



For Immediate Release
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Contact: Scott Mulhauser/Erin Shields
202-224-4515

**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding President's Fiscal Year 2011 Budget**

In his March 1961 budget message, President John F. Kennedy said:

“[T]he federal budget . . . should, apart from any threat to national security, be in balance over the years of the business cycle — running a deficit in years of recession when revenues decline and the economy needs the stimulus of additional expenditures — and running a surplus in years of prosperity”

President Kennedy's goal remains one that we should embrace today.

Today, our Nation is addressing new and complex threats to our national security. And today, our Nation is addressing a deep and painful period of recession.

And as President Kennedy recognized, in a recession, tax revenues naturally decline, as businesses make less money. And in a recession, automatic economic stabilizers like unemployment insurance and Medicaid naturally fulfill their purpose, resulting in additional expenditures.

Plainly, today, our top priority needs to be creating more jobs. Since this Great Recession began, more than seven million Americans have lost their jobs. We need to help American businesses to hire more workers.

The President's budget allocates \$100 billion for job creation initiatives. Thus far, the administration has announced a \$33 billion Small Business Jobs and Wages Tax Cut. It's not clear what initiatives will be supported by the remaining \$67 billion of the \$100 billion proposed for job creation measures. I plan to ask our witness about that.

The budget also includes \$166 billion for other temporary economic recovery measures. The budget would increase investment by extending the bonus depreciation tax cut for businesses. It would also increase investment by small businesses by extending the credit in section 179 of the code. The additional investment arising from these two tax cuts should help create jobs.

I support these jobs proposals. I look forward to working with my colleagues on both sides of the aisle to enact them into law.

The temporary recovery package would also extend the number of weeks of additional unemployment benefits for three months. And for 10 more months, it would continue tax credits that cover 65 percent of the cost of COBRA benefits for workers who lose their jobs. Again, I look forward to working with my colleagues on both sides of the aisle to enact these proposals into law.

So, as President Kennedy counseled, we are addressing the needs of the economy and American workers in times of recession.

But we must also lift our sights, as President Kennedy counseled, to the longer-term balance over the years of the business cycle.

The President has done so in his budget proposal. Over the next 10 years the President proposes \$2 trillion in deficit reduction measures.

Over the next 10 years, the administration suggests that the government ought to shoot to keep annual deficits below three percent of the economy. The administration argues that such deficits keep debt held by the public at a constant share of the economy.

But the deficits projected in the President's budget for the next 10 years do not yet hit that target. The budget proposes deficits of 3.9 percent of GDP in fiscal year 2014 and 4.2 percent of GDP in fiscal year 2020.

The budget suggests that the additional deficit reduction to reach the three percent goal will come from a bipartisan commission to be created by an executive order. I support the creation of this commission. And I support its mission to come up with proposals to further address our long-term deficits.

And we must also lift our sights even further, to balance over the long term. The budget's projections warn that without any policy changes, deficits and debt will explode in the long term.

The primary reason for these long-run deficit projections is that health care costs are growing too rapidly. Health care costs per person are growing faster than the economy is growing per person. And Medicare and Medicaid costs are growing faster than the GDP. That means that over the long-run, Medicare and Medicaid costs will consume an increasingly greater share of the economy. This rapid growth in spending drives up deficits and debt held by the public.

The answer is to enact comprehensive health care reform with strong cost containment. And that is exactly what the Congress has been doing.

According to the nonpartisan Congressional budget Office, the Senate-passed health care bill would reduce the deficit by \$132 billion during the next 10 years. And it would reduce the deficit by \$650 billion to \$1.3 trillion in the subsequent 10 years.

But the deficit reduction in our health care reform bill does not stop there. The bill contains new and innovative ideas for improving health care quality while reducing the incentives for inefficient and wasteful spending.

For example, our bill would bundle together payments to providers to encourage them to work together to find savings. Our bill would establish accountable care organizations that would give health care providers tangible incentives to cut costs. And our bill would create incentives to discourage costly hospital re-admissions.

In his March 1961 budget message, President Kennedy also said: “It is my determined purpose to be a prudent steward of the public funds — to obtain a dollar’s worth of results for every dollar we spend.”

Once again, President Kennedy’s goal remains one that we should embrace today.

And so, let us work together to address the needs of the economy and American workers in these times of recession. Let us be prudent stewards and ensure that we obtain a dollar’s worth of results for every dollar that we spend — in health care and elsewhere in the budget. And let us roll up our sleeves and begin the hard work of restoring fiscal responsibility over the longer run.

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