

July 25, 2006

Honorable Norm Coleman
United States Senate
Washington, D.C. 20510

Dear Senator Coleman:

On behalf of the Minnesota Council of Nonprofits and the undersigned organizations, we wish to express our strong opposition to S. 3521, the so-called “Stop Over Spending” Act introduced by Senate Budget Committee Chairman Judd Gregg.

Without a doubt, deficits are a concern. In 2001, the Congressional Budget Office (CBO) projected a \$5.6 trillion *surplus* for the decade 2002 to 2011. By March 2006, however, CBO projected a \$3.4 trillion *deficit* for the same period 2002 to 2011— a swing of \$9 trillion. If deficit reduction is the goal, it should come through a bipartisan compromise that looks at both the spending and revenue sides of the budget equation. We oppose S. 3521 for several reasons:

- S. 3521 is unfair and unbalanced in its approach to deficit reduction because it would compel massive domestic spending cuts but protects tax cuts from any fiscal scrutiny.
- S. 3521 undermines the public’s ability to participate in federal budget decisions, through its provisions to establish a new Presidential line-item veto and unelected budget commissions.
- S. 3521 does not include balanced reforms that work to reduce the deficit, such as two-sided Pay-As-You-Go requirements and ending the misuse of the budget reconciliation process to pass new tax cuts that increase deficits.

Cutting Spending Without Stopping New Tax Cuts

The Gregg bill would lock in place the discretionary funding levels proposed in the President’s most recent budget for the next three years. To hit those levels, the President’s budget proposes \$66 billion in cuts in domestic discretionary programs and services over the next three years. By 2009, the President’s cuts would hit every domestic discretionary program area in the budget, with the sole exception of space, science, and technology.

And much larger spending cuts would be required in future years. The Gregg bill sets a target for the deficit at 0.5 percent of the Gross Domestic Product (GDP) in 2012. CBO projections indicate that the deficit could equal 1.9 percent of GDP in 2012, under a set of reasonable assumptions. The difference between the projected deficit and the Gregg bill’s deficit target would be \$252 billion in 2012. If Congress did not enact legislation to close this gap, under the Gregg bill the entire \$252 billion in savings would have to be achieved in one year alone through across-the-board cuts in

entitlement programs, including Medicare, veterans programs, and assistance for low-income and unemployed persons.

The Gregg bill takes a one-sided approach to deficit reduction that focuses solely on cutting spending. But the growth in the federal deficit cannot be blamed simply on growth in spending. Recent tax cuts are the single largest policy factor driving the return to deficits in recent years, according to the Center on Budget and Policy Priorities. In fact, current federal spending as a share of the economy is below average for recent decades, while federal revenues as a share of the total economy are below their historical average. Extending tax cuts which are due to expire, as some in Congress wish to do, could cost up to \$800 billion by 2025, adjusted for inflation, further increasing the deficit. Any rational plan for reducing deficits, therefore, must address losses of revenues due to tax cuts.

Congress Giving Away Power to the President and Unelected, Unaccountable Commissions

We believe that budget decisions should be made through a process that includes meaningful opportunities for public input. Members of the House and Senate should have a full and vigorous debate about any proposed changes to spending, including entitlement programs, which includes the opportunity to offer amendments in the course of the normal legislative process. The Gregg bill falls short of meeting this test, in both its line-item veto and provisions to create new commissions.

The Gregg bill includes a line-item veto provision which would give the President up to one year after an appropriations bill has been enacted to propose the cancellation of individual items contained in the appropriation. The President could withhold appropriated funds through the end of a fiscal year so that those funds would lapse and the appropriation would be cancelled – *even when Congress overrides the President's veto*. This provision harms the ability of the public to participate in the budget debate through their elected representatives.

Under the line-item veto in the Gregg bill, the President could package the cancellation of items from different appropriations bills into a single veto package, and Congress would have to accept or reject the package as a whole on an “all or nothing” vote. It is likely that the use of this new line-item veto would go far beyond “earmarks” in appropriations bills; it could be used to eliminate entire programs, again without meaningful public participation in the debate.

The Gregg bill also creates two new commissions: one to produce a plan for program terminations and realignments and another to develop a plan for the long-term solvency of Social Security, Medicare, and Medicaid. Any process for making large-scale changes to domestic spending, including entitlement programs such as Social Security, Medicare, and Medicaid that play a vital role in the lives of so many Americans, must be transparent and afford interested citizens the opportunity to participate fully in debates about the future of those programs. Unfortunately, the Gregg bill has structured both commissions in a manner that is unlikely to produce balanced recommendations.

Failure to Include Reforms That Work

The Gregg bill is as notable for what it excludes as for what it includes. If deficit reduction is truly one of the goals of the Gregg bill, it could have included the restoration of two-sided Pay-As-You-Go (PAYGO) rules on both entitlement increases and tax cuts. Two-sided PAYGO has proven effective in the past and is broadly supported by budget watchdog groups, the Government Accountability Office (GAO), and former Federal Reserve Chairman Alan Greenspan. PAYGO requires that any new discretionary spending or increase in entitlement spending must be paid for, either by a specific increase in revenues or by cutting spending, and represents a more balanced way to achieve deficit

reduction. A recent analysis by the Center on Budget and Policy Priorities of CBO's long-term budget projections indicates that enacting and enforcing PAYGO rules could close as much as two-thirds of the federal budget deficit through 2050.

Another positive reform would be to restore Congress' original intent in enacting the fast-track budget reconciliation process. The budget reconciliation process was intended to be a deficit-reduction measure. However, the budget reconciliation process has been used in recent years to facilitate the passage of tax cuts that *increase* deficits. A provision to end such misuse of the budget reconciliation process is missing from the Gregg bill.

Chairman Gregg has characterized his bill as taking a common sense and fiscally responsible approach to deficit reduction. In fact, S. 3521 takes a radical approach to reducing spending while at the same time protecting tax cuts from any fiscal scrutiny. In addition, this legislation impedes the public's ability to participate fully in federal budget decisions that have a real impact on our communities.

We urge you to vote NO on S. 3521 and to vote NO on any individual components of this legislation, such as the line-item veto, which may come to a separate vote on the Senate floor.

Sincerely,

Steve Francisco
Federal Policy Director
Minnesota Council of Nonprofits

On behalf of the Minnesota Council of Nonprofits and the following organizations:

Alexandra House, Inc., Blaine
Growth & Justice, St. Paul
Guild Incorporated, West St. Paul
HOME Line, Minneapolis
Housing Access Center, Duluth
Intercongregation Communities Association, Minnetonka
Jewish Community Action, St. Paul
JOBS NOW Coalition, St. Paul
Lutheran Social Service of Minnesota, St. Paul
Minneapolis Highrise Representative Council, Minneapolis
Minnesota Coalition for the Homeless, Minneapolis
Minnesota Disability Law Center, Minneapolis
National Association of Social Workers MN Chapter, St. Paul
National Council of Jewish Women, State Public Affairs, Minnetonka
Northeast Residence, Inc., St. Paul
Project for Pride in Living, Minneapolis
Therapeutic Services Agency, Pine City
West Central Industries, Inc., Willmar