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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the Administration's Fiscal Year 2014 Budget**

As prepared for delivery

Alexander Hamilton once said, "The necessities of a nation in every stage of its existence will be found at least equal to its resources."

In 1790, when Hamilton was appointed America's first Treasury Secretary, he set out to build our young nation's financial system and pay down its debt. As Hamilton did this, he submitted the first budget to Congress and put the United States on track to be a thriving nation.

Today, more than two centuries later, we meet to hear from our new Treasury Secretary Jack Lew about this year's budget and the Administration's plans to meet the necessities of our nation.

The budget must be a reflection of our priorities. More than just numbers on a page, it should serve as a roadmap, guiding our nation on a fiscally sustainable path. It must cut our debt and also invest in and protect our priorities and create new jobs.

My bosses - the people of Montana - tell me they want to see a balanced plan that will bring us together, get our economy running at full speed and create jobs for folks in Montana and across America.

I was pleased the President's proposal takes some steps to find a middle ground. It calls for spending cuts and deficit reduction of an additional \$1.8 trillion while at the same time continuing to invest in national priorities such as education and infrastructure.

Of special importance to me, the budget supports my battle against veterans' unemployment. It would permanently extend the tax credit I authored for businesses that hire unemployed veterans.

Our veterans deserve to come home to good-paying jobs and a nation that honors their sacrifices. Making these tax credits permanent will help bring down unemployment among our nation's heroes.

I'm also glad to see the Administration addressing my concerns with bureaucratic red tape at the VA. Recent backlogs in disability claims are disgraceful. The ten percent increase in funding for the VA will help veterans get the care and support they need and deserve.

The budget also makes important investments in keeping America safe by sustaining the current ICBM force through 2030. I led the Senate ICBM caucus in a letter to Defense Secretary Hagel last week calling for this. North Korea's recent actions have sent a clear wakeup call to the White House. A strong ICBM force is the best deterrence strategy to keep America safe, and it also gives us the most deterrence for our money.

However, in many areas the President's budget is yet another example of how Washington doesn't understand rural America. We cannot balance the budget on the backs of rural jobs.

The President would cut \$38 billion from agriculture jobs over ten years. It undermines our work toward a strong, long-term farm bill this year. Agriculture supports one in five Montana jobs. The farm bill is our jobs bill, and I won't support anything that gets in the way of our ability to get it done.

As we address our budget challenges and work to cut the debt, this committee must focus like a laser on creating jobs. Nearly four years into the economic recovery, close to twelve million people are actively looking for work. An additional 7.6 million Americans are stuck working part-time because they can't find full-time jobs. And just last week, we heard that new job creation is at anemic levels. Only 88,000 jobs were added to the economy in March, marking the slowest job growth in nearly a year.

Job creation must remain the top priority of the administration, this Congress and this committee. Some economists have attributed the slow job growth to austerity measures, known as the sequester. The sequester cuts started to hit in early March and the impact is being felt in Montana and across America.

I voted for every bill I could to stop these indiscriminate cuts. I voted for the Democrats' plan to replace the sequester, and I voted for the Republicans' plan to give the president more flexibility on where the cuts occur. Unfortunately, neither plan passed the Senate. Frankly, I think we should try again. I was pleased to see the President's budget looks to replace the sequester with more thoughtful cost saving measures.

The slow pace of our economic recovery demands that we replace sequestration with a responsible, long-term deficit reduction proposal that protects jobs and spurs the economy. Much progress has already been made in reducing the deficit.

Congress has enacted two budget trimming bills that reduced deficits by \$2.5 trillion over the next ten years. When savings from ending the wars in Iraq and Afghanistan are added, federal deficits will be reduced by almost \$3.5 trillion over ten years.

This belt tightening is having a real impact. The Congressional Budget Office projects a stable debt-to-GDP ratio over the next several years. The deficit will be cut in half by 2015.

CBO also expects the rate of Medicare and Medicaid spending to slow significantly. Current projections for the programs' costs through the end of the decade are \$200 billion less than they were in March 2010.

With that said, there is still more work to be done to responsibly cut our debt in a way that doesn't impede our economic recovery.

As I mentioned earlier, Secretary Lew, I am committed to strengthening Social Security and Medicare to ensure these programs will be there for future generations. The President has made some bold proposals in his budget to reform both programs.

The President's proposal calls for Medicare cuts well above the level passed in the Senate budget. And the Senate budget put a firewall around Social Security.

I'm disappointed by the President's proposal to change how cost of living adjustments are calculated for seniors and military retirees. Cutting Montana seniors' benefits without asking the wealthiest Americans to chip in to the Social Security trust fund isn't right. Any reform of Social Security should be for the solvency of the program, not deficit reduction. We will delve into these issues in more depth shortly.

Finally, we have been hard at work in this committee for more than two years on comprehensive tax reform.

The lackluster economic growth we're seeing shows we must simplify the tax code. We need a pro-growth tax code that closes loopholes while giving America's businesses the certainty they need to compete globally and plan and expand operations.

The Finance Committee is meeting weekly, discussing the code issue by issue and working together to modernize America's tax system. We are working to make it simpler and fairer for families.

Secretary Lew, just two months ago you sat before this committee and told us you were going to work with us on tax reform. You said you were willing to take on this challenge and this committee will hold you to your word. Today I look forward to hearing exactly how the budget helps your words become a reality.

The President's budget has proposed raising \$600 billion in revenue over ten years. The Senate budget proposed raising \$975 billion over ten years. It seems the President is working to carve a middle ground, just like I am working to do when we close loopholes and simplify the tax code.

We will close billions of dollars of loopholes. Some of this revenue should be used to cut taxes for America's families and help our businesses create jobs, and some of the revenue raised in tax reform should also be used to reduce the deficit. It's all about finding common ground so we can move forward together.

Secretary Lew, we welcome you to your first appearance before the Senate Finance Committee as Treasury Secretary. So let us remember our priorities. As America's first Treasury Secretary advised, let us look to the necessities of our nation as we assess our resources.

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