

**Transcript of Opening Statement of Senator Kent Conrad, D-ND  
at Mark-Up for the Concurrent Resolution on the Budget for FY 2006  
March 9, 2005**

Thank you Mr. Chairman, and thank you and your staff for the many courtesies extended to us in preparation for the budget mark-up. I want to say to my colleagues on this side that this Chairman and this staff have been more forthcoming than any previous Chairman or any previous staff. They have shared with us their assessment of the situation and their proposals in a way that was very helpful to our preparation.

We don't have yet before us the Chairman's budget. It's not before us in a formal way. It will not be until he lays down the Mark. So I will respond in terms of the President's budget. The Chairman has told us he will fairly closely follow the President's budget and that's what I will talk about today.

First of all, the President said on March 2nd, "We've got to do something about the deficit... It's important."

The President was right. We do need to do something about the deficit. It is important, but if you look at the President's budget, what you find is that the only thing he's done about the deficit is make it worse. The Bush budget plan increases the deficit by \$104 billion over the next five years. In 2006, it increases the deficit by \$34 billion, and you can see the other years as well. One hundred four billion dollars more of deficit under the President's plan.

But the President's plan conceals from the American people the true seriousness of our fiscal condition. Why? Because he simply leaves out areas of expenditure that we all know are going to occur. If you go back and adjust the President's budget by these omitted costs, the war costs that he doesn't include in his budget past September 30 of this year. If you include the need to fix the alternative minimum tax, the old millionaire's tax that is rapidly becoming a middle class tax trap. If you look at the money that he is taking from the Social Security trust fund over the next five years, what you see is quite a different picture than the one presented. This chart shows those omitted costs being added back in. It shows the money being taken from Social Security each of the next five years to fund other things. And instead of much improvement, what you see is the operating deficit of the country is virtually unchanged over the entire five years of this President's budget. He says the deficit is important. He says we should do something about it, but his budget does virtually nothing.

(Government Accountability Office) Comptroller General (David) Walker has warned us that the fiscal outlook is worse than claimed. He said in a speech to the National Press Club on February 2nd, "The simple truth is that our nation's financial condition is much worse than advertised." That's true. Much worse than advertised because the President, in order to claim that he's cutting the deficit in half, has just left out major areas of expenditure.

When his people came and described for me their budget proposal and told me they were cutting the deficit in half I said to them. "Why don't you just leave out some more things and claim you balance the budget? You might as well because that's what you've done here."

Look at the war cost. We have the supplemental now that the President has asked for – \$82 billion for ongoing military operations in Iraq, Afghanistan, the war on terror, and other items. But the Congressional Budget Office tells us that the residual war cost is not \$82 billion. It's over \$380 billion. But that's not in the President's budget.

And on the President's tax cuts, the President shows the first five years of the cost of the tax cuts. What he leaves out is what happens right after the fifth year, right after the budget window – the cost of the President's tax cut proposals skyrocket.

And it's not just in those areas of war cost and tax cuts where the President's budget conceals more than it reveals. It's also true with the alternative minimum tax. The alternative minimum tax costs \$770 billion to fix, according to the Congressional Budget Office. There's not a dime in the President's budget to fix it.

And perhaps most remarkably, the President says there is a crisis in Social Security, that we have to address it, but he doesn't provide a dime of the cost in his budget. In the first ten years, the President's privatization proposal costs over \$750 billion. (After full implementation) the additional cost gives a cumulative total for 20 years of over \$4 trillion. All borrowed money, all put on the tab, all added to deficits, and the President says the deficits need to be addressed, it's important. But his budget doesn't address budgets other than to make them worse, other to increase debt and increase deficits for as far as the eye can see.

When we look at the President's claim of deficit reduction, that's the solid red part of this chart, and then go back and add the things that he's left out, and look ahead to 2015 what we see is red ink as far as the eye can see. The Bush budget fundamentally hides the worsening budget outlook.

President Bush said in his conversation on Social Security reform in Raleigh, North Carolina on February 10th, "I believe the job of a President is to confront problems and not pass them on to future Presidents and future generations."

But that is precisely what the President is doing in his budget. He is passing on to a future President, to future Congresses and to future generations a massively growing debt. I think we all remember what the President told us in 2001 he was going to have maximum pay down of the federal debt. In fact, he said he would virtually eliminate the debt by 2008. In January of 2001 the President said the debt would be down to \$36 billion by 2008. Now, instead of being virtually paid off what we see is the debt growing geometrically to \$5.8 trillion by that same 2008.

The result of our combined deficits, massive trade deficit which is also at a record level and our budget deficits means that increasingly we are relying on foreign countries to finance our debt. In fact, foreign debt holdings have increased almost 100 percent since this President took office. And so now we see we owe over \$700 billion to Japan, almost \$200 billion to China. We owe even over \$69 billion to South Korea.

Finally, the President promised to protect Social Security. He said in 2002 in his budget, "None of the Social Security surplus will be used to fund other spending initiatives or tax relief."

But in this budget, the President in fact not only takes Social Security funds to pay for other things, he takes every dollar of Social Security money that is available to spend on other things. Every dollar. From 2006 to 2015 if the President's blueprint is followed, he will take \$2.5 trillion of payroll taxes and use it to fund other expenses of government. This at the very time he says there is a shortfall in Social Security, he sends us a budget that digs the hole much deeper by taking, I repeat, every penny of money available in Social Security because temporarily it is running a surplus. He's taking every dime of it, and not using it to fund individual accounts, or prepay the liability, or reduce the debt, but instead he's taking that money to fund tax cuts and other expenditures of government.

Finally, let me say to my colleagues, the additional tax cuts the President advocates explode just as the trust fund cash surpluses become deficits. So anyone who votes for this budget will be voting to make the debt situation of the United States far more serious, and present a future Congress, and a future President, a future generation with much more draconian choices.

This chart shows clearly where we're headed. The red bars are the cost of the President's tax cuts. The green bars are what happens to the Social Security trust funds. The blue bars are the Medicare trust funds. You can see that temporarily we are in surplus in the trust funds, but when they go cash negative, at that very time, the cost of the President's tax cuts explodes driving us right over the fiscal cliff into a series of choices that will be extraordinarily difficult for that future Congress, that future President, those future generations.

Mr. Chairman, I feel the budget situation of the United States is becoming surreal. I think we are increasingly disconnected from the reality of the fiscal choices that are being made. There is a great desire on the part of people who run for office to support every tax cut, every spending initiative, and we see where it has led us. It has led us to record budget deficits, and record budget deficits at the worst possible time right before the baby boom generation retires.

And we know what is going to happen. The number of people as you correctly pointed out, the number of people eligible for Social Security and Medicare are going to increase dramatically and we have an overall budget condition in this country that is utterly unsustainable. In the face of that, the President says cut the taxes more and spend more money. Spend more money to create private accounts. Borrow it all. Have more tax cuts. Borrow it all. This is reckless. This is a reckless course for this country.