Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)
at Markup of FY 2011 Senate Budget Resolution
April 21, 2010

I want to welcome everyone to this markup of the budget resolution for fiscal year 2011.

I would like to begin with just a few procedural announcements. Today will focus on opening statements and I would ask members to limit their remarks to five minutes, given the late start we have because of the vote. And, I understand that there are a number of meetings we are going to have to try to work around that members will have to leave for and we understand that. After opening statements, we will lay down the Mark. There will be no votes today.

Tonight, my staff will be available to answer any questions other staff may have of them. Members will then reconvene at 9:00 a.m. tomorrow at the suggestion of the ranking member to begin considering amendments. We will stay here tomorrow as late as it takes.

I would remind members that our Committee rules prohibit proxy voting on the budget resolution and its amendments, so all members will need to be here in person to cast their votes. It would be my intention to have one series of stacked votes around noon and another one later in the afternoon – I have discussed this with Senator Gregg and he agrees.

As in past years, we would ask that all amendments other than full substitutes be fully offset over the total of the years covered by the resolution. Amendments need to be paid for over that time period to be considered here in the Committee.

I would encourage members not to offer "sense of the Senate" amendments. We have excluded them from the Mark itself. I think we have done a very good job in recent years in not doing "sense of the Senate" amendments in this Committee. In addition, I would note that we will be consulting with the Parliamentarians on amendments that are offered to ensure that they are in our jurisdiction, as we do have that issue to consider.

We intend to file the resolution and the committee print on Monday. Typically, when we are going right to the floor, we have not been able to wait until Monday. In this case, we are able to wait until Monday. That will give us a little extra time for views by members. We invite members to file written views to be included in the committee print, but those will need to be signed and submitted no later than noon on Monday. And if you could make certain that Anne Page of my Budget Committee staff in 602 of Dirksen be given any member comments that you want filed.

Before I begin with the description of the Mark, I want to note that this will be Senator Gregg's last budget resolution markup, because he will be leaving the Senate at the end of this session. Let me just say what a pleasure it has been to work with him as the ranking member of this Committee. You could not have a better ranking member, you could not have a better chairman than Senator Gregg. We have not always agreed on every detail; certainly we have had policy differences, but in terms of recognizing the debt threat to this country, we have had very significant agreement, and we have had strong and substantive debates in this Committee, and that's a credit to every member.

Truthfully, I will very much miss you, I am particularly proud of the work we've done on the approach of a fiscal commission. And while our proposal did not get the required 60 votes, we did get a strong bipartisan majority. And I am very hopeful that this Commission, that some of the members of this Committee serve on, will bear fruit in facing up to the debt threat overhanging this country, because I think it is one of the most significant threats facing America.

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The next thing I wanted to say is this is also Senator Bunning's last markup, because he will be leaving us at the end of this session. I have always been a big fan of Jim Bunning's, whether it was on the ball field, or here in this Committee, or in the Senate of the United States, because he has been a serious legislator. I also serve on the Finance Committee with him, and many times he and I have teamed up on amendments successfully in the Finance Committee, and I will miss him very much.

I also want to welcome Senator Begich of Alaska, who is joining the Committee. He is a former Mayor of Anchorage and a former businessman, so he brings an important perspective to this Committee, and I welcome him here.

I also want to say in reference to Senator Bunning, that I very much thank him for his working with Senator Warner on the Task Force on Government Performance, because I think that is a work effort that is going to produce dividends over time. And Senator Bunning has put in significant time on that to try to improve the efficiency and effectiveness of government. That is a daunting challenge, but they've made a meaningful contribution.

Let me begin by noting some of the key statistics regarding the Mark that I will be presenting later. It cuts spending as a share of the national economy by 11 percent. It cuts the deficit as a share of the economy by 70 percent. I use share of the economy, or percentage of the gross domestic product, because economists tell us that is the best way to measure changes over time to provide an apples-to-apples comparison. The Chairman's Mark also includes $671 billion more in deficit reduction than does the President's budget. And it cuts taxes by $780 billion over the five years, most of that, middle class tax cuts.

Here are some of the policy highlights contained in the Chairman's Mark. It includes, importantly, measures to promote economic growth and jobs. It provides for a tax cut on small business investment. It includes investments in highways and transit. It extends Unemployment Insurance and COBRA. It includes a reserve fund to promote employment and job growth that must be paid for. And it includes a reserve fund for tax reform and tax relief.

I personally believe that the time is right for fundamental tax reform. We need to make this system more efficient, more effective, and allow our country to be more competitive on the world economy, and also we need a system that is more fair.

The Chairman's Mark also promotes fiscal responsibility. It reduces the deficit to three percent of GDP by 2015, which is the interim goal of the President with respect to the Fiscal Commission, but I think we need to do that in the work of this Committee. It includes a non-security discretionary freeze for three years. It comes very close to a freeze for four years. It syncs up the Senate paygo rule with the statutory paygo enacted earlier this year. And it retains the requirement that reconciliation be used for deficit reduction only.

While the Chairman's Mark makes important progress on reducing the deficit over the five years, more will be needed to address the long-term imbalance. The President's Fiscal Commission has been tasked with addressing that long-term problem. The Chairman's Mark assists in this effort by providing a deficit-reduction reserve fund to ensure that savings from the Commission cannot be spent and are used to reduce deficits and debt.

I think the one thing we have been concerned about is that we could have the Commission work effectively, and then Congress come in on the side and take those savings, and use it for some other purpose. We are doing what we think is the best strategy to prevent that from occurring.

The Chairman's Mark also allows for investments in education and energy, to lay the foundation for long-term economic growth. It provides funding for early education, elementary and secondary schools, and college affordability. And it provides funding for alternative and clean energy, energy efficiency, and green jobs.

As I noted before, spending as a percentage of the gross domestic product is cut 11 percent under the Chairman's Mark, and it makes that 11 percent cut in three years. The deficit is cut from $1.4 trillion in 2010 to $545 billion by 2015. The deficit, as a percentage of the gross domestic product, is cut 70 percent, from 9.8 percent of GDP in 2010 to 3.0 percent in 2015. Economists believe that, under current economic conditions, a deficit of three percent would roughly stabilize the federal debt. Again, that is an interim step, it's not enough, more needs to be done. That's why I think the work of the Fiscal Commission is so important.

The turnaround in our economic outlook has been really quite remarkable. The actions taken over the last year and-a- half by the Federal Reserve, by Congress, and the Administration, have clearly helped pull us back from the brink. Economic growth in the first quarter of 2009 was negative 6.4 percent. In the last quarter of last year, that had turned into a positive of 5.6 percent economic growth.

And we have seen steady improvement in the jobs picture. In January of 2009, the economy was losing almost 800,000 jobs a month. By this March, the economy was gaining 162,000 jobs for the month of March.

Here is the latest cover of *Newsweek.* It reads: "America's Back! The Remarkable Tale of our Economic Turnaround."

Now, I would be the last one to argue that we have fully recovered, because we still have stubbornly high unemployment, and stubbornly high underemployment. So, there are still far too many of our fellow citizens that are unemployed and underemployed, and they're struggling. And we clearly must respond to their need.

To help restore fiscal discipline and bring down the deficit, the Chairman's Mark freezes non-security domestic spending for three years. The 2011 non-security discretionary level is actually slightly below the 2010 enacted level.

Within the context of this freeze, the Chairman's Mark still makes room for certain high priority investments. Education – to improve student achievement; to make college more affordable; to help prepare the workforce to compete in a global economy, and generate economic growth. Specifically, the Chairman's Mark funds the remaining Pell grant shortfall and assumes a maximum grant of $5,550. It matches the President's increases for the Department of Education and Head Start; and extends the simplified college tax credit, which provides up to $2,500 a year for students.

Our energy investments will reduce our dependence on foreign energy. I personally believe there are very few higher priorities than reducing our dependence on foreign energy. Many of the members here were part of the group of ten that became a group of 20; ten Democrats and ten Republicans putting together an alternative energy policy for this country. Many of those initiatives are funded in this budget.

It provides a reserve fund to accommodate legislation to invest in clean energy and address climate change issues. It includes $500 million above the President's level of discretionary funding for energy for 2011; and builds on the economic recovery package investments in renewable energy, energy efficiency and conservation, low carbon coal technology, and modernizing the electrical grid. We have gridlock on the grid. One of the most important things to improving the competitive position of our country is to break the gridlock on the grid.

The Chairman's Mark is also strong on national defense. It matches President Obama's defense budget for 2011 of $574 billion, and his request for $159 billion for war costs in 2011. It also provides for the additional $33 billion in 2010 requested for ongoing operations, so we have not deferred, excluded from the budget, the war cost that we know will come by supplemental in 2010 and the full request for 2011.

The next chart shows a breakdown of the discretionary funding levels in the Chairman's Mark compared to the 2010 enacted levels. It shows that we have a 3-and-a-half percent increase for defense, which equates to $20 billion. We have a $4 billion increase, or 7.7 percent for international. All of that is dedicated to Pakistan, Iraq, and Afghanistan, and the Middle East funding requested in the budget. The rest of the President's initiatives will have to compete with his other proposals, because we have cut his 2011 proposal for international by $4 billion.

I should also indicate we have an $8 billion, or 8.8 percent, increase for veterans and homeland security, about equally divided between the two. This is in line with the President's request for veterans. Largely, the increase is for veterans healthcare, but also an increase for

Homeland Security to respond to threats that have been determined by the Administration. Non-security funding is actually below the 2010 levels, although modestly, about $1 billion below what was actually provided for in 2010.

In terms of revenue, the Chairman's Mark has a net tax cut of $780 billion over the five years of the plan. It provides for the permanent extension of the 2001 and 2003 tax provisions for couples with incomes below $250,000 and single individuals with income below $200,000. These policies include: the 10 percent bracket; the Child Tax Credit; the marriage penalty relief; and certain education provisions. It provides for two years of AMT relief, and for two years of estate tax reform. All of these provisions, including the income tax relief, are consistent with the exemptions in the new statutory paygo law.

For AMT and estate tax, the Chairman's Mark assumes the cost beyond two years will either be paid for or resolved in the context of tax reform being considered by the President's Fiscal Commission. Let me be very clear and direct about that. I know some will criticize that approach. I believe we have to say that if we want those things taken care of, and I think all of us do, they have to be paid for in the context of our current fiscal condition.

The Chairman's Mark also provides for other tax relief for individuals and families, the so called "extenders," including all of the research and experimentation, the state and local sales tax exemption – all of those extenders are funded in this budget, and the costs of which are offset. Again, in total, it provides a net tax cut, net, not gross, net of $780 billion.

The Chairman's Mark also includes a number of important budget enforcement mechanisms.
It includes discretionary caps for 2010 through 2013. We have discretionary caps for all of those years. It syncs up the Senate paygo rule with statutory paygo. And, as I also noted earlier, it includes a deficit-reduction reserve fund to preserve the savings from the President's Fiscal Commission to ensure that those savings cannot be spent and are only used to reduce deficits and debt; no hijacking of the Commission's work.

While this year's health care reform effort will begin to slow the rise in health costs, it will not be enough to resolve the long-term fiscal imbalance in the health care accounts. We also face a demographic tidal wave from the retirement of the baby boom generation. And we face an outdated and inefficient tax code that is bleeding revenue to offshore tax havens, abusive tax shelters, and hurting U.S. competitiveness. So we remain on an unsustainable long-term course that must be addressed.

I am hopeful that the President's Fiscal Commission will develop a bipartisan plan that will make significant progress in this area. Let me just conclude by talking about the Commission and its responsibilities. It is tasked with coming up with a plan to address the nation's unsustainable long-term fiscal condition. The plan will have a medium-term goal of reducing the deficit to three percent of GDP by 2015, something that is accomplished in this budget proposal, if enacted. It leaves everything on the table, including spending and revenues. It has 18 members, ten Democrats, eight Republicans. It has bipartisan co-chairs – Erskine Bowles and former Senator

Alan Simpson of Wyoming, who was the Senate Republican Whip. The report will be submitted by December 1 of this year. And, importantly, the Commission is coupled with firm commitments from congressional leaders to bring the panel's recommendations to a vote before the 111th Congress adjourns, if 14 of the 18 members can agree. With these commitments, the President's executive order is as close as we could get to the statutory commission Senator Gregg and I proposed.

It is going to take a lot of hard work, and real dedication, and difficult choices. But I am hopeful that this Commission will come up with a bipartisan plan this year to address our nation's long-term budget crisis.

With that, I will turn to Senator Gregg to make his opening remarks, and then we will turn to individual members for theirs. Again, I want to say to Senator Gregg how much we appreciate the leadership you have given this country. We could not ask for more.