



BUDGET COMMITTEE



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**Senator Gregg's Floor Statement
on the Democrats' Fiscal Year 2009 Budget Resolution
March 11, 2008
(unofficial transcript)**

Mr. President, I wanted to rise to speak about the budget. First, I want to express my respect for people who have worked on this budget. My staff especially, but also the Democratic staff and the Chairman of the Budget Committee, Senator Conrad.

We are, however, in an extraordinarily difficult time as a nation. We confront major issues. We confront international issues, of course, involving the threat of Islamic terrorism. We confront domestic issues of even more or equal significance. Not more significant. Nothing is more significant than the threat of a terrorist attacking us with some sort of weapon of mass destruction.

But we also confront huge domestic issues such as the projected bankruptcy of the nation. That's a pretty big issue. And that's an undeniable fact that's going to occur unless we take some action, because of the fact that the Baby Boom generation is beginning to retire and the cost that they are going to put on the federal government and, therefore, on our children, to support them through taxes is going to be extraordinary.

We also confront the extremely difficult issue of energy policy and the cost of gasoline. Gasoline is over \$107 a barrel and it is not projected to come down. The effect on the economy is devastating. We confront the fact that we have a federal government which is spending and continues to spend significantly more than it's taking in. And as a result, is spending the Social Security surplus and is significantly adding to the debt of the nation.

So you would hope that in light of these very large issues which we confront as a nation -- the threat of terrorism; the issue of the retirement of the Baby Boom generation, and the fiscal devastation that's going to have on to our children's ability to have an affordable lifestyle; the issue of the cost of energy; the issue of the size of the federal government and its growth at a pace which it cannot sustain; the tax on the American people which gasoline now represents, which is undermining the economy; and the general tax policy of the proposed budget which will undermine it even further -- you would hope that the Democratic leadership of the Congress would have come forward with a budget that showed some imagination, some creativity, some initiative in the area of addressing some of these crucial problems.

Regrettably, what we got was the same-old, same-old. A budget filled with taxes, a budget filled with spending on this special interest program and that special interest program. A budget which underfunds the national defense. A budget which dramatically increases the taxes on working Americans. A budget which dramatically increases the debt of the federal government and, therefore, the debt passed on to our children. A budget which raids the Social Security trust fund. A budget which has no creativity in the area of trying to address entitlement reform. A budget which uses gimmick after gimmick after gimmick, and even gimmicks its own gimmicks in the area of Pay-Go, in the area of discipline, in the area of revenues.

It is, to say the least, an embarrassment because it is such a mediocre, mediocre presentation. It passes the problems on to the next generation. It doesn't confront them. It doesn't even try to confront them. It simply aggravates those problems for the next generation. And that's unfortunate because, you know, we're running out of time here. We're the generation of leadership. The Baby Boom generation. We have some obligation to fix the problems which we're going to pass on to our children. I believe we have a significant obligation to do that. But this budget doesn't accomplish anything in that area.

This budget has one thought in mind. It's not jobs, jobs, jobs, as the Majority Leader said. It's re-elect, re-elect, re-elect. Win the next election rather than try to solve the problems which are passing on to the next generation. The horizon of this budget is somewhere this July, this August, as we move into the full-scale election cycle, when they can go to interest groups and say we've given you this money, go to this interest group and say we've given you this money, and then deny that they're taxing people because the taxes for those costs won't hit people until after the election. And deny that they're fudging these numbers through using gimmicks because those events won't occur until after the election.

It is truly a budget that fails on all counts to take on the real issues that face our nation: how we fight terrorism, how we support our troops in the field, how we deal with this looming, massive unfunded liability of the retirement of the Baby Boom generation which will put unsustainable costs on our children and make their lives essentially less viable in the way of affluence than ours has been. A budget that dramatically increases taxes on working Americans in the name of raising taxes on high-income Americans. A budget that dramatically grows the debt and raids the Social Security funds.

This list here is what it does. I think I've pretty much outlined it. It raises taxes by \$1.2 trillion, dramatically increases spending and dramatically grows the debt. It gimmicks its own enforcement mechanisms, Pay-Go and all the other mechanisms it allegedly has in place, and does nothing about the \$66 trillion of unfunded liability which is such a huge number nobody can understand it.

So let's try to put it in context. Every American child today has \$120,000 in debt and this budget adds \$27,000 to that debt. And this budget does nothing to try to improve that situation.

The Chairman of the Budget Committee said 'We need to be tough on spending.' The number of spending cuts in the Democratic budget? Zero. The number of spending increases? \$22 billion over this baseline this year stated on the discretionary side. On the entitlement side, \$488 billion in increases in spending. They allege it's \$18 billion, but they play a budget-fudge-it game. They take it out of next year and spend it this year. It has been done in the past and I have opposed it, but this time they plus up the number a little bit so they can say to different constituencies, 'We will spend money on you. We got this money for you, we will borrow it from next year's budget.' \$22 billion in new spending -- and that's a pretty big number, which would literally run the state of New Hampshire for three or four years.

But that's not the whole number because you have to put it in a five-year context. It's actually over \$200 billion of new discretionary spending. When you spend that \$22 billion this year it does not come out of the budget until next year. It goes into what's known as the baseline and becomes the floor and we build on that.

Last year they wanted to spend \$22 billion more, too, so, over two years they bump things up, or tried to bump it up, \$44 billion. Plus, last year they put in a supplemental for another \$21 billion. I know the numbers are being thrown around like crazy but the fact is, it's big money. Big money being spent on constituencies that vote for them.

The Chairman of the Budget Committee said 'I am prepared to get savings out of long-term entitlement programs.' How many savings out of long-term entitlement programs are in this budget? Zero net savings. The deficit goes up dramatically, and \$66 trillion owed to the accounts that we cannot pay for. This budget adds \$488 billion into those accounts. That's a staggering amount of money. There's no attempt to adjust that at all.

Let me go to the national debt: it goes up over \$2 trillion under this budget. Two trillion added to the national debt. My colleague on the other side of the aisle said 'I really believe increasingly the debt is the threat.' That's one of Senator Conrad's great phrases: 'the debt is the threat.' I agree, but the only problem is, he is aggravating this threat with the budget and now he does not have too much choice because he is spending so much money we do not have, and as a result, here is the wall of debt chart. It goes up, and it goes up dramatically under this budget.

Now, we will hear from the other side of the aisle -- 'But, the President's budget does the same thing or it's worse.' You know, that's a straw dog. The President does not sign the budget. The President is not part of the budget process other than that he has an obligation to send a budget up here for the purposes of our review which is, depending on the President, uniformly rejected by the party in power.

The President sends the budget up and he announces his priorities, but uniquely the budget instrument -- and this is an important point -- is a child of the Congress. The Congress produces the budget. The Senate produces a budget, the House produces a budget, it goes to conference committee, it comes back to the Senate, and comes back to the House. What it does not do is, it does not go to the President to be signed. He cannot veto a budget. He cannot sign a budget. He simply gets a budget in a form the Congress wants. It's a resolution, not a bill.

Why is that? Because the founding fathers, in their wisdom, and the people who put together the Budget Act -- some of whom are still here, including Senator Byrd and Senator Domenici -- knew Congress has the primary responsibility on the budget. When you say you President did this or that, you are hiding. The Congress has the responsibility for the budget. The Congress passes the resolution that creates the budget. The president doesn't sign it at all.

So it is the Congress you should turn to and say 'You're the responsible party here. Are you being responsible?' And that's the issue: are you being responsible as a Congress? And this Congress is not being responsible because the big issues we face as a nation are either being finessed, gamed, ignored, or aggravated under this budget.

This budget adds \$27,000 to the debt that each child born today has to pay. So, if you're having a child or you just had a child -- I just had a niece, this wonderful little girl, she came into the world and she just got a \$27,000 bill from the Democrat leadership of this Congress.

So, let's get into some specifics about this budget. First, the allegation that there are disciplining mechanisms, I take this on first because it is such a fraud. I have heard more Senators on the other side of the aisle say we are going to use Pay-Go to discipline the budget. 'When we use Pay-Go, we limit spending.' Pay-Go is a motherhood term, regrettably, a title put on supposedly a procedure which requires you to pay for new spending and pay when you cut taxes.

Well, time and time again, our colleagues on the other side of the aisle, when they are confronted with the choice of actually having to use Pay-Go, which would have caused them to have to cut spending somewhere in order to increase spending somewhere also, "game" the system. They moved a year here or a year there so they wouldn't be subject to Pay-Go. They cut programs from reasonable funds levels, like SCHIP by 85% in one year, so they would not be confronted with Pay-Go enforcement; and took the MILC program and put it in a supplemental bill so they could build it into the base and not have to be subject to the Pay-Go program.

Time after time after time, 15 different times, they gamed Pay-Go to the tune of \$143 billion. I call it "Swiss-Cheese Go," which has much more truth in the labeling. Whenever it is inconvenient for the Democratic leadership to subject themselves to their own discipline rules, they waive them, game them or ignore them.

Now the first obligation of a national government is national defense. The most important thing about national defense is to make sure your soldiers, who are in the field, have the resources they need to do the job we've asked them to do. Whether you agree with what they're doing or not, you should never send a soldier into the field and not support that soldier with everything that he or she needs.

Now, I understand there's a huge debate especially on the other side of the aisle as to whether or not we should cut the legs out from underneath our troops in Iraq. We all understand that. We voted on it here 43 times in this Congress. But there should be no question that those soldiers need the support as long as they are in the field. It is totally inappropriate and a total abrogation of the responsibilities of the Congress not to support those soldiers in the field.

Now, in this exercise, the White House does not come with clean hands and I was fairly aggressive in complaining about their decision to send up a request for only \$70 billion. Which is a lot of money but that's nowhere near what it is going to cost to keep our soldiers in the field over the next year. And, to their credit, at least, the people at the Pentagon, Secretary Gates, when confronted with that number said, 'No, that's wrong, even though OMB may have sent it up here, it's wrong.' We are going to need something like \$150 to \$170 billion, somewhere between \$80 and \$100 billion more than what they've got in the budget.

The Chairman of the Budget Committee agreed. He said 'And we know, I think with great certainty, \$70 billion is not the right answer for 2009, zero is not the right answer for 2010.' Those are the two numbers that the White House had. And Secretary Gates said, 'No it's not the right number. It has to be a higher number,' so the documentation is clear. Even if the White House did not send up the right number by the time that we acted -- and, remember, once again, it is the Congress that does the budget, not the White House -- we should have put a number in here that adequately reflects what our soldiers are going to need to remain safe.

Now, even if you oppose this war, vehemently as some do on the other side, where they say to take the soldiers out next week when you cannot physically take them out next week. We know it will take six months to a year to get the soldiers out of there. With this number, you can't get the soldiers back with \$70 billion. This does not allow you to get the soldiers back. What happens with this number is that you're going to have our soldiers in the field without ammunition, without re-supply, without the facilities they need and without the equipment they need. This number assumes that we're going to leave our soldiers in the field unprotected. It's an inexcusable, irresponsible number to put in the budget simply to make your budget look better. This number should have within at least \$80 billion to \$100 billion higher to have an accurate budget.

Then the budget moves on. We have heard more about how there are uncollected taxes, and if we just collect the uncollected taxes we'll solve all our problems. I call it the Wizard of Oz approach to budgeting. Somebody is behind a curtain somewhere that owes us a lot of money, and we will get that money. Last year they suggested we do this to the

tune of \$300 billion. They were given the benefit of the doubt last year because they never had done a budget before.

So, how much did they get? The Chairman said 'If we collect just 15% of the tax gap, that would be over \$300 billion and that alone would come close to meeting the revenues needed under our budget resolution.' And this was last year. Do you know how much they collected last year from the tax gap? Zero. They cut in their budget the collection capabilities of the IRS, so not only was the IRS not able to go out and collect more money owed, they are having trouble collecting what they did get that was owed. Because their collection process has been cut.

And so you would think after such a pathetic performance that they would resolve not to do this again. It would take incredible nerve to claim one more time you will generate these types of revenues. But they do, they do -- \$300 billion. They say they will get it from out there in the virtual land of tax policy, but what they really got was zero. Zero.

This budget at its essence is a massive tax increase. That's singly what it is. It's a massive tax increase, the purpose of which is to expand the size of the federal government, grow the size of the federal government and in my humble opinion, as a result, make it much more difficult for us as a government to produce a positive and strong economy and to give people an opportunity to live lives that are as affluent and as, hopefully, successful as prior generations.

The amount of tax increases in this bill is \$1.2 trillion. The largest tax increase in history. \$1.2 trillion. Under the assumptions of this budget, every tax goes up to rates which were fairly high and which the Congress agreed were too high back in the early 2000. Marriage penalty goes up, child tax credit goes up, rates go up, capital gains goes up, dividends goes up, estate tax goes up. They are all assumed to go up and AMT is climbing every year.

It is important to know that historically, we have presumed the federal government would take something like 18.2% of Gross National Product in tax revenues. That's been the case since the end of World War II. This budget blows through that number. But equally important, it should be noted that in blowing through that number and adding the \$1.2 trillion in new taxes, it doesn't address the out-year issues which are going to cause taxes to go up even higher. The failure to do anything on entitlement reform, and then use up all the revenues to fund this group and that group that you happen to be happy about giving money to for the next election puts you in an even worse position when hopefully the Congress gets around someday to addressing the biggest fiscal policy issue, which is entitlement reform.

In addition, it needs to be noted that this tax increase of \$1.2 trillion is just the beginning of the Democratic proposals. Because if you listen to their two national candidates for President, in the case of one they have already offered and put in place over \$300 billion of new programs just in one year. That adds up to something like \$1.2 trillion of additional programs over five years. That's on top of this number.

Now when Senator Obama makes the representation, 'I'm going to add \$300 billion of new program every year,' the practical effect is that he's got to pay for it somehow. His claim is that he's going to pay for it by taxing the rich. He's going to tax the rich and pay for his – ironically, he actually has the same number here, \$1.2 trillion, of additional spending over that five-year period. Well, if you tax the rich, which would mean you raise the top bracket from 35% up to 39.6%, which was the bracket under President Clinton, you generate how much income to the federal government? \$25 billion. Multiply that by five years, you've got \$125 billion.

So he's about \$1 trillion short in order to pay for what he's suggesting in new programs. But there's another irony here. This tax number already assumes that the rates have been increased to 39.6% for the top income brackets, with the practical effect of that being that it's already been spent. This budget already spends the money and the tax revenues that candidate Senator Obama has suggested he's going to spend on his new program, so he doesn't have any money available to him.

So now we have a Democratic budget which increases taxes by \$1.2 trillion, increases spending dramatically, as I've gone through already. And then you have layered on top of that two national candidates, because Senator Clinton is not far behind Senator Obama in suggesting new programs, that's going to add another \$1.2 trillion on top of it. The numbers becomes staggering, but what does it all translate into?

Huge tax increases on working Americans. Huge, absolutely staggering. To try to put this in context, without the Obama tax increases or the Clinton tax increases, 27 million small businesses in this country under the Democratic budget will see their taxes go up \$4,100 each per year. Now you can double that if Senator Obama were to put in all his programs.

Eighteen million seniors will see their taxes jump \$2,200 each because of this budget. \$2,200 each. That's a lot of money. Try to put that in context. That basically buys groceries for most Americans for half a year. Certainly buys a fair amount of gas. Not as much as we'd like because the price of gas is so outrageous. Certainly helps with a mortgage payment. Maybe a child going to school or helping a grandchild go to school in the case of a senior. It's serious money, \$2,200. That's what this budget in new taxes is going to cost average seniors in this country.

And something else should be pointed out here. This budget assumes the cap gains and dividend rates are going to go up. And the primary benefit of cap gains and dividend rates flows through senior citizens. As a percentage, seniors take advantage of dividend rates and cap gains more than any other demographic group. So it's directly targeted on them, a tax increase.

For the average American family, there is a \$2,300 tax increase in this bill, and that doesn't include how much it would be increased if you were to put the Obama-Clinton programmatic initiatives on top of that. It would almost double this number. The appetite to raise your taxes from the other side of the aisle is unquenchable. It's huge, and it's

unstoppable, it appears. When this budget passes, John Q. Public is going to have to write Uncle Sam a check for \$2,300. That's a pretty expensive experience for the American people.

What do they get for it? Let's come back to what they get for it. Not a lot. Do they get the troops properly supported when they're fighting for us overseas? No. No, they're \$100 billion short on that. Do they get entitlement reform that helps us down the road with the pressure that's going to be put on our children by the cost of the expansion of the entitlement programs due to the retirement of the Baby Boom generation? No, they don't get that.

Do they get health care reform? No, there's no health care reform in here. Do they get tax reform in here? No, there's no tax reform in here. Do they get programmatic initiatives which make sense and are presented in a coherent and orderly manner? Are there programs eliminated that have maybe been around too long? We've got a study that tells us about programs you can eliminate. No, not one program is eliminated in this budget. Just an expansion. Just add to the base. Bump it up another \$200 billion over the next five years.

And pass that bill on to our children. Passing the problem on, that's what this budget is. Courageous, creative, imaginative, addressing the core issues which we confront as a nation and which really do threaten us. Whether it's terrorism, the cost of energy, cost to the government, or retirement of the Baby Boom generation, these issues are not going away. But you wouldn't know they even existed if you looked at this budget. It is a regrettable missed opportunity in a very difficult time, and it's unfortunate that it's really become your classic liberal tax-and-spend initiative.

Mr. President, I yield the floor.