

**Hearing of the Budget Committee  
Testimony of Ambassador Rob Portman  
Nominee for the Director of the Office of Management and Budget**

Thank you, Chairman Gregg. I appreciated your opening remarks and those of Senator Conrad. I also want to thank both of you and other Members of the Committee for your willingness to meet with me prior to the hearing.

As you know, a little more than a year ago, I left the House Budget Committee to assume the role of U.S. Trade Representative. Now I find myself back in the budget world as the President's nominee to be the Director of the Office of Management and Budget.

It's been a great honor to serve our country for the past year or so as the U.S. Trade Representative. And I have enjoyed working with many Members of the Committee in that capacity.

Should I be confirmed as the Director of OMB, I intend to continue close congressional consultation in both the Senate and the House, and with Democrats and Republicans. As a former House Member, I place a high value on open lines of communication with Capitol Hill. I also believe that our budget challenges will only be solved through a constructive dialogue between both sides of the aisle about the very real issues facing our country.

OMB has a unique and important role in our system of government – all spending decisions and major regulatory changes are within its purview. It also oversees management of the executive branch and all of its agencies. It is a serious responsibility, and if confirmed, I will approach it with a seriousness of purpose and with the interest of our country at the forefront.

Working together with this Committee, as key policymakers on budget matters, we can help influence the legacy we are leaving to our children and grandchildren. In the last five years, our country and its budget have faced serious challenges, from the 2001 recession, corporate scandals and stock market decline to the horror of 9-11, the War on Terror and the unprecedented natural disaster on the Gulf Coast from Hurricanes Katrina and Rita.

In facing these challenges, the American people and our economy have proven to be up to the task. With help from the bold steps the President took in his first year, our resilient economy bounced back. We are experiencing strong and positive growth in our economy in general, and in jobs and revenue in particular.

From a budget perspective, we are on track to meeting the President's target of cutting the deficit in half by 2009. We've done this by working with Congress in recent years to focus spending on our national priorities while reducing spending elsewhere. We need to do more and I look forward to your thoughts and recommendations on how we can accomplish this goal while continuing to protect Americans at home and fight terrorism around the globe.

Restraining discretionary spending, as we've done together in recent years, is an essential part of deficit reduction. But I think the greatest threat to our budget comes from unsustainable growth in entitlement programs, including Medicare, Medicaid, and Social Security. It is absolutely critical that we work together to develop sound policies that address the long-term fiscal danger and put these programs on a sustainable footing for future generations. There, too, I welcome your input on how we can achieve this difficult task together.

As we work to rein in spending, I hope that we'll always keep in mind the need to continue our strong economic expansion. GDP grew at a healthy 4.8 percent annual rate in the first quarter of this year. This follows our economic growth of 3.5 percent in 2005 – the fastest rate of any major industrialized nation. Productivity increased at a strong annual rate of 3.2 percent in the first quarter. And just last week we learned that hourly compensation rose sharply at a 5.7 percent rate in the first quarter.

Together with Congress, the President has put in place pro-growth policies to create the environment for this economic expansion. I believe keeping these pro-growth policies in place is critical if we are to continue benefiting from strong economic growth and growing revenues that are essential to deficit reduction and entitlement program solvency.

As you know, in 2005 tax receipts grew by 14.5 percent, or more than twice as fast as the economy itself. In February, the Administration estimated that receipts would grow 6.1 percent in 2006. Most private sector and other government forecasters have since estimated that revenues will be significantly higher than the Administration projected.

Just yesterday the Treasury Department reported that Federal revenues surged in April with corporate tax receipts at a record \$46 billion. Tax receipts to date for FY 2006 are at an all time high. Obviously, this higher revenue growth will have a positive effect on deficit reduction.

Even with this good news, there is hard work ahead to ensure our fiscal house is in order. I am optimistic that working together we can be creative and find solutions to the challenges we face in ways that will continue to strengthen our economy, meet our national priorities and serve the American people.

Again, I appreciate the Committee's consideration of my nomination, and look forward to your input and questions.