BUDGET COMMITTEE

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For Immediate Release **August 4, 2010**

Colloquy between Senators Judd Gregg and Lamar Alexander on FMAP/Education Funding to States
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(unofficial transcript)

Mr. Gregg: I thank the Senator from Tennessee, who is not only a former governor, but also the former Secretary of Education. He has really framed the question adequately and very accurately. And that is, why should the federal government be saying to the states, ‘We're going to give you some money, but we're going to attach a whole lot of strings to this money. And the basic strings are that unless you spend a heck of a lot more money, you're not going to get this money.’

And it does appear that it is focused on a special interest group, does it not? The teachers’ unions. It appears that this is more or less a commitment to take care of this constituency out there at the expense, ironically, of a lot of people who are unemployed in those states. You know, we use the term ‘multinational corporation’ around here like that's some sort of evil empire. Well, I’ve got a few multinational corporations in New Hampshire. I suspect you do in Tennessee. And they employ people. And if you raise their taxes by $10 billion, they're going to employ a lot fewer or they're going to send jobs overseas. We used to hear around here constantly about outsourcing jobs. This is a job outsourcer, this bill.

Mr. Alexander: The Senator's right, the National Association of Manufacturers says there are 22 million Americans who are hired by companies who do business not only in the United States but overseas. I would say to the Senator from New Hampshire, I think we want companies who are principally in the United States who do business overseas, because what's the alternative? The alternative is they're in Singapore or in Great Britain or other countries around the world and they're not in our country. They're not paying taxes here and they're not hiring people here.

Mr. Gregg: I want to get back to the essence of what you're saying because it really goes to this point. People look at this and they say, ‘My goodness, here's a bunch of money coming to the state.’ What's it really coming for? And who's really paying for it? This money doesn't appear on trees and get picked up in the morning by a truck and dropped off. This money is taken from somebody else to be used for this purpose and when you go to the essence of what this bill is about, it's to pay off education unions. That's what this is about.

Let's not be coy about what's happening around here. The education unions are the single biggest interest group represented at the Democratic National Convention. I think 26% of the delegates at the Democratic National Convention were members of teachers unions. They were probably not teachers; they were probably administrators.

And so what's happening here? Well, a lot of states are trying to reorganize their budgets because they're in hard times. And states are not able to print money the way the federal government does so they actually have to be fiscally disciplined. So what they're saying to all of the different categories in their states is, ‘we're going to adjust here.’ They're going through -- I know it's happening in New Hampshire and I suspect in Tennessee and I suspect most states -- they're going through a process of making tough decisions so they can get their fiscal house in order relative to things like the cost of education. But that has upset the teachers’ unions. And so now we get a bill on the floor of the Senate to basically put the states in the position where they will have to maintain the teachers’ union status relative to employees and actually add to it at the expense of the employers in those states, at the expense of the people who go to work in those states, and at the expense of the companies that are deemed multinationals.

In New Hampshire we have a lot of companies that are multinational. We're quite proud of that. We're proud that we're an export-oriented state. I suspect our top five major employers are all deemed multinationals. Well, they're not going to be able to hire as many people in New Hampshire because of the fact that they're going to get hit with this huge tax bill, the purpose of which isn't actually to improve the situation they are working on; the purpose of which is to take care of a constituency group that happens to have a significant amount of influence. It's called a special interest group, unless it happens to be a liberal group and then they're called concerned citizens or something, but in this case it's a special interest group. And this bill is nothing more than a payoff to special interest groups at the expense of another group who happens to employ people and have workers in New Hampshire.

Mr. Alexander: The Senator has been talking about education. There is another important part of the bill, $16 billion to Medicaid. This is the federal program to which, now with the new health care law, more than 70 million people will belong in 2014. According to the *Wall Street Journal* article on May 20, because of this bill, and as a result of this bill if it should pass, states will be limited in their ability to make changes in the Medicaid program to save money. So what does that mean?

Mr. Gregg: Are you saying that the federal government is going to say if you want this money, you can't improve the program?

Mr. Alexander: Not just me saying it, Senator Gregg. The Lieutenant Governor of New York, Richard Ravage, wrote an article in the *Wall Street Journal* on June 7 where he said he greatly appreciated the stimulus money -- and this is the same problem -- but because of these requirements that prohibit governors and legislatures from making changes in the law to save money, he says -- quote -- "the net result is this, the federal stimulus" -- and this bill is the son of stimulus or daughter of stimulus – "the federal stimulus led states to increase spending in these core areas." To increase spending. The cost of what we're doing here is causing states to increase spending, says the Governor the California, which has only raised the height of the cliff from which state spending will fall if stimulus funds evaporate.

Mr. McConnell: Would the Senator from Tennessee yield the floor for a comment? I was not here for the beginning of the discussion between the Senator from New Hampshire and the Senator from Tennessee but I recently had an opportunity to speak to the state legislators, the National State Legislator's convention which happened to have been in my hometown of Louisville. Speaker Pelosi was there as well. And my staff, in doing the research and putting together my remarks, discovered that currently the single biggest source of revenue for state governments is the borrowed money that's coming down from Washington. They're getting more from us than they are from their sales taxes, from their income taxes, from their property taxes. The states are simply becoming completely dependent upon us. And as I heard both of my colleagues point out, we're sending this borrowed money down essentially so they don't have to make as tough of decisions as they would otherwise have to make. And so I would ask my friends, when does it end? When does this dependency come to an end? I thought it was last year supposed to be timely, temporary and targeted?

Mr. Gregg: The Senator's point is very important, because 41 cents of every $1 that we're sending back to the states -- and a majority of state money is now federal money, as the Senator outlined -- is borrowed from China or from the Middle East. And our people are going to have to pay all this back. We don't have that money to be sending to the states in this bill. At least there is an attempt to pay for it, but the way they pay for it is by penalizing job creators and forcing people to outsource jobs which again comes back to harm us. For no purpose that seems to be practical other than they have the federal government step in and try to control the manner in which these various programs are run in the states -- and to reward constituencies who happen to be very supportive of the other party.

Mr. Alexander: If I may say in response to the question and comment from the Senator from Kentucky, this country was created by states, which then created a central government of limited powers. Now it is the central government that is making the states the wards of the central government. In the state of Tennessee, this year I believe for the first time the amount, the dollars in the state budget are more than half dollars that come from the federal government. And in addition to the dollars coming from here, the rules come from here. If the Senator from New Hampshire or Kentucky is trying to say Medicaid coverage is out of control. It's ruining our colleges and universities because we have no money left for them. We want to change the eligibility. That's been the case during the last ten years. We've had Medicaid spending going up in the states by 70% or 80% over a seven- or eight-year period of time. And funding at public universities is at a low level and tuitions, therefore, are going way up. The Governor is saying, let's do something about Medicaid, and then we pass a bill and we say to the governors, don't you change Medicaid. You're not allowed if you take this money to save even money in Medicaid. So spending for Medicaid goes up because we require it to go up. And that means tuitions in Kentucky, New Hampshire, Tennessee, and California, all across this country are going to be higher because of legislation like that we're considering today.

Mr. Gregg: Mr. President, at this time I intend to make a point of order. Actually there are two points of order pending against this bill dealing with the budget. The budget is violated – but it's not my budget. I didn't vote for the budget. The Democrats' budget is violated in two different ways by this bill. I'm not going to make two because it would be redundant to have a vote on each one. There are two different points of order and they're both fairly significant. So I'll just make one because I think we need to be on record if this Congress is going to pass a budget, which it did in the last session. It has not been done in this session, but it should. We should maintain the discipline of the budget. That's why we did the budget. It's not my budget. It's your budget. So I'm just suggesting that you follow your budget, members of the Democratic Party.

And so with that point, I would make a point of order that Section 404(a) of the 2010 Budget Resolution makes it out of order to consider legislation that increases the deficit by more than $10 billion in the Senate for any fiscal year covered by the most recently agreed-to Congressional Budget Resolution, S. Con Res. 13. The pending amendment would increase the deficit by $22.5 billion in 2011. Therefore, I raise a point of order under Section 404(a) of S. Con Res. 13 against the pending amendment. I would note that this exceeds the $10 billion deficit increase limit in the budget resolution by $12.5 billion. That is how much it is out of kilter, relative to what we said we would spend.