

**Transcript of Remarks by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing on President Bush's FY 2005 Budget Proposals
with Health and Human Services Secretary Tommy G. Thompson
February 12, 2004**

Opening Statement

Let me start by talking about the concerns I have about where we're headed with Social Security. I have similar concerns with respect to Medicare. Let me just put up something the President said when he was putting out his 2002 budget. He said, "None of the Social Security surplus will be used to fund other spending initiatives or tax relief."

But that's not what is happening. Despite those words, which were the right words, instead what we see is the President is taking every penny of Social Security surplus to pay for other things. And not just for this year, but every year for the next 10 years – \$2.4 trillion of Social Security surplus funds, and they're really not surplus. They're surplus for the moment. They are needed for when the baby boom generation retires. And the President is taking every dime over the next 10 years to pay for other things.

The President is also telling the American people that he is going to cut the deficit in half over the next five years. I wish that were so. But, when I examine the President's plans I see the only way he accomplishes cutting the deficit in half is that he just leaves out things.

He leaves out the fact that he's going to take, in that fifth year, \$259 billion of Social Security money, every penny of which he has to pay back, but he's not accounting for that when he claims he's going to cut the deficit in half. He says the deficit will be \$237 billion in that fifth year, but in addition to that he's taking \$259 billion of Social Security money.

He also leaves out the money he'll be taking from the Medicare trust fund, \$23 billion, also money he's got to pay back.

He leaves out the \$55 billion he would need in that fifth year to address the alternative minimum tax problem. He funds it in the first year, but the alternative minimum tax that was designed to be a millionaire's tax is turning into a middle class tax increase, and 3 million people are affected now. By the end of this budget period, 40 million people will be affected, and yet the President provides no funding.

And in addition, he provides no funding past September 30 for the war effort. The Congressional Budget Office says in the fifth year the residual war cost is \$30 billion.

You add up all those things and you don't have a deficit, or addition to the debt, of \$237 billion, you have an addition to the debt of over \$600 billion, and right before the baby boomers retire.

That flows through to this budget as well. And what we have, Mr. Secretary, in the budget that the administration has submitted for your department is the magic asterisk, the suggestion that there's going to be expansion of health care coverage, but there's no funding for

it. It says from the President's *Analytical Perspectives*, "In the case of the President's proposed health care credit, the Budget includes contingent offsets that would cover the estimated increases in mandatory spending that would result from this proposal. When the Congress moves legislation to implement the President's health care credit proposal, the Administration will work with the Congress to offset this additional spending."

Now, Mr. Secretary, you were a governor, a distinguished governor, one with a very good reputation for being responsible fiscally. I doubt very much you ever submitted a budget that says you are going to do something and then says we'll somehow come up with the money at the time that we move forward. That's not a budget.

So what we have is the President advocating a \$65 billion cost for a refundable health care tax credit and he offsets it with nothing. It's just words. So the real amount provided is zero. That's what is wrong with this whole budget. It is just filled with things where they're just left out. So then the President says he's cutting the deficit in half. I am surprised he didn't make the claim he's balancing the budget, and just leave out some more things.

The thing that really concerns me is where we're headed in the long-term because as this chart shows, the green parts of these bars is the Social Security trust fund, the blue is the Medicare trust fund, the red are the cost of the tax cut proposals by the President. And, what we see is right now the trust funds are in substantial surplus and they're offsetting much of the effect of the tax cuts. But as we go forward when the trust funds turn cash negative, at that very time the tax cuts explode in cost driving us right over the fiscal cliff.

And I conclude with the next chart, and this is from the President's own *Analytical Perspectives*. This is his long-term outlook for the deficit if his tax and spending proposals are adopted. And what it shows is we're in the good times now with the trust funds running substantial cash surpluses. Look at what happens when the baby boomers retire and the President's tax cuts go fully into effect. Deficits that are massive, unsustainable and unprecedented. That cannot be the trajectory.

Let me just conclude by making one other point. I was very disturbed to see this campaign that is being run, some \$20 million of advertising, which is really a propaganda effort. It's, I think, clearly a political effort to sell the Medicare plan. I voted for that plan, but I think it is totally inappropriate for public money to be spent in a propaganda campaign. It's not an educational campaign. I've read the words of the ads. That's not an educational campaign. It's a political campaign, and I was even more stunned to learn that the firm who is conducting it is the same firm that is handling the President's re-election account. Now that just cannot be. If this isn't stopped, and I will ask the Secretary today to stop this campaign, I will offer legislation to make it illegal for public money to be used in a propaganda campaign about legislation. That is a totally inappropriate use of taxpayer money.

Question and Answer Period

Conrad: Mr. Secretary, I want to turn to this ad campaign because I must say I find it very

troubling. I supported that bill. I thought it was the right thing to do. But I don't think it is the right thing to do to run an ad campaign extolling its virtues using taxpayer money to run in effect a political campaign.

And I was especially disturbed to find out that the firm that's been hired is also doing work for the President's re-election campaign. You know, I don't think taxpayer money should be used to promote a political agenda. I don't think taxpayer money ought to be used to in essence propagandize taxpayers about the merits of a program.

I mean I could not use, and would not use, my Senate budget to go out and run a campaign telling people how good my voting record is. That would be illegal and I believe it should be illegal for taxpayer funds to be used to sell a position on an issue. I just think that's totally inappropriate. I suspect it is illegal, and I want to ask the Secretary, do you intend to continue with this campaign or would you consider ending this campaign in respect to those who believe it is just inappropriate?

Thompson: Senator let me correct some impressions I think are erroneous. First off, the Medicare bill requires me to do certain things. The conferees expect, and this is direct language out of the report, "The conferees expect that in carrying out the annual dissemination of information requirements that the Secretary will conduct a significant public information campaign to educate beneficiaries about the new Medicare drug benefit to ensure the broad dissemination of accurate and timely information."

Secondly, we put out an RFP in 2003 in order to find out, in 2003, in order to find the best person and the best group to do our ad programs for Medicare in 2003 and 2004 and that's what we did.

Conrad: Who's doing the ads?

Thompson: Ketchum Public Relations since 2003 is still doing them. The chief executive of Ketchum Public Relations is Chuck Dolan who is part of the team. They're the overall contractor and Mr. Chuck Dolan is a financial supporter of John Kerry and is one of his biggest supporters of John Kerry. He is the chief, that is the chief person. They're the ones to put together the subcontractors. The subcontractors are Campbell-Ewald. They do the creative work. They're out of Detroit. They've done all of our ads since 2001. And Ketchum Public Relations, who won the RFP in 2003 kept them on. They do the creative work. National Media, which is the one you're talking about are the subcontractors. They have been purchasing for CMS since 2001. Ketchum Public Relations kept National Media because they worked together.

Conrad: Is National Media doing the President's campaign, or part of the President's campaign?

Thompson: I understand that they are, but they have been doing work at CMS since 2001 and they were retained by Ketchum Public Relations who won the contract, and I'm telling you that, and then they..

Conrad: But do you know how bad that looks? Honestly. I mean, I'm being very direct with you, I've got great respect for you. I tell you that really looks bad. And I think it more than looks bad, I think it is bad for a campaign to be run with taxpayer money to promote a program that has enormous political implications and to use as a major part of that campaign a firm that is helping to run the President's re-election campaign.

Thompson: If I could just finish. National Media is not doing the creative work. All they are doing is purchasing it and they were hired by Ketchum Public Relations which is owned and one of the chief individuals happens to be Chuck Dolan who is a Democrat who is supporting John Kerry.

Conrad: Well I'm for taking the money away from both of them. I tell you...

Thompson: Some Republicans are saying that we're wrong for having Chuck Dolan do it, I'm sure, but the truth of the matter is....

Conrad: Well, let me join them. I think you're wrong doing it at all. I think we ought to stop this. I think you ought to stop using public money, taxpayer money to run what has all the earmarks of a political campaign. I've read the, and I've got it here, the TV ad script. I must say I saw this TV ad. I never knew about this campaign until I saw the television ad, and it reads like a political ad. It is just inappropriate to use public money to do that.

And if you guys are not going to stop it then I am going to introduce legislation to make it illegal to do it because it's not right. It wouldn't be right if a Democratic administration were doing it, and it's not right with this administration doing it.

Thompson: Senator, I would like to be able to respond. I don't want to argue with you. I understand your concerns. I am telling you the law requires me to put out information. In 1996...

Conrad: Wait a minute. The law does not require...

Thompson: Let me finish...

Conrad: No, let me just say. The law does not require to run television spots that read like political spots. Now the law does not require that.

Thompson: In 1996, the Democrat administration put out a 30-page bulletin...

Conrad: Did they run television ads that are television spots?

Thompson: No, they did not, but they put...

Conrad: I tell you, I don't argue with putting out written material like that. That is fine. This has all the earmarks of a political campaign and it's not right.

Thompson: Well, GAO is, as I understand it, is going to review it and if they say that it is

political, it will be pulled immediately. I am waiting for the GAO report...

Conrad: Well, I wouldn't wait for somebody else to tell me that it's political. I can see it's political.

Thompson: I don't think it is political.

Conrad: Well I do and I tell you something...

Thompson: I think it's a difference of opinion, Senator.

Conrad: Well, I tell you I've been in a lot of political campaigns, as have you...

Thompson: So have I.

Conrad: This reads like a political spot.

Thompson: Well I'm sorry to tell you I do not believe it is political at all and that is a difference of opinion. I did not put it out. The creative people did on a contract basis. It was reviewed by a lot of different people. They came back and we were obligated, I think under the law, to do as much information as possible.

Conrad: Well...

Thompson: And I am sorry that you feel that it is political. I do not believe it is.

Conrad: I not only...

Thompson: And I do not believe that Chuck Dolan would put out a political statement when he is in charge of the responsibility of putting out the ad.

Conrad: Well, he's under contract to do something. Look, there is nothing in the law that requires you to run what are in effect look just like a political spot to me, and have hired, whether it's a subcontractor or the contractor, people who are helping run the President's campaign. Now, goodness if that doesn't smack of inappropriate use of taxpayer money, I don't know what would.

Thompson: I am absolutely sorry that you feel that way. This was a contact that was put out in 2003 a long time before the election ever started. They're the ones that continue on.

Conrad: But it's for the election period. We're in an election period right now and these ads are running now, and these ads are equivalent to political ads in my judgement. And now it goes even further. The people who are helping do it are involved in the re-election campaign of the President. That is wrong. It is inappropriate and it ought to stop. And I am going to offer legislation to make it illegal to do so under whatever administration. I tell you it would be wrong if a Democratic administration were doing it. It's wrong for this administration to be

doing it.

Chairman Nickles: Senator Conrad. Thank you very much. The statute, just looking at it, doesn't say whether it should be TV or not. It just says, "Secretary shall provide for activities under this subsection to broadly disseminate information to discount card eligible individuals and prospective individuals regarding enrollment."

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Conrad: I have been told that some 70 members of the House and Senate have written to you to ask that you suspend this Medicare campaign until the GAO determines whether or not it is an illegal use of taxpayer money. Would you be willing to suspend the campaign until GAO determines whether it's illegal?

Thompson: I will consider it but I am not going to make a commitment at this point in time. I just heard about the individuals that have written to me. I would like to see what they have to say. I know your concerns. I differ with you Senator Conrad but I, as you know, I try to be bipartisan. I try to reach across. I will take your complaints and I will go back to the office and review it again. And I will get back to you with a definite answer.

Conrad: I would appreciate that and I would say to you, I think it would be wrong if the other party were doing it – if my party were doing it – I think it would be wrong. I just think it's wrong. And I think this way lies a lot of grief if we start going down this trail.