

**Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND)
on Bush Fiscal Record, Paygo, and Farm Bill
November 16, 2007**

I thank my colleague from Ohio for his service on the Agriculture Committee. He has brought new vision, new vigor to the committee. We very much appreciate his service there. This has been a difficult challenge, but I think we can be very proud of the result. This bill is fiscally responsible, and at the same time it does begin the orientation of priorities. It gives additional funding to not only conservation but to nutrition, where the Senator from Ohio has been a real leader. Over and over he has reminded us of not only our responsibility to fellow Americans, but a moral responsibility we have to make certain we change some of these programs that are so critically important to people all across America.

It is so often overlooked that the vast majority of the money in the farm bill, 66 percent of the funding, goes for nutrition. That is where the vast majority of the spending goes. We can be very proud of the changes that have been made. We have added over \$5 billion above the baseline for nutrition, to begin to address things that have not been changed for 30 years. The Senator from Ohio has been a leader, somebody who prodded us all to be better than we have been. I thank the Senator from Ohio for his leadership.

I come to the floor to respond to remarks made yesterday by the ranking member of the Senate Budget Committee. I must say, sometimes my friends on the other side of the aisle amaze me on the question of fiscal policy. Because after nearly 7 years of rubberstamping the Bush administration's completely failed fiscal policy, they are so anxious to distract attention from what they did, they now want to besmirch what we have done. We are not going to let them do that.

I have enormous respect for my colleague. He and I work together on the Budget Committee. I like him. I respect him. But it is not his right to rewrite history. The fact is, when they were in charge, as recently as last year, they couldn't even get a budget. They had no budget for the United States. They did not produce a budget, even though they controlled the House of Representatives, the White House, and the Senate. They did not produce a budget for our country. In fact, 3 of the last 5 years they didn't produce a budget for this country.

Facts are facts. Not only did they not produce a budget, they did not finish work on 10 of the 12 appropriations bills for last year. They are now complaining we have not completed this year's work. One reason is, we had to start out by doing virtually all of last year's work before we could get started on this year's work. That is a fact.

The larger reality is that Democrats not only produced a budget, they produced a budget that will balance the books over 5 years. That is not according to my numbers or the Senate Budget Committee's numbers. That is according to the Congressional Budget Office that is nonpartisan. They are the ones who have the responsibility to make these judgments. They say our budget will balance over 5 years. The President never has produced a budget that would balance. In fact, none of his budgets come even close. In fact, he has run up record deficits and

record debt and put America in a deep hole. Our friends on the other side supported every one of his misguided efforts. Facts are facts.

Let's look at the record of our colleagues. For nearly 7 years, our friends on the other side of the aisle voted lock, stock, and barrel to support the President's failed fiscal policy. The result is record debt, and the explosion in Federal debt comes at the worst possible time, just before the retirement of the baby boom generation. That has been their policy. That is their record. We on the Democratic side are working feverishly to change this failed course.

Let's be clear. Under the President's policies, the \$5.6 trillion projected surplus he inherited has been completely wiped out. Worse than that, the President's policies have driven us deep into deficit, as this chart shows. This is the record. This isn't a projection. This is what has happened under the President's policies. He inherited a surplus, in fact, a surplus so large that for 2 years we were able to stop what had gone on for 20 years, raiding Social Security to pay other bills. For 2 years under the Clinton administration, that bad habit was stopped. Instead of using Social Security money to pay other bills, we were able to actually pay down debt. That is a fact. That is not an imagining. That is not a political claim. That is historic fact.

Here is the record of our friends on the other side. Here is what happened to spending they controlled. Make no mistake, they controlled it completely. They controlled the House of Representatives, the Senate, and the White House. Here is what happened to spending. It went from \$1.9 trillion a year to \$2.7 trillion a year on their watch. And they accuse us of being big spenders? Excuse me? This is their record. This is what they did. They ran up the spending in the country by 50 percent.

But it didn't end there. Here is what they did on the revenue side. On the revenue side, real revenues have been stagnant during the entire time of this administration. They will show you a very different chart. They will show you not real revenues, which are adjusted for inflation; they will show you a chart that only looks at the last 3 years, and they will do it not adjusted for inflation. So the last 3 years they will show a big increase in revenue. But we all know that is not an apples-to-apples comparison, and we all know that neglects to point out what has happened over the whole period of their control. Over the whole period of their control, there has been virtually no increase in the real revenues, the inflation-adjusted revenues of the country. They have been flat, as this chart shows.

What is the result? If you dramatically increase spending and revenue is flat, what happens? The debt explodes. That is precisely what has happened with our colleagues on the other side in control. They walked in here with a debt at the end of the first year of the President's tenure at \$5.8 trillion. We don't hold them responsible for the first year, because they are working on the budget of the previous President. But look what has happened to the debt. They have run it up \$3 trillion in these last 6 years. They have run up the debt to a fare-thee-well. And increasingly, it is foreign-held debt. That is, we are increasingly dependent on the kindness of strangers to finance this incredible borrowing binge our colleagues on the other side have taken this country on.

When they came into office, we had a trillion dollars of U.S. debt held abroad. That is now over \$2 trillion. They have more than doubled foreign holdings of U.S. debt in this short period of time from 2001 to 2007.

They then go after the spending that is in our budget. Let me be clear. We pay for our spending. We balance the books in 5 years. If you look at total spending, there is virtually no difference between what the President proposed and what we proposed. The difference is seven-tenths of 1 percent.

Where did we propose spending some additional money? We proposed not to spend more money in Iraq. We proposed to spend more money right here at home on critical domestic priorities, in three areas: No. 1, aid to our veterans and their health care; No. 2, children's health care; and, No. 3, education.

Those are the priorities of the American people. Those are the priorities that will make a significant difference to our country over time: more money for education so people can go to college, so they can come out with less debt, so parents can afford to help their kids get the best education they can; more money for veterans health care to keep the promise that was made to veterans when we sent them in harm's way; more money for children's health care so we begin to cover children with health insurance. That is a good investment because if you are able to help a child lead a healthier life, that is an investment that pays off over a lifetime.

But more than that, Democrats adopted a rule that we call pay-go. What pay-go says is simply this: If you want more tax cuts or more mandatory spending, you can do it, but you can only do it if you pay for it. In the Senate we adopted the rule that new mandatory spending and tax cuts must be offset, must be paid for, or that you get a supermajority.

Now let me be clear: Pay-go is working. My colleague on the other side calls it "Swiss-cheese-go," as a way of deriding the new discipline that they refused to follow. We used to have pay-go, and you can see -- it is very interesting -- the difference. This chart goes back to 1990. You can see that red ink back in the early 1990s. Then things started to get better when a strong pay-go rule was put in effect, as shown right here on the chart. The result was that, coupled with other steps, every year the deficit was reduced. In fact, we got into a situation in which we had a surplus. Then our friends took over after the 2000 election, and look what has happened since: They immediately weakened pay-go. It is one of the first things they did. Look what has happened since: They immediately frittered away the surplus that had been built up, with great difficulty, and plunged us back into deficit. Now we have restored pay-go, and we are moving in the other direction. We are finally moving out of deficit.

Let me be clear that pay-go is working. What is the evidence? Here is the evidence. The Senate pay-go "scorecard" has a positive balance of \$670 million over the next 11 years. That means the legislation we have passed thus far has, in fact, been paid for. You would not have a positive balance on the pay-go scorecard unless the legislation that is passed has been paid for. These are facts. These are not political claims. These are not the assertions that were made on the other side without the backing of fact. These are facts.

No. 2, every bill coming out of conference committee this year has been paid for -- or more than paid for. My colleague calls it "Swiss-cheese-go"? No. This is pay-go, properly applied, getting real results, requiring that things be offset -- something they never bothered to do.

Pay-go also has a significant deterrent effect, preventing many costly bills from ever being offered.

Interestingly enough, my colleague on the other side, in his previous service as head of the Budget Committee, said this. He had a different view of pay-go back then. I am quoting him from back in 2002, 5 years ago. He said this: *"The second budget discipline, which is pay-go, essentially says if you are going to add a new entitlement program or you are going to cut taxes during a period, especially of deficits, you must offset that event so that it becomes a budget-neutral event that also lapses..."* He went on to say: *"If we do not do this"* -- In other words, if we do not have pay-go -- *"if we do not put back in place caps and pay-go mechanisms, we will have no budget discipline in this Congress, and, as a result, we will dramatically aggravate the deficit which, of course, impacts a lot of important issues, but especially impacts Social Security."* That is what he said 5 years ago. He was right then. He now contradicts himself and, unfortunately, the record bears out his previous position. Because when he weakened pay-go -- and his side weakened pay-go -- what was the result? Exactly what he predicted 5 years ago. The deficit has exploded, the debt has exploded -- all while they controlled the fiscal direction of the country. He was right then. He should have stayed with that position. The country would have been in far better shape.

Now he made a series of arguments in his assault on pay-go, suggesting that it is "Swiss-cheese-go." Let me indicate we do not have to take my word for it on the question of what has happened under pay-go with the legislation that is passed. We can look to the nonpartisan Congressional Budget Office, because what we find is that his argument is full of holes. It is not pay-go that is "Swiss-cheese-go." It is his own argument that is full of holes.

Here is what the Congressional Budget Office says: On the SCHIP reauthorization -- that is children's health care -- the overall effect of that legislation led to a savings of \$207 million; on the higher education bill that he criticized, the combined effect of that legislation was a savings of \$752 million. In other words, the legislation was paid for, plus additional savings were created so that the cost was completely offset. It did not add a dime to the deficit or debt. In fact, it had savings.

As to the immigration bill that never passed the Senate, it had, when it went down, large unified savings -- over \$20 billion over 10 years.

The farm bill shows savings of \$102 million, according to the Congressional Budget Office.

So these four bills cover virtually all of the phony claims -- phony claims -- made by the other side with respect to pay-go.

Again, you do not have to take my word for it. This is an official document from the Congressional Budget Office. The Senator on the other side, the ranking member of the Budget Committee, attacked the children's health insurance bill, saying it was not paid for. Wrong. The Congressional Budget Office says not only was it paid for, but that it had savings of \$207 million.

The College Cost Reduction Act of 2007 -- he said it was not paid for. Wrong. According to the Congressional Budget Office, over 10 years, it saves \$3.6 billion.

The Immigration Reform Act. He has again said it was not paid for. According to the Congressional Budget Office, he is wrong again. Over 10 years, it would have unified savings of over \$25 billion.

The Food and Energy Act of 2007 he says is not paid for. The Congressional Budget Office says he is wrong again, that it saves \$102 million.

Let me conclude on the farm bill itself. This farm bill is fiscally responsible. It is a 5-year reauthorization. It is fully paid for. It complies with pay-go. It cuts commodity title payments by \$7.5 billion over 5 years. That is a fact. In fact, the share of the total Federal budget going to commodity programs is reduced from the previous farm bill, from three-quarters of 1 percent of total Federal spending to one-quarter of 1 percent. That is a fact. This bill tightens payment limitations and eliminates loopholes. It adopts the elimination of the three-entity rule that allowed people to hide behind paper entities to get farm program payments. It eliminates that abuse. It requires direct attribution of farm program payments so a living, breathing human being has to be the recipient of these payments -- again, instead of being able to hide behind a mask of phony corporate entities.

This bill is fiscally responsible. When my colleague says this bill has tax increases in it -- \$15 billion he asserted of tax increases -- wrong again. Is there more revenue in this bill? Yes. How can it be there is more revenue but not tax increases? Well, let's look.

Let's look at where the revenue comes from -- \$15 billion over 5 years. Where does it come from? It comes from codifying the "economic substance" doctrine that prohibits businesses from using certain tax-avoidance schemes. Is that a tax increase? No, I do not think that is a tax increase. I think that is shutting down a bunch of tax scams that are going on around the country. In fact, you heard the Republican ranking member of the Finance Committee out here on the floor vigorously defending that pay-for, and that came out of the Finance Committee on a vote of 17 to 4 -- overwhelming bipartisan support.

The second pay-for is to revoke tax benefits for leasing foreign subways and sewer systems. Now they are going to say that is a tax increase? Let's understand what is happening. We have certain corporations and wealthy individuals who are buying -- get this -- buying foreign sewer systems, and depreciating them on the books for U.S. tax purposes -- leasing those sewer systems back to the European cities that bought them in the first place. Did they do this because they are in the sewer business? No. They are not in the sewer business. They are in monkey

business. They are buying foreign sewer systems to depreciate them on the books in the United States to reduce their taxes in the United States. They have nothing to do with being in the sewer business in European cities. They want to call that a tax increase? Again, that provision came out of the Senate Finance Committee on a vote of 17 to 4 -- a very strong bipartisan vote.

Where is the other revenue coming from? Increasing penalties for failure to file correct information returns. That is not a tax increase. That is a penalty for people who are trying to cheat. Finally, denying deductions for certain fines and penalties. That is, again, an additional inducement for people to play fair.

In addition, much of the money -- in fact, two-thirds of the money -- that has come from this additional revenue has been turned around and put right back out in tax cuts. You did not hear that from the other side, did you? They never mention that fact. Well, what are the tax cuts that are in this bill? There is \$7.3 billion for conservation, including a tax credit for farmland in the Conservation Reserve Program -- a program that affects over 10 million acres across the United States. There is \$2.5 billion for energy, including a tax credit for small producers of cellulosic fuel and \$800 million for agriculture and rural areas. Those are the tax reduction elements which are a part of this bill.

The final point I want to make is this Democratic-led Congress has rejected the failed fiscal policies of the last 2 years. We have put in place a strong pay-go rule. It is working by any standard -- by any objective standard. While it would not single-handedly solve all of our problems, it is making a meaningful contribution. The fact is, the pay-go scorecard, as of this moment, shows a positive balance. That means the legislation that has been advanced has been paid for. That is a significant departure from what has gone on in the previous 6 years under the control of our colleagues on the other side.

So it is going to be a long, tough slog for us to get done what needs to be done and get America back on track, at least in the fiscal arena. While the Senator from New Hampshire and I have sharp disagreement on these matters, we are working together on a plan to bring together a bipartisan task force -- 16 Members; 8 Democrats, 8 Republicans -- with the responsibility to come up with a plan, a long-term plan to get America back on track. In that, he and I are joined at the hip, and we are prepared to ask our colleagues to come together in a bipartisan way to develop a plan to deal with these long-term imbalances. So while we have sharp disagreement on the question of pay-go and on the question of their fiscal record versus ours, one place we are in complete agreement is on the need to face up to these long-term fiscal imbalances. That is in the interests of our country. That is in the interests of every citizen of America.