SENATE BUDGET COMMITTEE
KENT CONRAD, CHAIRMAN

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SENATE BUDGET COMMITTEE CHAIRMAN WARNS OF LONG-TERM DAMAGE FROM PRESIDENT BUSH'S BUDGET AND TAX PLAN

Conrad: CBO August Update Confirms Bush Plan Never Added Up

Washington, DC - One week after the Congressional Budget Office (CBO) issued its report about the vanishing budget surplus and just hours after members of Congress returned from their August recess, Senate Budget Committee Chairman Kent Conrad called his committee together to hear testimony from CBO Director Dan Crippen about his report and to find out more about how and why the surplus disappeared.

"CBO's report proves beyond a doubt that the President's tax cut coupled with the Republican-crafted spending plan will cause an invasion of the Medicare and Social Security trust funds during the next several years, even at a time when both CBO and the Bush Administration are projecting strong economic growth," said Conrad.

As disturbing as the figures presented in the CBO report are, they do not portray the full extent of the fiscal problems that lie ahead. Since CBO is required to assume the continuation of current policies, its figures do not include the President's request for nearly $200 billion in new defense spending over the next 10 years, as well as new spending contained in the Republican-written budget resolution. When you add these Republican-backed initiatives into the mix, the raid of the Medicare and Social Security trust funds balloons to $500 billion over the next decade. The use of these health and retirement funds to pay for other government services becomes worse when you add in costs that have not yet been budgeted for, such as funding required to pay for the President's plan to improve education, fix the alternative minimum tax problem, extend expiring tax provisions, and to provide emergency assistance when natural disasters inevitably strike.

"By choosing to use Medicare and Social Security money to pay for tax cuts and other government programs, this Administration is making a conscious decision to pay down less debt over the next several years," said Conrad. "By the end of 2006, the President's tax cut and the current economic slowdown will leave us with one trillion dollars more in debt than what we were told just four months ago. The consequence of that is the interest costs to the federal government will go up 91%."

With less than 10 years to prepare for the retirement of the baby boom generation, Conrad argues the government should be using this decade to pay down as much debt as possible so that

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we begin the next decade in stronger financial shape. Conrad worries a debt-ridden government will be ill-prepared to take on the financial challenges posed by the large number of retirees in the decades to come and the increased expenses of Medicare and Social Security.

"It is becoming increasingly clear that President Bush's tax and budget decisions will have enormous and negative consequences for tomorrow's workers and retirees," predicted Conrad. "In order to meet the needs of the retiring baby boom generation, future policy makers will be saddled with difficult choices -- bigger benefit cuts, greater tax increases, or more debt.

"President Bush repeatedly promised that we could afford his big tax cut without jeopardizing Medicare or Social Security, and that he could still provide a prescription drug benefit, improve education, and fund a big defense buildup," said Conrad. "His plan didn't add up on the campaign trail, and his budget doesn't add up today."

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