



For Immediate Release  
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Contact: Dan Virkstis  
202-224-4515

**Floor Statement of Senator Max Baucus (D-Mont.)  
Regarding the American Recovery and Reinvestment Act**

In 1932, President Franklin Roosevelt said: “The country needs and . . . the country demands bold, persistent experimentation. . . . [A]bove all, try something. The millions who are in want will not stand idly by silently forever . . . .”

Today, the country once again demands bold action. Our country demands bold action to help rebuild a very badly damaged American economy.

Consider the terrible blows to our economy and the problems that we face, if we do not act.

Last Friday, the Commerce Department reported that, from October through December of last year, the economy shrank at its fastest pace in a quarter century.

Last year, two point six million people lost their jobs. If we do not act, three to four million more people will lose their jobs.

The decline in home prices and the stock market collapse have sharply reduced the net worth of American families. Net worth declined by roughly one-fifth between the middle of 2007 and the fourth quarter of 2008.

CBO projects that the national average home price will fall by another 14 percent between the third quarter of 2008 and the middle of 2010.

Equity wealth has declined by six trillion dollars between the end of 2007 and the end of 2008.

The Standard and Poor’s 500 stock index fell by almost 45 percent from October 2007 to December 2008.

And the financial crisis has spread around the world.

These are not just numbers. These are families who are hurting. These are mothers and fathers who have lost jobs. These are parents who have seen college savings decimated. These are couples who are struggling to keep their homes.

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We need to act. This economic recovery bill will save or create three to four million jobs. It will position our economy to be more competitive. The measure before us today provides an appropriate response to the conditions that we face.

The Senate Finance Committee worked with the President and Members of the Senate and the House to put together its part of the economic recovery substitute that we are considering this week. The Senate Appropriations Committee took the lead on its part, as well.

We think that the provisions in this substitute represent the best ways to address spending slowdowns and rising unemployment.

And it will be effective. More than 99 percent of the Finance Committee's provisions effects will come in the first two years of the bill

To counteract weak consumer demand and spending slowdowns, we have included several proposals that will put more cash in the pockets of America's taxpayers, seniors, and disabled veterans.

The Making Work Pay tax credit cuts taxes for more than 95 percent of American working families. It gives single taxpayers up to \$500 and married taxpayers up to \$1,000 this year and next in additional cash that they can use just now.

People will be able to receive the benefit throughout the year through a reduction in the amount of income tax withheld from their paychecks.

Seniors, disabled veterans, other disabled workers, and SSI recipients would receive a one-time payment of \$300.

Families with children would also benefit from these proposals. The income threshold to receive the refundable Child Tax Credit would be reduced so that more people would be eligible. The Earned Income Tax Credit would be increased for families with three or more children.

An amendment added in the Finance Committee will ensure that the Alternative Minimum Tax will not hit any new taxpayers for one more year.

Folks struggling to pay for higher education would get relief. The proposal includes a partially-refundable new tax credit up to \$2,500 for the cost of tuition and fees, including books. Section 529 plans would be enhanced by including the cost of computers as a qualifying expense.

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This measure would help homeowners who are taking advantage of the First-time Homebuyer's Credit enacted last year. Under current law, homebuyers have to pay this credit back over 10 years. The substitute before us today would eliminate the repayment obligation, unless the homebuyer sells the home within 36 months of the purchase.

For small businesses, we have included expanded expensing through section 179. This provision helps small businesses quickly recover the cost of certain capital expenses.

For businesses in general, we would increase the years that they can carry back losses and general business credits. This would put cash in the hands of businesses right now.

Businesses would also get a tax incentive through the Work Opportunity Tax Credit for hiring unemployed veterans and disadvantaged youth.

The economic downturn has frozen the municipal bond market. This recovery bill includes changes that would help to free up this market, unlocking cash for infrastructure investment.

Banks would be able to inject more capital into projects creating demand for municipal bonds, driving down interest rates. And increasing the small issuer exception would increase the range of municipalities from which banks can buy.

This substitute would also eliminate tax-exempt interest on private activity bonds as a preference item under the alternative minimum tax. This would draw new investors and help stabilize the market.

The legislation would also establish parity for Tribal governments on two billion dollars of tax-exempt bonds. This important change would allow Tribal governments to issue debt for projects on equal footing with other government issuers.

And this substitute would create a new tax-credit bond option. This new bond would give state and local governments a new tool to finance infrastructure projects.

We have also included incentives for energy in this recovery package. These incentives would create green jobs producing the next generation of renewable energy sources — wind, solar, geothermal.

The substitute would extend and modify the renewable energy production tax credit for qualifying facilities.

The substitute includes additional funding for clean renewable energy bonds to finance facilities that generate electricity from renewable resources. And the substitute includes conservation bonds for states to use to reduce greenhouse gas emissions.

Energy experts often cite efficiency as the low-hanging fruit. Efficiency is the easiest way for us to reduce our energy consumption and greenhouse gas emissions.

So we have included incentives for energy efficiency. The substitute would increase the value of the existing credit for energy efficient homes. The substitute would eliminate the limitations on specific energy-efficient property. And the substitute would extend the credits for various types of energy efficient property, for both residential and business.

Two new tax credits would spur our alternative energy and production.

The advanced energy research and development credit would provide an enhanced 20 percent R&D credit for research expenditures incurred in the fields of fuel cells, energy storage, renewable energy, energy conservation technology, efficient transmission and distribution of electricity, and carbon capture and sequestration.

The second energy tax credit is an advanced energy investment credit for facilities engaged in the manufacture of advanced energy property.

This substitute would make sound investments in health information technology, or health I.T. These investments should reduce costs, improve quality, and help patients make better decisions about their health care. Expanding use of health I.T. should make our health care system more efficient, reduce errors, and help bring down costs.

Health I.T. would also provide a platform for standardizing and collecting data to move toward paying for performance — another way to improve efficiency and decrease costs.

Investing in health I.T. will help to put that infrastructure in place, while creating thousands of high-tech jobs.

And reforming health care is the right way to get a handle on entitlement spending.

The economic crisis has also created significant fiscal difficulties for states. At least 45 states will face budget shortfalls. Economists expect those shortfalls to total more than \$350 billion over the next two years.

These dire circumstances have forced painful choices. Almost half the states have already made or proposed cuts to their Medicaid programs.

The continued rise in unemployment places a further strain on Medicaid. Decreased revenue coming in means less money to fund Medicaid. And experts warn that every percentage point increase in unemployment adds one million people to the Medicaid and CHIP rolls.

Economists tell us that state fiscal relief is an effective means to stimulate the economy. And they also advise that targeted relief to those most in need — not based on circumstances of states' own making but based on true measures of distress — is the best means of distribution.

The substitute before us today would provide much-needed relief to every state through a temporary increase in the Federal share of Medicaid funding. The substitute would also provide additional aid targeted to states facing the most precarious fiscal situations, measured by an increase in unemployment.

These measures will keep states from having to lay off cops or teachers. And keeping those workers on the job will help the economy.

The economic recovery package also supports those who have lost employment and helps them to find new jobs.

While almost all workers pay into the unemployment insurance program, only about half of them qualify for benefits. American workers deserve better. The substitute before us would increase and extend benefits to those currently looking for work.

The substitute before us would help states to cope with the increasing number of families needing temporary assistance. And it would remove the incentive for states to artificially keep their TANF case loads low.

In addition, the substitute would ensure that families that qualify could continue to receive child support payments that are intended to be spent on children. For those who receive it, child support constitutes about 30 percent of poor families' income.

The substitute before us would also increase the incentive to become employed by extending the Transitional Medical Assistance program under Medicaid for 18 months. TMA allows former TANF recipients to retain Medicaid coverage for one year after they become employed. These workers usually earn too little to afford private coverage.

The substitute before us would also remove barriers to getting Medicaid and CHIP for low-income American Indians and Alaska Natives.

The funds directed toward these programs for vulnerable populations would go into the hands of folks who need it and who will spend it right away. These proposals will increase economic activity, create jobs, and shorten the amount of time that we all spend in this economic crisis.

Another key component of our economic recovery package would help unemployed workers maintain their health coverage.

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When workers lose their jobs, they lose more than their paychecks. They often lose their health insurance coverage, as well.

To address this problem, our proposal includes help for unemployed workers to pay for their health care premiums.

Today, most workers who lose their jobs have the right to keep their health insurance for up to 18 months under the COBRA program. But to be eligible for COBRA health benefits, workers must pay all of the premium costs, plus an additional two percent for administrative costs. For most folks who have just lost their job, this is simply unaffordable.

Our plan would provide a subsidy to cover up to 65 percent of health premium costs, for up to nine months.

This premium subsidy is short-term. It would be available only to unemployed workers while they look for a new job.

For those workers who lose their jobs to international trade, President Kennedy established Trade Adjustment Assistance, or TAA. I have long championed TAA and worked to expand its reach and improve its effectiveness. Today, TAA gives workers the chance to retrain for new jobs, get access to health care, and ultimately get back to work. And that is why the substitute before us today includes a two-year extension of TAA.

Yet in a time when Americans are doing everything they can to change, adapt, and be flexible in a global economy, TAA should do the same.

We can do more to expand who can benefit from TAA. And we can improve how we get them those benefits. That is why I am working with Senator Grassley, Chairman Rangel, and Congressman Camp on a robust expansion of TAA. We hope to include this improved TAA in the economic recovery package before it is enacted.

The package that we are considering this week is our best effort to reach a consensus on an economic recovery bill that can pass the Senate and the House quickly.

The nation demands action, and action now. Let us act quickly to put our economy back on track. Let us act to restore our nation's financial health. And let us act pass this important legislation this week.

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