

**Transcript of Opening Statement by Senator Kent Conrad (D-ND) at Hearing  
on President Bush's FY 2005 Budget with Treasury Secretary John Snow  
February 13, 2004**

Thank you Mr. Chairman. And let me just start by saying how welcome this discussion has been from you this morning with respect to the need to get deficits down. You've said this at a number of our meetings and I agree with you entirely. These deficits are too large. They're unacceptable. We need to make far more progress than is being suggested. We've got to look on the spending side of the equation and we've got to look on the revenue side of the equation. I agree with you entirely that one of the areas we need to look at on the revenue side of the equation is this tax gap, the difference between what is being paid and what is being owed. The Internal Revenue Service now says that is over \$250 billion a year – that's a stunning amount of leakage in the system.

There's one thing the Chairman did not mention, and that is the growth of the deficit, and it has been dramatic and it's of record proportion. The deficit now in dollar terms is by far the biggest it has ever been. Last year was a record. This year surpassed it by more than a hundred billion dollars.

Mr. Secretary, I mentioned to you when I greeted you that I wanted to recall some of my favorite Secretary Snow quotes from before you were Secretary. This is my all-time favorite, "A balanced federal budget is the best choice to ensure a bright future for the nation's economy."

Yesterday, you were talking in the Finance Committee about how we have got to pay attention to the economy. That's what creates jobs, and I entirely agree. And the question is how threatening the pile up of deficits and debt are to a vibrant economy.

I also remember well this ad that appeared in major newspapers that you were a signatory to. I very much applauded you at the time. The headline was, "Without a balanced budget, the party is over. No matter which party you're in." And I agree with that sentiment as well.

We have got to get back to balance as quickly as possible given especially the baby boom generation which is about to retire. But when I look at the President's budget proposal and the suggestion that he's going to cut the deficit in half, it is simply not credible to me and I don't think it is credible to anybody that takes a hard look at what the assumptions are because the President has achieved a reduction by largely leaving out substantial parts of the budget.

The President is saying that the deficit five years from now will be cut in half to \$237 billion. But in that same year, he'd be taking under his plan \$259 billion from the Social Security trust fund, every penny of which has to be paid back. In addition, he would be taking \$23 billion from the Medicare trust fund. And if we are going to continue to address the problem with the alternative minimum tax, which is rapidly growing into a crisis, 3 million people affected now by what is supposed to be a millionaires tax. There will be 40 million people affected by the end of this budget period. It's becoming a middle class tax increase. That costs \$55 billion to fix. The

President just left it out. And it costs \$30 billion according to the CBO for residual war costs in that year. All these things left out and so you have got an increase in debt in that year, not of \$237 billion, but of over \$600 billion.

The President's own budget shows in the fifth year that the debt is going to increase, not by \$237 billion, but the debt is going to increase by \$633 billion.

Here's the problem that I see. If we adjust what the President is saying for the effect of his tax cuts beyond the five years, the alternative minimum tax problem, and his defense policies – not this idea that defense cost will not grow for the war after September 30, but put in what CBO tells us is going to happen – we don't see the deficits being reduced for the next 10 years. We see an ocean of red ink.

Here are part of the reasons why. One, we're not accounting for the \$2.4 trillion of Social Security money that is going to be taken – \$2.4 trillion during this next 10 years, every penny of which has to be paid back.

The President just shows the effect of the first five years of his tax cut proposal, and what you can see is this dotted line is the fifth year. The cost of the tax cut explodes beyond the five year window. We have got to account for that if we're going to be accurate with people.

The alternative minimum tax – the same kind of pattern. The President pays for it in the first year, but the cost of fixing it according to the Congressional Budget Office explodes in these outer years.

And of course war costs. The President says no war cost past September 30. Congressional Budget Office tells us \$280 billion of cost. None of this accounted for in the President's budget.

And the result is we have a debt that is not under control, but a debt that is skyrocketing and at the worst possible time, right before the baby boomers start to retire.

So, Mr. Secretary, I think we have got a lot of work to do to get serious about the growth of deficits and debt and the risk that growth poses for our economic security.