



Judd Gregg, Chairman  
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## **Highlights of Senate Budget Committee Chairman Judd Gregg's Floor Remarks On Budget Reconciliation**

“In a letter sent today by the Democratic leadership, which asks that we indefinitely postpone reconciliation, it asserts a number of inaccuracies. The basic theme of the letter is that if reconciliation is allowed to go forward, it would cut a number of programs that benefit Hurricane Katrina victims. That is boldly inaccurate, and fails to accept history or look at the specifics of the reconciliation process.

“The letter’s tax inaccuracies ignore the history of the Kennedy tax cuts, Reagan tax cuts and recent George W. Bush tax cuts. One thing history proves beyond any reasonable doubt is that when you significantly cut taxes on the productive side of the economy, you create economic activity, you create jobs and you create revenues for the federal government. In the last three years, revenues have been jumping dramatically. The deficit has dropped by more than \$150 billion purely as a result of economic activity that has been stimulated in large part by reducing the tax burden on the productive side of the ledger and created an incentive for people to go out and invest, and an incentive for people to create jobs. We’ve had some of the best job creation in the history of this country over the past two years and as a result, more people are paying taxes and revenues are going up.

“More specifically, what I find most unreasonable about the terms of this letter and most inaccurate, is the representation that the reconciliation instructions as they relate to the mandatory savings, somehow affect programs that benefit people relative to the problems we are having in the Gulf Coast today as a result of Hurricane Katrina. Nothing could be further from the truth.

“The fact is, the reconciliation instructions will in no way reduce student loans, but will expand student loans while saving money for taxpayers by addressing excesses in the lending community. In fact, the proposal from the HELP Committee will increase PELL grants, will increase the availability of student loans and will reduce the interest rates on those loans. If we do not go forward with reconciliation and use it as a vehicle to protect student loans, we will actually end up increasing costs for students in this country.

“Without reconciliation instructions on pensions, we are going to see more and more companies thrown into bankruptcy and as a result the taxpayers are going to have to pay the pension obligations of those companies and the people who benefit from those pensions are going to see

their pensions dramatically reduced. If we correct pension laws, we will be able to save some of the pensions that are now in dire straights. Without reconciliation, we will see more bankruptcies, more pensions wiped out and more employees who have worked all their lives will find their pensions will be cut. They will lose their pensions and the cost to the taxpayer will be much higher.

“The reconciliation instructions suggest we reduce the rate of growth of Medicaid over the next five years from 41 percent to 40 percent – one percent. That is a \$10 billion reduction in the rate of growth –on a \$1.3 trillion base over the next five years. This will be accomplished in concert with the governors, and almost every governor who has come to us has said we’ll be able to offer more services and cover more people if we get more flexibility. We need to reduce the number of hoops they have to jump through so we don’t have people defrauding the system, but rather have an honest system covering those who need to be covered. It is important to note that these savings will not occur over the next year, when all of the spending on Katrina victims will occur. All of the savings come in years 2, 3, 4 and 5. No services will be cut, so to tie it to the victims of Katrina is absurd and grossly inaccurate.”