

Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND)
During Debate on FY 2010 Senate Budget Resolution
April 2, 2009

I am going to respond briefly to the Republican leader and then we will go to the McCain amendment.

First of all, I have just listened to remarks that are an attempt to rewrite history. Trying to put this deficit and this debt at the door of our new President is simply misplaced. He inherited a debt that was doubled over the last 8 years, and most of my friends on the other side were silent sentinels as that debt grew and grew and grew. Most of them said nothing; worse, they supported the policies that created that doubling of the debt. Beyond that, they tripled foreign holdings of U.S. debt and left the country in the worst recession since the Great Depression. This President inherited a crisis in the financial markets, a crisis in housing, a fiscal crisis, and two wars.

The budget that is before us is not as described by the Republican leader. The budget before us reduces the deficit by two-thirds over the 5 years of its term. In fact, as a share of GDP -- which most economists say ought to be the measuring point because it excludes inflation -- we reduce the deficit by three-quarters, all while maintaining the President's key priorities of reducing our dependence on foreign energy. That is not just a Presidential priority, that is an American priority. If we are going to be strong in the future, we have to dramatically reduce our dependence on foreign energy.

On education, there is a focus on excellence in education. If we are not the best educated, we are not going to be the strongest country in the world very long.

The prospect of major health care reform, which is provided for in this budget, is the 800-pound gorilla. We are now spending \$1 of every \$6 in this country on health care. If we stay on the current trend, we will spend more than \$1 of every \$3 in this country on health care. That is utterly unsustainable.

They describe the budget of the President as having all these tax increases. I would remind my colleagues that when the Congressional Budget Office scores the President's budget, they say there is \$2.2 trillion in tax cuts. If they look at the budget I have offered, which is a 5-year budget instead of a 10-year budget, it has \$825 billion in tax cuts on a net basis. As I say, all while cutting the deficit in half, which was the President's goal. In the President's budget and the budget I have offered, we cut it by two-thirds.

Now, on spending. Well, on spending, the hard fact is, the budget I have offered reduces deficits and debt by \$608 billion compared to the President's budget, on a 5-year comparison to a 5-year comparison. We reduce it by \$608 billion in the budget that is before us. And on spending, we increase domestic spending, on average, by 2 1/2 percent a year. Believe me, I have heard lots of criticism from the left with respect to the fact that is not enough. But when you lose \$2.3 trillion in revenue because of the new CBO forecast, we felt it was necessary to make adjustments in the President's budget while maintaining his priorities.

Now, in terms of middle-class tax relief, which is contained in this budget, let me be clear that all the provisions from 2001 and 2003 are included in this budget. The 10-percent bracket, the child tax credit, the marriage penalty relief, the education incentives -- all of it -- is in this budget and an extension for the full 5 years.

In addition, the President's Make Work Pay provision was previously provided for in the stimulus package for 2 years, and we provide the ability to extend that, if there are offsets. In addition, we have provided for alternative minimum tax reform, fully funded for 3 years. No other budgets in the last 5 years have done it for that long. It has always been a year-by-year fix.

On estate tax reform, we take the provisions from 2009 and extend them for 2010 -- a \$3.5 million exemption per person, \$7 million per family. Instead of going back to \$1 million in 2011, we continue that \$3.5 million exclusion per person, \$7 million per couple, adjusted for inflation.

We also provide for the business tax provisions and the extenders fully paid for. That is a total of almost a trillion dollars of tax relief, offset by certain loophole closers to go after these abusive tax shelters -- these offshore tax havens. We have the spectacle now of companies buying European sewer systems, not because they are in the sewer business but in order to depreciate them on their books for U.S. tax purposes. That is outrageous -- United States companies buying European sewer systems so they can write them off on their books here, and then they lease them back to the European cities that built them in the first place.

The guys who came up with these scams didn't limit themselves to sewer systems. They are doing the same thing with public buildings and city halls. We have companies that have bought city halls in Europe in order to depreciate them on their books in the United States and then lease the city halls back to the European countries that built them in the first place. Is that acceptable? I don't think so. The President in his budget and we in our budget say: Enough of that. Let's shut down these abusive tax shelters. Let's shut down these offshore tax havens, which our Permanent Subcommittee on Investigations tells us is costing us \$100 billion a year.

If anybody wonders about it, read the Stanford saga. Mr. Stanford was running these offshore tax havens; running billions of dollars through these offshore tax havens. Why? Why are they sending their money down to the Cayman Islands? Is it because they think the banks down there are more secure? Oh, no. They are sending their money down there to dodge the tax liability in the United States. That is the basis upon which Mr. Stanford sold his services.

On a net basis, our budget has \$825 billion in tax cuts. Again, on spending, domestic spending increased at an average rate of 2 1/2 percent a year. That is pretty tough.

In our proposal, in the budget before the body, there is no energy tax. There is none contained here. This reference to a national sales tax on energy, it is not in this budget proposal. It is not there. We have a reserve fund that permits the committees of jurisdiction to come up with a way of reducing our dependence on foreign energy. We have the ability for the committees of jurisdiction to write climate change legislation. But there is no endorsement of

any specific plan in this budget around climate change that has been posited by others.

I wish to make clear that this budget is responsible, it controls spending, it reduces the deficit by two-thirds, it extends the middle-class tax cuts, and it adopts the President's priorities of reducing our dependence on foreign energy, putting a focus on excellence in education and providing the possibility of major health care reform. Those are the priorities of the American people, and they are contained in our budget.

Our budget has made significant adjustments from the President's. Again, over 5 years, we have reduced the deficit and debt in the President's proposal by \$608 billion.