Transcript of Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND) on Budget Framework Developed by Senate Budget Committee Democrats
July 11, 2011

We are in the midst of a defining debate on the budget of the United States. All of us understand we have a debt threat looming over this country that is as significant as anything we have faced in many years. Democratic members of the Senate Budget Committee have worked for weeks to devise a blueprint we think has merit and that deserves to be a part of the debate. Today, I am here to outline the key elements of that budget blueprint.

First of all, I think it is critically important we all understand we are as a nation borrowing 40 cents of every $1 we spend. That is not a sustainable circumstance.

Admiral Mullen, the Chairman of the Joint Chiefs of staff, has indicated that our national debt is our biggest national security threat. This is the top military man in our country saying the debt threat is the most serious national security threat.

Why does he say that? Because here are the facts: The debt of the United States -- the gross debt -- all the debt we owe is now approaching 100 percent of our gross domestic product, which is the highest level it has been since after World War II. This chart shows a threshold of 90 percent and a gross debt of 90 percent. Why did we draw that line on this chart? Because the best evidence we have tells us when we cross the 90-percent threshold on the gross debt of any nation, we are in the danger zone, we are in the red zone.

The distinguished economists, Carmen Reinhart and Kenneth Rogoff, wrote a book called “Growth in a Time of Debt.” Here is their conclusion: “We examined the experience of 44 countries spanning up to two centuries of data on central government debt, inflation and growth. Our main finding is that across both advanced countries and emerging markets, high debt to GDP levels (90 percent and above) are associated with notably lower growth outcomes.

This is a key fact all our colleagues need to know. When our gross debt goes over 90 percent of our gross domestic product, our future economic prospects are diminished. That means fewer jobs created, less economic opportunity -- a nation that is at risk. That is where we are.

Look at what the Congressional Budget Office says is where we are headed. On the current trajectory, we are headed for a debt that will go to 200 percent of the gross domestic product of the country. This is not the gross debt; this is the publicly held debt, which is smaller than the gross debt. So this chart now looks at the publicly held debt and says it is headed for 200 percent of GDP. We cannot stay on this course. It is critically important we change direction.

For every 1 percentage point increase in interest we pay, $1.3 trillion is added to the debt. For those who say don't worry about the debt limit, let's remind them what will occur if the United States refuses to pay the bills it has already incurred, which is the interest rates will go up. Those who have loaned us money, if we renege on our commitments to pay them, will then insist on higher interest rates -- all borrowers will insist on higher interest rates -- and for every 1-percent increase in the interest rate, we will pay $1.3 trillion more on our debt. So those who think that somehow, by not extending the debt limit, we are going to help on the debt -- no. The opposite is true. The debt will increase and increase dramatically.

Here are the hard facts with respect to the relationship between spending and revenue over the last 60 years in this country. The red line is the spending line. The green line is the revenue line. What this shows very clearly is that spending is the highest it has been as a share of GDP in 60 years. Yes, we have a spending problem. But it is not exclusively a spending problem, as some assert on this floor, because revenue as a share of GDP is the lowest it has been in 60 years. To deny that essential fact is to deny the significant elements of a compromise that are required to solve this problem.

Spending is the highest it has been in 60 years as a share of our national income. Revenue is the lowest it has been in 60 years as a share of our national income. Both have to be addressed if we are going to solve this problem.

For those who say: Well, it is not a revenue problem, oh, yes, it is. This is an article that appeared Sunday, May 1, in the *Washington Post*: “On the way to a surplus, a $12 trillion U.S. detour.” Remember, in 2001, we were told we were on the way to paying off the debt of the United States. This article by Lori Montgomery in the *Washington Post* on May 1 indicated the fundamental reasons that instead of paying off the debt, we have a debt that is mushrooming. This one paragraph says it all: “The biggest culprit, by far, has been an erosion of tax revenue triggered largely by two recessions and multiple rounds of tax cuts. Together, the economy and the tax bills enacted under former President George W. Bush, and to a lesser extent by President Obama, wiped out $6.3 trillion in anticipated revenue. That's nearly half of the $12.7 trillion swing from projected surpluses to real debt. Federal tax collections now stand at their lowest level as a percentage of the economy in 60 years.” That is the point I just made.

So when Democrats on the Senate Budget Committee approached this problem, we looked at it in historical perspective. How did we get into this problem? Half of it is on the revenue side. So we chose to deal with a solution that deals on both sides of the ledger. Yes, we need to cut spending; absolutely, that must be done. But we also cut so-called tax expenditures that are just spending by another name -- loopholes, exclusions, deductions, tax preferences, abusive tax shelters, and tax havens that are hemorrhaging revenue that rightfully belongs in the Treasury -- people avoiding what they legitimately owe to the United States by engaging in abusive tax shelters and tax havens that is costing us substantial revenue. We will get into the specifics of that.

The House Republicans chose a different path. They only want to focus on half the problem. They only want to focus on the spending side of the equation. They don't want to touch the revenue side of the equation. I believe that denies reality. That runs away from the hard reality of how we got into this situation. Again, we got here by, yes, spending that is higher than it has been in 60 years as a share of national income but also revenue that is lower than it has been at any time in 60 years. If we are truthful with ourselves, we are going to have to deal with both sides of this equation.

The plan Senate Democrats on the Budget Committee have agreed on looks at a budget framework that includes roughly the same amount of deficit reduction as the House Republican plan. In fact, we have somewhat more deficit reduction than did they. They have a plan that was $3.9 trillion of deficit reduction. Our plan is $4 trillion. The actual difference is about $50 billion, but because of rounding, it turns out they are at $3.9 trillion, we are at $4 trillion. The actual difference is about $50 billion more in deficit reduction in the plan worked by Senate Democrats on the Budget Committee.

So this is what happens to deficits as a share of GDP under the framework we are offering. As you can see, this year the deficit is 9.3 percent of gross domestic product. We bring it down very steadily until we get down to 1.3 percent in the 10th year -- a lower deficit in dollar terms, a lower deficit as a share of GDP than the House Republican plan. Let me repeat that. The Senate Democrats on the Budget Committee -- our plan reduces the deficit by the 10th year by more than the Republicans in total, and in the 10th year we have a lower deficit in dollar terms and a lower deficit as a share of GDP.

As shown on this chart, this is what happens to the debt itself. The gross debt, as you can see, peaks out at 100 percent in 2011, and then we bring it down gradually but steadily to about 98 percent by 2021. The key is, instead of having the debt line going up, up, and away, burying this country under a mountain of debt, we stabilize the debt and begin to bring it down -- something that every serious economist has said is absolutely essential.

In terms of spending, I indicated that current spending is the highest it has been as a share of GDP in 60 years. Our plan takes that down from 24 percent of GDP to 23 percent and then freezes it at 22 percent of GDP for the rest of this decade.

Now, some will say: There go the Democrats again. They are spending too much money. I would say to them: If we could get the spending down to the levels that were obtained during the Reagan administration, would that be acceptable? Because that is exactly what we do. Under the plan of Senate Budget Committee Democrats, we get spending to the exact same level that pertained during the administration of Ronald Reagan. During Ronald Reagan's 8 years, spending averaged 22.1 percent of GDP. That is precisely what our spending equals in the budget framework I have outlined here today.

We include every part of the Federal budget, including the defense budget. Just as the fiscal commission did, just as every other bipartisan deficit reduction plan has included, we looked to defense spending for savings because no part of the budget can be off the table in terms of a deficit reduction plan.

I would say separately, Social Security we deal with separately because Social Security need not be, should not be part of a deficit reduction plan. Savings on Social Security ought to be for the purpose of extending the solvency of Social Security.

But in terms of those parts of spending that are considered on budget, defense has to be included in any savings. Why do I say that? Well, look what has happened since 1997. Spending on defense and war has gone from $254 billion a year to $688 billion a year. It is a key reason spending has exploded.

Before the fiscal commission, some of the best defense analysts in the country came before us and told us that 51 percent of all Federal employees are at the Department of Defense -- 51 percent of all Federal employees are at the Department of Defense -- and that does not count the contractors. I asked these analysts: Well, how many contractors are there? Their response was: Senator, we can't tell you. I said: Is that a matter of security? Is that a matter of clearances? They said: No, Senator. We don't know. I said: Well, what is the range? About how many contractors are there working at the Department of Defense? The answer was: Senator, 1 million to 9 million. Between 1 million and 9 million. We can't tell you which is right. We have a serious problem of contractors working for the Department of Defense and the Department of Defense cannot even tell you how many contractors they have working for them. We have a problem.

The previous Secretary of Defense, Secretary Gates, said this: "...the budget of the Pentagon almost doubled during the last decade." And he is right about that. Our chart shows that. "But our capabilities didn't particularly expand. A lot of that money went into infrastructure and overhead and, frankly, I think a culture that had an open checkbook." "A lot of that money went into infrastructure and overhead and, frankly...a culture that had an open checkbook." We cannot afford an open checkbook anywhere. We have to go after waste, fraud, and abuse in every department. We have to go after infrastructure spending that really does not contribute to improving our defense. We have to go after overhead, overhead costs that have really run amok.

Chairman Ryan of the House said this about defense: "There are a lot of savings you can get in defense. There's a lot of waste over there, for sure." Yet, when they came with their plan, they continued the path of increasing defense spending year over year without any discipline. This is the plan they outlined -- from $529 billion a year headed for $667 billion a year, and that does not count the war funding.

In our plan, we have done what the fiscal commission called for. We have achieved the same savings out of security as the fiscal commission did -- $886 billion out of the security category. Now, that includes defense. Obviously, defense is most of security, but in the "security" category also falls homeland security, and also included is veteran spending.

Veteran spending, by the way, is one place we do not cut a nickel. The veterans deserve to have the promise we have made to them kept, and under our budget, every dollar that has been promised to veterans will go to them.

That does not mean we cannot save money out of the security side. The fiscal commission -- which, by the way, is the only bipartisan plan that has come from anywhere: five Democrats, five Republicans, one Independent -- endorsed a plan with $886 billion of savings over 10 years out of the security category. The budget by Senate Budget Committee Democrats adopts that finding.

The budget that Senate Budget Committee Democrats are advancing also has government-wide savings. We freeze the pay of Members of Congress for 3 years. We freeze the legislative branch and White House budgets for 3 years. We freeze civilian pay for 2 years. That has already been adopted, but we include that in our budget. We reduce the Federal vehicle fleet by 20 percent because, frankly, in our investigations we find in this area there has been an explosion of vehicles in the Federal fleet, and I think all of us have seen it with our own eyes. This is something that has to be taken on. We reduce travel costs of Federal agencies by 20 percent. We reduce Federal printing costs by $1 billion by 2015. We reduce the number of contractors, which we have previously described.

The House Republican plan on revenue is really almost impossible to believe. In a circumstance in which we have record debt, in a circumstance in which the revenue of this country is the lowest it has been in 60 years, what is part of their answer? Cut taxes some more, and cut them for the very wealthiest among us, cut them another $1 trillion for those who are the most fortunate among us. I am not making this up. This is the House Republican plan: Take a circumstance in which we have record debt, the lowest revenue we have had in 60 years, and cut taxes for the very wealthiest among us by another $1 trillion by extending the top rate cuts, by a $5 million estate tax exemption. They actually cut revenues $4.2 trillion below the CBO baseline. Let me repeat that. They actually cut revenue in their plan $4.2 trillion below the Congressional Budget Office baseline. That is inexplicable.

Maybe we can start to understand it when we look at what a former Reagan economic adviser said about the House Republican plan. Mr. Bartlett said this: "Distributionally, the Ryan plan" -- The House Republican plan -- "is a monstrosity. The rich would receive huge tax cuts while the social safety net would be shredded to pay for them. Even as an opening bid to begin budget negotiations with the Democrats, the Ryan plan cannot be taken seriously. It is less of a wish list than a fairy tale utterly disconnected from the real world, backed up by make-believe numbers and unreasonable assumptions. Ryan's plan isn't even an act of courage; it's just pandering to the Tea Party. A real act of courage would have been for him to admit, as all serious budget analysts know, that revenues will have to rise well above 19 percent of [gross domestic product] to stabilize the debt."

Revenue today is 14.8 percent of GDP -- again, the lowest it has been in 60 years. If we look at the last five times the budget has been balanced in the last 50 years, here is what we see: Revenues had to be close to 20 percent of GDP. They were 19.7 percent in 1969, 19.9 percent in 1998, 19.8 percent in 1999, 20.6 percent in the year 2000, and 19.5 percent in 2001. That is the last five times the budget has been balanced. Each of those times, revenue was close to 20 percent of GDP. Now it is 14.8 percent of GDP. Anyone who seriously argues that you can solve this problem just on the spending side of the equation is not being serious.

The budget framework we offer today has revenues at 19.5 percent of GDP -- almost equivalent to what it was during the Clinton years, when we had balanced budgets and, in fact, stopped using Social Security money to pay other bills. During the Clinton years, revenue averaged 19.4 percent of GDP. Under our plan, it averages 19.5 percent. So revenue is clearly not out of line compared to the other times we balanced the budget and, in fact, during the Clinton years when we had the longest economic expansion in this Nation's history.

For our colleagues who say, oh, you can't touch revenue or you will kill the economy, you will kill job creation -- really? How about the historic record? The historic record shows very clearly that during the Clinton years, when you had revenue at the same level as we have in this plan, you had the longest economic expansion in this Nation's history -- 39 quarters; 32 of those quarters during the Clinton years -- the longest uninterrupted period of economic growth in this Nation's history, and you had revenue at the same level we are talking about in this plan. Facts are stubborn things. A previous President said that. He was right. The fact is, we had the longest period of uninterrupted growth in our economy during a period in which revenue was at the level we are proposing in this budget. That is a fact.

Mr. President, the proposals in the budget framework also seek to bring us transparency. We have tax reform that simplifies the Tax Code, scales back tax loopholes, protects the middle class, improves progressivity and fairness of the code, promotes economic growth and U.S. competitiveness -- because we lower the corporate rate from 35 percent to 29 percent to make America more competitive, and we pay for it by closing corporate loopholes. We also address the tax gap, offshore tax havens, and abusive tax shelters, and ensure that corporations pay their fair share.

The specifics of our revenue proposal are as follows: The tax cuts -- the so-called Bush-era tax cuts -- are extended for singles earning up to $500,000 a year and for couples earning up to $1 million a year. So 99 percent of the American people will see no rate increase -- none; 99 percent of the American people will see no rate increase. One percent will, and it will be those who are sufficiently fortunate to be earning over $1 million a year -- the top 1 percent in this country. We ask them to go back to rates of the Clinton era, when the top rate was 39.6 percent, capital gains were 20 percent. Those are the rates that pertain -- when we had the longest economic expansion in our Nation's history. For those who say it is a job killer, they have to explain how that can be since history shows something quite different from their claim.

We also provide for alternative minimum tax relief. That costs $1.5 trillion. That is not a tax increase. We are lowering taxes that would be imposed by the alternative minimum tax, which is increasingly gobbling up middle-class taxpayers. We are preventing that from happening. It costs $1.5 trillion to fix. So we are replacing that revenue with other revenue. I don't consider that a tax increase. That is merely substituting revenue for revenue that we are subtracting to prevent middle-class people from being caught up in the alternative minimum tax.

We also reform the estate tax, going back to the 2009 levels which are $3.5 million a person and $7 million a couple. That means well over 99.5 percent of estates would be completely exempt. That is a fair plan.

We also assume net $2 trillion of additional funds from closing tax loopholes, cutting tax subsidies, promoting tax fairness. That is over 10 years. We assume tax preferences for individuals are reduced 9 to 17 percent, depending on the amount of offshore tax havens and abusive tax shelters that are closed.

We assume, as I indicated earlier, that the corporate rate is lowered to 29 percent, offset by reducing corporate tax expenditures and closing corporate tax loopholes -- specific policies to be determined by the Finance Committee, as they always are.

When I indicate there is a range for reducing tax expenditures from 9 to 17 percent, depending on how much savings we get out of offshore tax havens, here is the math. Over the next 10 years, the tax preferences -- or expenditures, as they are sometimes called -- will cost the Treasury $14 trillion. Let me repeat that. The loopholes, the exclusions, the preferences in the Tax Code will cost the Treasury $14 trillion over the next 10 years.

On top of that, offshore tax havens and abusive tax shelters will cost the Treasury another $1.4 trillion. That is according to estimates based on data from the Permanent Subcommittee on Investigations. So if we recover nothing from tax havens, to reach our revenue numbers we would have to reduce tax expenditures 17 percent. On the other hand, if we recover 80 percent of tax haven losses and tax shelter losses, the reduction in tax expenditures would only have to be 9 percent -- 17 percent reduction in tax expenditures if we get no savings from tax havens and tax shelters, and a 9-percent reduction in tax expenditures if we recover 80 percent of the losses from tax havens and tax shelters. Probably, the realistic expectation ought to be somewhere in between those extremes.

If the CBO scored the proposal by Senate Budget Committee Democrats, they would not say there is any tax increase here at all. Let me repeat that. If the Congressional Budget Office scored this proposal by Senate Budget Committee Democrats, they would say there is a $765 billion tax cut over 10 years. How can that be? How can I be saying there is $2 trillion of additional revenue over 10 years, and the Congressional Budget Office would say -- if they evaluated this plan by Budget

Committee Democrats -- they would say it is a $765 billion tax cut? The reason is simple.

In our plan we extend all of the middle-class tax cuts. In addition, we actually broaden the middle-class tax cuts so that nobody is affected by a rate increase unless they are a couple earning over $1 million a year. We also provide the alternative minimum tax relief to prevent millions of middle-class people from being affected by that law. As I indicated earlier, that costs $1.5 trillion over the next 10 years to shield middle-class taxpayers from that. Third, we provide estate tax reform at the 2009 levels so that well over 99 percent of estates are completely shielded or exempt.

Again, when our Republican colleagues say -- and some of them do -- you can't have a higher tax rate, even on those earning over $1 million, it will kill the economy -- really? How about looking at the facts. How about looking at the historic record. How about being informed by what has actually happened before because when we look at history, we find quite a different answer than our friends on the other side are providing.

What we find is that the last time the top rate for those earning $1 million was 39.6 percent, we experienced the longest period of uninterrupted economic growth in U.S. history. That is a fact. We had 39 quarters of economic growth from 1991 to 2000. For 32 of those quarters, Bill Clinton was President, and we had a top rate of 39.6 percent on those couples earning over $1 million a year.

Our friends on the other side say: You will kill jobs. Do you know what is fascinating? I remember this debate back when we passed deficit reduction under President Clinton. Our friends on the other side said the same thing then. I remember, I was seated here listening to the then-Republican leader claim that if we passed the Clinton plan to get the deficit down and balance the budget, we would crater the economy. Those were the exact words our friends on the other side used at that time -- that if we raised rates on the wealthiest among us, it would crater the economy.

What happened? Not only did we not crater the economy, we had the longest period of economic expansion in our Nation's history, and 24 million jobs were created -- the best record ever. That is the fact. That is what really happened -- not some fairy tale about what happens if we get the country back on track, if we move toward balancing the budget, toward getting the debt down, because that is in fact what happened during the Clinton years.

Yes, we had the highest rate of 39.6 percent on those earning over $1 million. But it didn't crater the economy -- no. The economy grew. We had the longest economic expansion in this Nation's history, and 24 million jobs were created during that period, the best record ever.

Let's look again at history. The last five times economic growth was above 4 percent in this country, the top tax rate was 39.6 percent on those earning over $1 million. Facts. Facts are stubborn things. In 1994, the top rate was 39.6 percent and the growth rate was 4.1 percent. In 1997, the top rate was 39.6 percent and economic growth was 4.5

percent. In 1998, we had 4.4 percent economic growth. In 1999, it was 4.8 percent. In 2000, we had 4.1 percent economic growth -- the strongest economic growth, going back decades, in every year. The top rate on people earning over $1 million was 39.6 percent, which is precisely what we are proposing in this plan.

I think it is undisputed by serious economists, of whatever philosophical stripe, that these tax expenditures have to be reined in. We are spending $1.1 trillion a year on tax expenditures. Some of the most conservative economists in the country have said that is just spending by a different name. Here is Martin Feldstein, professor of economics at Harvard, Chairman of the Council of Economic Advisers under President Reagan. He has written a column called "The Tax Expenditure Solution for Our National Debt." He said this: "Cutting tax expenditures is really the best way to reduce government spending...." It is called revenue, but it is really spending. "Eliminating tax expenditures does not increase marginal tax rates or reduce the reward for saving, investment or risk-taking. It would also increase overall economic efficiency by removing incentives that distort private spending decisions. And eliminating or consolidating the large number of overlapping tax-based subsidies would also greatly simplify tax filing. In short, cutting tax expenditures is not at all like other ways of raising revenue." This is from the head of the economic advisers under President Reagan, saying we ought to cut tax expenditures.

That is exactly what the Senate Democratic budget plan does. We cut tax expenditures 9 to 17 percent, depending on how much we are able to save from closing off these offshore tax havens and the abusive tax shelters. If we get no savings from tax havens and tax shelters, then we would have to reduce tax expenditures 17 percent. If we are able to reduce tax havens and the other loopholes, offshore loopholes -- the abusive tax shelters -- by 80 percent, then we would be able to reduce tax expenditures by 9 percent.

Just like Martin Feldstein who said we ought to have after tax expenditures, also Alan Greenspan, former Chairman of the Federal Reserve, said this: "I think that Republicans are out to identify a very significant amount of so-called tax expenditures, which in fact are misclassified. They are expenditures, they are outlays, and many are subsidies, and subsidies are not the type of thing that you want for an efficient market system. There are a lot of them."

That is what we are proposing. Let's go after these subsidies, these preferences, these exclusions. While we are at it, let's go after offshore tax havens, abusive tax shelters. Let's shut them down.

If there is any doubt about where this money is going, here it is: 26.5 percent of tax expenditures go to the top 1 percent in this country; 26.5 percent of all tax expenditures go to the top 1 percent. So when we are saying we may have to reduce tax expenditures 17 percent, we could do it all just with the top 1 percent. That is where the benefit is going.

Let me show you in another way. The top 1 percent, in dollar terms -- the value, on average, of tax expenditures for those who are in the top 1 percent in this country, earning an average of $1.1 million a year, they get, on average, a benefit every year from tax expenditures of over $205,000. For those who are in the middle quintile, those earning $39,000 a year, their average benefit is $3,000. You can see that the top 1 percent have a benefit from tax expenditures that is 66 times what people in the middle get.

It is not unfair to go to those who have had the greatest benefit from the national economy over the last two decades and say to them: We need you to help a little bit more to get out of this debt rut we are in. And you know what, that is not unfair because they have had the greatest benefit over the last 15 years.

Here is something that I think shows it conclusively. This is the effective tax rate for the 400 wealthiest taxpayers in America. In 1992, it was about 27 percent. In 1995, the tax rate for the wealthiest 400 was 30 percent -- 29.9, to be exact. Look what has happened since 1995. The effective tax rate for the wealthiest 400 taxpayers in America has gone down to 16.6 percent. They have had their tax rates cut almost in half. Has anybody else had their taxes cut in half? I don't think so. The people who have had their taxes cut in half are the wealthiest among us. So it is not unreasonable to go back to them and say: Hey, wait a minute. We have to go back to what the tax rates were here -- not back to an effective rate of 30 percent but a top rate that we had in the Clinton years when we had the largest economic and longest economic expansion in our Nation's history. That seems reasonable.

We also know it is not just on the individual side but on the corporate side as well. This is a little five-story building in the Cayman Islands. Now, 18,857 companies say they are doing business out of this little building. Anybody believe that? Anybody believe 18,857 companies are doing business out of this little 5-story building down in the Cayman Islands? I would say that is the most efficient building in the world. Imagine, a little 5-story building, and 18,857 companies say they are doing business out of there. They have maybe 100 employees in that building. Those are the most efficient people in the entire world. Unbelievable what they are doing.

You know what, they are not doing business; they are doing monkey business because what they are doing is cheating all the rest of us who pay what we owe. Why are they down in the Cayman Islands, those 18,857 companies, calling that little building home? Because there are no taxes down in the Cayman Islands, and they are showing their profits in subsidiaries they say are operating out of that little building so they can avoid paying the taxes the vast majority of us pay right here in the United States. That is outrageous. That is unfair. Our Republican friends say: Oh, you can't touch that; it is a tax increase if you do. Really? That is a tax increase? I don't think so.

Offshore tax haven abuse is proliferating. If anybody doubts it, go Google offshore tax havens and see what happens. See what happens if you Google offshore tax havens. The experts here on the Permanent Subcommittee on Investigations have said this: “Experts have estimated that the total loss to the Treasury from offshore tax evasion alone approaches $100 billion per year, including $40 billion to $70 billion from individuals and another $30 billion from corporations engaging in offshore tax evasion. Abusive tax shelters add tens of billions of dollars more.”

The Democrats on the Budget Committee said: We have had it. We are going after those people. We are going to insist they pay their fair share just as the vast majority of Americans already do. So we are saying: We are coming after you. If you have a tax haven down in the Cayman Islands, we are coming after you. If you have an abusive tax shelter, we are coming after you because it is not fair to all the rest of us who are paying what we owe.

There are critical priorities that shouldn't be cut. One is education. Education is the foundation for future economic strength. “An educated population is a key source of economic growth....Broad access to education was, by and large, a major factor in the United States' economic dominance in the 20th Century and in the creation of a broad middle class. Indeed, the American Dream of upward mobility both within and across generations has been tied to access to education.” This is a quote from Harvard economists Claudia Goldin and Lawrence Katz in “The Future of Inequality: The Other Reason Education Matters So Much.”

When we see what our friends on the other side are doing, they are cutting education 15 percent. We don't believe that is the right priority for the country. Yes, overall spending has to be cut. We do cut spending -- almost $2 trillion in the Democratic blueprint, almost $2 trillion -- but not education.

Another key priority is energy. We all know what has happened to gas prices. They have soared from $1.81 in December of 2008 to over $3.50 a gallon by July 4. I just paid $3.77. We all know what is happening to gas prices. Many of us believe a key priority is to reduce our dependence on foreign energy.

House Republicans have a different idea. They cut the programs to reduce our dependence on foreign energy by 57 percent. We reject that proposal. We don't think it is in the national interest.

Infrastructure -- roads, bridges, airports, rail. Here is what the U.S. Chamber of Commerce has said about infrastructure spending: “If we don't change course over the next five years, the economy could forgo as much as $336 billion in lost economic growth as transportation networks continue to deteriorate. I am well aware of the fiscal constraints facing this Congress and the nation. But we must avoid cutting off our nose to spite our face. Without proper investment and attention to our infrastructure, the United States' economic stability, potential for job growth, global competitiveness, and quality of life are all at risk.” That is a quote from Thomas Donohue, the president and CEO of the U.S. Chamber of Commerce.

Republicans in the House weren't listening because they propose cutting transportation funding in their budget by 30 percent. We reject that cut as well. It does not make sense to cut education, to cut infrastructure. It does not make sense. It will only weaken our position.

On health care, the House Republican plan ends Medicare as we know it. It replaces it with a voucher system, block grants Medicaid, and shifts costs on seniors, children, the disabled, and individual States. It ends the countercyclical nature of Medicaid, and it defunds health care reform, increasing the number of uninsured by at least 34 million people in this country.

The House Republicans have said their plan saves Medicare. I don't think so. I think it kills Medicare. Why do I say that? Because under traditional Medicare now, the beneficiary pays 25 percent. Someone who is eligible for Medicare pays 25 percent of the bill. Under the House Republican plan, they would pay 68 percent of the bill. That just stands things on their head. Instead of people having Medicare as a social safety net when they get to their senior years, they would have it pulled out from under them.

We have rejected the House GOP approach and would remind our colleagues that we have had large health care savings that were already enacted last year in health care reform. The Congressional Budget Office says that will save in the second 10 years $1.3 trillion. So, yes, everything has to be on the table, but we just took a big run at getting our health care costs back in line -- $1.3 trillion in deficit savings, according to CBO.

In conclusion, the overview of the budget framework we are offering our colleagues for their consideration provides $4 trillion in deficit reduction over 10 years. It is actually $5 trillion if measured on the same basis as the fiscal commission. We have adopted what we think is a more plausible baseline in light of things that have happened over this year. It stabilizes the debt by 2014 and cuts the deficit to 2 1/2 percent of GDP by 2015 and 1.3 percent by 2021. We have tax reform that simplifies the code. This closes loopholes and goes after offshore tax havens and abusive tax shelters and restores fairness. We reject the House GOP plan to end Medicare as we know it. We protect education, energy, and infrastructure investments. And we have a balanced deficit and debt reduction plan, cutting spending by about $2 trillion and providing additional revenue by about $2 trillion.

Let me conclude as I began by saying that our revenue plan would be scored by the Congressional Budget Office as being a $765 billion tax cut because we are replacing revenue lost by extending other tax cuts. We are extending all the middle-class tax cuts and expanding middle-class tax cuts up to those earning $1 million a year. And we are fixing the alternative minimum tax. That costs $1.5 trillion over 10 years. I don't consider that a tax increase at all because you are reducing revenue that would otherwise come into the Treasury under the alternative minimum tax -- which I think almost all of us think is unfair -- and replacing it with revenue by reducing tax expenditures. Even the most conservative economists in the country say that needs to be done.

That is the blueprint the Senate Budget Committee Democrats are laying before our colleagues. We are under no illusions. We know this is a year in which the normal process is not being followed. We understand there are leadership negotiations at the highest level, so we understand this is not going to be dealt with in the normal course of doing business. We understand there is leadership negotiation, but we believe there are some ideas in this package that deserve consideration as those negotiations go forward.

I thank my colleagues for their courtesy and their patience, and I look forward to this continuing debate as we take on the debt threat that looms over our Nation. I thank the Chair, and I yield the floor.