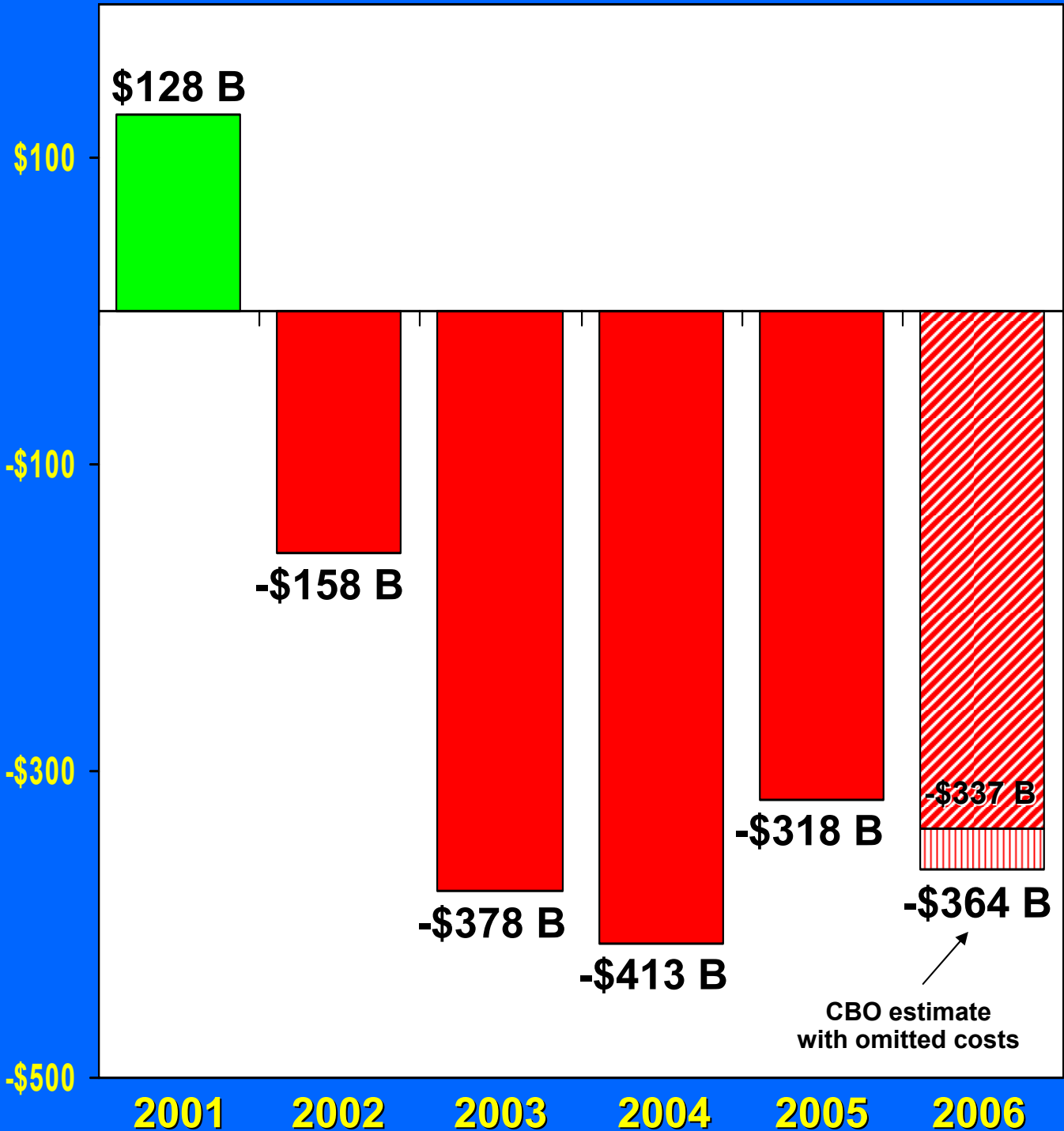


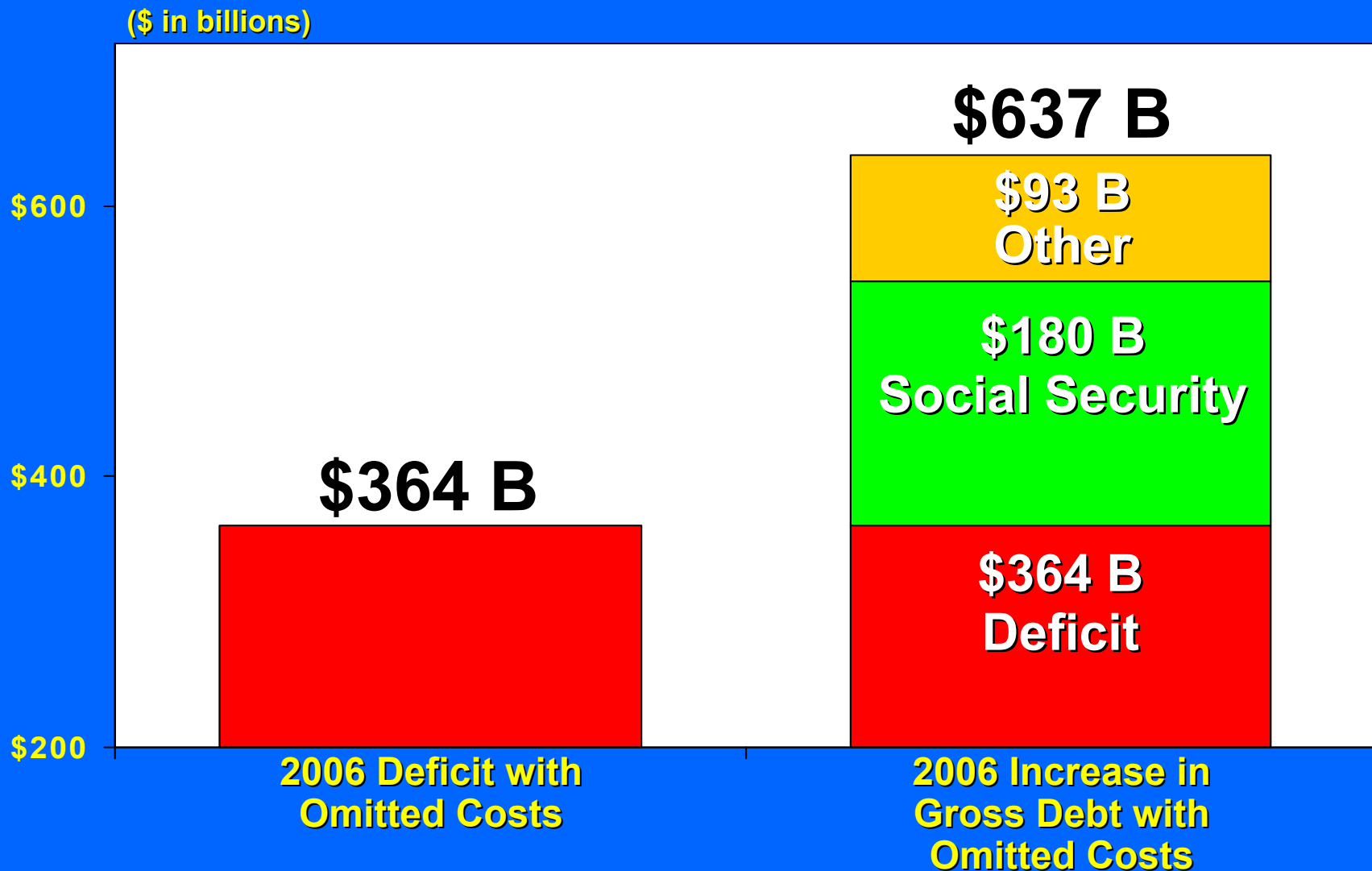
Dramatic Deterioration in Budget Picture

(Deficit in billions of \$)



Source: CBO and SBC Democratic staff

Increase in Debt in 2006 is Far Greater Than the \$364 Billion Deficit



Source: CBO and SBC Democratic staff

CBO's Ten-Year Baseline Estimate Understates Deficit

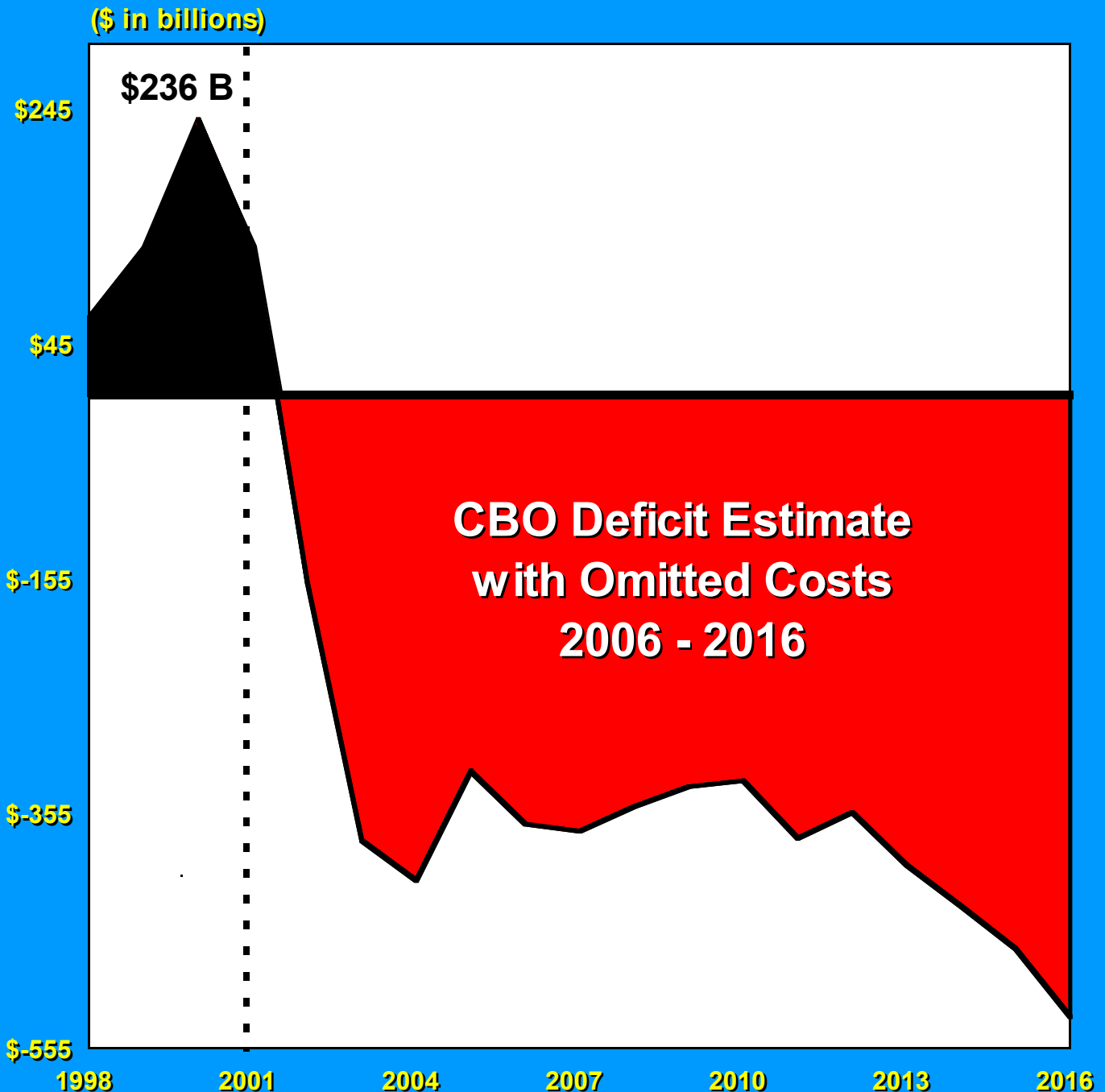
Adjustments:

• Cost of Making Tax Cuts Permanent	\$2.0 T
• AMT Reform	\$864 B
• Bush Defense Buildup	\$296 B
• Funding for Ongoing War Costs	\$387 B
• Remove Extension of 2006 Supplementals	-\$827 B
• Spending Reconciliation Conference Report	-\$105 B
• Debt Service	<u>\$481 B</u>
Total	\$3.1 T

Note: Unified deficit

Source: CBO and SBC Democratic staff

Long-Term Budget Outlook



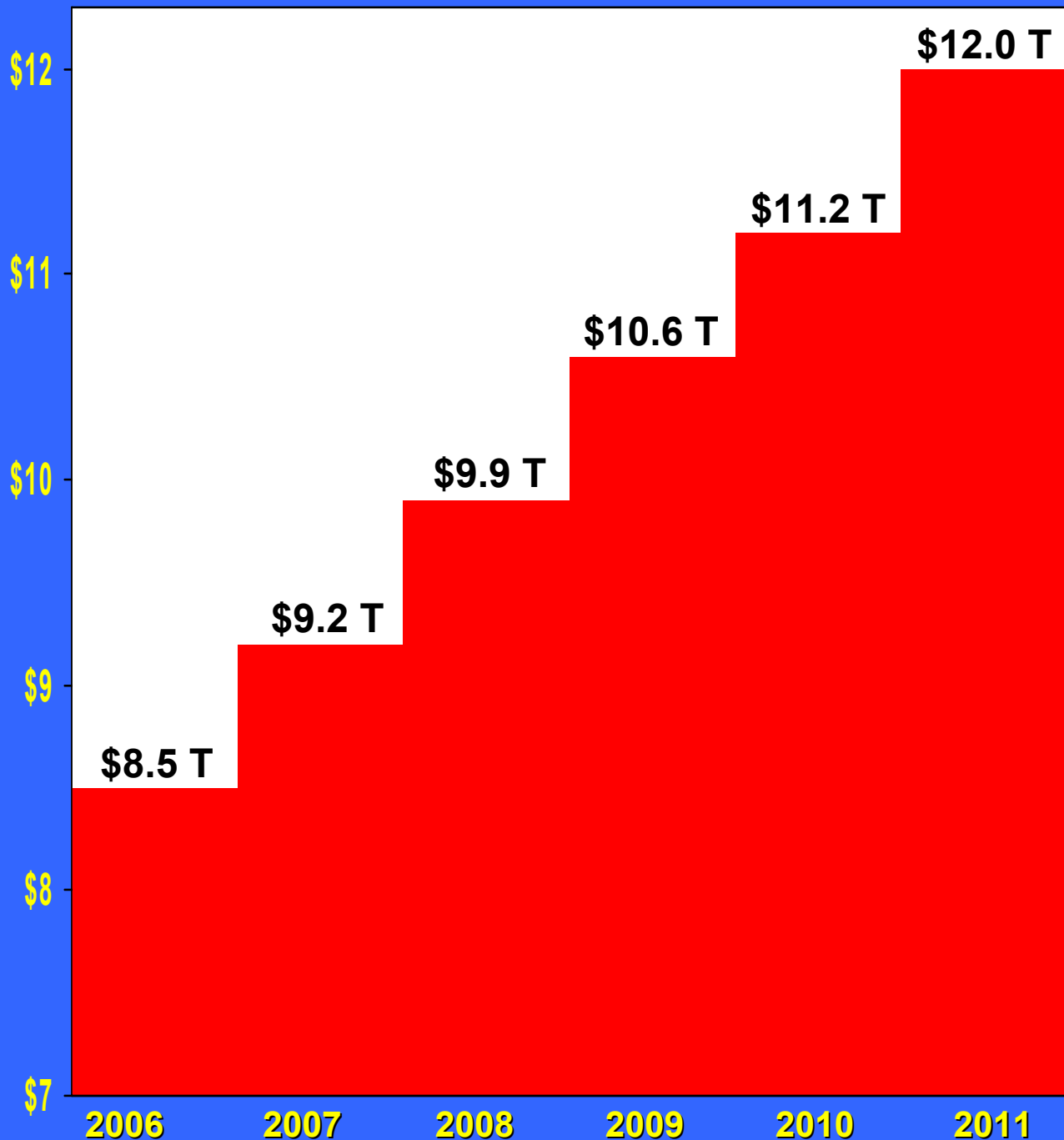
Source: CBO and SBC Democratic staff

Note: CBO January 2006 estimate with tax cuts made permanent, AMT reform, ongoing war costs, Bush defense buildup, spending reconciliation conference report, and without extension of 2006 supplementals.

Building a Wall of Debt

Gross Federal Debt Soars

(\$ in trillions)



Source: CBO and SBC Democratic staff

Note: CBO January 2006 estimate with tax cuts made permanent, AMT reform, ongoing war costs, Bush defense buildup, spending reconciliation conference report, and without extension of 2006 supplementals.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 29, 2005

The Honorable Kent Conrad
Ranking Member
Committee on Budget
United States Senate
Washington, DC 20510

Dear Senator Conrad:

The Administration now projects that the statutory debt limit, currently \$8,184 billion, will be reached in mid-February 2006. At that time, unless the debt limit is raised or the Treasury Department takes authorized extraordinary actions, we will be unable to continue to finance government operations.

Accordingly, I am writing to request that Congress raise the statutory debt limit as soon as possible. You should note that even if the Treasury Department were to take all available prudent and legal actions to avoid breaching the statutory debt limit, we anticipate that we can finance government operations no longer than mid-March.

As you know, the "full faith and credit" of the United States is a unique asset that underlies the leadership position of our country in world capital markets and our unparalleled access to those markets at the lowest possible funding cost. A failure to increase the debt limit in a timely manner would threaten this unique and important position.

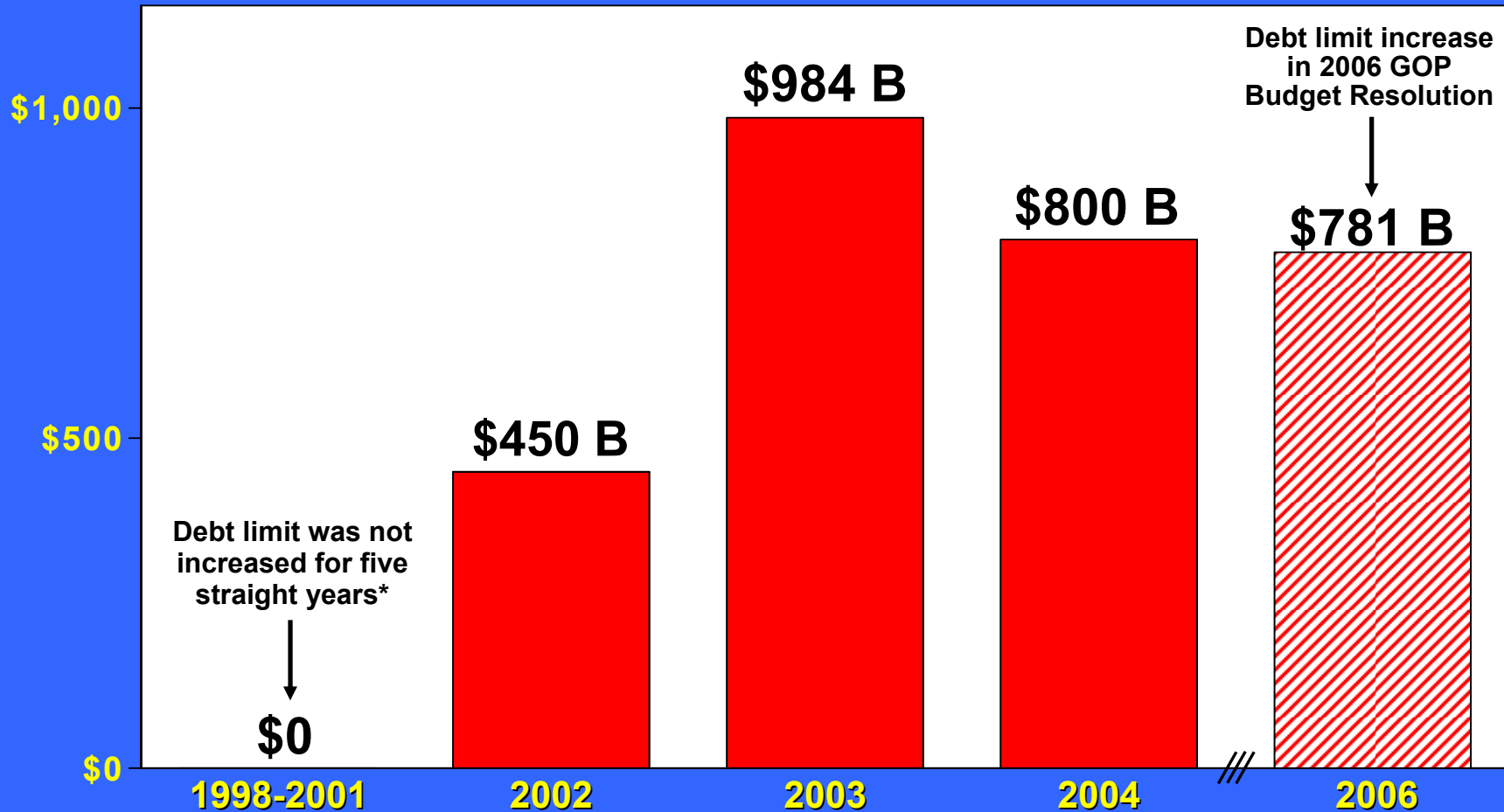
Thank you for your attention to this matter.

Sincerely,

John W. Snow

Debt Limit Increases \$3 Trillion Under President Bush

(\$ in Billions, Annual Increases in Statutory Debt Limit)



*Debt limit was not increased between August 1997 and June 2002.
Source: OMB and 2006 GOP Budget Resolution