



**United States Senate**  
**Committee on Homeland Security and Governmental Affairs**  
Chairman Joseph I. Lieberman, ID-Conn.

**Nomination Hearing of Congressman Jim Nussle for Director of OMB**  
**Chairman Joe Lieberman**  
**July 24, 2007**

Good morning. Today we will consider the nomination of the Honorable Jim Nussle to be Director of the Office of Management and Budget.

Congressman Nussle, your nomination comes at a moment of particular budgetary peril for the Administration and Congress. In less than three months, we must enact 12 appropriations bills to fund the vital functions of the federal government for the Fiscal Year beginning Oct 1, 2007 – everything from defense to education, homeland security to healthcare, veterans' benefits to food safety programs.

We have a lot of work to do for our country and it can only be done if we work together.

That is why I am troubled by the budgetary rhetoric emanating from the White House. It is not surprising that the President believes in the budget he submitted to Congress. That is his responsibility and his right. But to threaten vetoes of any appropriations bills that in any way exceed the Administration's top line suggestion does not respect the responsibility and right of Congress to reach its own budgetary conclusions, and sets us up for another round of political posturing and mudslinging that could shut down parts of our government and will further push down the rapidly plummeting opinion the American people have of all of us who were sent to Washington to work for them.

And what will this fight be over? The difference between the \$933 billion discretionary spending level reached by the President for FY08 and the \$953 billion top line established by the budget resolution – a \$20 billion difference – equal to 2 percent of the discretionary spending, and a fraction of the overall spending of the federal government next year.

This is a real difference, but not one so great in size or substance that it should shut down our government. Mr. Nussle, you have broad experience in budgetary matters, having served as Chair of the House Budget Committee from 2001-2006 and on the House Ways and Means Committee. The challenge that confronts the next director of OMB will require not only technical and fiscal experience and expertise, it will require that you serve as a bridge builder, a credible intermediary, that you represent the Administration but do so in a way that takes us all above political conflict to find common ground, to forge the kinds of compromise that will make our federal government work better for our country and our people.

Senator Collins?

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Good morning. Today we will consider the nomination of Jim Nussle to be Director of the Office of Management and Budget. Congressman Nussle, welcome to our hearing.

Your nomination comes at a moment of particular challenge for OMB. In less than three months, we must enact twelve appropriations bills to fund the vital functions of the federal government. Unfortunately, we have heard a lot of heated rhetoric and some veto threats surrounding Fiscal Year 2008 budget proposals, indicating a number of potential partisan showdowns this fall.

You have broad experience in budgetary matters, having served as Chairman of the House Budget Committee from 2001 through 2006 and on the House Ways and Means Committee. But the challenges that confront the next Director of OMB will require not only technical and fiscal expertise, but the ability to serve as a diplomat or statesman, to rise above partisan conflict and forge compromise.

The Director of OMB represents the Administration's position. But he or she must also be someone who will reach out to members of Congress in both parties with different opinions and help coax the process forward towards solutions that are in the best interest of our country. Hanging in the balance is funding for our nation's military, our homeland security, and vital domestic needs, so the stakes are too high for a protracted partisan stand-off.

Working with Congress on the budget is only one of the OMB Director's many critical responsibilities. The OMB Director must also help the President prepare the budget and execute it across 14 cabinet departments and more than 100 executive agencies, boards, and commissions. The OMB Director recommends where every taxpayer dollar is spent, oversees how each agency's programs are managed, and reviews vital rules for public health, worker safety, and environmental protection.

I have had serious concerns about how these responsibilities have been carried out over the last six and a half years. While I don't expect the next director to begin with a blank slate, his or her performance will be judged by how well he or she comes to grips with some of these inherited problems.

Let's start with the budget. The President promoted his FY 2008 budget as a balanced one, possible only because it was based on the unrealistic assumption that the Alternative Minimum Tax would expand to cover more than 40 million households in 2012 – which none of us believes will happen. Furthermore, the Administration omitted all costs for the Global War on Terror after 2009, which will cost billions more dollars in the next few years. When the President submits his final budget to Congress next year, I sincerely hope that it does not include similar financial sleights of hand to claim balance.

I also hope that the Administration does not try to balance the budget on the backs of our most vulnerable citizens. As Chairman of the House Budget Committee, as I recall, you were ready to propose severe cuts to Medicare, the State Children's Health Insurance Program (or, "SCHIP"), food stamps, and the Earned Income Tax Credit. The cuts you proposed to the Earned Income Tax Credit alone would have dropped two million families from a work support program with proven effectiveness. This is extremely troubling to me, and I hope, if you are confirmed, you will pledge to keep these vital programs intact.

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I am also deeply troubled that the Administration's FY 2008 Homeland Security budget proposal continues the risky policy of under-funding or neglecting some of the nation's most pressing security needs. For the fourth year in a row, cuts were proposed to crucial support for our under-equipped and under-trained first responders – the fire fighters, police officers, and emergency medical workers who prepare for and respond to disasters both natural and man-made. If we continue down this path, we will seriously impair the ability of state and local officials to protect their communities adequately. This year's budget proposal once again failed the test, endangering a number of federal programs states rely on to keep their communities safe. Given the recent National Intelligence Estimate describing al Qaeda's renewed efforts to attack us at home, I sincerely hope the

Administration's FY 2009 budget recognizes the need to do more, not less to strengthen security on the home front.

Federal acquisition of goods and services is another troubling area the Director of OMB oversees. Last year, the government spent over \$415 billion on federal contracts. Yet, while spending on contracts has exploded, the trained workforce that oversees those contracts has shrunk. I don't have to remind anybody of the widely publicized examples of waste, fraud, and abuse. At the highest level of OMB, we need greater leadership to replenish the acquisition workforce, increase competition in contracting, and ensure that contractors do not perform inherently governmental work.

Finally, I would hope the Administration's final budget next year will confront the fact that our nation's balance sheet is in indisputably dangerous territory. In 2001, we had a projected 10-year, \$5.6 trillion surplus, which has been eroded by huge spending increases and even larger tax cuts. During your tenure as Chairman of the House Budget Committee, that \$5.6 trillion surplus morphed into a 10-year, \$2.7 trillion deficit. In large part due to the fiscal irresponsibility of those years, our public debt is now more than \$5 trillion, and under the President's budget, that number will climb to \$6 trillion by 2014.

That says to me that everything must be on the table, not just entitlement programs and discretionary spending. Our tax policies must also face unblinking scrutiny, and we must consider whether to scale back the 2001 and 2003 tax cuts, which have been the single largest contributor to the reemergence of substantial deficits. Households with annual incomes above \$1 million comprise a mere 0.3 percent of the population, yet they've received more than twice the reward compared to the bottom 60 percent of households. We cannot continue to mortgage our nation's future on a tax break for the richest Americans while working families slide deeper into poverty and debt.

Congressman, these are weighty and difficult issues, and I eagerly await the discussion we will have about how you propose to address them. Thank you.