

**Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)  
at Meeting of Senate and House Conferees on the FY 2010 Budget Resolution  
April 27, 2009**

*Opening Remarks*

I want to make clear that while it has been reported in the press that there is a framework agreement, and there is, we also have an understanding that nothing is decided until everything is, and everything is not yet decided. So that is the posture we're in.

....

What I will do is outline the tentative framework agreement. You've read bits and pieces of it in the press, and most of what I've seen is pretty accurate.

First, I would like to just put in context what President Obama inherited because I think that is important to understanding the circumstance we face with budgeting. First of all, President Obama inherited record deficits and doubling of the national debt over the last eight years, the worst recession since the Great Depression, crises in the housing market and financial markets, 3.7 million jobs lost in the last six months, and of course wars in Iraq and Afghanistan.

And in drafting a budget resolution, CBO scores brought us \$2.3 trillion less in revenue than the President anticipated in the forecast that was made several months before CBO's estimates. So we had to make adjustments in the President's budget in order to achieve the kind of deficit reduction that he had outlined.

We also wanted to preserve, to the extent that we could, the President's key priorities: reducing our dependence on foreign energy; a focus on excellence in education; major health care reform; and of course a dramatic reduction in the deficit during the term of the budget.

Here are some of the key elements that are in the framework agreement. Again, I want to stress that nothing is agreed to until everything is agreed to. Everything is, at this moment, not yet agreed to, and so it is fair to say we don't have final agreement, but we do have a framework and I think it is fair to the conference to outline the elements of that agreement.

As I indicated, we preserve the President's priorities in energy, education and health care. We provide \$764 billion in tax cuts, focused on the middle-class. We cut the deficit in half by 2012 and by two-thirds by 2014, to three percent of GDP in 2014. We provide a discretionary spending level that is \$10 billion below the President in 2010. We provide a reconciliation instruction for health care and education, which requires at least \$2 billion in deficit reduction, and it would only be effective on October 15, or thereafter. We provide an AMT fix for three years. And we provide a disaster relief placeholder for two years.

In keeping with the President's goal, our proposal will cut the deficit in half by 2012 and by two-thirds by 2014. We show a final deficit of \$523 billion in 2014.

As a share of the economy, the proposal cuts the deficit by three-quarters to three percent of GDP in 2014. And most economists tell us it was critically important to reach that three percent threshold because at that point basically the debt is stabilized.

As I noted, the proposal includes a total of \$764 billion in tax reductions over the next five years. That relief is broken down as follows: \$512 billion to extend middle-class tax cuts, such as the 10 percent bracket, the child tax credit, marriage penalty relief, and education incentives, as well as the other 2001 and 2003 tax cuts extended in the President's budget for middle income taxpayers; in addition, \$214 billion for three years of AMT reform; \$72 billion to match the President's estate tax proposal which would permanently extend the 2009 level of a \$7 million exemption for couples and \$3.5 million for individuals, all indexed for inflation; and \$63 billion for two years of extenders, as well as other tax cuts.

Our proposal also includes \$97 billion in loophole closers. The specifics of those proposals will be developed, as is always the case, by the Finance Committee in the Senate and the Ways and Means Committee in the House.

The proposal allows for the extension of the President's Making Work Pay tax credit beyond 2010 through deficit-neutral reserve funds. In other words, it can be extended beyond the two years, it would have to be paid for. That is consistent with the President's commitment to ensure the extension of this tax credit is paid for.

Spending as a share of the economy falls under the proposal. Domestic discretionary spending declines from 4.4 percent of GDP in 2010 to 3.4 percent in 2014. The average annual increase in non-defense discretionary funding under the proposal averages 2.9 percent.

But, to be clear, the President has indicated this year's budget is just the beginning, and much more will be needed to put our budget back on a long-term, more sustainable course. This is what he said at the Fiscal Responsibility Summit in February, and I quote: "Now, I want to be very clear. While we are making important progress towards fiscal responsibility this year, in this budget, this is just the beginning. In the coming years, we'll be forced to make more tough choices, and do much more to address our long-term challenges." President Obama is exactly right. I agree with that statement strongly.

The fact is I think this is a good budget over the next five years. It makes meaningful reductions in the deficit, cutting it by three-quarters as a share of GDP. I also want to emphasize much more will have to be done to get us on a more sustainable course.

The President's Fiscal Responsibility Summit initiated an open bipartisan dialogue on this subject. I am hopeful we will reach consensus on establishing a special bipartisan process, such as the Fiscal Task Force that I have proposed with Senator Gregg, to deal with these long-term fiscal issues. No matter how successful we are in pulling out of our current economic downturn, our long-term economic security and strength will remain in jeopardy until we address these problems.

The proposal I have just outlined provides a fiscally-responsible plan for the near-term.

It will begin to lay the foundation for our long-term economic security.

House Chairman Spratt, I appreciate very much the spirit of the discussions we have had to date. They have been spirited. They have been direct. They have involved representatives of the White House, as is appropriate, and conversations with many of our colleagues on both the Republican and Democratic side. This has been – I think you will agree – a challenging discussion.

And I want to conclude as I began. Our agreement is nothing is decided until everything is decided. At this moment, everything is not decided. There remain a number of outstanding issues. We hope to reach conclusion on that. We're still getting feedback from a number of colleagues.

### Reconciliation Remarks

I am not a fan of reconciliation. I have made no secret of that, publicly or privately. I would prefer if a reconciliation instruction were not included. But the fact is reconciliation has been used by both sides, been used repeatedly, was used by the other party when they were in power to enact sweeping tax cuts that were in total violation of the intent of reconciliation. And I would say the gentleman supported that, as well as you supported using reconciliation to rewrite other major legislation, so all of a sudden being opposed to it strikes me as kind of a convenient alteration of position. That is true of the Republican majority that has used reconciliation far more than has the Democratic side of the aisle.

So let me just say with respect to reconciliation. I personally do not believe – I want to be very clear – I don't believe health care reform will be written using reconciliation. I believe that as people get into it they will find it just doesn't work well for that purpose. I believe reconciliation will not be used for health care. I believe health care will be done under the regular order, and we have until October 15 to do it.

### Closing Remarks

Thank you Congressman. Let me just say quickly in response. I must say it is a little hard to hear from your side this talk about fiscal responsibility. You had your chance for eight years. You controlled the Congress. You controlled the House. You controlled the Senate. You controlled the White House. You doubled the debt. You tripled foreign-holdings of U.S. debt. That is your record. And the stunning thing about it is that you did it when the economy was relatively good.

And at the end of your period of profligacy, you plunged this country into the worst recession since the Great Depression. And that is what this President has inherited, and now you blame that on him too. That's not fair. That's not going to stand up in public opinion.

And when I hear the gentleman say this is the biggest budget in history. Every single budget your President, President Bush, offered to the Congress of the United States was the biggest in history. Every single one, and I never heard from the other side the criticisms that I hear now. So I just got to say when you talk about sincerity I have to doubt the sincerity of those who all of a sudden – I don't question yours, Mr. Hensarling, because you have a record on this that is clear that you have been concerned. I am talking about the party that you represent. Their record was a disaster – a disaster on fiscal responsibility, a disaster in terms of the economic legacy left to this President.

Let me indicate that we are going to now recess. As I have said, I know the press has reported that there is a final agreement. While I have outlined what I think is the basis of the framework and that is correct, and most of the descriptions have been correct. At this moment, we don't have a final agreement. We will come back to you if we do, when we do. I hope it will be soon.