

**Transcript of Remarks by Senator Kent Conrad (D-ND)  
at Press Conference on President Bush's FY 2008 Budget  
February 5, 2007**

We're here today to discuss the President's budget proposal. Like the previous proposals of this President, I would characterize this proposal as filled with debt and deception; it's disconnected from reality; and it continues to move America in the wrong direction. Why do I say that?

I go back to what the President told us in February of 2001. At that time, he told us: "A priority of mine in the budget will be paying down the national debt." That's what he told us at the time.

Here's what has happened, because we can now go back and check the record. Was debt paid down? In fact, you will recall, he said he was going to have maximum paydown of the debt. There's been no debt paydown; the debt has skyrocketed because of each of his other budget proposals have been as unrealistic as this one. They always promise good news but they deliver something quite different.

Congressman Spratt has already talked about the debt situation. It will be \$9 trillion at the end of this year – headed for \$12 trillion, if these policies are pursued, by 2012. This is happening at the worst possible time, right before the baby boomers retire.

On the question of war cost, this is where they have consistently played hide the ball. You will remember, when the war was just under way back in 2003, there was this interview with the then-Secretary of Defense Donald Rumsfeld on the George Stephanopoulos show. Stephanopoulos asked: "What should the public know right now about what a war with Iraq would look like and what the cost would be?"

Rumsfeld: "The Office of Management and Budget estimated it would be something under \$50 billion."

Stephanopoulos: "Outside estimates say up to \$300 billion."

Rumsfeld: "Baloney."

Well baloney, unfortunately, is what he delivered, because his answer was the baloney answer. He said it was \$50 billion. With the President's latest request and what has already been expended, we're over \$500 billion. So he was off by a factor of 10 in his projections of what this war would cost.

We see that continuing. As we look at this budget, and Congressman Spratt has already covered this very well, what's been left out is the full out-year war costs, AMT reform beyond 2007, the spending policy details beyond fiscal 2008. On domestic discretionary spending, they don't provide any detail. You know, you've got to pierce the veil here to try to figure out what's

going on, because they won't tell you what their intentions are. Last year, by the way, was the first year they've done that – provide no detail past the first year.

Here's what we know: The President says extend all of his tax cuts; make them permanent. Here's what happens if you do that. The green part of this bar shows what happens to the debt if the tax cuts expire or are offset, are paid for. But the President doesn't propose offsetting them. He doesn't propose paying for them. He just proposes making them all permanent.

And here is what happens, according to all of the projections with respect to debt if the tax cuts are extended, made permanent, without paying for them, without offsetting them: The debt absolutely skyrockets. And they begin to skyrocket right at the worst possible time. This is when the trust funds of Medicare and Social Security go cash negative. So at that very time -- and if you layer in the President's tax cuts -- what you see is the debt absolutely exploding.

That's why I say this budget is a combination of deception and debt in a way that's disconnected from reality.

It also contains the wrong priorities. This is really stunning, but it's a fact: The cost of President Bush's tax cuts for those who earn over \$1 million in the year 2008 alone is almost \$55 billion. Let me just repeat that. The cost of the President's tax cuts for those earning over \$1 million a year is over \$50 billion, almost \$55 billion in 2008 alone. That's a one-year cost of the President's tax cuts for those earning over \$1 million a year in 2008. Almost \$55 billion.

You can see that's about 25 times what it would cost to restore his cuts to education. So this President's budget is saying, in effect, it is 25 times as important to give every dollar of tax cut to those earning over \$1 million a year as it is to restore funding for our kids' education.

Similarly, it is 100 times as important in the President's budget -- in his priorities -- 100 times as important to give every dollar of tax cuts to those earning over \$1 million a year as it is to fund the COPS program. The President's budget cuts the COPS program by 94 percent. He's going to take cops off the street. We've got crime rising in the country, and the President says: Let's take cops off the street. Let's reduce the COPS program by 94 percent. I would submit to you that is not the priority of the people of this country.

We see it with low-income heating assistance as well. Again, the cost of the tax cuts for those earning over \$1 million a year in 2008 is almost \$55 billion. The money to restore the low-income heating assistance program, \$420 million. So again, it's over 100 times as important to this President to provide every dollar of tax cuts to those who are the wealthiest among us.

Let me just conclude by saying -- to try to bring this back to an attachment to reality -- we have got a very serious problem in this country for the long-term. None of this adds up. And that's before the baby boomers retire.

We are now financing more than half of this debt through the kindness of strangers.

We're financing this debt, over half of it, by borrowing from foreigners. Last year, we borrowed 65 percent of all the money that was borrowed in the world by countries. We are now the world's largest debtor nation -- and by a long shot. As a result, we owe trillions of dollars around the world.

This is what the head of the Federal Reserve said in testimony before the Senate Budget Committee on January 18th: "... [O]ne might look at these projections and say, 'Well, these are about 2030 and 2040 and ... so we don't really have to start worrying about it yet.' But, in fact, the longer we wait, the more severe, the more draconian, the more difficult ... the adjustments are going to be. I think the right time to start is about 10 years ago."

Unfortunately, this President didn't start 10 years ago. He made a totally different choice. His choice was to dig the hole much, much deeper. And this budget today is a continuation of that policy, heading us for the cliff and a plunge into a chasm of debt.

*Question:* Senator, one of your charts showed debt skyrocketing even more if President Bush's tax cuts are allowed to expire or are not offset. Which of those two options will you recommend, will Democrats follow, in order to avoid the debt from spiraling?

*Conrad Answer:*

Let me say that we're here today to discuss the President's budget submission. Now that we have the President's budget submission and we have CBO's estimates, the next step in this process is we will provide our budget. Obviously, we have not reached conclusion until we see the President's budget. But let me just say, in general terms, we are going to adopt a PAYGO approach, which says you can have additional tax cuts, but only if you pay for them. And you can have additional mandatory spending, but only if you pay for it. So we will adopt a PAYGO regimen to assure that things are paid for.

*Question:* Your charts demonstrated that you do not believe the President's budget actually achieves the goal that you set of balancing the budget by 2012. When you submit your budget, will that include the same goals, if not the same way to get there, of balancing the budget by a date certain?

*Conrad Answer:*

Yes, we have announced our goal is to balance by 2012. Again, we have not reached conclusion on the major moving elements of a budget until we have seen CBO's numbers. As you know, that's the first step of the process. Then, we get the President's budget. Then, we write our budget. So we'll now be in the process of writing our budgets.

*Question:* The White House says that they are making a start on the entitlement tsunami, I guess is the word we're calling it in the out-years by proposing \$100 billion in cuts to Medicare and Medicaid over the next five years. Are those cuts any more reasonable than the ones that they proposed last year? Is there any more room for compromise than there was in 2006?

*Conrad Answer:*

Let me just speak for myself. I don't think we will make progress on the long-term fiscal imbalances absent a comprehensive settlement between the two sides. That's why Senator Gregg and I have tried very hard to get an agreement on a process to develop a plan to address these long-term imbalances.

I don't think it's going to work, this kind of onesies and twosies approach. I think you are going to have to have everything on the table, including revenue, including the structural deficit, including the imbalances in Medicare and Social Security, in order to make progress on these long-term imbalances.

*Question:* Senator Conrad, will you be using your power as chairman of the budget and also the Democratic majority control of the money to try and control policy in Iraq?

*Conrad Answer:*

Well, we are about to have, as you know, on the floor of the Senate a debate about Iraq policy. This goes way beyond budget policy. This goes to the whole question of what Congress thinks should be done with respect to Iraq. As you know, I think there is majority support in the Senate for not extending our involvement in Iraq, for not expanding our involvement in Iraq. But that goes well beyond Budget Committee issues.

*Question:* Is there anything in this budget, either the assumptions or the proposals .... that you guys are encouraged by, that you like? Or is it all just forget about it?

*Conrad Answer:*

Well, the one thing I'm encouraged by is for the first time, the President, for next year, does have an estimate of war cost that is closer to reality. That would be the one thing I'm encouraged by. You know, throughout the course of this war, the President has largely excluded from his budgets the cost of the war. When it started, he said, well, it's hard to predict. This is four years ago. But every year since, he's had nothing in the budget or close to nothing in the budget. And now, for the first time -- and I give Director Portman great credit for this -- for next year, they have an estimate of over \$140 billion for the cost of the war. So they are moving at least towards more transparency and to being more honest about what the cost of this war really will be.

*Question:* Does it make a difference to you that, when asked about it today, Director Portman said that that \$50 billion (war funding for FY 2009) is really more of a placeholder that it is just too hard for the administration to predict....So is it a placeholder?

*Conrad Answer:*

You know, let me just say -- you know, last year it was a placeholder. They put in \$50 billion, and what did we wind up with? Almost \$170 billion. So, you know, we can use these words that may have meaning inside the beltway, but I'd say, you know, if you were in North Dakota or you were in South Carolina and you told somebody something was going to cost \$50 billion the next year and it wound up costing \$170 billion, you'd have grave doubts about how

straight they'd been with you.

*Question:* Can you maybe tell us whether the Democratic Party will try to balance the budget or if you try it without touching Medicare, Medicaid -- cutting Medicare and Medicaid, or is that even possible?

*Conrad Answer:*

Let me just say, again, that we're not here to discuss our budgets. Our budgets haven't begun to be put together yet. So we're just not in a position to discuss our budgets. We're here to react to the budget the President has produced today.

*Question:* Just to clarify, have either of you ruled out supporting the entitlement cuts that are in the President's budget, absent a larger agreement on the long-term problem?

*Conrad Answer:*

My own strong belief is there has to be a comprehensive approach. That's what Senator Gregg and I have proposed. And I don't think this is going to be effective doing it in the way the President has discussed.

I also have grave reservations about the effect of the President's plan. The fact is, if you look at different parts of the country, they have very different realities with respect to Medicare reimbursement. In my state, our hospitals, for the exact same illness as a more urban hospital, gets one-half as much money to treat that illness. For somebody who has got exactly the same diagnosis, somebody who is treated in Devils Lake, North Dakota, the hospital there, Mercy Hospital, get's one-half as much as Lady of Mercy Hospital in New York City.

Now, that is just not reality. There is not 100 percent difference in the cost of treating that patient. And the result is, hospitals in the rural parts of the country are being -- already suffering from negative margins. They're losing money. And so the President comes in, says take more from them. That would have really serious consequences in a state like mine.

*Question:* What's the biggest sticking point on the negative....?

*Conrad Answer:*

What I have said and what I would repeat is, I believe the long-term trajectory of this budget, which is to take us right over the cliff into an absolute chasm of debt. This budget is just disconnected from reality.

*Question:* So how do you treat this thing? Do you just throw it out and start over or do you work from this document in anyway? How should we view this thing?

*Conrad Answer:*

Let me just say, what we will do is we are going to take this budget, we're going to take the CBO analysis, we are going to, I think out of respect, we look at proposals the President has made, and then we write a budget that we think reflects the priorities of the American people.

That's our intention.

Thank you all very much.