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**SENATE BUDGET COMMITTEE CHAIRMAN JUDD GREGG
FLOOR STATEMENT
September 12, 2005**

MR. PRESIDENT, I RISE TO TALK ABOUT THE SCHEDULE OF THE RECONCILIATION BILL WHICH THIS CONGRESS IS SUPPOSED TO ACTUALLY TAKE UP THIS WEEK. A RECONCILIATION, AS WE ALL KNOW, IS ONE OF THE KEY PROCEDURES BY WHICH THE CONGRESS ADDRESSES SPENDING, SPECIFICALLY SPENDING IN MANDATORY PROGRAMS AND TAX POLICY. AND IN THE BUDGET WHICH WE PASSED ABOUT FIVE MONTHS AGO, WE INCLUDED RECONCILIATION INSTRUCTIONS, WHICH ESSENTIALLY SAY TO COMMITTEES WITHIN THE SENATE, WITHIN THE HOUSE, THAT THEY ARE TO CHANGE THE ENTITLEMENT PROGRAMS THAT THEY HAVE JURISDICTION OVER IN ORDER TO SLOW THE RATE OF GROWTH OF A NUMBER OF THOSE PROGRAMS, OR IN ORDER TO GENERATE REVENUES FROM THOSE PROGRAMS WHICH MIGHT NOT OTHERWISE BE COMING IN ORDER TO REDUCE THE SIZE OF THE DEFICIT IN ORDER TO MAKE THE GOVERNMENT MORE AFFORDABLE.

THIS PROPOSAL WHICH CAME FORWARD -- THE RECONCILIATION PROPOSALS -- REQUESTED \$34 BILLION APPROXIMATELY OF SAVINGS ON THE ENTITLEMENT SIDE, \$70 BILLION OF TAX POLICY CHANGES. IT WAS TO BE EXECUTED ON OR PROCEEDED WITH HERE THIS WEEK WITH A BILL, A RECONCILIATION BILL, ON THE SPENDING SIDE OF THE LEDGER. IN CONSULTATION WITH THE LEADERSHIP, WHO OBVIOUSLY MAKE FINAL DECISIONS HERE, AND WITH THE HOUSE, WE HAVE DECIDED TO MOVE THE DATE OF RECONCILIATION SO THAT THE BUDGET COMMITTEE WILL REPORT A RECONCILIATION BILL ON OCTOBER 26. THIS WILL ESSENTIALLY ALLOW COMMITTEES WHICH ARE NOW HEAVILY ENGAGED, ESPECIALLY THE AUTHORIZING COMMITTEES, WHICH ARE NOW HEAVILY ENGAGED IN THE ISSUE OF TRYING TO ADDRESS THE CATASTROPHE BROUGHT ON BY KATRINA, THE OPPORTUNITY TO HAVE TIME TO ORDER THEIR RECONCILIATION CHANGES SO THAT THEY CAN BRING FORWARD EFFECTIVE BILLS WHICH WILL ACCOMPLISH THE INSTRUCTIONS AS PROPOSED.

SOME HAVE ASKED, WELL, WHY GO FORWARD WITH RECONCILIATION AT ALL IN LIGHT OF THE KATRINA SITUATION? I THINK IT'S IMPORTANT TO RECOGNIZE WHAT RECONCILIATION IS IN RELATIONSHIP TO A DISASTER, A CATASTROPHE OF THE SIZE OF KATRINA. OBVIOUSLY, THE IMPACT ON THE GULF STATES HAS BEEN ENORMOUS AND WE HAVE TO DO WHATEVER WE CAN TO HELP THE PEOPLE OF THE GULF STATES REBUILD AND REESTABLISH THEIR LIVES IN SOME SEMBLANCE OF ORDER AND GIVE THEM SOME OPPORTUNITY FOR HOPE, AND WE'RE DOING THAT AS A CONGRESS. THE ADMINISTRATION IS TRYING TO DO THAT, AND OBVIOUSLY THE STATES AND LOCAL GOVERNMENTS ARE TRYING TO PURSUE THAT ACTIVITY. BUT WE WILL GET PAST THE KATRINA PROBLEM. THE PEOPLE OF THE GULF STATES ARE ENERGETIC AND ENTHUSIASTIC AND PRODUCTIVE PEOPLE, AS ARE ALL AMERICANS, AND AMERICA HAS COME TO THEIR AID AS A NATION, WHICH WE SHOULD, AND OBVIOUSLY THIS IS A ONE-TIME EVENT; AND WE SHOULD BE ABLE AS A NATION TO MANAGE AND CORRECT THE SITUATION AND GIVE RELIEF TO THE PEOPLE OF THAT REGION AND DO THE RECONSTRUCTION THAT'S NECESSARY.

BUT THAT'S A ONE-TIME SPENDING EVENT. WHAT THE RECONCILIATION INSTRUCTIONS ADDRESS ARE THE LONG-TERM IMPLICATIONS, ESPECIALLY OF ENTITLEMENT SPENDING. AND WE KNOW THAT OVER THE NEXT TEN YEARS, 20 YEARS, 30 YEARS, 40 YEARS THAT WE ARE LOOKING AT MASSIVE INCREASES IN SPENDING ON MANDATORY PROGRAMS, ESPECIALLY THE HEALTH PROGRAMS OF THE FEDERAL GOVERNMENT, PRIMARILY BECAUSE OF THE AGE OF THE BABY-BOOM GENERATION. AND WE NEED, AS A NATION, TO SET POLICIES IN PLACE TODAY WHICH WILL ALLOW US TO BE ABLE TO AFFORD THE COSTS WHICH THIS HUGE GENERATION IN ORDER TO MAINTAIN ITS HEALTH AND ALSO ITS RETIREMENT. THE RECONCILIATION IS A SMALL, A VERY SMALL STEP DOWN THAT ROAD, OF TRYING TO IMPROVE THE POLICY SO THAT WE CAN BETTER DELIVER SERVICES TO SENIORS WHO GET MEDICAID AND OTHER PEOPLE WHO GET MEDICAID -- OBVIOUSLY CHILDREN -- AND AT THE SAME TIME MAKE IT AFFORDABLE.

THE RECONCILIATION INSTRUCTIONS COVER FIVE YEARS. AND IN FACT THE MEDICAID INSTRUCTION, WHICH HAS BEEN THE MOST CONTENTIOUS, HAS -- ANTICIPATES NO SAVINGS IN THE NEXT YEAR, SO CLEARLY IT HAS NO IMPACT ON THE KATRINA EVENT, MOST OF THE RESTORATION WILL OCCUR IN THE NEXT YEAR. BUT OVER THE NEXT FIVE YEARS, WHAT WE'VE PROPOSED IS SLOWING THE RATE OF GROWTH OF MEDICAID UNDER THE RECONCILIATION INSTRUCTIONS FROM 41% BACK TO 40%. I'D HOPED WE COULD GO FROM 41% TO 39%, BUT THAT WASN'T ACCEPTABLE. WE'RE GOING TO A 40% RATE OF GROWTH OVER THE NEXT FIVE YEARS. ON A \$1.1 TRILLION SPENDING PROGRAM -- THAT'S WHAT MEDICAID WILL BE OVER THE NEXT FIVE YEARS -- WE'RE SUGGESTING THAT WE SAVE \$10 BILLION. \$34 BILLION OVER THE WHOLE RECONCILIATION INSTRUCTION. \$10 BILLION ON A \$1.1 TRILLION SPENDING PROGRAM OVER FIVE YEARS WITH NONE OF IT OCCURRING NEXT YEAR.

HOW CAN WE DO THAT? WELL, WE CAN ACTUAL DO IT BY DELIVERING MORE SERVICES TO MORE PEOPLE BECAUSE IF WE GIVE GOVERNORS GREATER FLEXIBILITY WITH THEIR MEDICAID FUNDS, GOVERNORS HAVE TOLD US WITH MORE FLEXIBILITY THEY CAN COVER MORE PEOPLE AND DO IT AT A LOWER COST-- THAT'S JUST CALLED GOOD MANAGEMENT. IT DOESN'T TAKE A LOT OF GOOD MANAGEMENT TO SAVE 1% OFF THE RATE OF GROWTH WHICH WILL BE AROUND 40%. SO IT'S A VERY DOABLE EVENT, AND WE NEED TO PROCEED WITH IT.

THERE ARE OTHER COMMITTEES WHO HAVE RECEIVED RECONCILIATION INSTRUCTIONS WHO ACTUALLY WANT THOSE INSTRUCTIONS, WHO WANT TO BE ABLE TO PROCEED FORWARD BECAUSE THEY SEE OPPORTUNITIES TO IMPROVE GOVERNMENT AND TO GENERATE A BETTER RETURN FOR TAXPAYERS AND ONE OF COURSE IS THE COMMERCE COMMITTEE. ANOTHER IS THE "HELP" COMMITTEE, WHICH HAS JUST REPORTED OUT A HIGHER EDUCATION BILL, WHERE THEY'RE GOING TO EXPAND THE DOLLARS AVAILABLE TO PEOPLE WHO GO TO COLLEGE THROUGH PELL PROGRAMS AND OTHER PROGRAMS UNDER THE LEADERSHIP OF CHAIRMAN ENZI. THAT BILL HAS BEEN REPORTED OUT AND SAVED ABOUT \$7 BILLION BUT HAS ALSO GENERATED ABOUT \$6.5 BILLION, WHICH WILL GO BACK INTO STUDENT LOANS, AND IT'S DONE IT WITHOUT IMPACTING STUDENT LOANS BUT ACTUALLY EXPANDING STUDENT LOANS BY TAKING ACTION IN THE AREA OF THE LENDERS' ACCOUNTS. AND CHAIRMAN ENZI DESERVES A LOT OF CREDIT FOR THAT. AND WE SHOULD PROCEED WITH THAT. CHAIRMAN ENZI ALSO REPORTED A BILL OUT ALONG WITH THE FINANCE COMMITTEE TO ADDRESS THE PENSION REFORM ISSUE. WE NEED TO ADDRESS PENSION REFORM. WE'RE NOT GOING TO BE ABLE TO DO IT UNLESS WE DO IT IN A RECONCILIATION. WE KNOW THAT WE'VE GOT MAJOR BANKRUPTCIES COMING AT US, REGRETTABLY SOME IN THE AIRLINE INDUSTRY. MAYBE EVEN THIS WEEK. WE KNOW WHEN PEOPLE GO INTO BANKRUPTCY, THEIR PENSION FUND GOES INTO THE PBGC. THEY HAVE A \$30 BILLION TO \$50 BILLION PROJECTED UNFUNDED LIABILITY. AND IF WE'RE GOING TO BE ABLE TO MAINTAIN THOSE ACCOUNTS SO THAT PEOPLE WHO HAVE BEEN PLANNING ALL THEIR LIFE TO RECEIVE PENSIONS, IF THEY'RE IN A COMPANY THAT GOES BANKRUPT, THEY STILL RECEIVE SOME PERCENTAGE OF THEIR PENSIONS RATHER THAN GET COMPLETELY WIPED OUT, SO WE HAVE TO HAVE A SOLVENT PBGC. SO CHAIRMAN ENZI

AND CHAIRMAN GRASSLEY HAVE BOTH REPORTED OUT BILLS TO TRY TO ACCOMPLISH THAT AND THEY'RE USE RECONCILIATION TO PROCEED IN THAT DIRECTION. AND THAT'S VERY POSSIBLE.

SO WE NEED THE RECONCILIATION BILL TO PUT IN PLACE POLICIES WHICH DON'T ADDRESS THE IMMEDIATE PROBLEM OF TODAY, WHICH IS OBVIOUSLY THE KATRINA ISSUE, OR THE PROBLEM EVEN OF NEXT YEAR OR THE YEAR AFTER. THESE PROBLEMS UNDER RECONCILIATION WILL ADDRESS FIVE YEARS, TEN YEARS, 15 YEARS DOWN THE ROAD. AND ADDRESS THEM IN A POSITIVE WAY, AND THEY'RE SMALL STEPS. THAT'S WHY WE IMMEDIATELY NEED TO GO FORWARD WITH RECONCILIATION AND THAT'S WHY WE'VE SET THIS DATE AND MOVED IT A MONTH, BUT ONLY A MONTH.

ON ANOTHER ISSUE AND THAT'S THE ISSUE OF KATRINA AND HOW WE'RE FUNDING KATRINA AND THE RELIEF EFFORT, WE HAVE NOW PASS TWO SUPPLEMENTALS TOTALING ABOUT \$61 BILLION. WE KNOW THAT WE'RE GOING TO GET ANOTHER SUPPLEMENTAL PROBABLY WITHIN THREE OR FOUR WEEKS FOR ANOTHER \$50 BILLION. WE ALSO KNOW THAT MOVING THROUGH THE CONGRESS ARE A WHOLE SERIES OF INITIATIVES RELATIVE TO TRYING TO GIVE RELIEF TO THE PEOPLE IN THE GULF STATES, WHICH IS THE GOAL OF ALL OF US. WE RECOGNIZE THAT THINGS LIKE TAX PACKAGES, LIKE THE "COPS" PROGRAM -- ON THIS BILL IN FACT I THINK THERE IS AN AMENDMENT FOR THE "COPS" PROGRAM OF \$1 BILLION. THERE IS AN AMENDMENT DEALING WITH MEDICAID WHICH WILL COST \$4 BILLION TO \$6 BILLION. YOU'VE GOT FLOOD INSURANCE ISSUES. THE SIMPLE FACT IS THAT THE COST OF THIS DISASTER, THIS CATASTROPHE IS GOING TO BE HUGE. AS I SEE IT RIGHT NOW WE'RE WILLING TO PAY THAT PRICE. AND I'M PERFECTLY WILLING TO PAY WHATEVER IS THE APPROPRIATE PRICE TO MAKE SURE WE GIVE THESE PEOPLE THE OPPORTUNITY TO REBUILD AND RESTORE THEIR REGION. I SUGGESTED THAT WE ESTABLISH A COMMISSION ALONG THE LINES OF THE HOOVER ACTIVITIES IN THE POST-1947 FLOOD WHERE YOU HAVE A FOCUSED POINT WHERE ALL THE FEDERAL PROGRAMS COME TOGETHER AND THE MONEY WOULD BE DISTRIBUTED IN AN ORDERLY AND PLANNED MANNER WORKING WITH THE STATES AND THE LOCAL REGION. AND THEN WE SET UP SUCH AN AUTHORITY AND PUT A PERSON ON THE GROUND WITH A NATIONAL AUDIT FUNCTION AND REASONABLE MANAGEMENT FUNCTION SO WE MAKE SURE WE GATING THE VALUE FOR THE DOLLARS PUT DOWN THERE AND THEY'RE NOT WASTED. IT SEEMS THE PROPOSAL SO FAR DIDN'T WORK AND WOULD HAVE WASTED A LOT OF MONEY ALREADY. BUT WHAT WE'RE NOT SEEING UNFORTUNATELY IS THAT TYPE OF COORDINATION IN THE SENATE OR THE CONGRESS. WE'VE GOT IDEAS COMING FROM EVERY SIDE.

WE'VE GOT IDEAS COMING FROM EVERY COMMITTEE. WE'VE GOT IDEAS COMING FROM THE COMMITTEES AND THERE DOESN'T SEEM TO BE ANY FOCUS POINT WHERE WE ARE PRIORITIZING WHAT WE NEED AND WHERE IT SHOULD GO. WHEN YOU HAVE IDEAS COMING OUT OF THE ONE COMMITTEE THAT'S FLOOD INSURANCE OR AMENDMENTS ON THE FLOOR THAT REPRESENT ALREADY \$4 BILLION TO \$10 BILLION OF NEW SPENDING, OR YOU'VE GOT IDEAS COMING OUT OF THE TAX COMMITTEES OR IDEAS COMING OUT OF THE APPROPRIATING COMMITTEES, THERE OUGHT TO BE-- SINCE EVERYBODY WANTS TO RESPOND AND RESPOND EFFECTIVELY, THERE OUGHT TO BE A MANAGEMENT PROCESS HERE IN THE CONGRESS AND IN THE WHITE HOUSE THAT SAYS THIS IS WHAT WE PRIORITIZE AS NEEDED. THIS IS WHAT WE WANT THE CONGRESS TO MOVE ON QUICKLY AND LET'S TAKE A HARD LOOK AT WHAT WILL WORK AND WHAT WON'T LOOK. AS CHAIRMAN OF THE BUDGET COMMITTEE I AM EXTREMELY CONCERNED ABOUT THIS BECAUSE I THINK WE'RE GOING TO WAKE UP SIX MONTHS FROM NOW OR THREE MONTHS FROM NOW AND REALIZE THAT A HAPHAZARD APPROACH IS NOT GOING TO BE EFFECTIVE IN RESOLVING THE PROBLEMS IN THE GULF COAST OR IN MANAGING THE TAXPAYERS' MONEY EFFECTIVELY. SO I'M HOPEFUL WE'LL SEE A LITTLE MORE ORDER IN THIS PROCESS. I WOULD IMPLORE OUR LEADERSHIP TO GIVE US SUCH ORDER. MR. PRESIDENT, AT THIS POINT I YIELD THE FLOOR AND THANK THE CHAIR FOR ITS COURTESY.