

Compilation of documents describing Senator Grassley's work on the Senate economic stimulus legislation

For Immediate Release

Wednesday, February 4, 2009

Grassley: CBO analysis that shows stimulus bill jobs to cost as much as \$300,000 each

WASHINGTON --- Senator Chuck Grassley said today that a preliminary analysis by the Congressional Budget Office shows that the jobs created by the economic stimulus legislation being debated in the Senate would cost taxpayers between \$100,000 and \$300,000 a piece.

Grassley said these numbers should be contrasted to those under the January baseline of the Congressional Budget Office, in which there is no stimulus, that show the Gross Domestic Product per worker is about \$100,000. Grassley said the new analysis indicates the cost of each stimulus job to be as much as three times more than jobs created without the stimulus bill.

"There's been a lot talk about bang for the buck, but there's no talk about actually making sure it happens so that Americans get the help they need," Grassley said. "Before Congress spends another \$1 trillion, we ought to make sure we are getting our money's worth. Congressional leaders should postpone a final vote on the stimulus bill until the Senate has had the opportunity to carefully review a full analysis of the Congressional Budget Office."

The eight-page response of the Congressional Budget Office to an inquiry from Grassley is attached and posted at www.cbo.gov. According to the document, the Senate bill would create between 2.8 million and 8.2 million jobs on a cumulative basis over the next three years, depending on whether CBO's multiplier assumption is "low" or "high."

Grassley said that while the analysis covers only 2009 through 2011, if the ratio of employment to government spending remains the same throughout the 10-year projection period, there could be no jobs created by the eighth year. Assuming that increasing the national debt by more than \$1 trillion will crowd-out private sector investment, the net result would be fewer jobs within 10 years because of the stimulus bill.

Senator Grassley's letter requested CBO to provide an analysis through 2019 consistent with the January (pre-stimulus) baseline. CBO indicated the full 10-year analysis would not be available until next week.

For Immediate Release

Friday, February 6, 2009

Senate fails to treat Iowa and other states fairly with Medicaid dollars

Democratic-led majority rejects Grassley amendment to unravel bias in Senate legislation

WASHINGTON --- Senator Chuck Grassley today said it was “shameful” that the Senate failed to establish fair treatment for Iowa, 33 other states and the District of Columbia with the additional federal Medicaid dollars that would go to states if the economic stimulus bill is passed and signed into law.

All but 11 Democratic senators voted against Grassley’s “fair treatment” amendment, which would have redistributed \$2.3 billion of the \$87 billion for enhanced Federal Medical Assistance Percentage, or FMAP, payments. The vote was 49 to 47 against fixing the formula.

Grassley cried foul against the formula bias last week, and today he said, “it’s inexcusable for the Senate to disregard the very difficult economic situation facing every state and give disproportionate help to big states at the expense of the fair share of 34 other states with the federal-state Medicaid formula.”

The Senate bill is so skewed to big states that Iowa’s share of the additional funding would have increased by more than 21 percent, or \$128 million, in the level playing field that would have been established by the Grassley amendment.

In addition to Iowa, Grassley’s amendment would have secured fair treatment with the enhanced FMAP payments for Alabama, Alaska, Arizona, Arkansas, DC, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, West Virginia, Wisconsin and Wyoming.

The Grassley amendment was budget neutral, and 75 percent of the redistributed FMAP funds would have come from California, Illinois, Massachusetts and New York. Grassley’s amendment would have given each state the same flat 9.5 percent increase in its FMAP payment and allowed states to choose which nine consecutive quarters in an 11-quarter period best fits the economic needs of the state.

This amendment was just one of several filed by Grassley to fix flaws in the Medicaid provisions that are part of the overall proposal. In a lengthy floor statement delivered earlier this week, Grassley said the bill fails to prevent states that take the extra federal money from cutting their Medicaid programs, raising taxes, and raising tuition. He said the proposal is also “out of control” for not requiring states to address fraud, waste and abuse and the fiscal sustainability of their Medicaid programs.

Floor Remarks of U.S. Senator Chuck Grassley of Iowa
Ranking Member of the Committee on Finance
Medicaid Spending in the Economic Recovery and Reinvestment Act of 2009
Wednesday, February 4, 2009

Mr. President, today I want to talk about one specific area of this cobbled together spending party the Senate is considering.

This bill provides significant increases in Medicaid spending. There's \$ 87 billion in Medicaid funds in this bill. There's a fundamental change to Medicaid that is in the House bill waiting to be put into the Senate bill when it goes to conference. There are numerous amendments to try to fix some of the problems with the Medicaid provisions in this bill, and I'm going to use this time to talk about as many of them as I can.

I'll start with the \$87 billion FMAP increase in the bill. That's a huge payment to the states.

Now, some will say the \$87 billion in Medicaid payments in this spending party bill is meant to help states pay for people already enrolled. But the facts tell a different story. In January, the Urban Institute produced a report for the Kaiser Commission on Medicaid and the Uninsured titled "Rising Unemployment, Medicaid, and the Uninsured." The Urban Institute's research asserts that for every one percent increase in nationwide unemployment, Medicaid and SCHIP programs will see an increase of 1 million additional beneficiaries nationwide.

So using that formula and the unemployment baseline that is in the bill, I had the Congressional Budget Office prepare a cost estimate for an amendment giving states additional funding based on the Urban Institute's publishing research. This amendment would provide for an additional per capita federal payment to states for every new enrollee that the Urban Institute research assumes will go on Medicaid or SCHIP during the 27 months contemplated in this bill.

Everyone watching probably knows that the Urban Institute is not exactly a conservative think tank. So their research should be credible to my friends on the other side of the aisle. Now remember, the cost of the additional Medicaid funds for states in this bill is \$87 billion. The cost of my amendment: \$10.8 billion. That's \$10.8 billion for what the Urban Institute suggests are enrollment-driven increases in Medicaid spending due to the recession.

So the question is, why does this bill provide almost eight times what the states actually need for the new enrollment resulting from the downturn? The Senate is considering \$87 billion in funding because states are facing deficits of as much as \$312 billion in the aggregate over the next two years. Let's not kid ourselves; this bill gives states money to help them fill their deficits. This outlandish sum of money is not needed for Medicaid.

So you may want to ask what commitment is Congress getting from the states in exchange for \$87 billion? Mr. President, Congress is giving states \$87 billion and hoping that states don't take actions that are contrary to Medicaid actually providing the care that

people need. I use the word hope because the underlying bill doesn't do enough to make sure states do what is best for the Medicaid program.

Does the bill prevent states from cutting their Medicaid programs? It does not. The bill only prevents states from cutting Medicaid income eligibility. But if Congress is giving states \$87 billion and telling them not to cut Medicaid eligibility, shouldn't Congress also tell states they can't cut benefits?

If Congress is giving states \$87 billion and telling them not to cut Medicaid eligibility, shouldn't Congress also tell states they can't cut payments to providers? States can't change income eligibility, but under the bill as written, they can cut provider payments or benefits to providers. Will there be Medicaid beneficiaries who are elderly or disabled able to receive home and community based services? If we want to keep seniors and the disabled in their homes, rather than institutions, paying direct care workers to provide home and community based services is critical. Will there be enough pharmacists taking Medicaid? Will there be enough rural hospitals or public hospitals taking Medicaid? Will there be enough community health centers taking Medicaid? Will Medicaid beneficiaries who are elderly or disabled be able to get into nursing homes? Will states cut mental health services because Congress didn't prevent them from doing so in this bill? Will there be pediatricians or children's hospitals there for children on Medicaid?

Mr. President, if the Senate does nothing to protect access to these vital providers, nobody will be able to assure the people who count on Medicaid that the care they need will be there for them. I have filed an amendment that prevents states from generally cutting eligibility and benefits and provider payment rates while they are receiving the \$87 billion in additional aid.

If you want to protect Medicaid then really protect Medicaid. I hope we'll do that by adopting my amendment.

As written, the bill gives states \$87 billion also in the hope that states don't take actions that are contrary to economic growth. I use the word hope because the bill doesn't do enough to make sure states do what is best for our economy either.

We should ask for more guarantees that states will spend the money appropriately and not make decisions that work against economic recovery.

If Congress gives states \$87 billion and tells them not to cut Medicaid, should Congress also tell states not to raise taxes? If states react to their deficits by increasing taxes, they will defeat the goal of economic recovery. It makes no sense for us to leave the door wide open for states to raise taxes while getting an \$87 billion windfall from the federal government.

I have an amendment that prevents states from raising income, personal property or sales taxes as a condition of the receipt of \$87 billion in federal assistance. If Congress gives states \$87 billion and tells them not to cut Medicaid, should Congress also tell states not to raise tuition at state universities? If states can price young people out of an education, that does nothing for preparing our workforce for the 21st century.

I have an amendment that prevents states from raising tuition rates at state colleges and universities as a condition of the receipt of \$87 billion in federal assistance. For \$87 billion, shouldn't Congress expect states to modernize their Medicaid programs?

My friend, Dr. Coburn, has amendments requiring states to improve chronic care in Medicaid and develop medical homes as a condition of the receipt of \$87 billion in federal assistance for Medicaid. For \$87 billion, what does this bill do to ensure that all those federal taxpayer dollars are being spent appropriately? The answer is, almost nothing.

During the markup, we were able to get funding for the Department of Health and Human Services' Office of the Inspector General increased by \$31.25 million. For those of you doing the math at home, \$31.25 million is just under four one-hundredths of one percent of the \$87 billion in Medicaid spending in the bill.

Senator Cornyn and I have an amendment that requires states to do something to improve their waste, fraud and abuse in exchange for the \$87 billion in federal taxpayer's money. It provides a list of eight options to combat waste, fraud and abuse, and the Secretary can provide more options as well. States are given time to plan and implement the options. States can choose to make their payments transparent. States can choose to implement recovery audit contractors as is used in Medicare. States can choose to join the Medicare-Medicaid data matching program. States can implement third party liability programs that find other insurers who should pay before Medicaid. States can implement electronic verification systems to limit fraud and abuse. States can implement the recently passed PARIS system to protect the integrity of the program. States can comply with the recently implemented disproportionate share hospital audit requirement. States can choose to increase their budget for Medicaid Fraud Control Units. These are all very reasonable steps states could and should take if Congress is going to send them \$87 billion in additional Medicaid dollars. They don't have to do all of these various options, just four. Just show the American people that states can take four simple steps to reduce fraud, waste and abuse. Shouldn't Congress at least ask that much of states for \$87 billion?

Mr. President, if Congress is going to give states \$87 billion of Medicaid funds, shouldn't the formula be fair? While I admire the hard work devoted to the exceedingly complex formula in this bill, it simply is not fair to certain states. States with low unemployment rates; states that have not seen the recession hit in full yet. Those states will see less of the \$87 billion than other states. Senator Bingaman started down this road in the Finance Committee.

I have an amendment that picks up the baton and drives it the rest of the way home. Each state gets a flat 9.5 percent increase in its FMAP payment. And states can choose which nine consecutive quarters in an eleven quarter period best fits the economic needs of their state. That is a better, fairer way to spend \$87 billion.

Mr. President, if Congress passes all this Medicaid spending, what guarantee do we have that the fiscal challenges facing Medicaid in the future will be solved? Sooner rather than later, we must recognize that our entitlements are unsustainable as currently constructed. President Obama has acknowledged this himself on numerous occasions recently. One of my concerns about the additional Medicaid funding that is in this bill is that it places too much emphasis on Medicaid in the here and now and ignores future fiscal challenges. Just last year, the CMS Office of the Actuary reported that Medicaid costs will double over the next decade. That's simply unsustainable. It is critical that both the federal government and states recognize the fiscal challenges we face and take action now.

Senators Cornyn and Hatch and I have an amendment that requires states to submit a report to the Secretary detailing how they plan to address Medicaid sustainability. It is critical that we look at the future of Medicaid if Congress is to give states \$87 billion in addition Medicaid funding.

The House bill has a provision that fundamentally changes Medicaid. Medicaid is a program that is generally for low income pregnant women, children and low-income seniors. Under the House bill, the federal taxpayer would step in to pay the full cost to provide Medicaid coverage to people who lose their jobs and are not eligible for continuing coverage from their employer. Normally, Medicaid is supposed to be a shared state and federal responsibility with the states and the federal government sharing the cost roughly 57:43. But not in this new Medicaid program the House would create.

Under the House bill, the federal government for the first time ever would pick up 100 percent of the costs. The House bill transforms Medicaid into a coverage program for anyone who loses their job if they don't have access to COBRA coverage from their former employer. And the House bill would offer this taxpayer-paid Medicaid coverage regardless of how wealthy they might be. Medicaid would no longer just be for low-income people.

Mr. President, with all the fiscal challenges this country faces and with entitlement spending already out of control – this is really an outrage. I am sure folks on the other side of the aisle will come to the floor and defend the policy—even though it is not even in the Senate bill. My bigger concern is what happens in two years when the money goes away. What happens on December 31, 2010? What happens to all the people in states who have been covered by this massive expansion of the Medicaid entitlement? What happens to all the people who have been added to the rolls in states that expand coverage with the \$87 billion influx in this bill? Someone on the other side

needs to convince me that this policy is truly temporary. I don't buy it. Every one of us knows the states will be coming back by the middle of next year to beg for an extension so they don't have to cut their Medicaid rolls. There are too many former governors in this chamber for anyone to argue it is not going to happen.

I know a lot of people have worked very hard putting this bill together. I respect that they have worked hard. I wish they would have worked smarter. Giving states \$87 billion even though that is as much as eight times what they need to stay ahead of enrollment-driven Medicaid increases is not well thought out. Giving states \$87 billion while still allowing them to cut their Medicaid programs is not well thought out. Giving states \$87 billion while still allowing them to raise taxes or tuition is not well thought out. Giving states \$87 billion without requiring them to do a better job of addressing fraud, waste, and abuse is not well thought out. Giving states \$87 billion without making them address the fiscal sustainability of their Medicaid programs is not well thought out. A massive expansion of the entitlement under the guise of the word 'temporary' is not well thought out.

Mr. President, this bill is a cobbled together spending party. It is not well thought out. It's out of control.

The Senate should support the numerous amendments I have discussed today to address the shortcomings that occur when partisan bills are moved too quickly. I yield the floor.

For Immediate Release
Friday, January 30, 2009

Grassley: pending economic stimulus legislation shortchanges Iowa with Medicaid dollars

WASHINGTON --- Senator Chuck Grassley said today that the economic stimulus legislation working its way through Congress to give states assistance through FMAP, the Federal Medical Assistance Percentage, or the federal government's share of state expenditures for most Medicaid services, would shortchange states like Iowa.

"The legislation is biased to big states that have high levels of unemployment. Iowans will be shortchanged when it comes to receiving the benefits that are supposed to help state governments deliver Medicaid services to people in need," Grassley said. "The House-passed bill is a worse form of it than the pending Senate bill, and both are unfair to Iowa. Our governor and state legislature are facing tough choices and difficult budget decisions because of the economic crisis, just like other states."

This week, Iowa Governor Chet Culver described a state budget plan for the coming fiscal year that cuts \$580 million, and selective state cuts in the current budget of \$180 million.

The Senate Finance Committee, where Grassley is Ranking Member, passed enhanced FMAP funds as part of the economic stimulus proposal it adopted Tuesday night. Grassley did not support the measure. The full Senate still must act on the proposal before it goes to a conference committee, where whatever the full Senate passes must be reconciled with legislation passed by the House.

Remarks of U.S. Senator Chuck Grassley of Iowa
Senate Floor Debate: A \$1 Trillion Stimulus, Let's Look Before We Leap
Wednesday, February 4, 2009

Our nation's fiscal outlook is grim. The Congressional Budget Office, projects the federal budget deficit will exceed \$1 trillion this year. Despite this enormous deficit, President Obama is urging Congress to enact a massive stimulus plan that would add another \$1 trillion in government debt over the next ten years. The President and his advisors insist we must spend this money as quickly as possible in order to save our economy.

In normal times, such fiscal excess would be widely criticized and promptly rejected. But, these are not normal times. We are told our economy faces the worst recession since the Great Depression. While such comparisons may be overblown, everyone is understandably concerned about the present state of our economy. Congress needs to take action to address declining growth and rising unemployment. But, we must not let our desire for a quick fix undermine our ability to address the real challenges we face.

A sustainable fiscal policy depends on a growing economy; and a sound economy depends on a sound fiscal policy. Unfortunately, there does not seem to be any consensus on what constitutes sound policy.

There are two opposing views on the economy. Some people say consumption is the key to economic growth. When people go shopping, the economy is good. According to this view, we need to spend more. Other people say investment is the key. When businesses invest, the economy is good. According to this view, we need to save more.

Some economists try to reconcile these opposing views by suggesting the correct view depends on the circumstances. When workers are fully employed and factories are fully utilized, they say we need to save more and increase supply. But, when workers are unemployed and factories are idled, they say we need to spend more and increase demand. While this explanation is appealing, it does not withstand careful scrutiny.

We are told that in order to stimulate the economy, all the government has to do is put money into the hands of consumers and they will spend us back into prosperity. The problem with this approach is that the only way the government can put money in

someone's hands is by taking it from someone else's pockets – either in the form of taxes or borrowing.

This is a zero sum game in which one person's loss is another person's gain. Some economists try to obscure this fact by introducing a concept known as the marginal propensity to consume. That's a fancy way of saying some people spend more of their money than others.

According to this concept, low-income people are more likely to spend an extra dollar than high-income people. Thus, taking money from the rich and giving it to the poor will stimulate consumer demand and boost the overall economy.

This concept is flawed because it ignores the role of saving. Money that is saved does not disappear; it flows back into the economy in the form of business loans or consumer credit. Saving is just another form of spending, specifically, spending on capital goods like factories and equipment, or consumer goods like cars and houses.

Of course, the critics say this is not always true. During a recession banks are less willing to lend and businesses are less willing to borrow. Thus, some of the money previously available in the economy is no longer being used. It has been stuffed under the proverbial mattress, so to speak. Thus, advocates of fiscal stimulus claim the government can borrow and spend during a recession without crowding-out other private sector spending.

This is true only in the narrow sense that increasing the money supply allows the government to borrow and spend without reducing the amount of money available to others. But, in that sense this is really an argument about monetary policy masquerading as fiscal policy. Moreover, when the government borrows money, whether it is new money or old money, what the government is really borrowing is the resources it acquires. Thus, every dollar the government spends has an opportunity cost in terms of the potential alternative uses of those resources.

Much of the confusion over this point comes from the failure to recognize the nature of money in our economy. Economists often talk about the multiplier effect in order to explain how each dollar of government spending can result in more than a dollar of economic activity.

But, the multiplier effect is simply a way of illustrating the fact that if I give you a dollar, you will spend part of it and save part of it. The portion you spend goes to someone, who spends a portion and saves a portion, and so on, and so on.... Thus, one dollar effectively multiplies into many dollars.

Contrary to what some people might have you believe, the multiplier effect applies to every dollar, not just those spent by the government. According to Federal Reserve data over the past 50 years the ratio between our Gross Domestic Product and our money supply – defined as currency plus bank reserves – has ranged from 10-to-1 to

20-to-1. In other words, every dollar in our economy supports between ten and twenty dollars of economic activity.

During a recession, there are fewer workers producing fewer goods and services. That is why it is called a recession. Because the level of output is lower, the level of spending is lower as well. That means the available dollars are being used less. Economists often refer to this as a decline in the velocity of money.

The money no longer being used reflects the goods and services no longer being produced. With fewer goods and services available to buy, government efforts to borrow and spend will increase the money supply. Instead of the Federal Reserve increasing bank reserves to boost private lending, the government will increase borrowing to boost private spending. But, this is really monetary policy disguised as fiscal policy.

The success or failure of this policy will depend on how the additional money is used. Unfortunately, when some advocates of government stimulus talk about priming the pump, they give the impression that we can grow our economy by simply spending money, and it doesn't matter how we spend it.

Consider the following comments from John Maynard Keynes:

“If the Treasury were to fill old bottles with banknotes, bury them at suitable depths in disused coal mines... and leave it to private enterprise... to dig the notes up again... there need be no more unemployment...”

Nearly everyone would recognize the ill effects of printing up \$1 trillion and dropping it from helicopters. But, what if the government hired ten million Americans to dig holes and fill them back up, and paid them each \$100,000? Would this prime the pump, and get our economy moving again? The answer should be obvious – it would be a complete waste of resources.

The 19th century economist Fredrick Bastiat once observed, "There is only one difference between a bad economist and a good one: the bad economist confines himself to the visible effect; the good economist takes into account both the effect that can be seen and those effects that must be foreseen.”

When the government borrows money for some activity that is what is seen. But what is not seen is what could have been created had those workers and resources been used in some other way. The benefit of a government stimulus plan must be weighted against the cost. So far, there has been no comprehensive cost-benefit analysis of the proposed stimulus bill. This is a glaring omission given the recent comments that have been made by President Obama.

Shortly before his inauguration, President Obama gave a series of speeches and interviews. I would like to read a couple of sentences from them.

According to the January 16th Washington Post: “Obama repeated his assurance that there is ‘near-unanimity’ among economists that government spending will help restore jobs in the short term, adding that some estimates of necessary stimulus now reach \$1.3 trillion.

“The president-elect said he believes that direct government spending provides the most “bang for the buck” and that his advisers have worked to design tax cuts that would be most likely to spur consumer and business spending.

“ ‘The theory behind it is I set the tone,’ Obama said. ‘If the tone I set is that we bring as much intellectual firepower to a problem, that people act respectfully towards each other, that disagreements are fully aired, and that we make decisions based on facts and evidence as opposed to ideology, that people will adapt to that culture and we’ll be able to move together effectively as a team.’

“He added: ‘I have a pretty good track record at doing that.’ ”

In his January 10th radio address, president-elect Obama said:

“Our first job is to put people back to work and get our economy working again. This is an extraordinary challenge, which is why I’ve taken the extraordinary step of working - even before I take office - with my economic team and leaders of both parties on an American Recovery and Reinvestment Plan that will call for major investments to revive our economy, create jobs, and lay a solid foundation for future growth.

“I asked my nominee for chair of the Council of Economic Advisers, Dr. Christina Romer, and the vice president-elect’s chief economic adviser, Dr. Jared Bernstein, to conduct a rigorous analysis of this plan and come up with projections of how many jobs it will create - and what kind of jobs they will be....

“The report confirms that our plan will likely save or create 3 to 4 million jobs....

“The jobs we create will be in businesses large and small across a wide range of industries. And they’ll be the kind of jobs that don’t just put people to work in the short term, but position our economy to lead the world in the long-term.”

These comments from President Obama are noteworthy for several reasons. First, he suggests a level of unanimity among economists that does not exist. Second, he suggests his Administration will make decisions based on the facts, instead of ideology. Third, he suggests his plan will create jobs that are more than just temporary.

In that regard, I would note that the Congressional Budget Office released an analysis of the House stimulus bill. According to CBO, the House stimulus bill will create between 3 million and 8 million new jobs over the next three years, depending on whether the multiplier assumption is “Low” or “High.”

Given the cost of the House bill, these figures imply a very surprising, and a very troubling, result. The CBO estimate shows that it will cost between \$90,000 and \$250,000 per job created.

These numbers should be contrasted to those under the CBO baseline which show GDP per worker is about \$100,000.

In other words, the jobs being created by the House bill could cost as much as 2.5 times more than the jobs created without the stimulus bill. There's been a lot talk about "bang for the buck" around here. But, there doesn't seem to be any interest in actually making sure it happens. Before we spend another \$1 trillion, we ought to make sure we are getting our money's worth.

It should also be noted that CBO's analysis only covers 2009 through 2011. But, if you assume the ratio of employment to government spending remains the same throughout the 10-year projection period, there will be only a few thousand new jobs. Moreover, if you adopt the standard assumption that increasing the national debt by \$1 trillion will crowd out private sector investment, the net result will be fewer jobs because of the stimulus bill.

I have written a letter to the CBO Director requesting an analysis of both the House and the Senate stimulus bills. This analysis will cover the full 10-year period consistent with the January baseline.

The Director has indicated that this is a very complicated process and their analysis may not be completed until next week. So, I would strongly encourage my colleagues to postpone a final vote on this bill until the Senate has had the opportunity to carefully review the CBO analysis.

Again, let me repeat what I said at the beginning. Congress needs to take action to address declining growth and rising unemployment. But, before we spend another \$1 trillion, Congress must take the time to look before we leap.

Floor Statement of U.S. Senator Chuck Grassley of Iowa
Ranking Member of the Committee on Finance
Closing debate on the Collins-Nelson amendment #570 (substitute) to
H.R. 1, the Economic Recovery and Reinvestment Act of 2009
Monday, February 9, 2009

Mr. President, today I want to talk about some of the questionable spending in this bill and some of the amendments that we aren't going to be voting on.

First of all, there's \$87 billion dollars in Medicaid funds in this bill. That's a huge payment to the states. And as I have said on this floor several times, it is more than states need to pay for enrollment-driven increases in Medicaid spending due to the recession. I explained last week how the facts show that this amount is far more than states need for

the cost of new Medicaid enrollment resulting from the economy. What the non-partisan Congressional Budget Office determined was that what state's need to pay for increases in Medicaid enrollment is not \$87 billion but \$10.8 billion. That's about \$76 billion less than what this stimulus bill gives the states. So the question is, why does this bill provide almost eight times what the states actually need for the new enrollment resulting from the downturn? Let's not kid ourselves; this bill gives states a slush fund. This outlandish sum of money is not needed for Medicaid. It's a slush fund for the states.

I thought that money should be spent fairly. I thought there should be some accountability. On Friday night, I had an amendment to insure the Medicaid funds would have been distributed fairly. Amazingly, 17 members of the Senate voted to give their states less money. But at least in that case, I was able to get a vote.

I had several other amendments that were never allowed to be made pending. All day Wednesday, we were prevented from making amendments pending. Retreats and signing ceremonies got in the way. Thursday evening, we spent more time arguing over which amendments would be made pending rather than actually processing amendments. At 10 o'clock Friday morning, we were encouraged to bring our amendments to the floor so they could be debated. For some reason, the first amendment was not allowed until four and a-half hours later. I am disappointed that several of my amendments will not receive a vote. I'm not convinced the majority wanted to have open debate and take votes on many of my amendments. It is too bad, because this bill still needs fixing.

Mr. President, Congress is giving states \$87 billion and just resting on hope that states don't strip the health care safety net for low-income families and then pocket the money. I use the word 'hope' because the underlying bill doesn't do enough to make sure states do what is best for the Medicaid program. Does the bill prevent states from cutting their Medicaid programs? It does not. The bill only prevents states from cutting Medicaid income eligibility. But if Congress is giving states \$87 billion and telling them not to cut Medicaid eligibility, shouldn't Congress also tell states they can't cut benefits? If Congress is giving states \$87 billion and telling them not to cut Medicaid eligibility, shouldn't Congress also tell states they can't cut payments to providers? States can't change income eligibility, but under the bill as written, they can cut provider payments or benefits to providers. Will there be Medicaid beneficiaries who are elderly or disabled able to receive home and community based services? If we want to keep seniors and the disabled in their homes, rather than institutions, paying direct care workers to provide home and community based services is critical. Will there be enough pharmacists taking Medicaid? Will there be enough rural hospitals or public hospitals taking Medicaid? Will there be enough community health centers taking Medicaid? Will Medicaid beneficiaries who are elderly or disabled be able to get into nursing homes? Will states cut mental health services because Congress didn't prevent them from doing so in this bill? Will there be pediatricians or children's hospitals there for children on Medicaid?

Mr. President, if the Senate does nothing to protect access to these vital providers, nobody will be able to assure the people who count on Medicaid that the care they need will be there for them. I filed an amendment that prevents states from generally cutting

eligibility and benefits and provider payment rates while they are receiving the \$87 billion in additional aid. Members could have voted to really protect Medicaid. That should have had a vote.

As written, the bill gives states \$87 billion also in the hope that states don't take actions that are contrary to economic growth. I use the word 'hope' because the bill doesn't do enough to make sure states do what is best for our economy either. We should ask for more guarantees that states will spend the money appropriately and not make decisions that work against economic recovery. If Congress gives states \$87 billion and tells them not to cut Medicaid, should Congress also tell states not to raise taxes? If states react to their deficits by increasing taxes, they will defeat the goal of economic recovery. It makes no sense for us to leave the door wide open for states to raise taxes while getting an \$87 billion windfall from the federal government. I filed an amendment that prevents states from raising income, personal property or sales taxes as a condition of the receipt of \$87 billion in federal assistance. That should have had a vote. If Congress gives states \$87 billion and tells them not to cut Medicaid, should Congress also tell states not to raise tuition at state universities? If states can price young people out of an education, that does nothing for preparing our workforce for the 21st century. I filed an amendment that prevents states from raising tuition rates at state colleges and universities as a condition of the receipt of \$87 billion in federal assistance. That should have had a vote.

For \$87 billion, what does this bill do to ensure that all those federal taxpayer dollars are being spent appropriately? Almost nothing. Senator Cornyn and I filed an amendment that requires states to do something to improve their waste, fraud and abuse in exchange for the \$87 billion in federal taxpayer's money. It provides a list of eight options to combat waste, fraud and abuse, and the Secretary can provide more options as well. These are all very reasonable steps states could and should take if Congress is going to send them \$87 billion in additional Medicaid dollars. They don't have to do all of these various options. Just four. Just show the American people that states can take four simple steps to reduce fraud, waste and abuse. Shouldn't Congress at least ask that much of states for \$87 billion? That should have had a vote.

Mr. President, if Congress passes all this Medicaid spending, what guarantee do we have that the fiscal challenges facing Medicaid in the future will be solved? Sooner rather than later, we must recognize that our entitlements are unsustainable as currently constructed. President Obama has acknowledged this himself on numerous occasions recently. One of my concerns about the additional Medicaid funding that is in this bill is that it places too much emphasis on Medicaid in the here and now and ignores future fiscal challenges. Just last year, the CMS Office of the Actuary reported that Medicaid costs will double over the next decade. That's simply unsustainable. It is critical that both the federal government and states recognize the fiscal challenges we face and take action now. Senators Cornyn and Hatch and I filed an amendment that requires states to submit a report to the Secretary detailing how they plan to address Medicaid sustainability. It is critical that we look at the future of Medicaid if Congress is to give states \$87 billion in addition Medicaid funding. That should have had a vote.

Mr. President, the bill provides a COBRA subsidy to involuntarily terminated employees.

The bill places no limits on the eligibility for the subsidy. Zilch, Zero. Why? I haven't quite figured it out. I know the amendment we are now considering lowers the subsidy, but it still has no limits on eligibility for the subsidy. Frankly, Mr. President, I am surprised my Democratic colleagues – and especially the Obama Administration – have not tried to place limits on the availability of the subsidy. After all, the subsidy is paid for with taxpayer dollars. Last week, the Obama Administration issued guidelines for capping compensation paid to CEOs whose institution receives taxpayer dollars through the TARP program. But the fact of the matter is this, former Wall Street CEOs and hedge fund managers who have made millions of dollars – while running our economy into the ground – will get a taxpayer-funded subsidy equal to now 50 percent of their health insurance policy. That's outrageous. I filed an amendment that simply said that if a worker who was involuntarily terminated from their job earned income in excess of \$125,000 for individuals and \$250,000 for families during 2008, this worker would not be eligible to receive the subsidy. Some of my colleagues may ask why we set the cap at \$125,000 and \$250,000. Well, when Candidate Obama was campaigning to be President Obama, he continually said that he wanted to raise taxes on families making over \$250,000 a year. Why? Because then, Candidate Obama felt that these people are too rich to pay lower taxes. If these families are too rich to receive a tax benefit in the form of lower taxes, aren't these people too rich to receive a taxpayer-funded subsidy for health insurance? That should have had a vote.

And it is not just the health care amendments. This bill could be improved by increasing the tax credit for education expenses. Senator Schumer and I filed an amendment that would have done just that. It would have increased the American Opportunity Tax Credit from \$2,500 to \$3,000. Senator Schumer has shown great leadership in the area of education, and I thank him for partnering with me to help families better afford college through the tax code. It was a bipartisan amendment. That should have had a vote. I also remain deeply concerned about the oversight of this bill. On the front page of today's Washington Post, there is a story with this headline: "If spending is swift, oversight may suffer." The article says, "The Obama administration's economic stimulus plan could end up wasting billions of dollars by attempting to spend money faster than an overburdened government acquisition system can manage and oversee it." When there is a potential for waste, fraud and abuse Congress needs to be proactive, not reactive. We have created a Special Inspector General for the TARP program and we have the Government Accountability Office reporting to Congress every 60 days on the use of that money as well. However, there is nothing like that for the money in this bill.

That is why I introduced an amendment to ensure that Congress has the ability to get information from the Executive Branch and respond to the allegations that will inevitably come in. The amendment would ensure that any agency that gets funding under this bill would be required to provide records upon written request by a chairman

or ranking member of a committee of Congress. In my experience, the Executive Branch consistently misinterprets a number of statutes in order to claim that it is legally prohibited from complying with oversight requests from Congress. This amendment would make the will of the Congress clear that when we ask for records, the agencies have an obligation to comply. The public's records should not be kept secret from the elected representatives of the people. The idea that only the Majority should be able to request documents from the Executive Branch is just an invitation for a timid Legislative Branch. The President's choice to head the Office of Legal Counsel at the Justice Department, Dawn Johnson, wrote in July 2007, "With regard to Congress, oversight obviously tends to be least effective when the President's political party dominates. . . ." Now that the White House and the Congress are controlled by the same party, I'm worried that oversight will suffer, just like Dawn Johnson said it would. I have always tried to focus on good government issues like waste, fraud, and abuse. That's what my amendment did. That should have had a vote.

I know a lot of people have worked very hard putting this bill together. I know a lot of people worked very hard putting the substitute amendment together. I respect that they have worked hard. Hard work doesn't mean that it is good work, and we should have been allowed to consider and vote on all of the amendments I have discussed here today. Giving states \$87 billion even though that is as much as eight times what they need to stay ahead of enrollment-driven Medicaid increases is still not well thought out. Giving states \$87 billion while still allowing them to cut their Medicaid programs is still not well thought out. Giving states \$87 billion while still allowing them to raise taxes or tuition is still not well thought out. Giving states \$87 billion without requiring them to do a better job of addressing fraud, waste, and abuse is still not well thought out. Giving states \$87 billion without making them address the fiscal sustainability of their Medicaid programs is still not well thought out. Giving a COBRA subsidy to millionaires is still not well thought out. It is still not well thought out. It is still out of control. The Senate should have been allowed to vote on the numerous amendments I have discussed today to address the shortcomings that occur when partisan bills are moved too quickly. We could still do that. We could process these amendments today. But as we have seen throughout, the majority is not interested in true bipartisanship or in process that allows for full and open debate on amendments.

Mr. President, one of the key questions in the stimulus debate has been whether one side or the other is acting in a partisan manner. To put a finer point on it, you could break it down to two precise questions. The first question would be: Has the Majority party, meaning my friends on the Democratic side, ever invited my side, the Republicans to the negotiating table? That is, has an offer, with an intent to negotiate, ever been extended by the Democrats? If the answer to the first question is yes, then the second question would be: Has the minority party, the Republicans, ever responded to the offer and taken the next step in the negotiating process. These are the fundamental questions that need to be asked and answered to determine whether the stimulus bill before us is a bi-partisan process.

Let's go to the first question. It's a basic question. My friends on the other side did very well in the last election. We congratulated our new President, Barack Obama, on his victory. The Democrats have robust majorities in both houses of Congress. They have their biggest majority in the House since 1993. They have the biggest majority since the Carter Administration. We Republicans recognize they set the agenda. It's kind like the role of the point guard in a basketball game. They have the ball. Just as a point guard runs the plays, so too does the Democratic Leadership in both bodies decide the plays. Republicans don't have the ball. We are in a position of responding. That's all we can do. It's really up to the Democratic majority to make the first move. So, with the context in mind, let's bear down on that first question. Did the House Democrats make an offer? Did the Senate Democrats make an offer? Maybe I missed something, but I don't recall receiving an offer. As I said in committee and in the opening floor debate, my friend, Chairman Baucus, courteously and professionally consulted with me. But consultation is not the same thing as negotiation. They are very different actions.

As a former Chairman, I know well the pressure from the leadership, the caucus, the House, and an Administration of one's own party. You really have to push uphill to get a bipartisan deal. The benefit of a bipartisan deal is the policy is likely to stand the test of time. The leadership, caucus, and Administration are likely to understand that benefit in the abstract, but unlikely to take concrete actions to realize it. All of those partisan pressures will look to pull apart any bipartisan plan. I know my friend, Chairman Baucus understands that dynamic. He would probably prefer a bipartisan process and product, but the partisan edge is too great. The expectations on the Democratic side are too high. It's like the old saying: "our way or the highway."

So, Mr. President, we can't get to the second question. That question, whether Republicans have engaged in a bipartisan process, can't be answered. It can't be answered because the process was never started. An offer was never made. We were not invited to the negotiating table. We have the House of Representatives and the House of Representatives-in-training given how this debate has been run. Today we're being told "just do it" at the expense of doing this very important and urgent legislation in a way that does right by the American people in the short and longer term. I yield the floor.

For Immediate Release

Thursday, February 5, 2009

Senators work to protect biomedical research funding from potential bias

WASHINGTON- Senators Chuck Grassley and Herb Kohl today put forward legislation that would take steps to better protect federally funded biomedical research from possible bias.

The legislation, filed as an amendment to the economic recovery bill being debated in the Senate, would place new requirements on institutions receiving grants from the National Institutes of Health (NIH). The NIH awards almost \$24 billion

annually in grants for biomedical research. The economic stimulus bill increases that largesse by billions of dollars.

The senators' amendment would require the NIH to make two changes to the way it is already supposed to manage conflicts of interest, according to federal regulation.

The Grassley-Kohl amendment would require the NIH to actively enforce its conflict of interest policies and respond in a timely manner when those policies have been violated by grantees.

The amendment also would require the following information to be given to the NIH by grantees receiving NIH in excess of \$250,000:

- a. The amount of the primary investigator's significant financial interest, estimated to the nearest one thousand dollars
- b. A detailed report on how the grantee institution will manage the primary investigator's conflict of interest.

"The goal of this initiative is to establish transparency and the accountability that comes from disclosure. It's become clear that the federal rules in place to manage conflicts of interest in research aren't enforced as they ought to be, and there's an opportunity to strengthen them here, as well," Grassley said. "The public has a lot at stake with medical research. With our doctors, we make medical decisions based on scientific research and taxpayers commit a lot of money for this work."

"NIH grants are highly competitive. The government has a right to know whether the scientists it funds have a financial stake in the outcome of their research," said Kohl.

Grassley is Ranking Member of the Senate Committee on Finance. Kohl is Chairman of the Senate Special Committee on Aging.

For Immediate Release
Friday, February 6, 2009

Grassley Amendment to Ensure Americans are Priority
in Hiring by TARP Recipients Clears Senate

WASHINGTON – The Senate has accepted an amendment sponsored by Senator Chuck Grassley that would ensure companies taking TARP money comply with strict hiring standards in order not to displace qualified American workers. The amendment that passed the Senate modified an amendment that Grassley filed with Senator Bernie Sanders.

The modified amendment requires that a company receiving TARP funds and applying for workers under the H-1B process must operate as an "H-1B dependent company." This means they will still be able to hire H-1B visa holders, but must comply with the H-1B dependent employer rules which include attesting to actively recruiting American workers; not displacing American workers with H-1B visa holders; and not replacing laid off American workers with foreign workers.

“Hiring American workers for limited available jobs should be a top priority for businesses taking taxpayer money through the TARP bailout program. With the unemployment rate at 7.6 percent, there is no need for companies to hire foreign guest workers through the H1-B program when there are plenty of qualified Americans looking for jobs,” Grassley said. “Our common-sense amendment simply ensures that recipients of American taxpayer money make American workers their first priority as they look to hire new employees.”

Grassley supports the H-1B program, but has said that reforms are urgently needed and the program should be used in the way it was intended – as a temporary measure to supplement a company’s need for hi-tech or specialized workers when none are available in the U.S.

Grassley has been a leader in the effort to improve the H-1B visa program. In the 110th Congress, he introduced a comprehensive H-1B and L visa reform bill with Senator Dick Durbin that would give priority to American workers and crack down on unscrupulous employers who deprive qualified Americans of high-skill jobs. He has also asked questions of both American and foreign based companies about their use of the H-1B visa program.

For Immediate Release

Thursday, February 5, 2009

Senators work to bring accountability to the National Science Foundation

WASHINGTON- Senators Chuck Grassley, Barbara Mikulski and Richard Shelby today introduced an amendment to bring more accountability to the National Science Foundation after the Inspector General’s Semiannual Report found extensive use of NSF computers to view sexually explicit material.

Mikulski and Shelby are the chairwoman and ranking member of the Senate Appropriations Subcommittee on Commerce, Justice and Science which oversees the NSF’s budget. Grassley questioned the agency about the abuse based on information in the most recent semiannual report.

The legislation, introduced as an amendment to the stimulus package, will freeze \$3 million in operating funds that go directly to the Office of the NSF Director until the agency meets the following criteria:

- submits a report to Congress detailing the steps the agency has taken to remove pornography from NSF computers;
- submits a report to Congress detailing an appropriate response to the Inspector General’s Semi-Annual Report including actions taken to stop NSF employees from watching and downloading pornography; and
- require that the National Science Board, charged with oversight of the NSF, hire an independent counsel to provide oversight and enhance the board’s independence rather than relying on the NSF attorney for legal advice.

“It’s inexcusable that workers at the NSF were watching pornography rather than doing their jobs and respecting the taxpayers who fund their work. And, what’s more troubling is a culture that would allow such widespread abuse of taxpayer dollars,”

Grassley said. "This legislation is a shot over the bow which sends a clear signal to NSF that Congress plans to restore oversight and accountability to the agency."

"The kind of behavior outlined in the Inspector General's report is outrageous, repugnant and illegal," Mikulski said. "It won't be tolerated. The NSF must get its act together and take the steps we've outlined to restore the kind of accountability and decency the public deserves from its federal agencies."

"The Inspector General's findings related to the use of NSF computers to view sexually explicit material are very disturbing. Such use is highly inappropriate and wasteful of the taxpayer's time and money," Shelby said. "It is absolutely critical that the Inspector General's recommendations on IT security awareness be implemented as soon as possible to prevent further incidents."

[Click here](#) to view the Inspector General's report.

For Immediate Release

Tuesday, January 27, 2009

Grassley effort to buttress wind energy production and secure jobs
rejected by Senate Democrats

WASHINGTON --- The leadership and majority members of the tax-writing Finance Committee today rejected an effort by Senator Chuck Grassley to secure jobs in wind energy production and generate more clean-burning renewable energy.

Grassley said the outcome was "disappointing and shortsighted because my amendment was about fostering the kind of entrepreneurial activity that sustains and creates both jobs and taxpayers, while also strengthening an environmentally friendly energy source for the future."

Grassley offered amendments to the economic stimulus legislation to extend section 45 of the federal tax code for five years and establish a new 10-year carry-back of either the production tax credit or the investment tax credit depending on the wind energy company's election. Grassley said this change to current law would encourage greater investment.

"The economic stimulus bill is the perfect place to make this policy change because the tax-equity financing market, which is typically how wind-energy projects are financed, has dried up as the investors in these projects, which are mainly large financial institutions, no longer seek out the production tax credit because they have income tax liabilities," Grassley said. "A lot of projects are on hold, jobs are on the line, and a longer carry-back could help some of those stalled projects get going again."

The underlying bill that Grassley tried to improve contains only an election to take the production tax credit or the earned income tax credit in 2009 and 2010 and a five-year carry-back of the either credit against prior income taxes paid by a wind energy

company. The economic stimulus passed last week by the House of Representatives is the same as the pending Senate committee bill.

Grassley is the father of the wind energy tax credit, having sponsored the first-ever provision enacted in 1992. As Chairman of the Senate Finance Committee in 2001 and 2005, his legislation significantly expanded and extended the production tax credit for wind energy. In addition to his work to extend and expand the wind energy production tax credit, Grassley also has successfully fought to keep the tax credit from being cut. Last year and the year before, he was able to restore the wind energy tax credit after it had been substantially diminished in tax legislation passed by the House of Representatives.

Remarks of U.S. Senator Chuck Grassley of Iowa
Opening Senate Floor Debate on Stimulus Bill
Tuesday, February 3, 2009

The matter before this body is the Majority's stimulus bill. It merges the products of last week's markups in the Finance Committee and the Appropriations Committee.

Twenty three Senators were involved in the Finance Committee markup. In that group, there were 13 Democrats and 10 Republicans. Thirty Senators were involved in the Appropriations markup. In that group, were 17 Democrats and 13 Republicans. That means over half of the Senate has been involved in either the Finance part or the Appropriations part. For the first time, however, all Senators will have to consider this very large and complicated piece of legislation.

I'm first going to discuss process and then focus on the substance. Because I'm the senior Republican on the Finance Committee, I'm going to focus on the Finance Committee's portion. I, like 69 other Senators, am still studying the Appropriations part.

First off, I want to thank my friend from Montana, Chairman Baucus, for courteously and professionally consulting members on this side.

We had one bipartisan members meeting where Chairman Baucus patiently heard us out. In addition, Chairman Baucus apprised me of the negotiations between the Democratic Leadership of both bodies and the Obama Administration. Those Democrats-only negotiations were extensive. Folks on our side who read press reports could see that. Further evidence of that deal-making is the relatively small differences between the basic structure of the Ways and Means and Finance Committee packages. I want to congratulate Chairman Baucus on those negotiations. The fruit of that labor is the Finance Committee package.

One significant change followed a recommendation I made in early January. That was the addition of the alternative minimum tax (“AMT”) patch for this year. Its addition means over 24 million families need not worry about an average tax increase of at least \$2,000 per family for this year.

But let no one be mistaken that this bill is the result of bipartisan negotiations. While Republicans were courteously consulted at the member and staff level, we were never at the negotiating table. Speaker Pelosi best described the bottom line on the process. She said: “Yes, we wrote the bill. Yes, we won the election.” That quote comes right out of the front page of the Washington Post, dated Friday, January 23, 2009.

Indeed, there was a rumor floating around about an informal agreement among Democratic members. The agreement appeared to be to vote against any Republican amendment, no matter the merits. If you review the markup, you’ll find that nearly all Republican amendments were defeated on a virtual party line vote. You’ll also find, for the first time in recent Finance Committee tax legislative history, small issues or modifications raised by dissenting members, with a couple of exceptions, were not accommodated. So, let’s be clear. We knew, at the outset, the markup would ratify a deal made between the Democratic Leadership of the House and the Senate. No Republican ideas need apply. With the exception of the AMT patch amendment, that was the basic outcome.

Since the largely partisan markup process finished up, we’ve been told by the President and members of the Democratic Leadership that this bill is open to improvement by amendment. I’m hopeful we’ll see follow-through on that.

That’s a few comments on the process. Now, I’ll turn to the substance.

But before I get into to the substance, I’d like to pull back and talk about the larger picture for a couple minutes. Majority Leader Reid opened debate on this bill yesterday. Yesterday was also Groundhog Day. My first chart is a depiction of Punxsutawney Phil, that famous weather forecaster. Yesterday Phil saw his shadow. Groundhog Day is a recurring event. Groundhog Day is also the title of a famous film starring Bill Murray. Here’s a picture of Phil and Bill driving along.

In the movie Groundhog Day, Bill Murray finds himself continually repeating the same routine.

Now, my friend, Chairman Baucus, last year, rightly pointed out the message from the film. The message was that Bill, guided by Phil, eventually had to figure out what he was doing wrong. Once Bill figured it out, he escaped the infinite loop. On this bill, we need to learn from Bill and Phil’s adventure. We cannot and should not legislate in a hasty manner and place ourselves in an infinite loop of repeating the same exercise. Democrats and Republicans and the President need to get this right. We cannot casually deficit- spend and ask America’s taxpayers to clean up the fiscal mess with high taxes down the road.

To me, there is a particularly compelling irony to the fact that we are debating another stimulus bill at roughly the same Groundhog Day timeframe. One year ago, almost to the exact day, the Senate spent a week debating the economic stimulus package. The target time set for enacting legislation was similar to the one for this package. I'm talking about the President's Day recess. Let's keep the Groundhog Day irony in mind as we move forward. Let's not repeat the same exercise, except this time, with much bigger dollars. Let's get it right.

Now, I'll discuss the substance. First off, I want to make it clear that most on our side agree with President Obama that a stimulus is necessary. The economy is flat on its back. Too many Americans who want to find work can't find jobs. A lot of Americans are worried that their job will be the next to go. We get that on our side. Everyone here knows we need to do everything we can to get the economy moving again. Where we differ is the degree to which the engine ought to be government or the private sector, especially America's biggest job creator, our small business sector. These are honest, well-intentioned philosophical differences, but they are there. On our side, we want the new jobs to come from the private sector. On the other side, the preference is to grow employment through an expansion of government.

Many on the other side and opinion makers who agree with them are invoking the example of President Hoover. They seem to be doing it to portray anyone who questions the trillion-dollar package as a reincarnation of Hoover economics. It's an unfair characterization. Again, let's be clear, folks on our side recognize the need for action.

Also, though Iowans are rightly respectful of the only Iowan to be President, President Hoover, we recognize history. And I'd instruct the other side on a couple lessons from the Hoover era. One lesson: don't obstruct free trade. The highest tariff levels in the history of this country, the Smoot-Hawley tariffs, were enacted in the Hoover era. There is little doubt those protectionist barriers made the Great Depression worse.

Another lesson from the Hoover era: don't raise taxes. President Hoover signed into law significant tax increases. Like the high tariffs, economic history tells us, these burdensome taxes retarded the economy's ability to recover.

On this side, we agree that the lessons from the Hoover era need to be learned. We cannot be passive. Errors of omission on fiscal stimulus should be avoided. Likewise, errors of commission on fiscal stimulus, like impeding free trade and raising taxes, also should be avoided.

By the conclusion of this debate, those differences will be plain to the American People. We will see the differences fleshed out in debate and amendments. That's the way it should be. As I indicated above, most on our side want to improve the bill. Our amendments, large and small, will be offered as improvements to the bill. We hope the

other side is sincere in the desire to change the bill in a way that can garner a large bipartisan majority.

Whether Republicans or Democrats have been in control, the test of proper stimulus boils down to three words. All of them begin with the letter “t.” Stimulus proposals should be timely, targeted, and temporary. I have a chart that depicts the test. If you apply the three t’s test to much of the spending in this proposal you will find it fails the test. We’ll get into that when we examine and debate the bill.

Some folks might ask what’s the problem if we overshoot and flunk the test.

The first problem is we’re running out of budget room.

The bill before us will, when interest costs are included, add almost \$1.3 trillion to the deficit.

All of this extra deficit increase would be proposed when the baseline deficit for this fiscal year will hit \$1.2 trillion. That amount exceeds all historical records.

As a percentage of our economy, that will mean 8.3 percent. That amount easily exceeds the previous peak of 5.7% in 1983. It’s almost 50% percent above any comparable post World War II levels.

The figures on federal debt held by the public are likewise staggering.

In the period of 2001-2007, debt held by the public increased by comparatively smaller amounts, roughly less than 1% per year. This year’s change easily exceeds all of that.

So, we need to acknowledge the deficit situation we’re in. It is very serious. So, whatever we do, we ought to not make the long-term fiscal situation worse than it is. The other problem is that, if we prime the pump too much and the pumped out stimulus doesn’t materialize until after the hoped-for recovery is upon us, then we might risk too much stimulus. The result could be inflation.

Let’s bring a sharper focus on this point. The Congressional Budget Office (“CBO”) tells us that less than half of the appropriations amounts will be spent out by the end of fiscal 2010. The Finance package does a bit better. Ironically, the tax policy stimulus, much maligned by the hard-core of both Democratic Caucuses, helps the spend-out ratio greatly in the Finance package.

The theory for erring on the side of overloading on the spending side is that we need to direct dollars to the folks most likely to spend them. This is the reason we are told that we need extra FMAP money, expanded entitlements, and other state aid.

It misses the point that the U.S. fiscal policy system already has an arsenal of anti-recessionary automatic stabilizers directed at the same population. These stabilizers provide immediate assistance to those most vulnerable to an economic downturn. CBO says these benefits, including food stamps, unemployment insurance, and Medicaid will grow to \$250 billion this year. That built-in lower-income population stimulus will be equal to 1.8% of our economy.

It also misses the point about ensuring that the lesson of moral hazards applies to the states. The fiscal problems faced by many of our states and localities are largely the result of their inability to keep spending in line with revenue.

Between the third quarter of 2006 and the third quarter of 2008, state revenue increased 7 percent and state spending increased 15 percent. In other words, the states and localities spent \$2.22 for each additional dollar of revenue. The states have been on a spending spree. And they've dug themselves a hole.

Now, we will hear that an FMAP slush fund for states is necessary to avoid tax increases at the state and local level. We'll also hear that vital services will be cut unless we cut a big blank check to the states. Just as we did during the Finance Committee markup, some on our side will test those assumptions with amendments on those points. An open-ended slush fund is not targeted. It's true no matter how you dress it up.

Perhaps the most disturbing stimulus test failure is on the third "t." I'm referring to the temporary test. In this package, there are many new popular spending programs labeled temporary. Those programs total \$140 billion. If these programs are extended or made permanent, we can expect another \$1.3 trillion added to future deficits.

And I will challenge anyone on the other side to tell me these programs will be turned off once enacted. With large Democratic majorities and a Democratic President, I'd say any such promise is dubious for this Congress. It's about as deliverable as a promise to sell the Brooklyn Bridge.

To sum it up, this package meets a different three t's test. We start with trillion dollar deficit. We have a bill that, with interest included, adds more than another trillion to future deficits. We have a bill that has new spending, ostensibly labeled as temporary, but likely to be extended, that bakes into the cake another trillion into future deficits. Passing this three "t's," as in trillions, test ought to give any Senator pause.

From our side's view, those are the major shortcomings on the substance. Although we saw execution of a deal to vote down our amendments in committee, no matter whether our ideas were meritorious or not, we'd like to be constructive and build on the parts of the package we support. In other words, we hope our amendments will be more openly received on the Senate floor.

In this respect, we'll go back to the major difference between the parties on how to get the economy moving again. On our side, we'd like to push more incentives for long-term growth of private sector jobs.

There is a good start on a broad-based middle-income tax cut in the package. We'd like to expand the tax cut to cover all middle income taxpayers. During last Fall's campaign, the President described as middle class families making less than \$250,000. Many of the tax cuts don't apply to millions of families making less than \$250,000. Doesn't make sense to me to call a proposal a middle class tax cut if it doesn't apply to millions of middle-class families.

And we'd like to direct that at labor and capital income earned by middle income taxpayers. Since we weren't at the negotiating table to offer these pro-growth ideas, you'll see them arise as constructive offers to improve the package before us.

Now I'll turn to some of the specific health-related provisions in the Finance Committee package.

Spending in this bill should be judged based on two criteria: will it stimulate the economy and is the money being well spent?

In committee, we aired out honest disagreements over whether several of these provisions are actually stimulative.

Improving health information technology is critical for our health care infrastructure.

I support many of the provisions that are in the Finance Committee bill.

But I have to ask: will it stimulate our economy and is it money that we should add to the deficit rather than offsetting it?

It wasn't so long ago that 16 billion dollars was a lot of money around here.

Providing assistance to states makes sense if we are concerned about states raising taxes or cutting spending.

But is 87 billion dollars the right number and is increased Medicaid spending the right way to do it?

Could we better stimulate economic recovery using all or part of that money elsewhere?

The Finance Committee package also includes a 2-year extension of our current Trade Adjustment Assistance programs.

I'm working with the Chairman to see if we can agree with our counterparts on the House Ways and Means Committee on a broader reauthorization of these programs, but that's still a work in progress.

Apart from Trade Adjustment Assistance, I'm disappointed that this Administration isn't focusing on trade as a component of the economic stimulus package. As I said above, we should heed an important lesson from the Hoover era. Economic growth comes from expanding free trade, not contracting it.

Opening up new markets for U.S. exporters should be part of the mindset to stimulate our economy.

Our pending trade agreements with Colombia, Panama, and South Korea provide significant opportunities to do just that and should be implemented as soon as possible.

As we go through the bill, our side will offer several amendments that I hope will be accepted to try to make the bill better answer the questions I have raised.

The people back home see Congress spending vast amounts of taxpayer dollars and they are counting on us to ensure their money is spent wisely not wastefully.

Statement of U.S. Senator Chuck Grassley of Iowa
Ranking Member of the Committee on Finance
Committee Markup of Stimulus Bill
Tuesday, January 27, 2009

Thank you, Mr. Chairman. Today, you place before us the Chairman's mark of the economic stimulus legislation. The provisions are just the Finance Committee portion. Other committees, principally the Appropriations Committee, will be producing other legislation that will complete the bill.

I'm first going to discuss process and then focus on the substance.

Mr. Chairman, I thank you for courteously and professionally consulting members on this side. We had one bipartisan members meeting where you heard us out. In addition, you apprised me of the negotiations between the Democratic Leadership of both the Senate and House of Representatives. Those Democrats-only negotiations were extensive. Folks on our side who read press reports could see that. Further evidence of that deal-making is the relatively small differences between the Ways and Means and Finance Committee packages. I congratulate you on those negotiations. The fruit of that labor is the Chairman's mark.

But let no one be mistaken that this bill is the result of bipartisan negotiations. While Republicans were courteously consulted at the member and staff level, we were never at the negotiating table. Speaker Pelosi best described the bottom line on the process. She said: “Yes, we wrote the bill. Yes, we won the election.” That quote comes right out of the front page of the Washington Post, dated Friday, January 23, 2009.

Indeed, there is a rumor floating around about an informal agreement among Democratic members. The agreement appears to be to vote against any Republican amendment, no matter the merits. So, let’s be clear. We know, at the outset, the markup will ratify a deal made between the Democratic leadership of the House and Senate. No Republican ideas need apply.

That’s a few comments on the process. Now, I’ll turn to the substance.

First off, I want to make it clear that most on our side agree with President Obama that a stimulus is necessary. The economy is flat on its back. Too many Americans who want to find work can’t find jobs. A lot of Americans are worried that their job will be the next to go. We get that on our side. Everyone here knows we need to do everything we can to get the economy moving again. Where we differ is the degree to which the engine ought to be government or the private sector, especially America’s biggest job creator, our small business sector. These are honest, well-intentioned philosophical differences, but they are there. On our side, we want the new jobs to come from the private sector. On the other side, the preference is to grow employment through an expansion of government.

By the conclusion of this markup, those differences will be plain to the American People. We will see the differences fleshed out in debate and amendments. That’s the way it should be. Whether Republicans or Democrats have been in control, the test of proper stimulus boils down to three words. All of them beginning with the letter “t.” Stimulus proposals should be timely, temporary, and targeted.

But if you apply the three t’s test to much of the spending in this proposal you will find it fails the test. We’ll get into that when we examine and debate the Chairman’s mark.

Some folks might ask what’s the problem if we overshoot and flunk the test. The first problem is we’re running out of budget room. When the bill reaches the Senate floor, it is expected that the package will total at least \$825 billion. All of this extra deficit increase would be proposed when the baseline deficit for this fiscal year will hit \$1.2 trillion. That amount exceeds all historical records. As a percentage of our economy, that will mean 8.3 percent. That amount easily exceeds the previous peak of 5.7 percent in 1983. It’s almost 50 percent above any comparable post World War II levels.

The figures on federal debt held by the public are likewise staggering. In the period of 2001-2007, debt held by the public increased by comparatively smaller

amounts, roughly less than 1 percent per year. This year's change easily exceeds all of that. So, we need to acknowledge the deficit situation we're in. It is very serious. So, whatever we do, we ought to not make the long-term fiscal situation worse than it is.

The other problem is that, if we prime the pump too much and the pumped out stimulus doesn't materialize until after the hoped-for recovery is upon us, then we might risk too much stimulus. The result could be inflation.

Let's bring a sharper focus on this point. The Congressional Budget Office (CBO) and Joint Tax tell us that the package will spend out for fiscal year 2009 a total of roughly 21 percent of the total of \$825 billion. Ironically, the tax policy stimulus, much maligned by the hard-core of both Democratic Caucuses, helps the spend-out ratio greatly.

The theory for erring on the side of overloading on the spending side is that we need to direct dollars to the folks most likely to spend them. This is the reason we are told that we need extra FMAP money, expanded entitlements, and other state aid.

It misses the point that the U.S. fiscal policy system already has an arsenal of anti-recessionary automatic stabilizers directed at the same population. These stabilizers provide immediate assistance to those most vulnerable to an economic downturn. CBO says these benefits, including food stamps, unemployment insurance, and Medicaid will grow to \$250 billion this year. That built-in lower-income population stimulus will be equal to 1.8 percent of our economy.

It also misses the point about insuring that the lesson of moral hazards applies to the states. The fiscal problems faced by many of our states and localities are largely the result of their inability to keep spending in line with revenue.

Between the third quarter of 2006 and the third quarter of 2008, state revenue increased seven percent and state spending increased 15 percent. In other words, the states and localities spent \$2.22 for each additional dollar of revenue. The states have been on a spending spree. And they've dug themselves a hole.

Now, we will hear that an FMAP slush fund for states is necessary to avoid tax increases at the state and local level. We'll also hear that vital services will be cut unless we cut a big blank check to the states. Some on our side will test those assumptions with amendments on those points.

Mr. Chairman, from our side's view, those are the major shortcomings on the substance. Although we've heard there's a deal to vote down our amendments, no matter whether they are meritorious or not, we'd like to be constructive and build on the parts of the package we support. In this respect, we'll go back to the major difference between the parties on how to get the economy moving again. On our side, we'd like to push more incentives for long-term growth of private sector jobs.

There is a good start on a broad-based middle-income tax cut in the package. We'd like to expand the tax cut to cover all middle-income taxpayers. And we'd like to direct that at labor and capital income earned by middle income taxpayers. Since we weren't at the negotiating table to offer these pro-growth ideas, you'll see them arise as constructive offers to improve the package before us.

The House-Senate Democratic deal did not contain relief from the Alternative Minimum Tax (AMT) that at least 24 million middle-income families face this year. We'd like to insure that the stealth AMT doesn't consume large chunks of the middle income tax relief that both sides agree needs to be in the package.

Now I'll turn to some of the health-related provisions on the Chairman's Mark. Spending in this bill should be judged based on two criteria: will it stimulate the economy and is the money being well spent?

Mr. Chairman, we will have honest disagreements over whether several of these provisions are actually stimulative. Improving health information technology is critical for our health care infrastructure. I would support many of the provisions that are in the Chairman's Mark. But I have to ask: will it stimulate our economy and is it money that we should add to the deficit rather than offsetting it?

It wasn't so long ago that \$16 billion was a lot of money around here. Providing assistance to states makes sense if we are concerned about states raising taxes or cutting spending. But is \$87 billion the right number and is increased Medicaid spending the right way to do it?

Could we better stimulate economic recovery using all or parts of that money elsewhere? The Chairman's Mark also includes a two-year extension of our current Trade Adjustment Assistance programs. I'm working with the Chairman to see if we can agree with our counterparts on the House Ways and Means Committee on a broader reauthorization of these programs, but that's still a work in progress.

Apart from Trade Adjustment Assistance, I'm disappointed that this Administration isn't focusing on trade as a component to the economic stimulus package. Opening up new markets for U.S. exporters should be part of the mindset to stimulate our economy. Our pending trade agreements with Colombia, Panama, and South Korea, provide significant opportunities to do just that and should be implemented as soon as possible.

As we go through the bill, I will offer several amendments that I hope will be accepted to try to make the bill better answer the questions I have raised. People see Congress spending vast amounts of taxpayer dollars and they are counting on us to ensure their money is spent wisely not wastefully. Thank you, Mr. Chairman.