

**Transcript of Opening Remarks by Senator Kent Conrad (D-ND)  
at Senate Budget Committee Hearing on the President's FY 2006 Budget Proposal  
with OMB Director Josh B. Bolten  
February 9, 2005**

I thank the Chairman. I don't think it will come as a surprise to you that I have a somewhat different take on this budget. First of all, let me say, I welcome you Mr. Director. I enjoyed our conversation the other day. I want to stipulate right at the beginning that I think you are a fine public servant. In many ways, the country is fortunate to have people of your quality who are willing to step forward in public service.

With that said...seriously, I say to you I have been here 19 years and I think this budget is completely off-track. I believe that very genuinely. I have to say to you I think this is not so much a budget – it really strikes me more as camouflage, because I think it is hiding the true fiscal condition of the country from the American people and even the Congress. Maybe this administration is even fooling themselves.

Let me go directly to some slides to make my point. You have a budget here that shows progress on the deficit, but as I see it, the only way it makes progress is that it just leaves out things. It leaves out funding for the ongoing war cost beyond September 30 of this year. Now, the President says he has no timetable for withdrawal. But this budget provides a timetable. It says they are not going to spend anything on Iraq past September 30 of this year. That's not credible.

It says that there is no cost to the President's privatization plans for Social Security. We all know that is not true. There's a massive cost – over \$700 billion the first 10 years according to the administration's own estimates, but you can't find that anywhere in this budget.

Alternative minimum tax reform. Last year, they at least provided funding for one year. The old millionaires' tax that is rapidly becoming a middle class tax trap – it costs \$700 billion to fix over 10 years. There is not a dime in the President's budget.

And, then on the spending side of the ledger, you provide only details for 2006. No details for future years. I think there is a reason for that, because it gets really ugly after this year, and in some accounts it gets ugly this year.

So, as I look at this budget, I don't see a real fiscal plan for the country or something that really reveals the fiscal condition of the country. Instead, I see something that hides what I believe to be the true fiscal condition.

Here's just one example of the tax cuts. The President has the effect of his proposal for just the first five years. But look what happens just beyond the budget window. The cost of the President's proposals explode. It's not surprising that you have gone from 10 year budgeting to five year budgeting, because you don't want Congress to see this. You don't want the American people to see this. But this is what happens.

And it's not just there. It's also with the alternative minimum tax where you have provided no funding in your budget. Congressional Budget Office tells us this is the cost to deal with the alternative minimum tax, over \$700 billion over the 10 year period. You can't find it in the President's budget. Why is that important? It is important because 3 million people are effected today. It's going to be 30 million people 10 years from now. Some are saying it may hit 40 million people. The middle class is going to be in for a big surprise when they find themselves caught up in the alternative minimum tax.

The war, there's \$81 billion, but there's nothing for it past September 30. I've heard your testimony in other venues where you said it's hard to estimate. That's what you told us last year. It is hard to estimate. The one thing we know for sure is the right answer is not zero. That's for sure not the right answer. Congressional Budget Office says another \$383 billion needs to be put into this to give a real reflection of the ongoing war cost.

On Social Security, the President has nothing in terms of a cost for his privatization plan. But we know from the administration's own estimates that from 2006 to 2015 it cost \$754 billion. The 20-year cost is a staggering \$4.5 trillion. You know, that is real money. It's not in the budget.

When we put back all the things you left out, here is what we see. This is the administration's claim that the deficit is going to be improving. This black line, this red box, represents the administration's claim about improvement in the deficit. When we add back the things that are left out, here's what we see. We see a very modest improvement in the coming few years, but then things get much worse. That's what I think an honest reflection of this budget would tell the American people, that the fiscal condition, if the President's plans are adopted, gets much worse. And at the worst possible time, right before the baby boomer retire.

Now, finally, the President has said that Social Security is in crisis. But if you look at his budget, he is taking \$2.6 trillion from Social Security over the next 10 years to pay for other things. If it's in crisis, why is he taking money, raised by payroll taxes designed to strengthen Social Security by either paying down the debt or prepaying the liability, and yet the President takes every dime of surplus Social Security money – it's really not in surplus, surplus right now but we all know it's badly needed for the future – the President's budget takes it all and uses it to pay for other things. There is some disconnect between his language that there is a crisis in Social Security and his budget that takes all of the money that is available in Social Security that could be used to prepay the liability or pay down debt and he's taking \$2.6 trillion over the next 10 years to pay for other things.

And finally the *Washington Post* this morning now says the drug benefit, instead of costing \$400 billion, could cost as much as \$1.2 trillion over the next 10 years. Now, in this story I think in fairness the Medicare chief, Mr. McClellan, said that there are various offsets and savings that would reduce the bottom line cost to \$720 billion. But, we were told by this administration that it was going to cost \$400 billion. Now, the administration is saying whoops, not \$400 billion, not \$530 billion that we were told right after it passed, but instead, \$720 billion. And in gross terms, potentially \$1.2 trillion.

Let me just say that that damages the credibility of this administration in a very serious way with respect to the rest of their budget proposal, because there is a pattern here. There is a pattern of concealing, I think, the true fiscal condition of the country from Congress and from the American people.