

The Washington Times

Deficit reduction milepost

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December 27, 2005

Every so often Congress is able to put its words into action. Everyone talks about the need for fiscal responsibility, but last week Congress seized a historic opportunity to actually deliver on that promise. For the first time in eight years, the House and Senate approved a deficit reduction package that will reduce the deficit by nearly \$40 billion over five years while improving delivery of health care to low-income and elderly patients, increasing financial aid for low-income college students and providing relief to those affected by the Gulf Coast hurricanes.

While I would have liked the Deficit Reduction Act to save even more, its passage is a significant victory for our children and grandchildren. They face trillions of dollars of debt from this generation unless we slow the growth of mandatory spending programs.

According to the U.S. Treasury, the fiscal 2005 deficit was \$319 billion. Simply put, we spend more than we take in. Automatic spending, excluding interest on the debt, now represents 56 percent of all federal spending. Left unchecked, that will grow to more than 62 percent in 10 years.

As the massive Baby Boom Generation begins retiring in 2008, spending will accelerate in the largest entitlement programs - Medicare, Medicaid and Social Security - and enormously pressure the economic resources of future generations.

For the last eight years, we have ignored this problem. Last week, Republicans led a positive first step toward a fiscal discipline I hope will continue.

While we have reduced the growth beyond the \$40 billion in net savings in the bill, the Deficit Reduction Act also provides some good government reforms. The bill improves access to higher education for low-income college students. It reduces bank and education lender special payments and profits by \$20.2 billion and achieves another \$2.2 billion in administrative savings. It then directs \$9.6 billion back into student benefits and \$12.7 billion toward deficit reduction.

Grant aid to low-income college students will rise 99 percent, and the bill establishes a new grant program to strengthen U.S. competitiveness and national security. Low-income, high-achieving college students will be eligible for more than \$2,000 in additional grant aid in their first two years of school, and those students pursuing degrees in math, science and foreign languages critical to national security are eligible for \$4,000 in additional grant aid for each of their third and fourth years. These award levels are in addition to the maximum federal Pell Grant of \$4,050 for which a low-income student would otherwise be eligible.

The Deficit Reduction Act provides another \$5.9 billion to benefit both low-income and middle-income borrowers in the student loan program. It reduces "taxes" on students by phasing out loan origination fees - surcharges students pay to access government-backed loans. It includes loan forgiveness up to \$17,500 for special education, math and science teachers who agree to teach in low-income schools, and loan deferment for active-duty military personnel.

The bill slows the growth of Medicaid from 41 percent to 40 percent over the next five years. The net savings result from making reimbursements to pharmacies and drug manufacturers more accurate, clarifying how states can use case management programs, and closing a loophole that permits individuals with assets to qualify for long-term care coverage in Medicaid.

These savings allow the Deficit Reduction Act to increase health benefits for low-income individual and families, including \$1.38 billion to expand Medicaid benefits under the Family Opportunity Act so 1 million more disabled children can be covered. The bill includes \$2 billion in additional Medicaid benefits to 1.9 million Hurricane Katrina victims in Louisiana, Mississippi and Alabama, and \$770 million for home and community-based health programs for elderly and disabled low-income people. This bill also gives state governors more flexibility on how they deliver Medicaid, allowing them to deliver more services to more people at a lower rate of growth.

It is my hope deficit reduction will continue to be a priority of the Congress, not only during this holiday season but throughout the year. They should focus on how to make government programs work more effectively and at a lower cost, and make fiscally responsible decisions about the economic future we want to leave our children and grandchildren. We owe them nothing less.

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