

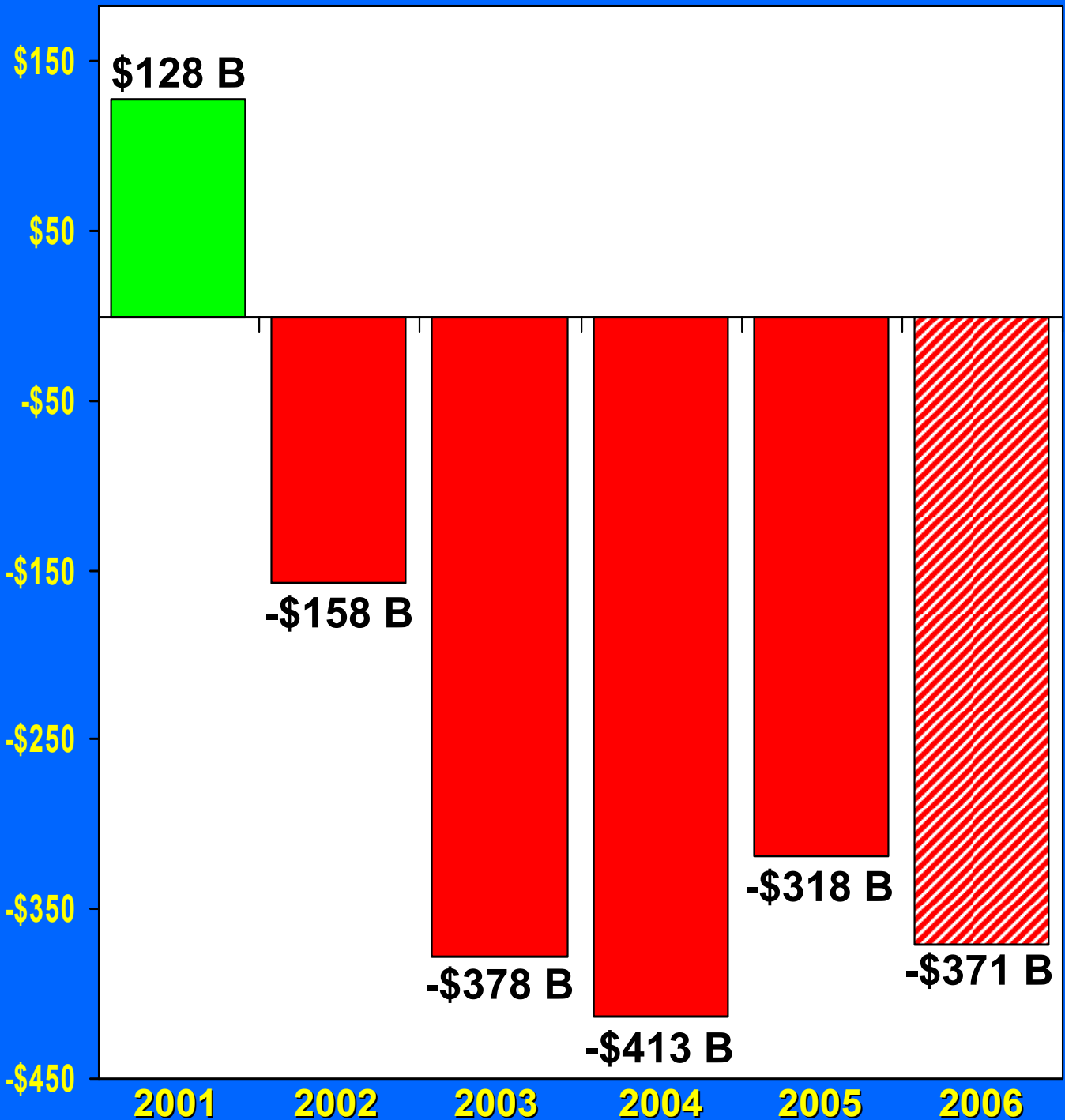
# **GAO Comptroller General Walker Believes Current Fiscal Path Threatens Our National Security**

**“Continuing on this unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security.”**

**–GAO Comptroller General David M. Walker  
Testimony before Senate Budget Committee  
February 15, 2006**

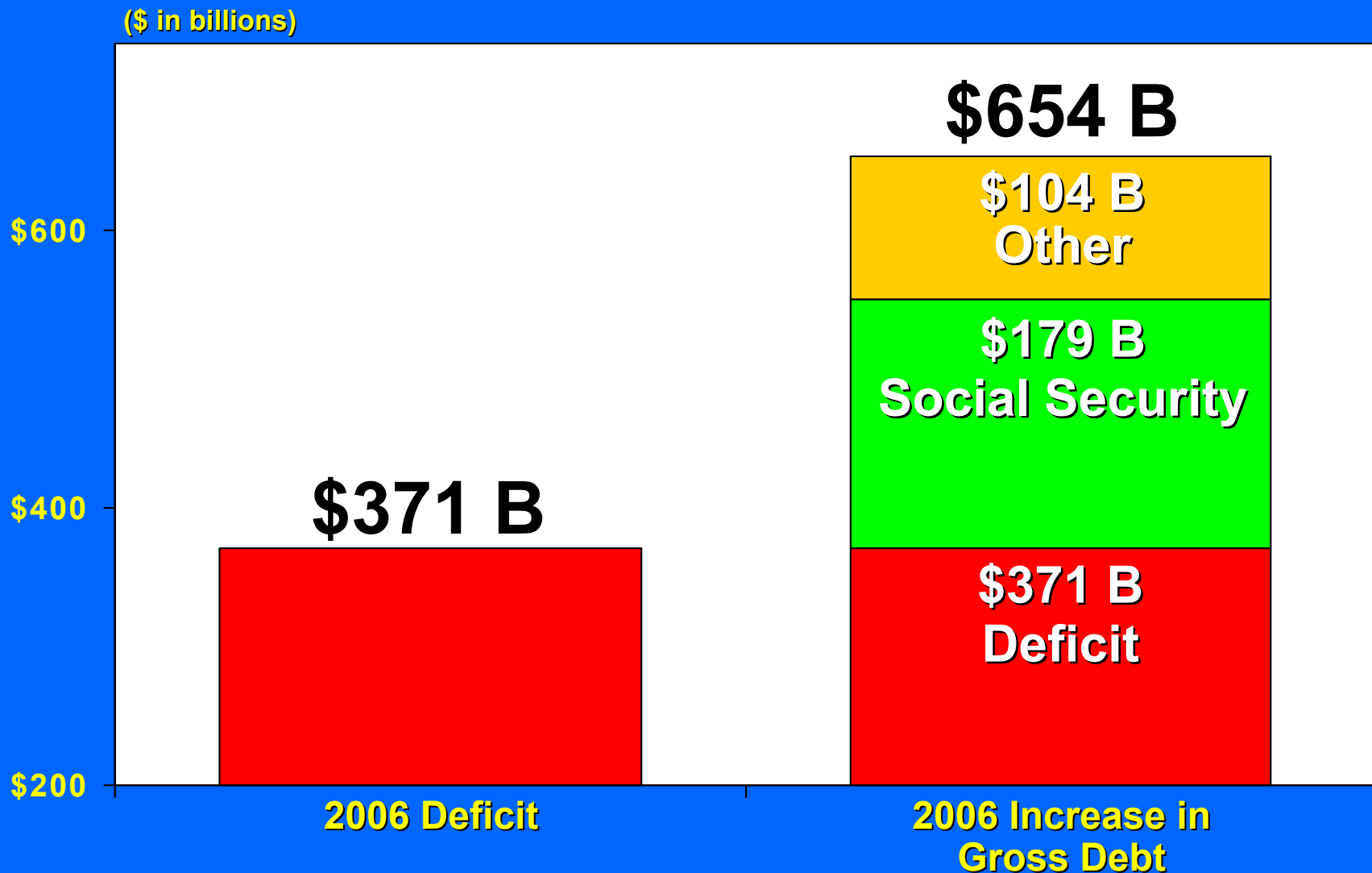
# Dramatic Deterioration in Budget Picture

(Deficit in billions of \$)



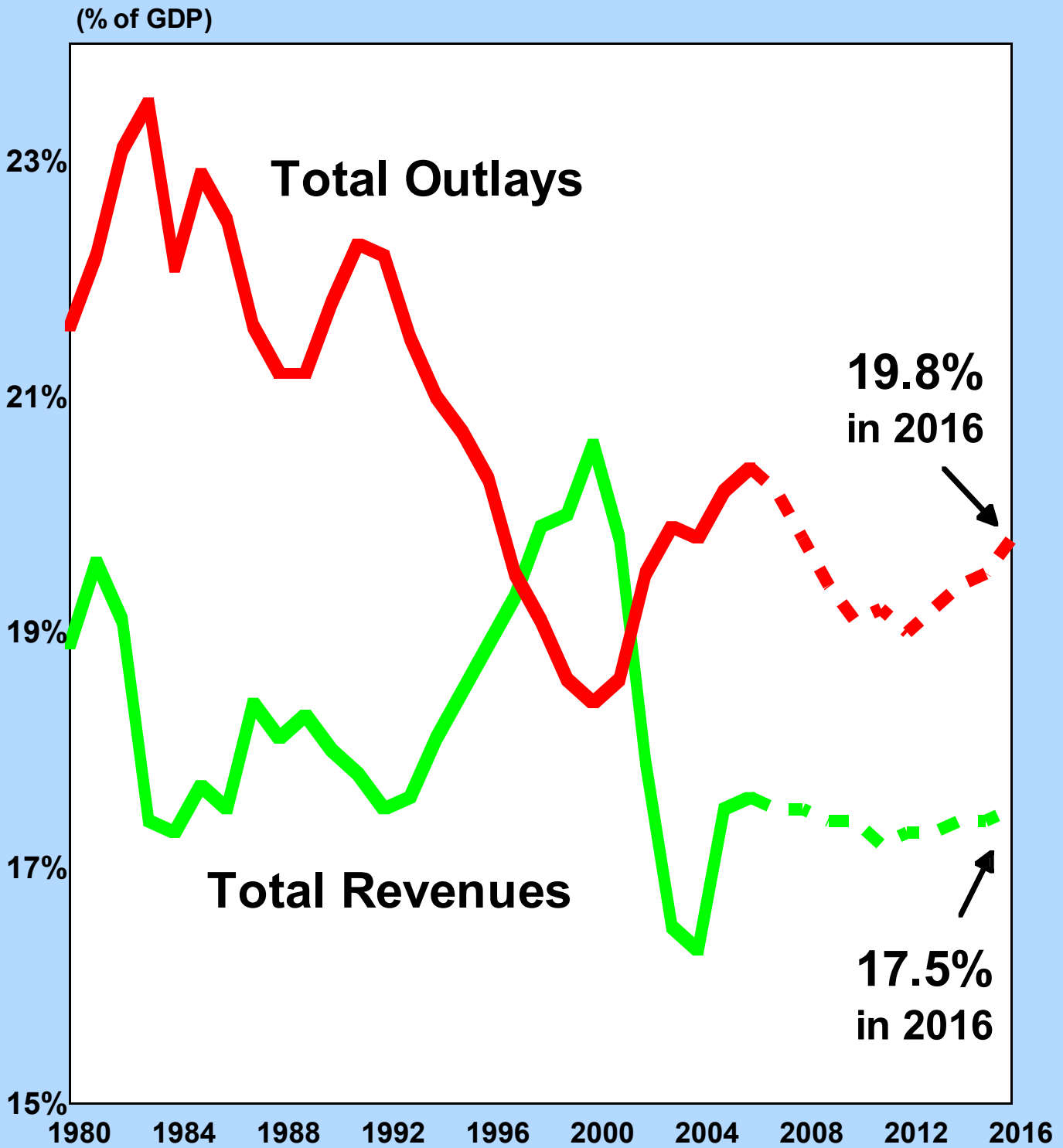
Source: CBO, OMB

# Increase in Debt in 2006 is Far Greater Than the \$371 Billion Deficit



Source: CBO and SBC Democratic staff

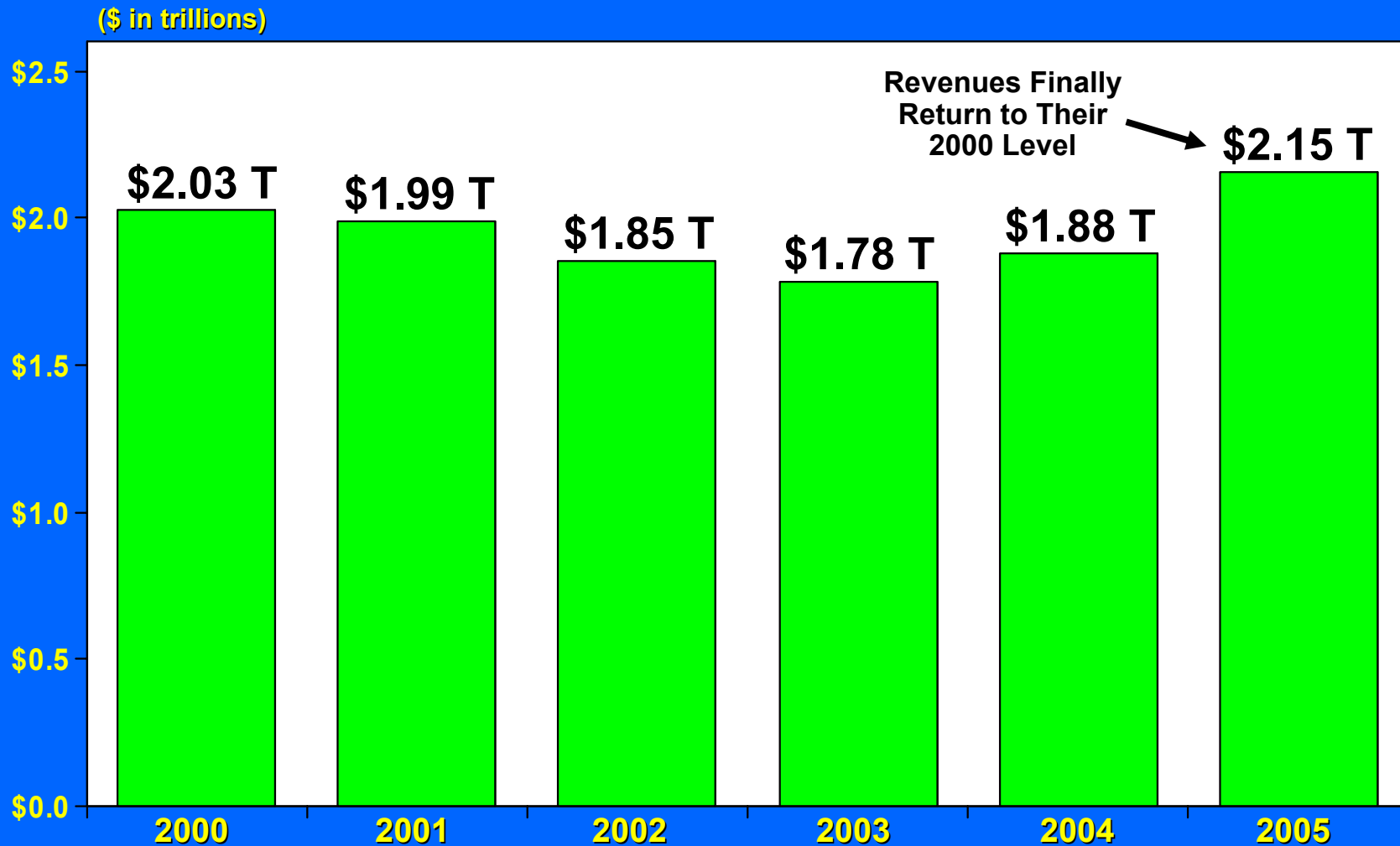
# Spending and Revenues



Source: OMB, CBO, SBC Democratic staff

Note: CBO reestimate of President's FY 2007 budget with AMT reform and ongoing war costs.

# Revenues Have Experienced Virtually No Growth Since 2000



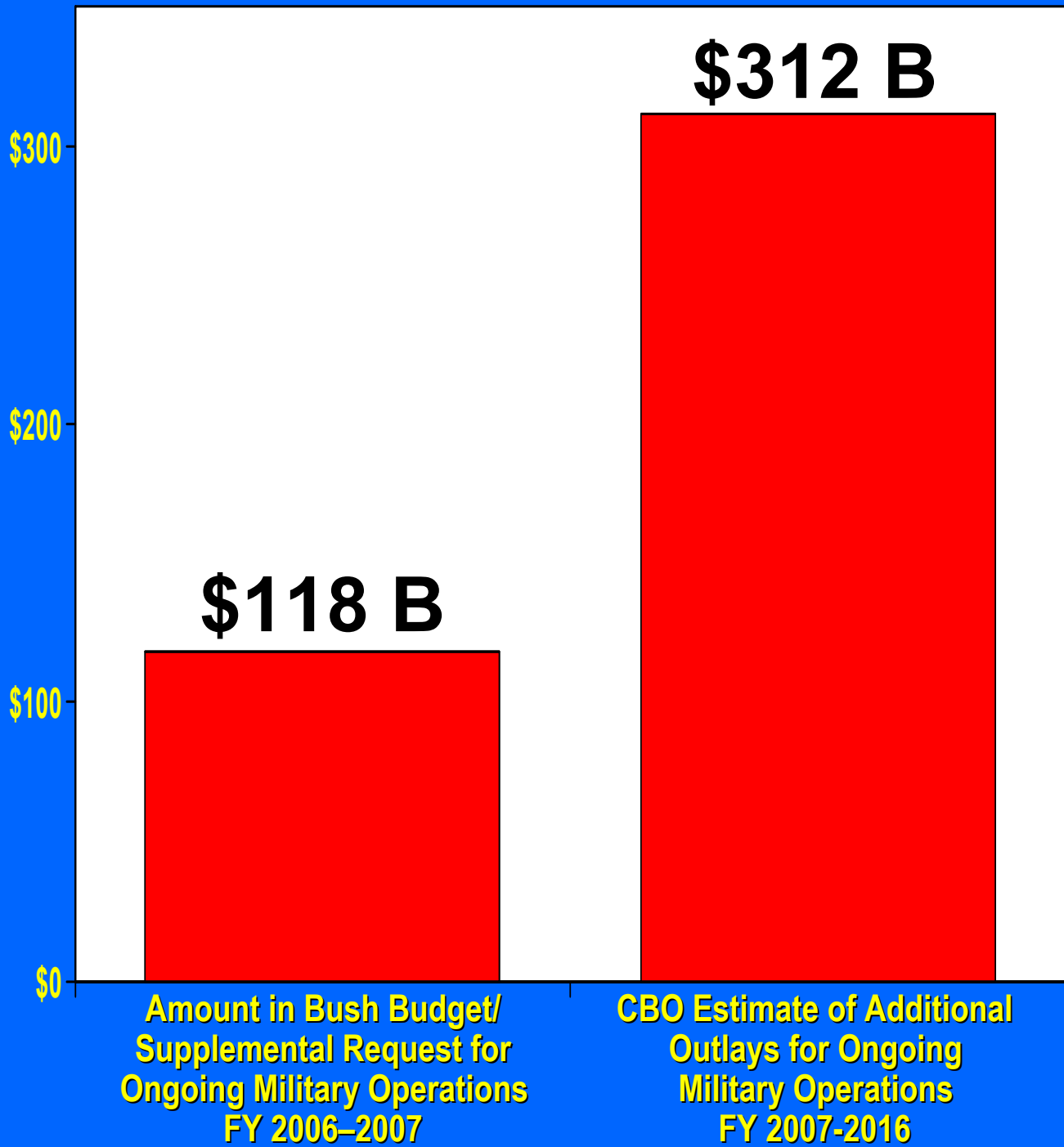
# **Former Federal Reserve Chairman Greenspan on Restoring PAYGO**

**“All I’m saying is that my general view is I like to see the tax burden as low as possible. And in that context, I would like to see tax cuts continued. But, as I indicated earlier, that has got to be, in my judgment, in the context of a PAYGO resolution.”**

**– Former Federal Reserve Chairman  
Alan Greenspan  
Testimony before House Budget Committee  
March 2, 2005**

# Long-Term War Costs Underfunded

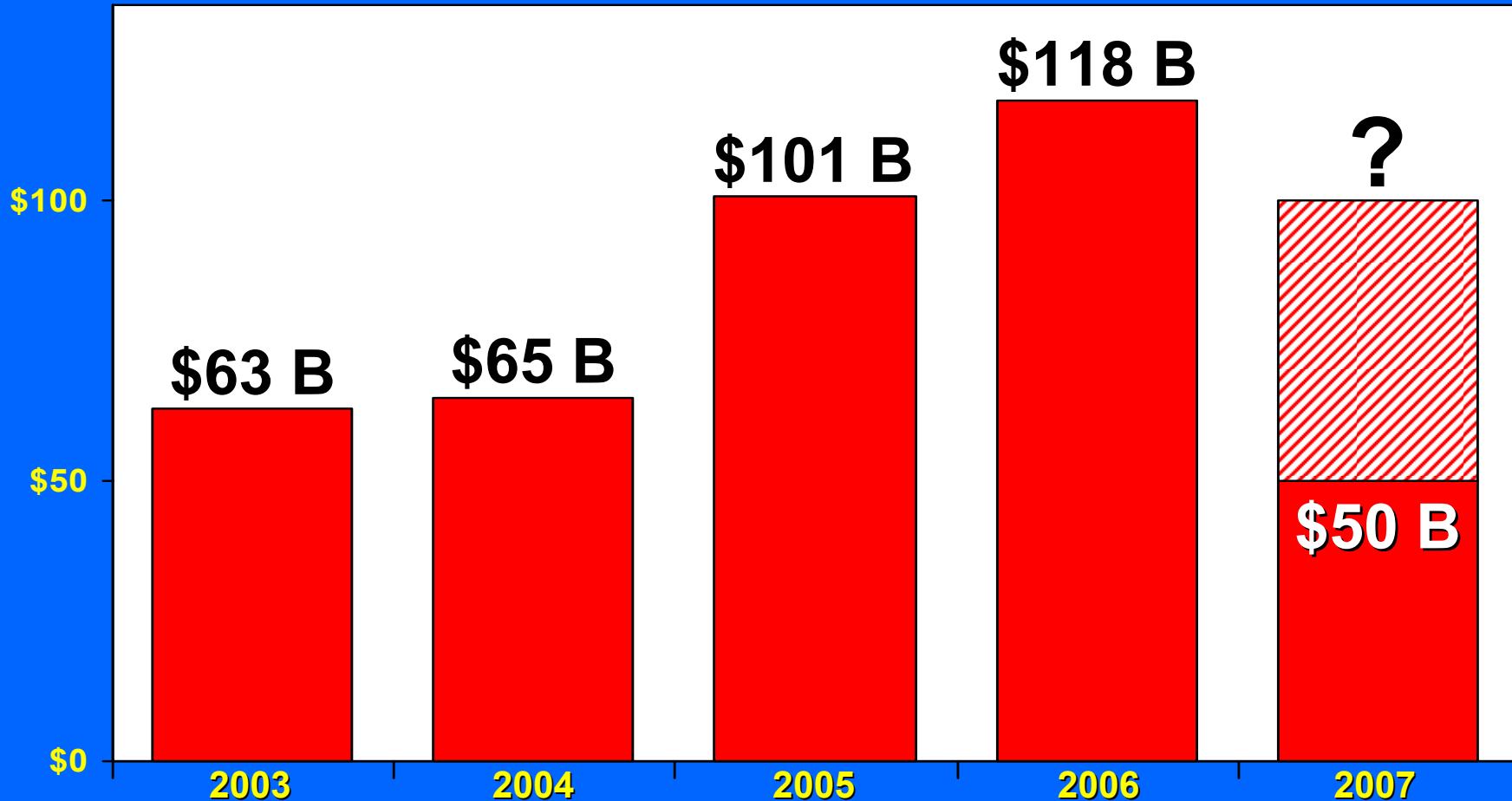
(\$ in billions)



Note: Ongoing military operations include operations in Iraq, Afghanistan, and the continuing war on terrorism.  
Source: CBO

# Bush Funds Iraq War and War on Terror with Large Supplementals

(\$ in billions, budget authority, Defense only)

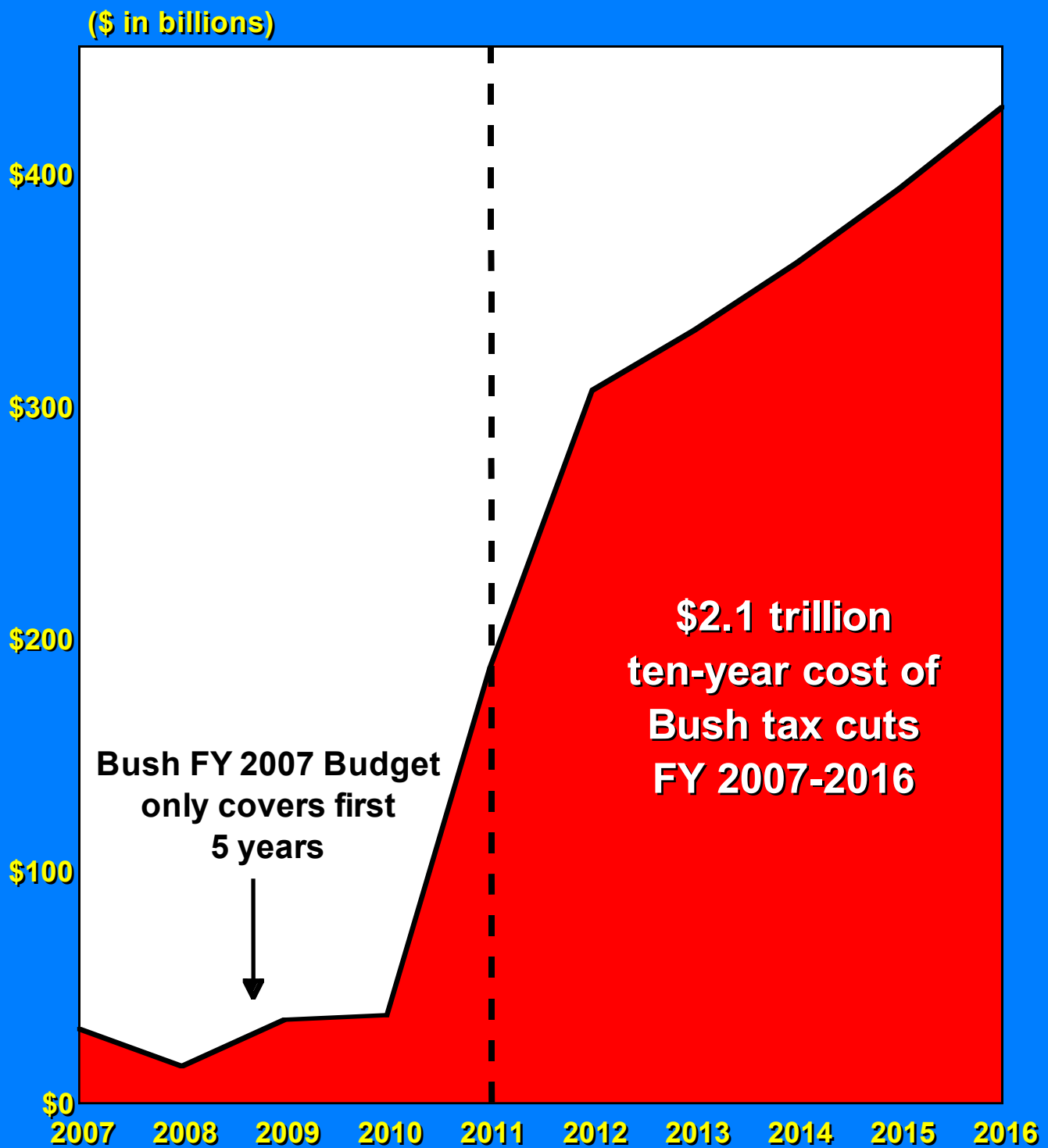


Source: OMB, CRS

Note: Totals include supplementals, emergency budget amendments, and "bridge funds." 2005 total includes \$25 billion. FY 2005 emergency budget amendment made available immediately upon enactment in late FY 2004. FY 2006 and FY 2007 totals include enacted funding, requests, and allowances for future requests included in the Bush budget.



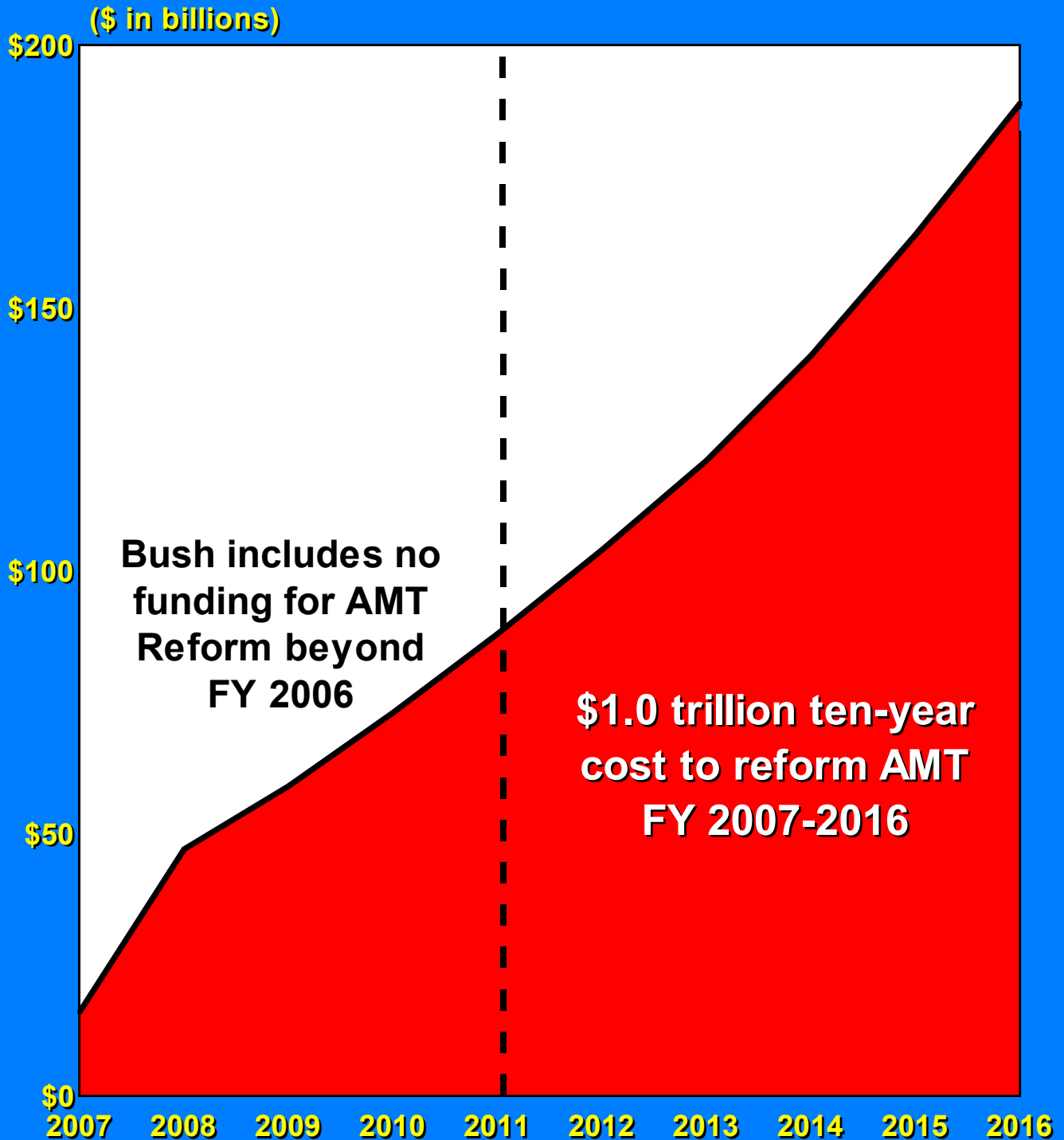
# Cost of Bush Tax Cuts Explodes Outside Five-Year Budget Window



Source: CBO

Note: Includes debt service.

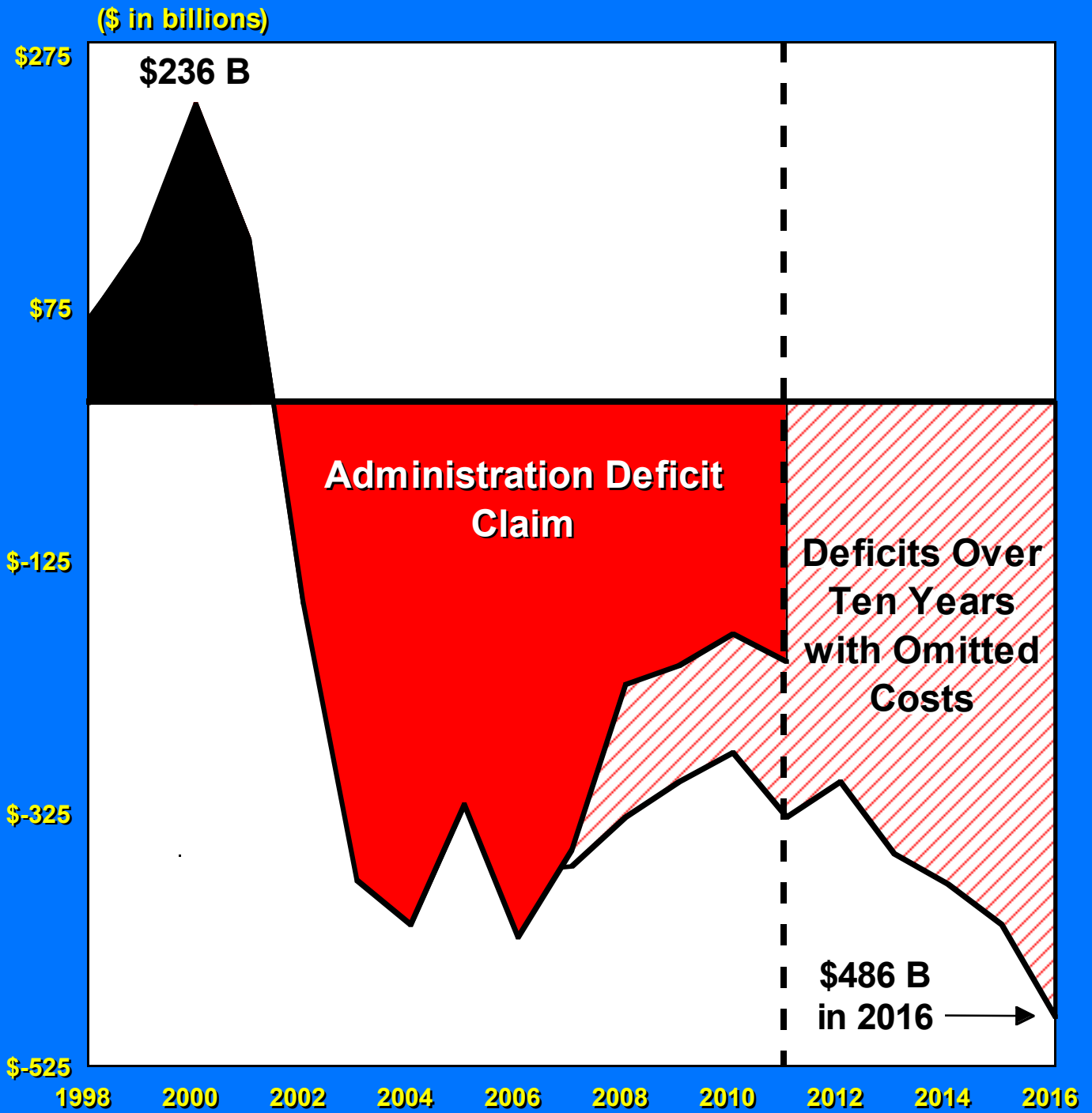
# Cost of AMT Reform Explodes Outside Five-Year Budget Window



Source: CBO

Note: Includes interest cost, assumes tax cuts made permanent.

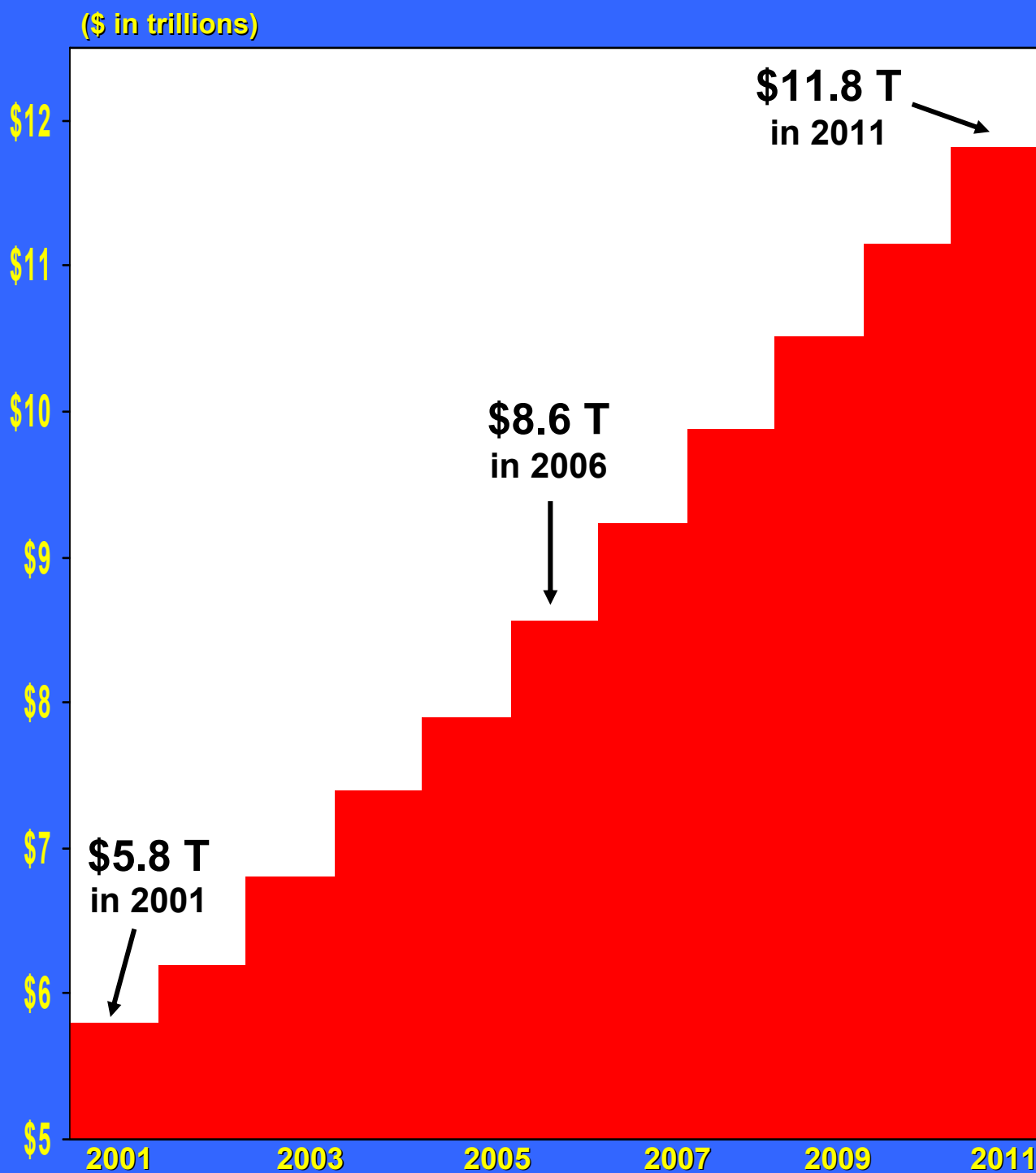
# Long-Term Budget Outlook



Source: CBO and SBC Democratic staff  
Note: CBO reestimate of President's FY 2007 budget with AMT reform and ongoing war costs.

# Building a Wall of Debt

## Gross Federal Debt Soars



Source: CBO and SBC Democratic staff

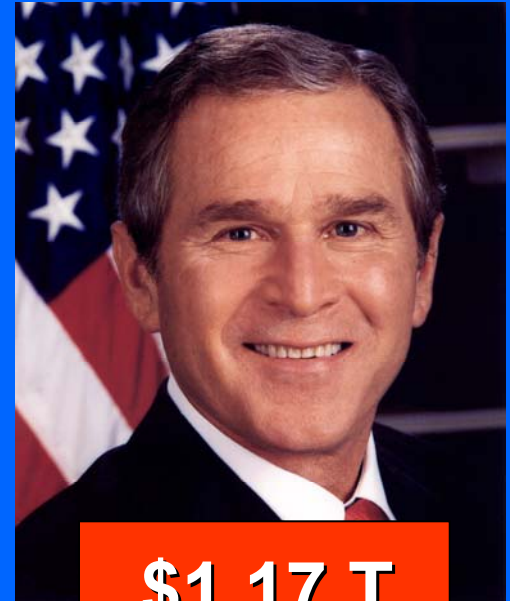
Note: CBO reestimate of President's FY 2007 Budget with AMT reform and ongoing war costs.

# President Bush Doubles Foreign-Held Debt in 5 Years

It Took 42 Presidents 224 Years to Build Up Same Level of Foreign-Held Debt



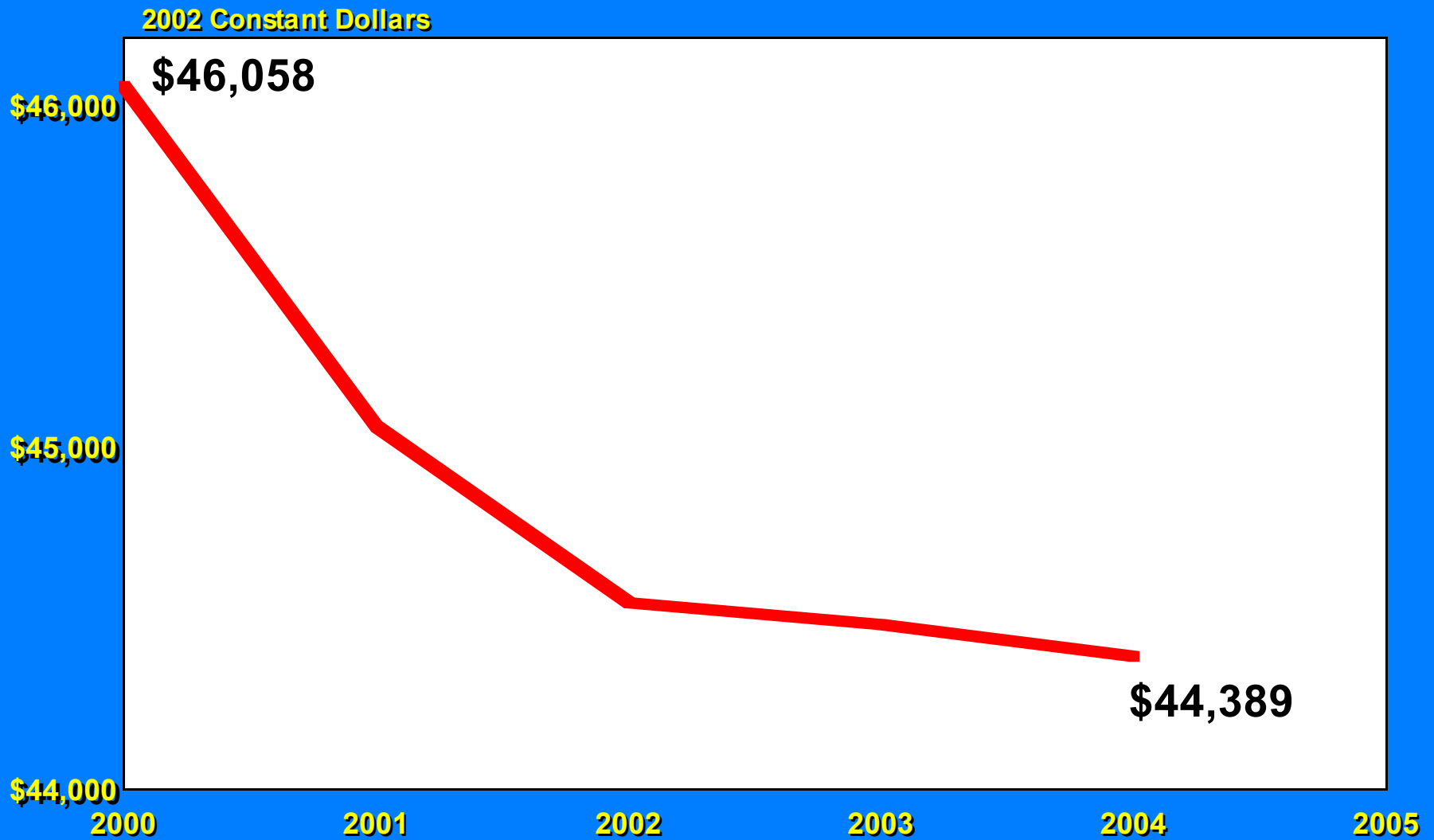
**224 Years**  
(1776-2000)



**\$1.17 T**

**5 Years**  
(2001-2005)

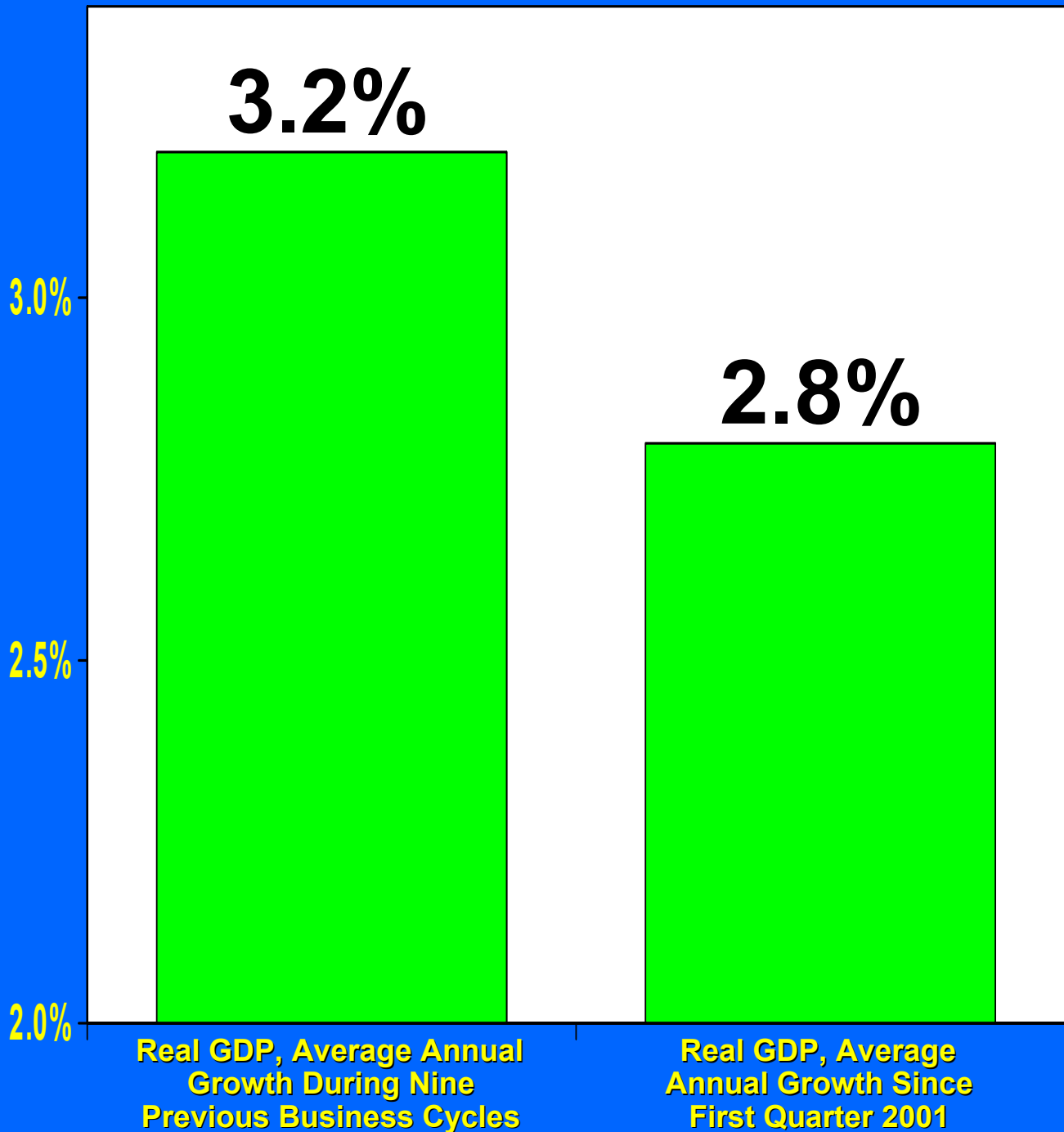
# Real Median Household Income Has Declined Four Straight Years



Source: U.S. Dept. of Commerce

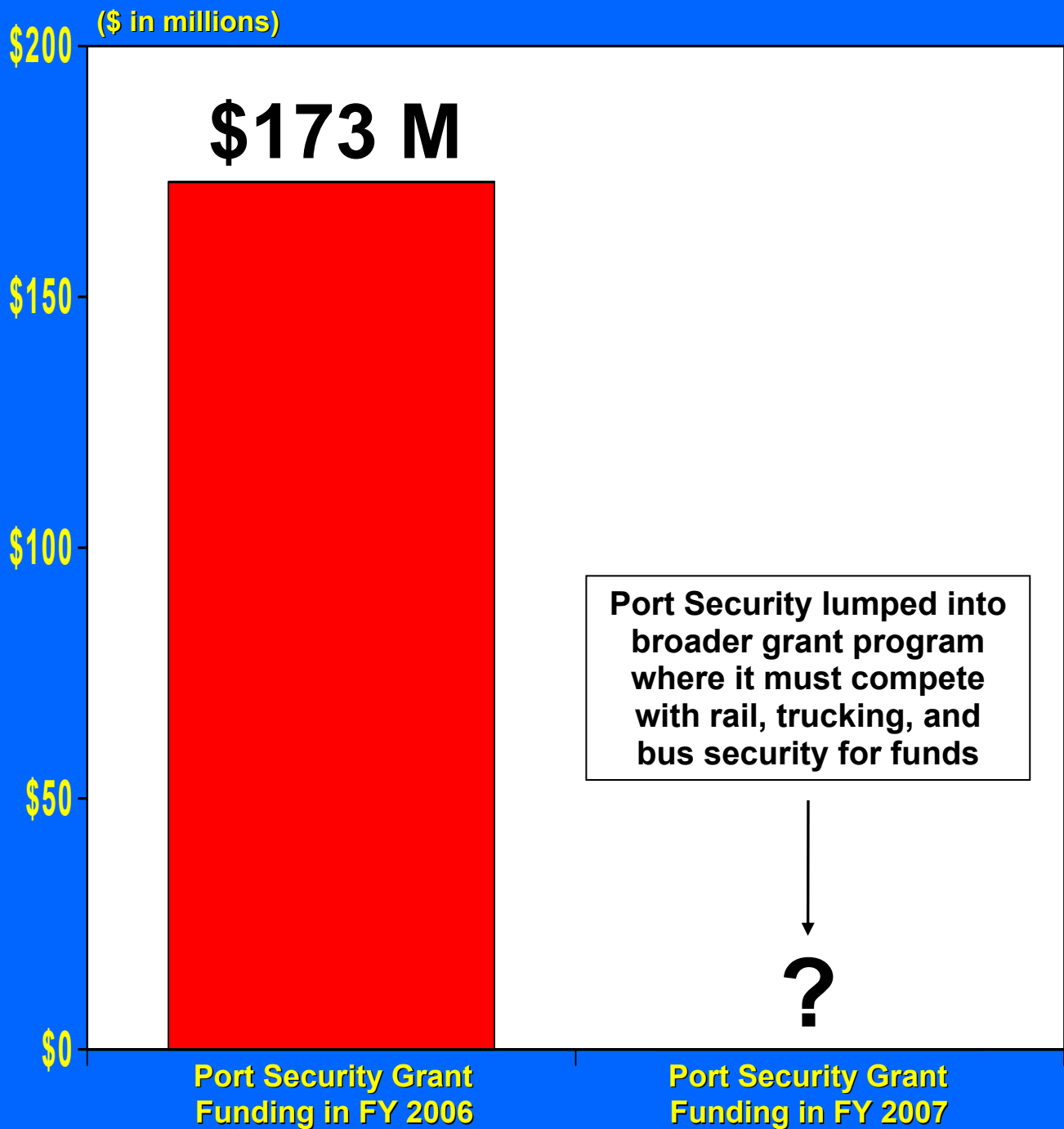
# Real GDP Growth Lags Behind the Typical Recovery

(Average annual percentage growth)



Source: Department of Commerce, Economic Policy Institute

# Bush Budget Fails to Include Funding Designated Solely for Port Security

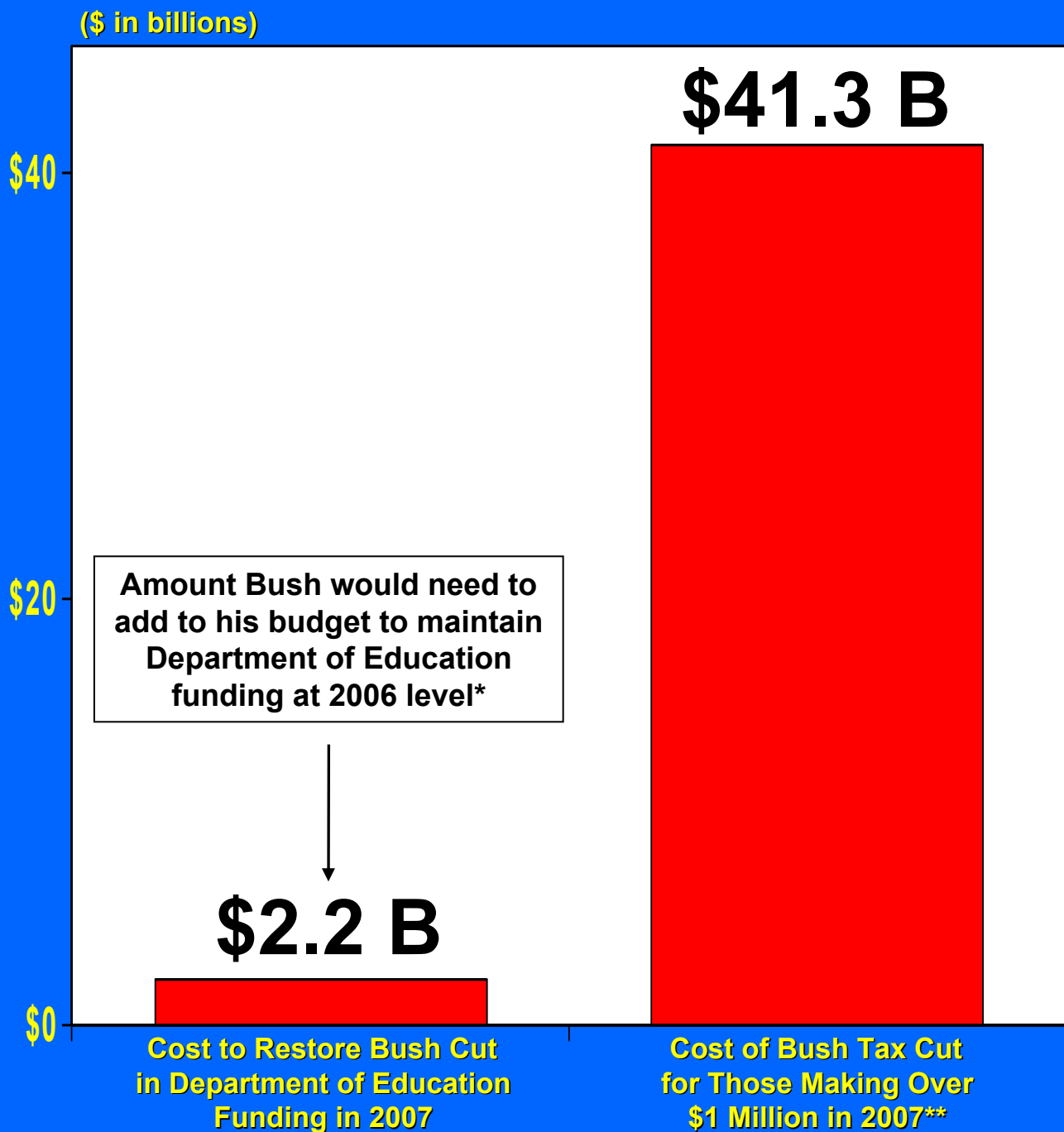


Source: OMB, Bush FY 2007 budget



# The Wrong Priorities:

## Bush Plan to Cut Education Funding Saves Little Compared to Cost of Tax Cuts for Millionaires



\*For comparability purposes, the 2006 education funding level includes student aid administrative costs.

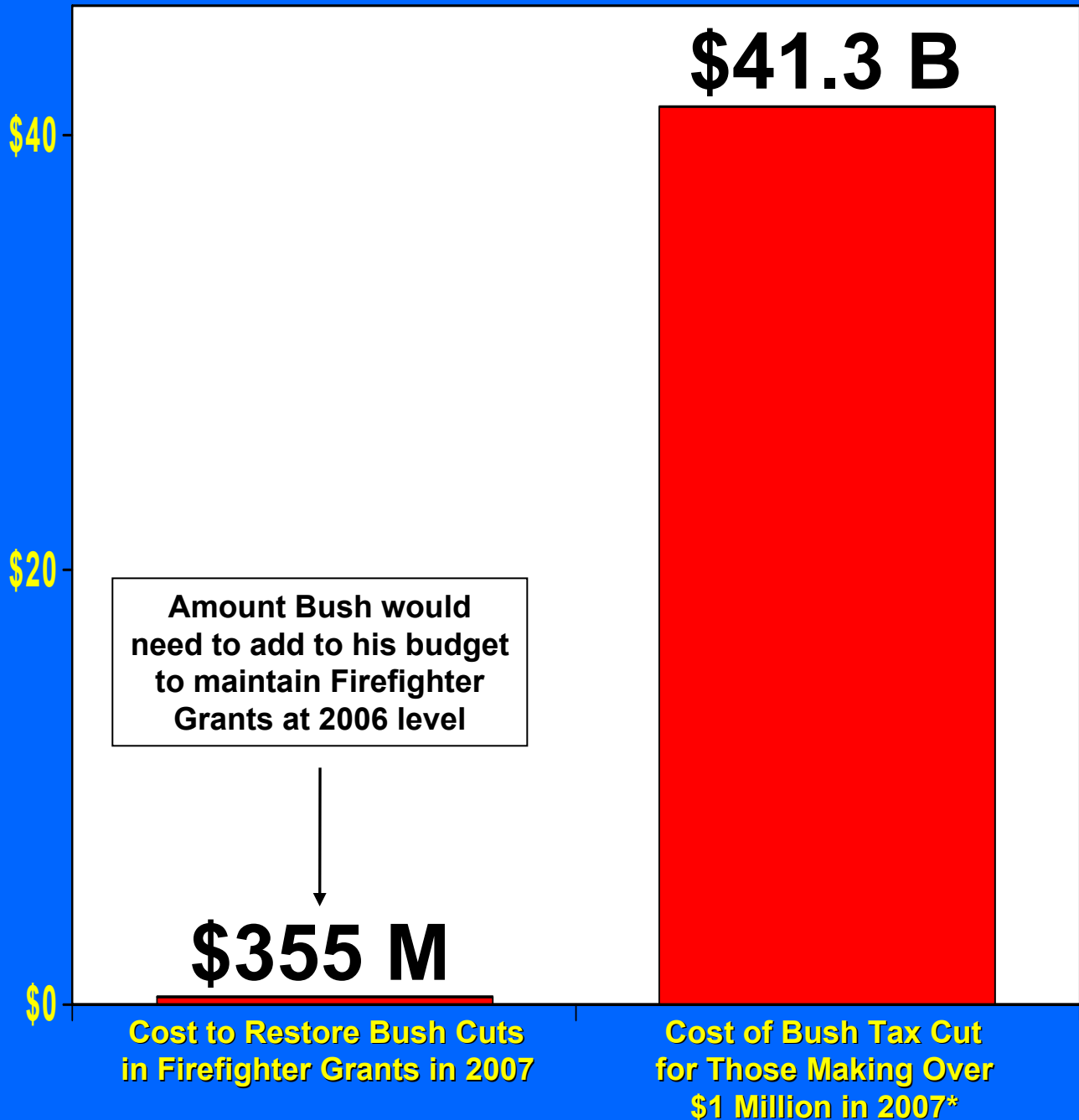
\*\*Assumes extension of 2005 AMT relief, indexed for inflation.

Source: CBO, Urban-Brookings Tax Policy Center, and SBC Democratic staff

# The Wrong Priorities:

Bush Plan to Cut Firefighter Grants by 55% Saves Little Compared to Cost of Tax Cuts for Millionaires

(\$ in billions)



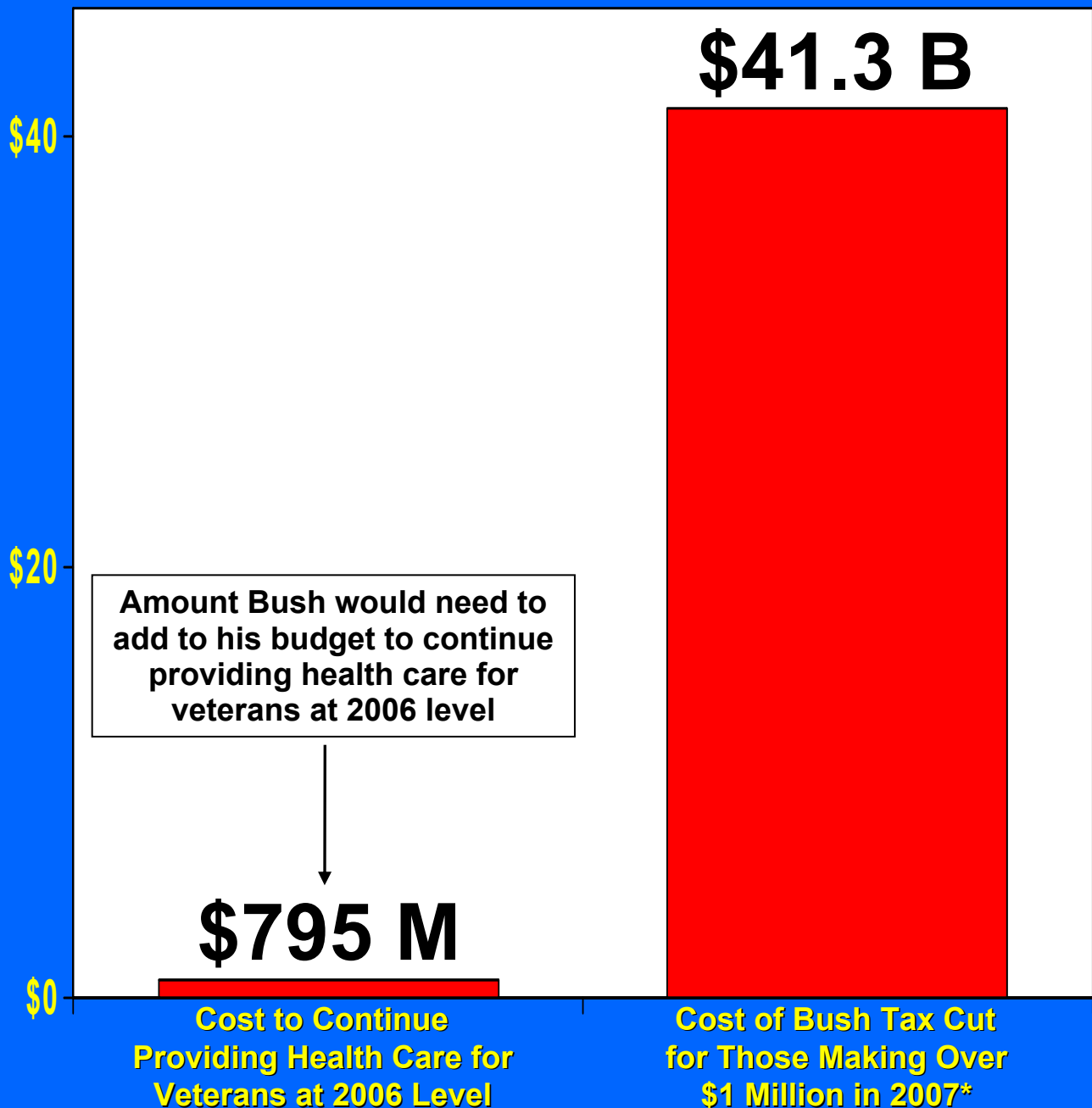
\*Assumes extension of 2005 AMT relief, indexed for inflation.

Source: CBO, Urban-Brookings Tax Policy Center

# The Wrong Priorities:

Bush Plan to Charge Some Veterans \$250 Annual Enrollment Fee and Increase Drug Co-Payments Saves Little Compared to Cost of Tax Cuts for Millionaires

(\$ in billions)



\*Assumes extension of 2005 AMT relief, indexed for inflation.

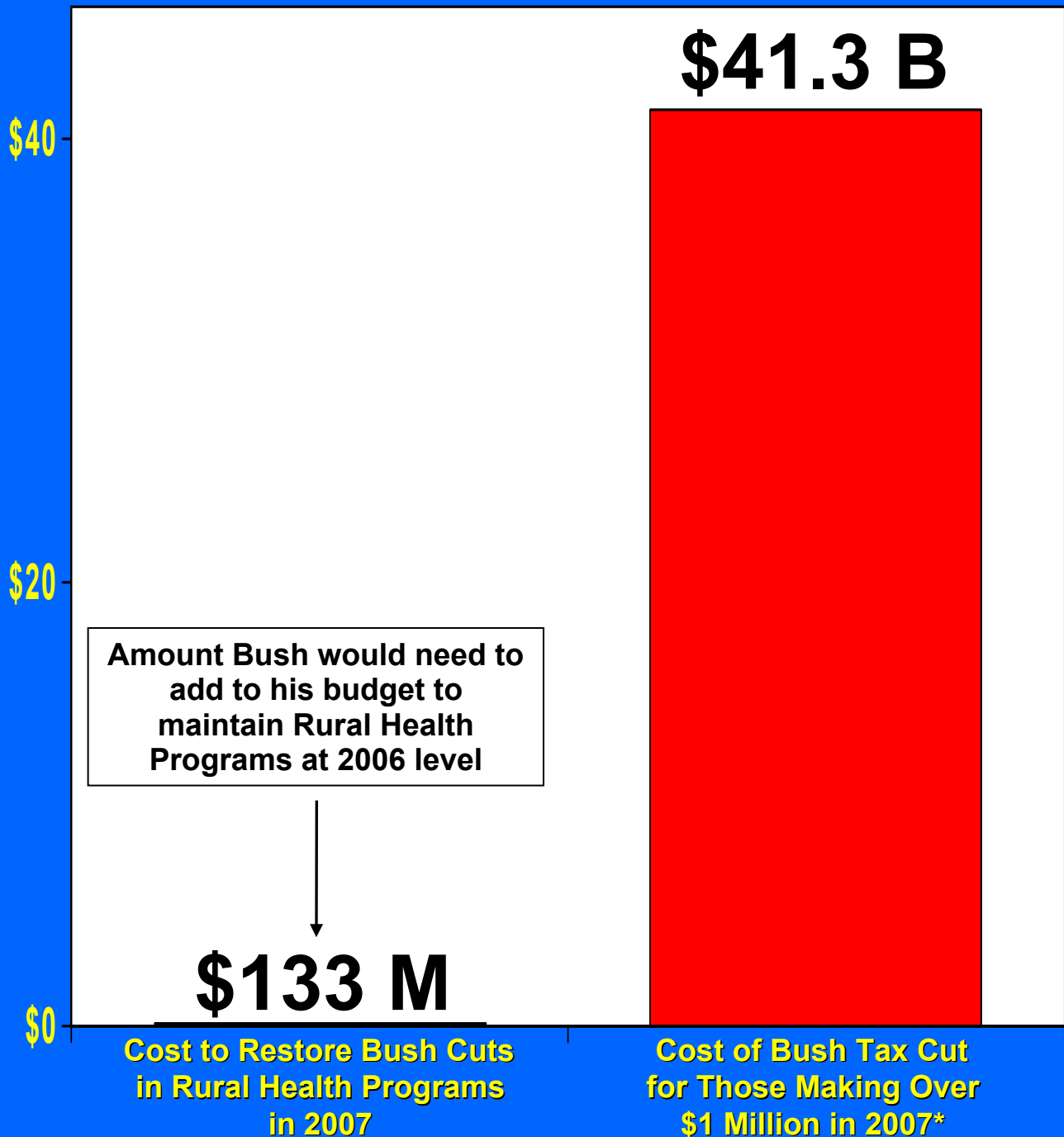
Note: Bush administration proposes \$250 annual enrollment fee and increased drug co-payments for Priority 7 and Priority 8 veterans, resulting in the VA treating 200,000 fewer veterans.

Source: OMB, Urban-Brookings Tax Policy Center

# The Wrong Priorities:

**Bush Plan to Cut 83% in Rural Health Programs Saves Little Compared to Cost of Tax Cuts for Millionaires**

(\$ in billions)



\*Assumes extension of 2005 AMT relief, indexed for inflation.  
Source: OMB, Urban-Brookings Tax Policy Center

# ***“By this budget, we’ve lost our way”***

**“But what has become cliché during five years of the Bush administration is now glaringly apparent in the easily discerned outlines of its proposed 2007 budget: Cuts in vital programs that benefit the poor and middle class, continuing tax relief for the very wealth...**

**“If budgets are, as some contend and we would agree, moral documents, then this one suggests we have abandoned a basic sense of right and wrong and any notion that we are at our best when we strive to make life better for all, not just those who manage to accumulate wealth.”**

***– National Catholic Reporter  
February 17, 2006***