Senate Committee on Finance
U.S. Senator Orrin Hatch (R-UT), Ranking Member
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HATCH STATEMENT AT FINANCE HEARING EXAMINING THE PRESIDENT'S FISCAL YEAR 2014 BUDGET

Treasury Secretary Jack Lew Testifies

WASHINGTON - U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following remarks during a Senate Finance Committee hearing examining the President's budget proposal for Fiscal Year (FY) 2014 with Treasury Secretary Jack Lew:

Thank you, Chairman Baucus, for holding today's hearing, and thank you Secretary Lew for joining us here today.

Yesterday, after a couple months of delay, we received the President's fiscal year 2014 budget proposal. While there are a few glimmers of hope in the budget, it is, overall, a disappointment.

The President's budget never balances. Not this fiscal year, not in ten years, not ever.

Instead, under the President's budget, the gross national debt would be $25.4 trillion in 2023, or 96 percent of GDP. Economists and the Congressional Budget Office have repeatedly told us that such high levels of debt threaten economic growth and leave us in a position where we are unable to respond to unforeseen crises or emergencies.

In addition, the President's budget takes only baby steps toward reforming our unsustainable entitlement programs, falling far short of the structural changes needed to preserve these programs for future generations.

Many have touted the proposal in this budget to adopt chained-CPI for many parts of the federal government – including Social Security cost-of-living adjustments – as a demonstration of the President's willingness to work on entitlement reform.

While one may conclude that this is a step in the right direction, it is only a small step. In fact, in the grand scheme of things, it barely registers.

Under the President's budget, overall Social Security spending over the next ten years is virtually the same as it would be absent any of his proposals.

Put simply, that means, despite many claims to the contrary, this budget contains no substantive changes to Social Security.

The story is the same on entitlement spending across the board.

Over the next ten years, according to the President's adjusted baseline, we will spend $7 trillion on Medicare, $4.1 trillion on Medicaid, and $11.2 trillion on Social Security for a combined total $22.4 trillion.

With trillions of scheduled spending, the President's budget proposes to curtail spending on these programs by only $413 billion over ten years relative to his adjusted baseline, which amounts to a minuscule 1.8 percent reduction in entitlement spending.

That is not reform in any meaningful sense and is nowhere near the structural reforms we need to get our entitlements on a path to solvency.

In addition to increased spending, the President's budget calls for even more taxes. This comes after the $1 trillion in taxes imposed under Obamacare and the more than $600 billion in taxes the President got out of the fiscal cliff deal.

The budget includes: higher taxes on estates, the Buffett tax, a financial crisis responsibility tax, fresh taxes on retirement savings, more taxes on commercial aviation, increased taxes on energy producers, and on and on.

All told, the budget contains nearly a trillion dollars in tax increases, which is simply unacceptable.

That said, I do have to say that I am encouraged by some of the proposals in the budget dealing with corporate tax reform.

With this budget, the administration has finally admitted that it could be open to revenue-neutral corporate tax reform. Many Democrats in the Senate have supported this position, though the idea was soundly rejected in the budget that recently passed in the Senate. Contrary to what the President has proposed, the Senate Democratic budget envisions higher taxes on corporations to finance more government.

It will be interesting to see how this apparent conflict will be resolved and which course my colleagues on the other side of the aisle decide to take.

Of course, my praise for the President's proposal on tax reform is tempered by the fact that it is limited to the corporate side of the tax code. While the President seems content to *lower rates on corporations in order to make them more competitive in our global economy, he is also apparently fine with asking flow-through businesses – which file as individuals – for even more taxes.*

If we want tax reform to result in real economic growth and to improve the competitiveness of American businesses, it needs to be comprehensive, focusing on both the corporate and individual tax codes.

These are just some of the concerns I have with the budget that was released yesterday.

In addition, there remain many unspecified details in the President's budget which I hope we can begin to clarify in today's hearing with Secretary Lew. I look forward to the Secretary's testimony and, once again, I want to thank you, Mr. Chairman, for holding today's hearing.

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