Statement by Rep. Xavier Becerra
On the Final Report of the
President's Commission on Fiscal Responsibility and Reform
December 1, 2010

The report issued by the Chairmen of the National Commission on Fiscal Responsibility and Reform is a first step towards making the hard choices to clean up our fiscal mess and creating an economic strategy that will put America back on track. I thank our Co-Chairmen Erskine Bowles and Alan Simpson for accepting the task of leading this Commission, and commend them both for advancing the debate on this important issue.

Several of the Chairmen's proposals have merit and deserve to be considered in the next Congress. Their report makes clear that there are many ways to deal with our need for fiscal reform in Congress, and the Chairmen, to their credit, put on the table several "sacred cows" which should be the subject of review.

However, there are also areas of the Co-Chairs' report that I believe fall short.

Drivers of the Current Deficits

I do not believe this report sufficiently targeted for reform the principal drivers of our current deficits. We must face up to the decisions of the past which contributed significantly to our current debt and deficits (see Appendix 1, which shows components of projected federal deficits). We sent our troops to war and never paid for it. We passed an unfunded Medicare prescription drug benefit for our seniors and never paid for it. And we cut taxes for the wealthy in a time of war and recession and never paid for it. These actions taken by Congress and the previous Administration helped turn a record $5 trillion projected 10-year surplus into record deficits. We should not now pay for these fiscal transgressions by slashing funding for our children's classrooms and programs at our senior citizen centers, particularly because changes in discretionary spending in agencies other than the Department of Defense made up very small shares of changes in total discretionary spending (See Appendix 2, Change in U.S. Federal Discretionary Spending, 2001-2010).

Tax Earmarks & Tax Reform

I commend the Co-Chairs for beginning a long-overdue conversation on earmarks in the tax code. Tax earmarks (which cost us $1.1 trillion annually) not only add significant complexity to the code, they receive little scrutiny on their purpose or effectiveness, grow on autopilot, and generally offer the largest benefits to the wealthy. I applaud the Co-Chairs for their support of zero-based budgeting in this area, requiring that tax earmarks be justified before they are incorporated into the tax code.

Despite advancing the tax reform debate in an important way, the Co-Chairs' approach to tax reform was regrettably anemic. In the Co-Chairs' plan, merely 7% of the revenue generated from eliminating tax earmarks would be dedicated to deficit reduction. I agree with the Co-Chairs that an overhaul of the tax code is long overdue, and that we should strive to make our 15,000 page tax code simpler, fairer, and more efficient. However, we need to be cognizant of the drivers of our deficits and a deficit reduction plan must reflect the effects that large, deficit-financed tax cuts have had on our current and future fiscal situation. More to the point, while some in Washington have drawn attention to appropriations earmarks as a driver of our deficits, we would have to eliminate 70 years' worth of appropriations earmarks to equal the amount of money spent every year through special earmarks in the tax code.

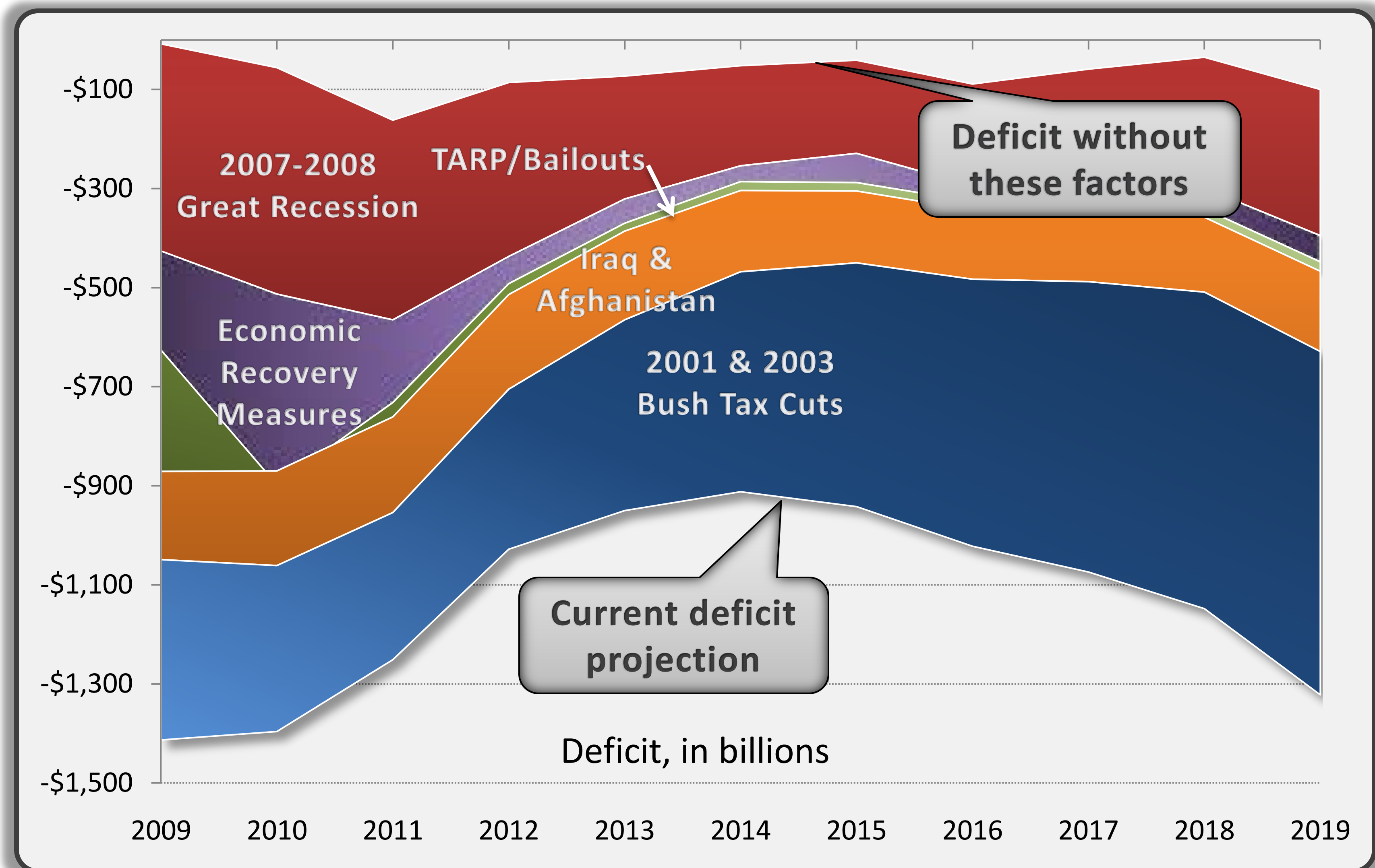
For perspective: letting current law prevail as relates to the tax code (essentially returning to the tax structure that existed during the Clinton Administration, where 22 million jobs were created) would solve the medium-term deficit problem the Commission was tasked to solve, and achieve roughly the same amount of savings as the Co-Chairs' proposal through 2020. This approach does not require a single vote in Congress to take effect. Who says the only real solutions are complicated and opaque?

Investing in our Recovery

Finally, I do not believe enough focus was placed on the actions required to set our economy on a path of growth and prosperity. The biggest deficit facing our country right now is a jobs deficit. America works when Americans are working, and enacting policies that ensure strong and sustained economic growth is an essential component of long-term deficit reduction. Quite honestly, we cannot balance the federal budget with 15 million Americans out of work. I believe the Chairmen's proposal missed the opportunity to emphasize that short-term deficits, incurred for policies that promote economic recovery and investment, are not incompatible with responsible, long-term deficit reduction.

After carefully reviewing the Chairmen's final report, I have concluded that I cannot support it. But our work can continue because Chairmen Bowles and Simpson have laid before us many of the elements that, combined with common sense, can lead us to a sound solution to our deep fiscal troubles.

Appendix 1: Components of Federal Deficits



Source: Center on Budget and Policy Priorities analysis based on CBO estimates

Appendix 2: Change in U.S. Federal Discretionary Spending 2001-2010 (billions of current dollars)

Agency	*2001*	*2010*	*% Share of Discretionary Budget Increase*
Defense, including war costs	316.3	693.42	64.7%
Veterans Affairs	22.38	53.06	5.3%
Health and Human Services	54.15	84.1	5.1%
Homeland Security	16.05	43.28	4.7%
State	7.77	29	3.6%
Housing and Urban Development	28.36	43.58	2.6%
International Assistance	12.59	23.4	1.9%
Justice	18.4	27.65	1.6%
Commerce	5.1	13.8	1.5%
Agriculture	19.24	27.35	1.4%
Transportation	14.68	21.78	1.2%
Education	40.1	46.78	1.1%
Energy	20.03	26.41	1.1%
NASA	14.25	18.72	0.8%
Other	22.77	26.61	0.7%
Treasury	10.34	13.55	0.6%
EPA	7.84	10.3	0.4%
The Judiciary	3.99	6.44	0.4%
National Science Foundation	4.43	6.87	0.4%
Labor	11.96	14.27	0.4%
Interior	10.27	12.15	0.3%
Legislative Branch	2.85	4.73	0.3%
Total Discretionary Authority	664	1247	

Source: Office of Management and Budget , Historical Tables, Budget of the US Government, Fiscal Year 2011