EXTENSIONS OF REMARKS

A BUDGET PROPOSAL THAT INVESTS IN OUR FUTURE

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OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 15, 1997

Mr. BROWN of California. Mr. Speaker, today we are in budgetary limbo. We have been told that we will soon be presented with a budget agreement that will set us on an economically sustainable course for the future. We have been told that the package of spending cuts and tax cuts will benefit all Americans from Main Street to Wall Street. We have been told that the only thing left is to fill out the details. We do not know what these details are today and we may not understand their significance until long after we have voted on this package on the floor.

Unfortunately it is these very details that will govern, not only whether this package can hold together during the remainder of the budget process, but also whether this agreement will have any beneficial effect at all on the economy 10 years from now. Unfortunately, this budget resolution we will vote on will be nothing more than an accounting game—how can we get to a zero deficit in 5 years.

The real question should not be whether the deficit is zero, whether we have a $10 billion deficit, or whether we have a $10 billion surplus. To a first approximation, all of these will have about the same effect on the economy and they are all arbitrary accounting benchmarks. The real question should be whether we are spending Federal resources on investments that will help us achieve productivity gains in the future. The well known campaign slogan ''it's the economy stupid!'' should be replaced by ''it's productivity stupid!''.

This year, the President's budget clearly shows that Federal investments, especially nondefense investments, have continued their decline both as a percent of total outlays and as a percent of the GDP. The percent of our total outlays which are invested in things such as transportation, R&D, and education has fallen to an all-time low of less than 13 percent of the budget. This is less than half of what we invested in these categories in 1970.

Today, I am introducing a budget alternative called the investment budget intended to reverse this decline and establish clearer budgetary goals for Federal investments. Earlier this year, I introduced House Concurrent Resolution 58 which encompassed many of these concepts. That bill increased funding for R&D, transportation, and human capital while decreasing funding for consumption spending. This bill eliminated the deficit in 5 years using CBO assumptions.

The bill I am introducing today retains all of the features of House Concurrent Resolution 58 dealing with investments. This bill, however, incorporates many of those items contained in the budget agreement that have achieved a broad consensus. Specifically, this bill incorporates the Medicare package and restores certain benefits eliminated by last year's welfare reform bill. This bill also incorporates the revised CBO assumptions about future revenues.

Perhaps more importantly, this bill drops the Medicaid reform provisions of House Concurrent Resolution 58 and the downward adjustments to the CPI. Although these represented more far-reaching entitlement reforms, I recognize that there was simply no political consensus today that would support their successful enactment.

In sum, this bill today eliminates the deficit in 5 years while increasing spending on investments that will help our economy grow. This bill does not incorporate a tax cut. Such tax cuts should only be considered when the budget is actually balanced. Many have complained that the tax cuts being considered have become a football in partisan political struggles and may lead to a ballooning deficit in 10 years just as the 1981 tax cut did. If this does occur, the public will certainly recall this budget agreement as a colossal failure.

Mr. Speaker, I intend to ask the Rules Committee to make this alternative in order at the time the budget resolution is considered on the floor. As of today, over 35 Members have expressed support for this request and there will be many more as the details of the budget resolution emerge. I believe it is important that Members have such genuine alternatives because there are many ways to balance the budget.

There has been a long-running debate over the inability of the Government to distinguish between investment and consumption and to structure a workable budgetary system that recognizes the functional effect of investments on the economy. There has been almost a universal recognition by economists that the present budgetary structure has led to chronic underinvestment and will continue to do so. Hopefully, the bill I am introducing today will be a first step toward addressing this crucial problem.

I am including a brief summary of the main features of this bill and the assumptions we have made in developing it.

KEY PROVISIONS OF THE INVESTMENT BUDGET

The Investment Budget was developed earlier this year as a potential alternative budget resolution. It provided for increases in investments including R&D, transportation, and education and training. It offsets these increases by limiting defense spending, incorporating the Medicare reform proposals from the Budget Agreement, and including the reductions in unwarranted benefits proposed by the President.

A summary of the key provisions of the Investment Budget is as follows:

Balanced Budget—Using CBO scoring, the proposal provides a surplus by the year 2002. In addition, the proposal meets the previously established discretionary cap in F.Y. 1998. In sum, this proposal cuts spending by $220 billion over the next five years.

Non-Defense Discretionary Spending—The proposal increases non-defense discretionary spending from $282 Billion in F.Y. 1998 to $306 Billion by 2002. Total expenditures over the next five years exceed the Budget Agreement by over $30 Billion in order to provide for domestic investment initiatives.

Research and Development—An overall increase in R&D, including basic research, energy research, health, space, agricultural research, and defense research of $30 billion over the President's request over the next five years.

Transportation—An increase in physical capital investment spending of $40 billion over five years above the President's request including an increase in highway spending up to $26 billion per year, the maximum spending level that leaves stable trust fund balances.

Energy Conservation—Increased spending 5% per year for energy supply R&D and energy conservation will enable a more robust relationship between energy policy and other emerging environmental and economic influences that will affect future energy consumption patterns.

Environment—The proposal increases spending for Superfund cleanup, an expansion of Brownfields initiative, and clean and safe drinking water state revolving funds. This will enhance the economic development and use of natural resources in an environmentally sustainable manner.

Technology Development—Increased funding for the National Institute of Standards will enable NIST to maintain its core scientific research programs and to expand its technology and manufacturing partnership programs. Steady growth in the Advanced Technology Program will promote industrial alliances and lead to the direct creation of new, high tech jobs in the future. Sustaining funding for the Manufacturing Extension Program will provide technical and business assistance to improve the competitiveness of U.S. manufacturers.

Enforcing Investment Spending Targets—Overall investment spending targets exceed the President's budget by over $70 billion over the five year period and will begin to halt the decline in investment spending. The proposal includes an enforcement mechanism through the 602 budgetary allocations which protects investment spending from consumption spending during the appropriations process.

Future Investment Spending—Establishment of a trust fund from the proceeds of FCC spectrum auctioning that may be used to fund future investment.

Medicare—The proposal incorporates the Medicare reform package included in the Budget Agreement. This extends the 25% part B premium payments, reforms provider payments, and extends Medicare solvency through 2007.

Medicaid—Medicaid savings are offset by Medicaid expansion to restore benefits for disabled legal immigrants, legal child immigrants, to finance children's health insurance. No net change in Medicaid is assumed.

Consumer Price Index—No legislative change in the CPI is included.

Tax Cuts—No tax cuts are assumed in this proposal until the budget is balanced.

Welfare Reform Restorations—The proposal restores both Medicaid and SSI benefits for most of the legal immigrants that would have been affected by last year's law.