

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)
at Press Conference on President Bush's FY 2009 Budget
February 4, 2008**

Welcome. Good to be with you. I want to first acknowledge my colleague Chairman Spratt, Chairman of the House Budget Committee, and thank him for his gracious invitation to have us begin this discussion today to talk about the President's budget.

As you can see from this first slide, the budget picture has deteriorated dramatically. The administration themselves say the deficits will be over \$400 billion over the next two years.

But let me emphasize to you what I see in almost no stories: That is a four-letter word called debt. Nowhere do I see mentioned of what's going to happen to the debt. It never leaves the administration's lips. I have never seen it in a single story. I hear a lot of focus on the deficit. No mention of what happens to the debt.

And I would suggest to you the debt is the threat. Why? Because if you look at what is scheduled to happen in this next year, according to the administration's own estimates, while the deficit goes up over \$400 billion, the debt will go up over \$700 billion in one year. The big difference, of course, is Social Security money that is being used to pay other bills. It doesn't get included in any deficit calculation, but every penny of it gets added to the debt.

The result is, under the Bush administration proposal, they are building a wall of debt. At the end of his first year, the gross debt of the United States stood at \$5.8 trillion. We don't hold him responsible for the first year because he wasn't in charge the first year. The budget, as you know, is presented by the president outgoing.

If you look at the end of his eight years of responsibility, we see the debt as being over \$10.4 trillion. That is almost a doubling of the national debt on his watch. You will recall, he said paying down the debt was a high priority. And we see the debt further escalating to more than \$13 trillion by 2013.

In addition, foreign holdings of U.S. debt have more than doubled. It took 42 presidents 224 years to run up a trillion dollars of external debt -- debt held abroad. This President has already more than double that amount in just seven years. He has run up foreign holdings of debt by \$1.3 trillion.

Now in this budget, he says we have got to have savings out of Medicare. And so, he proposes savings out of Medicare and Medicaid of some \$600 billion over 10 years. But at the same time, he says make the tax cuts permanent at a cost of \$2.2 trillion. We believe that is a very odd sense of priorities. That is not a sense of priorities that are shared by the American people.

We know that things are left out of this budget. For example, on war costs, the President

has nothing on war costs past the first half of fiscal year 2009; on alternative minimum tax reform, he has no funding past 2008; and he has no spending policy details beyond fiscal year 2009.

So this is a budget that in many ways is imaginary. It doesn't tell us his real intentions. But we can see, at least with respect to war costs, that his intentions are quite different than the budget he's presented. In his 2009 budget, he has \$70 billion for war costs, but he requested nearly \$200 billion in 2008. This is the kind of hide-the-ball budgeting that does a disservice to the nation and certainly does a disservice to Congress.

With respect to the funding priorities in this budget, there are a series of cuts here that have been previously rejected by Congress on a bipartisan basis. Let me just give you several of them that stand out.

- The COPS program that has put 100,000 police officers on the street, the President says cut that 100 percent.
- Weatherization assistance; when we know energy prices have skyrocketed, we know that there is really an environmental need to reduce our demand for energy, the President says weatherization assistance ought to be cut 100 percent.
- First responder grants at the Department of Homeland Security – these are grants to our firefighters and our other first responders – the President said cut those grants 78 percent.
- Clean water grants; the President says cut 21 percent.
- Community development block grants – which you ask any mayor in the country what is the most important source of federal funds that give them some discretion, some flexibility, they'll tell you community development block grants – the President says cut that 20 percent.
- And, low-income home energy assistance, the President says cut 17 percent.

Let me just conclude by saying, if you look at what this President inherited and what he's leaving behind, it is a sad legacy. He inherited surpluses – forecasted surpluses of \$5.6 trillion. He's turned that into annual deficits of \$400 billion a year and increases in the debt of \$600 billion or \$700 billion a year. He inherited a circumstance in which we were on track to pay down all of the publicly held debt. He has now nearly doubled the national debt by the time he's done. He inherited the strongest economy in three decades. We now see an economy that is slowing dramatically. And, he inherited an economy that showed very robust job growth – some 22 million jobs created during the Clinton years – to now we see the weakest job growth since the Hoover administration.

I have been asked if this is a budget that is dead on arrival. My answer would be, no, it is debt on departure. Now that the President is leaving, he is leaving behind a legacy of red ink.

You saw that the President did not himself print budgets this year, and my answer when asked why he did that, as I indicated, perhaps he ran out of red ink. Because that's what he's left us with. He has left us with an ocean of red ink.

The next President is going to inherit a fiscal disaster of stunning proportion.

Question: (regarding economic assumptions)

Conrad Answer:

I would just say, with respect to the economic growth projections in the President's budget, interestingly enough, this budget was locked down sometime in November, and they were showing 2.7 percent growth for this year; CBO, 1.5 percent. But even a stopped clock is right twice a day. And they may be saved by the stimulus package, because the stimulus package, variously estimated, could add 1, 1.25 percent of GDP, which might make this forecast, for the first year at least, come in about right. But it is interesting: They made this forecast before there ever was a stimulus package, so they were giving what was then a completely rosy scenario.

Question: How different do you expect the final budget from Congress will be from the one you received today?

Conrad Answer:

I would just say with respect to specific issues, there will be substantial differences. We're not going to cut the COPS program 100 percent. We're not going to cut weatherization assistance 100 percent. Those aren't the priorities of the American people. So I think there will be significant differences.

With all that said, the tragedy of the Bush administration will be that they have left a legacy of debt that is truly stunning in proportion. By any historic measure, this administration will go down as the most fiscally irresponsible in the history of the United States, and by a wide margin.

Question: Is there anything in this budget which might indicate where U.S. fiscal policy is going in the next year in your – on the discretionary side you wait until after the elections. On the mandatory side, you guys are night-and-day different. On the revenue side, maybe you'll do a stimulus package. But is there anything that would indicate where people are headed, where the policy will stand? Or is it just a complete fiction at this point?

Conrad Answer:

I would say the one place that there is agreement is that this administration has acknowledged the economy is so weak that it requires a stimulus package. Now, that's interesting. If you go back just a few months, remember the President was telling us how robust the economy was. Now he has at least acknowledged that the economy has weakened dramatically. We saw that in fourth quarter growth. We saw that in the recent jobs report. We see that with respect to the Federal Reserve taking emergency action because they see the situation as so serious.

Question: Will there be a congressional budget...is there a budget both the House and Senate can agree on – the same budget?

Conrad Answer:

Well, we did last year. You will recall when our colleagues controlled things, they had no budget for three of the five years. We were able, even though we had very narrow margins in both houses, were able to have budgets – budgets that were passed on time. And we hope to do that again this year.

Question: If you're not for the administration's spending cuts or its user fees, then aren't you either going to have a larger deficit or tax increases? I mean, how do you do that without making the situation worse?

Conrad Answer:

Look, we're here to discuss, today, the President's budget. You know, we've just gotten the President's budget. So, I would just say your question is premature.

We will have a budget. My intention is to have a budget that balances in 2012. And we will provide that budget. We will lay it out for our colleagues. But we're very early in the process. The first thing that happens, as you know, in the budget process is the President lays out his budget, then we lay out ours. And that's the second chapter.

Question: You had a prolonged fight last year over the top line discretionary budget number, and ultimately provided the \$932 billion figure that you wanted. Do you expect to exceed his proposal this year for the 302A?

Conrad Answer:

You know, the \$933 billion is a bit of a misnomer, because I think there's about \$11 billion of emergency spending on top of that. So it was basically split the difference in terms of what actually happened in funding.

But the bottom line here is what Chairman Spratt and I have said repeatedly, and I hope this point is not lost: A continuing of just focusing on deficits, and that as a share of GDP, really misses the much larger point. I see all these historical comparisons to deficits as a share to GDP now and in the '80s. There is a big problem with that comparison. In those days, there were virtually no Social Security surpluses that were being used to pay other bills. Now it approaches \$200 billion, Social Security money being spent in one year to pay other costs. Not a dime of that is in the deficit. Every dime of it is in the debt.

I have not seen a single story that talks about what has happened to the debt under this President, what is happening to the debt this year under this President. And, as I indicated, he says a \$410 billion deficit. He never mentions what happens to the debt. The debt, according to his own calculation, is going to go up \$700 billion in one year. You take that as a percentage of GDP, it's a very different: That's 5 percent of GDP.