

**Transcript of Remarks by Senator Kent Conrad (D-ND)  
During Morning Press Conference with Senate Minority Leader Tom Daschle (D-SD)  
Responding to Bush Administration's FY 2005 Budget  
February 2, 2004**

Thank you, Leader Daschle. We've now had a chance to look at the President's budget submission. I think this qualifies the President as the most fiscally irresponsible President in our nation's history. It's really quite remarkable to look at this document.

The President, under this plan, will be spending \$991,000 more per minute than he's taking in. It's kind of a stunning number, isn't it? \$991,000 every minute more than he's taking in.

And I think it's helpful to look back and see what the President has told us in the past, to check his credibility on these issues. Remember in 2001, he told us we could have massive tax cuts and even if there was an economic slowdown, there would be no budget deficits. He was wrong, and we have massive budget deficits. Then the next year, he told us, "our budget will run a deficit that will be small and short-term." He was wrong again. These budgets are large and long term. Then in 2003, he told us that the deficit "is not large by historical standards." Well, these deficits are at record levels by any standard. And he tells us this year the deficit will be cut in half over the next five years. Will he be wrong again? Well, let's go to the numbers.

I think it's useful to check – just do an analysis of what the President's claiming and what we can see out in that year, when he claims the deficit will be down to \$237 billion. Frankly, it's a lot like the prescription drug fiasco, where he told us months ago the cost was \$400 billion when we were voting on it. Three months later, he says it's \$530 billion.

I think you're going to see exactly the same thing with his claim the deficit will be cut in half. Because you see he's leaving out a lot of things. He's leaving out the fact that he's going to take \$259 billion out of Social Security in 2009 and use it to pay for other things. He's not counting that as deficit. He's not counting the \$23 billion he's going to take from the Medicare trust fund in that year. He's not counting the \$55 billion it will take to provide alternative minimum tax relief. As you know, in this budget, he's providing alternative minimum tax relief for one year. He's pushing the rest of the cost – kicking the rest of the cost down the road. And then CBO tells us in 2009 we'll still have residual war on terrorism costs of \$30 billion, which he also does not have in this budget. When you add it all up, you see that he'll be adding to the debt by more than \$600 billion in that year, not the \$237 billion that he's claiming.

You know, the President is trying to leave the suggestion that he's going to get the rise in the debt under control. That's not what the numbers show. One of the things he also leaves out is the effect of making the tax cuts permanent beyond the five years when the cost of the tax cuts explode.

And what you see if you put it all together is that the debt that was \$6.8 trillion in 2003, we now see climbing to over \$15 trillion at the end of this budget window. That's not a debt that's under control. That's a debt that's exploding.

And the way he makes it look as though it's under control is he just leaves out a lot of things. He leaves out the cost of this tax cut beyond the five years. He leaves out the fact that he's taking every penny of Social Security surplus over the next decade; that he's doing the same thing to Medicare; that he's leaving out the alternative minimum tax – he fixes it for one year when we all know it's getting worse year by year and by large numbers. And he leaves out other things, as well, especially additional war costs. This is not credible. It's not real. It's not being frank and direct with the American people as to the challenge that's facing us.

You know, the President has said over and over, “It's the people's money.” He's right about that. It is the people's money. But, now it's the people's debt. And still he proposes digging the whole deeper and deeper and deeper – more spending, more tax cuts, more and more debt.

And how is he funding this debt? Well, of course, he's borrowing some of the money from us. But to an increasing degree, he's borrowing this money from other countries. He's borrowing from Japan, \$526 billion so far; China, \$144 billion; the United Kingdom, and the rest as you can see it. Trillions of dollars that's he's borrowing, money that's going to have to be paid back. And so what the President is really doing is laying the groundwork for future choices that will be extraordinarily difficult. There will be a shredding of Social Security and Medicare. There will be massive tax increases. All of this in the future, when he has conveniently left town. That is the hard reality that we see in this budget.

Thank you.

*Question:* Can you talk a little bit about the President wants to rein in discretionary spending? That's basically how he's building his argument, that he is, you know, being more fiscally responsible. How do you respond to that?

*Conrad Answer:*

I'd respond just in a couple of ways. First of all, domestic discretionary spending is a very small part of overall federal spending. It's only 17 percent of federal spending. Interestingly enough, it's the part of federal spending that in real terms, inflation-adjusted terms, has been frozen or approximately frozen the last two years. That's not where the problem is. The great growth in spending has been, as you know, on defense and homeland security, areas that we all supported to better protect this nation. That's where the increases have occurred. It's not been in domestic spending.

And so this move by the President will do virtually nothing about the increase of deficits and debt. The best estimates are it will only effect about \$7 billion of spending. So you know, when you've got a \$500 billion deficit, which badly understates it because it doesn't tell the American people that he's also taking \$150 billion of Social Security money. So on an operating basis, the deficit is not \$500 billion, it's over \$650 billion.

Let me just say, we also see in these numbers what we detect as a move to overstate the deficit in the short-term and understate it in the long-term. Now, why would somebody do that?

You notice there's a significant difference between what the Congressional Budget Office sees as the deficit for this year: \$477 billion. We believe the administration may be trying to set up a scenario in which they come back in July when the reestimates are done and claim, "Oh, look, the deficit's better than we thought it was going to be." But we believe they're understating the deficit for the long-term, overstating it in the short-term.

*Question:* (Exact wording unclear, but concerned Medicare worsening budget outlook, and whether Congress should revisit the prescription drug bill, and whether White House or Congress should take responsibility for addressing?)

*Conrad Answer:*

Well, I think both of us share responsibility. The answer is, yes, it ought to be revisited. The first thing we ought to do is cut out the \$10.5 billion of taxpayer subsidy to private plans. That's a waste of taxpayers' money. We ought to revisit the whole question of Medicare being blocked from negotiating lower prescription drug prices. What earthly sense does that make? We ought to reconsider the blocking of reimportation of prescription drugs from Canada that we all know would reduce drug costs. It's very interesting. The administration claims, and some others do as well, that if you allowed Medicare to negotiate lower prices you wouldn't really save anything. Does anybody believe that? How is it that the Veterans Administration is able to negotiate lower prices? How is it that by working together others are able to negotiate much lower prescription drug prices? Why would it be that Medicare couldn't negotiate lower drug prices if they were permitted to do so?

*Question:* Senators, by proposing a cap on the spending increases for this year, a number of programs might have to be cut in their overall spending growth. How realistic are those kinds of cuts in an election year for Congress to make? Do you have any opinions about whether you guys can even meet any goals like the president set, in terms of cuts in discretionary spending?

*Conrad Answer:*

There's just not much credibility in what the President says about budgets. You look at what he said every year. He's been wrong by a country mile. And now he tells us, "Oh, let's just put our focus on this little part of federal spending over here." You know, that's gamesmanship. That's not being straight with the American people. That saves \$7 billion when you've got an operating deficit of over \$600 billion.

When is he going to get serious about facing up to this plan, facing up to what we all know is happening? And now he tells us, "Well, let's just dig the hole deeper." And he doesn't save on the spending side of the equation. He's going to be adding much more money. Last year, he came out with a budget and then had supplemental appropriations bills for over \$160 billion. You know, you look at the last three years, his budgets, the budgets he put out aren't the real budgets. Not in a single year have they been the real budget. He's added \$250 billion in supplementals over and above his budgets.

So, unfortunately, the hard truth is this President is running us right over the fiscal cliff. And it's not just the next five years. He wants to focus on the next five years, leaving out lots of things that will add to the deficit. The really jarring thing is where his plan takes us after the next five years, because as the baby boomers retire and the cost of his tax cuts explode, the deficits go into hyperspace. The President says he wants to go to Mars. He's taken the deficit to the moon. And, you know, this is going to hurt us very badly as a country going forward.

*Question:* Would you support any cuts in homeland security funding or the proposals that he asked for increasing it or would you propose any cuts for the growth in the defense budget, as well?

*Conrad Answer:*

Look, I think we're going to have to scrub spending. Obviously we don't want to do one thing that would in any way deprive our troops of the equipment, the materiel, the weapons they need to engage successfully. So anybody that's got defense savings would have to be able to demonstrate that that in no way weakened our ability to defend this nation. The same is true of homeland security. We want to increase the security of our nation, not reduce it.

With that said, there may be spending that has been described as homeland security that's really not. And I think we've got an obligation to examine what the proposals are. But, you know, there are places we probably need to spend more money on homeland security. We probably need to spend more money on securing our ports. We probably need to spend more money on securing our airports. We've just seen six international flights canceled over the weekend.

*Question:* You mentioned that there may be things in the homeland security budget that are not homeland security and also in the defense budget, since those are the two biggest things. Can you specifically mention some things in both those budgets that you think maybe could be cut or that shouldn't be there?

*Conrad Answer:*

No, I'm reacting to what others have described as a process in which in some of the agencies the description of homeland security has been broadened beyond what it might really be. We're just going to have to scrub those things and see if those assertions are accurate or not.