



Committee On Finance

Max Baucus, Ranking Member

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Statement of U.S. Senator Max Baucus on the Budget Reconciliation Spending Bill Conference

Washington, DC – U.S. Senator Max Baucus (D-Mont.), Ranking Member of the Senate Finance Committee and a conferee on the budget reconciliation spending bill, released the following statement tonight:

More than a month ago, the Senate passed legislation to cut \$39 billion in mandatory spending over five years. I did not support the Senate-passed reconciliation bill, although in many respects it was far more sensible than the one passed by the House. Now that the Senate and House are nearing completion on negotiations to reconcile the two bills, I am deeply concerned with what the final product may contain.

When the Senate considered reconciliation legislation this fall, I argued that Congress's priorities were misplaced. Instead of achieving billions of dollars in savings from critical safety net programs, blindly adhering to a budget savings target agreed to last spring, Congress instead should have worked to meet the needs of survivors and states affected by Hurricane Katrina. However, neither the Senate nor the House reconciliation bills did that. Neither bill provided temporary health coverage for all of the needy victims of the Katrina disaster. Neither bill met the needs of providers who incurred massive uncompensated care costs. Neither bill gave sufficient funding to overwhelmed state welfare programs.

Now, instead of meeting Katrina victims' needs, Congress is poised to agree on as much as \$45 billion in cuts to safety-net programs, critical initiatives that improve the health and well-being for millions of Americans, including Katrina evacuees. And if the extent of the cuts in the final conference report resemble those passed by the House, they will cause significant pain to the neediest among us. This is particularly true of Medicaid, the foundation of America's health care safety net.

According to the Congressional Budget Office, three quarters of the Medicaid savings in the House-passed bill come from provisions that increase costs, cut benefits, or impair access to services for low-income individuals. CBO projects that about 17 million Medicaid enrollees would pay more for their health care if the House bill were enacted. Half of those paying more would be poor children. The other half would be comprised by others in Medicaid's disparate population, from seniors to the disabled, pregnant women and working families. Under the House-passed bill, these individuals will pay more for less care.

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I am also concerned about a provision in both the House and Senate bills that burdens states by shifting health costs for vulnerable populations. I am specifically troubled by the new limits on Medicaid coverage for case management services, services provided to severely disabled children, women with high-risk pregnancies, and individuals with AIDS. Both the Senate and House bills include provisions that shift costs to already-strapped state and federally funded programs, jeopardizing access to these critically needed services.

Just two days ago, I offered a motion to instruct the participants of this conference not to harm Medicaid beneficiaries through the passage of budget reconciliation legislation. The Senate overwhelmingly supported that motion, by a vote of 75-16, and all but three of the senators in this conference committee supported it. I hope they will remain consistent in their support of Medicaid as negotiations near their conclusion. I do not suggest that Medicaid is perfect. Its spending is growing fast. But I do not believe that Medicaid reform should come principally through increases in co-payments for Medicaid beneficiaries.

I am also concerned about the TANF provisions that may be part of the final report. Commonly known as the welfare program, Temporary Assistance to Needy Families (TANF) is a critical means of moving Americans from welfare to work, from dependency to self-determination.

Congress enacted the TANF program in 1996 to increase incentives for welfare recipients to gain work skills and encourage states to adopt policies to help low-income families become economically self-sufficient. States have responded positively to the TANF law, by adopting creative policies to support low-income families making the transition from welfare to work.

But the TANF law expired in 2002, and Congress has failed to reauthorize it. Instead, Congress has extended TANF on a short-term basis, 11 times. The latest short-term extension expires in just over two weeks. Today I introduced legislation to extend TANF for an additional six months, and I hope we can pass sound long-term TANF reauthorization in the meantime.

The Senate Finance Committee has worked on a bipartisan basis to develop a TANF reauthorization proposal that builds on the strengths of the 1996 law. Senator Grassley and I worked diligently on a TANF reauthorization bill in the Finance Committee this year. It was a compromise bill that enjoyed near unanimous support in Committee.

The Senate has not yet had the opportunity to work its will on this legislation. And I believe the Senate should do so before agreeing to radical TANF changes in the context of a budget reconciliation bill. Again through a motion to instruct, the Senate backed that sentiment yesterday, stating by a vote of 64 to 27 that TANF should not be reauthorized in through the budget reconciliation process. Two-thirds of the senate conferees present for that vote supported the TANF motion to instruct, and I hope they will remain consistent with its obvious intent.

I'd like to take this opportunity to mention one other issue: proposed cuts to agricultural programs.

I offered an amendment in March, when the budget was on the Senate floor, to strike the reconciliation instruction that required agricultural cuts. This amendment is not just important to Montana. It is important to our nation. America's agricultural producers provide us with the safest and highest-quality food supply in the world.

We, as Americans, are extremely fortunate to enjoy those benefits. In the United States, average American families spend about ten percent of their disposable income on food. Average families anywhere else in the world pay about 40 percent of their disposable income for food.

The question we face is whether we want to continue to fund an agricultural policy that ensures a safe, affordable domestic food supply. That is a no-brainer.

Agriculture is a small part of the federal budget, but it is expected to shoulder huge cuts.

I was one of the farm bill negotiators and a supporter of that legislation. I disagree with some of the provisions within the law. But the 2002 farm bill represented a delicate balance among diverse interests. The 2002 farm bill was a six year bill. People had reason to expect that it settled farm policy for six years. Producers, bankers, and communities have made financial decisions and entered into contracts with the understanding that the farm bill will not be renegotiated until 2007.

If Congress proceeds with the agriculture cuts in this budget resolution, we would be cutting nutrition, conservation, and research programs. These cuts are not directed solely at the commodity programs.

Congress should put off the policy discussions proposed in this budget until we begin to debate new farm legislation. The commitment that Congress and the president made to farmers, conservationists and the neediest in our society should be maintained.

The proposed mandatory spending cuts will also unilaterally disarm our trade negotiators. The United States recently lost its appeal of a World Trade Organization (WTO) dispute panel decision concerning our domestic cotton program. At the same time, we are negotiating a new global trade agreement at the WTO, of which agriculture is a critical part.

We should not commit to the substantial agricultural policy changes this resolution will require while we are engaged in these trade talks. Some argue the proposed budget cuts are good for our WTO negotiators because they would demonstrate to other countries that the United States is serious about agricultural reform. But it is more likely that these budget cuts would demonstrate to those other countries that the United States will change its agriculture policies in ways that benefit those countries without their having to make any policy changes in return.

These cuts are spectacularly ill-timed. Developing countries in particular have offered very little in the agricultural talks. If we pass this resolution, why should they? They can keep their sky-high tariffs on U.S. agriculture products and still get the United States to cut its support of U.S. agriculture programs.

We also lose bargaining power to push for changes to the European Union's agricultural policy. Europe's agriculture policy transformed post-war Europe from the world's largest food importer to one of the world's largest net exporters of wheat, sugar, beef, pork, poultry, and dairy products.

U.S. farmers and ranchers can compete with anyone in the world. But we should not put American farmers and ranchers at a disadvantage by cutting U.S. programs just as we are seeking changes in other countries' programs.

We should not unilaterally disarm in agriculture just as the trade talks reach a critical point. To do so would be not just unwise. It would be reckless.

Agriculture is being asked to make a substantial and disproportionate contribution to spending reductions. This is unfair and unjustified.

While I do not support either the Senate- or House-passed budget reconciliation measures, the Senate bill is clearly the more sensible of the two. This is particularly true in the areas of Medicaid and TANF. I urge my colleagues to support the Senate positions on these critical safety net programs and vote to protect the neediest among us.