

**Transcript of Opening Statement by Chairman Kent Conrad (D-ND)
at Morning Session of Senate Budget Committee Mark-Up to Consider
the Congressional Budget Resolution for Fiscal Year 2003
Wednesday, March 20, 2002**

I'm reminded a little bit of Leo Durocher, the manager and ball player, when he was in his managing days in spring training and was watching a rookie at third base boot ground ball after ground ball. Finally, in exasperation, Leo Durocher said to the third baseman, the rookie, you go in the dugout and watch me and I'll show you how to play third base. The first hit bounces off Leo Durocher's shins and goes into the outfield. Leo Durocher shouts into the dugout to the rookie, "Now look what you've done. You've so screwed up third base, nobody can do it."

Well, I feel a little like that's the circumstance we face with the budget. We've got a budget that has real challenges associated with it. But I'm not going to say that it's so screwed up nobody can do anything about it, because I think when we lay down this mark, people will be able to see that we have put together a responsible mark, and one that addresses all of the challenges facing the country – the war on terrorism, the need to get ready for the baby boom generation's retirement and the other significant challenges facing this country.

But, it certainly hasn't been easy. We walked into a situation that is extraordinarily difficult. Members of the Committee will remember that last year the President told us we could have it all. The President said we could have a massive tax cut; we could have a major defense buildup; that he could protect every penny of the Social Security trust fund; and at the same time we could have maximum pay down of the federal debt.

We now know that was just wrong. And it was wrong by a big margin. We now know that when we look at the President's budget submission for this year that under his plan we face non trust fund deficits for as far as the eye can see. In fact, for the entire next decade, the President's plan will be taking money from the Social Security trust fund to pay for his tax cuts and to pay for the other operations of government – \$1.8 trillion over the next decade taken from Social Security to pay for other things. We think that is especially unwise given the fact the baby boom generation starts to retire in just six years.

I think all of us will recall Congressional Budget Office Director Crippen's testimony before this Committee when he pointed out one of the key challenges facing the nation which is the retirement of the baby boom generation. He said this:

Put more starkly, Mr. Chairman, the extremes of what will be required to address our retirement are these: We'll have to increase borrowing by very large, likely unsustainable amounts; raise taxes to 30 percent of GDP, obviously unprecedented in our history; or eliminate most of the rest of the government as we know it.

Now that is the stark reality of what we face in the future if we don't face up to it in this budget and in succeeding budgets as well. Now that's one very significant challenge and there are others as well.

We know that our seniors are facing dramatically rising prescription drug costs. We know that Medicare which was started 37 years ago had no provision for a prescription drug benefit. And at the time Medicare started, there was perhaps not a need there is today. We know that the pattern of practice of medicine has changed dramatically. We know prescriptions have become a central part of any medical treatment. And we know there are the kind of escalating costs that our seniors face – \$2,440 today, anticipated to be \$5,280 prescription drug costs per year for our seniors at the end of this budget period. That is a huge problem facing this country. And we know there are other challenges as well.

We still need to make certain that we provide a high-quality education to every American, not only because all Americans deserve an education that will allow them to make the most of their potential, but also because investing in a first-class educational system is the best way to ensure the American economy will remain the strongest in the world. And we all understand in this Committee that education is primarily the responsibility of local governments and state governments. The federal government has a more modest role, nonetheless, a significant one.

We also need to make investments that will improve our highways and other elements of our infrastructure. We still need to find effective ways to protect our environment while promoting strong economic growth. The events of September 11th did not make any of those challenges go away. They just made them more difficult.

Last year our national leaders had a golden opportunity to set this nation on a course to deal with the challenges it faced. Nearly a decade of fiscal discipline had fueled the longest economic expansion in our nation's history. Last year, the Congressional Budget Office told us that we could anticipate \$5.6 trillion in surpluses over the next decade – \$5.6 trillion. Now we know that virtually all of that has evaporated. Gone to the tax cut, the biggest reason, gone to the additional expenditures required by the attack on this country, and gone to the economic slowdown. Those are the key reasons that we find ourselves in this condition today.

That was an extremely bright budget outlook last year. Many of us warned that we shouldn't rely on a ten year forecast. Many of us warned, as CBO themselves told us, that it was unlikely that we would be able to count on all of that coming true. And now we know those warnings were well taken.

Last year, on our side, we presented a plan to try to address all of these needs and to provide a cushion against uncertainty. Of the \$5.6 trillion, we set aside all of the \$2.5 trillion of Social Security and the \$400 billion in Medicare for the purposes intended. That left us with \$2.7 trillion of non trust fund surpluses. On our side, we divided that into equal thirds. A third for a tax cut, a third for high priority domestic needs like a prescription drug benefit and improving education and strengthening national defense, and a third to begin to deal with our long-term liability in Social Security.

That was our plan, certainly not a perfect plan. We now know with the events of September 11th, this too would have not solved all of our problems. We would have had difficulty, but far less difficulty than the plan that was enacted. The plan that was enacted contemplated \$1.7 trillion of tax cuts, including the interest cost and that, combined with events of September 11th, the attack on this country that necessitated increased defense spending and increased resources for homeland security, and the economic slowdown has created the circumstance that we face today.

Members of the Committee, we now see that the President's budget this year tells us that we should not only have additional tax cuts in this decade, even beyond those included in the stimulus package, but the President is advocating we make permanent the tax cuts put in place last year. That would have an additional cost of \$400 billion in this ten year period, but much more dramatic, would create a \$4 trillion loss in revenue in the second ten years.

Now that is especially troubling in light of what the Congressional Budget Office has told us is going to happen in that second ten years. Already we have a budget that does not add up. Already we face, what the Congressional Budget Office has warned us is the trust funds of the country going cash negative starting in 2016, and at the very time we see the Congressional Budget Office tell us the trust funds are going to go cash negative and do it in a dramatic and very substantial way, the President is telling us to also take another \$4 trillion out of the revenue stream of the federal government. Things don't add up now. This will only dig the hole deeper and make the future choices of a future Congress and a future President the more difficult.

So I believe in this mark-up and as we go through the budget process, we have an obligation and a responsibility to face up to these long-term budget needs – the long-term fiscal reality that we all know is coming. With that, I hope that we're able to move expeditiously.