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VIEWPOINT: Truth in budgeting: Creating a Social Security lockbox

By Kent Conrad and George Voinovich

WASHINGTON - When it comes to Social Security, Democrats and Republicans haven't yet found common ground on how to reform the program. But there's one thing everyone in Washington ought to be able to agree on: The raiding of the Social Security trust funds has to stop.

Each year, the Treasury Department borrows about \$150 billion from the Social Security trust funds and uses the money to pay for national defense, homeland security, tax cuts and other federal government activities. So far, we have borrowed more than \$1.9 trillion from Social Security to finance the rest of government. That's just wrong.

And it's not just Social Security funds being borrowed. The federal government also borrows hundreds of billions of dollars every year from other trust funds such as the Civil Service Retirement and Disability Fund and the Military Retirement Fund.

Borrowing from Social Security and these other trust funds distorts federal financial statements, confuses policy makers and misleads the American public. It has led to the publication of federal financial reports full of a confusing array of "on" and "off" budget accounts that are understood by few.

At a minimum, this financial shell game has eroded the public's trust in government. There was a time when it was believed that payroll taxes would be used to fund our retirement; gas taxes would be used to pay for highway construction; fees for hunting or camping on federal lands would go for conservation, and so on.

Unfortunately, the federal government has consistently failed to meet the public's expectation that these funds are being used for their intended purpose.

That is why we have introduced the Truth in Budgeting Act of 2005. Our legislation represents a newly-designed lockbox bill that would ensure that Social Security surpluses are protected and ultimately used only for providing benefits to Social Security beneficiaries.

Other federal trust funds would similarly be protected. Trust fund surpluses no longer would be used to fund the general operations of government, and the true size of the federal deficit would be revealed.

Specifically, our legislation would create a new Office of Trust Fund Administration (OTFA) at the Treasury Department that would be charged with investing Social Security and other trust fund surpluses in safe, non-federal debt index funds, including state and municipal bonds, corporate bonds, mortgage-backed securities and bond funds.

These interest-bearing investments could only be used to meet the obligations of Social Security

and other federal trust funds.

To avoid any question of government influence over the private sector, our legislation would not let funds be used to buy corporate stocks or any other type of equity investment. And the Government Accountability Office would be charged with monitoring the operations of the funds to ensure that they are free of any political influence and designed solely to protect the security of the investment pool while maximizing return.

Our legislation would force the federal government to use trust fund surpluses to acquire hard assets that can be used to meet our financial obligations in the future. These assets are needed now more than ever, with the front edge of the baby boom generation beginning to retire in just a few years.

And, perhaps most importantly, our legislation would force the president and Congress to face up to the true fiscal condition of the country. Only when that true fiscal picture is laid bare for all to see will lawmakers and the public understand the need for real fiscal discipline in Washington.

It is time for the federal government to be honest with American taxpayers. All taxpayers have the right to expect that the money they pay into the Social Security and other trust funds will be protected and used only for their intended purpose.

Our lockbox puts a stop to the raiding and restores truth to the federal budget. The American people deserve nothing less.

Conrad, a Democrat, represents North Dakota and Voinovich, a Republican, represents Ohio in the U.S. Senate.