scheduled to report in September on the progress achieved to date.

However, at this time, I am advised that the Administration can not address the need or the timing of a supplemental funding request in any greater detail until General Petraeus delivers his report.

40. **Question:** How much has been spent to date for military operations and foreign assistance in Iraq? How much in Afghanistan? Have commanders in Afghanistan requested any resources (whether personnel, equipment, or otherwise) that could not be provided due to the demands of the war in Iraq?

Answer:
It is my understanding that from 2001 to 2007, $563 billion has been appropriated for the Departments of Defense and State, and the Intelligence Community to carry out Operations Iraqi Freedom and Enduring Freedom (OIF/OEF).

I am advised that approximately three-quarters of these funds have gone to Iraq, with the remainder supporting Operation Enduring Freedom, mostly in Afghanistan.

As I understand, the Administration's OEF requests have met the needs of the Commanders on the ground in both Afghanistan and Iraq. I have no independent knowledge of requests made to the Department of Defense by field commanders in Afghanistan or elsewhere.

Other

41. **Question:** You were Chairman of the House Budget Committee for six years. What do you see as your biggest accomplishment in those six years? Your biggest disappointment?

Answer:
I believe my biggest accomplishment was getting tax relief included in the budget resolution in 2001 and 2003. I'm also very proud of the Deficit Reduction Act, the first time Congress acted to use reconciliation to slow mandatory spending since 1997, in addition to the 6 budget resolutions passed by the House while I served as Chairman.

My biggest disappointment was that I did not accomplish more to control mandatory spending growth. If confirmed, I want to work with this Committee and others in Congress on that issue.

42. **Question:** What do you think are the biggest challenges facing the nation's budget in the next year? Over the next five years? And over the next 10 to 20 years?

Answer:
Over the next one, five, 10, or 20 years, we need to find a way to slow the growth in mandatory spending. The earlier we get started on this, the better.

Outside of mandatory spending, the deficit has declined significantly since 2004 and is low as a burden on the economy in historical terms. Even so, we need to continue to reduce the deficit and keep the budget on the path to balance, by 2012. I am anxious to work to achieve that goal if confirmed by the Senate. Over the next five years, tax relief is scheduled to expire. I believe it is imperative that we permanently extend that tax relief.

43. **Question:** The House Oversight and Government Reform Committee released a report on federal procurement spending on June 27. The report found that between 2000 and 2006, procurement spending rose from $203.1 billion to $412.1 billion, while no-bid and limited-competition contracts increased from $67.5 billion to $206.9 billion. That means that, for the first time on record, in 2006 more than one-half of all federal procurement spending was awarded through no-bid or limited-competition contracts. In addition, House Oversight found 187 contracts valued at $1.1 trillion that had problems with waste, fraud, abuse, or mismanagement. Do you believe the increased lack of competition has contributed directly to the increase in wasteful contract spending? Why or why not? If confirmed, what specific steps would you take to improve the oversight of federal contracts, encourage more competition in the contracting process, and reduce the amount of wasteful contract spending?

Answer:
Competition must be the cornerstone of our acquisition system. It is a key force in ensuring best value for our taxpayers and curbing fraud, waste, and abuse. I understand that the percentage of contracts competed has remained steady at around 64 percent since 2000.

If confirmed, I will ask the Administrator for Federal Procurement Policy (OFPP) to work with agencies to ensure they are taking maximum advantage of competition and limiting sole source contracting to situations where it is necessary and justified in accordance with law. I will expect the Administrator to review current regulations and policies and pursue changes, as necessary, to strengthen competition in federal contracting. I will also look to the OFPP Administrator to pursue appropriate regulatory and other policy changes that hold contractors accountable for measurable results and ensure effective oversight to confirm that contractors are meeting the government's needs in a timely manner.

44. **Question:** There is general agreement on the need to improve the effectiveness and accountability of government spending. While focusing on government performance is essential, it must be done in an appropriate way. OMB has relied on the Program Assessment Rating Tool (PART) to assess performance, yet PART has been criticized as a one-size-fits-all approach that is too simplistic to assess the wide array of programs undertaken by the federal government. What is your assessment of PART? Do you think that PART results should play an important role in informing budget decisions? Did you use PART results to inform your decisions when you were Chairman of the House Budget Committee?

Answer:
In my view, PART is a sound, analytical tool that can be used as a factor in oversight, management, and funding of programs.

While at the Budget Committee, I made use of the tool and encouraged my colleagues to do so.

AFFIDAVIT

I, James A. Nussle, being duly sworn, hereby states that he/she has read and signed the foregoing and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

James A Nussle

Subscribed and sworn before me this 12th day of July, 2007

Renee M Jones Weaver
Notary Public
Commission Expires: August 14, 2009

POST-HEARING QUESTIONS AND ANSWERS

Senator Kent Conrad

1. **Question:** There has been a great deal of interest on this committee and in the House and Senate in funding for the National Aeronautics and Space Administration (NASA).

   In recent years, there has been a general concern that ambitious goals set by the President for the space program have not necessarily been matched with sufficient resources in the President's budget. There has been a particular interest in priorities such as the President's Vision for Space Exploration (VSE), the International Space Station, the Crew Exploration Vehicle, robotic exploration of the moon, grant-based research programs, and the aeronautic research and development program.

   What is the general approach you will take to funding these and other important NASA priorities?

Answer:
In 2004, the President articulated ambitious and important goals for NASA's human and robotic space exploration programs, and the budgets requested since then and provided by the Congress have moved us closer to accomplishing these challenging tasks. I look forward to working with you to ensure that NASA achieves these goals while also conducting valuable programs in space and Earth science and aeronautics research.

Senator Jeff Bingaman

1. **Question:** Over the last five years, the Administration, based on OMB's input, has taken inconsistent positions on the appropriate federal contribution to Indian water rights settlements in the West. This arbitrary approach, which appears to be based on a selective reading of the criteria and procedures that apply to federal participation in settling Indian water rights claims (55 Fed. Reg. 9223), threatens to derail several potential settlements and send the parties, including the United States, back to litigation. Will you review OMB's role in past and pending settlements and work constructively with the Department of the Interior and Department of Justice to find ways to ensure that funding can be made available to implement the settlements that are currently pending?

Answer:
I am told that the Administration remains committed to supporting negotiated settlements between Indian water rights claimants, the Federal Government, and third-party claimants. I understand that consultations among the Office of Management and Budget, the Department of the Interior, and the Department of Justice concerning settlements, including funding issues, in New Mexico and other states are ongoing. If confirmed, I intend to work closely with colleagues at the Departments of the Interior and Justice to move forward on Indian water rights settlements.

Senator Ron Wyden

1. **Question:** At you confirmation hearing, I asked you why you did not sign a bipartisan letter last year urging that the President include in his Budget Proposal the foreseeable costs of the wars in Iraq and Afghamstan. You said you didn't know why you didn't sign this bipartisan letter but would check and get back to me. The letter was circulated among the bipartisan leadership of the House and Senate Budget Committees in November 2006 and was eventually sent to the President by Senators Conrad and Gregg and Representative Sprait on December 21, 2006. Please respond for the record why you didn't sign this letter.

Answer:
Thank you for following up on this point. Now that I have reviewed the dates and the letter, I believe that I did not sign it because I was a retiring Member of Congress and a new Ranking Member had been announced for the House Budget Committee (Mr. Ryan). As I noted in my oral testimony, however, I generally agree with the points made in the letter.

2. **Question:** At your confirmation hearing, you stated you were willing to consider a fresh approach to funding the county payments program that funds schools and other essential county services in rural, timber-dependent communities. I appreciate your answer at the hearing and I want to follow up on your constructive response. For the past two Congresses, the Bush Administration has proposed to fund the county payments program, which is also known as the "Secure Rural Schools and Community Self-Determination Act," by selling off Federal public lands. The Administration's proposal has not been supported by a single Senator of either party. Recently, OMB Director Rob Portman, Undersecretary of Agriculture Mark Rey and others in the Administration have been working with members of the Oregon Congressional delegation to identify alternative ways to fund the county payments program. If confirmed as OMB Director, will you commit to continue working with me and others in Congress to find a way to fund the county payments program that can get bipartisan support from Congress?

Answer:
I share the President's commitment to States and counties impacted by the ongoing loss of receipts associated with lower timber harvests on Federal lands, and understand the Administration has committed to work with you on offsets. I also understand the Secure Rural Schools program was designed to allow local economies time to adjust to lower timber harvests from Federal timber lands. It is reasonable to have an extension of the Act (SRS)

I am also aware that the Administration has been working with counties to increase timber harvests, consistent with the Northwest Forest Plan. This will further increase funding available to local schools under statutory revenue sharing provisions.

3. **Question:** Bonneville Power Administration (BPA) is self-financed by revenues it receives from the sale of electricity in the Northwest. It receives no annual appropriations from Congress. In addition to covering its operating costs, BPA revenues also are used to repay its debt to the U.S. Treasury. Last year, Bonneville's customers, through BPA, delivered roughly $1.1 billion in payments to the Treasury. BPA also retires additional debt when it can and has repaid almost $1.8 billion of debt in advance of when it was due as part of BPA's debt optimization program. Last year, in FY 2006, Northwest ratepayers repaid over $342 million in debt ahead of schedule. The year before, in FY 2005, they repaid $313 million ahead of schedule. Altogether, BPA's customers have returned more than $22 billion to the U.S.

But the Bush Administration doesn't think this is enough. The FY08 budget arbitrarily decides that BPA doesn't need to maintain financial reserves and BPA has to simply pass what the Administration considers "excess revenue," along to the Treasury. Bonneville is a hydro-based system. When there is snowpack, and water in the Columbia River system, and energy can be exported, it can make extra revenue. In years like 2001, when there was low water and BPA had to buy power during the height of the Western energy crisis, it needs to draw against its financial reserves. When this proposal was made last year, Northwest Power and Conservation Council, which is established by statute to oversee the region's energy needs, concluded that if this plan was adopted, BPA would have to raise rates on Northwest ratepayers simply to restore the financial reserves confiscated by OMB. Do you think it's fair to raise power rates for Northwest consumers in order to force BPA to make accelerated payments to the U.S. Treasury beyond what BPA and Treasury Department had agreed to in BPA's borrowing agreement? Shouldn't the Treasury Department honor the debt repayment schedule in its borrowing agreement with BPA?

OMB's proposal has been met with bipartisan opposition by the Northwest congressional delegation. If confirmed as OMB Director, will you agree to meet with me and other members of the Northwest delegation to discuss our concerns about the Bush Administrations' proposal to require BPA to make accelerated payments to repay its Treasury debt?

Answer:
It is my understanding that the Administration's budget proposal uses a portion of any higher-than-historical net secondary revenues (revenues greater than $500 million) to invest back into energy infrastructure in the Pacific Northwest region and to pay down debt.

If confirmed, I would make myself available to hear your concerns and those of others about this proposal and work together to find a bipartisan solution.

Senator Bill Nelson

1. **Question:** The president's request for NASA in 2007 was $1.1 billion below authorized level. For 2008, his request was $1.4 billion below the authorization. How is NASA to accomplish the president's own Vision for Space Exploration when his budget office fails to request adequate funding.

Answer:
My understanding is that the Vision for Space Exploration is the president's highest priority for NASA. The Vision will advance U.S. scientific, security, and economic interests. I support NASA and the Vision, and I look forward to working with you to provide the funding needed to realize the goals of this important initiative.

2. **Question:** Spending on earth science at NASA and NOAA peaked in 1996 at $2B annually. The President's 2008 budget submission proposes cutting that almost in half by the year 2012. In 2005, the United States had 125 space-based instruments in orbit studying the earth's weather, climate, and environment. Under the current plan, by the year 2020, we will have only 30 instruments studying the earth from space. Do you feel this plan is responsible given growing concerns about the environment and global climate change? (Nelson Q2)

Answer:
I recognize that studying Earth from space is critical to our ability to understand and predict changes in our planet's land surfaces, oceans, atmosphere, and climate. I understand that the Administration has been working to conduct these important investigations through the Climate Change Science Program and a variety of Earth observation programs. I will examine the issue more fully and commit to working with you to ensure we have adequate Earth observation capabilities in place.

3. **Question:** Do you believe it's important to preserve Medicare as an entitlement for seniors? Senator Bill Nelson

Answer:
Yes, I believe we need to strengthen the long-term fiscal position of Medicare so that it not only provides high-quality health care to today's beneficiaries, but it will also be there for our children and grandchildren. I hope we can work together to achieve this.

4. **Question:** Some people advocate "fixing" Medicare by privatizing it. Do you think that privatizing Medicare is a good solution? Senator Bill Nelson

Answer:
Health care spending is a complex issue, and there is no one solution to this problem. We need to find ways to encourage high-quality health care while improving efficiency controlling spending growth—this means looking to both the private and public sectors for possible solutions. I look forward to working with you on reasonable ways to control growth in entitlement spending.

5. **Question:** I understand you've prioritized Social Security and other entitlement spending as issues you'd like to tackle as head of the OMB. But I'd like to ask if your solutions will involve in whole or in part, the privatization of Social Security funded by diverting payroll taxes into private accounts?

Answer:
Social Security is currently on an unsustainable path, primarily because there will soon be fewer workers to support each retiree. Over the long-term, the Social Security Trustees estimate that Social Security faces an unfunded obligation of $13.6 trillion, or $15.6 trillion from the unified budget perspective. I believe that it is important to strengthen Social Security through the right combination of reforms. My understanding is that the President's approach would couple voluntary personal accounts with other changes, such as progressive indexing. This is not "privatization", this is giving workers greater control over their own financial futures, while at the same time preserving and making sustainable the safety net of traditional Social Security. At the same time, the President has expressed a desire to work with legislators who may have different ideas, and to have bipartisan negotiations with all options on the table. I agree with that approach.

Senator Pete Domenici

1. **Question:** Title 17 of the 2005 Energy Policy Act provides a unique mechanism for promoting the commercialization of clean energy technologies. Many of us view Title 17 as one of the most important titles in that Act. Title 17 allows for federal guarantees of the private loans to develop these innovative technologies. The only statutory limitation we placed on the amount of any loan guarantee was that the federal government's guarantee could not exceed 80% of the *cost* of the project. Under the proposed implementation of the title, **the borrower would also have to pay into the treasury** an amount determined by the Department of Energy to be the "risk" factor for the particular loan. Let me emphasize that **not only are there no appropriations required for the loan guarantees themselves, but the borrowers would be paying new money into the treasury to cover the risk.**

So, under the law as written, at least 20% of the project would *not* be guaranteed by the government, and the Energy Department has complete discretion to require whatever risk payment it determines is needed to be paid by the borrower. That would certainly seem to be enough "skin in the game" by the project developer to ensure quality projects.

But in spite of that, the Administration's draft regulations currently pending as part of their Notice of Proposed Rulemaking, arbitrarily limit any such guarantees, regardless of the project cost, to 90% of the face amount of the loan. This inexplicably leaves the other 10% essentially in limbo, which arguably creates a fatal flaw.

There is no statutory basis or reasonable explanation why the rule fails to guarantee the full amount of the debt itself. Again, that's not the cost of the project I'm speaking of, but rather the actual amount of the loan.

And that is not just this Senator talking. **The investment community uniformly agrees that this is an absurd limitation.** Earlier this month, six major investment banks along with Standard & Poors said that the proposed rule is basically unworkable. **I repeat – nothing in the statue requires DOE's limitation.**

DOE, and presumably OMB, are basically frustrating congressional intent by administrative fiat.

At every turn we are frustrated by delay and arbitrary and capricious limitations such as the 90% loan limit.

It has been two years since the legislation was signed into law – we should be making loans, not excuses.

Will you commit to me that, if you are confirmed, you will ensure that the final regulations for the loan guarantee program will not contain these harmful limitations?

Answer:
I very much understand your concerns regarding this important program. It is my understanding that the public comment period on the Department of Energy's Notice of Proposed Rulemaking for this program recently closed. If confirmed, I intend to look into the issues and work closely with you to help the Energy Department craft the next steps in the program's development.

2. **Question:** If you are ultimately confirmed, will you give me your assurance that OMB will provide the information that I have requested coupled with OMB's suggested federal contribution to these settlements within thirty days from the date of your confirmation?

Answer:
I am told that the Administration remains committed to supporting negotiated settlements between Indian water rights claimants, the Federal Government, and third-party claimant, including a fair and appropriate federal contribution to the Abeyta (Taos) settlement. I understand that consultations among the Office of Management and Budget, the Department of the Interior, and the Department of Justice concerning the other settlements in New Mexico and other states are ongoing. I intend to work closely with colleagues at the Departments of the Interior and Justice to move forward on Indian water rights settlements and to respond to any outstanding requests you have made to OMB.

Senator John Ensign

1. **Question:** The right kind of tax cuts can grow our economy. Unfortunately, Congress estimates the impact of tax cuts on a "static" basis. Congress assumes a dollar in tax cuts results in a dollar of lost revenue and that the economy will not grow. We know many tax cuts can actually produce net revenue. Can you comment on what tax cuts have a greater dynamic effect versus those that do not?

Answer:
Economists generally agree that not all tax cuts are the same in terms of how they affect the economy and the extent to which they affect receipts. Tax relief that promotes economic growth will have a greater amount of offset than tax cuts that do not generate positive incentives.

The President's tax relief has played an important role in helping to boost our economy. The economy has been growing for 23 straight quarters with real GDP growth averaging 2.7 percent per year and payroll employment has increased by over 8 million jobs. The unemployment rate is low and real wages are growing – up 1.2 percent over the past year.

The static receipts estimates that are used for scoring purposes do overstate the declines in receipts that occur when taxes cut, but even so most tax cuts do not actually produce net revenue. That would require a dynamic effect large enough to completely offset the static revenue loss, and that is rare.

2. **Question:** A new analysis by CBO argues that projected budget deficits would have been largely wiped out and possibly turned into surpluses had it not been for President Bush's 2001 and 2003 tax cuts. The report also stated that "the overall impact of the tax legislation on the economy is likely to be modest." Can you comment on this conclusion?

Answer:
My understanding is that CBO points out in this analysis that comparing what would have happened without the tax cuts is "difficult if not impossible to do, and the precise budgetary effects therefore typically can never be known with certainty." Therefore, it is not possible to know for certain what the budgetary position would be if the tax cuts did not exist.

It is also my understanding that the combination of an economic slowdown in 2001, a declining stock market from 2000 until 2003, and growth in spending associated with the global war on terror had much more to do with the emergence of a budget deficit than did the tax cuts passed since 2001.

The President's tax relief has played an important role in helping to boost our economy. The economy has been growing for 23 straight quarters with real GDP growth averaging 2.7 percent per year and payroll employment has increased by over 8 million jobs. The unemployment rate is low and real wages are growing – up 1.2 percent over the past year.

3. **Question:** Like you, I am concerned about the rising cost of health care. Altogether, medical liability adds billions to the cost of health care each year – which means higher health insurance premiums and higher medical costs for all Americans. The direct cost of medical liability coverage and the indirect cost of defensive medicine increases the amount the federal government must pay for Medicare, Medicaid, the State Children's Health Insurance Program, Veterans' Administration Health Care, health care for federal employees, and other government programs. What is the direct and indirect cost of our current medical liability system? What can be done to reduce the amount of taxpayer' money the federal government spends in this area?

Answer:
I believe that our current medical liability system unnecessarily increases the cost of health care. I do not have the estimates for the direct and indirect costs, but the direct cost of liability insurance and the indirect cost of defensive medicine increases health care costs generally, including the Federal government's health care costs. Reforming medical liability system and providing a fair, predictable, and timely medical liability process will improve access to quality health care and reduce health care costs. If confirmed, I look forward to working with the Congress on this challenging issue.

4. **Question:** The Democrats adopted a pay-go rule. Does it do anything to impact the looming entitlement crisis we face?

Answer:
The source of the nation's long-range fiscal challenge is unsustainable growth in entitlement spending, particularly for Social Security, Medicare, and Medicaid. The pay-as-you-go rule adopted in House rules and this year's Congressional budget resolution would require that changes in entitlement programs and taxes are deficit-neutral in total. It would not address the coming entitlement crisis because (a) it only applies to new legislation, not to the unsustainable spending increases built into current law; and (b) it allows increases in entitlement spending as long as they are accompanied by increases in taxes.

To really address our long-term budget problems, we need to reduce the growth rate of entitlement spending. The Administration put a number of ideas on the table in its 2008 Budget submission, and I look forward to working with the Congress on these and other proposals to bring entitlement spending back toward sustainable growth rates.

5. **Question:** What share of total income taxes do higher income brackets pay and do they pay a larger share of income taxes since the 2001 and 2003 tax cuts were enacted?

Answer:
My understanding is that, according to the Treasury Department, the President's tax cuts have resulted in a larger share of individual income taxes being paid by higher income taxpayers.

For example, the share of income taxes paid by the top 10% of taxpayers is estimated to be 67.7% in 2007 with the tax cuts in place; their share would have been only 66.4% without the tax cuts. The share of the top 25% is projected to be 83.8% with the tax cuts compared with 84.5% without the tax cuts.

EXECUTIVE MEETING PREPARED STATEMENTS

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Statement of Senator Sheldon Whitehouse
on the Nomination of Jim Nussle
to be Director of the Office of Management and Budget

August 2, 2007

Today, I am voting to report out the nomination of Congressman Jim Nussle to be Director of the Office of Management and Budget (OMB). I do so with some serious misgivings, that I'd like to put on record. As Chairman of the Budget Committee of the House of Representatives, Mr. Nussle was one of the chief architects and proponents of the tax cuts of 2001 and 2003. At a time of widening income disparity in our country, these tax cuts disproportionately benefited the wealthiest Americans, with almost half of the tax savings going to the top 5% of income earners.

As a result of the tax cuts, the government has had to borrow money to make up for the lost revenue, and our nation is now $3 trillion deeper in debt. This debt will burden our children and their descendants for generations to come.

Given Mr. Nussle's record as House Budget Chairman, I have concerns about how responsible Mr. Nussle's approach would be for future generations. My vote today should not be construed as a blank check of support for every action that Mr. Nussle might take as OMB Director. The Bush Administration has tried to characterize affirmative votes on nominations as affirmation of all of the polices that follow. I do not share that view.

I also have concerns about whether he would do the hard work, including often thoughtful and detailed compromises and new ideas that entails. One can be serious about our budget problems, but still engage in political gamesmanship. There is a demonstrated partisan political slant emanating from the White House, suggesting the decision has been made to proceed along that path.

As OMB Director, Mr. Nussle can be a vital partner in our mission to put the nation back on the track of fiscal responsibility. I have met with Mr. Nussle and judge him to be capable and thoughtful. If he chooses to, he can forge a productive working relationship with this Committee and with Congress. I hope he makes that choice.

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Wayne Allard

Statement of Senator Wayne Allard at the Senate Budget Committee Executive Business Meeting on the Nomination of The Honorable Jim Nussle to be Director of the Office of Management and Budget

August 2, 2007

I am pleased that the President chose Congressman Nussle to serve as Director of the Office of Management and Budget. Congressman Nussle is a highly qualified nominee who is deserving of timely Senate confirmation.

I have first-hand knowledge of his abilities from my service under his leadership on the House Budget Committee. As Chairman of the House Budget Committee, Congressman Nussle worked effectively with fellow House members, Senators, and the President to craft federal budgets—much like he will be required to do if confirmed as Director of OMB. Moreover, throughout his tenure in Congress, Congressman Nussle demonstrated a firm commitment to fiscal responsibility. Fiscal discipline is essential to keeping our economy strong and growing.

The fact is, today's economy is strong. More than eight million jobs have been created since August of 2003, unemployment is at historical lows, and paychecks are rising. One of the reasons we are enjoying a strong economy today is because the Republican Congress and the President created conditions for individuals and small businesses to thrive. These pro-growth economic policies include reducing income tax rates, reducing capital gains and dividend tax rates, reducing the estate and gift tax, and increasing incentives for small business investment. These policies, combined with the hard work and ingenuity of American workers and entrepreneurs, have resulted in five years of uninterrupted economic growth.

The economic growth stimulated by these policies has not only led to more money in the pockets of the American people, it has led to increased federal revenue and reduced deficits. Since 2003, revenues have rebounded sharply following several years of decline. Last year, revenues were up almost 12 percent to $2.4 trillion, the highest in our Nation's history. As a result, we cut the budget deficit in half several years ahead of schedule and put ourselves on a path toward balancing the budget.

I look forward to working with Congressman Nussle and my Senate and House colleagues to keep our economy strong and provide for our Nation's priorities. I am pleased that the Senate Budget Committee today favorably reported Congressman Nussle with broad, bipartisan support. I hope that the full Senate will act swiftly to confirm this qualified nominee.

COMMITTEE VOTES

YEA	NAY
Mr. Chairman	Senator Sanders
Senator Murray	
Senator Wyden	
Senator Feingold	
Senator Byrd	
Senator Nelson	
Senator Stabenow	
Senator Menendez	
Senator Lautenberg	
Senator Cardin	
Senator Whitehouse	
Ranking Member Gregg	
Senator Domenici	
Senator Grassley	
Senator Allard	
Senator Enzi	
Senator Sessions	
Senator Bunning	
Senator Crapo	
Senator Ensign	
Senator Cornyn	
Senator Graham	

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