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**HEADLINE:** As Parties Trade Blame For Declining Budget Surplus, Bush To Highlight Fall Agenda.

**BODY:**

The Wall Street Journal (8/29, VandeHei, Rogers) reports that President Bush, "tanned and rested after nearly a month on his ranch here, is ready to try to breathe new life into his agenda. But a changed budget picture could just as easily suffocate much of it. The president Wednesday travels to San Antonio to an annual gathering of the American Legion where he plans to insist that several issues are ripe for compromise if Democrats only are willing." They "include a patients' bill of rights, which is snagged over competing ideas about how patients can sue their health plans. And he wants action on his education package -- which unexpectedly stalled in Congress -- Medicare reform and his proposal to give incentives to religious groups that provide social services." The Journal adds, "Meanwhile, Mr. Bush and his Republican Party have begun a separate campaign to portray Democrats as spenders and obstructionists." Reuters (8/29, Charles) reports that "Bush will lay out his priorities for the rest of the year and urge Congress not to hold them hostage, White House spokesman Scott McClellan said. 'The focus of the speech will be on the fall agenda,' McClellan said. 'He's going to talk about how education and defense need to be at the front of the appropriations line instead of the end or being held hostage to partisan maneuvering.'" Bush "is gearing up for what will likely be a heated battle for funding between the Republican president, the Republican-controlled House of Representatives and Democratic-controlled Senate."

CNN (8/28, Inside Politics, King) reported, "The White House is continuing to insist that it believes its projections, which would show a very modest \$1 billion non-Social Security surplus, will prove correct. At the same time, they're saying they're not terribly far apart, in the context of a \$2 trillion Federal budget", with the CBO estimates. But the White House is "backsliding a bit in its rhetoric saying it wouldn't be such a bad thing if the government had to tap into Social Security just for a modest amount, making clear that would not affect the program at all over the long run." Wednesday, President Bush will in a "relatively polite" speech "reiterate things we've heard before, that he believes the four major goals in the fall should be funding education, defense, passing a Patients' Bill of Rights acceptable to the White House, and getting the Senate to act on the House version of his so-called faith-based initiative." Bush is "not preparing any new initiatives or any confrontational or new language on the issue of the budget, but certainly, everything the President says now about his legislative agenda will be viewed through the prism of this debate over just how big is the Federal surplus."

The Washington Post (8/29, A1, Kessler, Morgan) reports, "The shrinking federal budget surplus has imperiled congressional spending plans, with President Bush's midsummer request for \$18 billion in additional defense money the most likely target, lawmakers and aides said yesterday." The Democratic Budget Committee chairman in the Senate and "his Republican counterpart in the House said they are not prepared to release the funds for the initial phase of the president's defense buildup, effectively blocking it for now." Sen. Kent Conrad "said his hands were tied because the defense request would eat into Medicare surplus funds, and Rep. Jim Nussle (R-Iowa) complained the administration had not adequately explained why the funds were necessary in the absence of a plan to overhaul the military. 'I am very concerned about the fiscal responsibility behind continuing to fund the defense of the past,' he said."

CNN (8/28, Inside Politics, Snow) reported Democrats "had a very clear message today, and part of it is that they want to hear from President Bush tomorrow or in the days to come an explanation for these numbers. They also want to hear President Bush and the White House take responsibility for the numbers. Democrats very clear that they feel that this is the Administration's fault, that the Administration pushed for that overwhelmingly large tax cut." Though "some of them supported the up-front stimulus, but Democrats will say they didn't support the entire \$1.35 trillion tax cut."

The New York Times (8/29, Shenon) reports, "Because the Congressional analysts are required by law to make their projections on the basis of current government spending, the report does not factor in the huge spending increases that President Bush is expected to propose for the Defense Department and for his plan to develop a national missile-defense system. The price tag of those programs could approach \$300 billion over the next 10 years." It "does not take into account the proposals from both parties for a prescription-drug benefit -- at least \$200 billion over 10 years -- or for an expanded federal role in education, a signature issue for President Bush; it does not include the billions of dollars that Republican and Democratic lawmakers will want to set aside for hometown projects when next year's federal budget is

completed this fall."

The Los Angeles Times (8/29, Hook, Vieth) reports, "The increasingly austere budget outlook makes it far more difficult for Congress to afford the full range of initiatives that many people have come to expect from the windfall of projected surpluses. Possible casualties include President Bush's signature promises to increase defense and education spending, aid for struggling farmers and popular tax breaks backed by members of both parties." The Times adds, "What's more, the changing outlook may begin to erode a broad political consensus that has shaped the budget debate: Ever since the federal government started running surpluses in 1998, members of both parties have agreed that Social Security surpluses should be used only to pay down the national debt, not to finance the government's day-to-day operations." The Times adds, "After hewing to that view for four years, Republicans took a different tack when faced with a report issued Tuesday by the Congressional Budget Office that shows the government will have to spend \$9 billion of Social Security revenue in 2001: They suggested that using Social Security only for debt reduction was a goal, not gospel."

CBS (8/28, story 2, Roberts) reported last night, "The economic slowdown, along with the Bush tax cut, has eaten away the Federal budget surplus for this year, according to a congressional analysis. That's setting the stage for a battle between Congress and the White House over what may be more symbolism than substance." CBS (Plante) added, "The congressional estimate that the budget is \$9 billion in the hole has sparked an angry debate. Democrats charge that the Bush Administration is breaking a promise by putting the nation on course to raid the Social Security and Medicare trust funds for years to come and putting their future in danger." Rep. John Spratt (D-SC) was shown saying, "It could not come at a worse time. Because in 2008 the baby boomers begin to retire. . We put the government in a position where we could finally foreswear, back off the practice of borrowing from the trust funds." CBS added, "Republicans argue that the vanished surplus means only that Congress will have to watch its spending, and characterized Democrats' complaints as so much hand-wringing." Budget Committee Chairman Jim Nussle was shown saying, "Oh my gosh, the budget is tight. Oh my goodness, the surplus is gone. You're darn right it's gone. So stop your spending." CBS added, "But Congress has been spending the Social Security surplus since it first appeared, after Social Security taxes were increased in the mid-'80s. It was President Clinton who made dedicating all surpluses to Social Security a political issue to one-up the Republican Congress. . Today's debate over the meaning of the surplus is still all about political symbols, not economic policy, says former Congressional Budget Office Director Robert Reischauer." Reischauer was shown saying, "The \$9 billion dipping into Social Security this year is insignificant, trivial. From the standpoint of economics, from the standpoint of symbols and political promises, it's terribly important." CBS added, "The White House argues that the **Social Security trust fund** is totally secure, and says this is really about Democrats wanting more money to spend. As one GOP congressman put it: 'Don't tell me this isn't politics.' He could have been speaking for either side."

Reuters (8/28, Morrison) reported, "Republican lawmakers played down a dwindling budget surplus from the latest key forecast while Democrats called the falloff in extra funds serious, setting the stage for heated debate over government spending when Congress returns to work next month." The "political controversy became more clear after the Congressional Budget Office -- Congress' non-partisan budget watchdog -- said in its latest estimate that to balance the budget this year, the government would have to tap into about \$9 billion of funds meant to be held for Social Security." Sen. Kent Conrad said, "I think it's going to be a very difficult fall period for both the Congress and the Administration." Reuters added that when lawmakers "return next month after their August recess, they have only a few weeks to pass government spending measures before the new fiscal year 2002 begins in October." Conrad blamed "Republicans in Congress and the White House for the drop-off in the surplus and claiming that over time the Republican budget plan would lead to huge increases in the national debt." Said Conrad, "If our budget plan had been adopted, we would have been in far better shape." Reuters added that CBO projected "the 2001 budget would be \$9 billion in deficit" without Social Security funds. House Budget Committee Chairman Jim Nussle said, "This budget is tight, and that is exactly where we want it to be and where we need it to be." Nussle, "echoing the Bush administration's stance, asserted that the budget shortfall was expected after Congress passed President Bush's tax cut plan to help prop up the ailing U.S. economy."

CQ (8/28, Dalrymple) reported Democrats "criticized Republicans Tuesday for their mild reaction to congressional budget estimates that show the next decade's surplus shrinking to \$3.4 trillion from \$5.6 trillion, forcing the government to divert some Social Security surplus from debt reduction to pay for government operations." Senate Budget Committee Chairman Kent Conrad said, "This administration is in deep denial. They're saying there is no problem." CQ added the projections "assume robust economic growth and do not take into account future spending programs, making it likely that more of the Social Security surplus will be diverted from debt reduction than predicted." The Democrats "offered no immediate plan to reverse the trend, putting the responsibility on Republicans to adjust their budget priorities." Conrad said, "This is their spending plan. This is their tax plan. These are their budget deficits."

CNN (8/28, Inside Politics, Woodruff) reported, "As President Bush and members of Congress get closer to their return to Washington, they are stepping up their early skirmishing over the budget. Today, Democrats are trying to make the most

of their new ammunition: Those projections for Congress that show the Federal surplus has shrunk so much that the government may have to tap into Social Security funds." Senate Majority Leader Tom Daschle was shown saying, "The real concern I have is: What's going to happen to education? What's going to happen to the Medicare program? What's going to happen to defense and to all of the other high priorities the government has? Today, the money isn't there to pay for those priorities, and the President needs to provide us with the leadership to see that those priorities can be addressed. And I'm willing to work with him to do that." CNN added, "Republicans are hitting right back, accusing the Democrats of playing the blame game." House Budget Committee Chairman Jim Nussle was shown saying, "All of a sudden, they're in the majority and now they have no -- they're washing their hands of everything, even though they're the governing party in the Senate. We are responsible. We will be responsible. And the Office of Management and Budget should take the lead in finding that money that will be used or lost as part of the bureaucracy of our country."

CNN (8/28, Inside Politics, Snow) reported, "One thing Senator Conrad today was pressed on was: What could Democrats in the Senate do to try to fix the situation. Of course, they control the Senate." But Conrad "said it really wasn't up to them, it's not up to the Democrats to take the lead, it's up to the White House to take the lead. Republicans read that as the Democrats simply posturing on all of this, taking advantage of the situation to play some politics."

CQ (8/28, Dalrymple) reported House Budget Committee Chairman Jim Nussle "defended the administration-backed tax cuts that the Congressional Budget Office (CBO) estimates will force the government to use \$9 billion in Social Security surpluses this year to pay for other government operations." Nussle said, "I've listened to all the hand-wringing that's going on the part of the big spenders in Washington saying, 'Oh my gosh, the budget is tight. Oh my goodness, the surplus is gone.' You're darn right it's gone, so stop your spending." CQ added the "first spending to fall by the wayside could be President Bush's \$18.4 billion request for additional defense spending, which Nussle described as 'not afloat at this moment.'" Nussle also said "the GOP goal to protect Social Security should be seen as a means to modernize the program, not an end in itself." Nussle said, "It's not a Holy Grail to be right at zero." Nussle also "said he will ask the Office of Management and Budget to suggest a \$2 billion list of fiscal 2001 spending cuts that would allow this year's debt reduction to reach the planned \$155 billion."

CNN (8/28, Inside Politics, Snow) reported, "Republicans here in the House, particularly, have a lot riding on all of this. They're up for election again next year. The President is not up for election. So some of them, you sense, are a little bit concerned about reining in spending. Jim Nussle talked about the \$18 billion that the President has asked for in additional defense spending, and he said, we haven't seen a justification for that just yet. He seemed to indicate that they wanted to know exactly how that money was going to be spent, because maybe they wouldn't support the President on that \$18 billion." Nussle also spoke about "other spending that needed to be reexamined in some quite curious comments today." Nussle was shown saying, "All we've got to do is cut up the Pentagon credit cards; you can find \$9 billion. Just keep them from going to Hooters or out to strip clubs or whatever they were doing with their credit cards. I mean, I'm very serious. Everybody knows that there's wasteful Washington spending out there. Let's cut up the credit cards, let's stop the use-it-or-lose-it attitude. Let's recoup that money, and let's make sure that we are having the maximum amount of debt repayment."

The Houston Chronicle/AP (8/29) reports, "The fight on Capitol Hill will center on items not already planned for in the fiscal 2002 budget, among them Bush's \$18.4 billion defense spending increase request and up to \$17 billion extra to overhaul education. Other priorities include a \$2 billion extension of popular expiring tax breaks and a package of energy tax incentives costing \$1.7 billion in 2002. It's possible as well that Congress could revisit its earlier decision to budget about \$7 billion next year for a new farm subsidy bill, according to budget committee aides." The AP adds, "The overriding goal, particularly for Republicans, will be to avoid breaching Social Security again in 2002 to pay for other government operations." Bush and "GOP congressional leaders had cherished their Social Security lockbox until CBO projected this week that it would be broken open by \$9 billion in 2001, leaving a still-large surplus of \$153 billion."

The Lansing State Journal (8/29, Snell) reports, "US Rep. Mike Rogers, R-Brighton, stands by his vow to protect Social Security. But before he takes any action, he wants to see a discrepancy resolved between the White House's budget forecast and the Congressional Budget Office report." The White House "used a Social Security accounting change and a few other assumptions to claim that Social Security would remain untouched this year; the Congressional Budget Office did not use those same assumptions. Rogers said he will not support tapping into the reserves." Said Rogers, "I'll fight it with everything I have," adding, "I believe we can solve the problem without getting into Social Security." Rep. Nick Smith, "who campaigned unsuccessfully for the chairmanship of the House Budget Committee on a message of restrained spending, said CBO projections mean Congress has a month to find a way to avoid dipping into the Social Security surplus. The quickest short-term fix would be to shift some of the fiscal year 2001 spending into the 2002 budget year, said Smith, R-Addison." However, "not all lawmakers will embrace the proposal or other efforts to restrain spending. 'The spenders in Congress are going to be very aggressive in criticizing people like me,' he said."

Despite New Numbers, Bush Intent On Pursuing Medicaid Reform, Medicare Prescription Drug Benefit.

The Detroit News/Gannett News Service (8/29, Wheeler) reports, "The murky federal budget picture hasn't changed Bush administration plans to pursue a new Medicare drug benefit and reforms to Medicaid, the federal-state health insurance program for low-income and disabled people." Bush "remains committed to working with Congress on a \$300 billion drug benefit tied to Medicare reforms as well as a \$28-billion plan intended to expand the Medicaid program, said Thomas Scully, administrator of the Centers for Medicare and Medicaid Services."

CBO Numbers Predict National Debt Will Be Nearly Wiped Out In 10 Years.

USA Today (8/29, Weisman) reports, "As lawmakers confront a dwindling budget surplus, Capitol Hill was gripped Tuesday with dire talk of economic disaster and drastic spending cuts." However, "seemingly overlooked is a far brighter fiscal picture: Even as the non-partisan Congressional Budget Office (CBO) was predicting tougher budget times in the short run, it also projected that the government will come close to wiping out the national debt in 10 years. The disconnection between the bipartisan budgetary hand-wringing and the CBO's long-term optimism stems from one source: misunderstanding about the way the government counts its money. Washington keeps track of the Social Security budget, the budget for the rest of the government and the two combined. Until a few years ago, no one bothered to make those distinctions. Now they are."

WPost Says Democratic Attack Ads On Budget Reflect "Cynicism And A Poverty Of Ideas."

The Washington Post (8/29) editorializes that "it doesn't matter whether the federal budget this year has saved the entire Social Security surplus plus \$2 billion, as President Bush claimed last week, or has dipped into the Social Security surplus to the tune of \$9 billion, as the Congressional Budget Office (CBO) estimated in a report released yesterday. Either way, there's still a sizable surplus this year -- \$153 billion, or about 1.5 percent of the gross domestic product, according to the CBO. Politically, dipping into the Social Security surplus may be embarrassing to President Bush," but "as a matter of economics, the surplus for this year may be too sizable, given the downturn; the Democratic Party's attack ads on this issue reflect a cynicism and a poverty of ideas, not sound economic thought." The Post also notes that "the White House talks about rescuing the military from years of neglect, but it has not left room in its budget for the cost of such a rescue. Mr. Bush wants a new prescription drug benefit, he wants to spend more on education -- where will the money come from? The abolition of the estate tax and the lowering of income tax rates, which benefit the wealthy most of all, leave little leeway for such initiatives -- and less if Mr. Bush's forecasts prove too optimistic."

More Commentary.

CNN (8/28, Inside Politics, Snow) interviewed Reps. Johnny Isakson (R- GA) and Harold Ford (D-TN). Asked if President Bush's request for education funding would be jeopardized by the reduced surplus projections, Isakson said, "The President's recommendation is not jeopardized; it's included in the mid-session analysis and there's plenty of money to do it. His recommendation was \$19 billion. The House bill authorized 22 billion and the Senate bill went to \$31 billion, which indicates some of our -- most of our problems are overspending recommendations in either House or the Senate, not the President's recommendation. The President's recommendation for education can be fully funded." Ford said, "We now know that the forecasts and the predictions made by many of my friends in Congress, including Congressman Isakson and the White House, were completely off base. Not only will we have to dip into the **Social Security trust fund** this year, but we will not run a surplus next year. . You don't have to be a mathematician to know that we're in a little bit of trouble here as it relates to education, defense, health care, transportation, veteran's affairs and agriculture." Ford added, "When we return next week, we may have to revisit a lot of decisions that the Congress has made. I agree with many colleagues in the Congress that we'll wait to hear from the President. He was the one that advocated and aggressively pushed for this legislation. I did not vote for the tax bill. But I believe we ought to wait and hear from him. But the reality is we do not have the dollars to accommodate all the programs that have been laid out by Democrats and Republicans in the Congress. There will have to be some spending cuts." Ford added, "Mr. Isakson and I both, along with 350 of my other colleagues, all voted earlier in the year to keep all **Social Security trust funds** in a lock box. It was laughed at throughout the campaign because Al Gore said it so much. But it looks now as if we may have to renege on that promise to ensure that defense and education are fully funded."

CNN (8/28, Inside Politics, Jackson) reported, "Considering the kind of money the Federal Government brings in and the kind of money needed to really fix Social Security, \$9 billion hardly amounts to a rounding error."

On CNN (8/28, Inside Politics), columnist Mark Shields said, "The political disadvantage is to the Republicans. There's not, I don't think, a great political advantage to the Democrats. But once the tax cut passed, it was George Bush's economy, and surplus politics worked very good, very well for the Republicans in the year 2000. You'll recall, when you

had surpluses, you could be for everything: You could be for tax cuts, defense increases, education, prescription drugs. Now, we're going to be back in the politics of choices, priorities and scarcity, and I don't think those choices and priorities work as well for Republicans as they do for the Democrats." National Journal editor Ramesh Ponnuru said, "I think that the Administration is going to take a modest hit, because -- if it turns out that it has to, as they say, dip into the Social Security surplus. But at the end of the day, when people realize that Social Security is not in danger, people are still getting their checks for the next 10 to 15 years with no problems, and there's still going to be 150 to 160 billion dollars leftover to pay down debt, I think that the -- I don't think the Democrats are going to be able to make too much hay out of it."

PBS (8/28, Newshour, Warner) interviewed Congressional Budget Office Director Dan Crippen; former CBO Director Alice Rivlin; and former House Budget Committee staff director Rick May. Asked "what happened" to the "nearly \$120 billion in non-Social Security surplus" projected three months ago, Crippen said, "Two things happened since January: That is, the passage of the tax bill and the economy is performing less well than we had hoped and thought back in January. Between the two, it's erased about \$120 billion of the surpluses that we expected, leaving us with about \$150 billion, yet, though in surpluses." Crippen added that in the "first few years it's mostly the economic slowdown this year and next that have a big impact, and then after that, the tax cut takes over. So in terms of the total ten years it's about two-thirds legislative changes and a third the economy, a third or less." Asked to explain the difference between the CBO and Office of Management and Budget projections, Crippen said, "One, the OMB, the Administration, made a slight change in accounting for Social Security revenues. It's an accounting change that we may well mimic at some point but we don't normally make in the middle of the year. . The other is that they are more optimistic about the economic outlook. That is, they expect a recovery more quickly and more robustly than we do." Asked if she was troubled by the CBO projections, Rivlin said, "I find them somewhat alarming. The problem is that the economy has slowed. That's in the short term. What's really disturbing, and the reason the projections have changed so radically in such a short time. We don't know when it's going to speed up. For the long run, I find it alarming for a different reason. If you look out beyond, say, 2006, you don't see much surplus out there either, even on fairly optimistic projections. That's where we used it to pay for the tax cut, which I thought was a mistake." May said, "I look at it as pretty much as fairly good news. We have the second largest surplus in our nation's history. We have a tax cut enacted at a time when we need tax cuts to spur the economy on. And third, we have a situation where fiscal discipline will have to reign throughout the day because we have no additional money to spend for new government spending. So I would argue it's almost like winning the Trifecta at the racecourse. We've got three good things going on from a fiscal conservative standpoint." Asked if Democrats were correct in saying there was a \$9 billion raid on Social Security this year, Rivlin said, "I think 'raiding Social Security' is a bit of a misnomer. The Social Security taxes go into the trust fund. They aren't used for anything else. It's just the government has to borrow to cover other expenses. We've done that before. Fortunately, we're not in a position to have to do it very much right now. But it's appropriate when the economy is growing very slowly to have a decreasing surplus from one year to the next in the short run."

The Wall Street Journal (8/29, McKinnon) reports, "The tax-revenue boost the federal government enjoyed during the 1990s stock-market boom has disappeared almost as rapidly as it appeared, according to congressional budget analysts. At the end of the last decade, tax revenue soared faster than government economists' models had predicted, even accounting for strong economic growth." Analysts "still aren't sure what brought on the flood of extra tax money in the late 1990s, but they agree that much of it likely was due to the bull market in equities, as stocks threw off capital gains and income from employee options."

The Minneapolis Star Tribune (8/29, Blank) notes, "A projection that the federal government will need to spend some of the Social Security surplus for non-Social Security purposes clearly is not good news for the retirement insurance program -- but probably not as dire as some media accounts and political rhetoric may imply." The new numbers do not mean "that the government will spend on its favorite programs money that would otherwise be used to pay Social Security benefits. On the contrary, Social Security has all the funds it needs to pay all scheduled benefits every year through 2016, projections show. In fact, as they have since the early 1980s, Social Security payroll taxes, plus interest that Social Security is accruing on its trust fund, generate far more than the program pays out in benefits. The difference is the Social Security surplus: this year an estimated \$163 billion. When news reports say that the government probably will need to dip into Social Security funds, they refer only to the Social Security surplus."

Gerald Seib writes in the Wall Street Journal (8/29) that if Democrats "persist in their argument that the tax cut was the height of fiscal irresponsibility, eventually they will have to address this question: Are they therefore in favor of rolling back the tax cut -- in short, do they favor raising taxes? And now that they run the Senate, will they offer legislation to do that? This is a place the Democrats don't want to go. It's more enjoyable for now to blame President Bush for wiping out the surplus and raiding taxes earmarked for Social Security to balance the books. (By the way, it's interesting how few in Washington now note that this use of Social Security taxes was, in fact, standard practice for years around here.)"

Former Labor Secretary Robert B. Reich writes in the Wall Street Journal (8/29), "By making a fetish out of balancing the budget every year and excluding Social Security surpluses, both parties are locking themselves into a rhetorical prison from which there's no easy escape. Worse yet, they're imprisoning the public behind walls that don't exist, making it impossible to understand what's truly at stake."

The Lincoln Journal-Star (8/29) editorializes, "The spinners are striving mightily to minimize the issue, but behind closed doors at the White House they've got to be going, 'Whoops!' Despite his pledge not to touch Social Security, President George W. Bush will be forced to spend Social Security funds. That's what Bush and his advisers get for relying on notoriously inaccurate long-range financial projections." The Journal-Star adds, "The first President Bush once promised, 'Read my lips. No new taxes.' The promise came back to bedevil him. Apparently the second President Bush will be haunted by a broken campaign pledge of his own."

The Minneapolis Star Tribune (8/29) editorializes, "A projection that the federal government will need to spend some of the Social Security surplus for non-Social Security purposes clearly is not good news for the retirement insurance program -- but probably not as dire as some media accounts and political rhetoric may imply. It doesn't mean: that the government will spend on its favorite programs money that would otherwise be used to pay Social Security benefits. On the contrary, Social Security has all the funds it needs to pay all scheduled benefits every year through 2016, projections show."

The Boston Globe (8/29, A24) in an editorial writes, "Politicians should think twice before attaching vivid images to campaign promises. In 1991, when President George Bush supported a sensible tax increase to help an ailing economy, he was forced to confront daily reminders of his famous 'Read my lips: No new taxes' campaign pledge." The Globe continues, "Now his son, President George W. Bush, is deservedly losing the argument over the nation's budget surplus, which has rapidly disappeared." The Globe adds, "Republicans have tried to blame Democratic spending, but the CBO concluded that two-thirds of the decline in the surplus estimate came from Bush's tax cut. And it is Bush who is seeking \$18 billion more for the Pentagon." The Globe notes, "With these projections, Congress should consider slowing Bush's overlarge, over-promised tax cut."

The Atlanta Journal-Constitution (8/29) writes in an editorial, "President Bush and congressional Democrats have started a finger-pointing fest over what happened to the budget surplus. The answer to that question is the same for the government as it is for the families of workers laid off in the current downturn: It's the economy, stupid." The Journal-Constitution continues, "This all comes just as Bush and Congress get down to the difficult task of figuring out what to do with next year's budget and beyond. There's no money left for frills, so Bush and Congress must prioritize funding for the things that improve and protect the country at a core level." The Journal-Constitution adds, "Congress and the president were both responsible for the \$1.35 trillion tax cut that, in part, caused the current dearth of surplus money. The president couldn't have signed it if members of Congress --- Democrat and Republican --- had not voted for it. So it's now time to stop the finger-pointing, admit that there isn't a bottomless pot of money and work out a budget that lets the nation live within its considerable means --- and still take care of fundamental needs."

The Augusta Chronicle (8/29) writes in an editorial, "The brouhaha over the incredible shrinking surplus recalls medieval debates about how many angels can dance on the head of a pin. The federal government's budget is so huge -- about \$2 trillion (\$2,000,000,000,000) -- that no one knows where it all goes." The Chronicle adds, "But you don't hear about that as Washington argues whether there's a surplus or not." The Chronicle continues, "The CBO mostly blames 'President Bush's tax cuts' for the surplus' disappearance. That has Democrats ecstatic. The tax cut was 'so big it has obliterated record surpluses and jeopardized virtually every other priority of the American people,' thundered House Minority Leader Richard Gephardt, D-Mo." The Chronicle notes, "Even Wall Street, which encourages government spending restraint, understands that hoarding surpluses in a stagnant economy is a bad idea."

#### Local TV Coverage.

WBNS-TV of Columbus, Ohio (8/28) reported last night, "Out of Washington tonight, the political squabbling over the future of Social Security is heating up. The nonpartisan Congressional Budget Office predicts that if habits aren't changed, the surplus will have to be dipped into again in 2003 for \$18 billion and in 2004 for \$3 billion. While the Chairman of the House Budget Committee is downplaying this report, the Democrats blame President Bush's tax cut saying it's too costly. Current benefits are not to be affected."

WBAL-TV of Baltimore (8/28) reported last night, "Thanks to a struggling economy and President Bush's tax cut, new numbers show the government may have to tap into Social Security reserves. What does that mean for and you me? It depends on who you ask. Tonight Democrats are estimating tens of billions of dollars of the **Social Security trust fund** will be zapped over the next few years if nothing is done. . But Republicans are hitting back on this issue, accusing the

Democrats of playing the blame game. Tomorrow President Bush will weigh in on the issue once again on budget politics and his spending priorities."

WPXI-TV of Pittsburgh, Pennsylvania (8/28) reported last night, "The [conflict over the] nation's dwindling surplus is heating up in the nation's capital. Democrats now say a closer look at a Congressional Budget Office report is far worse than expected. That report, released Monday by the CBO, shows that nine billion dollars of the Social Security reserves will have to be used this year alone to pay for government programs. Democrats say that's just the tip of the iceberg -- that over the next eleven years, close to \$500 billion of Social Security money will be needed. The Bush White House says the situation is not that dire, and blames decreases in the surplus on over-spending by Democrats. A new CNN/USA Today/Gallup poll finds President Bush getting the blame for the shrinking surplus. 34 percent of Americans believe the President and his tax cuts are responsible. 24 percent blame Republicans. 15 percent blame the Democrats. And a large majority of Americans, 73 percent, say the smaller surplus is a very or somewhat serious problem."

WILX-TV of Lansing, Michigan (8/28) reported last night, "When we asked" Republican Rep. Mike Rogers "if there was any chance he'd dip into Social Security to help cover the budget, his answer was clear. . Rogers says he won't vote for any proposal that does. There was enough money to pay the bills without using Social Security -- but those 300 dollar tax rebates, the tax cut, and the sluggish economy meant the government didn't end up with as much as it had counted on. Although by the President's estimate, he's a billion dollars ahead -- not nine billion dollars behind. . So what should the President and lawmakers do? Rogers says the answer is simple: Be careful with the country's checkbook. . But that might not be as easy as it sounds. Rogers will want try and support the President's requests -- like more defense spending and new tax cuts. But living up to that pledge will be tough, because the next fiscal year starts on October first, and money is already tight."

WPGH-TV of Pittsburgh, Pennsylvania (8/28) reported last night, "Where has the surplus gone? That's the question being asked around Washington. A new report from the non-partisan Congressional Budget Office shows the government may have to dip into Social Security funds. The recent economic downturn and President Bush's tax cut package are being blamed for the surplus decline. The report predicts the government will have to use 30 billion dollars from the Social Security surplus over the next four years. . The White House disputes the report -- saying there will in fact be a modest 1 billion dollar surplus."

KDKA-TV of Pittsburgh, Pennsylvania (8/28) reported last night, "Could President Bush's tax rebate jeopardize the Social Security surplus? The CBO is projecting \$9 billion will be needed to pay for the plan and a slumping economy. Democrats say he caused a fiscal crisis. Republicans say it's just what we needed to get the economy back on track."

WHBQ-TV of Memphis, Tennessee (8/28) reported last night, "The budget surplus numbers are out, and the Congressional Budget Office says 9 billion dollars is needed from the **Social Security trust fund**. The office says the money is needed to help pay for President Bush's tax cut plan and to make up for a shortfall in revenues from the slowing economy. Democrats say Bush is breaking his campaign promise against touching the **Social Security trust fund**. Republicans say the tax cut is just the medicine needed to help boost the economy."

KPIX-TV of San Francisco (8/28) reported last night, "A bleak economy and President Bush's tax cut forced the Administration to start spending Social Security reserve funds. The CBO says it could take \$9 billion out of the reserve. Aging baby boomers are concerned about their retirement."

WFAA-TV of Dallas/Ft. Worth (8/28) reported last night, "According to the number crunchers, the Bush Administration will have to do something it never wanted to: Dip into the **Social Security trust fund** and borrow \$9 billion in order to balance the budget by the end of September. The President campaigned against such a thing but he says there were some exceptions [such as recession or war]. . We're not at war, but a slowdown in the economy has certainly reduced tax revenues. And experts say two-thirds of the surplus drop is the Bush tax cut: Those rebate checks people are cashing at places like Wal-Mart. . Without a doubt, there's a lot of politics being played on both sides of this. But the disappearing surplus does put a serious crimp in the President's plans to spend more on education, defense, a prescription drug plan, and the privatization of Social Security. If he wants to do that, he'll have to cut the budget somewhere else."

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