The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
The Honorable John R. Kasich
The Honorable John M. Spratt

Dear:

I am writing to express the Administration's deep concerns about the House and Senate budget resolutions. Both resolutions would set the country's overall fiscal policy on the wrong path. If implemented, they would reverse much of the fiscal progress of recent years and could erode our hard-won budget surplus. The resolutions offer fiscal plans that would make it more difficult to address priorities such as reducing our public debt, strengthening Social Security and Medicare, including providing a prescription drug benefit, expanding health care coverage, and enacting targeted tax relief. The resolutions would also make it difficult to complete the FY2001 appropriations bills in a timely manner.

Both versions of the budget resolution make room for a fiscally irresponsible tax cut by short-changing important priorities for the American people. As a result, Social Security, Medicare, health coverage, and discretionary programs would all suffer. The resolutions call for policies that would undermine the pledge to dedicate the entire Social Security Trust Fund annual surpluses to debt reduction. In short, the resolutions call for tax cuts and related additional debt service costs that would consume all or virtually all of the entire OMB and CBO on-budget surplus estimates over the next five years.

Both resolutions create room for the tax cut through an unrealistic assumption that Congress will be able to pass deep cuts in domestic discretionary spending. The House resolution would cut next year's budget for most non-defense programs by an average of nine percent. While the Senate resolution claims to protect more programs, it would cut the remaining accounts by an average of twelve percent **[this may change with Sense of Senate amendments expanding the universe of protected programs]** These artificially low levels would be cut even lower over time in order to pay for the resolution's tax cut. Too often, past policymakers have used questionable economic and budget assumptions to produce rosy scenarios and avoid making tough but necessary budget choices. That approach to budgeting helped produce the record deficits of the 1980s and early 1990s. This resolution should not set us back on that course.

The results of these discretionary cuts would be devastating. The resolutions could prevent us from reaching the President's goals of serving 950,000 children in Head Start, providing urgent repairs for 5,000 schools, and and hiring 49,000 public school teachers to reduce class size. Compared to the President's Budget, the resolutions could require the FBI to cut about 900 agents. They could deny National Science Foundation support to thousands of researchers, educators, and students. They would also threaten our ability to keep our national security commitments around the world.

Discretionary spending is not the only priority that would be crowded out by the resolutions' fiscally irresponsible tax cut. The resolutions do not adequately address the critical issues of Social Security and Medicare. They include no proposals to extend Social Security's solvency. The reserve funds for Medicare are inadequate to address Medicare's solvency and modernize the program with a prescription drug benefit. However, the Senate reserve fund makes some improvements and I hope the conferees will build on that progress. Moreover, the resolution fails to fund other important health initiatives, including the President's proposals to expand access to health coverage through Medicaid and the State Children's Health Insurance Program (SCHIP). The President's Budget framework would allocate $91 billion ($18 billion over five years) to the health coverage initiative.

The President's budget proposed to reverse some of the mechanisms used last year in the final appropriations bills. We made those proposals to restore normal budgetary conventions in hopes of returning to more straightforward fiscal legislation that is free of gimmicks. The resolutions rightly assume the President's proposal to reverse some of those timing shifts. Unfortunately, by relying on unrealistic assumptions about discretionary spending, both versions of the budget resolution risk once again forcing the use of the same approach.

The resolutions are fundamentally flawed and fail to provide a balanced and workable economic plan that addresses the long-term needs of our people. In the past, this approach has delayed, rather than expedited, action on appropriations bills and other fiscal legislation.

The House and Senate-passed resolutions share an overall structure whose major flaws are discussed above. These concerns cannot be addressed by simply focusing on the differences between the two resolutions. I hope you will work in conference to address these broader concerns and produce a bipartisan budget resolution that will make it possible to complete this year's work in a timely manner while producing effective results for the American people. I look forward to working with you towards that end.

Sincerely,

Jacob J. Lew
Director