

**Statement of U.S. Senator Judd Gregg
Before the Senate Committee on Homeland Security & Governmental Affairs
Thursday, December 17, 2009 10:00 a.m.
“Safeguarding the American Dream:
Prospects for Our Economic Future and Proposals to Secure It”**

Mr. Chairman and Ranking Member Collins, thank you for holding this hearing today. It is an honor to testify before this committee with an esteemed group of colleagues on this critical issue that threatens the future of our nation. I would like to thank the Chairman of the Budget Committee for his hard work and commitment on introducing last week S. 2853, the Bipartisan Task Force for Responsible Fiscal Action Act of 2009.

As evidenced by this hearing, there is growing and monumental support for the creation of a task force or commission to get our nation’s long-term fiscal imbalance under control. The Conrad/Gregg Task Force that I co-sponsored with Chairman Conrad already has 33 co-sponsors, with 19 Republicans and 14 Democrats. Senators on both sides of the aisle acknowledge that our country is on an unsustainable path.

Next to terrorism and weapons of mass destruction, the single biggest threat that we face as a nation is the fact that we're on a course toward fiscal insolvency. You can't get around it. If we continue on the present course, this nation goes bankrupt, which will cause cataclysmic damage to our economy. Moody’s put the U.S. and England in a specially watched category (only “resilient” to the effects of the economic crisis and the resulting debt load) relative to the rest of the industrialized world (“resistant” to the effects of the economic crisis and the resulting debt load) because of a more rapid growth in debt. This is a signal to the U.S., with our creditors and the rest of the world watching, that says “You’re not planning for fiscal responsibility.”

The Federal Government has already promised far more on entitlement programs than it can deliver. It has amassed a staggering \$70 trillion in unfunded liabilities over the next 75 years, including \$38 trillion in Medicare, \$16 trillion in Medicaid, \$5 trillion in Social Security, and \$11 trillion in other programs. The \$70 trillion in unfunded liabilities equals a burden of roughly \$600,000 per American household.

Medicare poses the largest problem. Congress saw this coming in 2003 when, in the Medicare Modernization Act of 2003, it created a trigger to address Medicare’s unsustainability. If more than 45 percent of Medicare expenditures are projected to come from general revenues (as opposed to dedicated revenues such as payroll taxes and beneficiary premiums) within a seven-year period, the Medicare Trustees must issue an “excess general revenue Medicare funding” determination. This past spring, for the fourth year in a row (2006, 2007, 2008, 2009), the Medicare Trustees projected that the program will soon cover more than 45% of its expenses out of Treasury’s general fund (beginning in 2014). Therefore, they have issued a “Medicare funding warning” for the third year in a row (2007, 2008, 2009), requiring the President to propose legislation to alleviate the crisis and the Congress to act on that proposal. But Congress has not enacted legislation to remedy the problem cited in these warnings.

Instead, Congress is considering legislation that would make Medicare's problem worse. The "Doc Fix" could add \$2 trillion to Medicare's unfunded obligation if it isn't fully paid for. We just received an actuarial summary of Senator Reid's original substitute to the health bill that says the bill increases national health expenditures by \$235 billion. Alternatively, looking ahead to the next Reid amendment, if you let people buy into Medicare at age 55 instead of going on Medicare when they qualify for it at the age of 65, you're going to definitely get the people who are the sickest buying in, and therefore the cost of Medicare is clearly going to go up. Expanding the government and putting more people into Medicare is simply going to accelerate the bankruptcy of the program, which under current law happens in 2017.

The demands of demographic changes caused by the retirement of the Baby Boomers and rapidly increasing health care costs will soon outstrip our capacity to either tax enough to pay for it or borrow enough to pay for it. The over-65 population will eventually double, and 77 million Baby Boomers will enroll in Medicare in 2011. Medicare and Medicaid alone are projected to grow at a rate of 7% - 8% per year, far faster than the rate of inflation or GDP. Spending on Medicare, Medicaid and Social Security will more than double in the next 40 years and will consume all federal revenues by 2052.

Congress' continued failure to address the nation's entitlement crisis is inexcusable, especially given the reckless new spending in the works. The crisis is getting closer and closer, and trying to kick the can farther down the road will not make it go away; meaningful action is needed now.

This is not a problem that is 30 or 50 years down the road. We're already seeing the early signs of the uncertainty of our fiscal future. We're hearing it from the people who lend us money. We're hearing it from the rating agencies. And we know it from intuition and common sense. Most Americans know this problem is extraordinary. In less than ten years, our country will reach a point we're going to have to resort to extraordinary measures to cover our current obligations, such as inflating the currency or raising taxes to a level that reduces productivity.

When you've spent so much more than you've taken in and your debts get to such a level you only have two choices: you inflate the currency and destroy the quality of people's lives by destroying the value of their savings and putting in an inflation economy, which is one of the worst things that can happen to a country. Or you have to radically increase your tax burdens to levels which are simply going to choke off the capacity of a nation to create prosperity because people aren't going to be able to be productive. And you'll start to lose tax revenues as a result of that.

It is very obvious that regular order is not an adequate environment to make these difficult choices. Due to the political realities that exist, when substantive good ideas are proposed, those ideas that affect a large number of people are immediately attacked, savaged, and misrepresented by the interest groups which populate this city for the purposes of making their political agenda move forward or their money-raising agenda move forward. Time after time when substantive, good ideas have been put on the table to try to correct this fiscal imbalance by dealing with the questions of Social Security and Medicare, the ideas get clobbered from the right and the left.

The recommendations of the task force we have proposed would receive fast-track consideration in the Senate and the House. There would be no amendments. It would be a straight up-or-down vote. A supermajority of the House and the Senate would have to vote for it, and the President would retain his ability to veto.

Broad bipartisanship is essential to reform and required to move anything forward. Tough decisions need to be made by both sides of the aisle. The task force is comprised of 16 members of Congress, eight Republican and eight Democrat members, with two members from the Administration. The task force is headed by two co-chairs, one from each party. Fourteen out of the 18-member task force constitute a quorum, which is required to vote out recommendations, hold meetings, and hearings.

The task force is designed to achieve results in an expedited manner given the current state of our looming debt and deficit. Task force members are appointed by the majority and minority leaders 14 days after enactment, and the first meeting is to be held no later than 45 days after enactment. The task force is required to report its recommendations to Congress no later than November 15, 2010 for an up-or-down vote no later than seven days later.

The task force is created to be open, transparent and accountable to the American people. The task force will have the authority to establish an advisory panel comprised of outside experts, at the election of the bipartisan co-chairs. All options must be considered by the task force and everything must be on the table, including spending reductions and revenue increases. No programs or revenues would be off-limits.

We cannot afford to take the risk that this task force ends up as a commission that writes a report with no further action. We have seen too many commissions write a report that ends up on a shelf. Something has to happen under this task force, which is why it gets a guaranteed vote in Congress after a supermajority vote on the report. When this commission reports with a supermajority, it comes to the Congress and by supermajorities, it must be voted up or down. There is an absolute right to a vote, and the vote occurs on the policies proposed. It's much along the lines of what we did with military-base closures, for much of the same reasons – politically, we couldn't close bases through the regular order of Congressional law-making, so we created a process of a BRAC commission whose recommendations would take effect unless Congress disapproved. The fiscal task force we are proposing ensures that the recommendation, with legislative language, goes immediately to an up-or-down, supermajority vote.

It is critical that no amendments be offered. Amendments allow Senators to hide in a corner. Somebody throws up an amendment, even if it is well-intentioned, and if it doesn't pass, people say, "the amendment didn't pass, so I'm not going to vote for a bill."

If it's a policy that is bipartisan, recommended by a supermajority, therefore it's a fair policy or it's not. If it doesn't attract a bipartisan supermajority in Congress, clearly it wasn't well thought out. Beginning at end of the Vietnam era, and continuing through most of the 1980s, there were no major military base closures in this country. Congress had established such burdensome procedural

requirements that it ensured a state of total inertia. The only thing that broke the logjam was base closure legislation that presented the recommended closures as a package, with the option of an up-or-down vote. As a result, there were 5 base closure rounds, with Congress accepting all of them. Once the 2005 BRAC round is fully implemented, the net recurring savings from all 5 base closures rounds will be about \$10 billion per year. So there is solid historical evidence that the commission system can work as a means of breaking legislative paralysis.

As we near the end of the year, we're simply running out of time. If we don't accomplish this fairly soon, the outcome is very simple. We will pass on to our children fewer opportunities, a lower standard of living, and a weaker nation than we received from our parents. No generation in American history has done that. But that's exactly what's going to happen if we don't take action. The task force is paramount to the long-term health and sustainability of our country, and I hope that it will move forward. So, I challenge my colleagues to focus on the next generation, and not just the next election.