Transcript of Opening Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND) at Markup of FY 2009 Senate Budget Resolution
March 5, 2008

Let me just outline, if I could, what is in the Chairman's Mark, and first review how we got to where we are, at least from my perspective. I am certain Senator Gregg may have somewhat a different perspective.

This is the situation that we confront with respect to the deterioration in the budget picture that has occurred over these last seven years. You will remember we last had a surplus in 2001 and now we have had five of the biggest deficits in our history, at least in dollar terms.

As a result of these deficits, the federal debt has grown quite dramatically, from $5.8 trillion at the end of 2001 to $9 trillion at the end of last year. As a result of that we are increasingly dependent on the kindness of strangers for financing the United States government. We are increasingly borrowing from abroad. As this chart depicts, it took 42 presidents 224 years to run up a trillion dollars of foreign-held debt. This President has more than doubled that amount in just seven years.

As a result of that, we now owe nearly $600 billion to Japan, nearly $500 billion to China, over $150 billion to the United Kingdom, over $130 billion to the oil exporters, and so it goes. I think that has to be a concern to all of us as we look forward.

We also know that we are in a period of economic slowdown. Real gross domestic product growth is lagging. If we look at the nine business cycles since World War II – the nine times we have had a downturn – we see that GDP growth coming out of the downturn has averaged 3.4 percent. Real GDP growth since the first quarter of 2001 has only been 2.5 percent, so something is happening here.

If we go to the next chart, we see that business investment also lags the typical recovery, and quite sharply. If we look at the average of the nine previous business cycles – that's the dotted red line – we see the business investment growth from 2001 to the fourth quarter of 2007 is 52 percent, behind the average of the nine major recoveries, business cycles, since World War II.

Job creation, we see a similar pattern. In this recovery we are 9.1 million private-sector jobs short of the typical business cycle since World War II. And that is reflected in real median household income which has declined by almost $1,000 during this administration.

So what does this budget resolution seek to do?

It seeks to strengthen the economy and help create jobs. It does that by investing in energy to attempt to reduce our dependence on foreign oil. We are now, as all of the members here know, some 60 percent dependent on foreign oil. The goal is to reduce that dependence.

It promotes education because I think around this table certainly a vast majority of us believe education is a key to future economic strength and stability. And then we also provide for investments in infrastructure, remembering very well what happened last year in Minnesota with the collapse of the bridge over 35W. We also expand health coverage for kids, or at least make the resources possible for that to happen.

We provide for tax cuts for the middle class. We provide the room in the budget for an amendment to be adopted on the floor to extend the middle class tax cuts and to reform the estate tax. And we restore fiscal responsibility by balancing in the fourth year, and by maintaining balance in the fifth. We also seek to make America safer by supporting the troops, providing for veterans' health care, and by protecting the homeland and rejecting the proposed cuts from the administration in the COPS program, first responders, and law enforcement.

Economic growth is expected now to slow sharply in 2008 from 2.5 percent growth in 2007 to some 1.6 percent, according to CBO, in 2008. To respond to that, or at least to take out an insurance policy, we have provided numbers in the resolution for a second stimulus package. Again, I see this as an insurance package. I don't think we're prepared to say this needs to be done, but we thought the most direct way to handle it in the budget was to put it in the numbers.

So we have $35 billion of room in the budget for a second stimulus package. As every member here knows, we don't make the determination in this committee how that money might be used, but it could accommodate the housing bill that is on the floor or some variation of it. It could accommodate extended unemployment insurance, food stamps, and it can accommodate additional low-income heating assistance and WIC and infrastructure spending for 2008.

We all know what has happened with the price of gasoline, perhaps it would help to show it visually. The price of gasoline has soared and has been rising again in recent weeks. So this Mark attempts to invest in our energy security by providing $13.4 billion of room for energy tax incentives, and also provides, in this year, $3.5 billion over the President's budget in discretionary funding for energy. We also provide an energy reserve fund for investing in clean energy and the environment. Of course, all reserve funds to be triggered would have to be fully offset.

We also are concerned about what we see happening in terms of training and education. We just chose one statistic to highlight the point. We see what is happening in terms of our falling behind our global competition. We lag now substantially behind China in producing engineers. Our production of engineers has largely been flat. China has seen a dramatic rise in their production of engineers. I think many are concerned about what that might mean to us.

So we attempt to address opportunities in education because I think again most of us believe that helps generate economic growth and jobs and prepares our workforce to compete in a global economy. We want to make college more affordable and improve student achievement. We provide $13 billion of room for additional education tax reductions, those geared primarily to college affordability – the deductibility of college tuition. We also provide, in this year, $5.7 billion over the President's budget in discretionary funding for education and Head Start, and a $2 billion education reserve fund for school construction. Again, all reserve funds would have to be offset.

On the question of infrastructure, I just brought this picture to show what happened in Minnesota last year. For those of us who live in the neighborhood, and I have gone over this bridge many times. My wife was in medical school at the University of Minnesota. I went over this bridge many times. I think all of us were quite stunned by what happened last year, so we attempt to address that in this budget by investing in infrastructure, by providing a reserve fund to allow for major infrastructure legislation. Again, that's up to the committees of jurisdiction. Anything that they propose would have to be fully offset.

We also provide nearly $4 billion more than the President for key discretionary transportation accounts. In addition, we provide another $6.5 billion to fully fund highways, to fully fund transit, to increase funding for the Airport Improvement Program, and to fund certain "ready-to-go" infrastructure projects. That's $3.5 billion of "ready-to-go" infrastructure projects – things that have been through design, have been through engineering and had land acquisition. They are ready to construct. And finally we fix for the Highway Trust Fund shortfall which I am told is somewhere in the range of $3 billion, perhaps something over that.

In terms of the number of uninsured children, we saw from 2005 to 2006 the number of uninsured children jumped from 8.7 million to 9.4 million, and so we have initiatives in terms of health care, improving care, expanding coverage, increasing health research. We have a reserve fund to cover the $35 billion childrens' health care compromise from last year; $4.4 billion over the President's budget in discretionary funding for health; and finally a reserve fund to address the cut in Medicare physician payments that I think on a bipartisan basis people want to address this year.

The budget resolution also provides additional funding from what the President recommends for veterans, some $3.2 billion over what the President proposed to largely track the Independent Budget. We did this last year, and we believe it is important to do it again this year.

The budget resolution also fully funds the President's defense and war requests over the five years, some $2.9 trillion over the period. The budget resolution also provides $2.2 billion more than the President's budget for law enforcement and first responders. The President actually proposed eliminating funding for the COPS program. He also recommended very sharp reductions in funding for first responders, reducing those grants by 78 percent.

In terms of tax relief that is in the budget resolution, we have alternative minimum tax provided for one year, not offset. The energy tax incentives I have discussed. The education tax cuts that I discussed, and room for the extenders, those expiring provisions that are already in the tax code.

In addition, we have provided room in the resolution for the middle class tax cuts and the estate tax reform that was adopted on the Senate floor last year. That means there is room in the resolution to fully extend marriage penalty relief, the child tax credit, the 10 percent bracket, and provide estate tax reform that we included last year. That is an amendment that would be offered on the floor. We would still balance in 2012 and 2013 if that amendment were adopted.

The deficits and surplus under the budget resolution are outlined in the next chart. You see we have a very large balance in 2012 of $177 billion, and in 2013 of $160 billion. If we adopt the extension of the middle class tax cuts and the estate tax reform, those numbers will drop substantially, to roughly $40 billion of surplus in 2012 and roughly $10 billion of surplus in 2013.

Debt under the budget resolution as a share of GDP goes down each and every year, from 69.6 percent in 2009 down to 64 percent in 2013. Again, if we adopt the extension of the middle class tax cuts, these numbers will be somewhat higher, but you will still see a pattern of debt going down as a share of GDP each and every year.

In terms of a comparison of spending under the resolution and the President's budget, you can see over five years there is a very marginal difference, some two percent more in spending over the five years than the President proposes. If we go to the next chart, spending under the budget resolution goes down as a share of GDP in each of the years, from 20.8 percent in 2009 down to 19 percent in 2013.

In terms of overall spending in this year, which is really the year that this budget controls, the President's budget proposes $3.04 trillion. We propose $3.08 trillion, a one percent difference, one percent difference in terms of spending, overall spending, between the President's budget and ours, and that is on a CBO score for both. The budget resolution has nondefense discretionary spending that is 2.2 percent above baseline.

Comparison of revenues – the revenue, including the amendment to extend the middle class tax cuts, compared to the President's revenue, is a difference of 2.6 percent – 2.6 percent more revenue in this proposal than in the President's, and again, that is on a CBO score. Shown another way, I think we have a chart that shows that difference – $15.2 trillion verses $15.6 trillion.

Budget enforcement in the budget resolution – we have discretionary caps for 2008 and 2009. We maintain the paygo rule. We have the point of order against long-term deficit increases. We allow reconciliation for deficit reduction only, and a point of order against mandatory spending on an appropriations bill – reforms that I think are broadly supported by most.

The budget resolution also addresses long-term fiscal challenges in these ways. We have a comparative effectiveness reserve fund and cap adjustment to address health care; program integrity initiatives to crack down on waste, fraud and abuse in Social Security and Medicare; and, a long-term deficit increase point of order.

That is a general outline. We will hand out, as we always do, at the end of opening statements, the Mark itself, and that will be open for amendment tomorrow.