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**TRANSCRIPT: OMB Director Rob Portman Roundtable Interview with Reporters on
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Rob Portman (RP): Thanks for coming. I appreciate you being here during a critical time. The House is scheduled to vote on Line-Item veto tomorrow. I'm still making calls, made some this morning. The President is in Europe, watching this closely. It's a very important issue for him, why? Because the line-item veto is an essential tool to curb wasteful and unnecessary spending. Also it is an important tool to add more accountability to the budget process.

In essence what it does, we'll talk about this in more detail, it shines the spotlight on particular spending that is determined by the executive as unnecessary or wasteful. Finally, it is consistent with what this administration has been promoting of reducing spending overall.

The line-item veto will have an effect on spending in general. Having just left the House over a year ago, I can tell you this, that in my view, this will also have a preventive effect. There may be no way for us ever to judge the success of a line-item veto, because so much of what would have made its way into an appropriations bill or emergency bill, or omnibus bill or even a tax bill, or directed spending and mandatory spending will never happen because members will now know that should this particular item were to come the floor and see the light of day it would unlikely pass muster. So then those members will be less likely to promote that kind of legislation.

This has happened with the unfunded mandates bill, this is something I worked with when I first got to Congress and in essence it shines the spotlight on unfunded mandates and as a result there have been very few unfunded mandates passed since 1996 or 98, when that legislation was passed.

So this is a similar sort of approach, it is not the traditional 2/3rds you would get with the Presidential veto. It is the President pulling out individual items, again most have focused on the appropriations bills, that is probably where it would be used the most but it could be used in an emergency spending bill or tax bill or mandatory spending bills or reconciliation bill and then that particular provision or it could be more than one provision bundled but then that would go back to the House to Senate for a vote. And this legislation provides the right fast track. So you send it back for a vote in the House and the Senate for a fast track procedure.

That is basically what the legislation does. If the House and the Senate [pass] by a majority vote, then the President has the ability to eliminate the spending. If the House or the Senate decides by a majority vote that they like the spending for this bridge or this railroad, whatever the issue is, is in the public spending, then the President would not be able to eliminate that spending.

Why is this controversial? It does shine the light on specific items in a way that is not currently available in the executive branch. This is not about President Bush, this is something that would be for the Presidency and it is to create what I think would be an appropriate balance between the two branches on spending. Forty-three governors have the line-item veto, so this is something that has been tested. A number of members of Congress have come through the state legislature, I didn't, but this is something they did and they have lived with this.

Many governors have something that is much stronger. As you know, some governors can actually amend bills the way they like it. They send the whole bill back. This is not what this is. This is in keeping with the constitutional requirements that were set out in 1998 on the Supreme Court case which found unconstitutional the 1996 line-item veto which was given to then Bill Clinton, who incidentally used the line-item veto 82 times. During those two years it was used, I will also say that in 1996, when Bill Clinton had the ability to use this line-item veto, it was bipartisan. It was something that President Clinton supported. Twenty-five House members who are still in the House supported line-item veto at that time. Senator Kerry supports it, as many of you know; in fact it was part of his 2004 campaign.

There are many members of the House and Senate who are Democrats, who are strongly supportive of this because they believe it will lead to more fiscal discipline, as I said. Mark Udall has been terrific; he has helped lead the effort in the House this time around for instance. The House Budget Committee, Chet Edwards supported it; I think he's traditionally been supportive of line-item veto. Henry Cuellar from Texas, Ed Case from Hawaii, Jim Cooper, Tennessee. 24-9 vote in the House Budget Committee, so this has been something that has been bipartisan in the past and my hope is that it will continue to be bipartisan. I spent a lot of time with Democrats in the last few weeks on this issue, to insure this does not come become a partisan issue.

On the Republican side, in the past, appropriators, as a rule, have tended to be more skeptical about this, in fact some have voted against this in '96 and in 2004 when there was an enhanced rescission bill offered. This time around through, there is more discussion and education about how it would actually work. Frankly, because there is a different environment now. Thanks to all the stories you have written, there is more concern about earmarks. More concern about spending discipline. I think the environment is better to have this pass the House tomorrow. We'll see, we still don't know for sure. The votes are still uncertain. I feel as though we are seeing momentum and moving in the right direction based on the vote counts I've seen and the conversations that I have had.

In the House Budget Committee, Chairman Russell played a key role here, so did Jim Ryan. Paul Ryan, excuse me, Jim Ryan did too, he voted for it. But Paul Ryan really was the person who put together the final package that came out of the Budget Committee. A little different than the package we sent forth in a few respects. One major one is the number of days the President can defer the spending. The way the process works is that the President sends a proposal forward. In the meantime he defers spending in that line item or those line-items and the number of days you can defer was an issue that some members had concern about so Paul Ryan shortened the number of days, as an example.

Paul has done a good job reaching out to Democrats. One reason Democrats supported it, he was very helpful in building bipartisan consensus. So with that I am going to be asked that the AC be turned on and take your questions on this or any other topic. Preferably related to the OMB.

Question: Do you have any sense of what the budget impact of this will be? I recall reading that Clinton's vetoes amounted to about a billion dollars. That's not really a huge number in the vast universe of the Federal budget, so what do you think the impact will be?

RP: That's a good question. Again my response to that question is that we may never know, Chris, what the impact will be. I think based on our experience with, based on bills like the unfunded mandate relief act, that there will be a chilling effect here on unnecessary spending. I think Members of Congress will be less likely to promote particular projects or, for that matter, rifle shot tax bills or for that matter directed spending and entitlements that they feel could not be defended on its own outside the context of a larger bill. Although, it may have only been a billion dollars, when you add up all 82 of the vetoes, there were, in the period between 1998 and 2004, almost a quadrupling of earmarks. Now I am not saying it's all directly related to Bill Clinton losing the ability to have the line-item veto, but it's very interesting when you look at the numbers and I think that this is just another indication of the fact that this will have a preventive effect, just as not having this ability I think has led to a more permissive approach to earmarks. Congressional Research Service has its own numbers, we have numbers, others have numbers but taking the CRS numbers, we have gone from about 4,000 to about 15,000 earmarks between 1994 and 2004. Something like that in that 10-year period. We can give you those numbers, it's between a tripling and a quadrupling, I think, of earmarks in that period. I think what you'll see happen is you'll see fewer earmarks. I'll think you'll see less spending. I think it will have an effect on the budget. It will be, again, it will be probably more significant, than it will be for the individual line-item's that goes back to the Congress.

Q: Do you have any pledge from the leadership on this? And if so what is this pledge?

RP: Pledge?

Q: A pledge.

RP: No. I think, my stance is that the Republican leadership is strongly supportive of this.

Q: Do you think this is going to be an imposed vote?

RP: Not necessarily but I think it will be one that, I know Speaker Hastert strongly supports it. I talked to him about it the other night. I think they were concerned that we work with the appropriators, the transportation committee members, to help educate them on it. Because there was some misunderstanding on it about this particular approach and what its impact would be on the President's power.

Q: What did they not understand?

RP: Well, it's a sensitive area; you know, Congress has the power of the purse. As a former Member I can tell you, it's jealously guarded, as it should be, that's the way our Constitution reads. But, the question is that when there is a particular item, that the executive views as unnecessary and wasteful, would they have the ability to go back to Congress, not for a 2/3rds vote, not for a regular veto, but simply have Congress look at that, just as they would any other piece of legislation, albeit on a fast track. I think once that was explained to Members, there was a lot less concern.

Q: So you're just saying we could out you and put your name on it but the worst that could happen is that you have to go defend it?

RP: Yeah, majority vote, you don't have to get a 2/3rds vote to override the President veto.

Q: Remind me, how well a job do you think you do on identifying internally or stuff that is edited at that last minute, the earmarks. I mean, I know you could probably spot them when you read the legislation when you get it. How good a job do of identifying what this project was for or who was behind it?

RP: Sometimes it's difficult and that's why sometimes you all don't hear about it, something, until after the fact. So do we sometimes because in a huge bill like in an omnibus bill or even in an appropriations bill, that is hundreds of billions of dollars. It's sometimes difficult coming out of Congress where you have House and Senate provisions that are differing to understand everything that is in it before it is passed.

Q: How much do you miss in it?

RP: How much do we miss that is in a bill?

Q: Just in identifying earmarks so as to go through. When you go through it, do you say what exactly is this project and who is behind it? When you do have time to go through it are you convinced you get everything?

RP: No (laughter)

OMB Staffer: With a line-item you are going to have some time to look at it and understand.

Q: No, I understand but the starting point is that even you guys don't know what it is in the bill or who is behind it.

RP: Sometimes it's hard; sometimes it's hard to know. I think we are doing a better job at; frankly there is more emphasis now at looking at earmarks than there was a couple years ago. If you look at the numbers last year to this year, they are actually down a little bit on earmarks. On this bill, just so that we are clear, one reason it is so important, after a bill is passed, it is important to be able to look at these bills carefully, scrub them and then be able to go back to Congress. That's why the President, his proposal recommended that you have 45 days to look at the legislation. Is that right?

OMB Staffer: I don't believe there was a specific time.

RP: That's right, we did not have a specific number. It's 45 days?

JK: 45 days.

RP: So, the President would have 45 days to send this particular item back. That seems like a long time. On the other hand if you have a huge bill with literally, thousands of provisions we thought it was important to have adequate time, for the talented and capable people at OMB and others to look at it. So, that's why there is this, what might seem as a relatively long timeline.

Q: Let's clarify sort of the terminology that you are using here. The primary power that this would give the President, is not necessarily to veto, but to shame Congress into debating this stuff in the light of day and also as a corollary to what degree is the effort to get this passed through Congress is this the President's response to criticism of him for allowing spending to spiral out of control?

RP: Well, we called it the legislative line-item veto, in that it is a little different, than as you say, than what President Clinton had and it is in response to the constitutional concerns and constitutional standards that were set forth in the 1998 case but it still has the ability for a President to rescind an appropriation item and right now the President does not have the authority to do that and get a vote in Congress. There is no fast track procedure, no mechanism to make it happen.

Q: You mean on a temporary basis, to rescind on a temporary basis?

RP: Well, he can defer ultimately but Congress votes to be able to rescind it.

Q: But he can't do it unilaterally?

RP: No, he cannot do it unilaterally. So it's not, as I said, these 43 governors have a much more powerful tool. This is a very effective tool in my view to get at wasteful and unnecessary spending and to put more accountability in the system because a lot of it is putting the spotlight on it and avoiding, in a preventive way, some of this legislation getting into bills in the first place. The President's always supported a line-item veto. In fact, he supported it in 1999, when he first ran for President. He also understands that the 1998 Supreme Court case was going to make it difficult to get traditional line-item veto through. There have been various proposals back and forth and in March the President sent a very specific proposal forward on line-item veto. I think the environment, it was viewed the environment was right to try to start a new push for this. But it was not in response to any particular criticism or any particular issues related to the executive branch. The President has always supported it. He thinks it's a power that he should have. Again, 43 governors have it. We met with some governors two weeks ago, with the President to talk about this legislation and then how they use the powers that they have. It was very telling because they said, what I said at the outset; it's a great tool because it gives me some leverage in the appropriations process to be able to get better bills to my desk. In other

words, a lot of the time we don't even use the line-item veto but knowing that it's there has a potential tool to shine the spotlight on inappropriate or wasteful or unnecessary spending, it helps the executive branch to have more influence in the appropriations process.

Q: Some critics have charged that this will be the subject of abuse by the President to use that to, not only to leverage legislation but to twist arms with sort of a threat of a veto against Members to influence their votes on legislation. What's the response to that?

RP: It is a concern that has been raised. In fact, yesterday, I met with a group of Members and that came up as an issue and well my response was you know, let's let the democratic process play out. Again, this is not the 2/3rds vote that you would get with a typical Presidential veto. Because the power of the purse that Congress uniquely has, it puts it back to the Congress for a vote up or down and if it can be defended, which frankly some can be, you know some of these individual line-items, that an executive might think not appropriate, Members of Congress are happy to defend. You know, a lot of people say it's Republicans and Democrats in this town, but often times, its executive, legislative on some budget initiatives and now I'm on the other side of Pennsylvania Avenue, so I am seeing it from a different perspective. In most cases, Congress is happy to defend it and that's where some of the concern lies, as you know, that the executive will use this in a way that promotes executive priorities instead of legislative priorities. If they are defensible to you at the Milwaukee Journal and in front of their constituents, they'll get a majority vote in the House or the Senate. You only need one and that spending will have to be implemented. The President does have the ability defer for 45 days under the bill and then one renewal on that 45-day deferral, so there will be some suspending just based on the President making that request but otherwise it gets spent. I think it's the right balance and if a President were to misuse this, Congress has a strong tool coming back, which is to say, by majority vote, we disagree with you.

Q: Would this President actually use this veto, since he hasn't used regular veto and do you have any examples of the kinds of things he would have vetoed by now?

RP: Well, you know he has used the veto a lot but it has been a threat to veto. He does have the leverage veto and as you know we use a lot. In the appropriations process, we do it constantly; we did it on the emergency supplemental. So he didn't actually have to veto but by saying it's got to be 92.2 plus the avian flu money and the avian flu money can't be reduced to fit in the 92.2 so we knocked out about \$14 billion dollars worth of spending and a lot of those spending items, and I'm sure you have that list, we can provide it to you, it's a matter of public record, would have been in the category of inappropriate spending for an emergency supplemental. So, you know, I was on the other side of this Pennsylvania Avenue, and heard that the President never uses the veto. He does use it as a threat; it changes the behavior of Congress, in this case with the supplemental this past, this week he used it. So, to answer to your question, yes I think he would be very interested in using this new tool. And that's why he's been promoting it. He also believes it would have a preventive effect and improve the budget process and get better legislation to his desk, he would be very interested in using it as appropriate, as items come to his desk that he thinks are not necessary spending.

Q: You talked about the indirect chilling effect for earmarks, is there a more overt way of smoking out the people who are backing earmarks that you would support?

RP: I'm not sure what you are referring to exactly.

Q: You know, the possibility that the President could have a line-item veto could deter a lot of the earmarks that we have seen slipped in,. I'm not clear how it would make the process more transparent. Aren't there more overt mechanisms to ensure earmarks are much more transparent in how they end up in the bill, who's behind them and how they end up for or against?

RP: Well earmark reform is something the President also supports. He has been careful not to specify exactly how Congress should provide that transparency and accountability. But he has not been hesitant, as you know to talk about that, that there ought to be for individual members who offer earmarks, more accountability as to the criteria, as to the justification. So he supports that in Congress and as you know is in the process of working through that right now. That's maybe the more overt transparent process that precedes a line-item veto but even a line-item veto and I honestly hadn't thought about this until you asked your question. I mean there is the ability to make more obvious what the concerns are now, for instance, now the President can threaten to veto legislation which he does, as he did with the supplemental. If its over a certain top level, if it doesn't have certain policies included in it that he thinks are so critical that it would necessitate a veto if it came to his desk, with the line-item veto, he may able to identify some issues as they go through the process. An example would be if you had a veto threat on legislation where there were some provisions that the President thought were inappropriate where he would exercise not the veto of the whole bill but the line-item veto. There would be no reason not to communicate that.

Q: Would you start to put that in SAPS?

RP: Getting me ahead of myself, I like that. I don't know. I don't know if it would be a SAP. Sometimes we do letters, sometimes we do SAPS. The SAPS tend to be on the whole bill and in some point in the process, arguably, you learn about the whole bill. Sometimes we have to do SAPS pretty quickly as bills come to the floor. There should be a process to communicate this. I think that's fair by the way.

Q: What's the status on the Senate side and given what's going on with immigration right now, would you really want this to go to conference this year or are you pushing for this to be worked out one way or the other? What's the real difference? I know that bills are different obviously, but what's going to happen beyond the House vote?

RP: I am curious as to what immigration has to do with it, so I am going to ask you that once I get done answering your first question.

Q: I can do that right now. I am just saying if, there's going to appeal hearings on immigration to kill the bill by the end of the year, what I am saying is if you want an actual line-item veto bill that you could sign. What can you do to get the House and the Senate on the same page without voting on it tomorrow? So what? What's going to happen with the Senate side?

RP: I see what you are saying. Well two things, one the Senate does have a vehicle, which came out of the committee yesterday, the Senate Budget Committee, 12-10 vote, party line vote, Budget Committee. It is a comprehensive budget process reform package, including the line-item veto. The line-item veto in the Senate bill is very similar to line-item veto that came out of the House Budget Committee, it is not identical, there are some differences including the number of messages, so called, or number of rescissions the President can send back. But in essence it's the same approach that the President sent forward in March and the House Budget Committee marked up. So, there is a vehicle, the question is that that vehicle because there are so many items included, because it has so many other items included, could make it across the Senate floor and into conference with the House. And I commend Senator Gregg for his work on this package. I think it's a very good package. It's very similar to the proposals the Administration has made over the years. Everything from a biennial budget to the entitlements commission is included here, but if it can't be successful on the Senate floor, in other words if it cannot get enough votes, which is probably 60 votes then we would hope that at least we could move the line-item veto, so we will be working with Senator Gregg, Leader Frist, Senator Kerry and others who are interested in the line-item veto to try to move this process forward, should we be successful tomorrow. I don't want to count our chickens before they hatch but if we are successful tomorrow in the House vote, then we will begin a very focused effort on how to get the line-item veto to the President's desk this year.

Q: Quick question, just for follow up. What the essential difference between this and the Clinton line-item power and what makes you think this will withstand constitutional muster?

RP: What the court said was that basically the executive branch was legislating. Why? Because the traditional line-item veto was taking legislation, changing it in fundamental ways and then giving it back to Congress in a way Congress didn't have the same power they originally had. In other words they had to override the President's veto with a 2/3 vote. [A staffer]'s here from the counsel's office, and he followed that case and I used to be a lawyer but now I'm a recovering lawyer and it would be malpractice for me to comment on it but that's the basic difference is that the court viewed that as because of the power of the purse that's in the constitution that Congress has, that it was viewed as an overreach by the executive branch, whereas this one sends it back to Congress. Fast track which is the ultimate power here so that Congress has to deal with it but it gives Congress the ability by majority vote in either chamber to say to you and the public and their constituents and the President, no we think this is important enough that it ought to be enacted. What else?

OMB Staffer: Well the 1996 act said the President can cancel spending and the Supreme Court looked at that and said cancel? The President's taking a duly enacted law and crossing out parts of it and that is not consistent with separation of power which says Congress passes laws and passes them to the President for his signature. This bill differs in that the President sends up the package and sends up through a fast track for a signature and rescission of these items that are unnecessary and wasteful spending.

RP: In the meantime, they are deferred; remember the deferral thing we talked about earlier. So the spending doesn't happen but technically speaking it's still on the books. In other words it sends it back to Congress to make the decision whether it gets knocked out or not.

Q: Does Congress have to act on the rescission request and if it doesn't what happens to the spending?

OMB Staffer: Really good question.

RP: Under the fast track procedures as far as when it comes out of the House Budget Committee, not sure about the Senate bill on this, but Congress has a limited number of days to deal with it, first I think there are 2 days, after any member, any of the 435 members of the House raise it as an issue, the request goes up, any one member can say we got to take this up. Then I think there is two days it has to go to committee. The committee has, how much time?

OMB Staffer: The committee has 7.

RP: 7 days, then it goes through the rules processes, comes to the floor and then there's an up or down vote. Now the way the House works is that always by majority vote the House can change its rules so there's always a possibility that even though this is in place just as with fast track authority under trade, where I used to deal with this all the time or BRAC or the unfunded mandates act I talked about, you know Congress can change its mind.

Q: But does it have to vote or can it just let it die without taking any action?

RP: Congress has to vote under the bill unless they take action not to vote. They have to vote not to vote. If they don't vote, the deferral stays in effect which can be renewed once but then the spending would go ahead and be implemented. 90 days is the maximum, 45 and 45 the President could defer. So the only pain Congress would feel would be the deferral but as a practical matter, you all you now get to report on this if you choose to and the public will hear about it and the President's message is made public and so there is, as with anything in Congress, you know, the Senate works a little differently in terms of it's rules because they don't have a rules committee but you know they can vote by majority vote not to deal with it but they have to, that's a decision. Is that accurate?

OMB Staffer: Yes that's accurate.

RP: The handout says the leadership has 5 days to introduce the rescission request, what if the leadership decides not to introduce the rescission request? From what you're saying you conclude they would have to vote not to include the rescission request, is that the process?

RP: Yea, I'm not sure the 5 days is accurate, I think that is our bill. I think the 2 and the 7 is the more accurate timing.

OMB Staffer: Well in the Senate Budget Committee bill it's 5 calendar days of session after its sent up and it says the Majority Leader shall introduce and in the President's bill as it was

transmitted it was 2 days and then after the second day any member can introduce the bill and have it entitled to those proceedings.

Q: What if nobody in Congress does anything? Does the original bill that they passed go through or does the President's line-item take effect? What if Congress just ignores the President's message?

OMB Staffer: If the Congress ignores the President's, after the period of deferral expires...

RP: But Congress would also be ignoring the statute.

Q: This doesn't allow Congress to just blow it off?

RP: Well again, by majority vote, Congress can, should I be quoted on that "blow it off," Congress can change its rules and choose not to take it up and I think what's going to happen as a practical matter, you look at what's happened with BRAC or fast track authority or trade promotional authority (inaudible) or line-item veto, Congress will follow the statute and will move on the legislation. There is a vote to defer it that is a procedural vote and not to deal with it; you all will view that as a vote on the underlying issue, just as you do know. So I think there will be an opportunity, regardless, to shine light on it and yet I think its in keeping with the House rules, there's no choice there, its not a constitutional issue, it's a House issues and I think it meets the constitutional standards that was talked about.

Q: What's your sense of resistance this time around versus the first time they passed a line-item veto? Do you sense any variations in why Congress would support this time around and might not have supported it last time?

RP: I just got a note saying, Coburn, Flake and others won't let them ignore the message from the President. So I guess that goes without saying that there will be certain members who once you send the message out there, they will have the ability, it gives them power. It's a tool; it's not just an executive branch tool. One thing I've argued with my colleagues, my former colleagues, is you know this gives them a tool. (noise from crowd) You have to force a vote, yea, but you give those who are fiscal disciplined types, who really care about this wasteful and unnecessary spending to use this tool themselves to force a vote and force attention on a particular issue. So it's not just a tool for the executive but it's a tool for those in Congress who really do want to get control of spending. In terms of spending...

Q: Do you think this dovetails into one of the hang-ups in the ethics and lobbying bill is there internal Republican negotiations on what has to be closed and earmarked...how much do you think the fate your proposal hangs in the fate of these (inaudible)

RP: In a way, assuming we have a successful vote tomorrow, which is not certain, in a way we will have moved sort of more quickly than the lobby reform and the earmark reform because I then think we're on track with a clean bill that might seem like it's more likely to be enacted. So, which one effects the other I'm not sure. Maybe we're going to affect that debate more. But I think there's a consistency here in terms of accountability and transparency and if you look at

the way in which the House is dealing with the earmark reforms, there's a similarity here. I go back to this unfunded mandate relief act because that was the first time Congress put in place some of these procedures to sort of force attention on the issue, not saying you can't have it unfunded mandate but if your going to have one, you know that issue being in the light of day and sunlight being the best disinfectant, its very effective. That's a similar approach to what the House took on earmark reform but we may be moving just as if not more quickly. What's the difference between 1995 when Congress voted on this and now why would a member vote for the line-item veto before and not this now? I guess the way I would answer that is first Members of Congress have the right to change their mind and I used to do that now and again, so you know, that's fine but if someone voted in '95 for the line-item veto I would think it would be very hard to justify not voting for this slate of line-item veto. Why? Because it gives power to Congress that Congress did not have in the first iteration so you know one could say well yea that was giving it President Clinton and this is giving to President Bush so if you disagree with the administration but its really not, its giving it to the presidency. It's the executive branch, legislative branch balance of power issue and this is something that has been debated a lot over the years and our view is the constitutional standards are met here, this an appropriate balance but anybody who voted in '95 for the much more traditional line-item veto certainly should be able to support this proposal.

Q: So have you spoken with members who voted for in 1995 but this time around [aren't for it], what are they saying to you?

RP: They are saying different things.

Q: Any consistency in the message?

RP: Well, Members have the right to change their mind and I have heard some of that, you know I just have thought about it more and I changed my mind.

Q: Is it a partisan thing?

RP: I'm not the right person to answer that question but you should talk to Democrats who supported last time and ask them. I mean I think the Democrat leadership, the Republican leadership is for this and the Democrat leadership is generally opposed to it and you know one thing I am saying to my former colleagues who are Democrats is you've got plenty of support on your side of the aisle. When your standard bearer in 2004 is supporting it piously, I mean Senator Kerry came to the White House to meet with the President on this, what two and half, three weeks ago and spoke favorably about it afterwards. I mean, there are Democrats who supported it, so if you are looking for some support from the party, it's there this time as opposed to some issues. In this political season, sometimes issues become highly partisan, which you might have noticed, but this is one where there are some Democrats that are going to stand tall.

Q: Can you talk about your own change of perspective on this? I mean you mentioned before that Congress guards its spending prerogatives pretty jealously and you were there not so long ago and now you're trying to convince them they don't need to be concerned about that. That the President...talk about that if you could.

RP: Remember, since you covered me on the Ways and Means Committee, I was an authorizer so I never fell into the appropriator's mindset as much as I would have had I become an appropriator, I'm sure. It is a different perspective. I mean, I always supported the line-item veto, both in my campaigns and on the floor when we had the votes and I supported the rescission bill in '90, rather 2004, so I've been a supporter of it because I thought it would address what I saw as a real concern, which is the inability to pull out individual items that didn't make sense in a larger package. But, I will tell you being down here and being responsible for the budget, I do have a different perspective. I look at everything in terms of you know how is it going to effect the short, mid and long-term spending and we're in trouble right now because we have entitlement programs that are growing at an unsustainable rate. And, although tax revenues are increasing, on our current track that would not increase to cover those expenses so that's why in 40 years, actually sooner than 30 years, some would say less by about 2035, you will have no spending, education, defense, homeland security, whatever it is on the domestic discretionary spending side because the mandatory spending and the interest on the debt will put out all other spending. So I do look at things a little differently now, including this issue where if we can use this as a tool not just to knock out egregious projects which is a good idea and good public policy, but also to have more discipline in the budget process. As I said in response to questions, my view is, this is not necessarily the view of the President, my view is that the most powerful part of this tool is the preventive effect. It forces all of us to focus more on spending; it allows you all to bring to light of day individual items which I think will have a positive effect on getting the federal government to back off on some spending that's not necessary.

Q: Do you think it would weaken the committee? Any concerns about scaling back the proposal?

RP: I'm ok with the changes because I still think the fundamental power is retained. The major things they did, as you know, is they limited some of these time frames,. We didn't even say that there was any constraint on when the President could send the message out. Now we knew when we sent that out there was going to be something worked out, frankly. So 45 days is that enough time? And Linda has raised a good question; can you ever kind of find this stuff in these big bills? I think 45 days is enough, if it had been 15 days that would have been a big problem, it is literally not enough time to find this stuff and analyze it. One big issue would be, how many messages can the President send? And as you know the House limited that to 5 on appropriations bill and I think its 10 on the omnibus bill. That doesn't concern me greatly because you can put together more than one item in a message you send forward. I think you would prefer there not be a whole lot of items, otherwise its harder for you to cover it and its harder for me to see the impact we are talking about so I think you need not limit it too much as some have talked about doing.

Q: What exactly are you doing to reach out to Democrats, there is a vote in the House tomorrow and the Senate is not going to be too easy Senator Gregg has said he doesn't expect his full package to pass and vowed not to take this line-item veto. What exactly are you doing to reach out and secondly if you could compare this too to CAFTA, that was arguably your first big test when you went to USTR and do you see this as your first big test at OMB? You know then what are you doing to be successful at it?

RP: I tried to put CAFTA out of my mind, so you've raised, my fear of CAFTA comes back. No, this is not going to be easy to get this to the President's desk. These things are always hard and this is a major change and I've talked about why this isn't as big of change as '96 and why I think it's a correct balance but it is a change that members need to thoughtfully consider and you know it will. I believe change the dynamic in spending generally. You know, something like that is never easy to get done but I am very encouraged by what's happened in the last couple of weeks and the breakthrough really in the Budget Committee vote. When I first I got on the job, which was 3 weeks and 2 days ago, I began to more publicly talk about this issue and talk with members and look at the vote counts more carefully and we were behind, so things have changed and there is momentum building in the right way. With CAFTA, who we were way behind. (Chatter) What? The House Budget Committee vote, yea 24-9 the House Budget Committee including the Republican appropriators who had expressed some concerns and including these four Democrats I mentioned earlier by name so its, CAFTA was even tougher, because we had even more ground to catch up, I suppose, but this just as CAFTA was bigger than CAFTA, it was about if we were going to have a trade agenda going forward I thought because if we lose CAFTA, we lose the ability. You know trade; thank goodness you don't have to follow all this trade stuff, that would have really set us back. This I think would also set us back. If we had a vote and still lost which I think is possible, I think the increasing interest in fiscal discipline that I see around the country and reflected in Congress and I think in this administration would be set back. So I think it's an important vote.

Q: Do you think the President put you on because of your ties to your former colleagues to help get this through and do you think you'll be able to make good on that?

RP: I hope I will be able to make good on it, I don't know if I will be able to. When I was announced that was one of the issues that was mentioned as you know but more generally, well you have to ask the President why, but more generally I think the ties to Congress are important.

Q: So would this help the President half the deficit and is that still going to happen?

RP: Yes, it would help him half the deficit, it will help the next President to be able to keep spending in check and as you know we are on track to keep the President's goal that he set out to cut the deficit in half by 2009 in part because we have done a better job of restraining spending, primarily been in the discretionary area in non-security, last year it was actually under a freeze, which not many Americans know because they still think we're under this high spending track in terms of domestic spending but we are actually not, we've got that down, if you add defense and homeland, its about at inflation or a little above last year maybe, a little below this year, we'll see. And then the entitlements are the other part of the puzzle and that is the spending that is increasing at much higher rates, Medicaid 6, 7%, Medicare 8, 9, plus, depending on how you do Part D, but I think we are on track to the President's target.

Q: Actually, I was wondering where would be, where do you think the deficits; the debt would be if President Bush had this tool from the outset of the presidency?

RP: It's a good question. Clearly we would be in better shape and I think the question would be how much of a preventive effect would it have? I don't know. You know how much of a focus what it have brought to spending and the issues you all cover. Many of you write for papers back home, how much more would you have had in terms of the ability to talk about these issues and therefore influence people's votes. When the President took office, domestic discretionary budget in that last budget from President Clinton increased 15%, that's non-defense, non-homeland security, discretionary spending, 15% increase. You know then it started to go down and then finally last year when it got just below a freeze. I think that could have happened more quickly had this tool had been there. Just in terms of meeting the targets, the other reason of meeting the target I think is going to be met is because the revenues have increased and that goes to the economic policies, one of the reasons the revenues are up is that the economy has improved and one of the reasons the economy has improved is because of the economic policy, including the tax relief, particularly the 2003 tax relief and that's starting to bear fruit, in the sense that revenues increased dramatically last year, 14 and half percent increase. That's the biggest increase in percentage terms in 24 years and the biggest increase in absolute terms ever. This year we are on track to increase revenues over 10%. We don't know the number yet but we hope to report on that next month as part of the mid-session review.

Q: Is this issue of the gravity when you have to ask Hastert and Boehner to call people in and request that they vote for this?

RP: I honestly don't know if they are calling people in today.

Q: Would somebody here know? This is the day to do it?

RP: Yea we'll have somebody get back to you on that, I just don't know. I know that the Speaker supports this. I think he support supports. I think he's talking to Members. I talked to the Speaker two days ago, the night before last.

Q: Was that at the dinner?

RP: Yes, yea he was definitely focused on it and working it. I don't know if he is calling people in, in groups or not . We'll get back to you on that.

Q: Can I ask a broader budget question? I mean you mentioned that now you are looking at the whole budget and now you have to look at medium and long term. As you know, domestic discretionary aspect of the budget is a teeny part in the grand scheme of things in term of what you're looking at in terms of the deficit and out several years.

RP: 39% not too teeny.

Q: Well, a smaller part than entitlements, which the President talked about forming commissions to deal with but isn't doing anything on the scale of the push you seem to be mounting to try to get the line-item veto through. So can you talk about why given the scope of that problem vs. the problem of maybe a billion dollars or something worth of earmarks, why you are so focused on this rather than entitlement growth and trying to get a handle on that?

RP: That's a good point. You can help me on these numbers. I think domestic discretionary, if you take out defense and homeland, it will be about 19% of the budget. All the security side will be roughly the same, about 20% and the rest is interest on the debt, almost 60% is interest on the debt and Medicare, Medicaid, social security and some other items in the programs including the Ag programs and entitlements which is most of them, so you're right the overall budget picture is not the day to day government spending that we spend so much time on and that we are talking about today although its important. It is this issue of how we deal with the fastest growth which is in the mandatory spending and all I can say is the President showed his political courage with social security, he was not successful ultimately there but he raised the issue. Took on the third rail as they call it, the electrified New York subway system when you grab it you get electrified, he wasn't electrified but he got a shock probably and he's going to continue to promote dealing with the entitlements. The entitlements commission, the President strongly supports but he wants it to be bipartisan and to this point we have not been able to get support from the other side of the aisle for a commission. That may still happen, we are still consulting with the key members on both sides of the aisle but to this point we have not been successful in putting together a truly bipartisan commission, that would be perceived as fair and bipartisan but its not for lack of trying. I'm still hopeful we can do that. You know when I took this job I focused on entitlements in my announcement and again at the confirmation because it really is the, it's not about 2009 because we really are on track there, I think short term picture is improving. I think we all are going to be seeing some better numbers shortly but its about the mid-term and long term and midterm is when these lines begin to cross, when Social Security pays out more than it brings in, when Medicare begins to go beyond the general revenue limits set including by Congress, that's a trigger, 45% of general revenues. Then we'll begin to see some problems and then we begin to retire, those of us who are baby boomers in this room. That's when it really begins to get difficult. There's just really no way to avoid those problems. I mean Democrats Republicans alike who I have talked to the last month or so since I've gone through the confirmation process and new in this job agree. Even the most liberal Democrats and the conservative Republicans tend to agree that we have got to get a handle on these entitlement programs and the President will be willing to take the lead but the entitlement commission does not seem to be something that pre-election is going to be easy to assemble. Thank you all very much for coming.

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