of our dynamic economy. Small businesses create 74 percent of all new private sector jobs, according to latest statistics. On Monday, my President, President Obama, used a similar figure of 70 percent. Whether it is 70 or 74 percent, it means the vast majority of small businesses create most of the new jobs in America. They are the employment machine. Both sides agree we ought to not hurt key job producers that small businesses are.

President Obama also mentioned his zero capital gains proposal for small business startups. It might surprise you, but we Republicans agree with President Obama on that issue. We are still trying to figure out why Democratic leadership doesn't agree with the President on that small business-friendly proposal, because we tried to get a better proposal in the stimulus bill. If we also agree that small business is the key to creating new jobs, why does the Democratic leadership and the President's budget propose a new tax increase directed at these small businesses of America that are most likely to create new jobs? Wait a minute, please. Many on the left side of the political spectrum say only 2 or 3 percent of the small businesses are affected by this tax increase. That figure was developed by a think tank, and it is based on a microsimulation model. Treasury studies show the figure to be considerably higher. But to focus solely on the filer percentage is to miss the forest for the trees. It is to assume that all small businesses have the same level of activity, that they employ the same workers, that they buy the same number of machines, that they make the same number of sales. Common sense has to prevail, and common sense will tell you that can't be the case.

In fact, it is not the case. The data on small business activity tells a different story. I come to that conclusion this way. According to a recent Gallup survey, over half the small business owners employing over 20 workers would pay higher taxes under the President's budget. This chart depicts the number of small businesses hit by this tax increase. We point to different levels of employment of small business being affected by this. We get to a point out here where we have 950,000 businesses, one-sixth of small businesses, with 1 to 499 employees are hit by it. Do we want to destroy that employment machine? I don't think so. But this tax proposal will do that.

I have another chart that shows that roughly half the firms that employ two-thirds of small business workers, those with 20 or more workers, are hit by the tax rate hikes in the President's budget. I will not go through all of them, but we can see here, 50 percent of the employers with employees of somewhere between 20 and 499 are hit by that big, fat tax increase.

According to Treasury Department data, not mine, these small businesses account for nearly 70 percent of small business income. So there is a big tax hit on small businesses that employ 20 or more workers. It is a marginal tax rate increase of 20 percent. Everybody, Democrat or Republican, ought to think about how these dynamic small businesses, responsible for two-thirds of small businesses, will react. That 20 percent in new taxes has to come from somewhere.

We Republicans will also scrutinize the budget for other major new taxes. We have discussed the new cutbacks on itemized deductions. I am referring to home mortgage interest, charities and State and local taxes. We Republicans will question a broad-based energy tax that actually cuts jobs and could, according to the Massachusetts Institute of Technology, cost consumers and businesses trillions.

In these troubled economic times, we ought to err on the side of keeping taxes and spending low and reduce the deficit. Keeping taxes and spending low, along with reversing the growth in Federal debt, will push the economy back to growth. It is the only way we will provide more opportunities for all Americans.

Getting our private sector going, making small business strong is the basis for getting out of this recession and continuing to grow. I hope throughout this process of the budget debate, we will remember a firm fact that ought to be common sense, but I am not sure in this town it is seen as common sense: Government does not create wealth. Government consumes wealth.

I hope my colleagues will listen to my friend from Idaho as he gives his version of the budget. He is an outstanding member of our Finance Committee, and I appreciate his work.

I yield the floor.

The PRESIDING OFFICER (Mrs. HAGAN). The senior Senator from Idaho is recognized.

Mr. CRAPO. Madam President, I ask unanimous consent to speak as in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CRAPO. Thank you very much, Madam President.

I appreciate the opportunity to come to the floor this morning and join with my colleague, Senator GRASSLEY from Iowa, who is the ranking member of the Finance Committee. It is truly a pleasure to serve with him on that committee. He is one of those who, day in and day out, year in and year out, fights for fiscal responsibility at the Federal level. I appreciate his support and share in the comments he has made already today.

I wish to start my remarks by talking about a meeting I had this morning in my office with a couple of mayors from two Idaho cities and a number of young students whom they brought with them from their respective cities to come to Washington, DC. These two mayors have established a mayor's council of students in their cities and work with these students on public issues and help these young people find an effective way to be active and involved.

As they came to visit with me today, they brought up two issues. The first issue they brought up was the alarming rate of high school dropouts and the need for us to pay attention to our educational system. They talked with me about a number of interesting ideas we should pursue as we try to regain America's lead in excellence in education. I am going to have more to say about that on the floor and in other contexts on another day.

But I thought it was very interesting; the second issue they brought up with me was directly relevant to the remarks I planned to make on the floor today; that is, they brought me a set of petitions—I am holding them in my hand right now—with the signatures of about 400 students in Idaho, whom I think properly reflect many, many, more than they, who have asked that we pay attention to our national debt and our inability—our inability in Congress—to achieve fiscal responsibility.

These young people said what I and many others have been saying, only they said it best; that is, that our inability to control our fiscal house here in Washington, DC, is jeopardizing their future and it is jeopardizing their children's future and their children's future.

Now, we often say that on the floor, but I had the opportunity today to meet with these young people who looked me in the eye and asked me to do everything I can to help protect them from what they see happening as a result of a runaway Congress and a runaway spending plan in this Congress that will specifically fall on their shoulders to bear.

Well, they talked with me about things such as who owns our national debt. They pointed out, as most Americans are starting to realize, that foreign nations own most of our national debt, which raises additional threats to our security.

Today, China and Japan are the primary holders of our national debt. As I think many Americans have noted recently, the Chinese are starting to wonder whether this investment in U.S. debt instruments is a viable investment because of the spending policies of our Nation.

Well, I am here to talk about the budget that this Senate and this Congress are now beginning to consider. In addition to sitting on the Finance Committee, I sit on the Budget Committee. In the next few weeks, the Budget Committee is going to begin its deliberations on the budget the President has submitted to us.

Every year, the President submits to Congress a budget. I do not think in any year I have served in Congress has the Congress actually adopted the exact budget the President has proposed. But the President's budget proposal acts as a guide from which the Congress then crafts its own budget.

I believe this year Congress must be very careful in following the proposals or using as a model or a guide the budget which we have been given.

As shown on this chart, the budget that has been proposed to us will increase taxes by approximately $1.4 trillion. This number is hard to get at because we do not have the details yet. The reason I say that is because many—including myself—believe that is a very low number in terms of the actual amount of the tax increases. I will explain that in a moment.

It increases discretionary spending by $725 billion. These are 10-year numbers. As my colleague from Iowa said, the budgets project out over a 10-year cycle, and it increases mandatory spending by $1.2 trillion.

If you look at the spending side of this for a minute—for those who do not pay attention to our discussion of different pieces of the budget here in Washington, mandatory spending generally is spending that previous Congresses and previous Presidents have already debated, passed into law, and signed into law and is ongoing. I call it spending that is on autopilot because this spending will happen regardless of whether Congress ever votes or meets again. It is law, and regardless of the status of the economy, regardless of the demographics of our Nation and what is happening in the world in which we are living today, the law requires this spending occur. It is what often we call entitlement spending—''entitlement'' because the law has created an entitlement, and if a person qualifies in a certain way, they are entitled to receive payment under the law.

Now, the vast majority of this entitlement spending, as most people know, is Medicare, Medicaid, and Social Security. There are other entitlement laws, mandatory spending laws, in the United States, but the vast majority—the vastly largest percentage—are Medicare, Medicaid, and Social Security. Also added into this category of mandatory spending is interest on the national debt because that also must be paid.

So you can think of the mandatory spending or autopilot spending as basically this column here, as shown on the chart, that represents about two-thirds—roughly, about two-thirds—of all the spending in each year's average budget.

The discretionary spending is everything else. That is what we actually vote on in Congress every year in our appropriations process. As I have said, it is roughly about a third of our budget. That spending can also be divided roughly in half. Approximately half of it is national defense and security spending; and approximately half of it is everything other than defense. So you often hear us talk about nondefense discretionary spending. That is what we are talking about: the things Congress actually votes on every year.

Together, our discretionary spending and our mandatory spending are the spending side of our budget. As you can see on this chart, we are proposing in both categories dramatic increases over the next 10 years. The fiscal restraint is not there. At a time when Americans are tightening their belts, this budget grows the size of Government by 9 percent—9-percent growth for nondefense programs in just the year 2010 alone. If you go back to the 2009 budget we adopted and finalized in our appropriations process in this Congress and add the growth there into it as well, you will see a 20-percent growth—a 20-percent growth—in our nondefense spending in this country since the year 2008.

The fiscal restraint is lacking in this budget proposal. In fact, there is only one category of this budget in which there is any actual reduction in spending, and that is in the defense side of the ledger. There are actual proposed reductions in defense spending in the President's budget. But only in that category.

If we look at the tax side for a moment, you can see there is $1.4 trillion of new taxes. As I said a minute ago, that number is kind of hard to quantify. Why is that hard to quantify?

Well, the President has said his tax policies would reduce taxes for 95 percent of American taxpayers. That statement can only be accurate if you only look at one kind of tax; namely, income taxes. I believe it is correct that in the income tax category, there will not be an increase for the vast majority of Americans, and, in fact, for most Americans we might actually see a reduction.

But if you look at all the other proposals for tax increases and tax adjustments in the President's budget, you see there is going to be a huge increase in tax payments by Americans in every category of income in this country.

Those taxes include things such as a brandnew—and this is the part that makes it difficult to give a final number—a brandnew tax on energy. It is part of what some have called the cap-and-trade proposal the President has made on carbon fuels. Others have called it a cap-and-tax approach.

The point, however, is, under this new energy proposal, somewhere between $600 billion and $2 trillion of new cost will be put on carbon-emitting energy sources, and Americans will pay those increased costs, primarily in their utility bills. The President himself has said this proposal would cause electricity rates to skyrocket. We do not know exactly to what level, but everyone who uses electricity, everyone who pumps gas at the gas station, everyone who uses natural gas can expect to see—and we do not know the details yet, which is why we cannot give the details on the numbers, but they can expect to see significantly increased costs for them in their household budgets.

Now, some would say that is not a tax. That is just a fee or it is just an increase in the price of your electricity as a result of some national policies. But however you say it, the fact is, there is a projected revenue to the Federal Treasury to come from people who will pay more on their electricity bills and pay more on their gasoline and other fuel bills that will be somewhere in the neighborhood of $1.4 trillion. Many of us think it is going to be closer to $2 trillion.

The list goes on.

It is proposed the capital gains and dividends tax rates go up. Some argue that only hurts wealthy people. In fact, the argument made on this floor so often is: Any tax increase is justified as being a tax increase on only the wealthy. Well, if you look at dividends and capital gains and look at the kinds of people in this country who own stock, either in their own individual account or through a pension fund, it reaches far deeper than just the wealthy. The people who are impacted day in and day out by having to pay tax on dividends and capital gains are far more people than simply those who are the so-called wealthy.

The list goes on.

The bottom line is, the budget will raise taxes by about $1.4 trillion and raise spending—both in discretionary and mandatory levels—a greater amount.

Now let me look at this last category shown on the chart. It is called mandatory savings. The number there is zero. Now, why do we have that column? In order to change—remember the law I told you about earlier: The entitlement programs are already the law. If we are going to change and gain savings in this category of mandatory spending, we have to literally vote to change the law. It takes 60 votes in the Senate to do that because we always face a filibuster when we try to find savings in this category of entitlement spending.

But in the budget proposal the Budget Committee will put forward, the Budget Committee is allowed to propose that there be savings here. And then, if the Budget Committee can get that proposal adopted in the budget, our respective committees of jurisdiction in the areas where the entitlements lie are required by the budget to find those savings and make law-change proposals to Congress so we can achieve some savings.

The reason I have this column on the chart is because in the budget that has been proposed, there are no savings proposed. There is not even a request that $1 of savings be found in the entire entitlement system. That is wrong also.

Now, let's go to the next chart.

This is a chart that shows the deficits we expect to face—not the national debt but the deficits, the yearly deficits we expect to face. That means the amount of money we will spend beyond our projected revenue.

The blue line, as shown on the chart, is what we call the BEA baseline. What that means is that is current law. If we do not change any law and do not do anything in Congress and do not put any more increased spending into place, what would our deficits look like? We can see there is a big spike here, in about 2009 and 2010, and then it drops off dramatically. Under current law, it tails down rather dramatically over the next 10 years.

Now, one of the reasons it goes down so dramatically over the next 10 years is that we have a number of tax cuts that were passed in the 2001 and 2003 timeframe that are going to expire, which means if we do nothing, taxes are going to go up dramatically, and we are going to see the deficit drop dramatically because everybody is going to be paying a lot more taxes. If we allow those tax cuts to stay in place—and I believe we are starting to get some consensus that we do that—then this line for what current law would be with those tax cuts staying in place would be somewhere between the red line and the blue line.

The point I wish to make, though, is the red line is the proposed budget we are now dealing with. As my colleagues can see, the spending in excess of revenue is dramatically higher than current law under the proposed budget.

There is another point that needs to be made, and I think this point shows it as well as anything. The President has said his goal is to reduce the deficit by half in the next 4 to 5 years, but as my colleagues can see by the chart, that will happen anyway under current law.

Now, why will that happen anyway under current law? That will happen anyway under current law because this spike we are looking at is the result of the phenomenal spending spree that Congress has been on since last fall. Actually, even going into the spring of last year, you may recall that Congress, to stimulate the economy, passed a $158 billion bill, I think it was, for rebate checks, to send rebate checks out to Americans so they could stimulate the economy. Well, we have seen that those checks didn't actually stimulate the economy, but it did add $158 billion to our spending.

Then we had the $700 billion TARP bill, $350 billion under President Bush and $350 billion under President Obama. We had the $800 billion stimulus package, much of which we will be spending out in this timeframe. We have had the auto bailout, and actually part of it—most of it, so far—has come from the TARP dollars. But we are seeing a spending spree by Congress which is driving these deficits up dramatically over the next 2 years.

But assuming—and this is an important assumption—assuming Congress does not continue this pattern of bailouts and Congress does not continue this pattern of $800 billion stimulus spending bills, then we should see this spending rate of Congress drop back down. So assuming Congress doesn't continue this rampant spending spree it is on, the deficit will return itself to half without any real effort and, in fact, without any real cuts in spending.

The last thing this chart shows that is very notable is, in the outyears—again, current law starts seeing us get our deficit under control, but the proposed budget starts us growing this deficit and leaves it at a permanent level around $600 billion. We are dealing with a proposed budget that leaves America with a proposed ongoing and growing deficit for the indefinite future of about $600 billion. That is not good enough. We need to be following a line on our deficit that brings us toward balance, and we can't do that. We can't achieve that.

One last point: We had Secretary Geithner before our Budget Committee last week to talk about this budget. In his comments, Secretary Geithner acknowledged that the tax increases that are being proposed—the ones I had on the previous chart—are going to actually harm our economy in our effort to build back right now. He acknowledged the point that this is the wrong time to be increasing taxes and that taxes at this time would have a chilling effect on our ability to restimulate our economic activity. But he defended these tax increase proposals by saying that they are not projected to take place until the year 2011, at which point the economy is supposed to be back in good shape. Therefore, we can let the economy get healthy again, and then we can hit it with some tax increases and then it will be OK.

Well, first of all, I don't believe it is necessarily going to be OK to hit the economy as it is starting to stabilize again in 2011, even if it is starting to stabilize at that point. But there is no consensus that we will be out of this difficulty by that time. So I asked Secretary Geithner: If the economy is not strong by 2011, will you still push for these tax cuts—increases—or are these tax increases contingent on a strong economy? In other words, if we don't have the strength you are projecting we will have, will you still propose the tax increases? He ducked the question.

I think the reason he ducked the question is because the answer was, yes; the taxes are going to go up regardless of what happens with the economy, and we are just hoping and projecting that we are not going to have any problem there because we think the economy is going to be fine in 2011.

Well, I certainly hope the economy is fine in 2011, and I don't think that will be a good time to hit it with a huge tax burden again anyway, but it is clearly wrong to put into place a path toward tax increases when we don't know whether the economy is going to remain strong.

Let's put up the last chart. The last chart just shows the debt we are growing. The chart before was deficits. The debt is the accumulation of all of our deficits over time. You will see right in here and around the 2009 timeframe, we were at around $6 trillion—actually, it was growing up into the $7 trillion and $8 trillion level, and Congress is starting a spending spike that is starting to drive up our national debt. It is hard to get a handle on our national debt right now, but it is between $10 trillion and $11 trillion. It is projected that our national debt—excuse me, the debt held by the public, and there are different pieces of the debt—but the debt held by the public—that is the debt we talk about when we talk about China and Japan and other nations buying our bonds and pension plans and so forth. The debt held by the public under this proposed budget will double in 5 years and triple in 10 years. That is remarkable and it is scary that we could have a budget that proposes a wall of debt like this and does not put into place any kind of spending restraint proposals but adds increased taxes, which will make it harder for our economy to keep up with this spending level, and proposes no effort to address the entitlement growth that is probably the biggest driver of spending in the Federal budget.

I guess I should clarify that—the biggest driver except when Congress gets engaged in stimulus packages and bailouts, at which point Congress becomes the biggest driver. But assuming we can stop the tendency in Congress to spend as rapidly as we have been doing over the last 6 months, then we must turn our attention to the entitlement programs and begin to find a way to find savings in them.

So I will conclude with this: Many have said on this floor that this budget spends too much, taxes too much, and results in too much debt. It couldn't be said more succinctly or better. This budget jeopardizes the economic strength of our Nation. It taxes far too much, it spends far too much, and it leaves us with a legacy of debt that our children and our grandchildren will face to their detriment.

With that, I yield the floor.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mrs. HUTCHISON. Madam President, I have been listening to Senator CRAPO's remarks, and I think he has made some excellent points. The Senator is pointing out the long-term consequences of this incredible spending proposal that has been put before us on top of two incredible spending proposals that we have passed in the last month in this Congress. So I do hope the people of America start looking at the long-term effects of this spending increase at a time when our economy is seriously in jeopardy. I hope we can stop it at the budget and start showing the American people that we know everyone is concerned about their future. Everyone is concerned about their jobs, their retirement. We need to act accordingly in Congress; and that is, to spend taxpayer dollars wisely and not continue to borrow as we have been just in the last 2 months. It is going to be a spiral that I don't know how we overcome. So we have to start overcoming it right now, and that is with the budget proposal that has been put before us.