

**Floor Statement by Chairman Kent Conrad (D-ND)
on FY 2008 Senate Budget Resolution
March 23, 2007**

I thank the Chaplain for the most excellent prayer that he offered today. I think it set the right tone for today's discussions. I hope very much that while we may disagree strenuously, we can do so in a civil way.

I thank especially the ranking member, Senator Gregg, for the way he has conducted this debate on the other side throughout. As is always the case with him, it has been thoroughly professional. It has set an excellent tone. We have vigorous disagreements on policy from time to time, but there are many areas where we actually agree. With him in leadership, it has always been done in a professional way. We especially appreciate the cooperation from all of our colleagues and especially from the ranking member and his outstanding staff.

The budget, as it stands at this moment, takes us in a new direction. It takes us back to fiscal responsibility. It takes us toward a balanced budget by 2012. Here is where the budget stands as of the latest numbers that we have after action last night. Every year of the five-year budget the deficits will be reduced until we are in balance in 2012, albeit just barely.

The debt under the budget resolution, the gross debt of the United States as a percentage of GDP, will finally start to head down instead of increasing year after year after year. Under this budget resolution, the gross debt of the United States as a share of GDP will start going down in 2009. We will see a slight reduction in 2010. It is somewhat improved, in terms of reduction, in 2011 and 2012.

Spending under this budget resolution is going down as a share of gross domestic product -- from 20.5 percent in 2008 down to 18.8 percent in 2012. So we have spending going in the right direction.

The budget resolution is only slightly above baseline for nondefense discretionary funding. The baseline is \$438.8 billion. The spending in the 2008 budget resolution is \$445 billion, a 1.4-percent difference. That is spending in dollar terms. I was talking about spending previously as a share of GDP. The previous chart showed spending as a share of GDP actually going down.

We do have a number of very significant priorities addressed in this budget. First and foremost is children's health care. We have up to \$50 billion allocated over five years for children's health care to make possible the coverage for every child who would be eligible in the country. That is 25 times as much as in the President's budget for that same period.

We have also improved on the President's education numbers by 2008. In 2008, the budget resolution provides \$62.3 billion compared to the President's budget for education of \$56.2 billion for that year.

Another key priority is veterans health care. I am especially proud of what we have

done. We have matched, or exceeded, the independent budget prepared by the Nation's veterans organizations. We have matched or exceeded it in every single category except construction, where the Veterans' Affairs Committee tells us they could not spend the amount of money in the independent budget because they simply could not let the contracts in time. In comparison to the President, we are at \$43.1 billion for veterans funded, compared to the President's number of \$39.6 billion.

On the alternative minimum tax, the old millionaires' tax that is rapidly becoming a middle-class tax trap, we prevent the number of people being swept up into the AMT from increasing from 3.8 million last year. If we didn't take action, that would increase to over 23 million in 2007. We prevent that increase from 3.8 million to over 23 million.

Similarly, in 2008, we prevent an increase to over 25 million people -- largely the middle class -- and to the upper side of the middle class from being caught up in the alternative minimum tax. That, by the way, is completely offset.

Key priorities are the child health and family tax relief amendment. There is \$15 billion in the budget resolution itself for children's health care. There is up to \$35 billion in a deficit-neutral reserve fund.

We also now in the resolution, after the Baucus amendment, extend middle-class tax relief. We fully provide for marriage penalty tax relief, child tax credit, and the 10-percent bracket. We also provide for estate tax reform. Members will recall that we have this anomalous situation where we are going to go from \$3.5 million of exemption per person under the estate tax in 2009 -- in 2011 it goes back to a million. We prevent that from occurring. So under the budget resolution, a couple could shield \$7 million in assets without paying a penny of tax, and it is indexed for inflation.

The revenues in this resolution now, compared to the President's, are depicted on this chart. The green line is our revenues; the red line is the President's revenues. There is a difference of 1.8 percent now.

Seen in a different way, if you look back at what the President initially proposed for revenue, the President proposed \$14.826 trillion of revenue. We have in this resolution almost the identical amount; we have \$14.827 trillion.

So let me make clear that there is almost no difference in the revenue in this proposal compared to what the President initially proposed. Where would we get that slight difference in revenue? In the first place, there is no tax increase. We don't propose any tax increase in this budget resolution at all. I read some of the stories saying we have all these tax increases. We do not.

We do believe more revenue can be gained. The first place to go is the tax gap. That is the difference between what is owed and what is paid. In 2001 alone, the Internal Revenue Service tells us the tax gap was \$345 billion.

Also, offshore tax havens. I have shown this picture many times. There is a five-story building in the Cayman Islands that is the home to 12,748 companies. Mr. President, this is a tax dodge. There are not over 12,000 companies doing business out of this building. They are doing monkey business out of this building. They are engaged in a massive tax evasion. This is the kind of thing we ought to shut down.

Another committee of Congress has told us that there is \$100 billion a year -- over \$500 billion over 5 years -- being lost to the U.S. Treasury to these offshore tax haven scams. We suggest cutting that off, stopping it, recovering that revenue. In fact, that would more than cover, by a substantial amount, the revenue difference between us and what is in the President's proposal.

Here is another example. This is a picture of a sewer system in Europe. What does a sewer system in Europe have to do with the budget of the United States? Unfortunately, a lot because wealthy investors and companies bought this sewer system in Europe, depreciated it on the books in the United States to reduce their tax in America, and then they leased the sewer system back to the European city that built it in the first place.

There are hundreds of billions of dollars involved in these tax scams. It is growing, and it is a cancer that has to be stopped.

This budget resolution also makes a beginning at addressing our long-term fiscal challenges. We have \$15 billion in Medicare savings. We have major program initiatives to crack down on waste, fraud, and abuse. We have a requirement that tax cuts and new mandatory spending be paid for with a tough pay-go provision. We have a long-term deficit increase point of order. We have a "save Social Security first" point of order. We have a health information technology reserve fund. The Rand Corporation told us that alone could save \$81 billion a year.

Finally, we have a comparative effectiveness reserve fund so that we go out and look at what are the most effective technologies and treatments in the medical area that work in one part of the country but have not yet been applied elsewhere. Health experts tell us massive savings could come from that initiative.

Let me end as I began. This budget resolution takes us in a new direction, a better direction. This is a budget resolution which restores fiscal discipline. It will balance the books by 2012; it will meet the high-priority needs of the United States; it fully funds the President's defense request and his request for war costs; it has major tax reductions for those in the middle class so that we assure that middle-class tax breaks continue. It also provides for estate tax reform and, at the same time, begins to address the long-term fiscal challenges facing our Nation.

I don't assert that this is a perfect budget. If I had a totally free hand, I am certain it would be different. But at the end of the day, the test for us is, can we write a budget for our country? In three of the last five years, there has not been a budget for the United States of America. Let me repeat that. In three of the last five years, there has not been a budget for the United States. It is our obligation and our responsibility to put a budget in place to begin the difficult task of balancing the books while meeting the priority needs of our Nation.

