

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND) at
Hearing on Long-Term Budget Outlook with GAO Comptroller General David M. Walker
January 29, 2008**

Opening Statement

I want to welcome our witness, the Comptroller General of the United States, David Walker.

We want to extend a special welcome to his wife, Mary, who is with him this morning. I think we now know why General Walker has been so well-received in Congress. It is really not him. It's all about Mary. Mary, we especially thank you for what has got to have been a challenging time in the Walker household with General Walker going around the country with the Fiscal Wake-Up Tour and we thank you very much for your contribution to having that happen.

I know how challenging that can be for spouses who have to put up with our schedules. And I just want to say how much we appreciate the contribution that has been made by the Walker household to alerting the American people about the real serious challenges facing this country. Your husband has really been a leader and somebody that those of us on this Committee admire greatly.

Let me just give my own review of where we are. We look at the 10-year budget outlook and when we put back the proposals the President has made on both making the tax cuts permanent and war costs, and other policies, we see that the 10-year deficit situation continues to deteriorate.

When we look at the debt, that has also deteriorated even further. It was \$5.8 trillion at the end of the President's first year. At the end of his eight years of responsibility, we now see the gross debt of the United States over \$10 trillion, and we're headed to more than \$13 trillion of debt by 2013.

Part of the reason of course is the demographic tidal wave that is coming at us. Roughly 80 million retirees by 2050.

Within four years – I think this is a very sobering slide – within four years more than half of the baby boomers will be at or near retirement. That is, they will be 55 years of age, or older. And while many don't retire at 55, increasingly people are retiring at 55. And what this tells me is the urgency of addressing these long-term problems. We are preparing a chart that will show at age 62 what percentage of the population – I hope to have that for our next meeting.

Looking at CBO's long-term budget outlook, we now see by 2050, according to CBO's latest estimates, this is actually somewhat better than their previous estimates, but nonetheless the federal government will be spending about 12 percent of GDP to have just two items, just two, Medicare and Medicaid, taking up 12 percent of GDP. And this doesn't include Social Security. Nothing for defense. Nothing for parks. Nothing for law enforcement. Nothing for debt service. We are on a course that is utterly unsustainable.

This is Director Orszag's testimony before this Committee last June. And he said:

“...[T]here are a variety of [health care reform] approaches that hold promise. One of the challenges that we have is that I have not seen ... a comprehensive plan that would ... credibly bend [the cost] curve sustainably over the long term. So one of the challenges is we need to be trying different things, seeing what works, and then readjusting as we figure it out. And the sooner we start that, the better off we're going to wind up being.”

Let's go to the next slide. This is on the question of tax cuts. The President called last night for making the tax cuts permanent, but not paying for them. If we do that, the cost of the tax cuts explode at the very time the trust fund cash surpluses turn to deficit. This is looking at the period 2007 to 2026, and we can see we just go right over the cliff. So this is not going to work

When we look at the federal debt, under CBO's long-term budget scenario, we see where we are now. But we see where we are headed. The debt absolutely explodes.

Former Treasury Secretary Snow told us this. Former Secretary Snow acknowledged the need for a bipartisan approach to solving our long-term challenges. He said: “You can't do health care reform or Social Security reform ... without a bipartisan consensus.... If we made a mistake, it was not approaching it in more of a bipartisan way.”

That brings me to the proposal that the ranking member, Senator Gregg, and I have made on a fiscal task force to address the long-term fiscal imbalance. We must reach a bipartisan consensus on these issues. Sixteen members – eight Democrats, eight Republicans. Everything on the table. And an assurance that if 12 of the 16 could agree, it would come to a vote in the United States Congress. That would assure a bipartisan outcome because we would require a supermajority of the Committee – 12 of the 16 to report a plan – and a bipartisan vote in both the House and Senate.

I announced at our last meeting that it will be my intention to bring this to a markup this year in this Committee. And I know there is controversy surrounding that. We know that we will have to change the timing of what was in our proposal last year because that was really geared to this year. We know a number of the Presidential candidates have now affirmatively endorsed this approach. Governor Romney and Senator Obama have both affirmatively endorsed this approach. Senator Clinton has endorsed a commission approach. We welcome that.

We would urge the other Presidential candidates to come forward and indicate support for this kind of approach as well because there is really no alternative. Let's face it. We have got to do something. And in the early period of the next administration, that's the time to act. This will bedevil the next administration, whoever it is, unless they face up to it. Can you imagine the squeeze the next administration will face on every domestic priority, as more and more of the baby boomers retire and we get closer and closer to the point of insolvency? This will be the opportunity and we cannot let it pass.

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Closing Statement

It is really sobering the situation we are in. Every time we hold these hearings it becomes increasingly apparent that we are on a course here that is utterly unsustainable, and it is time to act. The reason it is so important we take action sooner rather than later is the longer we wait the more draconian the solutions become.

I understand my colleagues. I can tell you just in the last week I've had a number of my colleagues come to me and say, "You aren't really going to go to markup on your proposal, are you? I mean you are going to insist we actually vote?" Yes, I am going to insist we actually vote because this is a situation that we simply must address. And so we're going to vote. And I am sorry if that causes discomfort to some of my colleagues.

But look, this can cannot be kicked down the road again. Why not? Because the time for action is the early part of the next administration. Whoever leads it – you think about this – they're going to come into office in 2009. At the end of their term the trust funds will have gone cash negative. This is it. We kicked this can down the road about as long as it can be. It will absolutely bedevil the next administration. The time to act is the first year. It won't happen the second year because we'll be right back in an election year. The time to act is next year. And the only way we're going to do that is if we have a process established.

Now, I am open to the thoughts of colleagues about how the proposal that Senator Gregg and I have offered might be changed. We have heard three complaints. One, timing because we had called for the report to be done this year in anticipation of the work being done this year. Obviously, that is not going to happen, so the timing needs to change.

Second, we have heard criticisms that there ought to be the possibility for amendment. Let me just say that we will resist that because we have set up a process that requires a supermajority to have a report, supermajorities to pass, and of course the President retains the right to veto. That would require a two-thirds vote to overcome. If we start having amendments, we know what will happen. There will be amendments offered which will have no revenue, there will be amendments offered that have no benefit reductions, and people would vote for one of those and say, "Gee, we did something." One will have revenue as part of a package, and one won't. One will have benefit reductions. One will have benefit reductions that are insufficient to do the job. And so people will vote for one or the other and then have an excuse not to vote for the one that would actually do something. We all know how this works.

We have the question of timing. We have the question of amendment. We have the question of whether a supermajority vote is required in the House. That – I am open to consideration on because the House does not have a tradition of requiring a supermajority vote. They're concerned about setting the precedent. They're concerned about turning the House into the Senate, because in the Senate, obviously, there is a right to filibuster, there is a requirement for a supermajority. So there is going to have to be a supermajority vote here. But look, at the end of the day, we need to get this resolved.

The other question is whether there are outside persons involved. I personally don't think that is wise with respect to the membership. I do think it is required that we have outside advisors. For example, I believe there should be certain ex-officio members. Dr. Walker, you would be

among the most prominent that I think ought to be ex-officio advisors every step of the way with respect to providing advice and counsel to the members of this task force.

With that I want to conclude this hearing, and again thank you for your contributions to this committee, more importantly, to the country.

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Excerpts of General Walker's testimony concerning the Bipartisan Fiscal Task Force:

I think it is critically important that a capable, credible and bipartisan task force or commission be formed as soon as possible in order to make recommendations to the next Congress and the next President for an up-or-down vote on this issue. It's critically important.

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I think it is a good approach. My personal view is, is I think, if you look at Chairman Conrad's approach, it's a very positive approach. I think, if you look at his, if you look at the Cooper-Wolf bill in the House, and if you look at [Senator Domenici's] bill with Senator Feinstein... doing a combination of these three actually would even be better. And I'd be more than happy to work with any of you on that.