

# Congress of the United States

Washington, DC 20510

August 22, 2001

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

Last week, we wrote to you to express concern about the deteriorating fiscal and economic situation our nation is now facing.

Today's Office of Management and Budget Mid-Session Review heightens those concerns. This review makes clear that your budget has spent all of this year's Medicare surplus. Only by changing the accounting practice that has been used for more than 65 years to calculate Social Security revenues were you able to make it appear you had not invaded the Social Security Trust Fund surplus as well.

It is possible that the nonpartisan Congressional Budget Office will show clearly that your budget necessitates dipping into the Social Security Trust Fund surplus.

In the last two years, over 500 members of Congress have said with their votes that the Medicare surplus is real, and must be protected. A similar number have made that commitment to the Social Security Trust Fund surplus, as well. You have said as much yourself with your statement that "Social Security and Medicare will get every dollar they need to meet their commitments. And every dollar of Social Security and Medicare tax revenue will be reserved for Social Security and Medicare."

Sadly, today's numbers don't square with yesterday's words. Today's numbers show that the Medicare surplus has been spent, and the Social Security surplus isn't safe, either.

More important for America's fiscal future is the long-term outlook. In today's report, the Office of Management and Budget (OMB) bases next year's surplus estimates on projected economic growth of 3.2 percent, a scenario far rosier than the current predictions of the Blue Chip consensus of leading private economic forecasters.

The current Blue Chip consensus predicts growth at 2.8 percent for the coming year. Your administration's initial February estimate of economic growth was more cautious than the Blue Chip consensus -- 3.3 percent rather than 3.5 percent. As you noted when explaining your decision to use these more cautious estimates, "it is appropriate to base the budget on prudent assumptions that do not over-estimate available resources."

To be forced to stake our economic future on accounting maneuvers and inflated growth estimates is a stunning reversal from the economic situation you inherited just seven short months ago, when we were looking at a non-Social Security, non-Medicare surplus of \$2.7 trillion over the next 10 years.

You have asked us in Congress, rightly, to live within our means. But you must recognize that the budget you have asked us to live within is one that was passed by a Republican-controlled Congress, and fails to include the full \$18 billion you have asked in additional defense spending, or any real increase in education.

Just yesterday, you said that educating our children and defending our nation are your two most important priorities. Given the tax cut and the economic downturn, we face a difficult choice: fund your priorities and exceed the budget constraints we have established, or live within those constraints and fail to provide the funding you seek for defense and education.

You must also recognize that your tax cut has already consumed virtually all of the available surplus in the short term, and nearly three-quarters of it over the next ten years. This took place before we passed a single one of next year's spending bills into law.

As you have pointed out, the Democratic leadership has shown a steadfast commitment to fiscal responsibility thus far in the appropriations process. We respectfully ask that you show a similar commitment.

You cannot insist on tens of billions of dollars of spending that wasn't included in the 2002 budget and then insist that we stay within that budget.

In our last letter, we asked for your ideas. Now we ask for your engagement. Mr. President, these are serious problems. We cannot paper over them with rhetoric, accounting tricks, and aggressive assumptions about future growth. These problems need to be addressed, and they demand Presidential leadership.

Again, we look forward to working with you to fund our nation's priorities, get our economy back on track, and put America back on the path of fiscal responsibility.

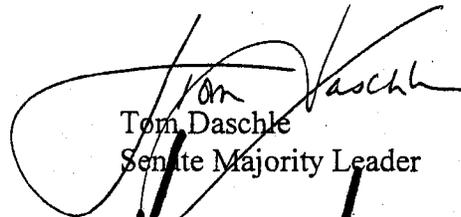
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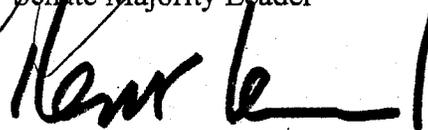
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