



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 2, 2004

The Honorable Richard Cheney
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

I am pleased to transmit on behalf of the Administration the "Spending Control Act of 2004," a legislative proposal to establish a comprehensive set of binding controls on spending. Also transmitted is an analysis of the proposed legislation.

President Bush and the Congress have responded on all fronts to the challenges the Nation has faced over the last three years, with tax relief to strengthen the economy and create jobs; the largest reorganization of the Federal Government in 50 years to create a new Department of Homeland Security; and the largest increases in our defense and intelligence budgets since the Reagan Administration to wage and win the War on Terror.

While providing the resources necessary to defend America, the President has worked with Congress to ensure spending restraint elsewhere in the budget. As a result, the growth in non-security related discretionary spending has declined from 15 percent in the last budget year of the previous Administration to 6 percent in 2002, 5 percent in 2003, and 4 percent in the current fiscal year.

President Bush's 2005 Budget continues this trend, holding the growth of discretionary non-defense, non-homeland security spending to below one percent, less than the rate of inflation. The growth in total discretionary spending, including a 7 percent increase for defense and a 10 percent increase for homeland security, would be held to less than 4 percent. In addition, the President's Budget proposes that all increases in mandatory spending be offset by equal reductions in other spending that is of a lower priority.

The spending restraint reflected in the President's Budget is not automatic, however, and so the President's Budget also proposes enactment of binding budget enforcement mechanisms. The Spending Control Act of 2004 recognizes that budget enforcement mechanisms should be focused on controlling spending, not on increasing taxes on America's workers and families. The risk is not that Americans will be undertaxed—it is that Washington will overspend.

As a result, the proposed Spending Control Act of 2004 includes three main elements: binding limits on discretionary spending through 2009; a pay-as-you-go requirement to restrain the growth in mandatory spending; and new measures to control the long-term unfunded obligations of major entitlement programs. By restraining the growth in Federal spending and pursuing pro-growth economic policies, we can meet the President's goal of cutting the deficit in half within 5 years.

The Administration looks forward to working with the Congress to secure prompt and favorable consideration of this proposed legislation.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Bolten', with a long horizontal flourish extending to the right.

Joshua B. Bolten
Director



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April 2, 2004

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, D.C. 20515

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