

**Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND)
as Senate Begins Debate on Motion to Instruct Conferees on Budget Resolution
April 23, 2009**

I want to remind colleagues some of the key elements in the Senate-passed budget resolution that we will soon be taking to conference. The budget, I think, really needs to be considered in the context of the very tough hand we have been dealt. This administration and this Congress have inherited a mess of truly staggering proportions.

If we start with the deficit outlook, we can see that the previous administration inherited surpluses, that they rapidly turned into record deficits, and then record deficits of a proportion that really stagger the imagination. I don't think anybody could have anticipated that we would have deficits approaching \$2 trillion in a year.

We also saw in the previous administration a dramatic increase in the federal debt, a more than doubling of the federal debt in the period that the previous administration was responsible for.

So this administration, the Obama administration, inherited record deficits, a doubling of the debt, the worst recession since the Great Depression, financial market and housing crises unparalleled since the 1930's, nearly 4 million jobs lost in the last six months, and on top of it all, ongoing wars in Iraq and Afghanistan. I often think what it must be like to be President Obama, who wakes up every morning with this heavy responsibility on his shoulders.

In our caucus today, we had the Chairman of the Federal Reserve Board, Chairman Bernanke, and I told him, I believe when the history of this period is written that he will go down as one of its heroes, somebody who helped rescue us from what could have been a financial collapse, not only here but around the country.

In the budget resolution that has passed the Senate, that we will be taking to conference, we have tried to preserve the major priorities of the President: reducing our dependence on foreign energy, a focus on excellence in education, fundamental health care reform -- because that is the 800-pound gorilla that can swamp the fiscal boat of the country -- middle-class tax cuts, and cutting the deficit in half over the term of the budget. And in fact, the budget that we produced reduced the deficit by well more than half over the next five years. In fact, we've reduced the deficit by two-thirds. And I'm proud of that fact. We've reached three percent of GDP -- actually, a little less than three percent of gross domestic product, which all the economists say is essential to stabilizing the debt.

At the same time, we have adhered to the President's intentions to make certain strategic investments. One of the most important is in energy, to reduce our dependence on foreign energy because that is an imperative for this country. It is a strategic imperative, it is a financial imperative, it is a national security imperative.

And so the budget resolution that went through the Senate reduces dependence on foreign energy, creates green jobs, preserves the environment, and helps with high home energy costs. It

does it in the following ways: number one, a reserve fund to accommodate legislation to invest in clean energy and to address global climate change. Second, providing the President's level of discretionary funding for the Department of Energy. Third, building on the economic recovery package to provide investments in renewable energy, efficiency and conservation, as well as low-carbon coal technology and modernizing the electrical grid.

We also in this budget preserve the President's priority of a focus on excellence in education. If we're not the best-educated, we're not going to be the most powerful country in the world for very long. And so we adopt a priority of investments in education to generate economic growth in jobs, to prepare our workforce to compete in the global economy, to make college more affordable, and to improve student achievement.

We do it, again in three ways: a higher education reserve fund to facilitate the President's student aid increases, by extending simplified college tax credit providing up to \$2,500 a year in tax credits -- that's a dollar-for-dollar reduction in your tax liability, and third the President's requested level of \$5,550 for Pell Grants and fully funding his education priorities such as early education.

When I'm asked about the President's budget, I give it very high marks because I think it's got the priorities exactly right. Reducing our dependence on foreign energy, excellence in education, and health care reform -- all in the context of dramatically reducing the deficit.

So on health care, the budget resolution that previously passed the Senate that we will now take to the conference committee bends the health care cost curve, reducing costs long term; improves health care outcomes; expands coverage; increases research; and promotes food and drug safety.

And again we do it in three different and very specific ways: number one, a reserve fund to accommodate the President's initiative to fundamentally reform the health care system. As many have said, we've got a sickness system, not a wellness system. And we've got to make a transition. We also have a reserve fund to address Medicare physician payments because we know that the doctors across the country who serve Medicare-eligible patients are due for major deep cuts, cuts of more than 10 percent. We're not going to let that happen. And, third, continuing investment in key health care programs such as the National Institutes of Health and the Food and Drug Administration.

Not only have we preserved the President's key investment priorities -- reducing our dependence on foreign oil, number two, excellence in education, number three, health care reform -- but we also preserve his fourth key priority, cutting the deficit dramatically. And in the budget resolution that previously passed the Senate, we reduced the deficit by two-thirds by 2014 -- that's in dollar terms. Most economists say you ought to evaluate it as a percentage of the gross domestic product. That's the best way to see what you're accomplishing, and if we look at it in those terms, we're reducing the deficit by more than three-quarters. From 12.2 percent of GDP in 2009 down to less than three percent of GDP out in 2014. I'm especially proud of this trajectory on the deficit because I think it's absolutely critical.

I would be the first to say that we need to do even more in the second five years, but this is a five-year budget. The reason it is a five-year budget is because of the 34 budgets Congress has done since the Budget Act was instituted, 30 of those 34 times we've done a five-year budget. Why do we do a five-year budget? Well, because the forecasts beyond five years are murky at best, highly unreliable. And so we have stuck to a five-year budget, as has traditionally been the case.

With respect to the revenue side of the equation in this budget, the Congressional Budget Office, in looking at what we have done, would conclude that as a total, compared to current law, the budget resolution that passed the Senate reduces taxes -- let me emphasize that, because some want to put all the emphasis on the tax increases in this package. But if you take the tax increases and the tax reductions and you put it all together and you look at a net result, what you find is, we are cutting taxes over the five years by \$825 billion.

And that's because we have extended the middle-class tax relief that is from the 2001 and 2003 acts, the 10 percent bracket, the child tax credit, the marriage penalty relief, the education incentives. All of that is in this bill. We also provide alternative minimum tax reform relief for three years to prevent 24 million people from being swept up in the alternative minimum tax. We also have estate tax reform, \$3.5 million in individual, \$7 million a couple, indexed for inflation. That means 99.8 percent of estates in this country will pay zero. Ninety-nine-point-eight percent of estates will pay zero. We also have business tax provisions and the traditional tax extenders, things like the research credit that are included in this budget for a total of tax relief of \$958 billion. Then on the other side of the equation, we have loophole closers, things like codifying economic substance and international tax enforcement to go after these offshore tax havens, these abusive tax shelters that raise \$133 billion for a net tax reduction of \$825 billion over the five years of this budget.

On the spending side of the house, domestic discretionary spending, again as a percentage of the gross domestic product, and the reason, of course, economists say that's what you should focus on rather than the dollar amounts is because this takes account of inflation. It gives you a more fair comparison year by year. And what you see is -- you know, you hear all of this talk that this is a big spending budget. No, it's not. This budget reduces domestic discretionary spending as a percentage of gross domestic product from 4.3 percent in 2010, down to 3.2 percent in 2014. We're taking domestic discretionary spending down to one of its lowest levels in the last 50 years. In fact, non-defense discretionary spending increases under this budget resolution average 2.5 percent. That is below the projected rate of inflation. In real terms economists would say we are cutting non-defense domestic discretionary spending.

In addition, we have a series of budget enforcement tools that's in this resolution. Discretionary caps for 2009 and 2010. Some have said, well, you ought to have discretionary caps for 2011 too. Well, why? We are going to be back here a year from now. We've got discretionary caps for 2009 and 2010. Why do we need them for 2011 when we're going to be right back here same place, same time one year from now.

We also maintain a strong pay-go rule. We provide a point of order against long-term deficit increases, a point of order against short-term deficit increases. We allow reconciliation

for deficit reduction only in the resolution out of the Senate. And we provide a point of order against mandatory spending on an appropriations bill.

Let me address very briefly this last provision. Because what we've found with some of our colleagues have gotten increasingly clever here about finding new ways to spend money. And we found that they were increasing mandatory spending on appropriations bills. Mandatory spending is typically not done in an appropriations bill, as the Chair well knows. Appropriations bills are designed to deal with discretionary spending, not mandatory spending. Mandatory spending are things like Social Security, Medicare, certain farm supports. Those are mandatory spending items. We have found that some of our colleagues have gotten very clever and started to increase mandatory spending on appropriations bills. We created a point of order to try to short circuit that bad practice.

The budget resolution also attempts to address our long-term fiscal challenges. And let me be very clear. My colleague will momentarily speak and he will be highly critical of the budget resolution for not more fully addressing our long-term challenges. It may surprise listeners to hear me say that I agree with him. If there's a place that this budget can be fairly criticized, is it does not do enough long term -- I think we do a pretty good job in the first five years. But beyond that this is only a five-year budget. But beyond that much more needs to be done.

The Senator, the ranking Republican on the Budget Committee, Senator Gregg and I have a proposal that I believe needs to be pursued. It is to have a task force given the responsibility to come up with a plan to get us back on a sounder, long-term fiscal track, and to come to Congress for an assured vote if 12 of the 16 members of that group could agree.

But, nonetheless, there are three important elements of this budget resolution that deal with our long-term fiscal circumstance. Number one, is the health reform reserve fund and that, after all, is the biggest threat to our long-term fiscal security and stability. Second we have program integrity initiatives to crack down on waste, fraud, and abuse. We have five in this budget and they are very important in Medicare and Social Security and defense and others as well. And I hope very much that these are pursued in the conference committee. Third, we have long-term deficit increase point of order to require a 60-vote point of order against moves to increase our long-term deficits.

Finally, let me say that on this question of the long-term, the President has been very clear. At the Fiscal Responsibility Summit on February 23, the President said this: "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."

The President got it exactly right with that statement. We are going to have to do much more. But this budget is a good and responsible beginning.