



# BUDGET COMMITTEE



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**Senator Gregg's Remarks at Public Meeting  
of FY 2009 Budget Resolution Conferees  
May 20, 2008  
(unofficial transcript)**

Senator Pete Domenici epitomizes what public service is all about, in 34 years of commitment to New Mexico and this country. He's made a huge difference. He's the type of person who always comes to work with a smile on his face and an idea on his mind and he makes sure that everybody knows what he's thinking. And he drives those issues and ideas forward with an incredible energy.

This nation has benefited dramatically from his years of service. And obviously, the budget committee's role in the process of deliberation and the development of fiscal policies of this country have been defined in large part by the energy of Pete Domenici.

So we thank you for everything you've done, Pete, and the people of New Mexico are going to miss you, the nation's going to miss you and we're going to miss you. Thank you very much.

Thank you, Chairman Spratt. Let me join with Congressman Ryan in expressing my respect for you and Senator Conrad and the fact that you are on the path to producing a budget. I think it's critical to this institution we should have a budget under which to function.

I think it's important to note that the budget is uniquely a Congressional document. The President does not sign it. It is truly a child of the Congress and it is the defining blueprint for the Congress in how we proceed with fiscal policy. And thus it is important that we have one and I congratulate you for making progress towards getting one. Obviously we have deep differences on what the best fiscal policies are. But it's important that we have that outline in place as an institution.

Secondly, let me carry my congratulations even further. Looking at it from the Senate side, I appreciate the fact that you're not putting reconciliation instructions in this bill. Reconciliation is an enormous hammer to the system on the Senate side of the Congress. And it is a serious mistake, in my humble opinion, to use reconciliation the way it was used last year, which was basically to expand the size of the government. It was a token

reconciliation instruction, under which \$20 billion in new spending and new programmatic activity took place.

That's not the purpose of reconciliation. Reconciliation should be used to restrain the growth of entitlements, in my opinion, and I respect the fact and thank you for not using reconciliation in this bill, and thus not undermining what I think is a very serious and important instrument of our institution, which is the reconciliation instructions.

To get down to specifics, however, obviously I join Congressman Ryan with a number of concerns with the way this bill has been structured. I think Chairman Domenici, I still call him Chairman, was a bit of an oracle here today. He said that he was concerned about the way this nation was going and the biggest fiscal policy concern we must have is the looming fiscal crisis which we confront, which is the retirement of the Baby Boom generation.

There's been a lot of discussion about it, but nothing's happening. Nothing's happening and this legislation, this budget, takes no action in that arena. The President proposed three very constructive initiatives in this area, which would have reduced the out-year insolvency of the Medicare trust fund by almost 20%, and that was a huge step forward. And it would not have affected beneficiaries at all. He suggested that the Part D premium be paid for by wealthy people, or at least part of it be paid for. He suggested that we use more aggressively the information relative to the cost of health care to reduce the cost of health care as it flows through the Medicare. And he suggested malpractice improvements which would have reduced the cost of health care.

Those were all reasonable proposals, but they were all left on the cutting room floor here, and that was a mistake, because we need to get started on this. Now yes, Senator Conrad and I put forward what I think is a very effective way to proceed in this area, but that's down the road. This was an opportunity to get started and there was no initiative in that area.

In the area of tax policy, this piece of legislation -- we haven't seen it by the way, I regret to say, we have seen no hard numbers and as a result we're talking a bit in a vacuum here, I can't believe we haven't seen any hard numbers because I understand they've been available for a week or so. And it just seems to me not to show us those numbers makes it difficult for us to do our charts. Because our charts just have to be blank pages because of the fact that we have no numbers. Nobody's giving us any numbers. We're assuming some numbers, and one thing we can always assume is that there will be a heck of a tax increase on the Americans whenever the Democratic Congress puts together a budget.

In fact, our estimate is this is going to be the world's largest tax increase in this budget. The world's largest tax increase, which is pretty darn significant. The idea that these increases in revenues, which are about \$1.2 trillion assumed over this budget, are going to be obtained through something other than a tax increase is, I believe, some sort of a fantasy world.

We've been hearing about tax gaps since the 1980s. And the tax gap has not come to fruition. There simply is an assumption in this bill that the tax cuts, the tax policy put in place in the early 2000 period, will stop and the taxes on people will go up dramatically. And it means a very significant tax increase for working Americans.

We're talking about increasing the taxes on a family of four, with \$50,000 of income, by more than \$2,000; we're talking about 27 million small businesses that will see their taxes go up \$4,100. Eighteen million senior citizens will see their taxes go up by more than \$2,000. These are tax increases that will affect the everyday life of Americans, and they are significant.

The idea that they're somehow muted by the Baucus amendment is again a fallacy and a fantasy. Last year, we had the Baucus amendment and nothing came from the Baucus amendment. It was just a political press release. This year we've got the Baucus amendment again. I suspect that nothing again will come from the Baucus amendment.

But even if it did, it is ironic that in this bill they will have put in language to make sure that even if the Baucus amendment goes into force, were to be passed -- which it probably won't because it wasn't last year, I don't expect for it to be this year -- there is an enforcement mechanism which says none of the provisions of this act or amendment made by it shall have legal force or affect unless within six months prior to the first day of the first taxable year affected, and it goes on.

Whenever you hear Senate start out, 'none of the provisions will have force or effect,' that means they're going to take back whatever they said they were giving you. This is what's called 'bait and switch.' The proposal is there, but first they don't pass it, they just take credit for an amendment which is meaningless, then even if they do pass it they make sure they put language into the resolution which takes it back should it ever pass. It's cynical, quite honestly, to claim the Baucus amendment has any effect in this bill.

What's even more cynical is to say the American taxpayers aren't going to be hit with a \$1.2 trillion tax increase. They are.

On the spending side of the ledger, this is a trillion dollars. We're crossing the line for a trillion dollars of discretionary spending in this bill. Why couldn't we at least draw the line at a trillion dollars? Why couldn't we say to the American people, 'we're not going to cross the trillion dollar line this year. We're going to hold below a trillion dollars.'

Now I recognize that that might be some sort of just statement. But I think it would have been a statement that the American people would appreciate. That Congress would finally step up and say, 'alright, at least this year we're going to stop, we're going to take a pause, we're going to go over the trillion dollars.'

This budget goes over a trillion dollars in spending and it does it because it adds all this new discretionary spending, which, by the way, has a huge multiplier effect. Last year,

there was \$22 billion dollars in new spending, which added \$205 billion in spending over five years. This year, with \$22 or \$24 billion of additional discretionary spending, which multiplies to over \$200 billion over the five-year period. And then they've got \$300 billion of reserve funds in here to expand the government.

And then on top of that, if you take the proposals of Senator Obama, who appears to be the nominee or the likely nominee of their party, he has proposed an additional \$300 billion in annual increases in spending in his own programmatic activities. He's proposed 187 new programs, and 140 of them add up to over \$300 billion of annual increases.

So the spending in this bill is extraordinary and out of control. And the entitlement relief is non-existent. And the tax increases are the world's largest. You start putting this together and I think you've put together a fiscal policy which is disastrous. And I think Pete Domenici's words should be given some thought on that.

There are also a lot of mechanisms in here that aren't clear, relative to enforcement mechanisms, so it'll be interesting to see how they work. But it does appear that once again, Pay-Go is basically not applicable to spending, but is only applicable for tax increases as a practical matter. And in fact, that has been shown in practice around here, we've seen Pay-Go waived on now-17 different occasions totaling well over \$180 billion of new spending, but the language of the bill itself, if it's anything like it was last year, will not make Pay-Go apply to the first year. There will not be a score on the first year, which basically makes it just a game. It really doesn't exist, it's just a word for running for office, 'I'm for disciplining and Pay-Go,' when in fact Pay-Go is nothing more than 'Swiss-Cheese-Go' as I've said on a number of different occasions.

So obviously we have some very deep philosophical differences with this proposal as we think it is going to be. I wish we knew what it was going to be, but of course we can only assume what it might be. But our assumptions, I think, may be fairly good. And if they are accurate, then the American people are getting dealt a short hand here. A very expensive tax increase, a dramatic increase in spending, and enforcement mechanisms which are simply there for show and not for effect. Thank you Mr. Chairman.