



Committee On Finance

Max Baucus, Chairman

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Nomination Hearing of Michael Astrue Opening Statement of Chairman Max Baucus

We meet today to consider the nomination of Michael Astrue to be the next Commissioner of Social Security. Social Security is important. If Social Security did not exist, about one half of America's senior citizens would live in poverty.

Social Security's long-run finances face a challenge. But they are not in crisis. According to the Congressional Budget Office, we can pay full Social Security benefits until 2046. After that, payroll taxes will continue to flow in. And that will allow us to pay 79 percent of benefits. Making sure that Social Security can pay full benefits is a challenge that we can and will meet.

One thing that will not help us to meet that challenge is the President's privatization plan. Under that plan, a portion of Social Security payroll taxes are diverted into private savings accounts. That would move up the date that Social Security would no longer be able to pay full benefits by 11 years.

And that plan would force the Government to borrow about \$5 trillion in the first 20 years of its operation. Finally, that plan would expose some bedrock Social Security benefits to the risks of the private financial markets.

The President's privatization plan would also cause deep cuts in benefits for future middle-class retirees. For example, future retirees who earn \$59,000 a year today would have their benefits cut by 42 percent. That is simply unacceptable.

So I will ask the nominee what his position is on the President's privatization plan. I want to know what he thinks about diverting Social Security payroll taxes into private accounts. And I want to know what he thinks about deep benefit cuts for future middle-class retirees.

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We ought to explore options that would fix Social Security's long-run financial challenge. But to begin with, I want to explore proposals that do not cut benefits or raise taxes. For example, we could reduce the tax gap for Social Security payroll taxes. Each year, \$50 billion in Social Security payroll taxes are not collected. We have to do better.

The problems of running Social Security are enough to occupy the Social Security Commissioner. The new Commissioner will have no time for advocating changes to Social Security like privatization.

The last Commissioner did not do that. And our nominee has told me that he would not do that, either. But I want to make sure of that at this public hearing.

The Commissioner's term of office is six years. And the Commissioner cannot be removed from office except for "neglect of duty or malfeasance." The nominee has indicated that he plans to serve his full six year term. That means that he could well be in office under a new President for four years. That would be a President who did not appoint him. And that could be a President from a different party. We have not faced this situation before.

I plan to ask the nominee how much independence he thinks the law allows him. What would he do if he disagreed with the President? How much independence might he actually use?

One problem that Social Security faces right now is that it can take as much as four years for applicants for disability benefits to get their benefits approved. During that time, these disabled workers cannot work. So they have no earnings.

Huge backlogs for pending claims are a key cause of these waiting times. Right now, for example, there is a backlog of more than 700,000 hearings. These backlogs have occurred because each year since 2003, the money requested in the President's budget has not been appropriated. This year will likely be no exception.

This has to change. And I want to know if this nominee is prepared to fight for adequate budgets to administer Social Security.

I also want to call attention to a great absurdity in our budget process. The Social Security disability programs include something called Continuing Disability Reviews, or CDRs. Many disability beneficiaries are supposed to be medically re-examined every few years to see if their medical condition has improved. If their condition has improved enough so that they can work, then their benefits end. As a result, these reviews save the Government \$10 in benefits for every \$1 that the Government spends administering them.

Fully funding these reviews ought to be a no-brainer. But it's not that simple.

When the money to run Social Security gets cut, the Social Security Commissioner faces a dilemma. What services should be cut? Reasonably enough, the last Commissioner did not cut funding for handling applications for Social Security benefits or for other basic services to the public. Instead, she reduced funding for CDRs.

We could solve this problem by exempting these administrative costs from the caps on appropriations. This has been done before. So I will want to see if the nominee agrees that Congress ought to look at this option.

The former Commissioner, Jo Anne Barnhart, did an excellent job running Social Security. She accomplished a great deal in her tenure at the helm. The nation owes her a debt of gratitude.

Mr. Astrue, you have some big shoes to fill. And the process of filling those shoes begins with our hearing today.

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