



BUDGET COMMITTEE



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**Floor Statement of Senator Judd Gregg
On SCHIP Legislation
July 31, 2007
(unofficial transcript)**

Thank you, Mr. President. I wanted to rise to carry on the discussion which the senator from Texas has so eloquently begun, relative to the proposal that's coming forward to the Senate today, called SCHIP.

In trying to address the issue of healthcare for children, we are seeing an explosion in cost, the purpose of which is not necessarily to cover children who need coverage because many of the children who are going to be covered here are already covered under private plans, the purpose of which is to actually dramatically expand the role of government in the area of delivering health care in this country. It is openly acknowledged as being an effort to move down the road towards universal health care, but independent of the substantive policy of how we approach insuring and making sure the children in this country get health care, there's the ancillary policy of fiscal discipline.

This Congress so far, under its Democratic leadership, has abandoned the concept of fiscal discipline. We are spending money on all sorts of initiatives around here that go well beyond even the extraordinarily high numbers which were put in the budget under this Democratic Congress. We have returned to the days of tax and spend. Interestingly enough, today there was an editorial in the Wall Street Journal [see attached], that listed about ten different areas where there have been proposals to dramatically increase the tax burden on the American people by the Democratic party so that they can then be spent on other initiatives.

And this SCHIP proposal, which comes forward to us under the auspices of the leadership of the Senate, is a classic example of spending which can't be afforded and spending which uses gimmicks in order to mask its real costs. This chart here [see attached] reflects the fact that the spending in this proposal jumps \$35 billion over a five-year period, taking a program that could be fully funded today for about a third of that and adding an additional two-thirds on top of that in order to take care of initiatives which basically fund two things. One, they fund adults under a children's health insurance program and, two, they fund bringing children off of private insurance and putting them on the public insurance system. So the taxpayers generally have to pay for something

which is now being paid for in the private sector. So the cost of this program jumps radically over the next five years.

And then in the ultimate act of fiscal cynicism and fraud, they claim that the program will drop back down to being a \$3.5 billion program after it has reached a peak of \$16 billion in 2012. Are they going to abolish the program in 2013? Of course not. But in order to avoid their own rules of how you have to pay for things around here or are supposed to pay for things around here when you put a new program on the books, in an act, as I said, of fraud and cynicism, the liberal leadership of this Senate has decided to claim that this program, which we will be spending \$16 billion on in 2012, will suddenly only spend \$3.5 billion in 2013. Ironically, that number, \$3.5 billion, is even less than what the program costs today, which is about \$5 billion. So this whole area on the chart, this white area, is totally unfunded unless you assume that this program, which is being put on the books, is going to suddenly end five years from now, which is, of course, absurd. We don't end programs in the federal government. We certainly don't end a program that's focused on trying to fund health care for children.

So what happens is that \$40 billion over the next five years, which will be spent on this program, no doubt about it -- in fact, a lot more than that if the House bill passes -- is treated as if it is a virtual number, as if it doesn't exist, by an accounting mechanism that claims that actually, we're not going to spend that \$40 billion, we're just going to spend this \$3.5 billion on the program on an annual basis. The disingenuousness of this reaches a new level of misrepresentation to the American taxpayers as to what the burden is that's going to be put on them as a result of this proposal.

Now why do they do this? Why do they deny that there's \$40 billion of spending which they know is going to occur? Spending that my colleagues on the other side of the aisle absolutely know is going to occur? We are never going to go back to the cost of a program that's less than what it is today. Well, it's because they want to avoid something called Pay-Go, which is their representation of how they discipline the federal budget. Every time you listen to a colleague from the other side of the aisle talk about disciplining the federal budget, you will hear those two words. "I'm for Pay-Go." We hear it from the Budget Chairman. We hear it from members of the other side of the aisle. Pay-Go is how we will fund the federal budget.

Let's see what they have done to Pay-go since they have been in charge of the Congress. [See attached.] There is no more Pay-Go. It should be Fraud-Go. It's actually Swiss Cheese-Go, since this Congress has been dominated by the Democratic Party. And I'll bet you that everybody who ran for the Democratic Party said they were going to discipline the federal budget using Pay-Go. They have either waived or gotten around Pay-Go on about 12 different occasions, representing billions of dollars to the American taxpayer, of which this \$40 billion that we're doing today is one of the biggest. We have minimum wage; they went around Pay-Go. We have the Water Resources Development Act; they went around Pay-Go. With PDUFA, they went around Pay-Go. With immigration reform, they went around Pay-Go. With the energy bill, they went around Pay-Go. With the MILC bill, they went around Pay-Go. With the county payments,

payments in lieu of taxes, \$4 billion, they went around Pay-Go. With the new mandatory Pell Grants, \$6 billion, they went around Pay-Go. And now here with SCHIP, they're going around Pay-Go to the tune of \$40 billion. Almost \$90 billion has been to be spent by the other side of the aisle since they took control, where they have either waived, ignored or gimmicked Pay-Go out of existence.

So where's the fiscal discipline? It doesn't exist. The only thing they intend to use Pay-Go for is to force taxes to go up on American workers and they will use it for that. There is no question about that. When we get to the point where some of these tax issues are raised by expiring, they'll say Pay-Go applies to that and we've got pay for that. And so taxes will go up on the American workers. And on the American economy. But when it comes to spending money, there is no discipline of Pay-Go from the other side of the aisle. And anyone who stands on the other side of the aisle and claims that Pay-Go is a viable vehicle for disciplining the federal deficit...well, if they tell you that, then the next thing they are going to tell you is they have a bridge to sell in Brooklyn, or that the check is in the mail. The simple fact is, it's a fraud on the American taxpayer when that statement is made. And this bill pretty much proves that there is no more Pay-Go.

And then on top of that, they're not comfortable enough in this bill to spend \$40 billion -- they claim that they're not spending it. Which is exactly what they do. That's not enough for the other side of the aisle in the House -- they've put in language repealing one of the most important enforcement mechanisms to discipline the cost of Medicare. Which is, that if for two years, the projected Treasury General Fund contribution exceeds 45 percent -- Medicare is supposed to be an insurance program that's paid for by payroll taxes, but it also gets supported by the General Fund -- if the General Fund contribution exceeds 45 percent, and if that is projected to happen for two years in a row, then we as a Congress are supposed to take another look and say, "listen, that's not the way Medicare is supposed to be funded. A majority of the program is supposed to be funded by payroll taxes. We've got to go back and look at disciplining Medicare spending and making it more affordable." No, not any longer. The House of Representatives not only spends much more and doesn't pay for it, but their bill also repeals the 45 percent rule, one of the few disciplines around here which allow this body to stand up and say, "hey, we are profligate, let's get this under control."

So I think the American consumer needs to know that they got what they paid for in the last election. They got a Congress which has a philosophical viewpoint that hasn't changed a whole lot in the last 50 years. I was here the last time Congress was dominated by the Democratic Party. I was here when Tip O'Neill ran the House of Representatives. And wow, did we spend money back then. Well, let me tell you, we're back to that style of governance, only this time it's being done with the representation that there's discipline because we're using Pay-Go. Unfortunately, however, Pay-Go doesn't exist when it comes to spending. It's Fraud-Go. It's Swiss Cheese-Go, and the American people get stuck with the bill. Our children and our children's children get stuck with the bill, because in order to address certain political constituencies, the other side of the aisle feels it needs to spend the money and it doesn't have the courage to stand up to its own rules, the rules that they put forward. I've always said Pay-Go was a fraud. The other side of the

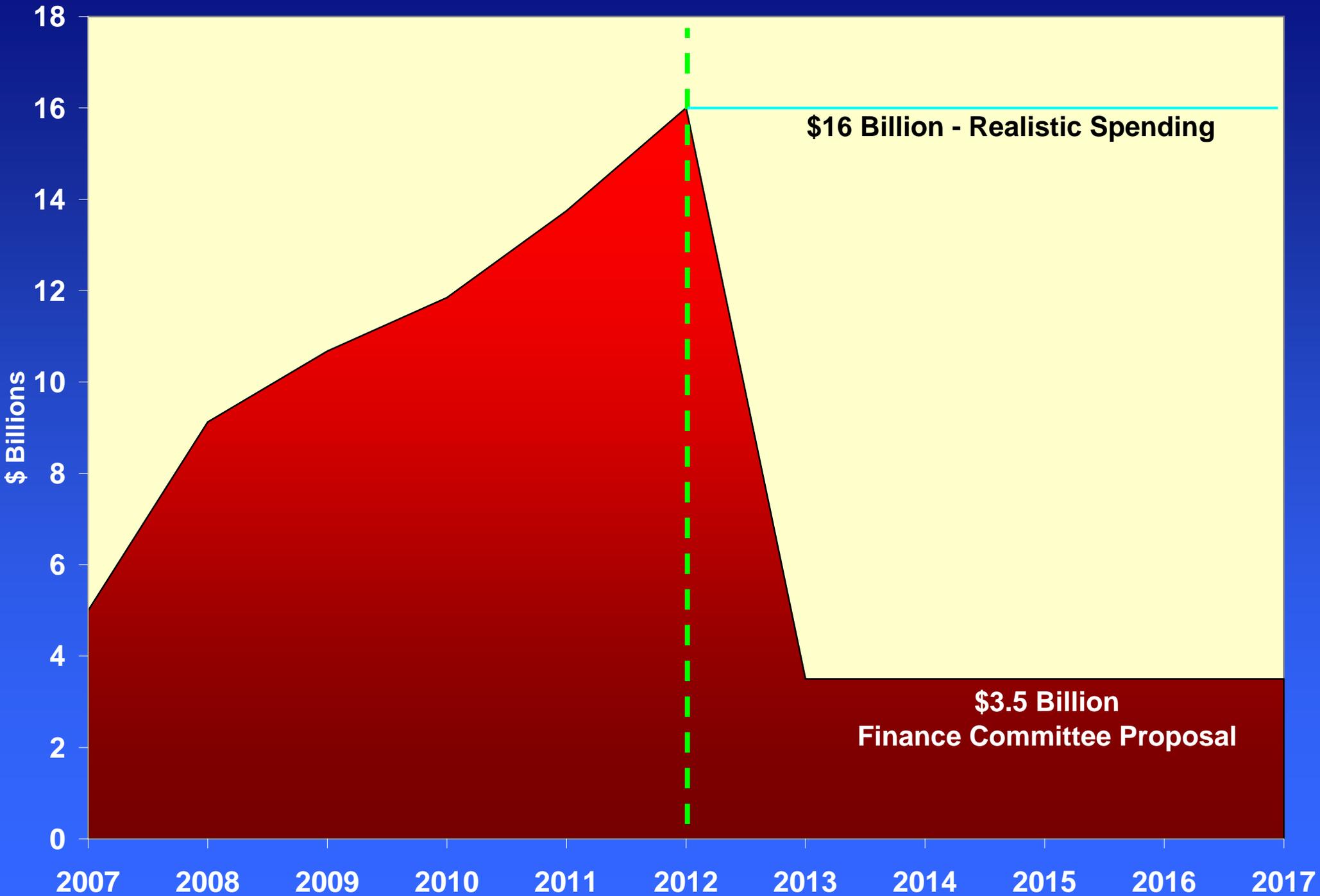
aisle marches behind that banner in budget after budget, claiming that Pay-Go gives us fiscal discipline. Well, here's \$90 billion of spending in just six months. They've only been in charge for six months. \$90 billion. That's a lot of money. Six months. It should have been subject to Pay-Go, which has been gamed, ignored, or claimed an emergency so that Pay-Go would not apply.

So as a practical matter, let us have no more talk of Pay-Go in this body. Let us talk about what we're really doing. On this SCHIP bill we are going to spend \$40 billion and we don't pay for it. \$40 billion, which is not paid for. That's just in the next five years. If you extrapolated this out, it actually works out to somewhere in the \$2 trillion to \$3 trillion range over the life expectancy of the program, a 75-year expectancy, which is the way we deal with entitlements. So this is not fiscally responsible, and it's very clear that if we continue down this path, we're going to set up a train wreck for those who come after us and have to pay the costs of this type of profligate spending which has no discipline attached to it.

Mr. President, I yield the floor.

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SCHIP FUNDING PROPOSAL



Source: Senate Budget Committee Republican Staff

~~Pay-Go~~ Swiss-Cheese-Go

Real pay-go violations

Gimmicks to get around pay-go offset requirements

\$88 Bil

Minimum Wage Increase
\$45 mil

Water Resources Development Act
\$4 mil

PDUFA
\$171 mil

Immigration Reform
\$30 bil

Energy Bill
\$4.2 bil

Spending for MILC
\$2.4 bil

County Payments/PILT
\$4.1 bil

SCHIP Reauthorization
\$41 bil

New Mandatory Pell Grant Spending
\$6 bil

\$34.4 bil

\$53.5 bil