

Senator Kent Conrad - Floor Statement - 3/9/01
SOCIAL SECURITY AND MEDICARE OFF-BUDGET LOCKBOX ACT OF 2001

Mr. CONRAD. Mr. President, I thank my colleague for nice, kind words this morning. I appreciate that. I rise this morning to talk about what I think is a very important amendment. It is an amendment I offered yesterday to provide protection to the trust funds of Social Security and Medicare. We call it the Social Security and Medicare off-budget lockbox. It is designed to save both the trust funds of Social Security and Medicare.

Mr. President, this is critically important because it is right at the heart of the debate that is going to occur this year over our budget priorities. My Social Security and Medicare lockbox amendment protects Social Security surpluses in each and every year, takes the Medicare Part A trust fund off budget, gives Medicare the same protections as the Social Security trust fund, and it contains strong enforcement provisions.

This is the amendment we voted on last year on the floor of the Senate. We had 60 votes, a strong bipartisan vote, to protect both the Social Security trust fund and the Medicare trust fund.

Speaker HASTERT, in speaking on a bill offered in the House said:

We are going to wall off Social Security trust funds and Medicare trust funds and consequently, we pay down the public debt when we do that. So we are going to continue to do that. That's in the parameters of our budget and we are not going to dip into that at all.

In other words, the Speaker is endorsing the principle, at least, of what is contained in this amendment, this legislation. Unfortunately, if you look at the lockbox they passed in the House, it has a giant trapdoor. It is not really protecting the two funds, the Social Security and the Medicare trust fund. I think we can do better here in the Senate. We did last year, and I think we can again this year.

Really, what they passed is what I call a ``leaky lockbox." It doesn't really protect Social Security and Medicare trust funds because it has a big exception that will allow them to be used for other purposes, to be used for new commitments for Social Security and Medicare.

I think all of us know we need the Social Security and Medicare trust funds to keep the promises that have already been made. We have additional challenges, no question about that. We have a long-term challenge of Social Security that will not be solved even by saving every penny of the trust fund. We are going to have to put more money into it. But I don't believe we should set those funds up to be raided for any other purpose.

Some will say if you save the Social Security and Medicare trust funds, you are going to build up cash, and then the Government will have to figure out what to do with that cash. Let me just say that we have done a detailed cashflow analysis. You can save every penny of the Social Security and Medicare trust funds and have no buildup of surplus cash until the year 2010--2010 is 9 years from now. That gives us plenty of time to adjust to that, if indeed it begins to happen.

If these forecasts that have been made actually develop, if we actually see them coming true, we will have plenty of additional time to adjust.

I go back to a statement made by a fellow Budget Committee member, Senator PHIL GRAMM of Texas, who is also on the Finance Committee. He said, back in 1998, in the Budget Committee deliberations:

But the fundamental strength of it is, whether they are Democrats or Republicans who have gotten together in these dark corners of very bright rooms and said, what would we do if we had a half trillion dollars to spend? The obvious answer that cries out is Medicare. I think it is logical. People understood the President on save Social Security first, and I think they will understand save Medicare first. Medicare is in crisis. We want to save Medicare

first.

What we are saying in this legislation is, we want to save Social Security and Medicare. We ought to treat the trust funds of Social Security and Medicare in the same way. We ought to protect them both, give them the same protections. We don't in current law. In current law, we give much more protection to the Social Security trust fund than we do the Medicare trust fund.

We all know the Medicare trust fund is in greater danger; we face insolvency in a more recent timeframe than we do with Social Security. So what we are saying is, let's protect them both. That just makes common sense.

The chairman of the Budget Committee said this at that same time back in 1998:

For every dollar you divert to some other program, you are hastening the day when Medicare falls into bankruptcy and you are making it more and more difficult to solve the Medicare problem in a permanent manner into the next millennium.

That is absolutely right. The chairman of the Budget Committee was right then, and this same sentiment is right now. We should not raid the Medicare trust fund for other purposes.

That hastens its insolvency.

Let me say the proposal the Republicans have made that will be the competing proposal to what I have offered, which will be voted on on Tuesday, I refer to as the "Republican broken safe." Under the President's budget plan that he has sent us, not a penny is reserved for the Medicare trust fund, not a penny. That is kind of startling and almost hard to believe, but it is true.

So their broken safe has a wide open door on it. It has a wide open door because the President doesn't reserve any money for the Medicare trust fund. It has a wide open door because the proposal that has come over from the House is very leaky. It has a huge, "we will protect the Medicare trust fund, unless we don't." That is not going to work, or sell, and it should not because it is not right.

One of the reasons this proposal is necessary is because, if you look at the President's budget proposal, it simply does not add up. As I have gone through the numbers and tried to determine the President's plan and the effect of the President's plan, here is what I have found: The projected surplus is \$5.6 trillion. That is what the CBO says and what the OMB says, and we all know that is a 10-year forecast, and we all know it is highly uncertain. We all know there is only a 10-percent chance that is really going to come true. The people who made the forecast told us there is a 45-percent chance it will be greater than that. There is a 45-percent chance it will be lower than that.

That counsels to many of us that we ought to use caution here. The President says the Social Security trust fund is \$2.6 trillion out of that \$5.6 trillion. His documents say the Medicare trust fund is \$500 billion of that \$5.6 trillion.

If you subtract out the Social Security and the Medicare trust funds, you wind up with an available surplus of \$2.5 trillion.

If we look at the cost of the Bush tax cut, here is what we find. It has been advertised as a tax cut of \$1.6 trillion, but when the House considered parts of the President's tax cut, they reestimated the cost, and they increased the cost by over \$100 billion. For just part of what the President has proposed, they have increased the cost by over \$100 billion.

Part of that is moving up the effective date. Part of it is a reestimate of the true cost of parts of the President's proposal. Instead of a \$1.6 trillion tax cut, it is a \$1.7 trillion tax cut.

In that same reestimate done for the House, we learn that there is a very serious problem that will be created or made worse by the President's proposal, and that is the alternative minimum tax. The alternative minimum tax today

affects about 2 million taxpayers. The Joint Tax Committee has now told us if we pass the President's plan, the alternative minimum tax will affect not 2 million people, but over 30 million people.

Let me repeat that. The Joint Tax Committee has now told us that if we pass the President's tax plan, it will affect not 2 million people in the alternative minimum tax, which is currently the case, but over 30 million people, and that it will cost \$300 billion to fix it.

That has to be added to the President's plan. It is not in the President's plan. It is not there, but this is made more necessary by the President's plan, and it will cost \$300 billion to fix.

The interest cost associated with this tax cut and the alternative minimum tax reform is another \$500 billion because anytime you spend money or cut taxes, that means you have greater interest costs and the interest cost associated with that tax cut and the alternative minimum tax reform that it makes more necessary is \$500 billion.

Then we have the President's spending initiatives over the baseline. That is \$200 billion. If you add up the President's tax cut, his spending initiatives, it is \$2.7 trillion, but if you are protecting the Social Security and Medicare trust funds, you only have \$2.5 trillion available. He is, by my calculation, \$200 billion in the hole already and counting, and it will be more because we have yet to have the estimate of what his estate tax elimination costs. We can be confident it is going to be far higher than the previous estimate because of the economic changes that have occurred in the interim.

They have not reestimated his marriage penalty proposal, which we know is going to be higher, again because of changes that have occurred in the economy since the previous estimate. This is before any defense initiative sent forward by the President. Does anybody in this Chamber not believe the President is going to send up a major defense initiative next year? We all know he is. I personally believe he should. I think we are going to need more money in defense, but it does not end there.

Some of the tax extenders are included in the President's baseline; others are not. We all know the provisions that affect energy are going to be extended in the Tax Code. There is a cost to that. That is not in these calculations, and it does not stop there because we now know the President's prescription drug proposal is badly deficient in terms of the resources he has dedicated to a prescription drug benefit.

The Republican chairman of the Finance Committee said to us

the number is going to have to be much higher to have a serious prescription drug benefit; it is going to be much higher than what is in the President's budget. The President has \$153 billion in his estimate for a prescription drug benefit. The Congressional Budget Office is telling us the estimates on all the prescription drug proposals are being increased by about one-third because of new information on what is happening to the cost of pharmaceuticals.

I am saying this to my colleagues and I am saying this to anybody who is listening because when you add these things up, the President's proposal simply does not make it. There is this tremendous gap between what is available if we are protecting the Social Security and Medicare trust funds and what is being used. In fact, it is very clear that the President is using all of the non-trust-fund money for his tax cut and its related expenses.

It is clear, I just do not know how any of this can be in any serious question. We all agree on the projected surplus, and I think most of us understand it is highly uncertain. It is a 10-year number. The forecasting agency itself has told us it is highly uncertain. This is the President's own number for the Social Security trust fund. This is his number for the Medicare trust fund.

The Bush tax cut--this is the reestimate done on the House side of just part of his plan, and it added \$100 billion to the \$1.6 trillion that has been so much discussed. We know there is an interest cost associated with any tax cut or any spending proposal. The spending initiatives of the President are not in dispute. It is \$200 billion above the so-called baseline.

The only question there can be of these figures is this one, fixing the alternative minimum tax. The President has not included it in his plan, but it is clearly made necessary by his plan. We cannot take 2 million people who are currently caught up in the alternative minimum tax and have it affect 30 million people. That will never be tolerated in this country, and it should not be. It would be unfair for 30 million taxpayers. And they are not saying 30 million, they are saying substantially in excess of 30 million people will be caught up in the alternative minimum tax if the Bush tax cut proposal is passed. It costs \$300 billion to fix. That is not Kent Conrad's number. That is the number of the Joint Committee on Taxation.

There is something else people should know in this Chamber that I call the dirty little secret of the President's budget proposal. The President's budget is in deficit in the year 2005 if he does not raid the Medicare trust fund. The reason I believe his proposal does not protect the Medicare trust fund is that he needs the money in the year 2005 to avoid being in deficit.

These are the numbers from his proposal. What they show is that in the year 2005, the President's budget is in deficit unless he is using the full Medicare trust fund surplus. Some of us believe that is a profound mistake, that that is not a place we should go; we should not raid the Social Security trust fund surplus for any other purpose; we should not raid the Medicare trust fund for any other purpose; we should hold those funds for the purposes intended.

But the fundamental strength of it is, whether they are Democrats or Republicans who have gotten together in these dark corners of very bright rooms and said, what would we do if we had a half trillion dollars to spend? The obvious answer that cries out is Medicare. I think it is logical. People understood the President on save Social Security first, and I think they will understand save Medicare first. Medicare is in crisis. We want to save Medicare first.

What we are saying in this legislation is, we want to save Social Security and Medicare. We ought to treat the trust funds of Social Security and Medicare in the same way. We ought to protect them both, give them the same protections. We don't in current law. In current law, we give much more protection to the Social Security trust fund than we do the Medicare trust fund.

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These are the numbers from his proposal. What they show is that in the year 2005, the President's budget is in deficit unless he is using the full Medicare trust fund surplus. Some of us believe that is a profound mistake, that that is not a place we should go; we should not raid the Social Security trust fund surplus for any other purpose; we should not raid the Medicare trust fund for any other purpose; we should hold those funds for the purposes intended.

We should protect the Social Security trust fund. We should protect the Medicare trust fund. We should not allow them to be raided for any other purpose.

This year, certain Republicans have asserted there is no trust fund surplus in Medicare. It is a bizarre argument, is the only thing I can say. Their argument is there is a Part A trust fund to Medicare and there is a Part B trust fund. They say the trust fund of Part A is in surplus by \$500 billion. They say the Part B surplus is in deficit.

As I said yesterday, there is no Part B trust fund deficit. There is none. They are arguing there is a surplus in Part A, there is a deficit in B, so let's not count the trust funds at all in Medicare.

What a bizarre argument. No. 1, they are factually wrong. There is no deficit over the 10 years in Part B. I direct them to page 19 of the Congressional Budget Office report. Page 19 of this report, available to every Member of Congress, makes it very clear in table 1. It is titled "Trust Fund Surpluses." First is Social Security. We all know Social Security has a trust fund and it is in surplus. That is, it is in surplus during this period of time. It is needed when the baby boomers start to retire. So "surplus" is a little misleading. It is in surplus temporarily, but it is committed to future liability.

The next trust fund mentioned is the Medicare trust fund's Part A. The Congressional Budget Office showed over a \$400 billion surplus. Their numbers are somewhat different from the President's numbers. The President has an even larger surplus in trust fund Part A. He has a \$500 billion surplus.

In Part B, where some are claiming it is in deficit, the Congressional Budget Office shows very clearly there is no deficit over the 10-year period in Part B, it is roughly in balance.

The argument that some on the other side are making is, since only 25 percent of the Part B trust fund is for premiums and 75 percent comes from the general fund, that means it is in deficit. That isn't what the law says. That isn't what the actuaries say. That isn't what the Congressional Budget Office reports. They report the Part A trust fund is in surplus. They report that the Part B is in balance over the 10-year period. There is no justification for making the claim that if you put the two together there is no surplus at all, because there clearly is.

Even if there weren't, if there were a deficit in Part B, what earthly sense would it make to move the Part A trust fund surplus to a category called "undesignated," called "contingency fund" in the President's plan? That is what he has done. He has taken all of the Medicare trust fund money and moved it from a committed category, a trust fund category, to an undesignated category, a category available for every other kind of spending.

In my State yesterday, he stated he has this fund, this uncategorized fund, this undesignated fund, and if you need more money for agriculture, go to that fund. It is kind of the magic asterisk.

There is no such fund. There is no such fund unless you raid every penny of the Medicare trust fund. If somebody does it, they will be held to account, because some of us are going to tell the truth and we are going to remind people there is a trust fund of Medicare and a trust fund of Social Security and that both of them deserve protection and both of them deserve support and both of them should not be used for other purposes.

I frankly think we ought to put more money in agriculture, but I am not for taking it out of the Medicare trust fund. Any move to use the Medicare trust fund money for other purposes moves up the date of insolvency, and in fact the President's plan to take the \$500 billion from the Medicare trust fund and use it for his so-called contingency fund that is available for defense spending or agriculture spending or any other kind of spending, that moves up the date of insolvency of the Medicare trust fund.

In fact, the actuaries say if we do what the President has proposed and take the money from the Medicare trust fund, put it in the contingency funds, and make it available for other spending, we move up the date of insolvency of the Medicare trust fund by 16 years and it goes broke in the year 2009.

Some of us will not have any part of that plan because it is wrong. It is wrong for the country. It is wrong for Medicare. It is wrong to take trust fund money that has been designated for a specific purpose and seek to raid it for other purposes. That is what has gotten us into financial trouble in the past. That is what would get us into financial trouble in the future, if we permitted it to happen.

This is a debate that deserves to be heard all across this country. It is fundamental to the economic future of America. Do we raid the trust funds to try to provide an oversized tax cut, or do we protect them? That is the question.

I believe our colleagues will rally around a principle they have rallied around before, which is the fundamental notion, you don't raid trust funds: You don't raid Social Security trust funds, you don't raid Medicare trust funds; those funds ought to be lockboxed, they ought to be walled off, they ought to be protected. That is what this amendment is all about. I believe this is what the American people support.

On Thursday, the Los Angeles Times reported that the American people, if they are asked: Are you for the Bush tax cut? Are you against it? overwhelmingly, they say they are for it. If you ask the American people about the choices, they give quite a different answer. When The Los Angeles Times asked in a nationwide poll if they would prefer the Bush tax cut or the Democratic proposal that had a tax cut half as big as the President proposed, with

more money for Medicare, more money for education, and more money to pay down debt--which would they prefer--then the American people gave this answer: 30 percent said they were for the Bush tax cut; 55 percent said they were for the alternative plan to reduce the size of the President's tax cut in half and to have more money to strengthen Medicare, to improve education, and to pay down more of the debt.

That is what the American people are supporting. Yes, they want a tax cut, but they want one that is affordable. They want one that gives room to strengthen Social Security, improve Medicare, enhance education, strengthen defense, and pay down more of our national debt. That is where the American people are. That is where I hope this Chamber will be.

The first fundamental test is on Tuesday. The basic question: Do we protect the Social Security and Medicare trust funds? I hope very much we get the same result this year as we got last year. The result last year was 60 votes, on a strong bipartisan basis, for the fundamental principle that we do not permit a raid of the Social Security or the Medicare trust funds. That is important for the future of our country. It is important for the future of our economy. I hope very much this Chamber will say we are not going to abandon fiscal discipline.

We are not going to abandon the notion that we ought to pursue the maximum paydown of both our short-term and long-term debt. That is in America's interest. That is what is at stake on Tuesday.

I thank the Chair. I yield the floor. I suggest the absence of a quorum.