



Statement of Senator Dianne Feinstein in Opposition to the Senate Budget Resolution

***- Congress Needs to Return to Fiscal Responsibility and
Reject a Budget Resolution That Will Increase the Burden on Future Generations -
March 12, 2004***

Washington, DC – U.S. Senator Dianne Feinstein (D-CA) early today voted against the Republican-sponsored Senate budget resolution that would retain tax cuts for the wealthy, while underfunding or cutting funding to law enforcement, homeland security, firefighters, and education.

Following is Senator Feinstein's statement entered into the Congressional Record:

“The federal budget deficit will reach a record \$477 billion this year, according to figures released in February by the Congressional Budget Office. And, if you believe the President's own numbers, the budget deficit will come in at \$521 billion this year.

This is a stunning turnaround from three years ago, when the budget was in surplus. But this is just the tip of the iceberg. Over the next ten years, the deficit is projected to grow to \$5.5 trillion – another record.

Deficits do matter, and unless we face up to them, they could seriously harm our nation's economy. Here's why:

First, deficits mean increased spending on interest instead of priorities.

In the short term, deficits can help stimulate the economy or pay for emergency spending. But in the long term, they limit our nation's ability to fund much needed priorities. This means less money for education, less money for environmental protection, and less money for health care.

The Administration – largely because of the projected deficits – has pledged to limit spending on domestic programs this year to 1 percent growth.

The budget before the Senate today reflects these constraints by:

- Failing to reimburse state and local governments for the federal responsibilities in paying for the incarceration of illegal immigrants;
- Reducing the effectiveness of our police officers by cutting almost \$700 million from the COPS program;

- Cutting almost \$250 million from firefighter grants;
- Underfunding No Child Left Behind by \$8.9 billion; and
- Underfunding Port Security by more than \$550 million.

These are not frivolous or unimportant programs: these are vital priorities that must be funded.

Last year we spent \$318 billion in interest on the national debt alone. Our total non-defense discretionary spending last year was only modestly larger, coming in at \$421 billion.

Every dollar of that \$318 billion was money that could have been available for education, health care, defense, infrastructure, job development, homeland security – or to return to the American people as tax cuts, if we had paid down the debt.

Second, deficits lead to interest rate increases.

We have been fortunate in recent years – interest rates and inflation have remained low. But as the economy picks up, the downward pressure on interest rates will be relieved and the impact of deficits will be felt. This will add huge expenses to variable home mortgages and auto loans.

An increase of just 1 percent would add \$2,000 per year to the cost of a \$200,000 home mortgage. This is more than the majority of American taxpayers will receive from the President's latest tax cut.

Third, deficits prevent us from addressing the looming Social Security and Medicare crises.

This is an issue that is not addressed in this budget resolution. We can not continue to avoid it forever.

The retirement of the baby boomers will place a tremendous strain on our social safety net. In fact, if we do not address the problem, the Medicare trust fund will go broke by the year 2030, and the Social Security trust fund by 2040.

Our nation was poised to deal with these crises at the end of the Clinton Administration. In 1998, the 30-year trend of deficit spending had been reversed, and we paid off \$448 billion of the nation's publicly held debt. This opportunity, however, has been lost.

Not only have we failed to shore up the Social Security and Medicare trust funds, but we are also tapping the Social Security trust fund to pay our bills – to the tune of \$164 billion this year alone.

So what do we do?

One possibility is to simply continue along our current path and pass our problems on to our children and grandchildren. In fact, the budget resolution we are dealing with today raises the federal debt ceiling by \$644 billion – essentially borrowing from future generations because we are unable to muster the political will necessary to pay today's obligations today.

So I strongly believe that the time has come to chart a different course, and make the tough choices that the President and this budget resolution avoid making. We must adopt a balanced approach to both taxes and spending and return to a program of fiscal sanity.

This is what we did when I first came to the Senate over a decade ago. At that time, a small, bipartisan group of Senators came together to get our fiscal house in order.

- Democrats worked to bring spending under control.
- And Republicans pledged not to push for additional tax cuts.

Today, we must come together again to address the deficit and restore our nation's economic security.

On taxes, I believe that we must consider rolling back the tax cut on the wealthiest in the nation, to bring the income tax rate from its current 35 percent back up to 38.6 percent – what it was just last year. This will affect those who earn more than \$312,000 per year. And, will impact less than one percent of American taxpayers, but will save nearly \$130 billion over the next decade.

Making the President's tax cuts permanent, as he called for in his State of the Union Address, represents the height of fiscal irresponsibility. In fact, the Tax Policy Institute estimates the cost of making these tax cuts permanent would cost \$1.8 trillion over ten years – \$1.8 trillion at just the time that baby boomers will start retiring and Social Security and Medicare need to be stabilized.

The tragedy of our current circumstance is that, given the surpluses he inherited, President Bush should have the resources available to devote additional spending to health care, education, and the environment. But the wrong policies, at the wrong time, combined with the war on terror, escalating the 2001 tax cuts, and now moving to make them permanent, plus the recession, have contributed toward the largest budget deficit in history.

And now, the fact of the matter is that we are going to need to tighten our belts and bring spending under control. I have no problem holding the line on spending, but believe that it must be done in the context of a more responsible approach to tax policy.

Finally, we need to take a good, hard look at Social Security and Medicare, and start addressing some of the deeper structural problems with these programs now – before they fall into crisis.

These are not easy answers. But holding off on additional tax cuts, bringing spending under control, and dealing with Social Security and Medicare is the only path to long term fiscal order, a balanced budget, and a healthy and vibrant economy.”

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