

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

Unfortunately, the Majority's budget resolution closely follows President Bush's reckless budget proposal. It would explode deficits and debt at the worst possible time, just as we approach the retirement of the baby boom generation. Like the President's budget, it hides the true size of the deficits by leaving out large expenses that we know are coming and, by providing only five years of deficit numbers, it conceals the extent of the damage it would do to our nation's finances for years into the future.

The Majority's budget resolution also chooses the wrong priorities for our nation by consistently placing tax cuts for the wealthiest ahead of reducing the deficit, protecting Social Security, creating jobs, and providing for needs in education, homeland security, veterans care, and other key areas. Their proposal to continue providing large deficit-financed tax cuts over the next five years is simply irresponsible.

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Instead of setting a new fiscal course for the nation, the Majority's budget resolution would keep us on the dangerous path set out by the President. In just a little over three years, President Bush has taken the nation from a \$236 billion surplus in 2000, the biggest surplus in our country's history, to an expected \$477 billion deficit in 2004, the biggest deficit in our country's history. That represents a stunning reversal.

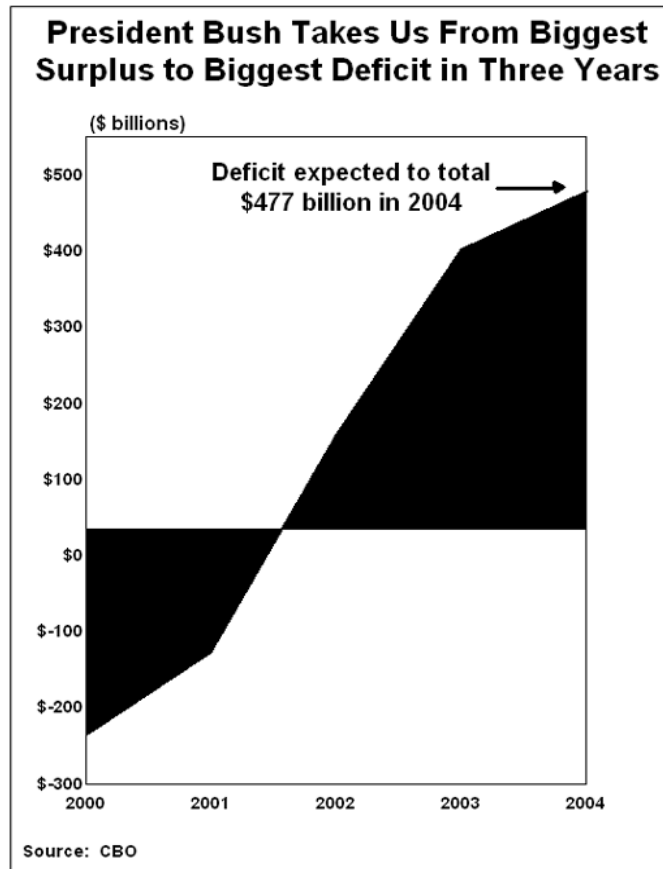


Chart 1

Although the Majority has been claiming that their budget resolution would cut the deficit in half in three years, the reality is that under their plan large deficits would continue as far as the eye can see. Over the five years provided in the resolution, 2005-2009, the deficit on an operating basis – that is, excluding Social Security – would never fall below \$400 billion.

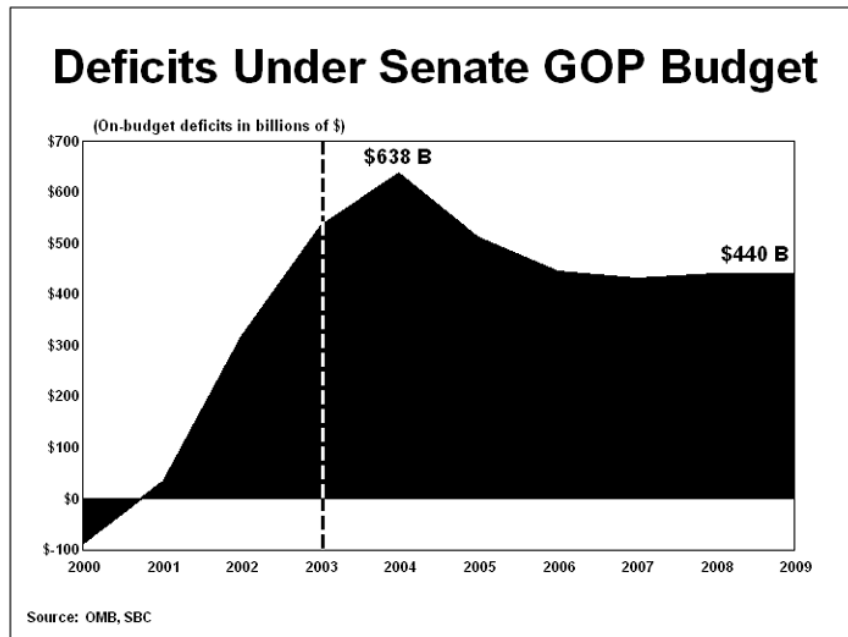


Chart 2

In fact, the Majority’s budget resolution would increase the deficit by \$179 billion above CBO’s baseline – the 2004 level minus the Iraq supplemental, adjusted for inflation – over the next five years. In other words, the Majority’s plan would increase deficits by \$179 billion above the amount we would face if no changes at all were made to policy.

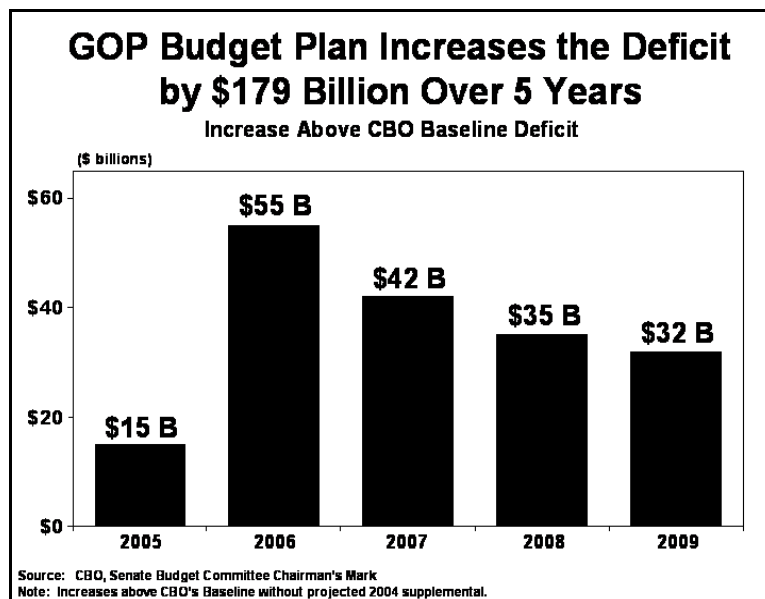


Chart 3

The Majority's claim that under their plan the deficit will fall to \$202 billion in 2009 is simply not credible. Like the President's claims about his budget, the Majority fails to mention that its budget would spend every penny of the Social Security surplus, \$235 billion in 2009, and every penny of the Medicare surplus, \$22 billion in 2009, on top of the deficit level they cite for that year. They also leave out the cost of fixing the Alternative Minimum Tax, another \$55 billion in 2009 – instead providing only a one-year patch like the President. And they leave out the long-term cost of ongoing military operations in Iraq, Afghanistan, and the continuing war on terrorism, which CBO estimates could cost \$30 billion in 2009. The real deficit in 2009 is likely to reach \$545 billion.

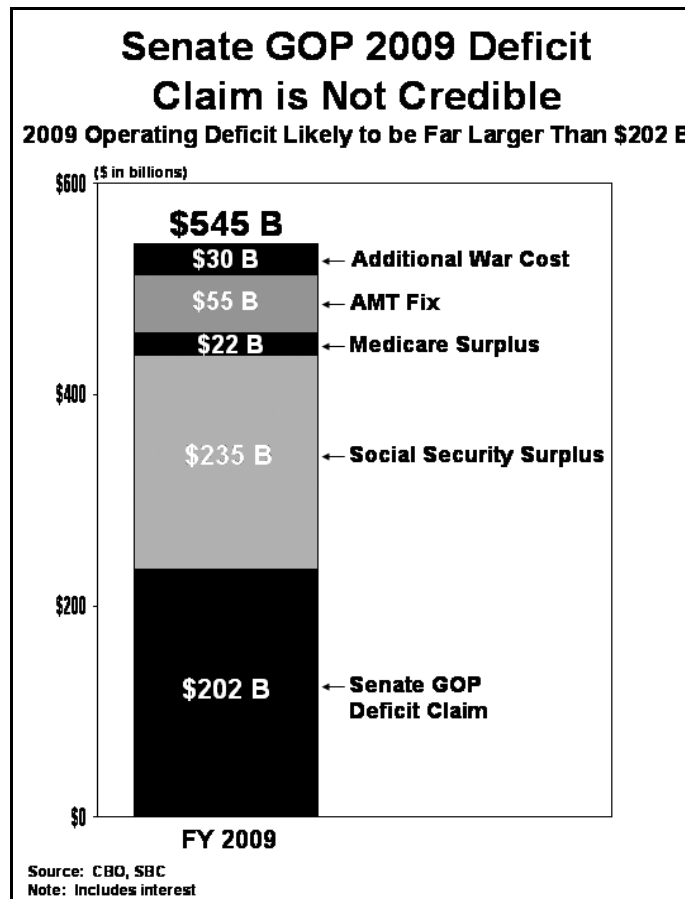


Chart 4

Although the Majority can be commended for providing a \$30 billion reserve fund for military operations in Iraq and Afghanistan in 2005, their budget is misleading because it does not include that \$30 billion in the bottom line spending and deficit numbers. Further, it is clear that this \$30 billion will only cover short-term expenses for these operations. CBO has projected that it will cost \$280 billion to fund ongoing military operations in Iraq, Afghanistan, and the continuing war on terrorism over the ten-year period, 2004-2014. The President's failure to include any resources for these operations in his budget shows the lack of seriousness of his budget proposal.

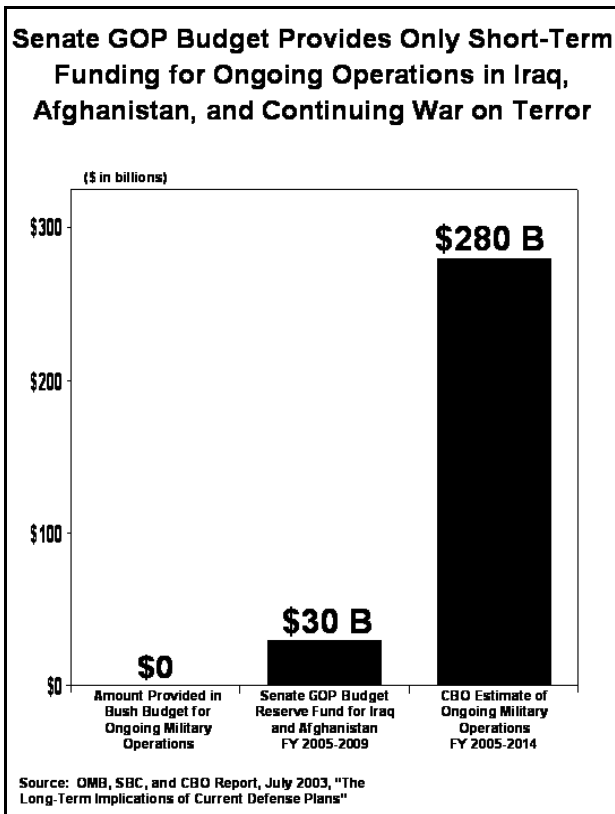


Chart 5

Despite the Majority's rhetoric, their budget resolution would continue us along the path the President has set us on – one of further fiscal deterioration. The resolution itself shows that the Majority's policies would add \$2.8 trillion to the gross federal debt over the next five years – climbing from \$7.4 trillion in 2004 to almost \$10.3 trillion in 2009. In 2009 alone, gross federal debt would grow by \$564 billion. That hardly represents a record of improvement.

Senate GOP Budget Increases Gross Debt by \$564 Billion in FY 2009

SUMMARY OF CHAIRMAN'S MARK FOR FY 2005: LEVELS OF SPENDING
(\$ BILLIONS)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2005-09 |
|----------------------------------|----------|----------|----------|----------|----------|----------|-----------|
| Unified deficit/surplus | -477.439 | -338.273 | -252.140 | -223.528 | -218.246 | -202.189 | -1234.377 |
| On-budget | -638.235 | -512.264 | -445.118 | -431.880 | -442.197 | -440.283 | -2271.741 |
| Off-budget | 160.796 | 173.991 | 192.977 | 208.352 | 223.950 | 238.094 | 1037.364 |
| Unified Deficit/Surplus % of GDP | -4.2% | -2.8% | -2.0% | -1.7% | -1.6% | -1.4% | |
| Debt Held by the Public | 4,385 | 4,737 | 5,002 | 5,238 | 5,469 | 5,685 | |
| Debt Subject to Limit | 7,436 | 8,048 | 8,617 | 9,170 | 9,733 | 10,297 | |

Source: Chairman's Mark

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The Majority's budget plan is the wrong answer to the fiscal problems facing this country. It continues us down the irresponsible path of deficits, debt, and decline set out by the President. Although the plan should truthfully be scrapped and sent back to the drawing board entirely, I look forward to working with my colleagues on both sides of the aisle to improve the existing resolution as much as possible. We can and must do better.

March 4, 2004