

July 19, 2007

Dear Senator:

We are writing to express our deep concerns about the nomination of Jim Nussle by President Bush for the position of Director of the Office of Management and Budget.

The undersigned are leaders of The Emergency Campaign for America's Priorities (ECAP). ECAP is made up of advocacy, service provider, women's, civil rights, religious, policy, and labor organizations. In our view, the widening gap between the rich and everyone else, and the disproportionate hardships of the poor, are serious threats to America's current and future prosperity. The Executive branch, with key leadership from the OMB Director, should work with Congress to address these threats. From Mr. Nussle's record as Chairman of the House Budget Committee, we see no evidence that he recognizes the corrosive effect of unshared prosperity. On the contrary, he has demonstrated adherence to an ideology that was repeatedly too extreme even for members of his own party and that capsized efforts to come to agreement on the budget. Further, there is a troubling pattern of unwillingness to address the needs of low-income people.

We hope that your Committee will raise these issues in the course of confirmation hearings.

**In Mr. Nussle's record, ideology is placed above equity, evidence, and legislative accomplishment.** Mr. Nussle has been an extreme proponent of inequitable service, benefit, and tax cuts. The results have been redistribution of federal resources away from people of low and moderate income, increasing their burden of deficit, while dramatically cutting taxes for the nation's wealthiest. We know that the tax cuts beginning in 2001 overwhelmingly favor millionaires and multimillionaires. Congress compounded that inequity with cuts in services needed by low-income people. Chairman Nussle's proposals would have made those service cuts much deeper. His proposals for the FY 2006 budget initially included \$68.6 billion in cuts over five years to entitlement programs such as Medicaid and the Earned Income Tax Credit. The full House could not accept these cuts and reduced them by about half. Regrettably, the final budget resolution included reductions of \$35 billion.

Chairman Nussle often wrapped himself in the cloak of fiscal responsibility, claiming his proposed spending cuts were necessary for deficit reduction. Unfortunately, this was mere rhetoric as the budgets proposed by Chairman Nussle actually increased the deficit dramatically because the repeated, non-offset tax cuts cost far more than the program cuts saved. To continue the example of FY 2006, the budget resolution approved tax cuts of \$70 billion, predominantly for the most well-off Americans, to be achieved through the reconciliation process. With \$35 billion in service cuts, that left the budget \$35 billion deeper in deficit.

Chairman Nussle was willing to reject the analyses of respected economists by asserting "Tax cuts don't need to be paid for [with offsets] - they pay for themselves." (BNA Daily Tax Report, 3/17/04.) The evidence has proven him wrong. Jim Horney of the Center on Budget and Policy Priorities summarizes the views of a broad spectrum of economists: "When it comes to the

deficit, the fact is this: Without the President's tax cuts, which will cost \$300 billion in 2007 alone (including the increased interest on the national debt), the federal government would be running a nearly \$100 billion *surplus* this year instead of the \$205 billion deficit that the Administration estimates." (Center on Budget and Policy Priorities, July 13, 2007; <http://www.cbpp.org/7-11-07bud-stmt.htm>). Even the administration's own analysis of this issue showed that under the very best of circumstances, tax cuts do not come close to paying for their full costs.

One of the most revealing expressions of inequitable priorities occurred after the Hurricane Katrina/Rita disaster. Congress had already agreed on \$35 billion in entitlement cuts for the FY 2006 budget. But although this was clearly an unanticipated emergency in which spending for a recovery effort could have been funded without offsetting the cost, the House pressed for deeper entitlement cuts – seeking to raise the amount cut to \$50 billion, closer to Chairman Nussle's original proposal. In addition, Chairman Nussle proposed cutting discretionary programs another two percent beyond the across-the-board 2.8 percent already called for in the FY 2006 budget resolution, ostensibly to "pay for" Katrina relief.

Yet Chairman Nussle had little problem with continuing, year after year, to sign a blank check for all of President Bush's "emergency" war supplemental requests. Throughout the war, the vast majority of spending has been approved on an emergency basis, not requiring any offsets, even though the costs were hardly a surprise. But the House leadership insisted on paying for hurricane disaster relief – so desperately needed by the poor – with cuts to the very programs that could help Hurricane survivors and others in need rebuild their lives. Further, tax cuts massively benefiting the rich remained protected. We hope that confirmation hearings clarify Mr. Nussle's and the Administration's criteria for the use of emergency supplemental requests and why rebuilding from the Katrina disaster was not seen to meet those criteria.

A bipartisan majority in the Congresses he led were unwilling to go along with the severity of the program cuts he proposed, and three out of the six budget resolutions he crafted as House Budget Committee Chair did not lead to final agreement on a budget resolution between House and Senate. Even when a budget resolution was approved, there were repeated instances of continuing resolutions for appropriations bills because of the unpopularity of the required cuts. In his last year, completion of appropriations was abandoned and left to the next Congress. We hope the confirmation process will examine whether Mr. Nussle's unbending commitment to harsh service cuts will lead to more failed budgets and thwarted progress in solving the nation's problems.

**Mr. Nussle has repeatedly targeted low-income programs for cuts.** As noted above, in his role as House Budget Committee Chair Mr. Nussle proposed cuts far deeper than Congress could ultimately support. In FY 2006, they were in fact deeper than those proposed by the Bush Administration. These cuts were targeted at low-income and vulnerable Americans. Medicaid and the State Children's Health Insurance Program would have been cut by up to \$20 billion over 5 years. Following the Administration's proposal, 300,000 people in low-income working families would have lost Food Stamps. The Earned Income Tax Credit was singled out by him for cuts estimated at \$15 billion to more than \$18 billion. While budget resolutions cannot dictate the precise nature of the cuts, the upper bound of the proposed EITC cut would have been

11 percent in 2006, the equivalent of eliminating the EITC for 2 million families, or cutting the EITC across-the-board by an average of \$190 per recipient. (Center on Budget and Policy Priorities, April 7, 2005, at <http://www.cbpp.org/3-30-05bud.htm>). Congress did not go along with this cut, but it is of great concern that Mr. Nussle was quoted at the time expressing a preference for cutting this effective work support. The full cost of cuts Chairman Nussle proposed for the House Ways and Means Committee totaled \$18.7 billion. In addition to the EITC, other low-income programs such as foster care, Temporary Assistance for Needy Families (TANF), child support enforcement, Supplemental Security Income (SSI), and the Social Services Block Grant were all threatened. As it turned out, Congress finally agreed to substantial cuts to child support enforcement that are estimated to deprive children of about \$11 billion in support they are owed over the next ten years. Now a growing group of advocates, state, and county officials are lobbying Congress to stop this wrong-headed cut before it takes effect this October.

Another example of a low-income program targeted by Mr. Nussle is the State Children's Health Insurance Program. Currently, there is bipartisan support in Congress for expanding SCHIP. In 2002, Chairman Nussle refused to include in the budget resolution a provision to prevent \$2.7 billion in SCHIP funds from expiring in either 2002 or 2003. Later, he refused to allow the funds to be saved because they were not in the budget resolution. At the same time, he supported tax cuts that exceeded the amount included in the budget resolution. The Office of Management and Budget at the time projected that if the funds were allowed to expire, the number of children covered by SCHIP would decline by 900,000 from 2003 to 2006. (Center on Budget and Policy Priorities, November 21, 2002, at <http://www.cbpp.org/11-21-02schip.htm>.)

We do not claim that Mr. Nussle's views are substantially different from the Administration's. Indeed, we recognize that the Administration is nominating him because in general he subscribes to its views. When they were in disagreement, Mr. Nussle tended to favor more severe cuts in investments than the Administration had proposed. But we believe these views are extreme, and likely to result either in gridlock or in more painful cuts to services needed by vulnerable people, young and old alike. We urge you to probe these views, and to assess whether Mr. Nussle is likely to encourage agreements that will allow the nation to invest in our future and to address the needs of the majority of Americans, not just the wealthy few.

Sincerely,

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