

**Opening Remarks by Senator Kent Conrad (D-ND) at  
Senate Budget Committee Markup of GOP Budget Process Proposal  
June 20, 2006**

Let me just indicate that I think – I read the outline of the proposal before us – I see no mention of deficits or debt. To me, the debt is the threat. There is absolutely no mention about addressing the debt. There is no mention of addressing the deficits. Beyond that, I think the notion of turning our work over to a commission or a series of commissions is not the way to go. I think we ought to do our job. And I notice in this proposal there are no specific ideas for cutting any spending or raising any revenue. It's all a series of process changes which I think would be ineffective based on the record of the previous approach in Gramm-Rudman. It didn't work. And I will address that in my opening statement.

Let's turn, if we can, to putting in context where we are. Our friends on the other side said when we embarked on this fiscal plan, "Don't worry, there won't be any deficits." Well, that was wrong. And that was wrong by a country mile. The record of our friends on the other side has been one of exploding deficits and debt – a failed fiscal plan that is as clear as it can be in its failure. We went from a surplus to massive deficits, the largest deficits in the history of the country, and those deficits continue despite the assurances of our colleagues that if we just stuck with their plan things would get better. Well, they have not.

The result is not only large deficits, but exploding debt. When this President took office, the debt was \$5.8 trillion at the end of his first year. Obviously, he is not responsible for the first year because he is inheriting budgets from the past. But since that time, the record is his and is the record of our Republican colleagues. And it is a record of runaway debt, none of which is mentioned, even addressed in the proposals before us. And we see the debt is going to go to \$8.6 trillion at the end of this year. And if we adopt the budget that is still pending before Congress – it has not yet been adopted for this year – the debt will go to \$11.8 trillion over the next five years.

The result of all this is massive borrowing, increasingly borrowing from abroad. As I have shown my colleagues before, it took these 42 Presidents 224 years to run up a trillion dollars of external debt, U.S. debt held abroad. This President has more than doubled that amount in five years. This is a completely unsustainable course. And I wish our colleagues had put that on the table, addressing the debt bomb that this country faces.

The result of all this is that we increasingly are indebted to foreign central banks. We now owe Japan over \$600 billion; we owe China over \$300 billion; we owe the United Kingdom over \$160 billion; we owe the oil exporters almost \$100 billion; my favorite, the Caribbean Banking Centers, we now owe over \$60 billion; and, who would believe it, we now owe Mexico \$42 billion. If this isn't evidence for a flawed fiscal plan, a failed fiscal plan, I don't know what is.

And our colleagues really haven't presented an alternative to that. They've presented, in their budgets, to continue the current policy course. Now they come to us and say let's have a

series of commissions do our work for us. I don't think that's the answer. I think we ought to do the work ourselves.

My colleague says there's been a revenue boon. No, it's not been a revenue boon. Please. Revenue has collapsed. Revenue has collapsed. Revenue as a share of GDP was at a record high in 2000. It was at an almost 50 year low in 2004. And while we have seen somewhat of an uptick, we are still way below where we were. And in real terms, revenue has not recovered even now from where it was in 2000. Our friends have told us repeatedly not to worry, you cut taxes you get more revenue. The problem with that is it hasn't worked in the real world. In the real world, in real terms, we are still behind the revenue that we had in the year 2000.

Now, our colleagues talk about overspending. Clearly, spending is a significant part of this equation. Deficits are a result of the imbalance between spending and revenue. There are two parts of this equation, revenue and spending. Our colleagues have not been willing to cut the spending to match the revenue they are willing to raise. That is why deficits and debt have exploded.

Their spending, and it is all their spending, they've been in charge since 2000. They control the House. They control the Senate. They control the White House. So the overspending, to the extent that it has occurred, is entirely theirs, entirely theirs. And here's what they've done with spending. In 2002, it was \$2 trillion; in 2007 \$2.8 trillion. So they've raised spending 40 percent during this period.

The great irony of the package before us, the truly great irony of the package before us, is it talks about a series of new mechanisms which they are not following on the legislation that was on the floor of the Senate just last week. They are now talking about new budget points of order. They are talking about spending caps. In the legislation they brought to the floor of the Senate last week and that was passed they took out the spending caps they put in place last year. Now they talk about spending caps as part of the answer for the future. Spending caps absent a willingness to actually enforce them mean nothing.

Let me just repeat. Our friends on the other side of the aisle come before us this morning with a package of new spending caps, new budget points of order and just last week they have taken away the budget caps they put in order last year. Just last week, they waived a budget point of order they put in place last year. It's hard to take seriously our colleagues' approach. It really is. It is hard to take seriously when at the very time you are proposing new spending caps and new budget points of order you are eliminating the ones you just put in place last year. That's hard to take seriously.

And here they are. You had a budget point of order put in place last year that said you couldn't have more tax cuts, you couldn't have more spending if you didn't have a budget in place. And now our friends last week said, "Oh, we didn't mean that, we'll waive that, we'll put that off for another year." And last year, our colleagues put in place spending caps for 2006, 2007, and 2008. Last week, they said, "Oops we didn't really mean it. We'll just eliminate

those.” So, I don’t know how this batch of spending caps and budget points of order have much credibility when you aren’t following the ones you put in place last year.

On Gramm-Rudman mechanisms as the answer, let’s just examine the record. Here’s the record on Gramm-Rudman. The dotted red line is the first Gramm-Rudman targets. This dotted red line is the second Gramm-Rudman targets. The actual deficits are the black line. Boy, you talk about a complete failure. Gramm-Rudman did not work. It didn’t work. The actual deficits were far higher than either the first Gramm-Rudman targets or the second Gramm-Rudman targets. In fact, the only year that it came close to meeting the targets was the year Gramm-Rudman wasn’t in effect. Gramm-Rudman wasn’t in effect for one year – that’s the only year that it came close to meeting the targets.

Again, on Gramm-Rudman if you look at the 1986 deficit, the first year Gramm-Rudman targets were in effect the deficit was \$221 billion. If you look at 1990, the last year Gramm-Rudman targets were in effect, the deficit was, guess what, \$221 billion. Oops, didn’t work. And, now our friends on the other side of the aisle say, well, let’s dust that old one off and bring it back and maybe it can fail again. Because this clearly didn’t work. In fact, the original 1990 target under Gramm-Rudman for that year was \$36 billion. Instead, the deficit was \$221 billion. If that’s a success, I would hate to see a failure.

GAO (Government Accountability Office) studied Gramm-Rudman. And they came back and here is what they said: *“GAO has criticized the [Gramm-Rudman] procedures for leading not to meaningful deficit reduction, but rather to a whole generation of off-budget and other misleading practices that hid the true magnitude of the deficit problem. When even these practices failed to avoid sequestration, the deficit targets were simply revised,”* It’s like what you guys did last week. You put in place spending caps last year. This year you take them away, so it is just a shell game. (The report continued) *“...and the date for achieving a balanced budget was postponed. Thus, instead of the government reaching a balanced budget in fiscal year 1991, the original [Gramm-Rudman] target, the deficit reached record levels.”*

That’s what happened in the real world.

Former Senator Hollings, who was the Hollings of the Gramm-Rudman-Hollings, had this to say: *“...[W]e failed with Gramm-Rudman-Hollings. ...[I]nstead of using Gramm-Rudman-Hollings to cut back some \$35 billion in spending each and every year, we were using it as a cover to increase spending \$35 billion each and every year. So I said give me a divorce from that. I don’t want my name connected with it.”*

We all remember Fritz. He was colorful in his speech and he still is. I wish he were here today. He would have a field day with this proposal.

One of the most – I think – serious proposals in this package is this so-called Entitlement Commission that would eliminate the restriction on changes to Social Security. We currently have in place super majority requirements to change Social Security. And this would take those away. I don’t know what the intent is, but I got a feeling, I got a sneaky feeling, that maybe those who want to privatize Social Security, maybe those who want to dramatically cut Social

Security, are very eager to see this kind of proposal put in place because it would take away the super-majority protection that is in current law.

Let me give you a couple of examples. Under the proposal before us, Congress, the Senate certainly in its role, would have its function dramatically changed. The ability of the Senate to slow something down, to think about it, to give Senators a right for unlimited debate is eliminated under this proposal. And a fast-track procedure is created, like the fast-track procedure on trade agreements, that allow a simple majority to dramatically change Social Security and Medicare. Are those the things that we really want to fast-track? Are they things we want decided on a simple majority? I think we want to think very carefully about how we proceed here.

Here are some things that could be done: Privatization of Social Security. The President's plan would have borrowed an additional trillion dollars to finance. And you could have done that on a simple majority vote under the proposal before us. I think that is not fiscally responsible. I think it is the opposite of fiscally responsible. The last thing we need to do is go out and borrow a bunch more money.

Biennial budgeting is part of this proposal. I don't know of a major institution in America that would think if it had budget problems, the answer was let's quit budgeting every year. Let's just do it every two years. Do you know any major corporation in America that budgets every two year? Do you know any? I mean, what sense does that make?

Here we are in the middle of a war, and we'd be budgeting every two years when we have had the administration come in with supplementals each and every year with tens of billions of dollars. I think the likelihood is that practice would increase if you did budgeting every other year. Too little attention is paid to our nation's fiscal condition now. Biennial budgeting would further reduce it. I believe it would lead to more supplemental spending, especially in the second year.

While the President is calling for biennial budgeting, his own budgets for 2006 and 2007 fail to provide discretionary spending policy details beyond the first year. So now, you're saying we ought to budget every two years, but the budgets the President submitted don't give any detail on his discretionary spending beyond one year. It would require Congress to rely on more speculative long-term projections. It would reduce Congressional ability to respond to changing budget, economic and fiscal conditions, and would weaken Congressional oversight of the executive branch through the budget and appropriations process. I think if there is an idea whose time has not come, it is certainly that one.

Let's go to the line item veto proposal. The line item veto – of course, it's been tried before and it's been ruled unconstitutional by the Supreme Court – represents an abdication of Congressional responsibility. You know, there is so much of that in this proposal:

- Turn our work over to commissions;
- Turn the work of determining spending over to the President. Let's not us do the work, let's have somebody else do it for us;

- Shifts too much power to the executive branch that will likely have little impact on the deficit, according to budget experts;.
- Requires Congress to vote on President's proposal within 10 days;
- Provides no opportunity to amend or filibuster proposed rescissions;
- Allows president to cancel any new mandatory spending proposals passed by Congress; and,
- Tax provisions are narrowly drawn allowing the President to rescind those tax measures Joint Committee on Tax specifies treats taxpayers differently. Spending provisions, on the other hand, are broadly drawn allowing the President to rescind any spending.

This is an editorial from the *Roanoke Times* of Virginia: "...[T]he president already has the only tool he needs: The veto." He has not exercised it a single time, not once. "That Bush has declined to challenge Congress in five-plus years is his choice. The White House no doubt sees reviving this debate as a means of distracting people from the missteps, miscalculations, mistruths and mistakes that have dogged Bush and sent his approval rating south. The current problems are not systemic; they are ideological. A line-item veto will not magically grant lawmakers and the president fiscal discipline and economic sense."

An American Enterprise Institute scholar Norm Ornstein calls the line item veto proposal "shameful." He (Norm Ornstein) said this: "*The larger reality is that this [line item veto proposal] gives the president a great additional mischief-making capability, to pluck out items to punish lawmakers he doesn't like, or to threaten individual lawmakers to get votes on other things, without having any noticeable impact on budget growth or restraint. More broadly, it simply shows the complete lack of institutional integrity and patriotism by the majority in Congress. They have lots of ways to put the responsibility on budget restraint where it belongs - on themselves. Instead, they willingly, even eagerly, try to turn their most basic power over to the president. Shameful, just shameful.*"

Let's go to the comments of George Will. George Will, a conservative columnist, said this: "*It would aggravate an imbalance in our constitutional system that has been growing for seven decades: the expansion of executive power at the expense of the legislature.*"

Budget resolution and reconciliation changes. Now, this is truly stunning, and I hope colleagues pay close attention. The proposal before us potentially eliminates the right to amend a budget resolution and reconciliation. That's pretty stunning. You guys have come with a proposal that could lead to a circumstance in which only one amendment could be offered to a budget resolution. You may not realize it, but that's what it does. You could give the power of amending a budget over to the Majority Leader for his control solely. Because the way you have written this, a budget resolution could be brought to the floor, the Majority Leader could offer an amendment, go into a quorum call, never emerge from the quorum call for 50 hours and preclude any amendments to the budget.

Oh you talk about one man rule, this is it. Is this what you believe in? You believe people should be in a situation in which they cannot amend the budget? Shameful. One man rule for enforcing Gramm-Rudman deficit targets. The Budget Committee Chairman alone under the proposal, alone, can give directives to authorizing committees to cut spending. No

review by the Budget Committee or the full Senate. One man deciding. Allows even more abuse of reconciliation by weakening Byrd rule and ignoring full cost of reconciliation proposals. Eliminates detail from budget resolution allowing members to conceal specific cuts.

One of the things I take most seriously is the right of members to offer amendments. But this proposal, as drafted and as presented, could eliminate as I previously mentioned the right of any member, other than the Majority member, to amend a budget resolution before the United States Senate. Is that really what you intend? Is that really what you intend?

This sets up one man rule by the Budget Committee Chairman on enforcing Gramm-Rudman deficit targets. The Budget Committee Chairman alone can give directives to authorizing committees to cut spending. No review by the Budget Committee or the full Senate. Boy, that's breathtaking. Have any of you guys actually read this?

- We will offer a full substitute. The full substitute will do the following:
- Restore strong Senate paygo rule and statutory paygo enforced with sequestration. If you want new mandatory spending, you can do it, but you have to pay for it. If you want new tax cuts, you can do it, but you have to pay for it. If you don't, you have to get a 60-vote majority. Those rules really did work and we'll go into that in a moment.
  - Allow reconciliation for deficit reduction only. Reconciliation was set up, fast track procedures, to reduce the deficit. Unfortunately, they have been used in recent years to increase the deficit, not reduce the deficit. That is an absolute abuse of the reconciliation process. You should think long and hard about whether you want to continue with that approach.
  - Third, require the President to include war cost in his budget. We just had a vote on that in the Senate, overwhelmingly, colleagues agreed that we should require the President to budget for war.
  - Fourth, we reaffirm protection for Social Security – ensure the off-budget status of Social Security. Social Security is supposed to be a trust fund. You guys in this proposal are taking Social Security and lumping it in with everything else to mask the true size of the deficit. That can only be the purpose, mask the true size of the deficit. Hide it, hide it. You shouldn't be hiding it. Social Security should be fenced off.
  - Fifth, we save Social Security first, creating a 60-vote point of order against new mandatory spending or revenue legislation that increases the deficit until the 75-year Social Security solvency is restored. This is tough fiscal medicine. This is the kind of enforcement we should put in place.
  - We also restore for 2006 the 60-vote point of order against considering tax, spending and debt limit legislation without a new budget resolution. This is a point of order you put in place last year, but you got to this year and you promptly waived it in the legislation on the floor last week.
  - Allow Congress to strip earmarks and other items inserted in conference reports. You know, I think all of us, or many of us at least, those of us who aren't appropriators, maybe some of us who are appropriators, are frustrated with what has been happening. Things that never passed in either body inserted in a conference committee and come back without any possibility of taking them out. That's wrong. That's an abuse of the earmark process and ought to be stopped. That's something maybe we can agree on.

- We also require a 48-hour layover period and CBO score of conference reports. Instead of coming out and they put out a 800 page bill in front of us and say you are going to vote on this this afternoon, the vast majority of members have had no chance to read it or know what's in it. There ought to be a 48-hour delay and we ought to have a CBO score so we know what something costs before we vote on it.
- Require CBO and Joint Committee on Tax longer-term revenue and outlay scores to enforce the Byrd rule for reconciliation to make certain games are not being played.
- Require CBO and Joint Committee on Tax to show the fully-phased-in ten-year cost of legislation.
- Enforce the discretionary spending limit. You know, it worked before, having enforceable spending caps and having paygo. And those things are in our proposal.
- Finally, initiate a real bipartisan effort to reduce the deficit with the President and lawmakers. Don't turn it over to a commission. We're not going to have any outside people. Let's do our job. We're the ones who have been elected to do it. We ought to be the ones that do it, that take up this challenge.

With that Mr. Chairman, I would tell you we have about 7 amendments on our side. We'd be happy at the appropriate time to offer them.