

**Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND)
During Debate on FY 2010 Senate Budget Resolution
March 30, 2009**

We have heard a lot of concern this afternoon about deficits and debt and spending from our colleagues on the other side. I wish to remind them of a little of the history of what brought us here. This is what happened with spending when they were in charge--spending about doubled in the Bush administration. Of course, we know the debt more than doubled, and we are left with an ocean of red ink.

That is what this administration inherited. This wasn't President Obama's doing. This is what he walked into. Here is what happened to the debt and the deficit under the previous administration. They actually inherited substantial surpluses, which they rapidly turned into record deficits and then plunged the thing right off the cliff. If we are going to be fair about how we got here, I think the other side is going to have to accept an awful lot of responsibility. Here is what happened to the debt--it more than doubled, from \$5.8 trillion in 2001 to \$12.1 trillion in 2009.

Senator Gregg, the ranking Republican on the committee, said, "I am willing to accept this short-term deficit number, not debate it, because we are in a recession and it is necessary for the Government to step in and be aggressive, and the Government is the last source of liquidity. So you can argue that this number, although horribly large, is something we will simply have to live with."

That is the ranking member of the Budget Committee. Look, I think he is entirely right. The hard reality is we have no choice but to accept, in the short-term, these large deficits as the Government seeks to provide liquidity to prevent an all-out collapse. But over time, this budget brings the spending down. I am not talking about the President's budget now. I am talking about the budget I have presented here. We take the budget--total discretionary spending--from 9.5 percent of GDP in 2010 down to 7.3 percent of GDP in the fifth year.

When you distinguish between defense and nondefense discretionary, what you see is that I am bringing them both down at about an equivalent rate. So defense, in 2010, will be 4.8 percent of GDP; at the end of the five years of this budget, it will be down to 3.7 percent of GDP. Similarly, nondefense discretionary will be 4.7 percent of GDP in 2010, and we take that to 3.6 percent of GDP in 2014.

On the discretionary accounts, which is about one-third of all Federal spending, on the discretionary accounts, both defense and nondefense, I am bringing them both down as a share of our national income and doing it in about the same proportion.

We are doing that because, look, we don't have a lot of options. When the President wrote his budget, he had \$2.3 trillion more in revenue than we have. Now, he did his budget some time earlier, and the forecasts were more robust. Once CBO did their more recent forecast, \$2.3 trillion was gone. That requires a response, if we are also going to answer the President's

charge to dramatically bring down the deficit, and we have also done that--from \$1.7 trillion in 2009 to just over \$500 billion in 2014. That is a reduction of more than two-thirds in the deficit of the United States.

Of course, economists like to measure it in terms of a percentage of gross domestic product rather than dollar terms because that adjusts for inflation. But look what we have done in that way: We have gone from 12.2 percent of GDP in 2009 to less than three percent as a deficit and share of the economy in 2014--again, more than a two-thirds reduction--and we get below the magic three percent, which is where most economists say we stabilize the growth of the debt.

I am quite proud of what this budget has accomplished in the five years of its term. I am the first to acknowledge that when Senator Gregg stands and says we are not doing enough about the second five years, sign me up. I agree with him entirely. Certainly, the President's budget has far more debt and deficit in the second five years than ours, if you extended our policies. But I would say that either one of them doesn't do enough for the second five years. We have to do much more. That is why Senator Gregg and I have proposed a special procedure to give 16 Members the responsibility to come up with a plan, and if 12 of the 16 agree, then that plan would come to Congress for a vote.

Now, we changed the President's budget over the first five years by \$608 billion. That is a lot of money. Thirty percent of it is on the revenue side, 31 percent on the discretionary spending. In other words, we reduced the President's spending by \$167 billion over the next five years. Anybody who doesn't think that is a big deal, come to my office and listen to the phone calls. The mandatory spending we reduced by 39 percent of the total \$608 billion we changed from the President's budget. So we distributed the pain about equally. We did it on a proportionate basis.

Mandatory spending is the biggest part of the budget, so they took more of the reduction. Discretionary spending and revenue were done of about equal proportion. We tried to be fair. We didn't go to just one committee of jurisdiction, or two committees, and say: You take the whole burden of making these changes. We went to everybody, and we said, you know, we have to share the pain and we have to share it equally.

Again, on the question of spending in the budget that is before us--I am not talking about the President's budget. The President's budget is not before us; the budget the Budget Committee has is before this body, the budget that we are going to vote on, which nobody, it seems, wants to talk about. They want to talk about some other budget. But they don't have a budget of their own.

If our budget is so bad, where is their budget? They don't even have a budget. So if our budget is so bad, where is their budget? We don't see their budget. I just say this: On nondefense discretionary, the average annual increase under the budget resolution is 2.5 percent. Some say we ought to just freeze it. I don't think that would be very wise to do. That wouldn't even offset inflation. But this is a pretty tough budget that is before us. I want my colleagues to know, nondefense discretionary spending is increased over the life of this budget on average 2.5

percent.

Let's go to that final slide, if we could. Where are the increases in the nondefense discretionary accounts under this budget resolution? You can see, here is where they are. The biggest chunk is defense. More than one-third of the increase is in national defense. That is in part because the President, instead of hiding the costs of the war, has put the costs of the war in the budget. That is what we have done. So if you look at the nondefense discretionary increase under the budget resolution, one-third is defense.

Fourteen percent is international and 10 percent is for our veterans. We have given the biggest increase for veterans health care ever--and deservedly so. They have suffered the wounds of war and they deserve to have those wounds treated and they deserve to be treated with respect when they come home. So 10 percent of the increase is there. Ten percent is education, 10 percent is income security, 8 percent is the census.

One-twelfth of the increase is the census that has to be done every 10 years. That is an extraordinary expense, but here it is. We have to deal with it and we do. Natural resources and environment are six percent, transportation is three percent, and "other" is two percent.

The discretionary increase comes in those categories. I hope my colleagues, as they discuss the budget, deal with the budget that is before us. It is substantially different than the budget the President sent us because, again, when the President wrote his budget he had \$2.3 trillion more in revenue over 10 years than we do under the new scoring that was done just before we concluded work on this budget.

I think the American people would expect us to make changes when the facts change. When the revenue changes dramatically I think they would expect us to make adjustments, and that is what we have tried to do.

I am quite proud of this budget document that we have produced, this outline for the country, because we have done our level best to keep faith with the priorities established by the President. He said to me, when I told him we were going to lose \$2 trillion--he said: Look, do everything you can to preserve my priorities. He said, Number one: Please do everything you can to make sure we can reduce our dependence on foreign energy. That is not just the President's priority, that is the priority of the American people.

Number two, he said: Do your level best to preserve my priority by focusing on excellence in education because if we are not the best educated, we are not going to be the strongest country on Earth very long--and we have done that in this budget.

Number three, he said: Please preserve my priority on major health care reform because that is the place that is going to take us over the cliff, in terms of our long-term economic future. That is the thing that is burdening families and businesses and taxpayers, so please do everything you can to preserve my key priorities, and do it in the context of dramatically reducing the budget deficit.

We have done that in this budget. We have preserved his priorities on reducing dependence on foreign energy, on excellence in education, on major health care reform. We provided reserve funds, deficit neutral reserve funds for each one of those categories, and we have reduced the deficit by two-thirds. We have gotten it down to three percent of GDP, which was his charge to us. We have done it all, even though we faced a dramatic reduction in revenue available to us.

Does that mean we could just copy the President's budget? Obviously not. We had to make adjustments, and we made \$608 billion of adjustments over the first five years. I believe that was necessary and appropriate and prudent, and I hope we can hold onto those changes as we go through the markup. I am already hearing there are people who want to come here and increase the spending. I have already heard people are going to offer amendments to take away some of these adjustments. I am told Republicans and Democrats are meeting right now, this afternoon, to figure out how to come in and change this budget, to raise the spending. I am told there are a lot of Members represented at this meeting.

Let me send a word to them: Change this at your peril. We have carefully crafted this package to be able to win majority support. I think you better think very carefully about changing what we have brought to the floor because you might move it in your direction--more spending--only to wind up with a defeat on final passage of this budget. I hope those who are meeting will think very carefully about coming to the floor and trying to increase the spending in this resolution.