

**THE PRESIDENT'S FISCAL YEAR 2008 WAR
SUPPLEMENTAL REQUEST**

HEARING

BEFORE THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

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WEDNESDAY, APRIL 16, 2008

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The committee met at 12 noon, in room SD-106, Dirksen Senate Office Building, Hon. Robert C. Byrd (chairman) presiding.

Present: Senators Byrd, Inouye, Leahy, Harkin, Mikulski, Kohl, Murray, Dorgan, Feinstein, Durbin, Landrieu, Reed, Nelson, Cochran, Stevens, Gregg, Bennett, and Craig.

OPENING STATEMENT OF CHAIRMAN ROBERT C. BYRD

Chairman BYRD. Good afternoon, ladies and gentlemen.

Senator Specter announced yesterday that his health has hit a small bump in the road. While many of us know what it is like to face a health challenge, I know this man. His strong, fighting spirit will quickly lead him on the path to recovery.

On September 26, 2007, we heard from Secretary of Defense Gates and Deputy Secretary of State Negroponte. Today we will hear testimony from the Director of the Office of Management and Budget, Jim Nussle. Welcome, Mr. Nussle.

Eleven months ago, Congress sent the President a war funding supplemental that included clear direction to bring our troops home by December 2007. The President chose to veto that bill. If he had signed that bill, most of our troops would already be home. But instead of bringing our troops home, the President decided to increase our commitment of U.S. troops and treasure to a war that has now entered its sixth year. Over 4,000 U.S. servicemembers have died, dead, dead, dead. Over 30,000 U.S. servicemembers have been wounded. By the end of 2008, the war in Iraq will have cost a whopping—did you hear that? A whopping \$600 billion, spelled with a “B”. \$600 billion.

In the next few weeks, the Appropriations Committee will consider the President's request for Congress to approve another \$108 billion of emergency funding, mostly for this war in Iraq. We will be considering the President's request at a time when the U.S. economy is by most accounts in serious trouble, and I do not mean maybe. Under the President's fiscal leadership, the U.S. Government will have piled up the five largest deficits in the history of this republic. It took 212 years. Remember that. 212 years and 42 U.S. Presidents to accumulate \$1 trillion of foreign-held debt. But in only 7 years, President George W. Bush has more than doubled

the debt our country owes to China, Japan, and other foreign countries.

Economic growth came to a virtual halt at the end of 2007, with the gross domestic product for our economy falling from 4.9 percent in the third quarter to 0.6 percent in the fourth quarter. The unemployment rate rose in March to 5 percent from 4.8 percent in February. The construction trades have lost 394,000 jobs since September 2006. Manufacturing employment has fallen by 310,000 jobs within the last 12 months. Since March 2007, the number of unemployed has increased by 1.1 million workers to 7.8 million. Meanwhile, food and fuel prices are climbing dramatically. Dramatically I say. 8.8 million homeowners have mortgages that exceed the value of their homes, and foreclosures have increased 57 percent.

A careful review of President Bush's request reveals no evidence—none—of funding to bolster our country's economy or to help Americans deal with lost jobs or mortgages, foreclosures, and the rising cost of living. Food costs have grown by 10 percent, and yet there is nothing—nothing in the President's supplemental request to strengthen the Women, Infants, and Children's (WIC) Nutrition Program.

Home heating oil costs have climbed 37 percent, and yet there is no additional funding for low income home energy assistance. None.

And there is nothing in the President's request to address the alarming crumbling of our infrastructure. Yet, the President has thrown down the gauntlet and threatens to veto the supplemental bill if the Congress has the temerity—get that—to add one thin dime to his request in order to help our citizens cope with the situation.

What a contrast to the President's request for assistance for Iraq. We have already poured \$45 billion—B—capital B—\$45 billion of our citizens' hard-earned tax dollars and poured our citizens' sweat and blood and tears into reconstruction projects in Iraq, projects that have done little to promote political reconciliation. That is 45 billion American dollars gifted to Iraq despite the fact that the Iraqi Government is running a huge surplus due to its excess oil revenues.

Now, the President is asking this Congress to shovel yet another \$3 billion of American taxpayers' dollars to continue rebuilding Iraq. Well, I say charity begins at home. The President wants money to build schools in Sadr City but not in Seattle. Why does he demand money for roads in Ramadi and nothing for roads in Richmond? Why? Why I say? The President wants money for Mosul but not one thin dime for Minneapolis. Why is he determined to reconstruct Baghdad but nothing for Baltimore, or Biloxi, or Birmingham?

Mr. Director, the President repeatedly states that Congress should show support for the troops by rubber stamping a \$108 billion war supplemental that ignores American needs.

We supported the troops last year when we sent the President a war supplemental that increased funding to provide better healthcare to our service members, better healthcare to our veterans, more funding to equip and train the National Guard and Re-

serves, more funding for mine resistant vehicles, and clear direction to bring our troops home.

This year, we will once again take good care of our troops, but we must also invest in our own economy and take care of our people here at home. To fail to do so will only further dampen our economy, work a hardship on our citizens, and deplete our ability to pay these endless—endless—ever-climbing requests for more money to fund this dreadful, intolerable, hateful war in Iraq. The well is running dry and it is time to prime the pump.

One note to the audience. You better listen now. I will not, n-o-t, not—tolerate disruptions of this hearing. I have instructed the Capitol Police to immediately remove any member—and do not think I will not do it—any member of the audience—any member of the audience who attempts to disrupt or interfere with this proceeding. Did you hear that?

Director Nussle, we look forward to your testimony today.

I now turn to Senator Cochran for any opening statement that he may wish to make.

STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, I am pleased to welcome the Director of the Office of Management and Budget (OMB), Jim Nussle, to our committee.

It has now been over 14 months since the President submitted his fiscal year 2008 supplemental request to support our efforts in Iraq and Afghanistan. The President requested these funds to give our armed forces and our diplomatic core the tools they need to implement the policies of the United States Government, to advance our national security interests, and to improve the opportunity for the people of Afghanistan and Iraq for a free and stable future.

Of the President's initial request, more than \$108 billion has yet to be acted on by Congress. I hope this hearing is an indication that the committee and the Congress as a whole is prepared to act expeditiously on the remainder of the request.

At the end of last year, Congress approved only \$70 billion of the President's outstanding supplemental request. Enacting even that amount required a protracted struggle between the House and the Senate and the President. As a result, the Department of Defense (DOD) had to issue furlough notices, make a series of transfers and reprogramming of funds, and it undermined its efficiency in the process.

I hope that we will not repeat that process, but I fear we are headed in that direction. Perhaps Director Nussle can tell us today how much time we have to work with and the ramifications of our failing to act promptly.

I am not suggesting that this committee or the Congress simply approve the President's request without any question. We have a duty to analyze the request and make changes where we think they are appropriate. But we must not lose sight of a greater duty to give the men and women of our armed forces and diplomatic corps the resources they need to succeed in their mission.

We have had the President's request for 14 months. We have held hearings. Members and staff have had numerous meetings with administration officials and other interested parties and we

have received an updated report from General Petraeus and Ambassador Crocker.

It is time to act and to get this supplemental to the President. Chairman BYRD. Mr. Nussle.

STATEMENT OF HON. JIM NUSSLE, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. NUSSLE. Thank you, Mr. Chairman. I appreciate the opportunity and the invitation to appear before you today. I look forward to discussing the critical and urgent needs of our men and women in uniform and diplomatic corps, and I thank you for the bipartisan support that has been shown for previous war funding requests.

The President has two key budget priorities that he keeps in mind constantly that I am instructed in my position to uphold, and that is to keep America safe and secure and to strengthen the U.S. economy. These twin goals of national security and economic growth are really interlinked. Our country really cannot prosper and cannot be successful if we are not both safe and free at the same time.

Our war funding request, which has been pending before Congress now for more than 1 year, directly addresses the President's national security goal, and last week the President asked Congress to quickly pass a fiscally responsible bill that meets the needs of our troops and does not tie the hands of our military commanders. And he did pledge, as the chairman said, to veto a bill that does not meet this criteria or spends more than the requested amount of \$108.1 billion. The Secretary of Defense has provided you with the most up-to-date details that we have and that he has to support the needs of our troops in the field and to support this process.

The timely consideration of the bill is as important as its contents. Congress, I believe, needs to fund our troops by Memorial Day. Senator Cochran mentioned when. I believe Memorial Day is the time that we need to function under. Failure to act quickly could result in an unfortunate replay of what happened last December when furlough warnings were issued by the Department of Defense. So I suggest that no one here believes that would be an acceptable outcome. It is not good as a way to budget, and it is certainly not good for the morale of our troops and members of the diplomatic corps and their families.

So while strengthening our national defense, the President also continues to focus his attention and time to helping to ensure that our economy builds momentum. He worked with you and the rest of the Congress on a bipartisan \$160 billion stimulus package that was aimed at bolstering economic growth. And you passed it and he signed it in a bipartisan way. Families will soon be receiving the tax rebates. Small businesses are already beginning to use the incentives to encourage new investment and job creation, and the administration has also taken concrete steps to help Americans stay in their homes.

To help aid in job creation, he also proposes to open new markets for American farmers and manufacturers and workers. And to bring certainty in an uncertain economic environment, the President's budget seeks to make tax relief permanent, a step that will prevent over 116 million taxpayers from facing an average tax hike

in the next 2 years of about \$1,800. So that is an important part of the dynamic here today.

In addition to all of this, we had prompt administrative action. We are still, I believe, needing to do work together on housing, and I urge the Congress to consider and approve the Federal Housing Administration (FHA) reform that was first submitted by the administration to the Congress more than 2 years ago.

We share your economic concerns. However, we need to trust and allow the bipartisan stimulus that we all agreed to—give that package time to work, as we all agreed to back in January. The answer is, I believe, not at this point in time to meet our economic challenges, to take more money away from families and from small businesses and individuals and just use it for more Government spending. Expanding Government in my opinion does not create one more job in my hometown of Manchester, Iowa, but it does take money out of the private economy that would, I believe, help put families in a better position. It would be put to better use by those families and small businesses and people that are creating jobs in my hometown and all of yours.

There are always many worthy ideas that, if could be funded, would be funded if resources were unlimited. And I can say that after 7 months in my job here at OMB, I can testify to you with certainty that many of these ideas that we are asked to fund reflect a sort of a sky is the limit mind set, but this money does not belong to us, as the chairman well knows. It belongs to the people of America. It belongs to the taxpayers.

As you are well aware, there are two processes for allocating Federal funding that this committee steers: the regular appropriations process and, of course, the emergency supplemental appropriation process. And I believe we have a different philosophy in approaching these two types of funding.

The administration chose to request war funding as an emergency supplemental in order to provide flexibility to the Department of Defense and our military commanders in order to address the changes that inevitably occur on the ground. The ability to respond to changing conditions and requirements in the field has and will continue to ensure that our troops have the very best resources to succeed in their mission. We also chose to request war funding as an emergency to ensure that when our troops come home, we have not left the Department of Defense with an over-inflated budget that could be difficult to adjust in the future.

This is the request that has been pending before the Congress basically for the past 14 months. This committee heard testimony, as the chairman said, from the Secretaries of Defense and State approximately 1 year ago. But today, we need to act.

I believe we are here today, unfortunately, to discuss how we can add to that bill and load up the troop funding bill with tens of billions of additional dollars of spending, perhaps because it may be viewed by members and Senators as the last money train out of town. Having served in the Congress, I understand that tendency. The President has made it clear that he will veto any attempt to hijack this much needed troop funding bill.

So let me be clear. That is not to say that Congress in its wisdom, obviously, cannot pursue funding for other items it deems im-

portant. Of course, that is appropriate, and I do not need to tell you that. But there is a time and place that we believe these programs should be debated and considered on their merits, and that is during the annual appropriations process. This committee is poised to consider 12 appropriation bills, totaling nearly \$1 trillion, and I believe within that total proposed by the President, Congress would be able to find room for many good ideas that the members have in order to address the concerns and priorities. And I believe it can and should be done soon.

I know this committee wants to get its work done and wants to get it done on time and wants to get it done within budget. But it is disturbing to hear from some corners of Congress that we should put the Government on auto pilot until next year. If that is so important to possibly get a better deal from the next President, if it is so important to the economy, if it is so important to the priorities that I am sure we will talk about here today and in the future, then I think it is also important to accelerate the process of the annual appropriations process rather than deflect or delay that responsibility for the next President.

So I hope the committee will consider to deliberate over providing funding for programs critical to many of our most vulnerable citizens, but holding troop funding hostage for this purpose I do not believe is acceptable to any American.

And just adding more Government spending does not really solve our Nation's economic challenges, especially when measured against the already large \$3 trillion annual budget that is spent for many of those purposes. Any infrastructure that is necessary and appropriate for Federal spending can and should be funded like any other regular appropriation bill and priority through that annual process.

A bill to fund our troops that are serving in harm's way should not be transformed into a vehicle for lawmakers to fund domestic programs that were underfunded last year during the appropriations process and possibly even push the deficit even higher. It will be a difficult road ahead to balance the budget. We know that for the short term, but it still remains a high priority, I believe, on both sides of the aisle and on both sides of Pennsylvania Avenue. But we believe that the war funding request before you is already factored not only into those budget projections, but the tens of billions of additional spending in the committee that may be considered over and above that have not been factored into that consideration and the deficit would only go higher.

So I look forward to hearing the committee's perspective and answering the questions. And, Mr. Chairman, it is an honor to be before you here today. If I may say personally, having been a chairman myself, if I could write the contract today to look as good as you do today as a chairman, I would sign up for it. And I appreciate the honor of being before you here today. Thank you.

Chairman BYRD. Thank you. You get an A-plus for that.

Mr. NUSSLE. I am doing the best I can, Mr. Chairman.

Chairman BYRD. You are doing all right.

[The statement follows:]

PREPARED STATEMENT OF JIM NUSSLE

Mr. Chairman, Senator Cochran, and members of the Committee, I thank you for the opportunity to appear before you today. I look forward to discussing the critical and urgent needs of our men and women in uniform, and I thank you for the bipartisan support for previous war funding requests.

The President has two key budget priorities: keeping Americans safe and secure, and strengthening the U.S. economy. These twin goals of national security and economic growth are interlinked. Our country cannot prosper if it is not both safe and free.

Our war funding request, which has been pending before Congress for more than a year, directly addresses the President's national security goal. Last week, the President asked Congress to quickly pass a fiscally responsible bill that meets the needs of our troops and does not tie the hands of military commanders. And he pledged to veto a bill that doesn't meet these criteria or spends more than the requested amount of \$108.1 billion. The Secretary of Defense has provided you the most up to date details to support these needs for our troops in the field.

The timely consideration of the bill is as important as its contents. Congress needs to fund our troops by Memorial Day. Failure to act quickly could result in an unfortunate replay of last December, when furlough warnings were issued by the Department of Defense. No one thinks that is an acceptable outcome—it's not a good way to budget and it's bad for the morale of our troops and their families.

While strengthening our national security, the President continues his focus on helping our economy build momentum. He worked with Congress on a bipartisan \$160 billion stimulus package aimed at bolstering economic growth. Families will soon receive the tax rebate payments, small businesses are beginning to use incentives that encourage new investment and the Administration has also taken concrete steps to help Americans stay in their homes.

To help aid job creation, he proposes to open new markets for American farmers, manufacturers and workers. And to bring certainty in an uncertain economic environment, the President's budget makes tax relief permanent—a step that will prevent 116 million taxpayers from facing an average tax hike of \$1,800. In addition to prompt Administrative action, there is still work to do on housing, and I urge Congress to approve the FHA reform first submitted by the Administration more than two years ago. We share your economic concerns, however we should trust and allow the bipartisan stimulus time to work.

The answer to our economic challenges is not to take more money away from people through higher taxes to then use it for more government spending in Washington. Expanding government doesn't create one job in my hometown of Manchester, Iowa but it does take money out of the private economy that would be put to better use by families and job-creators. There are many worthy ideas that could be funded if resources were unlimited. And after seven months in this OMB job, I can testify that many of the ideas we're asked to fund reflect a sky is the limit mindset. But this money doesn't belong to us—it's the taxpayers' money.

As you are all well aware, there are two processes for allocating federal funding that this Committee steers: The regular appropriations process, and emergency supplemental bills. I believe we have two very different philosophies with respect to these types of funding.

This Administration chose to request war funding as an emergency supplemental request to provide flexibility to the Department of Defense and our military commanders to address changes on the ground. The ability to respond to changing conditions or requirements in the field has and will continue to ensure our troops have the very best resources to succeed in their mission. We also chose to request war funding as an emergency to ensure that when our troops come home we have not left the Department of Defense with an over-inflated budget that could be difficult to adjust in the future.

This is the request that has been pending before Congress basically for the last 14 months. This Committee heard testimony on this request from the Secretaries of Defense and State approximately one year ago. But today, rather than acting on that request, I believe we are here today discussing the desire of some in Congress to load up this troop funding bill with tens of billions in additional spending, perhaps because it's viewed as the last big money train out of town before the election. The President has made clear that he will veto any attempt to hijack this much needed troop funding bill.

Let me be clear—that it is not to say Congress in its wisdom cannot pursue funding for other items it deems important. But there is a time and a place for these programs to be debated and considered on their merits, and that is during the annual appropriations process. This Committee is poised to consider 12 annual spend-

ing bills totaling nearly one trillion dollars, and within that total proposed by the President, Congress should be able to find room for whatever good ideas members may have, and do so soon.

I know this Committee wants to get its work done, on time and within budget, but it's disturbing to hear from some corners of Congress that we should put the government on auto pilot until next year. If it is so important for the economy to accelerate new spending, then why would Congress punt until the next President? I hope this Committee will seek to deliberate over and provide funding for programs critical to many of our most vulnerable citizens, but holding troop funding hostage for this purpose should not be acceptable to any American.

Just adding more government spending does not solve our Nation's economic challenges—especially when measured against an already large \$3 trillion annual budget. Any infrastructure spending that is necessary and appropriate for Federal spending can and should be funded like any other regular Federal priority, through the annual spending bills. A bill to fund our troops serving in harm's way should not be transformed into a vehicle for lawmakers to fund domestic programs that were last year and to push the deficit even higher.

It will be a difficult road to balance the budget in the short-term, but it remains a high priority not just for the Administration, but more importantly, for the American people. The war funding request before you is already factored into our budget projections. The tens of billions in additional spending this Committee may consider are not.

I look forward to hearing the Committee's perspective and answering your questions.

Chairman BYRD. Director Nussle, according to the American Society of Engineers, our Nation has 590,000 bridges, and one out of every four is structurally deficient or functionally obsolete. One of those bridges was the I-35 bridge that collapsed in Minnesota last year. Because of congested roads, Americans sit in traffic for 3.5 billion hours annually at a cost of \$63 billion to the economy.

Our airways are not much better. Airports are struggling to accommodate an increasing number of airplanes and jumbo jets, and passengers are forced to wait interminably on runways.

Inter-city passenger rail service is in a precarious state of near bankruptcy.

There are 3,500 deficient and unsafe dams, posing a direct risk to human life should they fail.

Water facilities are unable to comply with safe drinking water regulations. Outdated wastewater facilities discharge billions—with a "B"—billions of gallons of untreated sewage into surface waters every year.

Existing transmission facilities within the national power grid are overwhelmed by bottlenecks which elevate the risk of regional blackouts.

In your written testimony, you noted that expanded Government will not create one job in your hometown of Manchester, Iowa. But when you came to Washington, your plane took off from an airport funded with public funds and the Federal Aviation Administration (FAA) controllers helped you to get here safely. You drove on a highway across a bridge that was federally funded and you drank water from a system that was supported with U.S. tax dollars.

When this committee meets to mark up the supplemental, I will recommend that we approve a significant supplemental for infrastructure spending across the Nation. I believe that this committee has a responsibility to help our State and local partners provide an infrastructure that will create jobs in the short term and promote a growing economy in the long term.

Why is it, may I say, that President Bush is satisfied with leaving a legacy built on a crumbling infrastructure?

Mr. NUSSLE. Mr. Chairman, I do not believe the President either wants to have that legacy or, for that matter, will have that legacy. Since 2003, obviously together, the administration and the Congress have increased transportation investment in this country by 17 percent, an 11 percent increase this year alone. Certainly jobs are created in that kind of a purview. But the concern that we have is that this can be done and should be done in the annual appropriations process. That is where these expenditures have been increased. That is where the commitment has been made, again on both sides, and it again can and should be done now.

And the concern the administration has and that I expressed today is that if, in fact, it is urgent, it would seem to me that moving the transportation appropriation bill and moving it quickly through the process in both the House and the Senate would be a priority. So it concerns us when we hear that, in fact, we may be operating under a continuing resolution at the end of the year and that, in fact, we have heard directly from the Senate Majority Leader that, in fact, he may decide to wait for, I believe as he put it, a better deal from the next President.

So those are the reasons why I believe we are concerned, but I do not believe either one of us has a legacy of not supporting our infrastructure. And I believe that bears out in the kinds of bills and budgets that we have passed over the last number of years.

Chairman BYRD. The President proposes in fiscal year 2009 to reduce grants to State and local governments by over \$13 billion, including cuts of over \$4.4 billion for infrastructure. He has threatened to veto any appropriations bill that exceeds his request. So in reality, the President intends to block any effort—any effort—to improve our infrastructure.

Senator Cochran.

Senator COCHRAN. Mr. Chairman, Mr. Nussle, we are more than halfway through the fiscal year and the Department of Defense and the Department of State have received less than half of the funding the administration has requested to carry out the missions of those two Departments.

The two military services most committed in Iraq and Afghanistan are the Army and the Marine Corps. At what point do the Army and Marine Corps run out of funding that they need to fight the global war on terrorism?

Mr. NUSSLE. Thank you, Senator Cochran. As the Senator and other members of the committee know, this is not an exact science. The exact date and hour when that occurs is not something that can be perfectly precise, but I have asked that question of our Department of Defense and Secretary Gates and England, and I am informed that will occur in early summer, toward the end of June. And that is why we continue to be as concerned and express the urgency for the funding before any notices of furlough go out, which are, according to the practice that occurred in December, approximately 30 days. Or that is what it is by law. It could be 60, but 30 days, I believe, is what the Department of Defense was contemplating in December. That being the case, Memorial Day and

that recess is the timeframe that I testified to today for that reason.

Chairman BYRD. Senator Inouye.

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

Mr. Director, contrary to requirements of current law, the President's budget request for fiscal year 2009 does not include an estimate of the full-year cost of the ongoing operations in Iraq and Afghanistan. Instead, the administration submitted a \$70 billion placeholder without any details, which it says will fund roughly 6 months of operation.

Are we to conclude from this that the Department plans to reprogram an additional \$70 billion for its peacetime budget to support operations in Iraq and Afghanistan for the second half of fiscal year 2009?

Mr. NUSSLE. No, sir. Senator, what we did—I guess two parts to this. First—when I served in the Congress and was chairman of the Budget Committee, I joined with many of you and colleagues that said the President should include the war funding in the budget when it is submitted. And that practice occurred. In fact, we are still discussing the emergency supplemental that embodied that practice as the President included it in his fiscal year 2008 budget.

However, because of how long it has taken for consideration, starting with, number one, and number two, because the President made the decision that he did not want to tie the hands of the next Commander in Chief in determining what the strategy and corresponding funding would be after taking office after the election this year, we would put a placeholder in there, recognizing the tendency and the practice on the part of Congress to fund a bridge as you did in the last emergency supplemental and may very well contemplate to do again this year.

So it was not at all—and I testified when I came to the Senate the last time to roll out the budget that we recognize this is not the full cost. We acknowledge that. Secretary Gates testified to that as well. But we felt it was the appropriate responsible practice, given the way Congress was managing the resources and we were doing that together and also to embody what the President was concerned about, and that was tying the hands of the commanders or the next Commander in Chief.

Senator INOUE. In this supplemental request, the administration included something over \$4.8 billion for reconstruction efforts in Iraq, while at the same time Iraq is benefiting from a budget surplus and billions in oil revenues. Why are we continuing to finance these projects and not increase the pressure on the Government of Iraq to execute their budget toward the projects proposed with U.S. taxpayer financing?

Mr. NUSSLE. Well, Senator, this is a narrow question of a bigger one that I know you and I know I did when I served in the Congress received every time I went home. Why are we sending money overseas? Why do we fund the Foreign Service? Why do we have foreign aid? And it is always a complicated question to explain to your constituents why it is, when there are certainly priorities at home, why you would be funding these types of activities.

But we know with Iraq—and it was testified much more ably than I could here today by Ambassador Crocker and General

Petraeus—that in order for us to have that return on success, in order for Iraq and Afghanistan and, for that matter, many other challenges around the world to be successful, that it does require resources in order for us to accomplish that.

I would be very interested in exploring a change in that direction, to have Iraq step up even to a greater extent than it is now. And it has, as Ambassador Crocker has testified to, to a much greater extent for security, much greater extent for reconstruction. That is something that could and I believe should be discussed with Iraq as we consider moving forward.

But here and now today, and judging from what we need over the next 2 months, we believe we submitted a supplemental that meets those needs and addresses those concerns so that we can be successful and continue to be successful and our men and women can come home.

Senator INOUE. But as you know, Mr. Director, when we provide foreign aid or assistance programs to places like Darfur in Africa, those people are poor. They do not have any surplus. Here in Iraq, we are told that the Iraqi Government has a surplus, a big one, in billions of dollars. We are paying high gas prices so that they can have a surplus and the income they make in oil.

How do we explain to our constituents that here is a country with surpluses, something we do not have, here is a country that is making billions of dollars at our expense, and yet we are paying for their reconstruction? That is the question.

Mr. NUSSLE. Well, first of all, Iraq is paying for more and more of its reconstruction and more and more of its security. I am certainly not suggesting that they are poor, but I do not know if that can be measured specifically or distinctly by the fact that they have a surplus. They may be rich in their bank account, but they do not yet have a rich tradition of democracy. They do not yet have a rich tradition of security. They do not have yet a rich tradition and demonstration of political stability. That is coming, as it was reported to you. It is improving. It is building, but it is not to the point yet where the lack of support from the American people and the generosity of the American people would result in further success. And it was their concern, expressed again more ably than I could, that now would not be the time to change that policy. And it is for that reason that I make the request on behalf of the President.

Senator INOUE. Can you give us an estimate of how much surplus Iraq should gather before they can help themselves?

Mr. NUSSLE. I believe that is something that should not be determined unilaterally between two sovereign countries, but rather something that should be worked out between those two countries. As I said, I would be open and I believe the administration would be open to that consideration. I do not have a proposal I can present to you today either procedurally or in dollar amount, but I would believe, working together, that we can achieve that. But it is something that needs to be done together and not in a unilateral but in a bilateral type approach and agreement so as not to destabilize and have any less success than we have seen of late.

Chairman BYRD. I note that Iraq is expecting a \$16 billion surplus this year.

Senator Gregg.

Senator GREGG. Mr. Chairman, thank you.

I want to follow up on that question and the point made by the chairman because I do think this is a legitimate issue. It does seem to me that Iraq is not bearing a fair portion of the load here, especially in light of its surpluses and especially in light of the fact that the Inspector General, Mr. Bowen, came up with a number. I believe it was \$9 billion that he has identified of funds which were supposed to be spent on reconstruction which have been stolen, misplaced, lost, or in some bank account that we do not know about. Is that the right number? \$9 billion? Or was it \$15 billion?

Mr. NUSSLE. I am doing this from recollection. That sounds right, but again, that would only be from my recollection.

Senator GREGG. So should we not put in this bill fairly significant and stringent language which says that any dollars we spend on reconstruction should at least be matched one for one by the Iraqi Government?

Mr. NUSSLE. Well, Senator Gregg, I like you am in a position where, obviously, if they could pay for more, that would be a positive. I agree with that. But I am not in a position to be able to negotiate on that point on behalf of the United States with the Iraqi Government. That is something that the Secretary of State should do not in a unilateral fashion, but in a bilateral fashion, working out an agreement between the—

Senator GREGG. Well, I simply note that we are funding in a unilateral fashion. We are not funding in a bilateral fashion. We are spending this money unilaterally. It seems to me that the Iraqi Government has been grotesquely irresponsible with the money we have given them and that before we put more money into reconstruction, we ought to be getting some sort of commitment from them that they are going to bear a larger share of the burden.

On another issue, I like other Senators am concerned with the fact that the administration did not send up a realistic figure for next year, \$70 billion. And I am equally concerned that the Democratic budget as passed by the Congress does not have a realistic figure. They took the leadership of the White House and did \$70 billion.

What was the number that Secretary Gates or that the Pentagon actually believes it will cost next year?

Mr. NUSSLE. I do not have that number.

Senator GREGG. I believe he said it was \$170 billion.

Mr. NUSSLE. Actually what he said was he could guess, but he would be pulling a number out of the air. And I do not think he was either expecting or wanting to be held to that number, but he was testifying and was asked to make a guess. And so he said he would pull a number out of the air, and that is where that came from.

Senator GREGG. Well, it is certainly closer to a realistic number than \$70 billion, would you not say, since it came from the Secretary of Defense out of the air?

Mr. NUSSLE. Unfortunately, though, we have not seen action from the Congress on budgeting that far in advance. Rather it—

Senator GREGG. Well, it is hard for the Congress to lead when the White House does not lead. You have given this Congress, this

Democratic Congress, all the cover they need to not put the money necessary to fund the troops in the budget, and I think you have acted irresponsibly there.

Let me go to another issue which I am concerned about on this whole budget question. This will be the sixth year that we are going to get a supplemental, and it is going to be designated as emergency. What claim does this proposal have on the term "emergency?"

I mean, I can understand that you want to keep it separate and you should keep it separate from the underlying operational budget of the Pentagon so that we do not end up merging these funds in. But I cannot see any logic any longer for a claim that this is an emergency. It is almost a matter of course. I mean, we have got troops in field. We know they are in the field. We know they are going to be in the field for this year and next year and certainly for the terms of this budget, and they have been in the field for the last 5 to 6 years.

Under what justification do you call this an emergency other than the fact that gives you protection, procedural protection?

Mr. NUSSLE. Well, it has not given us much procedural protection.

Senator GREGG. It gives you a lot of procedural protection in the Senate. If you do not want the emergency designation, I am sure my colleagues on the other side would be happy to remove it.

Mr. NUSSLE. Well, the designation for us is based on the fact that we are believing that this should not be built into the base of the—

Senator GREGG. That is not the issue. You can send a supplemental out that is not built into the base without using the term "emergency" to designate it. The issue is why do you claim this to continue to be an emergency and be given the procedural protection that emergencies get.

Mr. NUSSLE. There are only two requests that we can make. We can make it during the regular budget as part of the regular appropriations, or we can do it as a supplemental request.

Senator GREGG. That is correct.

Mr. NUSSLE. And we are making it as a supplemental request.

Senator GREGG. So you do not want emergency designation on this supplemental. Is that what you are saying?

Mr. NUSSLE. I will leave that to the judgment of the Senate. That is not something that I am sure you will pay much attention to the administration's instruction on that anyway. So I will leave that to your designation.

But we believe this is something that is over and above what is necessary for the regular operations of the Defense Department. Therefore, as a result—and many other expenditures for wars in the past have been funded in a similar way, and it is for that reason that we make the request the way we do.

Senator GREGG. Well, that is good clarification. I appreciate that. Thank you.

Chairman BYRD. Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman. Thank you for having this hearing. I think it is extremely important. It is good to see you here.

Chairman BYRD. I am glad to see you.

Senator LEAHY. Thank you.

Chairman BYRD. And all the others here.

Senator LEAHY. Director Nussle, I was reading, when you were nominated by the President, that one of your main accomplishments, according to the press, over in the other body was wearing a bag over your head during a debate, and I am glad you are not doing that today.

But I listened to your statement. It sounds almost as though George Orwell wrote it. Also the answers, as Senator Inouye and Senator Gregg and Senator Byrd have pointed out, do not necessarily respond to the questions.

Let us take a look at what we have. We spent nearly \$700 billion on the President's war. The latest supplemental request would increase that by about \$108 billion. Overall costs of the Iraq war will soon exceed an incredible \$1 trillion.

Doing it as an emergency supplemental, you simply put it on the credit card, put it on the national debt, borrow all the money from China, Saudi Arabia, and whatnot and pass it on to the next generation.

Now, budgets are expressions of a government's real priorities. It appears that the Bush administration's priorities are in Iraq, not here at home. The President and those who support him seem to find no inconsistencies. Every few months, they demand billions, almost a blank check, earmark for Iraq. We do not have the money for healthcare, education, housing, security, infrastructure, heating needs here in the United States.

I am not saying we should not be helping Iraq rebuild. As chairman of the subcommittee that handles the Senate's work in drafting the budget for foreign assistance, I know the need for funds for stabilization and construction programs in Iraq, and I have voted for those. I think it is also time we started telling the Iraq Government to begin contributing part of those rebuilding costs.

We are paying close to \$4 a gallon for gasoline certainly in my State of Vermont. Iraq is getting well over \$100 a barrel for their oil. They are going to have a budget surplus over \$25 billion. But we cannot pay for things here at home. In fact, the President says he will veto any supplemental that pays for those things at home and does not go into the blank check for Iraq.

I think this war has cost Americans far too much, too much money, too much damage to our lives, most importantly, too many deaths, too many maimed soldiers coming home, too many families destroyed.

Now, let us take one of the things here at home. Violent crime has been rising, but the administration has dismantled front-line support for State and local law enforcement here in the United States. But the administration's view is that no expense is too large for the hiring and equipment needs of the Iraqi police force at around \$21 billion and very questionable results.

It is a very different story for our own police departments in the United States that have been stretched thin for years. And what we spend in just 5 days—5 days—on the Iraq war, we could fully fund the COPS program. We could fully fund the Byrne justice assistance grant. That alone would be put 9,000 new police officers

on the beat to make American communities safer instead of just going down and disappearing in Iraq. It would allow us to shore up our multi-jurisdictional drug and gang task force efforts. This is National Crime Victims Week. Let us think what some of that money would do for the crime victims fund, which has also been cut.

You know, unlike us, the Iraqi Government actually has a surplus, and we cannot pay for law enforcement here. I use that as one example.

So let me ask you this. Would the administration support asking the Iraqi Government to assume part of what the United States is paying for the Iraqi police force? Yes? No? Easy answer.

Mr. NUSSLE. Let me just give you a couple of these because I think these are important. The Iraqis have outspent the United States in 2008 by more than 10 to 1 on reconstruction.

Senator LEAHY. No, no. Please, Mr. Nussle, there is only a certain amount of time, and you have a wonderful habit of answering a question different than the one that was asked, as you did with Senator Inouye, and he called you on it.

I am asking you about the police force. Are they willing to pay part of the costs of the money we are funneling in there so maybe we could use some of that money to pay for police officers in the United States of America?

Mr. NUSSLE. All right. The Iraq budget provides more than \$9 billion for security forces this year alone, which is three-quarters of what it needs in order to provide the security for Iraq.

Senator LEAHY. So the money that is going to the police force is being well spent? I understand we sent over thousands of handguns. We could not even find out what happened to them. We sent them to the police department—until they started being used against our brave men and women over there.

Mr. NUSSLE. Well, I will trust the testimony of Ambassador Crocker and General Petraeus on those issues. All I can report to you—you asked me how much and what we were providing, and I can respond to that.

Senator LEAHY. Well, we have provided a total of \$33 billion for the readiness and effectiveness of training efforts of both Afghan and Iraqi security forces. On the front page of the paper today, the Americans begged them to actually stay where they were doing something for security. They packed up and left.

In the President's budget, he has proposed rescinding all amounts in the crime victims fund, leave the fund empty. Again, we keep sending money over there. Now, this is a program that is funded entirely through criminal fines, forfeited bail bonds, penalties and special assessments, not taxpayer dollars or appropriations. What is the administration's reason in gutting it?

Mr. NUSSLE. Well, what we did was we provided—instead of a number of stovepipe grant programs, we consolidated all of those grants into four so that they could be better administered and easier for local law enforcement to take full advantage of those funds at home and use them in a much more flexible way as opposed to the stovepipe way that we currently have.

Senator LEAHY. But is it true that you have proposed rescinding all the amounts remaining in the crime victims fund?

Mr. NUSSLE. To be used for that purpose. To be used for those purposes, yes.

Senator LEAHY. It would be nice—some of us, though, have voted to have it used for the purposes of the crime victims.

My time is up, Mr. Chairman, but I thank you again for being here and I thank you for holding this hearing. I think it is very important to the Senate.

Chairman BYRD. Thank you.

Senator Craig.

Senator CRAIG. Mr. Chairman, thank you very much.

Jim, thank you for being with us. We appreciate your testimony and your directness as we deal with this issue.

I must tell you I am extremely frustrated. I understand your admonishment about a clean emergency supplemental or supplemental depending on the words we wish to use in titling it. And the reason I am frustrated by that is because while we do not know for sure yet, it appears it is the collective will of the leadership of this Congress not to work the appropriation process this year in a timely and responsible manner for a variety of reasons expressed by some in our leadership.

And yet, I and members of this committee are continuing to have hearings on the budget. Each one of our particular areas of expertise is being properly vented with administration people. And it appears, Mr. Chairman, we are shaping bills, and I am wondering what all of that means if, in fact, we do not plan to act because if we do not plan to act, there are emergency or near-emergency situations that some of us would like to deal with in a timely fashion this year.

Senator Feinstein and I out in agriculture country are hearing phenomenal appeals from agricultural America that the workforce is diminishing so rapidly it may send us into an agricultural crisis. We would at least like to do something in a temporary and an emergency fashion to supply a workforce.

We have firefighting needs on our public lands that may be very dramatic, Mr. Chairman, if we go through another fire scenario of the kind that we have gone through in the last several years.

So I am extremely frustrated that the only vehicle potentially moving, other than DOD and a few others, may be this supplemental, no matter how we describe it. And there will be a great tendency on the part of this Senator and others to try to add things to it if it appears that we are not in a timely and responsible fashion going to complete our work here this year. That frustrates me a great deal.

This is not necessarily a question, Jim, but it is in response to the appeal from the administration to keep it clean. We are in a phenomenal catch-22 at this moment that is going to create the kind of pressures that could well establish a loggerhead on this issue.

Last, Mr. Chairman—and I will not use all of my time—I think it is responsible for this committee to address the Iraqi Government in a way that causes them to spend their money in an appropriate and responsible fashion in cooperation with some of our resources. I am going to have a very difficult time going home and telling the people of Idaho that we are going to spend their money

while the Iraqi money is drawing interest in some bank somewhere in the world. We invested in their infrastructure to get their oil systems back in place and flowing into the world oil supply. It appears that has been accomplished and they are now reaping the benefits of it.

So I think it is going to be very important for you—and you have done some of that already, Jim—to express where this money is going and how it is being spent. We have only heard of lump sums so far. There has to be much greater transparency in that process of understanding how much is going to be spent and what is out there drawing interest before this Senator is going to find it easy to keep supplying money into infrastructure, not to our troops, not to our men and women in uniform who stand at risk at this moment, but building the kind of infrastructure when ours goes wanting.

Thank you. Thank you, Mr. Chairman.

Chairman BYRD. Thank you.

Senator Harkin.

Senator HARKIN. Director Nussle, good to see you again.

I just want to point out in your written testimony you did say you chose to request war funding as an emergency supplemental, and you also chose to request war funding as an emergency. I heard that exchange between you and Senator Gregg, but it says right here that you are requesting it as an emergency. So I just wanted to clear that up.

Second, I cannot help but comment on this statement of yours here about after “7 months in this OMB job, many of the ideas we are asked to fund reflect a sky is the limit mind set. But this money does not belong to us. It is the taxpayers’ money.” We hear that a lot. It is the taxpayers’ money. It is true. It is the taxpayers’ money.

But you know what I hear from the taxpayers in your home county and all over Iowa? They want better roads. They want safer bridges. They need their schools repaired. They need clean water. We have got over \$3 billion in backlog for rural water and wastewater. We put some of that out a few years ago and it went out right away. And these are systems that the engineering work is done. The plans are there. All they need is the money to put them in. And I can tell you our small towns and communities all over our State of Iowa need this. Right now, a lot of them are being asked to pay enormous amounts of money for water and wastewater, and they are not meeting some of the environmental regulations that they need to meet. So we have got a big unmet need out there.

So, again, it just seems to me that—from your standpoint, it seems to me, and this administration—you represent the administration—that Government spending for reconstruction is fine in Iraq, but somehow it is onerous here in America. And then you go to great lengths in your statement to say there is a time and a place for that. Well, do it in a regular, not an emergency supplemental. Well, it seems to me the time and the place for it is when the need is here, and the need is here right now for the things I just mentioned.

I read your testimony earlier and you mentioned about Manchester. You said expanding Government does not create one job in my hometown of Manchester. Well, quite frankly, I was just looking lately just on school construction alone, Delaware County got \$295,199 for school reconstruction. That put jobs in those communities and made the schools safer for our kids.

Road projects. The Iowa Department of Transportation wants to do a bridge and culvert replacement near Edgewood. Well, that is jobs that could go to people this summer in the State of Iowa and in your home county and put people to work and get the jobs done. I suppose it could wait another year, but everything can be put off I guess. But then it costs more and more money to get it back up the longer you wait.

So just put me down as someone who says, yes, I recognize this is the taxpayers' money too, but I also recognize that some of these things cannot be done by an individual taxpayer. They cannot be done by a family. They cannot even be done by the community. It has to be the community at large, the United States of America. And that is our job as appropriators.

And so I think the need is there now with us facing—we do not know if it is a recession or what it is. We know it is a downturn, and we know that we have unmet reconstruction needs here in our own country. So I would hope that we would look upon the need here just as greatly as we look upon the need in Iraq.

So that is my speech. I took a little too long on that. I assume that is just a philosophical difference that we have.

But I do want to know about one thing, and Senator Mikulski is certainly our lead on this in terms of funding for the Byrne grant program. You know this as well as anybody, Jim, and you know what it has done in Iowa, what it has done for our drug task forces. In Iowa, cuts that occurred in 2008 will eliminate 15 of 21 successful drug task forces unless we restore it. The cuts in the Byrne grant program, that the President asked for, will have a devastating effect on our law enforcement all over Iowa. I just say Iowa because I represent Iowa, but it is true of the Nation at large.

And I would like to know what you, as OMB Director, are doing within the framework of the White House to get the Byrne funding back up to where it should be. Again, we cannot wait till next year, Jim. We have got to do it now on this bill—on this bill. And I would like to have your thoughts on whether or not you would be willing to accept the increase, the bump-up—I think it is about \$490 million to get it to \$660 million for the Byrne grant program to get it to last year's level that passed the Senate, and do it on this supplemental.

Mr. NUSSLE. Well, first, to my friend from Iowa, thank you.

With regard to Byrne—and I think that may be as good a place to jump off as any. First, on moving forward on the budget that we are requesting—and I was just stating this before—what we have tried to do is we have tried to take a lot of successful, in many instances, often well-meaning grant programs, many of them across the Justice Department and consolidate them into four so that our law enforcement agencies back home can take better advantage of them. Byrne would be included in that. So it is not that it is cut. It has been adjusted.

The cut—the interesting part about this, which I was surprised about too is that actually Congress decided last year to cut funding. Almost \$350 million was cut in 2008 in the appropriation from the 2007 level.

So I think we know there are limited resources. I think both Congress and the President recognize that, and what we are trying to do is say how can we best spend those resources, how can we get them out as efficiently as possible to the law enforcement who are on the front lines, as the Senator knows, as well as I do, doing that work. And that is the reason that we made the request in this year's budget the way we did.

So I believe there is a regular appropriations process to deal with this and deal with it effectively, but we should not make up for an omnibus bill or an omnibus appropriation that cut the funding just now 5 months later by increasing it again and suggesting that that is somehow now an emergency.

Senator HARKIN. Well, I am sorry to hear you say that because I think it is an emergency. Plus the fact, you put those four together. Then you cut the funding. So everything takes a cut. Those four you put together, if you add up all the funding for those, it is more than what you put in for that combined program.

Mr. NUSSLE. That is correct. But also, that is in part because we recognize that Congress cut \$350 million from the Byrne grant program just this last year alone.

Senator HARKIN. Well, that was only after the President vetoed the bill. We did not cut it before, did we? No. We only cut it after the President vetoed the bill and insisted on huge domestic spending cuts. So that is what we were confronted with.

Mr. NUSSLE. What he insisted on was that the budget conform to a top line, recognizing we did not want the deficit to go up or, for that matter, taxes to go up. And so, obviously, tradeoffs within that budget had to be made. And that is the reason that the President made that suggestion, but Congress made the determination of where that priority—

Senator HARKIN. And I hate to go on, but under the Byrne grant program, the amount that we have missed from last October to right now—we have had a little bit of a cushion. People have been able to make it up. If we have to go to next October before it is funded again, we are going to lose a lot of these people. The task forces will be decimated. They will lose a lot of the things that they have built up.

So we could take a little gap, but we cannot take a year's gap. And that is what you are asking us to do. And that is why I think it is so necessary to put the Byrne money in this supplemental before we lose all those people and our law enforcement people that are in place right now because of the Byrne program.

Mr. NUSSLE. Well, again, we believe that is a discussion that needs to happen within the regular appropriations process, and we should not hold up the troop funding in order to have that debate.

Senator HARKIN. Well, we will not hold up the troop funding. We will just add it. We will not hold it up. We will just add it to the troop funding.

Mr. NUSSLE. But it has already been 14 months since it was sent up. So it has been held up, we feel, a long time.

Senator HARKIN. Well, it is not holding it. We are just going to add it.

I am sorry I ran over my time. Thank you, Mr. Chairman.

Chairman BYRD. Thank you.

Senator Bennett.

Senator BENNETT. Thank you, Mr. Chairman.

Mr. Nussle, you have one of the toughest jobs in town and today's experience will confirm that.

I am sympathetic with the issue that Senator Craig raised. I am caught between the desire to support the President in his request for a clean supplemental and the recognition that this, in many cases, is the only vehicle leaving town because we are probably looking at an omnibus bill that we will deal with after the election in a lame duck session. And we have done that enough times in the past to realize that it is not the most orderly of processes when we get to that, and a lot of the issues that we need to deal with in an orderly process could be dealt with in this supplemental if, indeed, we do what Senator Harkin has just asked and break the requirement that it be a clean one. So it is a dilemma that we are all in, and I am sympathetic with the administration. I like the idea of a clean supplemental, but I also recognize the reality that there are some other problems that we have to tackle.

So let me take one that came up in our hearing yesterday with Senator Kohl's chairmanship in the Agriculture Subcommittee. In this supplemental, you are asking for \$350 million in additional funding for Public Law 480, title II grants. Interestingly enough, last year the administration asked for \$350 million in additional funding for Public Law 480, title II grants. The year before that, the administration asked for \$350 million in additional funding for Public Law 480, title II grants.

This is a pretty striking coincidence that 3 years in a row it is exactly \$350 million that is the additional amount that is needed. It raises the obvious question of why is this not in the annual budget submission. If it is going to be \$350 million more every year, why is \$350 million more not included every year? If it is, indeed, a 1-year kind of thing, why is it always \$350 million? That seems to be a number you have fixed on.

Now, the World Food Program has said we need an additional \$500 million to deal with increased food and transportation costs. One of the major problems that we face around the world is that food costs are going up very dramatically. In our subcommittee, we have to increase the amount of money for WIC just to keep the number of WIC participants level. We are not sending the money up to take care of an increased workload. Just to take care of the people we have and feed them the same amount of food, the dollar cost goes up.

The corn cost is going up dramatically as we plant more and more corn in order to turn it into ethanol, and that is another issue that I will not get into with the Senator and the former Congressman from Iowa. I have demonstrated that I will never run for President because I voted against ethanol. So I am not going to be campaigning in Iowa.

But as the corn prices go up, there are segments of our population for whom corn is the dominant food staple. And then people

start plowing up their wheat fields in order to plant more corn in order to get in on the ethanol boom, and the wheat prices go up.

So it is not surprising to me that there is an amount in here for additional Public Law 480 grants, but it seems to be insufficient. And if we were to add something to that, would that draw a veto threat from the President?

Mr. NUSSLE. Well, Senator, first of all, with regard to your point about it is always \$350 million, I am not sure I can directly respond to that, but it is and continues to be frustrating anytime you have to request something outside of the annual appropriations process and where you cannot plan ahead. I can only report to you that I believe those accounts and amounts were necessary at the time they were requested.

Senator BENNETT. I do not question that they are necessary. I think they are turning out to be predictable is my point.

Mr. NUSSLE. Well, and in that regard, if they, in fact, are that predictable, then they should be candidates for consideration as part of the regular budget.

In this instance, we believe that we have addressed both of those concerns first with an announcement that was made, I believe, just a couple of days ago from the White House where another \$200 million would be increased for emergency food aid through a draw-down from the Emerson Trust.

Senator BENNETT. Yes. I am familiar with that, but that is not the same kind of thing.

Mr. NUSSLE. No, but it is something that we believe will help address the concerns that you raised.

Senator BENNETT. Right.

Mr. NUSSLE. And in addition to that, with regard to the WIC program, as the Senator, I am sure, is aware, there is a contingency fund at the Department of Agriculture for those types of—

Senator BENNETT. I am not talking about putting WIC in this budget. I just use that as an example of the upward pressure on food prices that is hitting Public Law 480 in a very real way.

Mr. NUSSLE. Well, but to use those as the examples, in an instance where we do not have the flexibility, we request the funds. That is Public Law 480. In an instance where we do have the flexibility and where contingency funds are available such as WIC, we will make a transfer, and in fact, notification to Congress I believe is forthcoming on a transfer from that contingency fund to WIC in order to meet that need. But those are, again, flexibilities that we currently have that does not require us then to add to the supplemental for those purposes, and they can be dealt with during the regular appropriations process.

Senator BENNETT. One last quick question. The other thing that came out of our hearing yesterday was the status of the Food and Drug Administration (FDA). The FDA regulates 20 percent of all consumer expenditures, nearly \$1.5 trillion. And the Science Board has said that in order to fulfill its mission, the FDA needs an increase of \$375 million. Now, Dr. von Eschenbach said we could not absorb \$375 million in 1 year. Yet the increase for FDA just to take care of the cost-of-living increase in pay is \$59 million, and they need an additional \$50 million plus over that \$59 million to take care of its duties.

We have gone through this with Dr. von Eschenbach, but I just wanted to alert you to the fact that we are paying attention to that and that is one thing we would like to increase, if not in this supplemental, we would like to increase—this is my only shot at you. So this is a warning that FDA funding is one that on the Agriculture Subcommittee at least we think has been inadequate.

Mr. NUSSLE. I would be happy to take your call anytime. So this hopefully will not be your only shot.

But I share your concern about the regular appropriations process. If it is, in fact, as you say, a reality that this is the last train, I can understand why you and anyone else would want to be on that train. But I hope it is not the last train, and I believe the President is hoping that it is not the last train and that more work can and should be done if, in fact, the urgency and the needs are there. And I think they have been very well expressed here today that, in fact, we need to get that regular appropriations process moving and not wait till after the election or, for that matter, the next President to help make that determination.

Senator BENNETT. Thank you.

Mr. NUSSLE. Thank you.

Chairman BYRD. Senator Mikulski.

Senator MIKULSKI. Thank you, Mr. Chairman. And thank you very much for calling this hearing. I think it is an essential thing we need to do.

Mr. Nussle, I got to tell you I am really disappointed in your testimony. It has been some time that I have heard the kind of tone that has been expressed by a representative of the Bush administration. Your testimony has been disappointing in both tone and substance. I personally take offense at the snarky, scolding, dismissive way that this testimony was presented, and I think it is inappropriate.

We just left an excellent bipartisan hearing on military medicine about how we can support our troops. Later on this afternoon at 2 o'clock, I will be chairing a hearing on the Federal Bureau of Investigation (FBI) with my dear colleague, Senator Shelby, again in the spirit of bipartisanship.

Your testimony is an ideological commentary, not the testimony of OMB. So since you are pugnacious, guess what. I am going to be pretty pugnacious too, only my pugnaciousness is not going to be directed at the Congress. It is going to be pugnacious about the people I represent. So let us get to it. Pugnacious? You bet.

Let us pick up on what Leahy and Harkin said about Byrne grants. You want the regular order? I am the regular order. I chair the Commerce, Justice, Science (CJS) Subcommittee and what this administration has done here has been outrageous.

Number one, let us go to safety and security. We have funded the surge at Baghdad, but we have not funded the surge of violent crime in Baltimore, Biloxi, or other places. You have zeroed out the COPS program. You have zeroed out the Byrne grant program. When Shelby and Mikulski tried to do something last year in the regular budget, we were told eat \$3 billion or face a veto threat. So we forged and we skimped and we squeezed in to be able to make sure that our bill did not get a veto threat, and we came up with \$170 million.

You can talk about all your smoke stacks and whatever, but you bet there is smoke. There is smoke right here now and there is frustration from State and local police officers that say they need help. They need help. And this administration has funded \$5 billion over the last couple of years to fund the training of Iraqi police. You bet they need training, but I am telling you I need the money. Senator Shelby and I need the money to make sure that our local law enforcement, the thin blue line, gets the money that they need to fight violent crime.

So I am going to ask in plain English if, in fact, we can, through this supplemental, restore the Byrne grants and only the Byrne grants to the needed level of \$660 million, will you support it or will we face a veto threat?

Mr. NUSSLE. Well, Senator, I can only repeat what the President has said on—

Senator MIKULSKI. The President did not say anything about this. You think if I went to see the President, he would say no?

Mr. NUSSLE. Senator, I can only repeat what the President said, and his two priorities that he stated were that the bill stay within the \$108.1 billion request and that it support the troops. That is what he has said on the topic. Beyond that, I do not believe he has—I think the Senator is correct—not spoken directly to those issues. But I also believe that the regular appropriations process is the time and the place to deal with those challenges that—

Senator MIKULSKI. But you eliminated it. You eliminated the COPS program and you eliminated the Byrne grant program in your regular appropriations request. So you are saying do not fund it in the supplemental. The President does not request it in the regular order, and now you are telling me you cannot accept it in the supplemental because the President did not talk about it. And when you sent us the CJS President's request, it is not in there for 2009.

Mr. NUSSLE. Well, Senator, I apologize in advance if this appears to be snarky, but when I hear from the Majority Leader that he is going to wait until next year to resolve this issue, that to me sends a signal to the President and to our administration that, in fact, this is not urgent. It is not something that needs to be dealt with now. Otherwise, it is possible—and having been a Member of Congress, I am aware, as you are—for the appropriations process to continue and to be done expeditiously and to deal with those challenges.

Senator MIKULSKI. Let us come back to the Byrne grant program. We can get tone later. Let us come back to the Byrne program. If I am successful, working with Senator Byrd and Senator Cochran—and when I say I, I mean, Senator Shelby and myself, again, a bipartisan effort to keep the streets and neighborhoods of America safe—will you encourage the President to issue a veto threat?

Mr. NUSSLE. I would encourage the President to veto anything that was over \$108.1 billion, did not meet the needs of our troops, for that matter, in this instance, dealt with a problem that could have been handled in the 2008 appropriations process but was underfunded by the Congress by—

Senator MIKULSKI. It was underfunded because you had a veto threat. I sat there for hours with Senator Shelby and myself trying to comply with yet every little bit and piece from the White House about this. We were ready to go. We had the money in the Federal checkbook. We had worked assiduously on a bipartisan basis to fund State and local government. Do not tell me Congress underfunded it. You had a veto threat of over \$3 billion on my CJS bill.

Mr. NUSSLE. It was not because the CJS bill was over its amount. It was because the Congress had decided that all the appropriations added together were over the top line that the President had put forward in his budget. So it was not specifically for Byrne grant programs. It was not specifically on these issues. It was overall the Congress was not living within what the President felt was a reasonable and fiscally responsible top line Federal budget.

Senator MIKULSKI. I totally disagree with you. I disagree on your recollection of history. I disagree with you on the President's budget submission to you, and I disagree with you on this matter.

I have other questions related to the National Guard, which I feel has been treated like an Orphan Annie in this President's appropriation both in funding for equipment and return home. I will put that there.

And then we are going to have a big deal on trying to deal with the census.

But my time is up, Mr. Chairman. I am going to force this issue. Mr. Chairman, with your cooperation, I hope that we fund it. If we are talking about a safe and secure America, I want to make sure the streets of the United States of America are safe and secure, and I will work on a bipartisan basis to do it.

Chairman BYRD. Right on.

Senator Murray.

Senator MURRAY. Mr. Chairman, thank you very much for having this hearing.

Mr. Nussle, I share the anger, frustration, I guess pugnaciousness of the Senator from Maryland. It is extremely disturbing to me that we are getting an emergency supplemental request for Iraq and Afghanistan 5½ years into this war that is being paid for off the books. I listened to your testimony. You say that this has to be emergency because of changes on the ground.

Well, what about the changes on the ground here at home? What about those? What about the fact that we have many, many road projects that are a result of floods, natural disasters that have occurred, that are changes on the ground here at home? What about the changes on the ground in the economy where people are being laid off in community after community, where mortgages are going into foreclosure, where housing is a number one concern for Americans? What about the healthcare crisis? What about the fact that your budget that you sent to us is absolutely inadequate when it comes to investment in our infrastructure? Those are changes on the ground that we have an obligation to respond to.

Now, here we are 5½ years into this war and we are getting a supplemental request that takes care of Iraq. Well, we are creating jobs in Iraq. We are building schools in Iraq. We are building roads in Iraq, and we have a President and a White House who is fight-

ing this Congress' efforts to try and build schools here, to try and take care of our roads, to try and take care of the infrastructure, to try and give our families here at home security again. So, yes, you are seeing a little bit of anger here.

My friend and colleague, Senator Dorgan, has talked about the waste, fraud, and abuse—and I share that concern—uncovered by the Government Accountability Office (GAO) and the inspector general when it comes to these funds. Yes, we are having a hearing on that. But we are also having a hearing because we believe that there are emergencies here at home and infrastructure costs here at home that have to be paid for and met.

And you bet our constituents are angry that their taxpayer dollars that you so jealously guard are going over to Iraq and Afghanistan to rebuild them when, as you heard, they have oil revenues that are sitting in our banks here, \$60 billion I have heard, \$34 billion to \$60 billion. No wonder you are hearing the frustration on a bipartisan level here from all of us. We are frustrated, 5½ years into the war, that we are facing an administration who can blithely come before this committee and say the only emergency we have is a war that has lasted 5½ years. There are emergencies in every one of our communities, and we have a responsibility to address them.

Once again, we have a supplemental request sent to us that does not have one dime for the men and women who are fighting for us when they come home. As Senator Mikulski said, we had a very good bipartisan hearing this morning to listen to the medical personnel talk to us about the long-term costs for those soldiers who are coming home with those invisible wounds of war of post-traumatic stress syndrome and TBI, and it is going to cost us going into the future. And we have got an administration that says they are not part of the cost of war.

Well, this Congress disagrees. Last year we added \$1.8 billion on the supplemental. We said they are a cost of war. And again, we have to look at that because we do not get a request from this administration that is real. And I find it just really disconcerting that this administration continues to deny that the cost of caring for our soldiers is a part of the cost of war.

Now, Mr. Nussle, my obligation as chairman of Transportation and Housing is to look at what those requests that are coming from your administration. Once again, in this budget, we are seeing requests in a supplemental for roads and bridges not here at home but in Iraq and Afghanistan. The President has committed to improving the infrastructure in Iraq and Afghanistan as a way to improve the lives of their citizens. Well, when you look across the board at the supplemental requests in the Defense Department, State Department, and military construction, you are asking for more than three-quarters of \$1 billion for road construction in Iraq and Afghanistan.

Meanwhile, right here at home, we have a Federal highway emergency relief program that is shut down because it is out of money. There is a backlog of eligible requests of more than \$560 million for roads and bridges not in Iraq but here at home that have been damaged or destroyed and declared disasters in 21 of our States. None of them are going to get a dime without a supple-

mental appropriation. But somehow you are saying that we have to take care of roads in Iraq and Afghanistan, funding over \$725 million, and here at home our roads that are in need of emergency repair that are in backlog do not get requested a dime.

And I hear you sitting here saying that you are going to recommend a veto if we add those to the supplemental, and those are roads and bridges that our constituents need to cross to get to work, to take care of their families, and to make sure they have got security here at home. So perhaps you could explain to us why you are going to recommend vetoing those emergency road repairs here at home.

Mr. NUSSLE. Well, first, Senator, I do not take your tone or Senator Mikulski's tone as anything but passion for the issues you are concerned about and for your constituents. I do not take it any other way than that. Number one.

Number two, when it comes to transportation, certainly there are funds that are needed in Iraq in order to fund the transportation needs—

Senator MURRAY. Aside from Iraq, what about the ones here at home?

Mr. NUSSLE [continuing]. That directly support—

Senator MURRAY. What about our emergency requests for here at home?

Mr. NUSSLE. But I think it is here for you to understand or for you to hear that those directly support the troops and their movements in Iraq. It is not just—

Senator MURRAY. Fair enough. I am not saying—

Mr. NUSSLE [continuing]. Building a bridge—

Senator MURRAY. I am not saying we are not going to fund that. I am asking you about the ones here at home.

Mr. NUSSLE. Okay. And the Senator has, obviously, taken a leadership role. We have had a 17 percent increase in the last 3 years. We have an 11 percent increase that we have right now in 2008 for these transportation projects.

Senator MURRAY. The emergency funds are at zero.

Mr. NUSSLE. There are other funds that can be reobligated within and transferred within those accounts in order to meet those challenges when there are emergencies.

Senator MURRAY. Mr. Chairman, I would just like to point out that the President's budget request for 2009 slashes our highway and airport investments by \$2.6 billion. I am not sure where we are going to be transferring funds from.

Mr. NUSSLE. Well, as the Senator is well aware, it is in part because the Highway Trust Fund itself is running out of money because of the challenges of not only over obligation but also challenges from the gas tax.

Senator MURRAY. Absolutely, and Congress needs to deal with that. But the fact is that when you send over a budget request that is \$2.6 billion below what we need, we are going to have to make that up.

And I take exception, in my last 15 seconds here, to your comments that, well, Congress is not doing its job because we are not doing our appropriations. And you have heard the Majority Leader say he may do it after the election. No surprise. When we get budg-

et requests that are well below what any Member of Congress can support. We cannot fund them because they do not adequately meet the needs of America and what we hear—we get budgets from your office that slash highway and airport funding by \$2.6 billion. We had hearings in Senator Dorgan's subcommittee on the Corps of Engineers projects, and those poor individuals are sent over here to testify before us and have to defend their budgets when they know they cannot because we are not adequately investing in critical projects across the country or for Hanford cleanup where the administration's budget didn't even come close to meeting its moral and legal obligations. And yet, you say to us, we make up those funds, they get vetoed.

So rightfully, we are saying, well, we are not going to pass budgets that are just going to go over there and get vetoed one after the other simply on some partisan basis. We are going to do them in a responsible way, and if that means that we have to wait until we get a President who is willing to meet us and work with us, that is what this Congress is going to do.

Chairman BYRD. That is right, Patty.

Senator Dorgan.

Senator DORGAN. Mr. Chairman, thank you very much.

Director Nussle, I am not going to ask you a question, but I am going to tell you what disturbs me. You told us what disturbs you and you have a right to come at our invitation and tell us what is disturbing to you. So let me tell you what is disturbing to me.

With this request and the two requests we expect next year, including a placeholder and the money above the placeholder, I estimate that we will be at \$974 billion—\$974 billion—2001 to 2008 for the war in Iraq and Afghanistan. That is almost \$1 trillion, all of it required by this President as an emergency, all of it borrowed. So the President sent soldiers to war, asked them to strap on body armor in the morning, get shot at during the day, but he did not have the courage to ask the American people to pay for the war. In fact, he said we will send soldiers to war and let us offer more tax cuts. That is disturbing to me. It is unbelievable to me.

Fighting this war, a war whose justification, by the way, was based on bad intelligence and would never be authorized today with what we now know and fighting it on borrowed money, year after year after year declared as an emergency by this President when he knows it is not an emergency—he knows that he is supposed to put this in the budget. Senator Byrd required him to put it in the budget, but they do not do it.

Now, let me tell you what else is disturbing to me. Last year you asked for urgent money. We provided urgent money. I want to tell you where—only because of some really good work by the New York Times do we know this, by the way. Oversight that is not done by the administration or by this Congress. Let me show you what the New York Times with some really thoughtful investigative reporting has shown us.

One-third of \$1 billion, nearly, went to this man, 22-year-old Ephraim Devaroli, chief executive officer (CEO) of a firm in Florida. CEO, okay? Now, he had a vice chairman of his firm. Let me show you a picture of the vice chairman. He is a massage therapist. This company they had was a shell company by the CEO's dad.

Well, the CEO becomes 22. He has got a massage therapist as a vice chairman of the firm or vice president of the firm. They get over \$300 million from this Defense Department to provide ammunition to the Iraqi fighters. And guess what. The Iraqi fighters end up with a box full of shells, some of it from the mid-1960's from China.

Now, I would like to ask how on Earth does over \$300 million go to a company like this. It is shameful. And this is just one small chapter. I have held 12 hearings in the policy committee on these issues. This is just one.

I would like the general who heads the Army Sustainment Command to sit at this table and explain that, and I would like to have subpoenaed both of these folks. In fact, I have written to the chairman on this point.

This is just one. One. I could sit here and describe a dozen exactly like it. That is disturbing to me. I think it is shameful this is happening. Waste, fraud, and abuse, the most significant in the history of this country.

Now, we know that Kellogg, Brown & Root, Halliburton, are hiring people, sending them—because they get contracts from this Government, I assume with this money, and they run the payroll through the Cayman Islands so they can avoid paying payroll taxes to this Government. Shameful in my judgment. Does anybody care about it? They are still getting contracts. Is anybody doing anything about it? I think it shameful.

Judge al-Rahdi showed up, by the way. Judge al-Rahdi came to this committee, sat where you are sitting. And you know what? He was appointed by Bremer when we had Bremer in Iraq. Judge al-Rahdi was the head of the Iraq Commission on Public Integrity appointed by Mr. Bremer. They tried to kill him three times. He sat just where you are sitting a month ago, and he told us \$18 billion of waste was uncovered, most of it American money. \$5 billion in the defense ministry in Iraq, \$3 billion in electricity, \$2 billion in transportation, all of that American money, all of that from the U.S. taxpayer.

Now, instead of plugging the rat hole, what you are suggesting is to let us just throw more money at this.

It is just unbelievable to me. And at some point, we have got to stop it.

Chairman BYRD. Right.

Senator DORGAN. You show up here on behalf of the President saying I want more money, it is urgent, I want it as an emergency, I do not want you to pay for it, get us up to \$1 trillion, it does not matter. I am saying to you the game is over. At some point, this Congress has to say we are not going to do this.

Chairman BYRD. Right.

Senator DORGAN. Somebody justify to me that \$300 million goes to a 22 year old in a shell company with a massage therapist for a vice president and the American taxpayer should pay for that. Somebody needs to come and answer for these things. And it is hundreds of examples just exactly like it.

So that is what disturbs me. I am disturbed we are sitting here. This administration is conservative? No, no. Conservatives would never ask that we send soldiers to war and not pay for it. In fact,

not only ask, this President insisted that we send soldiers to war, demand the money for it, and we insist that it not be paid for.

Now, you say, Mr. Nussle, that our budget deficit this year is \$400 billion plus. It is not. Take a look at what you are going to borrow in fiscal policy. You are going to borrow over \$800 billion. This country is so far off track it is unbelievable. You think the currency traders and the electronic herd out there that take a look at the fundamentals of a country do not recognize this? It seems to me responsibility starts in the White House and your office, and yes, it belongs here as well. I am tired of rubber stamping so-called urgent requests that send \$300 million to a company that is going to buy 45-year-old ammunition and have the American taxpayer pay for it, ship it to the Afghan fighters who say the ammunition is no good.

I must also say that it bothers me that it took some enterprising reporting by the New York Times to get this. It should have not taken that.

So you came and you told us why you are disturbed. I am telling you why I am disturbed. I am not going to just sit here anymore and say, yes, let us just keep playing this game. You know better. The President knows better, and so does this Congress. This has to stop. You want money? Then tell us how you want to pay for it. At some point, you have got to stop saying to soldiers, we will send you to war, and by the way, when you come back, you and your kids can pay the bill.

Now, I am sorry for sounding angry. I am angry because all of us have been a part of this, and we have allowed this to happen. And there comes a time when we say we are not going to allow this anymore. Somehow, some way, some day, somebody has got to stay stop.

Chairman BYRD. Mr. Nussle, do you want to respond? Take a couple minutes.

Senator DORGAN. I did not ask him any questions, Mr. Chairman, but I certainly understand the need to respond.

Mr. NUSSLE. No, I do not feel I need to respond except to say I agree with much of what the Senator said, particularly with regard to responsibility and oversight. And I appreciate not only the tone, but I share it particularly with the case that the Senator has brought up. So I do not have any other response other than to say thank you for bringing that to our attention, and I will follow up. Thank you.

Chairman BYRD. Senator Feinstein.

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

I think, Mr. Nussle, that my colleagues said it very well. I think it is more than frustration. I think we see this Nation really going into a period of great financial jeopardy. The debt has gone up 68 percent during this administration. Entitlements and interest on that debt are now 62 percent of everything that is spent in a year. Everything that people ask us for, the expenditure for those items, every single domestic Department is just 18 percent of what is spent, and defense is another 20 percent.

Mr. Chairman, I do not think we should do a supplemental this large. I think we ought to break it down. I think we ought to know where every dime goes. Never before in history has a war been

funded on the debt. Every single war has been fought with additional revenues, except for this one. And the debt is now at what? \$9 trillion and going up. I think it is a very real problem for the survival of the Nation in a healthy way. I think it is going to be very hard to vote for a \$108 billion emergency supplemental that puts that amount on the debt. And I think Senator Dorgan and Senator Murray have said it really very, very well.

I left home yesterday and CNN had the weather map up and a big swath of the United States was under threat of catastrophic fire. Yesterday we had a hearing on the Interior appropriations bill. Secretary Kempthorne testified. And the bill eliminates everything for wildfire firefighting, and we are \$350 million short for fire suppression in this country. We have just lost people in Colorado in a fire. And I do not understand.

And so we fight over this 18 percent that is left, and it is not enough. We cannot fix levees in California that could inundate 20 percent or 30 percent of Sacramento with 20 feet of water. We cannot fix bridges. Senator Murray is absolutely right. We cannot take care of the transportation needs of our people on this 18 percent of what we are spending. And as Senator Dorgan pointed out, there is so much waste, fraud, and abuse in the Iraq money.

So my question to you is why should we not break it down—I mean \$10 billion is a lot of money—and really monitor every dollar and where it goes. Why should, with this record, we give you \$108 billion with essentially no accountability, not budgeted, on the debt?

Mr. NUSSLE. Well, Senator, first of all, I do believe there is accountability. There should be accountability. I join you in that and I share your and Senator Dorgan's anger and frustration whenever a dollar is wasted. Period. I think you both have said it very well.

As far as holding accountable, I also believe that you should, as you have with me today, haul up the people who are responsible and ask them those questions, which has been done. There have been hearings on this supplemental for the Secretary of Defense, the Deputy Secretary of Defense, both the Secretary and Deputy Secretary for State, as well as the Joint Chiefs. So I believe you are expressing that accountability and that oversight.

I am not suggesting you could not do more. We all could. Clearly, there are funds, as Senator Dorgan stated and stated quite well, that continue to slip through the cracks not just in Iraq, but even here at home. That continues to happen. And we monitor a high risk list of inappropriate payments that we and the GAO work on constantly. We have made some progress. Never enough.

So I share your anger whenever a dollar is wasted, and I believe that type of oversight should be done. And we have joined you in that and will continue to join you in that.

But as far as splitting it up, splitting it up suggests to me that you may also be talking about splitting up the appropriations, which for this at least, we believe is difficult to do particularly in the theater over in the Middle East.

Senator FEINSTEIN. My problem is I have got a part of the State that could well burn this summer again. We cannot provide the amount of money we need for wildfire protection. It seems to me that if you are going to come here with an Iraq supplemental, it

is just as much an emergency that we have adequate law enforcement, adequate firefighting protection in the United States as Iraq.

And maybe the administration ought to think about that a little bit because it is rather cynical what happens. You fund the war off budget on the debt and you press for continued tax reductions and everything that is hurt is the domestic agenda. So the bridges collapse. The gridlock is more. We cannot fight wildfire appropriately. We cannot support our law enforcement people. And maybe that is what you all want. That is the result. That is the result. If you do not fund the war based on present-day revenues, it all goes on the debt.

I think maybe the time has come when we do have to put our foot down and say we are not going to continue to do it.

Chairman BYRD. Let us have order.

Senator FEINSTEIN. So, Mr. Chairman, this is bigger than Mr. Nussle, but it is really for us. I am going to have a very hard time voting for \$108 billion knowing what is happening in the United States, knowing the violence is going up, knowing that we need to do some things just to protect our own people and cannot do it. It is not right. It is not why we came to this place.

And the administration will not sit down, will not work in a collegial style, will not say let us work it out. It is your way or the highway. And you reach a point where you get filled up to here with it and just make a decision not to do it anymore. I think that is where some of us are.

Thank you, Mr. Chairman.

Chairman BYRD. I thank the Senator.

By agreement with our witness, Mr. Nussle needs to leave at 2 p.m., and we have a floor vote at 2:15. I beg the indulgence of the three remaining Senators to limit their remarks to 5 minutes. Senator Durbin.

Senator DURBIN. Thank you, Senator Byrd, and thank you for this hearing. It has been a good one, an important one, and I appreciate you gathering us together. Mr. Nussle, thank you for joining us too.

In your opening statement, you have what I think really tells the story when you refer to your hometown and you say expanding Government does not create one job in my hometown of Manchester, Iowa. I have seen that movie before. I saw that movie in 1994, if you will recall, when the Gingrich folks closed down the Government, and Rush Limbaugh said nobody is going to notice. But they did because whether you like it or not or want to concede it or not, there are some fundamental functions of Government which are important to every American.

And you never know what tomorrow will bring. Do you think that Senator Landrieu had any idea a month in advance what was going to happen to her poor town of New Orleans? Do you think she anticipated that if something awful happened to New Orleans, as you might anticipate in Manchester, Iowa with maybe a tornado, that the Government would be prepared to respond? She counted on it and it did not happen.

This mind set that you peddle, that the Government is our enemy, there is nothing they do that is right, we do not really need them, if it went away, life would not change, is just plain wrong.

You and I were on an airplane together recently flying out here to Washington, trusting that the air traffic controllers were well skilled and there were enough of them to land that plane safely and that somebody had inspected that plane to make sure that it was safe to get on board for you and your wife and for me. So this concept, this notion that Government can be dismissed and ignored and it really is not important—I am afraid the record of this administration proves just the opposite.

I share the frustration of others here. I voted against this war, and for the longest time, I voted to fund it believing that was the only way to do the right thing for the troops and bring it to a conclusion. And now I have reached a different conclusion. Sending a blank check to this President for this war is going to prolong the killing, prolong the deaths, the injuries that will return, and this President wants to hand off the ball on January 20, 2009 and walk away. That is not the way we should deal with it. We should deal with it honestly in terms of what is happening on the ground.

To think in this room that we celebrated the first anniversary of a temporary surge—next year does the military want to celebrate the second anniversary of a temporary surge? There comes a point where it is not temporary anymore. There comes a point where this is not an emergency spending bill. Emergency suggests something unanticipated. Sadly, we have had to anticipate another year of war for the last 5 and maybe beyond.

But let me get down to a real emergency. A lot of things have been mentioned here, and this is something unanticipated.

I left here to go out in the hall and meet with the head of the world food program. She is a lovely woman who is doing her darnedest to try to feed a lot of starving people around the world. She is in trouble. There has been a dramatic increase in food prices. The price of rice in the last few months has gone up 83 percent. There are people starving. Mr. Zoellick at the World Bank warns us that over 30 nations may be facing food riots and instability. We may see their governments fall because of this. Now, that was unanticipated. Maybe somebody saw it coming. I did not.

So I just have to tell you when she asked for \$500 million more in food aid, I want to ask you do you believe that is the kind of emergency we should include in this supplemental to avert a crisis of starvation and political instability around the world.

I met with Secretary Rice last week and had breakfast with her, and she said we need it. Give us the authority to buy some things locally so we can stretch it even further, but we need it.

So based on that, do you believe this administration should take this world food crisis and put it in the emergency category of things we need to do right now?

Mr. NUSSLE. Well, first of all, Senator, you know this from both of our proud traditions from the corn belt and the food belt that we stand behind absolutely no one in the world when it comes to the generosity of the American people.

Senator DURBIN. It is not enough, Jim. It is not enough. They need more.

Mr. NUSSLE. But we should not forget that that is also done, I would say very respectfully. We do a lot. We do more than any other country. We take leadership roles in this.

Senator DURBIN. But is that the reason to do nothing now?

Mr. NUSSLE. See, that is the reason I bring that up because that is suggesting we are doing nothing now, and that is simply not the case.

Senator DURBIN. We need to do more, Jim. If your neighbor is starving—

Mr. NUSSLE. And we are doing more.

Senator DURBIN [continuing]. Even though you have helped them yesterday and they are starving today, what are you going to do about it?

Mr. NUSSLE. But we are helping them today.

Senator DURBIN. Say do you not remember the good things we did yesterday?

Mr. NUSSLE. But we are helping them today.

Senator DURBIN. No. We are not helping enough. \$200 million under the Emerson program is not enough. She made it clear to me in the hallway. She needs \$500 million, emergency money. Do you believe that is the kind of emergency that should be included in the supplemental?

Mr. NUSSLE. I believe it should not be forgotten what the American people already do and the generosity we already show—

Senator DURBIN. So the answer is no?

Mr. NUSSLE [continuing]. To the rest of the world. And we are doing more, as we just announced on Monday.

Senator DURBIN. So the answer is yes or no.

Mr. NUSSLE. And we need partners around the world to step up in order to help assist in this as well.

Senator DURBIN. Come on, Jim. Stick with me, buddy. Yes or no.

Mr. NUSSLE. I believe that not only have we requested funds not only in this appropriation but in others to meet that challenge, plus the announcement that we made Monday.

Senator DURBIN. Straight-talking Iowa talk. Yes or no.

Mr. NUSSLE. We have \$500 million in this request alone.

Senator DURBIN. \$500 million in this supplemental request for world—

Mr. NUSSLE. 40 percent of this is what we have been asked for of the \$500 million. At least, that was my understanding.

Senator DURBIN. No, no.

Mr. NUSSLE. And that is what we announced on Monday.

Senator DURBIN. No. Let me just tell you. This is a crisis and we cannot avert it. Some day someone is going to play back the videotape after this global food crisis and say why did America's Director of OMB not acknowledge the obvious if the head of the World Bank is acknowledging it.

Mr. Chairman, you have been kind with your time. I yield.

Chairman BYRD. Senator Landrieu.

Senator LANDRIEU. Thank you, Mr. Director.

When you came to my office some time ago to talk about the confirmation process, Mr. Director, you assured me that you would remember the emergency situation on the gulf coast. I have looked through all of the pages of this request for \$108 billion. I do not see one page on the gulf coast recovery which is still an emergency which happened less than 3 years ago. Is there some reason that it was left out? Was it done inadvertently or intentionally?

Mr. NUSSLE. It was done based on the amount of appropriations that are already in the process, already in the stream, as well as the fact that we have requested funds for the next—in the coming year in order to meet those needs. So we believe those needs are being met based on the regular appropriations that have been done, as well as the emergency supplemental appropriations that have been requested and granted by the Congress in the past and the ones that we are requesting for the future. We are requesting \$5.8 billion of emergency funding for 2009 alone.

Senator LANDRIEU. Let me ask you that. That is a good place to stop. You are asking for \$5 billion in the regular appropriations bill, which is Byron Dorgan's subcommittee. Do you know how much the country spends on new construction every year for the whole entire country?

Mr. NUSSLE. I do not have that at my fingertips.

Senator LANDRIEU. It is less than \$5 billion. So explain in 30 seconds or less how I am going to go to the committee to get 100 percent of all the money Byron Dorgan has to fix the levee in New Orleans when there have got to be thousands of miles of levees around the country? How are we going to do that?

Mr. NUSSLE. We have asked for those funds as an emergency over and above the regular appropriations process.

Senator LANDRIEU. In the regular budget. In this supplemental.

Mr. NUSSLE. Not in this supplemental, but for 2009. We believe there is enough resources right now in order to meet the current needs. That has been already agreed to and already funded. But for 2009, which we hope begins—at least fiscal year 2009 begins in October, we have requested \$5.8 billion in emergency funding over and above the regular appropriations for Katrina.

Senator LANDRIEU. Well, let me ask you this. On what basis did you all recommend the shift in cost share, which is normally 25/75, to 35/65 for that project when it was Federal levees that failed at no fault to the local community? On what basis was that cost share shifted?

Mr. NUSSLE. Well—

Senator LANDRIEU. And if you do not have the answer readily, you can get it back to me—

Mr. NUSSLE. Why do I not do that rather than try and find that because I would be happy to—

Senator LANDRIEU [continuing]. Because this is truly an emergency when the Federal levees that should have held failed and 80 percent of the city went underwater and 100 percent of St. Bernard went underwater. That is truly an emergency, just like the fires in California or the tornadoes, totally unexpected, thought about but unexpected.

The second question I have is the Byrne grant program, which is something that our law enforcement feel very strongly about. It provides critical support to sheriffs and police around the country. Many of my colleagues have worked to restore it. Can we count on the White House's support to restore the Byrne grant, and if not, why?

Mr. NUSSLE. What we have done, Senator, is we have taken all of those stovepipe grant programs within Justice and moved them into four that our local law enforcement, we believe, can access

easier, can use in a much more flexible, local-need priority. And that is the reason that we have done that.

Senator LANDRIEU. Well, let the record reflect that you have consolidated programs that each individually, let us say, cost \$1 billion. You took four \$1 billion programs each and put them into one program and attached \$2 billion to it and claim that you are increasing support for local law enforcement. If you admitted that you reduced support for local law enforcement, we could accept it, but you do it and claim that you are adding money.

And finally, let me say in my 20 seconds that is left I want to associate myself with the remarks of particularly Senator Dorgan. The legacy that this President will leave is that he drove the country into a war and then for the next 6 years—and that might be 8, it might be 9 depending on how long—refused to submit a plan whatsoever to pay for it.

There is nothing, Director, clean about this bill. It is either a dirty, rotten trick, it is a messy cover up, or it is a sloppy sales job. But this is not a clean bill.

Chairman BYRD. Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman, and I would like to submit a written statement for the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR BEN NELSON

Mr. Nussle, as we all know, the war in Iraq has come at a great cost to this nation in both lives and taxpayer dollars. This war has cost us over \$500 billion so far and continues to increase at a rate of nearly \$12 billion per month. This cost is borne by the American taxpayer and goes directly to the national debt—financed by China and other foreign countries. Nearly every dollar spent on this war has been straight-to-debt spending—outside the budget process, not paid for and a debt passed along to future generations.

The United States has spent more than \$45 billion on Iraq's reconstruction. Meanwhile, Iraq is expected to collect a windfall in oil revenue this year and will experience a surplus, while our nation faces record prices at the pump, continued deficits and a declining economic situation. It is time to end this blank check policy to the Iraqi government, and once again look out for our interests at home.

While continuing this policy we have had to make deep cuts in critical domestic programs such as Byrne Justice Assistance Grants which helps our local law enforcement combat violent crime and makes an enormous difference in rural areas. In Nebraska, we use the bulk of our very modest allocation of Byrne funds to operate multijurisdictional anti-drug task forces. If the 70 percent cut in Byrne funding for 2008 is not addressed, most of our task forces face elimination this summer which is simply unacceptable.

I am proud to have joined over 50 of my colleagues in requesting Byrne funding in this supplemental. Ask anyone involved in law enforcement in Nebraska, and they will tell you the irresponsible Byrne cuts made in fiscal year 2008 have without a doubt left us in an emergency situation where one of our most effective law enforcement tools is facing total elimination.

I understand OMB's Program Assessment Rating Tool—or PART, for short—has assigned a rating of "Results Not Demonstrated" to the Byrne grant program. No doubt this is one of the reasons it recommend "replacing the program because it . . . cannot demonstrate results." Well, that's just not true in Nebraska—I have the 2007 results right here . . . and keep in mind that our share of the Byrne formula is just slightly more than one-half of one percent. In 2007, Nebraska's Byrne task forces made 4,380 arrests; seized almost 1,000 pounds of cocaine and methamphetamine and over 9,000 pounds of marijuana; developed 511 confidential informants, made 1,412 controlled drug buys, and seized over \$1.3 million in cash and goods. These results speak for themselves, and I think it certainly qualifies as an emergency that all the progress Nebraska law enforcement has made with Byrne funds over the years could be undone with one stroke of the President's pen. Mr. Nussle, I hope you will reconsider your threats to veto any additional spending in this bill.

In addition, as our budgets have become more and more constrained we have not been able to address a looming transportation infrastructure crisis. If the supplemental is used as a vehicle for additional stimulus funding, transportation infrastructure spending should be included. As we invest in reconstruction in Iraq, we are facing an infrastructure funding crisis here at home. During debate on the fiscal year 2009 Budget Act, I was successful in getting \$7 billion set aside for economic stimulus spending for “ready-to-go” infrastructure projects. This additional spending will not only stimulate the economy in the short term, but will also begin to address the long-term investment we need to make in our country’s transportation system. State departments of transportation have already identified billions of dollars worth of projects that could be underway in a very short time. Targeted spending on these kinds of projects would create jobs and have an immediate impact on the economy. I also believe we must waive any state and local matching requirements to ensure this money can be used as quickly as possible. Waiving the match will allow more projects to be undertaken in a shorter amount of time.

Investing in infrastructure makes sense. We can immediately impact the economy in a positive manner, while reaping the long-term benefits of an investment in our infrastructure that will outlive the current economic downturn. Again, if a stimulus package is added to the supplemental, I advocate for including infrastructure spending.

With that, I would just reiterate that during debate of the fiscal year 2008 Supplemental, Senator Collins, Senator Bayh and I intend to require any reconstruction funding to the Iraqi government be made in the form of a loan and I hope that the committee can address the most critical domestic priorities as a part of this process.

Senator NELSON. Mr. Nussle, you have heard it several times from my colleagues, as I understand it, that there is a concern about the United States continuing to fund largely the war in Iraq without much in the way of support from the Iraqi budget for our total costs. In 2003, Senator Evan Bayh and I introduced legislation—it passed the Senate. It got blocked by the administration and the House—which would have required all reconstruction money to be in the form of a loan. Now, \$45 billion later and expenditures in that reconstruction account, we have nothing to show for it in terms of an IOU or a loan or what have you.

As we look to the future expenditures to avoid having what I truly believe has become a blank check policy, I think we ought to look at loaning where lending is appropriate. We ought to insist on direct payments where direct payments are appropriate, and we should seek reimbursement where appropriate.

Fortunately, Steven Hadley, the National Security Adviser, agreed this last Sunday on one of the talk shows.

As we do that, are you looking at ways that we might be able to recover or avoid having to pay directly and could get reimbursed, for example, for fuel that we pay for at the current time in connection with Iraq?

Mr. NUSSLE. I think all of those areas could or should be explored. I do not have a plan I can propose to you today, but I do appreciate your leadership on that issue and many others who have led on that issue, and I believe that it is a notion that is worth continuing to explore, but not in a unilateral way, I would just suggest, in a bilateral way between our country and the sovereign country of Iraq.

Senator NELSON. Well, I am not averse to trying to do it bilaterally. I wish we had done it bilaterally before. So far it has been unilaterally.

In that regard, would it not be appropriate to include as part of this supplemental an approach that Senators Collins and Bayh and I and others will be introducing to do just that as part of this sup-

plemental? Certainly it would be germane to what we are doing in appropriating money to go to Iraq. We ought to have a way to recover it at the same time that we are seeking to appropriate it. I would like your thoughts about that.

Mr. NUSSLE. It is awkward, Senator, for the President's Budget Director to try and act like the Secretary of State, so I will not. But I would suggest that from an OMB standpoint, I believe it is a worthy notion and one that we should continue to explore. And I believe Steven Hadley made that same case. I believe it is now in the proper lane of the Secretary of State to begin to explore that kind of possibility or arrangement on a bilateral basis with the country of Iraq rather than—I say I think it may be awkward for us to demand in that kind of nature to change that kind of a situation with Iraq given the lack of stability tradition that has not yet taken maybe full foothold there.

Senator NELSON. What is awkward for me is to explain to my grandchildren that we are borrowing from their future, borrowing from China to provide for the cost of a war as we grow a deficit and grow our debt at the same time that the Iraqi Government continues to increase its surplus, maybe \$50 billion to \$60 billion this year, \$25 billion to \$30 billion in banks in New York unspent, not necessarily going to be spent. Fraud, waste, and abuse prevents some of it from being spent. It is also awkward to continue the status quo the way we are doing it, and yet that is what we are going to be asked to do with this supplement.

So I think it is totally appropriate and I hope you do not think it is inappropriate if we try to put forth some sort of requirements in connection with loans, direct payments, and/or reimbursements.

Mr. NUSSLE. Again, I find it awkward for me is all I am suggesting to act like the Secretary of State—

Senator NELSON. I know that you are a Director and not Secretary of State.

Mr. NUSSLE [continuing]. Not something I ought to do. So I would refer you to her for that purpose.

But as I suggested, I believe it is a worthy goal and notion, and I believe it is something that can and should be pursued. It does not have to be pursued in an appropriation bill in order to accomplish it, but I will leave that to your determination.

Senator NELSON. But once the money is spent, we are unable to do it after the fact. \$45 billion that would be in the way of an IOU today has been an outright grant because of the blocking of the effort in 2003. I guess I can take from what you are saying we should not look for you to block it if we try to do it.

Mr. NUSSLE. No. In fact, I may very well be likely to be part of the team that tries to help figure it out, but I am just saying with regard to directly negotiating with Iraq and making the determination what the different provisions would be in order to accomplish that, I would have to leave that to the Secretary of State.

Senator NELSON. We may have an idea or two on it too, Mr. Director.

Mr. NUSSLE. I have no doubt, and I appreciate that.

Senator NELSON. Thank you, and thank you, Mr. Chairman.

Chairman BYRD. Thank you.

Senator Cochran, do you have any closing remarks?

Senator COCHRAN. Mr. Chairman, my observations are and recollections of our earlier conversation with the witness are that there is no doubt that the continued delay in the approval of requested funds for our troops in Iraq and Afghanistan is putting in jeopardy our opportunities to help bring peace and stability to that region.

In closing, I just want to be sure I understood the Director of OMB correctly, that further delays are going to put in jeopardy our ability to furnish the troops in the field with the equipment they need, with training they need, and the ability to succeed in this war against terrorism in that very volatile region of the world. Is that correct?

Mr. NUSSLE. I believe that to be true, yes, sir.

Senator COCHRAN. And is it not also true that continued delays and approval of the administration's request for procurement programs to pay contractors, to pay for the materials and armaments that we need will also add to the risk that we run in losing this battle against terrorism?

Mr. NUSSLE. I also believe that to be true, yes.

Senator COCHRAN. Mr. Chairman, thank you very much for your patience through the hearings and your evenhanded way in which you handled this hearing.

Chairman BYRD. Thank you, Senator.

Director Nussle, the President has said that he will veto the supplemental if it exceeds his request. He has said that he will veto any of the regular appropriation bills if they exceed his request.

Well, this does not leave much room—any room—for the Congress to meet a critical need to invest in infrastructure and to help the American people to deal with a troubled economy. That is why you are hearing frustration from Senators on both sides of the aisle. In the next few weeks, the committee will mark up a supplemental that meets the needs of our troops and the American people. I hope that the President will listen to the voices of the American people and the Congress.

ADDITIONAL COMMITTEE QUESTIONS

I thank Senator Cochran and all Senators for their cooperation and the Director for his testimony.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTION SUBMITTED BY SENATOR ROBERT C. BYRD

Question. Since 2002, Congress has provided over \$525 billion to fund the ongoing war in Iraq. The President is requesting another \$100 billion for DOD in the supplemental. All of that money has been borrowed. My grandchildren will be paying for this war. The Committee recently learned that despite widespread reports of fraud and corruption in both Iraq and Afghanistan amounting to billions of dollars, the Federal Bureau of Investigation has only five people in Iraq, Kuwait, and Afghanistan devoted to investigating these abuses. Five. By comparison, the FBI has over 760 people devoted to investigating health care fraud here in the United States.

There are no funds in the President's supplemental request to increase fraud investigations in Iraq. Why is it that the President is satisfied with only five FBI agents investigating waste and fraud in Iraq and Afghanistan?

Answer. The Administration supports all efforts to identify, investigate, and prosecute fraud and corruption. The Department of Justice (DOJ) has established a unified and coordinated approach to combat procurement fraud, including fraud relating to the wars in Iraq and Afghanistan and reconstruction efforts in those coun-

tries. The 2009 President's budget continues to provide resources for the Criminal Division, U.S. Attorney's Offices, the Federal Bureau of Investigation, and the Office of the Inspector General to ensure that reports of contract fraud are investigated in a timely manner and, where appropriate, prosecuted.

In addition to DOJ's internal efforts, DOJ and the FBI both contribute to government-wide efforts to address contractor fraud and abuse. In coordination with DOJ, a number of law enforcement agencies, including FBI, DOD OIG, Department of State OIG, USAID OIG, and the Special Inspector General for Iraq Reconstruction (SIGIR), have established the International Contract Corruption Task Force (ICCTF). The mission of the ICCTF is that of a joint agency task force to detect and investigate corruption and contract fraud resulting primarily from the GWOT. The ICCTF member agencies currently have agents deployed throughout Europe and the Middle East, including 5 FBI agents deployed in Iraq, Kuwait, and Afghanistan. The 2009 President's budget continues to provide support for these activities.

The Administration has supported significant funding for the Special Inspector General for Iraq Reconstruction (SIGIR) to look into waste, fraud, and abuse in our reconstruction programs in Iraq. To date, SIGIR has been appropriated \$134 million to conduct audit oversight and refer potential criminal cases to the Department of Justice. SIGIR is also required, by law, to conduct a "final forensic audit" of reconstruction funds in Iraq. The Administration sought additional funding for SIGIR in the fiscal year 2009 "bridge" to ensure that SIGIR has the resources necessary to conduct proper oversight.

In Afghanistan, the Inspector General Offices of Defense, State, and USAID are providing comprehensive oversight of reconstruction and development programs in the country through their collective presence in the country.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUE

Question. Mr. Nussle, the Administration submitted its supplemental budget request for fiscal year 2008 15 months ago. Since that time, many of the underlying assumptions in that request have changed. Given the fluidity of the situation, why did the Administration limit the types of changes that could be made in the October 2007 budget amendment and why hasn't the Administration submitted a subsequent budget amendment to reflect the true requirements of the Department of Defense?

Answer. The President's fiscal year 2008 war request, submitted in February 2007, funded military, intelligence, and foreign affairs operations in support of the Global War on Terror (GWOT). Conditions in Iraq and Afghanistan have evolved since then. Our goal in submitting the fiscal year 2008 supplemental amendment in October 2007 was to provide Congress with the most up-to-date information regarding the requirements of the commanders and diplomats on the ground—in particular, funding to produce, field, and support Mine Resistant Ambush Protected vehicles, other war-related procurement and extension of the surge. Subsequently, the Department of Defense (DOD) conferred with the appropriate congressional committees regarding additional adjustments to the pending fiscal year 2008 request to ensure that the Congress was fully briefed on DOD's current requirements. The President is committed to providing DOD with the resources necessary for the GWOT and appreciates Congressional action which led to the enactment of the fiscal year 2008 Supplemental on June 30th.

Question. Mr. Nussle, the Department of Defense has proposed transferring \$174 million of requested supplemental funds for the Global War on Terror to the Department of State. I am told that Secretary Rice sought OMB's help with these additional resources and was directed to request these funds from the Department of Defense. If the Administration supports these additional requirements, why didn't you submit a budget amendment to request the funds for the Department of State?

Answer. The adjustment in the fiscal year 2008 supplemental request was proposed to help meet Department of State priority GWOT needs in fiscal year 2008. The Department of Defense supported this additional funding for the Department of State and sought to enable a funding shift by reallocating from within DOD's existing request. The Administration proposed that, on a one-time basis, DOD would use a small amount of its funding to pay expenses incurred by the Department of State for DOD-provided services in Iraq. Due to the anticipated mark-up of the pending fiscal year 2008 supplemental request, informal discussions seemed to be the most expeditious method to convey this request to the Congress.

Question. Mr. Nussle, the President's budget request for fiscal year 2009 included a bridge fund of \$70 billion for the Global War on Terror but has not provided Congress with any details. It was my understanding that details on the \$70 billion re-

quest would be submitted to Congress after General Patreaus' testimony, yet no additional information has been provided. When will the Administration be submitting the details of the \$70 billion request?

Answer. On May 2, 2008, the President submitted for Congress' timely action amendments to his fiscal year 2009 budget that would provide necessary resources for ongoing military and intelligence operations, as well as foreign assistance activities in support of the Global War on Terror (GWOT). These amendments distribute by account \$70 billion of discretionary budget authority, and do not affect the total discretionary budget authority proposed in the fiscal year 2009 President's budget. Of the \$70 billion allocation, \$63 billion is for the Department of Defense (DOD), \$4 billion is for State Department programs, and another \$3 billion is for classified activities.

More than half of the State request is for diplomatic operations and assistance programs in Iraq and Afghanistan. Funds are also included to deal with Iraqi refugees.

\$45.1 billion of the request is needed to sustain combat operations in Iraq and Afghanistan. The additional \$3 billion in funding for classified programs would fund a portion of the National Intelligence Program's fiscal year 2009 GWOT requirements, including intelligence activities that Congress has funded through previous supplemental requests.

Additional detail for the request can be found in the budget amendments transmitted to Congress on May 2, 2008.

Question. Mr. Nussle, for decades, the economies of the U.S. territorial economies were supported by special tax and trade policies to compensate for their inherent economic disadvantages. However, recent trends in trade globalization and tax policy have eroded the value of these policies. In the past few years, the Northern Mariana Islands has lost 35 percent of government revenue. American Samoa may soon lose 70 percent of revenue with the likely departure of its only industry, fish canning. Does the Administration recognize the crises in these two communities and have contingency plans for emergency funding to assure maintenance of essential services?

Answer. The Administration closely monitors the economic and fiscal conditions in both CNMI and American Samoa, and recognizes the ongoing challenges due to declines in economic activity in both of these territories.

The Administration remains committed to working with the territorial governments to address these challenges by monitoring of economic conditions within the territories, focusing current resources on the highest priority needs of the territories, and helping the governments to plan for various contingencies.

Question. Mr. Nussle, in January, the Department of Labor reported that the Samoa and Northern Mariana Islands economies are particularly vulnerable to disruption. Given the unique circumstances in these two communities, does the Administration support a delay in the scheduled increase in their minimum wage levels?

Answer. The Administration would support a delay in the scheduled minimum wage increase in American Samoa and the Commonwealth of the Northern Mariana Islands (CNMI).

As noted in the Department of Labor's January 2008 report, "Impact of Increased Minimum Wages on the Economies of American Samoa and the Commonwealth of the Northern Mariana Islands," future increases in the minimum wage rate have the potential to cause economic and financial harm to the territories, which face unique challenges in attracting private sector businesses because of their geographic isolation and location in a part of the world where neighboring economies have lower minimum wages and living standards.

In American Samoa, minimum wage increases have the potential to threaten the viability of tuna canneries, a significant component of the private sector economy. There appears to be genuine cause for concern that production will be shifted to facilities outside U.S. jurisdiction where labor costs are significantly lower. Without the canneries as an anchor for the private sector tax base, cutbacks in local government operations and services could be necessary.

The scheduled minimum wage increases for CNMI are expected to add further challenges to an already declining economy. With both of its major industries—the tourism and garment industries—in decline, its current economic situation makes it especially vulnerable to additional shocks. While data are not available to precisely quantify the impact of the recent and scheduled future minimum wage increases, it seems likely that minimum wage increases may worsen the current economic situation.

Question. Mr. Nussle, the U.S. military has begun a substantial military build-up in Guam that is expected to increase the population by at least 20 percent. The DOD budget, and funding from the Government of Japan, will meet the new infra-

structure needs of the military. What steps has OMB taken to assure that there is a coordinated plan among Federal agencies and Guam to identify the infrastructure needs of Guam's civilian community and to identify a source of funds to meet these needs? For example, has OMB requested an interagency MOA among Federal Departments and Guam to identify needs, costs, and funding sources?

Answer. The Interagency Task Force on Guam co-led by the Joint Guam Project Office from DOD and Interior's Office of Insular Affairs is meeting regularly with federal agencies (including Departments of Labor, Education, Health and Human Services, Transportation, Agriculture and agencies such as the Small Business Administration and Environmental Protection Agency) and the Government of Guam. The Task Force will determine what infrastructure and social system needs Guam should have as a result of DOD's construction project and the increased military and civilian personnel presence once the Marines move to Guam. The Task Force is also identifying assistance different agencies can provide to Guam. OMB staff have been participating in these interagency meetings, and due to the strong commitment of all participating agencies, OMB believes the interagency process, with the active participation of the Government of Guam, is a more effective means for addressing the current and future resourcing needs of the Government of Guam than the development of an MOA among federal agencies and the Government of Guam. OMB is also reviewing potential sources of Federal funding for high priority infrastructure improvements associated with the buildup.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE GRANTS

Question. Violent crime here at home has been rising, but the Administration has dismantled front-line support for State and local law enforcement here at home. Compare this with the Administration's view that no expense is too large for the hiring and equipment needs of the Iraqi police force, on which we have spent nearly \$21 billion, with questionable results.

It's a different story for our own police departments, which have been stretched thin for years as they shoulder both traditional crime fighting duties and new homeland security demands. In what we spend in just five days on the Iraq War, we could fully fund the COPS Program at \$1.15 billion and Byrne/Justice Assistance Grants at \$1.095 billion. That alone would put 9,000 new police officers on the beat to make our communities safer, and it would allow us to shore up our multi-jurisdictional drug and gang task force efforts. And during this National Crime Victims Week, I would ask the Bush Administration to reflect on what its proposed cuts to the Crime Victims Fund will mean to crime victims across this nation.

It is past time for this Administration to cooperate with Congress and to get the real priorities of the American people straight. How about if we start by asking Iraq to shoulder part of the burden of its own law enforcement needs? After all, the major revenue source for the Iraqi government is oil, which has risen dramatically over the past year to more than \$114 a barrel. Unlike us, the Iraqi government actually is running a budget surplus! For a tiny fraction of the money we spend each year on the Iraq War, we could make our own towns and cities safer in practical, proven and successful ways. Instead, the Bush Administration sends us a 2009 budget that cuts the help to state and local law enforcement agencies by \$1.6 billion—that's a staggering 64 percent.

Director Nussle, would the Administration support asking the Iraqi government to assume part of what the United States is paying for the Iraqi police force? We should dedicate those savings from an Iraqi cost share to restoring the cuts that you have proposed in the COPS and Byrne/JAG programs.

Answer. The Administration supports the Government of Iraq increasing its resourcing for the Iraqi police force, budgeting more than 3 times the U.S. government contribution in 2008. While the U.S. government contribution for Iraqi police forces has steadily declined, the U.S. funding has significantly developed police force capabilities and ministerial capacity within the Ministry of Interior. This partnership has permitted the Iraqi government to assume greater responsibility and control of the internal security of their nation, as shown by the transfer of control to the Iraqis of 9 of their 18 provinces. However, there are no savings to redirect toward the COPS and Byrne/JAG programs.

Question. Why does the Administration keep trying to eliminate programs that are universally acknowledged to work in the bringing down crime rates?

Answer. The Administration believes that the federal government should be a reliable partner with state and local law enforcement and that taxpayer dollars must

be spent wisely to help meet that goal. Competition should be the guiding principle used to ensure that Department of Justice state and local law enforcement assistance flows to the areas of greatest need. The fiscal year 2009 budget proposes \$1 billion in spending for state and local law enforcement assistance programs, and consolidates more than 70 different programs, many of which are small, earmarked, or have not demonstrated results, into four flexible grants. Each grant program will permit States and localities to compete for funding based on local needs, as well as national priorities. The Byrne JAG, which is formula-based, and COPS grants programs, which have \$269 million in earmarks in fiscal year 2008, are among those that would become part of the new, flexible grant structure.

One of the competitive programs we propose, the Violent Crime Reduction Partnership (VCRP) Initiative, will help State and local law enforcement agencies form multi-jurisdictional partnerships with Federal law enforcement agencies to tackle the most serious crime issues in their areas. This new program, funded at \$200 million, focuses on building and supporting multi-jurisdictional partnerships to prevent and, where necessary, investigate and prosecute particular types of crime where they are becoming too great a challenge for local law enforcement to handle alone.

Question. Congress has raised considerable concerns about the readiness and effectiveness of training efforts of both Afghan and Iraqi security forces, but we have provided a total of \$33 billion for these purposes because of the high stakes involved. What oversight mechanisms do we have in place to monitor that these funds are being used effectively?

Answer. The Administration takes the oversight of funding provided to the Afghan and Iraqi security forces very seriously. The Department of Defense (DOD) has policies and procedures in place to ensure that all of its funding is used effectively and responsibly, including the Iraq Security Forces Fund (ISFF) and the Afghan Security Forces Fund (ASFF). War zones pose unique challenges to rigorous financial management, though DOD has worked consistently to improve its accounting and budgeting practices in both Afghanistan and Iraq. The DOD Inspector General has ongoing projects that assess the financial management of the ISFF and ASFF, which have led to greater transparency and accountability. DOD has also benefited from the reviews and recommendations of the Special Inspector General for Iraq Reconstruction (SIGIR) and will work closely with the Special Inspector General for Afghanistan Reconstruction (SIGAR).

CRIME VICTIMS FUND

Question. The week of April 13 marks the 27th National Crime Victims Rights Week where as a nation we honor and renew our commitment to crime victims and their families. In particular, I have been honored to support passage of the Victims of Crime Act of 1984 (VOCA), which established the Crime Victims Fund (“the Fund”). The Fund allows the Federal Government to provide grants to State crime victim compensation programs, direct victim assistance services and services to victims of federal crimes.

In the President’s fiscal year 2009 budget proposal, the Administration has yet again proposed rescinding all amounts remaining in the Crime Victims Fund, an estimated total of \$2.024 billion, which will leave the Fund empty at the start of 2010. A rescission of the Fund combined with the proposals to lower the cap of the Fund, will leave victim assistance programs nationwide at risk of large cuts to their programs or even having to discontinue services.

In my home State of Vermont, the President’s proposal would be devastating. Many of the programs that VOCA provides funding for help the most vulnerable populations in Vermont. For example, transitional housing programs funded through VOCA allowed a mother and her 9 year old daughter to escape a sexually abusive husband and father. Through counseling services and emergency financial assistance they are now living independently and free from abuse. Emergency legal advocacy funded by VOCA grants helped 75-year old Mary stop a cycle of abuse by her husband during his visits to her nursing home. These support services and dozens of others would be in jeopardy should the president’s proposal go forward.

For a program that is funded entirely through criminal fines, forfeited bail bonds, penalties, and special assessments—not taxpayer dollars or appropriations—what is the Administration’s reason, other than recording a budgetary savings, for gutting a program that provides essential services for victims of crime?

Answer. The Administration has not proposed reducing assistance for crime victims. In fact, the fiscal year 2009 budget proposes the same level of funding—\$590 million—as allocated by the Congress in fiscal year 2008 for the crime victims’ programs funded by the Crime Victims Fund.

Each year, the Congress imposes an obligation limitation on the Fund, permitting excess balances to roll forward and scoring a budgetary savings that frees up spending for other discretionary programs. By proposing to cancel \$2 billion in excess balances, the Administration is proposing to end what has become a recurring budget gimmick.

Question. When I asked you about where the rescinded monies from the Crime Victims Fund during the April 16 hearing before the Appropriations Committee, you answered that the rescinded funds would be put towards the four “stovepipe” programs for state and local law enforcement assistance and would therefore aid victims of crime. This is incorrect, as there is no proposal in the President’s budget request to designate these funds for those purposes. In reality, the rescinded monies will go toward paying down the budget deficit accrued by this Administration. Please explain why you stated what you did and explain your response.

Answer. The Administration has proposed to consolidate 70+ state and local law enforcement grant programs, and to consolidate these programs into just four competitive grants. However, this proposal does not affect the crime victims’ compensation and assistance programs funded by the Crime Victims Fund.

The Administration is proposing to cancel excess Crime Victims Fund balances in order to end a recurring practice of scoring budget savings from obligation limitations imposed by the Congress each year. Like an obligation limitation, the cancellation of balances will yield a budget savings in fiscal year 2009. However, this will be a one-time impact and does have the benefit of ending a recurring discretionary budget offset used by both the Congress and the Administration. The effect in fiscal year 2009 of both the President’s proposal and what Congress regularly includes in annual appropriations bills, is to make available for spending on other priorities an amount of funding equivalent to the excess Crime Victims Fund balances. Congress does this through a gimmick that allows it to score “savings” on the same CVF resources, year after year. The Administration’s proposal includes no such gimmick and would therefore achieve savings only for one year.

Question. Please state whether you believe that the \$1 billion requested by the Administration for all grants assistance programs within the Office of Justice Programs, COPS, the Weed and Seed Program and the Office on Violence Against Women will be sufficient to meet the needs required by State and local law enforcement to combat rising violent crime and assist crime victim survivors, and explain your response in detail.

Answer. While the crime rate has fluctuated recently in selected cities, the overall violent crime rate remains well below historical levels. In fact, FBI data shows that, nationally, violent crime dropped by 1.8 percent in the first half of 2007 compared to a year ago. Nevertheless, the Administration remains concerned about violent crime and believes that the Federal government must be a reliable and effective partner for state and local law enforcement. Taxpayer dollars must be spent smarter to help meet that goal, however. The Administration believes that it is possible to provide effective assistance without spending \$675 million on earmarks, over \$500 million on formulas, and \$400 million on programs that do not influence crime (e.g., the State Criminal Alien Assistance Program). Competition and merit should be the guiding principles used to ensure that state and local law enforcement assistance flows to the States, communities, and organizations that are most deserving of assistance. Further, the Administration’s proposal introduces more flexibility for the grantees by consolidating more than 70 different stovepiped programs into four, which will enable States and localities to compete for funding based on local needs, as well as national priorities. The Administration believes that it is possible to provide assistance to state and local law enforcement more wisely, and more effectively, as the fiscal year 2009 budget proposes.

One of the competitive programs proposed in the fiscal year 2009 budget, the Violent Crime Reduction Partnership (VCRP) Initiative, is intended specifically to help State and local law enforcement agencies form multi-jurisdictional partnerships with Federal law enforcement agencies to tackle the most serious and violent crime issues in their communities. The Byrne Public Safety and Protection Program, for which the budget requests \$200 million, will be used to address high priority crime problems and multiple public safety needs. The budget also proposes the Violence Against Women Grants (\$280 million) and the Child Safety and Juvenile Justice Program (\$185 million)—which will better target the traditional, multiple funding streams for programs violence against women, child safety, and juvenile justice to the areas of greatest need. In addition, the budget also provides \$148 million for information sharing among law enforcement agencies, criminal justice statistics and research, and other programs.

Question. Given that the Justice Department has yet to submit to Congress a detailed plan for this consolidated “stovepipe” approach, the fact that the President

has proposed a \$1.6 billion cut to law enforcement assistance with this approach, and that the Administration basically eliminates the dedicated funding stream for victims services, how do you mean to ensure that funding is set aside for victims?

Answer. The Department of Justice shared draft authorizing legislation with the Congress following the release of the fiscal year 2008 budget, which would implement the Administration's consolidated grant proposal. We would be happy to share the draft legislation again. Again, the aim of this proposal is to consolidate more than 70 stovepiped programs into four competitive and flexible grants.

The Administration has proposed cancelling excess balances from the Crime Victims Fund, but does not propose changing the funding mechanism for the crime victims' compensation and services programs provided for by the Fund. As in the past, those programs will continue to be financed by continued collection of criminal fines and penalties, just as they are now. The fiscal year 2009 budget proposes appropriations language that would permit funding for the crime victims' programs to be made available at the beginning of each fiscal year, to be repaid by fines and penalties collected throughout the year.

TRANSPORTATION/INFRASTRUCTURE NEEDS

Question. While the Bush administration has spent billions to rebuild roads and bridges in Iraq, it has neglected the critical transportation infrastructure needs of this country. The Transportation Secretary recently chaired a national commission on transportation financing that concluded we are not spending nearly enough to build and maintain our transportation infrastructure. That panel determined that the United States needs over \$225 billion in new infrastructure investment in order to upgrade our aging transportation system.

In Vermont, for instance, we face a transportation funding shortfall of over \$100 million for projects that are just sitting on the shelf waiting for funding—including a highway and bridge backlog of over \$55 million; a public transit bus replacement backlog of over \$18 million; and a rail backlog of over \$10 million.

Yet instead of spending limited taxpayer resources on important projects that could jumpstart the U.S. economy and create American jobs, this administration has made the conscious decision to fritter those precious American dollars a world away on the infrastructure of Iraq. To top it off, we're once again being asked to spend billions on roads and bridges in Iraq, no questions asked, but we cannot move a bill in the Senate this week that for a fraction of the cost would fix U.S. infrastructure and provide hardworking Americans with jobs. It boggles the mind.

Since you have to take the big picture view of the President's budget request, do you think that American taxpayers are being treated fairly and equitably under this budget proposal that time and time again emphasizes the priorities of Iraq over the priorities of the United States?

Answer. The President is committed to both the priorities of American people at home and abroad. The current level of annual Federal funding requested by the President for domestic needs is evidence of his support of the American taxpayers and their domestic priorities.

With regard to infrastructure specifically, it is important to note that Federal spending on transportation infrastructure is on the rise and has been for some time. Transportation spending is projected to jump significantly this year—the President's 2009 budget request for DOT will result in a 53 percent increase in grant outlays to states and localities compared to 2001. The 2009 budget also estimates that, in total, DOT programs will outlay 10 percent more grants to state and local governments in 2008 than in 2007, including an 11 percent increase by Federal Aid Highways.

At a national level, we have seen tangible improvements in the condition of infrastructure. For example, the percentage of Vehicle Miles Traveled (VMT) on National Highway System (NHS) pavement with good to very good ride quality (i.e., International Roughness Index (IRI) of less than or equal to 95 in/mi) has increased from 52 percent in 2002 to 57 percent in 2007. The percentage of bridge deck area on National Highway System (NHS) bridges that are rated as either structurally deficient or functionally obsolete has decreased from 32.6 percent in 1998 to 29.6 percent in 2007, and has decreased from 32.5 percent in 1998 to 30.5 in 2007 for non-NHS bridges.

However, the Administration continues to believe that the overall funding model for transportation infrastructure—involving thousands of earmarks and inadequate targeting based on need and cost-benefit—is broken. As is noted in the Minority Views section of the report that you are referencing, which was advanced by the Secretary and two Commissioners, continuing to rely on a tax-based financing system that has little or nothing to do with the true costs of using or providing trans-

portation infrastructure is a flawed mechanism for improving system performance and reliability. Furthermore, the Minority Views called for a much more focused Federal role in funding transportation infrastructure, consistent with the views of the Government Accountability Office. The next surface transportation authorization will provide an opportunity to advance more fundamental reform, which would have a far more profound effect on the condition of the country's transportation infrastructure than additional Federal spending at this time.

GOVERNMENT CONTRACTORS AVOIDING U.S. PAYROLL TAXES

Question. While our domestic spending priorities suffer because of the ongoing war in Iraq, several enriched defense contractors have set up offshore shell companies to avoid U.S. Social Security and Medicare payroll taxes.

According to recent press reports in the Boston Globe, Kellogg Brown & Root has avoided U.S. payroll taxes by hiring workers through shell companies in the Cayman Islands. Through a loophole in our tax code, American companies that are benefiting from U.S. government contracts are able to set up foreign subsidiaries in tax havens and treat American workers employed in connection with the contract as employees of the subsidiary. As a result, these employers can avoid paying Social Security and Medicare payroll taxes.

Director Nussle, do you agree with me that Defense contractors should be paying their fair share of payroll taxes?

Answer. Yes, I do. Regarding offshore companies, we generally would not object to the concept of holding U.S. companies liable for collecting and paying payroll taxes on U.S. employees working on government contracts overseas, even if they are employed by a foreign subsidiary. However, I would refer the question to the Department of the Treasury to provide technical assistance because this requirement could have unintended consequences, such as creating artificial hurdles for foreign companies to hire U.S. workers overseas or disrupting international social security agreements.

In addition, we are concerned that a minority of contractors continue to owe tax debts. It is unacceptable for contractors doing business with the government to be delinquent in paying their taxes. The Administration is taking significant steps to boost accountability and ensure contractor tax compliance.

On April 22nd, a rule was published in the Federal Register amending the Federal Acquisition Regulation (FAR) to authorize federal officials to use tax delinquency as sufficient grounds for proposing debarment or suspension. The rule is available for viewing at: http://federalregister.gov/OFRUUpload/OFRData/2008-08508_PI.pdf

In addition, the Federal Contractor Tax Compliance Task Force, led by the Department of the Treasury has made a number of significant improvements to policies and processes that directly result in increased debt collection. Levy collections from Federal payments to contractors increased from \$7 million in fiscal year 2003 to \$48 million in fiscal year 2007. This number reflects only collections received through the levy program and does not include additional collections paid to IRS upon the contractor's receipt of the due process notice of the intended levy action.

CONCLUSION OF HEARING

Chairman BYRD. The committee is recessed.

[Whereupon, at 2:09 p.m., Wednesday, April 16, the hearing was concluded, and the committee was recessed, to reconvene subject to the call of the Chair.]