

This bill replaces the current “discretionary” funding process with a reliable, predictable, and rational way to assure that the funding that is needed for our veterans will be there! Guaranteed funding takes into account inflation and increased enrollment for VA health care and provides the money to meet these needs.

Currently, the Members of the Veterans’ Affairs Committee and many of our other colleagues must join together with organizations like the Disabled American Veterans, the Paralyzed Veterans of America, the Veterans of Foreign Wars, AMVETS, the American Legion and others to fight for a budget to provide health care for veterans—a budget that is worthy of our veterans. And we must do this every year!

And unfortunately, every year we fall far short of our goal. Veterans’ health care needs are pitted against many other priorities of Congress and the administration, and we end up with less money than we need. The result, as many of you know, is disastrous. Right now, an entire group of veterans is being denied access to the VA health care system. And over 200,000 other veterans are waiting for a first appointment or an initial follow-up for health care, many waiting for more than 6 months.

This year, the House passed a budget resolution that cut \$25 billion from veterans’ benefits. Twenty-five billion dollars! Although the final budget resolution is better, it is unclear how veteran’s health care will fare when pitted against all the other programs in the VA-HUD-Independent Agencies Appropriations bill—programs like low-income housing, the space program, environmental protections, urban development, and inner-city projects. These are worthy, but we should not have to limit services to veterans in order to fund them. That is why this legislation is so vital.

Other federal health care programs like Medicare, the Defense Department’s Tricare for Life, and the Federal Employees Health Benefits Program are being provided with guaranteed funding. Why not our Nation’s veterans?

Not only is the current “discretionary” funding unfair to veterans of past wars, but the lack of guaranteed funding sends an alarming message to current and future members of the Armed Forces. Recruitment and retention of service members is vital to the security of our country.

This bill responds to the recommendations of the President’s Task Force to Improve Health Care Delivery for Our Nation’s Veterans. This task force recently testified before the House Veterans’ Affairs Committee to the “growing mismatch between funding and demand in VA health care”.

H.R. 2318 will address this mismatch, and will help the VA to keep pace with increasing medical costs and an increasing patient population.

Mr. EVANS. Madam Speaker, I thank the gentlewoman for her charitable remarks. I appreciate working with her and will be engaged with her in fighting these cuts that have been announced by the administration and look forward to working with her in this regard.

SOCIAL SECURITY

The SPEAKER pro tempore (Ms. HARRIS). Under the Speaker’s announced policy of January 7, 2003, the gentleman from Michigan (Mr. SMITH) is recognized for 60 minutes as the designee of the majority leader.

Mr. SMITH of Michigan. Madam Speaker, I am going to present sort of a tutorial on Social Security, and if my audience listens up, if they can stick with me for the next 25 or 30 minutes, they might know as much about Social Security as a lot of individuals in Washington, which is probably one of our most successful programs, but probably one of the programs that is most at risk as we continue to overspend, as we continue to have government take the surplus coming in from the Social Security taxes and spend them on other programs.

Social Security is the largest Federal expenditure. As we view this chart, we can see Social Security is now spending 22 percent of the total Federal budget, 22 percent. This is more than defense, more than all of the discretionary programs of the 13 appropriation bills that we are agonizing over, more than all of the other entitlements put together, more than Medicare and Medicaid combined. Social Security is spending \$475 billion this year in 2003.

The risk to Social Security is that we are faced in the demographics of having the baby boomers retire. So 76 million baby boomers are going to start retiring in 2010, and that means they stop paying into the Social Security tax and they start taking out at the highest rate.

Now, the next chart represents the predicament. As we see, the overall gross Federal debt between now and 2013 continues to increase to approximately \$10 trillion in the next 10 years. Where the debt held by the public eventually, starting 10 years from now, diminishes a little bit, the overall debt is continuing to increase. And that is because government is borrowing every penny coming in in surplus from all the trust funds, from the Medicare Trust Funds, from the Medicaid A and B Trust Funds, from the Social Security Trust Fund, from the Federal Retiree Pension Trust Funds; government is taking this extra money, not saving it, but spending it on other government programs.

So the challenge is, how is government going to pay this money back? In this case that we are talking about tonight, how is government going to come up with the money to pay back what is now \$1.7 trillion that it owes Social Security, plus the unfunded liability of Social Security in the future?

If we take how much money we would have to put in in investment accounts today, over and above the tax revenues coming in from Social Security, it would take \$9 trillion invested today, and remember our Federal budget is about \$2 trillion a year, it would take about \$9 trillion invested today to

accommodate the demands and needs of Social Security if we are going to keep our current promises.

This chart sort of represents in the short term surpluses that end about 2017; and the future deficits are in red at the bottom right hand of the page. This represents the trillions of dollars that are going to be needed in the future over and above tax revenues. So what do we do about it?

One of the problems is that every time Democrats might suggest a solution, Republicans suggest, well, they are trying to ruin Social Security. More often, every time a Republican offers a solution, which have been several since I have been in Congress, starting in 1993, the Democrats have demagogued it the next election and scared seniors; and so everybody has sort of kept their hands off. They have been afraid to deal with this problem of saving Social Security.

Let me go through some of these charts. Our pay-as-you-go retirement system will not meet the challenge of the demographic change. The demographic change is twofold: one, a slowing down of the birthrate and an increase in the length of time people live. So since more people are retiring, that means there are more people going to be taking out from Social Security than are putting into it. And make no mistake, there is no savings account with our name on it. There are no savings in Social Security. The money comes in from the Social Security FICA tax one week and within the next 10 days it is sent out to recipients.

In terms of the demographics, in 1940 there were 42 people working, paying in their Social Security tax, for every one retiree. By the year 2000, there were three people working, paying in their Social Security tax for every one retiree. And the estimate is, by 2025 there will only be two people working for every individual that is taking out Social Security benefits. So what we have done, of course, is increase the taxes on those working to make it tougher and tougher. So right now we have most working people in the United States paying more in the Social Security tax than they do in the income tax.

Insolvency is certain. The actuaries know how many people there are in this country and they know when they are going to retire. We know people will live longer in retirement. In 1934, the average age of death was 62, but the retirement benefits started for full benefits at 65. So most people did not live long enough to collect Social Security. So the system went along very handily. And then people started living longer and longer, and today the average age of death is about 80 years old for a female and about 76 years old for a male. We know how much these individuals will pay into Social Security. We know how much they are going to take out.

Payroll taxes will not cover benefits starting in the year 2017, and the shortfalls will add up to \$120 trillion between 2017 and 2775. That means \$120

trillion we are going to need over and above the tax revenues coming in for Social Security.

I mentioned the \$9 trillion. The \$9 trillion is in today's dollars. If we came up with the \$9 trillion today and put it in a savings account, that \$9 trillion plus the interest on that savings account equals the \$120 trillion between 2017 and 2075.

Just to alert, Madam Speaker, Social Security right now is not a good investment. When we started in 1934, instead of all these people, after the Great Depression, going over the hill to the poorhouse, we decided to have enforced savings. So we came up with a program, FDR did, that said, Look, we are going to take some of your earnings today so that you have some social security of having some money coming in, not having to go to the poorhouse when you retire.

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If you happened to retire in 1960, it took 2 years to get everything back that you and your employer put into Social Security. By 1980, it took 4 years after your retirement. By 1995, you had to live 16 years after you retired to break even on the money you paid into Social Security. And by 2005 it is going to be 23 years you have to live if you retire year after next. 2015 and all the way through 2025, you are going to have to live 26 years after you retire. Remember, in 1983 when we changed the Social Security law, the so-called Greenspan Commission, we said that we were going to index the retirement age upwards so that we have started going up to a full entitlement age of 67; and we started that last year, increasing gradually over the next 20 years, moving from 65 to 67 for the maximum income from Social Security retirement.

Some people have suggested, well, the government has borrowed \$1.3 trillion of the surpluses that come in from Social Security. If government would just keep their hands off that extra money coming in, we would be okay. But I did this chart represented by these two red graphs to represent we would not just be okay. What government owes the Social Security trust fund, what we have borrowed since there has been surpluses coming into Social Security, we have borrowed \$1.3 trillion. The shortfall, even after the repayment of the trust funds, is going to be \$10 trillion. That is just to take us up to 2075. So huge problems of coming up with the dollars.

And how do you do that? Do you raise taxes or do you cut benefits or do you increase borrowing? The system is stretched to its limits and 78 million baby boomers begin retiring in 2008. Social Security spending exceeds tax revenues; the estimate is now 2017. It depends partially what happens to the economy in the next couple of years, whether that comes down to 2016 or not. And Social Security trust funds go broke, even if all the money borrowed

is paid back, in 2037, although the crisis is going to arrive much sooner.

Let me just explain a little bit why the crisis arrives in 2017. That is because there is not going to be any money to come up with to pay back the trust funds. There is no savings. The trust funds have been already spent on other programs. You either have to borrow more money or you have to increase taxes or you have to cut benefits.

A lot of argument, should we be getting a better, a real return on the Social Security money paid in by American workers? When Franklin Delano Roosevelt created the Social Security program over 6 decades ago, he wanted it to feature a private sector component to build retirement income. Social Security in all of the literature sent out in those years was supposed to be one leg of a three-legged stool to support retirees. It was supposed to go hand in hand with personal savings and private pension plans.

Going to the archives, it is interesting, researching what happened to the debate on Social Security when it was debated in 1934 and 1935. The Senate actually said that it can be for savings and it would go into privately owned accounts where government could not own and control the money but individuals would own their own savings account but they could not take the money out of the account; but if they died, for example, before they reached retirement age, it would be their money that went into their estate. The House enacted a separate legislation that said, no, it has got to be a government account, everything comes into government, government then guarantees the payments that would go out to retirees. Then it went to conference committee. In conference committee, the negotiations went with the House version, so it became a government program with no personally owned savings account.

I just think it is important, Madam Speaker, to mention that there is no entitlement to Social Security. It has gone before the Supreme Court twice now. In two different occasions, the Supreme Court has said that the Social Security taxes are simply a tax, the benefit program is a benefit program enacted by Congress, signed by the President, and there is no entitlement just because you pay in the Social Security tax.

The diminishing returns of your Social Security investment, the real return of Social Security is 1.7 percent today. That is what the return is if you live the average age and you pay in the average payments in your FICA tax, you and your employer. The average return on that investment is 1.7 percent. For some workers, it is actually going to be negative. Minorities, for example, young black men die at an age of, I think it is 61 years old now. That means that they pay in most of their working life, but unless some money goes to their spouse, they do

not take any money out. So minorities on an average have a negative return on the money they pay into Social Security. The average is 1.7 percent.

But the marketplace, if you were to invest it in the marketplace, and in this chart I have a 7 percent real return, that means 7 percent over and above inflation, that is what the Wilshire 5000, the 5,000 stocks in the Wilshire index funds have returned between 1993 even with these last 3 bad years, still between 1993 and 2003 have returned a real rate of return of 7 percent, 7 percent over and above inflation.

So how do we capitalize on some of that, that better return to start giving retirees something better than the bad investment now they have in Social Security, something closer to that 7 percent? The U.S. trails other countries in savings as far as its retirement system that allows individuals to own some of that money. In the 18 years since Chile offered the personal retirement savings accounts, 95 percent of Chilean workers have created accounts and their average return up till today has been 11.3 percent return. Again, compare that to what Social Security is giving workers in America, Madam Speaker, that is, a 1.7 percent return. Among others, Australia has done it to allow personally owned accounts. Britain has allowed their workers to have part of their retirement in personally owned accounts. Switzerland and many other countries offer personally owned accounts that government cannot get their hands on.

This chart just tries to emphasize that there is no Social Security account with your name on it. I wanted to quote a government source, the Office of Management and Budget, that said when I was on the Committee on the Budget, testified that these trust fund balances are available to finance future benefit payments and other trust fund expenditures but only in a bookkeeping sense. They are claims on the Treasury that when redeemed will have to be financed by raising taxes, borrowing from the public or reducing benefits or reducing other government expenditures. This was the OMB statement before the Committee on the Budget.

Economic growth will not fix Social Security. Some people have said, well, if we can get the economy going, we will have enough revenue coming in to solve the Social Security problem. But because benefits are directly related to how much you are making, how much you are earning, so the more you make and the more you pay in, the more you get when you retire, so eventually it is going to catch up with you. I do this by these four blips. Social Security benefits are indexed to wage growth. When the economy grows, workers pay more in taxes but also will earn more in benefits when they retire. Growth. Makes the numbers look better now but leaves a larger hole to fill later. The administration has used these short-term advantages, I think, as an excuse to do

nothing. I am not talking about the Bush administration; I am talking about the last four administrations that have found it easier to put off decisions on correcting and saving Social Security simply because it is a tough political issue. It is easy to go to seniors. We have almost two-thirds of our seniors now that depend on Social Security for most of their retirement income. So you can understand how it is easy to scare these individuals in an election. The demagoguery I think is unfair to the future of our kids and our grandkids who are going to have to come up with the tax money to pay future benefits.

This Congress is a political body. We are not going to cut Social Security benefits probably. What we are going to do is cut Social Security benefits in a way you do not really realize they are going to be cut. Like when President Clinton came in, we cut Social Security benefits by increasing the taxes that you have to pay on the Social Security benefits that government pays you. Over the years, we have come up with gradually increasing the retirement age. We have come up with provisions where we increase the tax rate that you have to pay into Social Security to accommodate today's needs to pay current benefits. If you are going to depend on politicians to correct the problems for Social Security, without some pressure and some questions from constituents around the country in this next year's election, I hope everybody would ask the Presidential candidates, would ask every candidate for the U.S. House of Representatives, would ask the one-third of the Senators that are going to run for reelection, what is your solution to save Social Security? It is easy for them to slide over and say, well, boy, we have really got to work on this, this is my top priority. Then follow up with a question, What is your priority? What is your solution?

The biggest risk is doing nothing at all. Social Security has a total unfunded liability, as I mentioned, of over \$9 trillion. The Social Security trust funds contain nothing but IOUs. To keep paying promised Social Security benefits, as I mentioned, the payroll tax will have to be increased by nearly 50 percent. The payroll tax will have to be increased by nearly 50 percent, or benefits will have to be cut by 30 percent.

This is a record of what we have done in the past. And what we have done in the past might be an indication of the dangers we face in the future. In 1940, we had a rate for Social Security on your FICA tax of 2 percent on the first \$3,000 you made. That is 1940. And so the maximum tax was \$60. By 1960, we decided, well, we do not have enough money to pay benefits, we are going to increase the taxes again; so we increased it to 6 percent on the first \$4,800 for a maximum of \$288. By 1980, it got up to 10.16 percent. The base was up to \$25,000. Now the rate in 2000 is 12.4 percent. In 2000, it was \$76,200. Today it

is \$82,000 in terms of the base that you pay that 12.4 percent on.

As we are going to see by this next chart, most workers in America pay more now in the Social Security tax, as we have just continued to up and up the tax and up and up the base that that rate is applied to, so 78 percent of Americans pay more in the Social Security tax than they do pay in the income tax.

If nothing else, it should be of pocketbook interest for Americans to say, look, do not dig yourself the kind of hole where you are going to have to increase taxes on us again, or do not dig yourself the kind of a hole where you are going to dramatically play creative financing games to lower our benefits.

□ 2200

Personal retirement accounts, they do not come out of Social Security. So they become part of their Social Security retirement benefits. A worker will own his or her own retirement account and limit it to safe investments that will earn more than the 1.9 percent paid by Social Security.

I said 1.7 percent. It is between 1.7 and 1.9 percent.

So can we come up with a way that does not give the snake oil salesman on Wall Street the opportunity to sell bad investments to individuals that still might own that retirement account? And the answer is yes. Here in Congress we have what we call a Thrift Savings Plan. We limit the investments that a Member of Congress can make, and they are sort of a savings investment plan that they take some of the salary out, the employer puts some of the money in, and it is limited to certain investments. It is limited to index stocks, index bonds, government bonds, index small cap funds, and they just added a foreign investment, but they have their choice of balance between those investments.

And that kind of limitation is what we need in any Social Security bill that allows individuals to own their own account. We have got to say, look, they can only take this out for retirement, but it is going to be their money. If they die, it goes into their estate, unlike the current situation where they might get funeral expenses, but if they die without a wife or without a family, then they are going to have problems.

I think it is important also as we face this next election year, and Social Security is going to be part of the debate this next election, from Presidential debates on down, Social Security is coming to the head with 76 million Americans retiring, starting to retire in just 4 years.

But do the Members know what else is going to happen in 4 years? The part of the Social Security program, the trust fund that pays benefits for disability and for beneficiaries for the spouses of workers, that trust fund is going to go broke. There is not going to be enough money in that trust fund

in another 5 years to pay benefits, and that is a huge problem. Personal retirement accounts offer more income.

Cato is a think tank organization, sort of libertarian. They are for personal retirement investment accounts, and Cato, in estimating the potential returns of taking 12.4 percent of a person's income that is making \$36,000 a year from Social Security, that person would now make \$1,280 a month if they had the average return of 7 percent a year over and above inflation, which has happened in the Wilshire 5000 index fund in the last 10 years. They would have \$6,500 a month rather than the \$1,280.

On the Committee on the Budget, I chaired a bipartisan task force on Social Security. So for over a year we met with the experts throughout this country on what the problem was on Social Security and what the potential solutions were that might best accommodate the shortcomings of Social Security.

One thing we found out is the longer we put off a solution, the more drastic a solution, and that goes back to the fact that Social Security surpluses are going to run out someplace between 2015 and 2017. So if we started using that surplus money today to get a better return, then it is easier than waiting several years or even waiting until a disaster hits and there is no more surplus coming in.

A couple points we came up with in the bipartisan task force, and both sides agreed that private-owned accounts have to be part of the consideration, but we thought that guaranteed-return securities and annuities can be used with personal accounts as part of an investment safety net. So we can go to investment firms right now that will guarantee more than the 1.7 percent Social Security is paying that could result in an absolute guaranteed retirement income of more than what Social Security is paying.

And the problem is, how do we make this shift from a pay-as-you-go program, using every dollar that is coming in from the FICA Social Security taxes and shift it over to a personal investment account so we take that money away from government? That is the challenge, but the longer we put it off, the more drastic the solutions are going to have to be.

Another unanimous agreement was a universal Social Security survivor and disability program needs to be maintained. So nobody, nobody in any proposal that has ever come before Congress is suggesting that we privatize the disability part and the survivor benefit part of this program. In fact, most of the proposed legislation starts out at only taking 2 to 2.5 percent of their income out of the 12.4 percent taxes that are being paid in that could become owned by the worker and limited to safe investments.

And, thirdly, Congress should consider paying for a portion of disability benefits for workers who have been in

the system a short time, using moneys from the general fund, and I think that is reasonable. We have got to have that kind of an insurance program. So part of their Social Security taxes are insurance. That part of the insurance that is spread across America to all workers should not be touched and should not be changed and, in fact, should be guaranteed, if necessary, for money coming out of the general fund.

Six principles of saving Social Security: protect current and future beneficiaries; allow freedom of choice, and that means that if they do not want to go into any private investment account, they do not have to. We can have a program that if they do go into those investment accounts, they can be guaranteed as least as much as Social Security would otherwise pay them.

Preserve the safety net. Preserve the safety net for beneficiaries, preserve the safety net to make sure that nobody in America is going to be impoverished and have less than they would have had under the old Social Security program. Make Americans better off, not worse off. We can do that if we start getting a real return on investment of that money coming in from Social Security and create a fully funded system and no more tax increases. If anything, let us start working at taking less money out of the worker's pocket to accommodate the Social Security system in this country, and we can do that. We can do that by getting a real return and a better return instead of taking all the surplus dollars that are coming in and spending them for other government programs.

I will be introducing my Social Security bill in 1 month when we come back, and that legislation is going to deal with some problems that we now have in Social Security. It is going to deal with more fairness to women. It is going to provide that women that decide to stay home with kids under 6 years can accrue benefits at the average of their total working career for those years that they stay home with children under six. It is going to provide an increase in benefits for surviving spouses that now are asked to live on one income instead of two incomes if their husband dies.

Several other provisions that we are looking at suggest that if they do have a personal savings account and they select the option to have a personal savings account, they would add what the wife makes in terms of 12.4 percent of her income that is allowed to be put in a personal savings account, add what goes into the personal savings account from the man and the wife and add them together and divide by two so each spouse has an equal amount in that personal retirement savings account.

Madam Speaker, I think the legislation is going to be interesting and challenging. I hope we can move ahead with real debate and not demagoguery.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 2799, DEPARTMENTS OF COMMERCE, JUSTICE AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS ACT, 2004

Mr. LINDER (during the special order of Mr. SMITH of Michigan) from the Committee on Rules, submitted a privileged report (Rept. No. 108-226) on the resolution (H. Res. 326) providing for consideration of the bill (H.R. 2799) making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 2004, and for other purposes, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 2800, FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS ACT, 2004

Mr. LINDER (during the special order of Mr. SMITH of Michigan) from the Committee on Rules, submitted a privileged report (Rept. No. 108-227) on the resolution (H. Res. 327) providing for consideration of the bill (H.R. 2800) making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 2004, and for other purposes, which was referred to the House Calendar and ordered to be printed.

IRAQ WATCH

The SPEAKER pro tempore (Ms. HARRIS). Under the Speaker's announced policy of January 7, 2003, the gentleman from Pennsylvania (Mr. HOEFFEL) is recognized for half the time remaining before midnight as the designee of the minority leader.

Mr. HOEFFEL. Madam Speaker, for 6 or 7 weeks a number of us have been coming to the floor to talk about our role in Iraq. We are calling ourselves the Iraq Watch, and we are back tonight. We are back with some of the challenges regarding Iraq fresh in the news. And I am joined by the gentleman from Massachusetts (Mr. DELAHUNT) coming as well as part of our four Iraq Watchers, the gentleman from Hawaii (Mr. ABERCROMBIE) and the gentleman from Illinois (Mr. EMANUEL). I believe there will be others joining us as well this evening.

We are dedicated to the propositions of asking questions, seeking answers about what is happening in Iraq, trying to suggest policy changes that would improve the situation and certainly reporting back information to the American people.

Two of us voted in favor of the military authority sought by the President last fall, myself included. Two of us did not. All of us, of course, were told, as were the American people and Mem-

bers of Congress, we were told with great certainty that Saddam Hussein had weapons of mass destruction and was trying mightily to develop more. And there is no question that in the past Hussein had such weapons. He used them in murderous ways against his own civilians and against innocent Iranian civilians in the past. None of that is in any doubt.

But it is becoming more and more clear as time goes by that last fall there were those in the White House and in senior levels of the administration and the President himself who, in my opinion, exaggerated the threat of the weapons of mass destruction in order to win support in Congress and in the country for the invasion of Iraq.

It is now known that our intelligence agencies were reporting to the White House and to the Pentagon with significant uncertainty and with serious doubts about certain aspects of the weapons of mass destruction program in Iraq; notably, the September, 2002, Defense Intelligence Agency report and the October, 2002, National Intelligence Estimate, both of which have been discussed in the news. I have reviewed parts of both of those which are classified documents in the custody of the intelligence agency.

It is interesting to note that the administration itself declassified some of the National Intelligence Estimate last week to try to prove their point that there was a legitimate threat from Iraq, and most analysts have concluded that that release of that information actually pointed out once again how many doubts and how much lack of certainty was being expressed by our intelligence professionals, but that information being used by the White House and the Pentagon civilian leadership with no uncertainty, with nothing but certainty in terms of trying to sell their case.

□ 2215

So let me just make a couple of quick points before yielding time to the gentleman from Massachusetts (Mr. DELAHUNT).

Because of the recent disclosures regarding the intelligence gathering by our professionals and the use that that intelligence was used for by the administration, I am joining others in calling for the creation of an independent commission, something the gentleman from Massachusetts (Mr. DELAHUNT) has talked about for weeks here on the floor, an independent commission, a nonpartisan or bipartisan commission, that would be above politics, to investigate both the accuracy of the gathering of intelligence regarding weapons of mass destruction in Iraq and the uses of that intelligence by the administration.

We clearly won an important military victory in Iraq due to the brave and courageous fighting of our young men and young women in uniform, but I do not think that our military mission is complete until we have a full