

SOCIAL SECURITY

House Republicans Send Bush Dueling Letters Over 'Add-Ons'

House conservatives Wednesday delivered a letter to President Bush signed by 54 lawmakers opposing so-called add-on Social Security accounts and urging the president to continue pressing for personal "carve-out" accounts funded with payroll taxes.

Bush met for over an hour at the White House with a group of about a dozen members of the conservative House Republican Study Committee, who indicated during the meeting that the president should hold the line against tax increases as he weighs ideas on Social Security. Officials said the letter was handed to Bush during the session.

Many conservatives are concerned that accounts that do not use current payroll taxes could be funded with new taxes.

The letter, a copy of which was provided to *CongressDaily*, makes reference to recent remarks by National Economic Council Director Allan Hubbard, who was quoted in *USA Today* as saying the White House is not ruling out accepting add-on accounts.

"We strongly support your view that all reasonable proposals should be open for discussion; however, we want you to know that we do not believe that add-on accounts address the solvency or the generational fairness problems facing Social Security," the letter states.

"As such, we urge you to continue to pursue a permanent solution that would allow workers to take a portion of their Social Security payroll tax and put it into personal accounts."

Rep. **Mike Pence**, R-Ind., Republican Study Committee chairman, said after the meeting with Bush that members of his group who attended expressed strong support for "big" private carve-out accounts and against add-on accounts.

Bush has not ruled out either add-on accounts or a tax increase publicly but has said he would not accept an increase in payroll tax rates.

Democrats are nearly unanimous in their refusal to accept carve-out accounts. Many, though, have expressed an interest in add-on accounts, broaching the idea as a possible alternative to Bush's personal accounts.

Pence said the conservatives also told Bush there should be "no net increase in entitlement spending."

Rep. **Jeff Flake**, R-Ariz., was also at the meeting. He has introduced legislation allowing workers to divert their entire 6.2 percent payroll tax to private accounts.

But Rep. **Clay Shaw**, R-Fla., the sponsor of a leading plan for "add-on" accounts, fought back Wednesday with his own letter to the president defending his plan.

"[The Shaw bill] is consistent with your principles for reform, as it solves the problem of solvency and creates personal retirement accounts without benefit cuts or tax increases," Shaw wrote. "The assertion in Representatives Pence's and Shadegg's letter that 'add-on accounts do not solve the problems of solvency' is grossly inaccurate."

The key difference between Shaw's plan and the parameters put forward by Bush is that while the White House plan would divert 4 percent of Social Security payroll taxes into personal retirement accounts, the Shaw plan would fund the creation of private accounts through general revenues.

Shaw argued that whether you fund the accounts from general revenues or whether you tap the payroll tax, the budgetary impact is equivalent. "People are getting dug in on a concept where the real fiscal impact is the same. If you can save Social Security with carve-out accounts, you can save it with an add-on," he reports.

Ways and Means Social Security Subcommittee Chairman **Jim McCrery**, R-La., told *CongressDaily* Wednesday that he did not consider the Shaw proposal to be an "add-on" plan.

A true add-on, McCrery argued, would be an account completely unconnected to Social Security revenues or benefits. Shaw's plan, by contrast, would reduce future costs to the Social Security system to the extent that individual accounts earn a return on their investment, through an "offset" or reduction in scheduled Social Security benefits.

Shaw and other Ways and Means Republicans said Wednesday they were looking forward to committing hearings next month to start the ball rolling on legislation in the House to overhaul Social Security. "I do

think we need hearings as to direction or concepts. Is there anything other than individual accounts that would save it, and what are the plans?" he said.

Rep. **Paul Ryan**, R-Wis., said Ways and Means members would begin to construct a proposal, independent of whether the White House releases additional guidance for Social Security. "We're just going to work, do our regular committee process," said Ryan.

Social Security will be a topic of Bush's opening remarks at his prime-time news conference tonight in the East Room.

Meanwhile, at least two Democrats Wednesday backed out of a planned bipartisan meeting today on Social Security with Republican House members and AARP President Bill Novelli, after **House Minority Leader Pelosi** rebuked them in a closed-door meeting with Democrats.

"She reminded people that the Caucus is unified, and encouraged members not to meet with them," said House Democratic leadership aide of the Wednesday Caucus meeting.

Reps. **Mike Thompson**, D-Calif., and **Jim Cooper**, D-Tenn., informed organizers afterward that they would not be attending the meeting, according to a spokesman for Rep. **Mike Conaway**, R-Texas, who organized the meeting. It was uncertain at presstime whether Rep. **Collin Peterson**, D-Minn., would attend. Rep. **Ed Case**, D-Hawaii, confirmed he would attend, said the Conaway spokesman.

On the Republican side, attending the meeting with Novelli today will be McCrery, Chief Deputy Majority Whip **Eric Cantor**, R-Va., Republican Conference Vice Chairman **Jack Kingston** of Georgia, Republican Conference Secretary **John Doolittle** of California and Rep. **Anne Northup**, R-Ky. *By Kei Koffler and Martin Vaughan*