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Panel May Take Lead On Social Security

Finance Committee Asks for Priorities

By *Jim VandeHei*
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After spending nearly four months campaigning to restructure Social Security, President Bush is headed toward what many Republicans consider a make-or-break moment in the effort to transform the 70-year-old retirement program: a showdown with the Senate Finance Committee.

Bush is confident that he has convinced Americans that Social Security faces long-term fiscal problems, even if they remain skeptical of his plan for personal investment accounts. Now, aides say, he wants the Finance Committee, which has jurisdiction over the issue, to take the lead role in crafting a new Social Security program.

Finance Chairman Charles E. Grassley (R-Iowa) said the White House has privately assured him that the president will assist by offering his preferences on some of the most politically sensitive issues, such as whether to raise taxes or cut benefits to fix the system -- as well as what form the accounts would take. Grassley will hold the first Senate hearing on the Bush plan later this month, and his staff has started coordinating its efforts with the White House.

"No question, the Finance Committee is influential and pivotal in this context," said White House spokesman Trent Duffy.

For Bush, the new phase carries significant risks. He will have to spell out what could be painful benefits cuts or tax increases to shore up the system; rely on a committee that, as of now, lacks the votes to pass private accounts, the cornerstone of his plan; and place the fate of his signature domestic issue in the hands of a chairman who has sent conflicting signals about its prospects. But it also offers Bush an opportunity to generate momentum for the initiative -- if Grassley prevails.

In conversations between Grassley and White House aides, most often Matt Kirk, the president's liaison to the Senate, the committee chairman said he made it clear he wants Bush to step forward soon and indicate his preferences for shoring up Social Security.

Bush, who has detailed his support for allowing workers younger than 55 to divert some of their payroll taxes into private accounts, has so far refused to specify how he envisions overcoming Social Security's projected \$3.7 trillion shortfall over the next 75 years. This number is the projected deficit between what taxpayers will pay into the system and how much will be paid out in benefits to retirees, the disabled and survivors.

"I would like to see some principles and alternatives they might support," Grassley said in an interview last week,

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pointing to such options as reducing benefits, raising the retirement age and increasing the cap on income subject to the payroll tax. "I will see them when I ask for them," Grassley confirmed.

Duffy said the president has adopted a "cautious approach, by design, because of the shared awareness of the challenges, as well as a shared commitment to try and get things done."

But Sen. Lindsey O. Graham (R-S.C.), who has been lobbying the White House to detail a solvency plan, said, "It will be up to the president, not Senator Grassley, to generate momentum by being specific."

There are many ways to fix Social Security, and White House aides are signaling they like the idea of reducing benefits, but not for the working poor; tightening eligibility restrictions; and, preferably, not significantly raising the cap on taxes, according to several Republicans who have discussed the issue with them. Al Hubbard, Bush's chief economist, and other White House policy advisers have come up with a list and are awaiting more details from Grassley and other key congressional Republicans on the blend of changes they prefer, a senior White House official said.

Congressional Democratic leaders believe they are winning the political fight over Social Security, mainly by criticizing Bush's idea for accounts, and are lobbying their members not to offer any concrete proposals. House Minority Leader Nancy Pelosi (D-Calif.) provided a glimpse of the Democratic strategy on Friday, when she lambasted Hubbard for suggesting the retirement age might need to be raised.

"Millions of Americans have spent their careers paying into Social Security with the assurance that a lifetime of work has earned them a guaranteed stream of income," she said in a statement. "Now the White House is talking about changing the rules so that it can push through its misleading privatization plan." Bush has never advocated privatizing the entire program.

Many Republicans fear that taking away benefits in whatever form, be it a reduction in benefits or raising the retirement age, will be even easier to criticize than Bush's plan for personal accounts, which has been the focus of attack over the past four months.

Even if Grassley can persuade Democrats to deal with Social Security's finances, he said it will be a "heavy lift" to sell them on the accounts.

At this point, he does not have the votes to approve the accounts, despite the GOP's 11 to 9 majority on the committee.

Sen. Olympia J. Snowe (R-Maine), a moderate, and every committee Democrat are on record as opposing accounts carved out of the current system. It does not appear opponents are prepared to budge, but White House officials remain hopeful they can win over at least one of their top committee targets -- Sens. Max Baucus (Mont.), the ranking Democrat, or Kent Conrad (N.D.), who faces reelection in 2006.

The emerging Bush-Senate Republican strategy is to entice Democrats into the debate by first focusing on shoring up the system and then selling the private accounts as the smartest way to ease the pain of benefit cuts. All of this relies on Grassley's ability -- and willingness -- to push ahead on an issue some Republicans would rather avoid.

Grassley, 71 and a Social Security recipient, is a strong supporter of Bush's plan, but has questioned whether Americans are ready for such big changes. In late March, he said in an interview that he was concerned the president was not making much progress with his campaign to create private accounts. Still, Grassley said, he has a responsibility to act, starting with holding hearings in two weeks and, he hopes, in writing a bill this summer.

The White House has considered fallback strategies: If the Finance Committee fails, the House could either pass its own bill to put pressure on the Senate, or follow the lead of Ways and Means Chairman Bill Thomas (R-Calif.) and deal with Social Security as part of a larger package of programs for the aging, according to a senior White House official. Some House Republicans, however, despite their larger majority, are reluctant to go out on a limb on Social Security unless it is clear the Senate will pass the legislation, according to several GOP lawmakers.

"It makes no sense for House Republicans to walk the plank if we can't get something through the Senate," Grassley said.

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