



BUDGET COMMITTEE



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**Senator Gregg's Senate Floor Remarks on Democrats'
FY 2009 Budget Resolution Conference Report
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(unofficial transcript)**

First, I want to thank the Chairman of the Budget Committee, the Senator from North Dakota, for his generous comments and reciprocate by saying it is a pleasure to work with him. Obviously we have disagreements or we wouldn't be in different parties, but that is the purpose of a democracy, to debate issues and to hopefully reach a conclusion.

The budget is a statement of the party's political positions and therefore is more difficult to reach an agreement on when the Congress has both houses of the same party. But that doesn't mean that you can't, in a cordial and hopefully constructive way, have your disagreements and make your points. I have been appreciative that the Senator has been cordial and constructive and so has his staff.

I don't want to start out with too much hat-tipping to the Senator from North Dakota. But let me say this, it is important that the Congress have a budget. It is uniquely the Congress's entity to have a budget, although the President's budget gets soundly beat about the ears here. The congressional budget is uniquely an entity of the Congress. The Congress passes it; it does not go to the President for his signature.

The elements of the budget which are most important, such as the allocations to the Appropriations Committee and reconciliation instructions, are uniquely the purpose of the Congress as a way of giving a blueprint and defining spending and tax revenues within the fiscal policy of the Congress. There is a right to the purse strings and the budget is an element of exercising that right.

So although the President sends the budget up under the Budget Act, that budget rarely, if ever, becomes law. I'm not aware that it ever has become law. It is simply a point for discussion and when you have a Democratic Congress and a Republican President, it tends to be discussed less other than in opposition by the Congress.

So this budget is totally the responsibility of the Democratic Congress, as passed by the Democratic membership of this Congress, not by the Republican membership of this Congress, and it has the President's input at the margins, to say the least. But it is

important that there be a budget. Even though I may strongly disagree with it, I do think it's the responsibility of the Congress to do a budget.

Thirdly, as a note of appreciation, I do thank the Senator from North Dakota and his insistence that reconciliation instructions not be included in this bill. Reconciliation is an extraordinarily strong hammer which is contained within the Budget Act which allows basically the Budget Committee to hopefully control the expansion of entitlement programs.

Unfortunately, last year it was used to expand government, not to control the rate of expansion of the government. And that was a mistake, a serious mistake in undermining the integrity of the act, in my opinion. I'm glad we're not doing it this year, and I appreciate the Senator from North Dakota insisting on the Senate position on this issue.

To address the budget specifically, this budget, as it's brought forward by our colleagues on the other side of the aisle, the Democratic colleagues, is a "back-to-the-future" budget. You hear Senator Obama say he wants change. Well, this is "back to the future" change. It's essentially a restatement of things which always happen under a Democratic Congress. It says, 'yes, we can raise taxes. And a lot of taxes.' It says, 'yes, we can increase spending. And a lot of new spending.' It says, 'yes, we can run up the debt. And a lot of new debt.' It says, 'yes, we will not address entitlements and the fact that entitlement spending is a major threat to our fiscal integrity.' It is a "back to the future" budget.

The term "tax-and-spend" exists. It may be trite, but it exists because it's accurate. This budget has the largest increase in taxes in the history of the world. It has one of the largest increases in spending. It has a \$500 billion increase in entitlement spending. A \$200 billion-plus increase in discretionary spending. Debt goes up \$2 trillion under this budget. And it's on the watch of the other party. Those are policies of the other party that are being put in place here. And they're not good policies. They're not healthy and they're not constructive for the American people.

The budget, as I just outlined, has the largest increase in taxes in the history of this world, especially this country. And it has an impact on working Americans. You know, you hear a great deal, especially from Senator Obama, who is the presumptive nominee of the Democratic party now after last night, that he's going to raise taxes to pay for all his programmatic activity but he's only going to raise it from the wealthy.

Well, this budget doesn't assume, to begin, with most of the proposals by Senator Obama to spend money, but it does assume a tax increase. It assumes a \$1.2 trillion tax increase. And that tax increase can't be paid for only by wealthy Americans. If you take the top tax rate in America and you raise it back to the top tax rate under the Clinton years, which would be 39.5%, every year you'll add \$25 billion of new revenue to the federal government, assuming people don't try to avoid taxes and reduce their tax liability, which wealthy people tend to do because they get accountants to show them how to do that.

Well, that doesn't come anywhere near covering the additional taxes which are proposed in this budget, the \$1.2 trillion, the \$25 billion a year. No, it's the families that are going to pay that. 43 million families in America will be hit under this budget in the year 2011 with a tax increase of \$2,300 or more. And those are working families, by the way. Working families. A family of four making \$50,000 will have a \$2,300 tax increase.

Seniors, 18 million seniors under this budget in 2011 will see a \$2,200 tax increase. Small businesses, the engine for economic activity, the engine for jobs in this country, 27 million small businesses will see a \$4,100 tax increase. There will be 7.8 million who have been taken off the tax rolls will be put back on the tax rolls. These were people who no longer have to pay taxes as a result of tax policies of 2001 and 2003.

Those tax policies, by the way, worked. They worked. Yet there's tremendous opposition around here from the other side of the aisle to continuing those tax policies, as this budget points out. The capital gains revenues during the last four years have jumped dramatically as a result of having a capital gains rate which Americans feel is fair and are willing to pay. In fact, over \$100 billion more than was expected to be collected by the Congressional Budget Office (CBO) has been collected this year.

Now, why is that? Why, when we cut the capital gains rate down to 15%, we get more revenue? Well, as I've said before on the floor of the Senate, it's called human nature. If you say to somebody, 'We're going to give you a fair tax rate on your capital gains income,' people will do things that generate capital gains. People don't necessarily have to do anything to generate capital gains. If you own a stock or you own a home or you own a small business and you feel that the capital gains rate is too high, you won't want to sell that stock, home or small business because you don't want to pay all that money to the government.

But if the government sets a fair capital gains rate, 15%, then you say, 'all right, I'll pay that tax in order to turn over that stock, in order to sell my business, in order to sell my home. I'm willing to take that tax rate.' And so people go out and they do things which generate economic activity, they generate capital gains. That generates revenue to the federal government. That's what's happened here. We've generated significant amounts of revenue that we didn't expect because people were willing to undertake activity which was taxable.

There's a second very positive effect, besides getting a lot of revenue in the federal government. A reasonable capital gains rate causes people to invest their money more productively. They go out and they take risk. Entrepreneurs take risk, small businesses are started and jobs are created. As a result, money is invested in a way that generates more jobs. It generates more activity, more entrepreneurship, and more jobs.

This bill assumes that capital gains rate will be doubled. This bill assumes the rate on dividends may be more than doubled, depending on what your bracket is. This bill is a massive tax increase on working Americans and seniors. By the way, seniors, they take the greatest hit on capital gains and dividends income. Most seniors have a dividend income. It's the dividend income that usually comes from the pension they're getting that

they invested in while they were in their working years or they had a home they sold so they've got capital gains.

So the idea in this bill, which is to end the capital gains rate as it presently exists and raise it up and to end the dividend rate as it presently exists and double it, that idea is going to disproportionately hit senior citizens. And it's not going to raise the revenue that is projected in this bill because people are going to take tax avoidance action. But because of the way that CBO scores things -- it's static around here, there's no dynamic scoring -- they claim this is going to raise all this revenue. It won't.

But the fact is, those tax increases will slow this economy and damage working Americans and working families, as was shown by the prior chart. And that's not fair. Now, my colleague on the other side of the aisle argues all the time that, 'no, we're not going to have a tax increase.' Even though the amount of money that's projected to be raised in this bill from tax revenues is the exact amount of money that a capital gains and dividends rate increase generates, so the Democratic party, in putting forward this budget, is taking advantage of revenues that are expected to come from a significant increase in the capital gains and dividends rates.

But we hear from the other side of the aisle, 'oh, we're not going to do this. We're going to collect it from the tax gap.' The Senator from North Dakota went on for probably 15 minutes showing us buildings here and buildings there and subway systems here, and subway systems there. But do you know something? We had testimony that totally rejects that. The Commissioner of the IRS testified that you can't possibly collect the amount of dollars represented in this bill from closing the tax gap. You can claim it in theory, but it won't happen in practice.

In 1987, the Senator from North Dakota said, 'I pound away at the need for a fair share,' he said. 'That includes the tax gap between what is owed and what is paid...' He said that in 1987. In 1990, he said, 'It's both fiscally irresponsible, insulting to the vast majority of honest taxpayers in this country if we fail to tap this revenue from these who haven't complied.' And then again last year, he said, "if we just collected 15% of [the tax gap], that would be over \$300 billion. That alone would come close to meeting the revenue needs under our budget resolution." That was last year's budget.

How much did they collect from the tax gap? Zero. How much did they collect from the tax gap in when he first made the statement in 1987? Zero. How much did they collect in 1990 when he made the statement again? Zero. Through the 1990's, through 2000, the tax gap was not being closed.

In fact, instead of being closed, last year they cut the funding for the IRS, which would most logically be the agency to go out and collect extra money if it was owed. So this whole tax gap thing is nice rhetoric, but it has no substance and it's not defensible on its face, in light of the numbers in this bill. What is in this bill is the largest increase in taxes in the history of this country -- \$1.2 trillion.

Now there is, in addition, the issue of the debt. The senator from the other side is fond of pointing to the President and saying, 'he increased the debt this much; he increased the debt that much.' The debt has gone up significantly. I don't like that. Nobody likes that. But you can't wash your hands of fact that you produced the budget last year that added \$400 billion to the debt. Over \$400 billion will be added to the debt for the first Democratic Congress budget. \$400 billion. This budget presumes another \$370 billion added to that debt.

So this wall of debt chart, yes, the President of the United States deserves some significant responsibility here. But so do our colleagues on the other side of the aisle who are producing this budget. \$2 trillion of new debt added to the wall of debt under the Democratic budget. You could reduce that, you know. You could reduce that by not spending so much money, which gets us to the next point.

The spending in this bill goes up significantly. We pass the trillion-dollar threshold. A trillion dollars of discretionary spending is in this bill. Now, I suggested -- and I agree that it would maybe be more of a statement than a substantive event -- but I suggested that we set spending limits in this bill which would keep discretionary spending under a trillion dollars.

That would have meant instead of increasing spending in this bill, as the Democratic proposal does, by \$24.5 billion next year, as is proposed -- which, by the way, is a one-year number, it goes up over five years and represents over \$200 billion in new discretionary spending -- that they would have only been able to increase spending by \$10 billion and then they would have stayed under the trillion-dollar limit.

But they couldn't even do that. The desire to go out and spend is a genetic existence in the Democratic position. That's why we have different parties. They believe that government's better when it's bigger. They believe government's better when it takes your money and spends it. They believe government knows how to spend your money better than you do. And, therefore, when they're in control -- which they are and which they have been -- they significantly raise your taxes and they significantly increase spending.

And this budget isn't any different. Like I said, it's "back to the future." Is this change? It's change that takes us back to where we were when we had the last Democratic Congress. Significant increases in spending, and the budget doesn't even account for most of the spending which we know is coming down the pike which has already been signed on to by the majority of this party on the other side of the aisle.

For example, we have pending in the wings later today or tomorrow a supplemental that's going to add spending in the area of unemployment insurance of \$15 billion in spending in the area of veterans. We've got a farm bill coming at us that's a \$300 billion bill. We've got an AMT fix of \$70 billion, which this bill claims to pay for, but which you know won't be paid for.

The numbers just go up and up and up and up. The debt goes up and up and up and up. Spending goes up and up and up and up. And the taxes go up and up and up and up.

There can be no denying that. That's the way it is. It is a difference of opinion, but ought to be admitted to and we should not obfuscate it by claiming we will get taxes from a Wizard of Oz who is behind the curtain. Tax revenues come from working Americans. We should not claim a reduction in spending when we are actually generating an increase in spending -- and a fairly significant one.

The other side of the aisle holds up this chart and says, 'there's no real difference between the President's number and ours. Ours is 1% difference.' But 1% on \$3 trillion is \$30 billion. I don't know where they come from but \$30 billion is a huge amount of money - especially in my state.

So we're talking here big dollars, real dollars, and lots of new spending. Under any scenario, we are talking a number which is going to drive large tax increases not only next year but in the out-years for the working Americans in this country. And it's not right to do that to them, in my opinion.

There's another point here that needs to be made, which is that there is a claim in this budget that they put in some sort of enforcement mechanisms call Pay-Go. They return to that as an enforcement mechanism. They have waived Pay-Go or adjusted Pay-Go on at least 17 different occasions, for well over \$175 billion in new spending. Pay-Go is only used as a vehicle to try to increase taxes. If somebody wants to cut your taxes, they will claim Pay-Go and you have to increase somebody else's taxes to do that.

But when it comes to spending around here, as we saw with the Farm Bill that rolled through here, Pay-Go has no relevance at all. It is adjusted by changing years. It's adjusted by moving numbers around. It's adjusted by, as in the SCHIP bill, artificially ending a program when you know the program is not going to end. It's scammed. So there is no credibility to claiming Pay-Go is in this bill.

Furthermore, real Pay-Go isn't even in this bill. It says you match the year of the spending to the year of the cost, to the year that it will be offset against. This year it doesn't do that. The first year of Pay-Go under this bill, you can claim you're going to offset a new Pay-Go. So you game that system.

Then there's the alleged tax proposal in this bill, the Baucus amendment as it's referred to. We went through this exercise last year. The Baucus amendment was brought forward last year. And the other side of the aisle put out a lot of press releases claiming they had extended the tax cuts within the Baucus amendment, which included things like the child care tax credit and the spousal marriage penalty.

There was a great deal of fanfare after they took the vote on the budget claiming they were going to pass a bill which would accomplish these tax cuts, extending them. Where's the bill? Where's the bill? It never passed. No extenders passed. The whole amendment turned out to be a fraud. It worked so well with the press last year they have done it again this year. They claim they're going to pass those extenders which they didn't do last year, and they may do it this year, I don't know. I haven't seen anything yet implying they will do.

If they did do it, just to make darned sure it never had serious affect, they put language in the bill which basically creates a Rube Goldberg system where they take back the tax deductions if a deficit occurs. Well, they know a deficit is going to occur because they have already put in place spending initiatives which exceed the alleged surpluses they have in this bill. Just the veterans' benefit we will vote on tomorrow, that will pass here at some point, is going to knock out the deficit, the alleged surplus.

So all of these alleged tax extenders, which theoretically are going to pass, and at least they will put out press releases on, they will not occur because they put language embedded in the budget that says if there is a deficit, those tax extenders are recaptured. They come to an end.

In the mind of the person who believes that we should dramatically expand the size of government, dramatically increase taxes on the American people, this is a heck of a good budget. I don't argue with that. But from our perspective, where we think that Americans should keep as much of their tax dollars as we can leave them with, because it is their money and they know how to spend it better and they are more efficient using it than we are; we should keep a low capital gains rate; we shouldn't tax seniors who have dividend income as their main source of income. This budget has the wrong priorities, raising taxes on dividends and capital gains significantly.

In addition, it has the wrong priorities because it expands spending significantly -- \$500 billion in new spending and entitlements. Remember, the biggest fiscal threat we probably face as a nation, the biggest threat after, in my opinion, the threat of Islamic fundamentalism using a weapon of mass destruction against us, is the impending economic meltdown of this country as a result of the burden our generation, the Baby-Boom generation, is putting on the next generation through the entitlement accounts.

Sixty-six trillion of unfunded liability. A trillion dollars is a huge number. Hard to define what "trillion" dollars is. Take all the taxes paid since the beginning of the republic and you are talking something like \$37 trillion. If you take all the net worth of the American people -- their cars, their homes, all their stock, and add it together you come up with something like \$45 trillion.

So we have a liability on our books which involves three programs, Social Security, Medicare and Medicaid, that exceeds the net worth of the nation and exceeds the amount of taxes paid in this nation since we began as a nation. That is a huge problem for us. And you have to start to address it. Now, one of the good things the President's budget did was to address it in a couple of ways and he sent up a proposal which would take about 20% of this problem as it relates to Medicare, which is the biggest part of the \$66 trillion and would have made Medicare 20% less insolvent, which is a big number, by the way. That was a big step.

And the proposals he sent up had no impact on the vast majority of beneficiaries, no impact at all. He suggested that wealthy Americans -- Warren Buffet, for example, who qualifies for the part D premium under Medicare, or some other extraordinarily wealthy

person -- should pay a fair share. Not all, but should pay a fair share of the cost of the premium of their drug program. That was a reasonable suggestion. What happened to it? Rejected by the other side of the aisle.

The President suggested we use IT and disclosure of performance at the different levels that medicine relates to the patient, so people can make more intelligent purchasing decisions. What happened to that idea? Rejected by the other side of the aisle. The President suggested we should do something about the runaway costs of malpractice and about the trial lawyers who are running up extraordinary costs on the health care providers, especially doctors -- and we should do something to limit that. A reasonable suggestion. Rejected by the other side of the aisle.

How much entitlement savings is in this bill? Zero. Zero entitlement savings is in this bill. Here we are facing probably the most significant fiscal issue of our time and we do nothing about it in this budget. In fact, under the present law, we as a Congress are required by law to adjust Medicare spending, to bring it down under what's known as a trigger level. It's a technical level, but Medicare isn't supposed to exceed 45% from the general fund.

And we've now gotten a directive from the trustees in the Medicare trust fund to act and it would cost not a large amount of money in the context of this entire budget, \$1.3 billion. \$1.3 billion to correct this. That proposal is nowhere in this budget. Hard to believe we couldn't even do \$1.3 billion when we've been directed to do it. We passed the law. It was our law that said we would do this if this occurred. But the courage is not there to do that in the area of entitlements which is truly irresponsible, an act of malfeasance, really, by the Congress.

So entitlement spending remains unaddressed. Interestingly enough, I heard Senator Obama on the stump a couple of days ago talking about how he would never allow anything to happen to the Social Security recipient or the Social Security trust fund. You know, it's that type of language that guarantees our children will get a bill here that they can't afford, which is going to basically put a weight on our children and our children's children which will make their lives less enjoyable than ours because they will not be able to afford the dollars it costs to support our generation and still be able to buy their home and send their children to college because of the tax burden generated by the entitlement costs. And so that irresponsibility is permeated in this budget when it does nothing on the issue of entitlements.

Speaking of Senator Obama, I am entertained by the fact that this budget, which will have three-fourths of its life under the next President, must assume that the next President will not be Senator Obama. Because Senator Obama has proposed \$300 billion of new spending in the first year of his presidency. He's proposed 187 new programs. We can only score 143 of them because the others weren't specific enough. But if you scored the 143, they added up to \$300 billion of new spending just in the first year.

As I said earlier, he said he's going to pay for this by taxing the wealthy. That's what he says. But if you look at this budget, they've already spent that money in this budget. This

budget already assumes the wealthy are going to be taxed. The \$1.2 trillion tax increase in this budget assumes that the tax rate in the 2010, 2011, 2012 period jumps back to the level of President Clinton's period.

The budget, which is already projecting deficits in the \$400 billion range, already presumes, as it's presented here, a jump in the top marginal rate, which would be the rate on the richest Americans. So that money has already been spent. It was spent when the other side of the aisle decided to increase entitlement spending by \$500 billion under this budget, and they decided to increase discretionary spending by close to \$300 billion under this budget.

And so where is he going to find the money to pay for his \$300 billion in new programs? I don't know. But one thing is pretty obvious: we're going "back-to-the-future" with enthusiasm, you know. 'Yes, we can raise taxes, and, yes, we can raise spending,' will become the theme not only of this budget but of future budgets, should we have a Democratic presidency and a Democratic Congress. This budget really doesn't do much to address the issues which the American people need to have addressed.

Those issues involve, number one, doing something on the issue of entitlements. Number two, maintaining a tax law which creates productivity, which energizes entrepreneurship, which says to small business people, go out and create jobs. And, number three, disciplines our fiscal house by containing non-defense discretionary spending under \$1 trillion.

Those issues aren't really that dramatic or that heavy a lift to have undertaken. There is no reason we couldn't keep spending under \$1 trillion on the discretionary side. There is no reason we couldn't have taken the small steps suggested, like asking wealthy people to pay a bigger part -- or any part -- of their Part D drug premium. There is no reason this budget couldn't have contained within it some initiatives which would have controlled discretionary spending and would have continued to promote a tax policy which we have seen over the last three years has generated a massive increase in revenues for the federal government, especially from capital gains.

But another course was chosen here. It's a course that's circular because it goes back to the way we did things in the past when we had the last Democratic Congresses. You've got to raise taxes because the American people don't know enough to know how to spend their own money. We've got to do it for them. It's a course that says government should always grow and grow fast and there's nothing in this government that should be reduced. And it is a course that says we should add to the federal debt at a radical rate and it is a course that says that we should ignore real problems we have, which is entitlement spending.

I do want to put in one footnote here because I think it sort of encapsulates the whole discussion. The Senator said we have to keep the COPS program. It is a good program to put cops on the street. But the COPS program is uniquely appropriate to be eliminated. Why? Don't listen to me. President Clinton created the COPS program and created it with this caveat. He said, 'this will be a three-year program.' That's exactly what he said.

‘When we get to 100,000 police officers on the street as a result of this program, this program will be terminated.’

That was the program that was proposed. and not only did we get to 100,000 police officers on the street, because I chaired the committee that had this jurisdiction at that time -- the Commerce, State, Justice Subcommittee of the Appropriations Committee -- we put 110,000 police officers on the street using federal funds and then following on the suggestion of what the original program was and following the edict of President Clinton, we started to phase out that program, and it should have been completely phased out. That was almost -- well, that was eight years ago, nine years ago that we hit what the number was under this federal program. And the program is still here.

It's a classic example of how programs work around this place. Once they're in place, the interest groups that support them demand that they stay in place forever. Now, obviously we all feel police officers do a great job. We respect them. We admire them. They protect us. But this program fulfilled its obligations. It did what it said it would do, and it worked. And it should have been terminated, just like President Clinton suggested it should be terminated. Now the other side of the aisle, eight to nine years after that event, is still claiming that this program has to be kept and has to be grown.

Well, that's the difference between our parties. We think that when somebody puts in a program says it's going to last for three years, has certain goals, those goals are met, the three years are over, that the program should be ended and the American taxpayer should get to keep the money from ending that program. The other side of the aisle thinks that we should continue the program forever, grow it, and that we should take money out of the American taxpayers' pockets to pay for it, something we already did and it fulfilled its responsibilities.

That's the difference here. It is a fundamental difference between our parties. They are in the majority. They have the right to write a budget, however they want it. And they have done that. And it is a budget. It has the world's largest tax increase. It has significant increases in spending, significant increases in entitlement spending, crosses the \$1 trillion amount on the discretionary side and plays games with enforcement mechanisms here relative to the budget. We wouldn't have written this budget. That's why we're opposed to it.

Madam President, I yield the floor.