

Senator Mark Warner (D-VA)

Addressing Long-Term Deficits: When and How? - Opening Remarks

Thank you Sarah and I appreciate the opportunity to be here. I think as a newbie Senator, my role here today is to at least provide one case study of how we took on these issues in Virginia. I only caught the tail-end of the panel. I didn't hear Charlie Cook's presentation which I'm probably glad I missed it considering as I understand his focus. And I have to you as we get into the point of the discussion, I don't think that has to be the case though I can imagine what his prediction was. I don't think that necessarily has to be the case but it's going to require a set of political courage that we haven't seen to date. Let me very briefly run through a Virginia scenario because it could be a model or it could be parts of a model for how we can take on these issues at a national level. I'll begin to set the stage when I was hired to be the governor of Virginia in 2001. Virginia was a 2-to-1 Republican state. No state wide elected officials were Democratic or progressive. Our state legislature was 2-to-1 in both bodies, mostly made up of a no-caucus about anything related to revenues. I'll always remember going through the transition stage when I found the budget shortfall was what my predecessor has said 700 million dollars was in actuality 3.8 billion. My first reaction was "was it too late for a recount?" That ultimately grew to a 6 billion dollar shortfall of a 32 or 33 billion base so a fairly significant challenge.

And what we had in front of us was a structural deficit. What we did was—we didn't have the ability to print money in the basement in Richmond so we had to take on this issue, but we did it in a slightly different way. We didn't try to hide the ball. We acknowledged the crisis. We acknowledged we had a structural deficit. We pounded: structural deficit, structural deficit to a press corps that had never heard the term before. And then we took actions. We took cuts, major cuts, much to the chagrin of our allies. I have to tell you that the cut drove home the point to more than any, though were not all the issues that I would have expected. But we ended up shutting the Department of Motor Vehicles one day a week which resulted in the greatest outrage around. I think I was burned in an effigy in many places around the state. The value ended up being it drove home the point to the folks in Virginia that we had a real budget crisis. This wasn't just again politicians saying we have budget shortfalls, which they have said year in and year out, and never having when you see cuts actual effects upon people's lives. We created something that had an actual effect. I didn't plan it but it ended up being the case.

Secondly, we were able to start at the time a dramatic reformist Virginia state government. It was remarkable, the threat of laying off state employees, in terms of changing people's mindset about how you would operate within a state government so we launched the most extensive reform of our IT system. We consolidated a lot of our procurement policies. We started looking at our real estate portfolio the way a business would. We consolidated 70 board agencies and commissions. And while in the period this is over the 2002-2004 time frame, when we actually came around to the revenue side, we hadn't seen dramatic results. We were showing the public that we were first cutting and that second we were changing the way we do business.

The third thing we did which I don't think we've seen enough of you know outside of these kinds of settings. We sold the problem. We didn't start by selling the solution; we sold the problem. Time again we have the proud tradition of Virginia that we had balanced budgets regardless if we were Democrats or Republicans that we've been pretty good fiscal managers; we said all that was in jeopardy. Again what ended up and I would've never again predicted this, but what ended up being a rallying point was the credit rating agencies put our AAA bond ratings—we were put on credit watch. And this became the outside validator that the crisis was real and that we had to act. It allowed us to rally the business community. It allowed us to find some good allies across the aisle. And building that coalition between business and some of the more moderate Republicans—we then went out to sell the solution. I held 65 town hall meetings. I was a mini-Ross Perot, with charts and graphs showing: hey, if you have a better option, we'll take it. But we were not just going to simply punt this problem down the road. We were going to fix it during this Administration or have the Administration fail.

And a remarkable thing happened. Not unlike predictions here in this town, where when I put out this plan, it was written—the initial press reaction was you know: Warner committed political suicide because I had a 2-to-1 Republican legislature. We found that we managed to make the case of it was not Republican-Democrat at the end of the day it was who was for Virginia and who wasn't. And again we blessed to have some strong Republican allies to start with but we completely transformed the debate and ended up with a tax reform package—lowered some taxes, raised others, net raised about 1.4 billion of new revenues on a two year budget cycle. That allowed us to then make large investments in education and growth and a series of other areas that were fairly remarkable—from a progressive standpoint, it allowed us to pick up and now we control of the state senate and I think my lieutenant governor Tim Kaine became somewhat successful.

But what was perhaps the more important point was we had almost in the Senate about half of the Republicans and in the House a third of the Republicans siding with us. To much what they would've expected, political risk, but even though those folks who sided with us, were targeted by a certain crowd that they were going to be taken out in the next elections cycle—all of them except for one was successful. We built enough of a case and there was enough of a sensible center in Virginia. We were successful with this. Not only did it help the Democrats but moderate Republicans were reelected and were reinforced. It led us to not only being able to keep our AAA bond rating, we got named the best managed state in America. We got named consistently now for the last 5 or 6 years the best state for business.

How does this all apply on the federal level? I realize that my time is running short. I do think there are lessons for how we can take on this critical issue at the national level. One is, before you show your revenues, you got to show your willingness to cut spending. And as Democrats at the national level, we've never been good at that. And I think there was an opportunity around the health care debate to form the health care debate in the form of a grand bargaining to put together a bipartisan entitlement reform commission

that would be voted up or down on a bract like basis that might've shown that we were serious about reducing the deficits.

Secondly, there was an enormous opportunity to consolidate a number of these programs. I don't think at the end of the day, before you look at the revenue side, you got to actually solve the problem. But you've got to show you're making progress. And unfortunately I'm a new senator and soon perhaps I'll become enamored with all the things we're doing at the federal level. It's shown time and again that we have massive program overlap in very unworthy policy areas, but we've never gone at this from the perspective of how can we do that with program consolidation. How do we improve on things like technology, HR, procurement on a horizontal basis across government agencies, to really show that we as Democrats, as progressives, can be the party that tries to be about better spend of dollars? I think we have to show the public with anger out there, not all of it by any means is authentically generated, but it is out there. I had a town hall meeting with 1800 of my closest friends while I was out there in Fredericksburg, where I was yelled at by both sides on a continuing basis. We got to show that we can ratchet back some of the spending. I bet a bit of that can go a heck of a long way before we can talk about some new programs.

Finally I guess on the subject du jour of health care reform. One thing where I wish we would've started this debate—I think the Administration understandably started this debate around coverage and around social justice issues. I wish we would've candidly started this debate around the financial imperatives about that if we don't do health care reform, what will it do to the 85 percent of us who have health care coverage in some form or another, that we will see bankrupting of Medicare by 2017, that we'll see in one of the earlier slides that Medicare and Medicaid, other than paying off the national debt, be the single largest driver of our national deficit, that we will see an average family of four spending 40 percent of their disposable income on health care even if they still have coverage, and we'll still seriously impede America's ability to compete in the global economy if we got to pay three or four thousand dollars more per employee for health care costs. I think we could've built the basis of this debate around economic principles and around actual fiscal sanity principles and that we could've been perhaps more successful. I think we'll still be successful around this health care reform. I know a number of us, freshman democrats—we had 10 of us on the floor talking about these issues. I do think, at least from the Senate standpoint, there's a wonderful opportunity—those of you who are Congressional historians know better than I—but we have now 22 or 23 newly elected Democratic members who are elected since 2006. That is a group who have willing to tackle these issues in ways we haven't in the past. I look forward to the conversation.