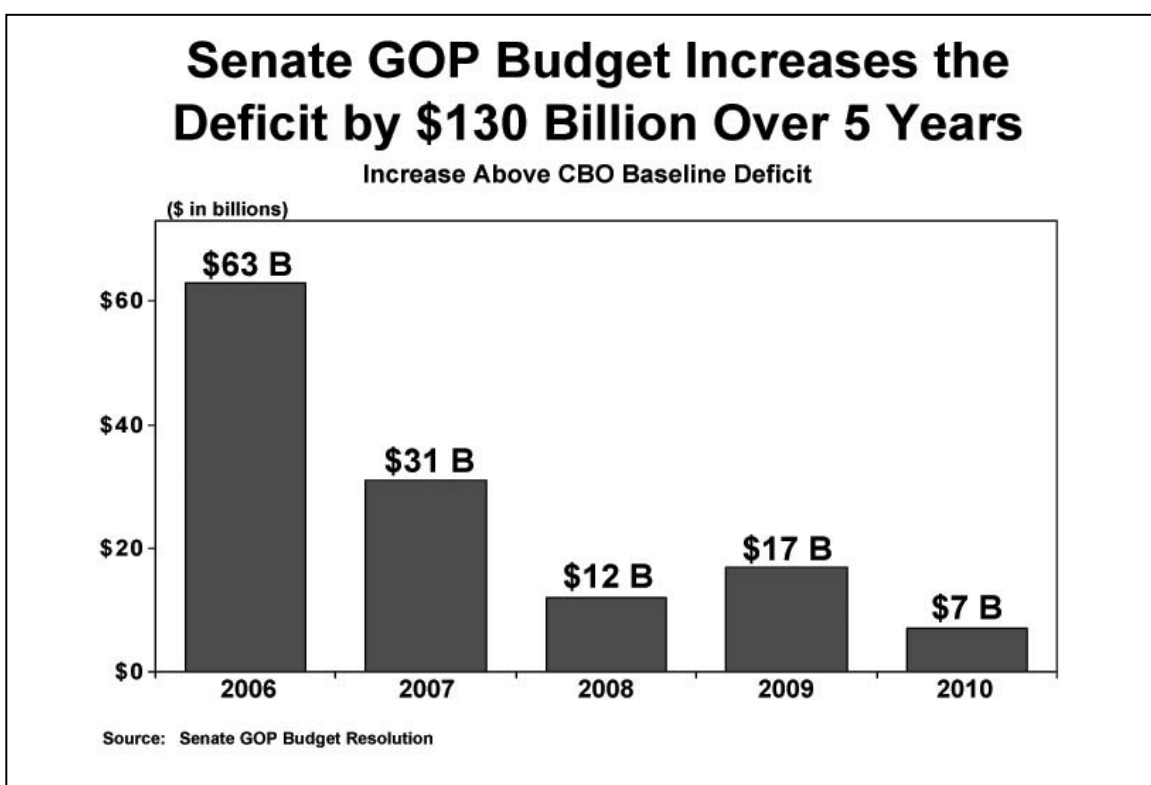


MINORITY VIEWS OF RANKING DEMOCRATIC MEMBER
SENATOR KENT CONRAD (D-ND)

March 11, 2005

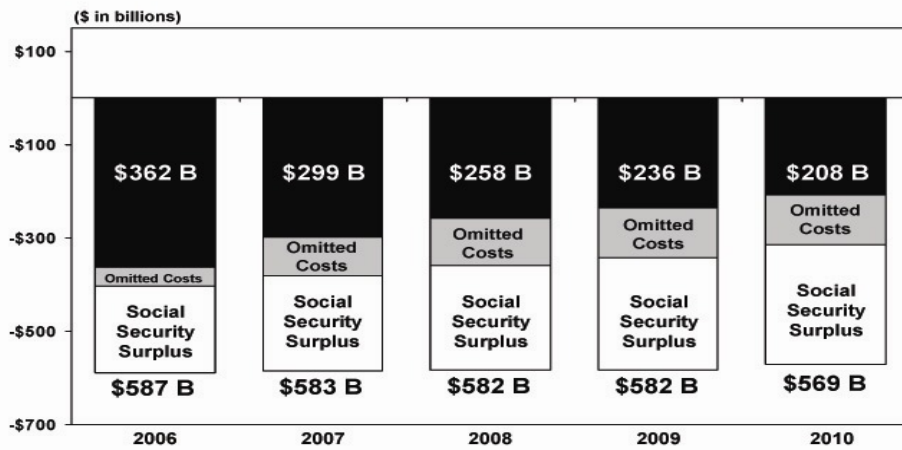
Unfortunately, the Majority's budget resolution closely tracks President Bush's budget proposal. Like the President's budget, it increases deficits and debt, includes more deficit-financed tax cuts, fails to restore a strong paygo rule, leaves out large costs, and focuses on the wrong priorities for the American people.

The Majority's budget resolution would make deficits and debt worse, not better. It would increase deficits by \$130 billion above the Congressional Budget Office's baseline over five years – in other words, \$130 billion worse than if we did nothing at all. The Majority's budget resolution would worsen our nation's fiscal outlook at the worst possible time, right before the baby boom generation retires.



Although the Majority claims it will cut the deficit in half under this resolution, a realistic examination shows otherwise. When omitted costs are factored in, such as realistic ongoing war costs, reform of the alternative minimum tax (AMT), and the Social Security surplus being spent on tax cuts and other things, we see that operating deficits will remain above \$500 billion and climb to \$569 billion in 2010.

Deficits Under Senate GOP Budget with AMT Reform, Ongoing War Costs, and Social Security Surplus Spent

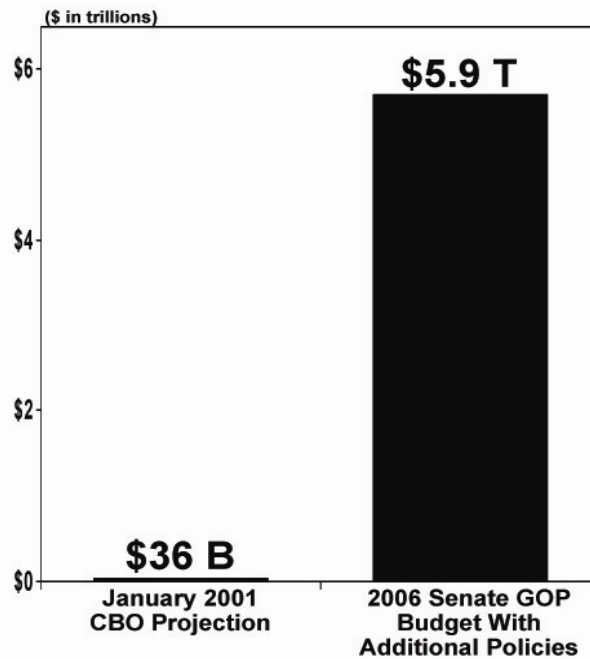


Source: CBO, Senate GOP Budget Resolution
 Note: Omitted costs include AMT reform and ongoing war costs.

Debt would also continue to soar under this resolution. When President Bush took office, it was projected that virtually all publicly held debt would be paid off by 2008. Under the policies in this resolution, plus AMT reform and ongoing war costs, publicly held debt will climb to \$5.9 trillion by 2008.

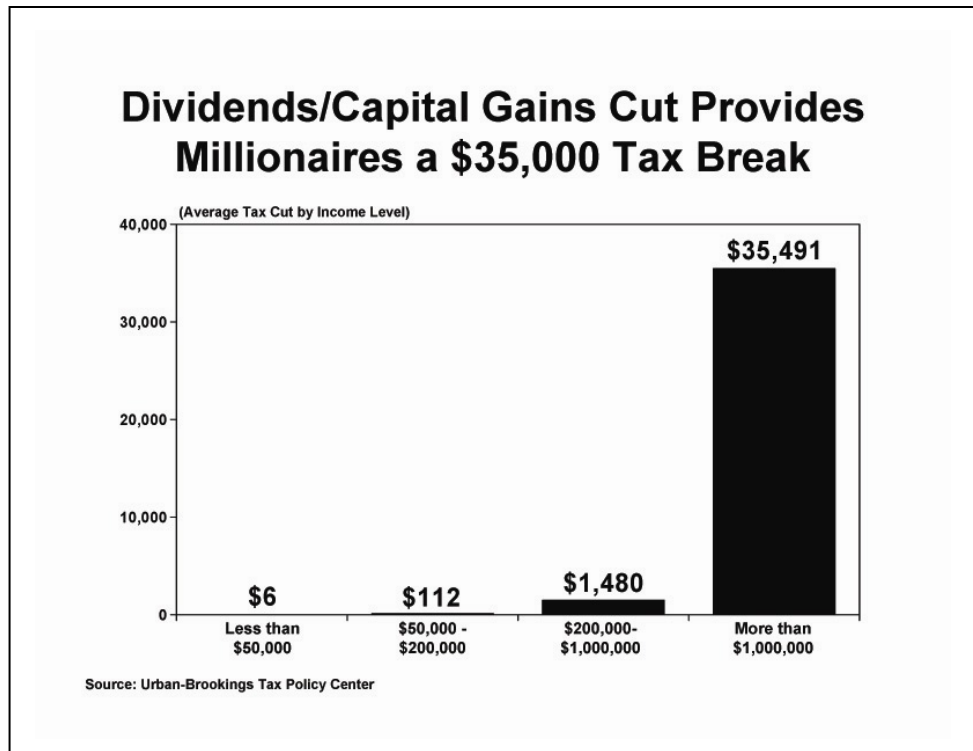
Debt Held by the Public Soars by 2008

\$5.9 Trillion More Debt, Assuming Senate GOP Budget Policies



Note: Senate GOP Budget with AMT reform and ongoing war costs.
 Source: CBO, Senate GOP Budget Resolution

Despite record deficits, the Majority's budget resolution provides reconciliation protection for another \$70 billion in deficit-financed tax cuts over five years. Specifically, the resolution calls for extending the tax cuts on dividends and capital gains. These tax cuts would provide millionaires with an average annual tax break of \$35,000.



Instead of returning to a course of budget discipline, the Majority's resolution continues down a path of fiscal irresponsibility. By taking no action to restore a strong paygo rule, the resolution keeps open a huge loophole that is likely to further increase deficits and debt. The current paygo rule in effect exempts all tax cuts and mandatory spending assumed in any budget resolution – no matter how much they increase the deficit.

The Majority should have taken this opportunity to restore a strong paygo rule that would require any new mandatory spending or tax legislation be paid for, or require 60 votes to pass. A strong paygo rule was crucial in enabling the federal government to move from deficit to surplus in the 1990's.

A strong paygo rule does not prohibit additional tax cuts. It requires that they be paid for with spending cuts or other revenue increases, or get 60 votes to pass. Even Federal Reserve Chairman Alan Greenspan, a strong proponent of tax cuts, has repeatedly called for renewing a strong paygo rule that applies to both mandatory spending and tax cuts.

Senate GOP Budget Continues Huge Pay-Go Loophole

Current GOP Pay-Go Rule

- Expires in 2008
- Exempts all tax cuts and mandatory spending increases assumed in any budget resolution, no matter how much they increase deficits

Stronger Feingold Pay-Go Rule

- Would expire in 2010
- All mandatory spending and tax cuts that increase deficits must be paid for, or require 60 votes

Huge Loophole:

Failure to include stronger pay-go rule allows \$259 billion in deficit-financed tax cuts or mandatory spending over 2006-2015 with only 51 votes.

Like the President's budget, the Majority's budget resolution leaves out large costs – making the deficit numbers look better than they really are.

- The Majority can be commended for including a \$50 billion reserve fund in 2006 for Iraq, Afghanistan, and the ongoing war on terrorism. But the resolution leaves out any funding for ongoing military operations beyond 2006, even though we know considerable resources will be needed.
- It leaves out the second five years. Even though the resolution calls for a point of order against any spending over \$5 billion during a 40 year period – 2015 to 2055, it includes no numbers of its own beyond 2010.
- It leaves out the full ten-year cost of fixing the AMT, the old millionaires tax that is increasingly becoming a middle-class tax trap.
- And it leaves out any funding for the President's Social Security privatization plan, which has been estimated to cost \$754 billion during the first ten years and \$4.4 trillion over the first 20 years after full implementation – assuming benefits are cut by switching to price indexing.

The Majority's budget resolution focuses on the wrong priorities. It would provide more deficit-financed tax cuts, while at the same time calling for damaging cuts over five years in key domestic discretionary priorities of the American people.

- It would cut funding for veterans by \$14.5 billion, or 9 percent.
- It would cut funding for education and training by \$33.7 billion, or 8 percent.
- It would cut funding for law enforcement and other justice programs by \$4.2 billion, or 2 percent.
- It would cut funding for transportation by \$15.9 billion, or 12 percent.
- And it would cut funding for agriculture by \$3.5 billion, or 11 percent.

Including mandatory programs, cuts for agriculture in this resolution total roughly \$9 billion over five years.

I am also concerned about several other specific proposals assumed in the Majority's budget resolution that would particularly hurt rural America, in addition to the agriculture cuts referenced above. For example, the resolution would cut rural health programs, cut Rural Cooperative Development Grants, and redirect costs from the incomplete Pick-Sloan irrigation project to rural power customers. These are just a few of the cuts in the Majority's resolution that will be especially damaging to rural America. These proposals and others hurting our rural communities should be changed.

We can do better. A number of amendments will be offered to improve this resolution. I look forward to working with my colleagues on both sides of the aisle to come up with a better budget plan for the American people.

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