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FY06 BUDGET RESOLUTION: CHALLENGES AND OPPORTUNITIES

Fiscal Discipline

Spending trends cannot continue...

The short-term deficit is too high and must be brought under control. Mandatory spending will grow from just over half of total federal spending this year to two-thirds of total federal spending by 2015.

CBO Director Douglas Holtz-Eakin also warns...

Average post-war government spending is 20 percent of gross domestic product. By 2050, Social Security, Medicare and Medicaid alone could require spending equivalent to 26 percent of GDP.

THE FY06 BUDGET RESOLUTION:

Cuts the deficit in half within five years...

The President challenged Congress to cut the deficit in half in five years from its projected FY04 level of \$521 billion and 4.5 percent of GDP. The budget achieves that objective. Deficits are projected to decline throughout the budget window from \$361.5 billion in FY06 to \$258.2 in 2009. As a percentage of the overall economy, the deficit falls from 2.8 percent in FY06 to 2.2 percent in 2007.

Builds on a history of slowed discretionary spending...

The budget continues to maintain a firm grip on discretionary spending by holding growth in non-defense spending about 1 percent.

Provides a blueprint for slowing the growth of entitlement spending...

The budget asks most authorizing committees to share the burden of long-term deficit reduction by reducing current-law mandatory spending \$32 billion over five years. The committees of jurisdiction are responsible for writing the bills to achieve these savings.

Maintains enforcement and creates a new tool to check long-term spending...

The budget sets out three years of discretionary spending caps, and maintains other budget enforcement tools. The budget creates a new 60-vote budget point of order against legislation that would cost more than \$5 billion in any of four 10-year periods between 2015 and 2055, and strengthens an existing point of order against legislation creating unfunded mandates on state governments.