

**MINORITY VIEWS OF RANKING DEMOCRATIC MEMBER**  
**SENATOR KENT CONRAD (D-ND)**

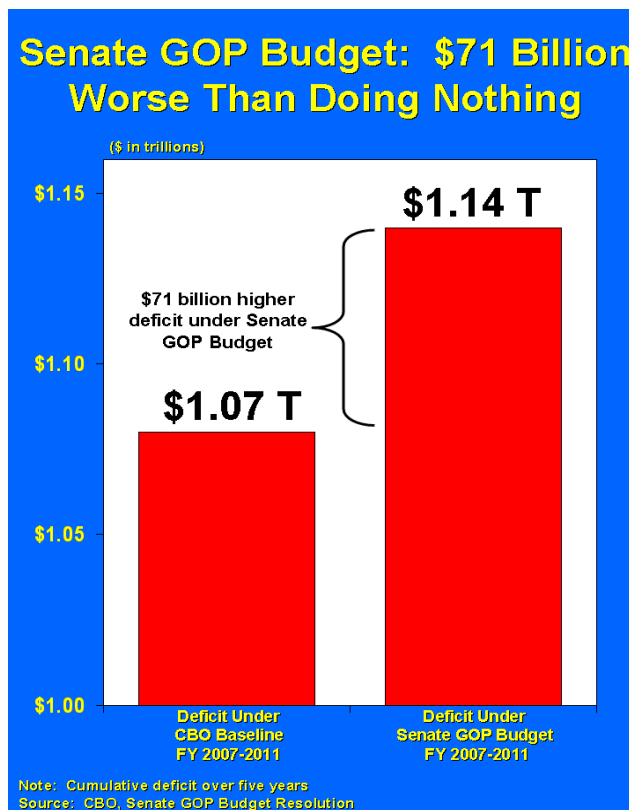
March 10, 2006

To the extent that this is a “vanilla” budget, as it has been described by the Majority, that is a mistake. This is a time that calls for bold action to put the nation’s fiscal house back in order. Unfortunately, by following closely to President Bush’s budget proposal, the Majority’s budget resolution says ‘steady as you go; keep running up the debt; keep overcharging the credit cards.’

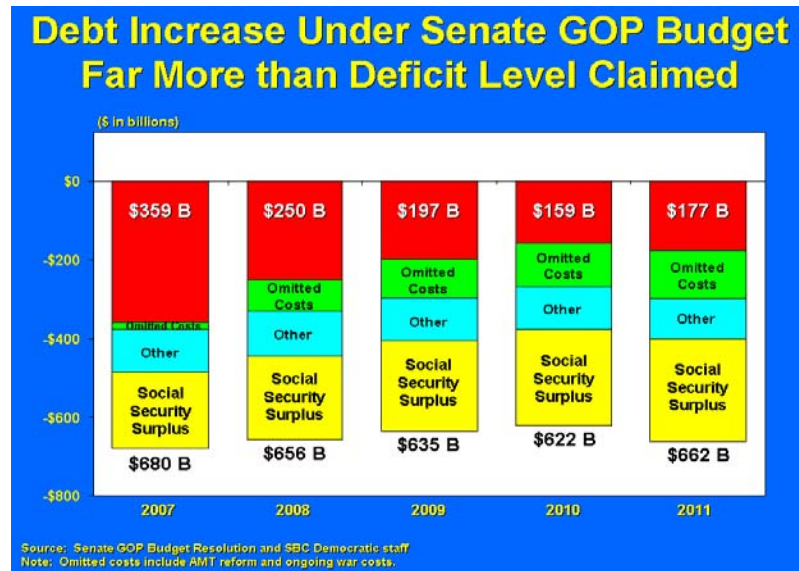
The reality is that the Bush administration has taken the nation from record surplus to record deficit and has put us on a fiscal course that is utterly unsustainable. It has run up deficits and debt at the worst possible time, on the brink of the retirement of the baby boom generation. And the Majority’s budget resolution does nothing to put us on a more secure fiscal path.

Like the President’s budget, the Majority’s budget resolution leaves out large costs to make the deficit look smaller. It leaves out the full ten-year numbers, concealing the exploding cost of tax cuts in the second five years. It leaves out funding for ongoing war costs beyond 2007. It leaves out Alternative Minimum Tax (AMT) reform beyond 2006. And it leaves out the cost of the President’s Social Security privatization plan, which the President claims he is still committed to enacting.

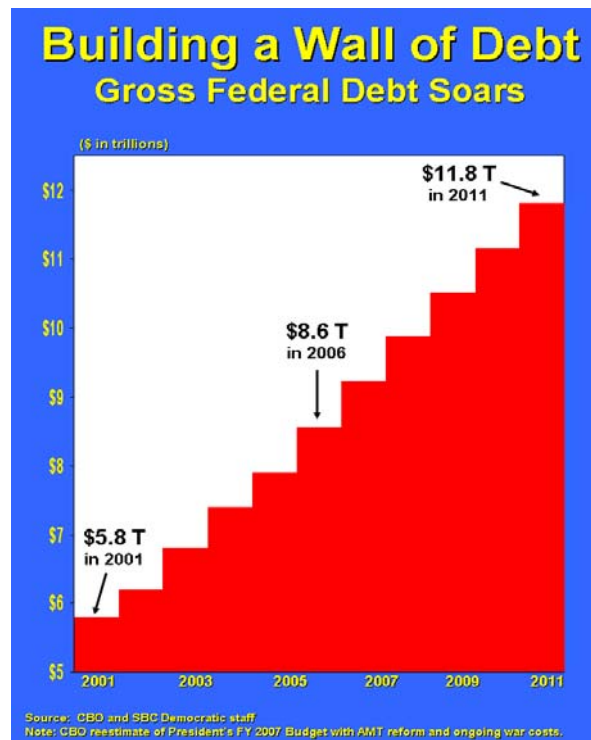
Although the Majority claims that its budget plan will reduce the deficit, we can see that it will actually result in a \$71 billion higher deficit over five years than doing nothing at all. The cumulative deficit over five years under the Congressional Budget Office’s baseline is \$1.07 trillion, while the cumulative deficit over five years under the Majority’s budget resolution is \$1.14 trillion.



But the deficit increase doesn't tell the whole story. The debt is increasing far more each year than the deficit levels claimed by the Majority. When you add in omitted costs such as AMT reform and ongoing war costs, as well as the Social Security and other trust fund surpluses also being spent, we see that the debt will actually go up by more than \$600 billion every year over the next five years.



The result of following closely to the administration's irresponsible fiscal policies is that gross federal debt is exploding. At the end of 2001, the year the Bush administration took office, gross debt was \$5.8 trillion. By the end of 2006, gross debt is projected to reach \$8.6 trillion. And under the President's budget, with AMT reform and ongoing war costs added in, gross debt will soar to \$11.8 trillion by the end of 2011. We can expect a similar outcome if the Majority's budget resolution is adopted.



This soaring debt has made us increasingly reliant on foreigners to buy our debt and finance our deficit spending. Foreign holdings of U.S. debt have gone up 115 percent since 2001, rising from \$1.01 trillion in January 2001 to \$2.18 trillion in December of last year. It took 42 Presidents 224 years to run up a trillion dollars of external debt. This administration has more than doubled that amount of external debt in five years.

Notably, the Majority’s budget resolution fails to restore the stronger paygo, or pay-as-you-go, budget enforcement rule that was so effective in bringing down deficits in the 1990's. The paygo rule simply requires that any new mandatory spending or tax cut legislation be paid for, or get 60 votes in the Senate. Instead, the Majority’s budget resolution leaves in place the current weaker paygo rule that exempts all mandatory spending and tax cuts included in any budget resolution.

The bipartisan budget watchdog group, the Concord Coalition, among others, has repeatedly called for the restoration of a stronger paygo rule that applies to both spending and tax cuts. Last year, the group stated: *“Exempting tax cuts from PAYGO does nothing to promote fiscal discipline. It would neither control spending nor shrink the deficit. All it would do is exempt any tax legislation from fiscal scrutiny, regardless of the circumstances. Such an enormous and unnecessary loophole would not be wise policy given that deficits are back for as far as the eye can see. Since spending and tax decisions both have consequences for the budget, there is no good reason to exempt either from enforcement rules.”*

Finally, like the President’s budget, the Majority’s budget resolution focuses on the wrong priorities. At the same time that the Majority proposes tax cuts that primarily benefit the wealthiest, it again proposes to cut funding for programs that impact the rest of the American people. Although the resolution only provides overall spending levels for different areas, the totals assume most of the President’s misguided cuts will be enacted.

A recent *National Catholic Reporter* editorial described the President’s budget this way: *“But what has become cliché during five years of the Bush administration is now glaringly apparent in the easily discerned outlines of its proposed 2007 budget: Cuts in vital programs that benefit the poor and middle class, continuing tax relief for the very wealthy and substantial increases for defense and Homeland Security. If budgets are, as some contend and we would agree, moral documents, then this one suggests we have abandoned a basic sense of right and wrong and any notion that we are at our best when we strive to make life better for all, not just those who manage to accumulate wealth.”*

**Wrong Priorities**

Program	Cut
Byrne Justice Assistance Grants	Eliminated
Safe and Drug-Free School Grants	Eliminated
Vocational Education	Eliminated
COPS	78%
Firefighter Grants	55%
Essential Air Service	54%
Weatherization Grants	32%
Amtrak	30%
Community Development Block Grants	20%
LIHEAP	17%

Source: OMB, SBC Democratic staff  
FY 2007 Senate GOP Budget Resolution versus FY 2006 enacted.

We can provide the resources to support America's priorities while still restoring fiscal responsibility. But it will take real leadership. Unfortunately, the Majority has chosen instead to propose a budget resolution that focuses on the wrong priorities and takes us further down the road of deficits and debt.

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