BUDGET RESOLUTION/Tax Relief Ban Until Social Security-Medicare Reforms

SUBJECT: **Senate Concurrent Budget Resolution for fiscal years 2000-2009 . . . S.Con. Res. 20. Lautenberg motion to waive the Budget Act for the consideration of the Lautenberg amendment No. 144.**

ACTION: MOTION REJECTED, 45-54

SYNOPSIS: As reported, S.Con. Res. 20, the Senate Concurrent Budget Resolution for fiscal years 2000-2009: will cut the debt held by the public (money that the Federal Government owes to creditors other than itself) in half over 10 years; will fully fund Medicare (all of the President's proposed $9 billion in Medicare cuts were rejected; as a result, this budget will allow $20.4 billion more in Medicare spending over the next 10 years); will save the entire $1.8 trillion in Social Security surpluses over the next 10 years for Social Security; will provide for $778 billion in net tax relief over the next 10 years (in contrast, the President's budget would increase the tax burden by $96 billion net over 10 years), and will adhere to the spending restraints (discretionary spending caps and pay-go provisions) of the bipartisan budget agreement as enacted in the Balanced Budget Act of 1997 and the Taxpayer Reform Act of 1997 (the President's proposed budget, in contrast, would dramatically increase spending in violation of that bipartisan agreement, and would result in $2.2 trillion more in total Federal debt at the end of 10 years than proposed in this Senate budget).

The Lautenberg amendment would create a point of order against providing any tax relief (including the proposed $778 billion in tax relief in this resolution) or spending in excess of the approved levels in this resolution until legislation was enacted that would ensure the long-term solvency of the Social Security trust funds and that would extend the solvency of the Medicare Hospital Insurance Trust Fund (Part A) for at least 12 years.

Debate on a first-degree amendment to a budget resolution is limited to 2 hours. After debate, Senator Domenici raised a point of order that the amendment violated section 305(b)(2) of the Budget Act. Senator Lautenberg then moved to waive the Budgtet Act for the consideration of the amendment. Generally, those favoring the motion to waive favored the amendment; those opposing the motion to waive opposed the amendment.

(See other side)

YEAS (45)		NAYS (54)		NOT VOTING (1)	
Republicans (0 or 0%)	**Democrats (45 or 100%)**	**Republicans (54 or 100%)**	**Democrats (0 or 0%)**	**Republicans (1)**	**Democrats (0)**
	Akaka	Abraham		Lugar-[4]	
	Baucus	Allard			
	Bayh	Ashcroft			
	Biden	Bennett			
	Bingaman	Bond			
	Boxer	Brownback			
	Breaux	Bunning			
	Bryan	Burns			
	Byrd	Campbell			
	Cleland	Chafee			
	Conrad	Cochran			
	Daschle	Collins			
	Dodd	Coverdell			
	Dorgan	Craig			
	Durbin	Crapo			
	Edwards	DeWine			
	Feingold	Domenici			
	Feinstein	Enzi			
	Graham	Fitzgerald			
	Harkin	Frist			
	Hollings	Gorton			
	Inouye	Gramm			
	Johnson	Grams			
	Kennedy	Grassley			
	Kerrey	Gregg			
	Kerry	Hagel			
	Kohl	Hatch			
	Landrieu	Helms			
	Lautenberg	Hutchinson			
	Leahy	Hutchison			
	Levin	Inhofe			
	Lieberman	Jeffords			
	Lincoln	Kyl			
	Mikulski	Lott			
	Moynihan	Mack			
	Murray	McCain			
	Reed	McConnell			
	Reid	Murkowski			
	Robb	Nickles			
	Rockefeller	Roberts			
	Sarbanes	Roth			
	Schumer	Santorum			
	Torricelli	Sessions			
	Wellstone	Shelby			
	Wyden	Smith, Bob			
		Smith, Gordon			
		Snowe			
		Specter			
		Stevens			
		Thomas			
		Thompson			
		Thurmond			
		Voinovich			
		Warner			

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

NOTE: A three-fifths majority (60) vote is required to waive the Budget Act. After the failure of the motion to waive, the point of order was upheld and the amendment thus fell.

Those favoring the motion to waive contended:

By 2032, the Social Security trust fund will be insolvent, and the program will be collecting only three-fourths of the amount of money each year that it needs to pay out in benefits. The outlook for Medicare is even more grim--it faces insolvency in 2008. Our first priorities should be to fix these two programs. We are not against tax cuts; this amendment should not be perceived as an attempt to deny Americans tax relief. Rather, it is about priorities. Giving tax relief is simply a lesser priority.

This budget resolution before us will save all of the Social Security surplus for Social Security. We agree with that principle. We note as well that on consideration of a balanced budget constitutional amendment our Republican colleagues argued that our effort to put into that amendment a requirement not to raid Social Security surpluses was a gimmick. We are pleased, that on this resolution, they no longer are insisting that saving Social Security surpluses is such a bad idea.

However, as good as this resolution is on Social Security, it is an utter failure with regard to Medicare. No new funds are proposed; no reforms are suggested. Medicare is left on autopilot as it flies rapidly toward its insolvency date in 2008. If Medicare is allowed to fail, 40 million elderly Americans will be left without any health care. We think that it is utterly reckless of our Republican colleagues to have designed a budget resolution that ignores Medicare's problems.

The President proposed using 15 percent of the surpluses that will accrue in the next 15 years to prop up Medicare. The Medicare trust fund would receive hundreds of billions of dollars more in Treasury notes, which would extend its solvency from 2008 to 2020. Our Republican colleagues have ridiculed that plan as being nothing more than giving Medicare a pile of IOUs. We have a higher opinion of United States securities. Treasury notes are the safest securities in the world. The Federal Government has never defaulted on its debts. Businesses and governments around the world commonly put a portion of their assets in Federal securities, even though the rates of return are lower than for other investments, because they know that their money is absolutely safe when invested in United States securities. We do not think that there is any more secure way to save money for Medicare than to give it Treasury notes.

Under this budget, it would be very easy to provide the money needed to keep Medicare solvent for another 12 years. Our Republican colleagues want to give nearly $800 billion net in tax cuts. They will probably try to give those cuts in an across-the-board income tax reduction of 10 percent, which will primarily end up benefitting rich people. Millionaires will get tens of thousands of dollars in tax relief each; poor people, the elderly, and lower-middle class Americans will get peanuts or nothing. If just part of that money were applied to Medicare instead we could extend Medicare's solvency until 2020 and still have plenty left over for fair tax relief proposals. If our colleagues think, like we, that it is more important for America to protect sick old people than it is to give more money to rich people, then they will vote in favor of the Lautenberg amendment.

Those opposing the motion to waive contended:

The combined Federal, State, and local tax burden on the American people is at its highest level in history, and over the next 10 years the Federal Government is expected to collect, under current spending plans, nearly $900 billion more than it needs, not counting Social Security surpluses. Republicans, in this budget, have proposed giving back most of that extra money, $778 billion, to the American people. Still, $100 billion of that extra money will be available for spending proposals, including for proposals to reform Medicare and Social Security. Our Democratic colleagues now say that they do not think that any tax relief should be given until Medicare's solvency is extended for 12 years and Social Security's long-term solvency is ensured. No one should be fooled by this amendment. It has nothing to do with either Medicare or Social Security. Our Democratic colleagues are just appalled that Republicans want to give back most of the excess taxes that are going to be collected instead of spending them.

Medicare is currently projected to go broke in 2008. To keep it afloat for 12 years past that date without any reforms will cost close to $900 billion in non-Medicare funds. If reforms are adopted, depending on the approaches taken, it may cost much less. For instance, the President's Bipartisan Commission on Medicare Reform came up with a plan that would extend solvency for 4 years without any cost at all. In fact, it would save $61 billion. The plan suggested using those savings to give Medicare recipients prescription drug benefits which they do not have today. (That plan fell one vote short of being officially adopted by the commission. For a while it was unclear whether the President would endorse that plan. When he decided to reject it, most of the commission's Democrats obediently followed his lead. Neither they nor the President came up with any reform plans of their own, though. The President, in his budget, just suggested making Medicare a semi-welfare program by taking money out of the general fund to prop it up for 12 years. No reforms would be made, and in 2020, when the system again was broke, it would be broke under much worse circumstances because its annual deficits would be astronomically greater.)

It is important to remember that giving Medicare extra money as suggested by the President would not result in extra spending, it would just result in Medicare turning that extra money into Treasury note IOUs. Under the President's plan, no real money would

be provided, just Treasury note IOUs. The President's 15-year budget proposes spending $2.3 billion more than will be collected in taxes, with $700 billion of that excess amount being "spent" by giving Medicare $700 billion in IOUs. Starting in 2008, the Federal Government would have to get real money from somewhere to pay benefits--it could not pay benefits in IOUs. It would have to raise taxes, make astronomical spending cuts, or borrow money.

Finally, giving IOUs to Medicare would not make reforms or increase Medicare benefits. In fact, the President even proposed cutting Medicare benefits by $20 billion, and spending half of that money on items totally unrelated to the program. How much will this budget resolution before us spend on Medicare? Unlike the President's budget, this budget will fully fund it at its current projected spending rate. Spending will double, rising from $194 billion this year to $394.2 billion in the year 2009.

Both Medicare and Social Security can and should be reformed in the next couple of years. Liberal Democrats' preferred solution, we suppose, will be the same solution they have advocated for every problem, both real and imagined, for the past several decades--more money, more money, more money. Senator Kennedy has said we must give Medicare handouts of nearly $900 billion in non-Medicare money in order to meet the Lautenberg amendment's goal of 12 extra years of funding for Medicare. What a remarkable coincidence--that will be just enough money to make sure that not one cent in tax relief will be allowed for the next 10 years. No reforms of Medicare will be made, no benefits will be added, no abuses will be corrected--the problems will just be covered up and delayed with non-Medicare cash.

Republicans do not see that as a solution. It is time for Democrats to get off the fence. We have no trust in this particular President to put forward a real proposal, but we do believe that many of our Democratic colleagues in the Senate understand that we have a golden opportunity to fix both Social Security and Medicare. From Democrats' vantage point, we know that they also must understand that if we proceed intelligently rather than just throwing money at the problem the costs of the solution will be much smaller, the benefits provided for senior citizens will be better, and there will be tens of billions, or hundreds of billions, of dollars more in revenues that they will be able to advocate spending on their favorite social programs.

Therefore, though the vote on this amendment will probably be party-line, we are fairly hopeful that our Democratic colleagues are not drawing a line in the sand. We think that later this year they will be willing to consider real Medicare reform proposals. Simply demanding that we throw money at the problem is no solution--it is a political gimmick. Democrats will then run home and tell their constituents that they care more about Medicare because they want to put more money in it than Republicans do. Our Democratic colleagues can have their political vote, but in the end we hope that they will be willing to make real reforms.