BUDGET COMMITTEE
(202)224-0642
http://budget.senate.gov/republican
Judd Gregg, Chairman
Contact: Betsy Holahan (202)224-6011
Jeff Turcotte (202)224-2574

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Prepared Opening Statement of Senate Budget Committee Chairman Judd Gregg

Mark-up of S. 3521, The Stop Over-Spending Act of 2006

Good morning and thank you all for joining us today. There is no question that our nation faces a serious financial crisis with the rapidly approaching retirement of the Baby Boom generation. To put the magnitude of this problem into perspective, it is important to note that over the last several decades, total federal government spending has averaged about 20% of our nation's Gross Domestic Product annually. However, in 25 years from now, our nation could spend 20% of our GDP on only three programs: Social Security, Medicare, and Medicaid. This will leave us with two options: stop spending money on defense, education, environmental protection, maintaining infrastructure, etc, or increase the tax burden on the next generation of Americans so dramatically that our economy would grind to a halt. We cannot tax our way out of this problem – the existing financial obligations are simply too great. We have to find a way to restrain federal spending, and the Stop-Over Spending Act offers immediate and long-term solutions to accomplish that goal.

This bill renews and reenergizes the budget process to bring enforceable discipline to federal spending. In the short term, the bill creates a legislative Line-Item veto, or expedited rescission process, that allows the President the ability to make Congress take a second look at federal spending. The S.O.S. Act also reinstates the concept of statutory caps for discretionary spending and allows for a reasonable adjustment for emergency spending needs. If the caps are exceeded, spending would be brought back into line by an across-the-board reduction. This would help end the practice of "shadow budgets" that have resulted in funding predictable, annual expenses through emergency appropriations.

The S.O.S Act includes two mechanisms to put our nation on a glide-path towards eliminating the budget deficit and setting critical entitlement programs on sound footing. The first mechanism sets maximum deficit targets that slowly decline over the next six years. If these targets are not met, then Congress is required to consider legislation to reduce spending in entitlement programs to bring spending back in line. If that fails, across-the-board spending reductions in entitlement programs take place.

In addition, S.O.S. includes a new budget enforcement tool to control new entitlement spending. If the general fund contribution to total Medicare outlays is projected to exceed 45% within the next seven years, the Chairman of the Budget Committee may send a funding warning to the Senate. If this warning is sent two years in a row a budget point of order becomes available against new entitlement spending that is not offset. This point of order is canceled when legislation is passed that brings Medicare spending under control.

Finally, this measure takes a long-term view beyond the annual appropriations process and emergency spending request, and beyond the traditional five-year budget window. The S.O.S. includes a bi-partisan commission to examine the long-term condition of the Social Security, Medicare and Medicaid programs and to submit legislation to put those programs on solid ground. To ensure that Congress doesn't ignore the work of this Commission, the S.O.S. includes special rules to ensure complete consideration of the bill they recommend.

The legislation also includes another Commission to evaluate federal agencies and the programs they administer to make it easier for Congress to improve and reform discretionary spending programs.

In early May, the Social Security and Medicare Trustees projected that these two programs are in dire financial condition. The pressure put on these two programs by the retirement of the Baby Boom generation will cause the Social Security Trust Fund to be exhausted in 2040 - a year earlier than previously projected. However, in 2017, Social Security income will not match benefit payments putting extreme pressure on the federal budget.

Medicare will be similarly affected by the demographic trends, and by the impact of skyrocketing health care costs, and as a result, the Trustees project the Medicare Hospital Insurance Fund to be insolvent in 2018 - two years earlier than projected just one year ago. Congress will begin tapping the Medicare Trust Fund in 2010 and the general fund contribution to Medicare spending will exceed 45% in 2012.

It is time to face up to the fact that both mandatory and discretionary spending have gotten away from us like an out-of-control locomotive. We need to put the brakes on the train and slow it to a reasonable pace that we, and future generations, can afford.