

**Transcript of Remarks to Press on Budget Conference Agreement  
by Senate Budget Committee Chairman Kent Conrad (D-ND)  
May 16, 2007**

Here are the key points. We balance the budget by 2012. We'll have a \$41 billion surplus in 2012. We reduce spending as a share of GDP so that in the fifth year we are down to 18.9 percent of GDP. We're at 20.5 percent in 2008, then go down every year.

We've got spending caps and restore a strong paygo rule. We fully fund the President's defense and war cost request. We reject the President's cuts in certain key areas. And we make priorities of improving veterans' health care, expanding children's health coverage, and investments in education – those are the three areas we have made a spending priority.

We also provide in the numbers the extension of the middle class tax cuts and the estate tax reform that passed the Senate. There will be a trigger mechanism that will be House only that looks to prevent tax cuts that have used more than 80 percent of the surplus in 2012. Under current OMB scoring we would be able to accommodate all of the Baucus provisions in 2012. We also provide one year of AMT relief. I mentioned the estate tax reform. We also include a deficit-neutral reserve fund for additional tax relief or the extension of expiring provisions if they are paid for.

We have no – and I want to emphasize this – absolutely no assumption of a tax increase. There is no tax increase necessary to meet this budget.

We also in the long-term provide for program integrity initiatives to crack down on waste, fraud, and abuse in Social Security and Medicare. We include health IT and comparative effectiveness reserve funds to address rising health care costs. Health IT alone, according to the Rand Group, would save \$81 billion a year. We adopt a new budget point of order against long-term deficit increases.

Here's what the year-by-year looks like in terms of deficits: \$252 billion in 2008; \$235 billion in 2009; and you can see the rest; \$41 billion surplus in 2012.

The debt as a share of GDP starts going down after 2010, although modestly, but finally we get it going in the right direction. Spending goes down every year: 20.5 percent as a share of GDP in 2008 down to 18.9 percent in 2012.

On revenue, the President said – this is his estimate – he said his budget would produce \$14-trillion-826 billion in revenue. Our's on a CBO score produces \$14-trillion-828 billion. There is virtually no difference between what the President said his budget would produce in revenue and what our's produces in revenue. On a CBO score there is a two percent difference, and we believe that can easily be attained by cracking down on tax gap, tax haven and abusive tax shelters. We would only need to get about 10 percent of what is out there in tax gap, tax havens, and tax shelters to meet these revenue numbers.

The question I have been asked most often is on reconciliation. We had no reconciliation instruction in the Senate. There is a reconciliation instruction in the House. There is a reconciliation instruction in the final conference agreement, but they will have to produce \$750 million of deficit reduction. So, it's a compromise.

The important thing is we have a budget here. There's been no budget in three of the last five years for the United States – hard to believe, but that's the circumstance. If we can pass this, we will have a budget blueprint. Do we have the votes? Well, we do if everyone is here, and hopefully everyone will be here sometime tomorrow afternoon when we vote.

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Question: When you say that this assumes no tax increase, what about the AMT, that still needs to be offset, right?

Conrad Answer:

We have that covered in this budget. It is just one year. That is covered in the numbers.

Question: If you eliminate the AMT for this year –

Conrad Answer:

We're not eliminating the AMT. We are preventing more people getting swept up in the AMT.

Question: But does your budget assume that that revenue is lost or replaced some how?

Conrad Answer:

It is offset.

(Inaudible)

Question: So you don't think a tax increase will be necessary?

Conrad Answer:

No

Question: What is the next step on entitlement reform and how do you answer Republican criticisms that the President at least put about \$100 billion in five year savings, and that you should have at least equaled that?

Conrad Answer:

As I have said many times, I think the long-term entitlement challenge can only be dealt with in a bipartisan agreement. It's not going to be dealt with in a budget resolution. First of all,

this is a five-year budget. The long-term entitlement changes will require an agreement that will extend well beyond five years. As you know, the big problem starts in 2017, or thereabouts, so my own view is that is going to take a bipartisan agreement. It's never going to be done by one party.

A budget resolution is going to be passed, unfortunately almost exclusively on one side of the aisle. So the long-term challenge I think has to be dealt with in something like the proposal that Senator Gregg and I have made that would empower 16 people, 8 Democrats and 8 Republicans to come up with a plan. It would take 12 of the 16 to report a plan, and that plan would come up under fast track procedures to the Congress. Of the 16, 14 would be members of Congress, two would be of members of the administration. That to me is the only way you are going to deal with the long-term issues.

It is simply not going to happen by one party alone carrying the load. A budget resolution, you saw in the both the House and Senate, is carried largely by one party and is only for five years, and we really need a much longer-term fix, and I think that requires something like the structure Senator Gregg and I have proposed.

Q: (question regarding Baucus amendment and House trigger)

Conrad Answer:

What they want to do is have a look by OMB and by Treasury several years in advance with the certification as to what the surplus is in 2012 and you only use 80 percent of the 2012 surplus for tax relief. If you take an OMB forecast today, it will accommodate the money that is in the Baucus amendment, the \$180 billion.

Q: (question about reconciliation and partisan complaints about its use/misuse)

Conrad answer:

Well there is a big difference here. This reconciliation is deficit reduction. On a net basis, this will reduce the deficit by \$750 million. The Republicans used reconciliation to pass tax cuts with no offsets. They didn't pay for any of it. While I would prefer not to use reconciliation for this purpose, at least it has the benefit of number one following the rule, and number two of producing deficit reduction in the amount of \$750 million. That's ten times what the proposal was out of the House.

Q: (question on floor consideration)

Conrad Answer:

The House will vote first. As you know, we have already obtained unanimous consent to go to the budget in the Senate tomorrow, and we will complete work on it tomorrow. We're working now on a potential agreement to try to finish this at a reasonable hour tomorrow.

Q: Does the fact that your budget accommodates certain tax cuts means that you have made a decision now to let others expire?

Conrad Answer.

Not at all. No. Others can be extended, as I have indicated, if they are paid for.

Q: To what extent, if at all, did (OMB Director) Portman's letter on Friday affect the budget negotiations?

Conrad Answer:

Let me just say they have about zero credibility when it comes to fiscal responsibility. It is very hard to take them seriously. They've run up the debt \$3 trillion so far on their watch. They've increased spending more than 40 percent. They've cut the revenue base dramatically. They've exploded the debt. They've put us in a very deep hole. Now, we balance by 2012 by \$40 billion. They still don't balance. They're \$30 billion under water, even now in 2012. For them to be lecturing us about fiscal responsibility strains credulity.

And we reduce spending as a share of GDP from 20.5 percent down to 18.9 percent. They are the ones that ran the spending up. We're getting it back under control. They ought to be up here working with us to accomplish something. The fact is when they controlled everything they couldn't even get a budget for this country.

Q: What do you think the prospects are that this is going to turn into some type of ugly showdown in the fall?

Conrad Answer.

I don't know. Hopefully cooler heads will prevail, and we will not only get a budget in place that balances by 2012, which ours does and theirs doesn't, and that we will begin to work on this longer-term much bigger set of challenges that we have, the long-term entitlements and the imbalances.

Q: (question on why there are two different paygo rules in agreement)

Conrad Answer:

They are two very different bodies. The procedures in the two bodies are very different. They have a Rules Committee, as you know. That's where you can waive paygo under their formulation. The format for waiving paygo in the Senate is a supermajority vote. So you have two different bodies with two different sets of rules, so you really don't have much choice but to have a different approach.

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Having paygo back in place that is a serious paygo, unlike the paygo provisions that apply now in the Senate, is very much a strengthening and you only get it by having a budget.

Q: Senator, you seem a little deflated, is this not what you were hoping for, or are you tired from crunching numbers?

Conrad Answer:

No, not deflated. I'm elated actually to be where we are. But this is a long and difficult process. It just is. But I am elated to be at this point. Look, we have not had a budget for the United States of America three of the last five years. And we are on the brink of getting one. That is a significant and important accomplishment, and it is hard to do.