



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement of Senator Chuck Grassley, Chairman
Finance Committee Hearing, "The Future of the Gulf Coast: Using Tax Policy
to Help Rebuild Businesses and Communities and Support Families after Disasters"
Thursday, Oct. 6, 2005

I'm pleased to call to order this hearing. A little over one week ago, the Senate Finance Committee focused on our second phase of tax relief efforts with respect to the aftermath of Hurricane Katrina. The Finance Committee has responded quickly and decisively to the hurricane. A week and a half ago, President Bush signed into law the immediate tax relief package worked out by the House and Senate. I thank Senator Lott for his input as well as that of Senators Landrieu, Vitter, Cochran, Shelby and members of this Committee. We hope to pass the immediate health care and income security package as well. Unfortunately, we've run into a Senate speed bump on that front. A few senators are blocking the bipartisan Finance Committee immediate health care and income security package. If they were lone rangers, we'd have cleared the package by now. Unfortunately, my guess is our friends at the other end of Pennsylvania Avenue are also involved. Senator Baucus and I are working together on these packages and will continue to do so.

I appreciate the determination and focus Senator Baucus has put into moving the two immediate packages. He has heard from the Gulf Coast region folks. So have I. What they are saying is, move quickly. They especially want us to move quickly on this next package of tax relief. As the governors said last week, time is a-wasting. We can't dilly-dally on Capitol Hill as people in the region face real-world decisions on whether to relocate or not.

So, to the people of the Gulf Coast region, I promise you we will move expeditiously. I'm directing my staff to ready the next Finance Committee package for our return from the Columbus Day recess. We intend to continue to work on this package in a bipartisan manner. So, I promise to expeditiously on the package. At the same time, I want to promise to move with an eye toward the best use of the federal taxpayers' dollar. As I said last week, we need to marry up our compassion for the displaced persons and damaged communities with our attention to fiscal discipline. We need to find the most efficient and effective ways to use the federal resources under this committee's jurisdiction to carry out the overall policy of rebuilding the region. I would like to reiterate four principles designed to guide our consideration of the next phase of hurricane relief.

Principle number one: market forces are going to have to be the prime mover in getting the region back on its feet. Whatever policy initiatives we look at should be designed to speed up market forces that are already in play.

Principle number two: ascertain and deal only with uninsured losses. The taxpayers should not be bailing out insurance companies or underwriters. This principle is a corollary to the first principle. That is, market forces ought to work their will and losses ought to be borne by those who undertook the risk. That is the capitalist system, after all.

Principle number three: within the category of uninsured losses, we should focus limited federal resources on those who are in most need. We should focus on small businesses. In the Gulf Coast region, like that of the rest of America, small business creates most of the new jobs. It doesn't mean that large multinational corporations should not be considered in our proposals. It does mean the incentives and loss recovery should not be designed to duplicate what multinational businesses are otherwise predisposed to do.

Principle number four: the incentives and loss recovery should be front-loaded and time-sensitive. That is, we should send signals to business and others to move aggressively and quickly back to the region. There should be a distinct beginning and end to the policy the Finance Committee is considering. This principle is important for fiscal discipline as well.

In recent days, reports of mismanagement and excessive payments have continued to come from the relief effort. American taxpayers are compassionate, but rightly expect their hard-earned tax dollars to be spent wisely. Congress hastily approved an open-ended appropriation in excess of \$60 billion. That well-meaning, but quickly-approved open-ended appropriation has produced a lot of tales of wild and wasteful spending. That bill wasn't in this committee's jurisdiction. It wasn't under this committee's watch. It doesn't mean, from this committee's standpoint, the federal Treasury door should be swung wide open for every conceivable tax cut or spending proposal related to the Gulf Coast region. I hope I hear assurances from Secretary Snow on this point.