

# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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### Materials for Five-Minute Speeches on the Budget

**Administration Continues to Rack Up Large Deficits** — A projected 2006 deficit of \$260 billion is an improvement over the 2005 deficit of \$318 billion but is a dramatic deterioration from the \$236 billion surplus achieved in 2000, the last year of the Clinton Administration. The 2006 deficit is on track to be the sixth largest deficit in history. The three largest deficits in history also occurred on the Bush Administration’s watch. Not including the Social Security surplus, the 2006 deficit is \$437 billion.

#### Bush Administration Posts Record Deficits

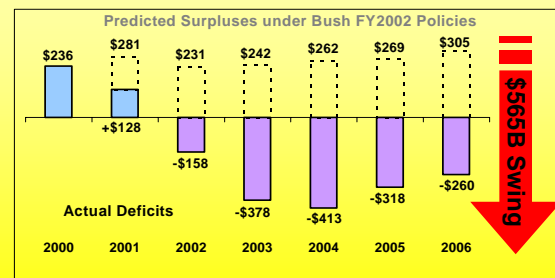
*Largest Deficits in History*

Year	Deficit	Rank
2003	-\$378 Billion	2 <sup>nd</sup>
2004	-\$413 Billion	1 <sup>st</sup>
2005	-\$318 Billion	3 <sup>rd</sup>
2006	-\$260 Billion	6 <sup>th</sup>

**Budget Has Deteriorated Sharply Under Administration’s Policies** — The Administration’s supporters are likely to claim that a deficit of \$260 billion demonstrates the effectiveness of the Administration’s policies. Clearly, though, the net effect of this Administration’s policies – including its costly tax agenda – has been to worsen, not improve, the budget outlook. When the Bush Administration took office in 2001, it forecast a 2006 surplus under its policies of \$305 billion; today’s estimate thus reflects a \$565 billion deterioration under this Administration for 2006 alone. Even after September 11 and the 2001 recession, the Administration’s February 2002 budget predicted that the 2006 budget would be in surplus – a sharp contrast to the \$260 billion deficit now anticipated.

#### Projected Surpluses Become Huge Deficits

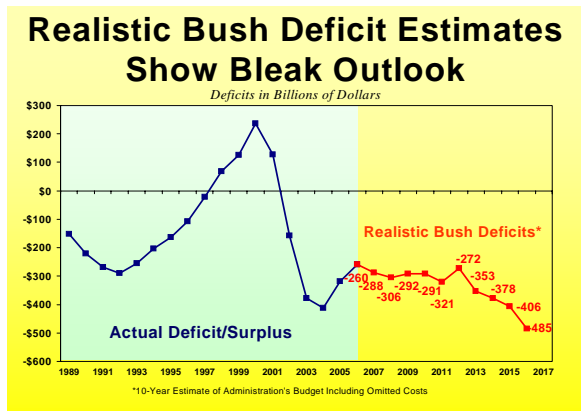
*Budget Surpluses and Deficits in Billions*



**Republicans Have No Plan to Balance the Budget** — Although a deficit of \$260 billion for 2006 is less than the 2004 record deficit of \$413 billion, the budget is not on a glide path to reach balance. On the contrary, a realistic estimate of where the budget is headed under Administration policies – discussed in the next paragraph – shows large and growing deficits for the foreseeable future.

### Including Cost of Administration Policies Produces Large Deficits As Far As the Eye Can See

— The long-term outlook is even bleaker when CBO’s estimates are adjusted to include the cost of the Administration’s policy proposals (including its tax agenda and Social Security privatization plan) as well as the full cost of the war and the cost of repairing the Alternative Minimum Tax. After making these realistic adjustments to reflect the Administration’s agenda and other likely costs, annual deficits over the next decade never shrink below this year’s \$260 billion deficit, and by 2016 the deficit increases to \$485 billion.



### Republican Deficits Lead to Mounting Debt That Future Generations Will Have to Repay

— The deficits created under this Administration’s fiscal policies have created a growing burden of debt that will have to be repaid – with interest – by future generations. This Administration will nearly double the debt limit to \$11.3 trillion by 2011, the last year for which it provides budget figures.

### Republicans Nearly Double the Debt Limit

Debt Limit When Bush Took Office	\$5.95 Trillion	
<b>Increases</b>	June 2002	\$6.40 Trillion
	May 2003	\$7.38 Trillion
	November 2004	\$8.18 Trillion
	March 2006	\$8.97 Trillion
	FY07 Budget Resolution	\$9.62 Trillion
Debt Limit Under Republicans by 2011	\$11.3 Trillion	

Prepared by the House Budget Committee Democratic Staff 5/04/2006

### Republicans Increase the Debt Limit Four Times So Far

— When it took office in 2001, this Administration’s first budget projected that under its policies no increase in the legal debt limit would be required until 2008. In fact, this Administration’s policies have already required four increases in the debt ceiling totaling \$3.0 trillion, and Republican budgets call for additional increases. This year’s House-passed budget resolution, for example, calls for an additional \$653 billion increase in the debt ceiling.

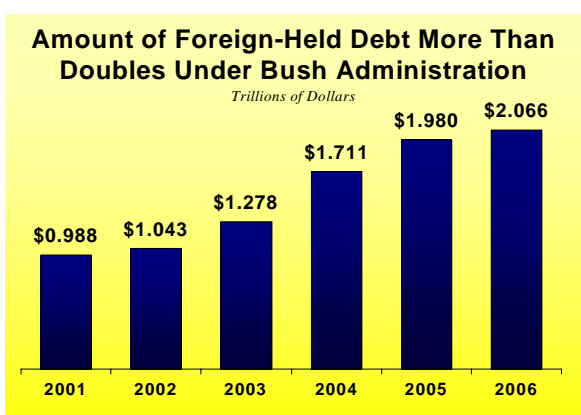
### Republicans Raised the Debt Limit by \$3.0 Trillion

*Debt Limit Increases, in Billions*

June 2002	\$450
May 2003	\$984
November 2004	\$800
March 2006	\$781
<b>Total Increases</b>	<b>\$3,015</b>
Further Increase in FY'07 House Budget Resolution	\$653

### Rapid Increase in Foreign-Held Debt

— The Bush Administration’s deficits have been financed primarily by foreign investors, who now hold nearly 45 percent of our public debt. The amount of our public debt held by foreign investors has more than doubled during the Bush Administration, from \$1.0 trillion in 2001 to \$2.1 trillion in 2006, and the Bush Administration already has accrued more foreign debt than the previous 42 presidents combined. The rise in foreign-held debt is troubling because it increases our economy’s vulnerability to potential political or economic instability from abroad. Meanwhile, the interest payments on foreign-held debt are






sending U.S. tax dollars overseas, thus reducing our standard of living. In 2005 alone, local, state, and federal government interest payments to foreign investors totaled \$114 billion.

**Interest Payments on the Debt Are Wasted Resources**

— Just like interest payments on a family’s credit card, every dollar spent on interest on the national debt is a dollar that cannot be used for other purposes. For example, it cannot educate a child, build a road, or keep the nation secure. Because of the growing mountain of debt under the current Administration, the federal government’s interest payment is the fastest growing category of federal spending over the next five years, and has increased by a double-digit percentage for the last two years. Interest payments on the debt are far greater than spending on most other national priority items, such as homeland security, education, and veterans’ health care. By 2011, annual interest payments under the Administration’s budget will increase to \$302 billion, an increase of 38 percent above the current level.

**What Else Could We Do with the \$504 Million in Interest the Country Pays Every Day on Publicly Held Debt?**

- Hire 8,930 new airport screeners 
- Provide health care to 71,479 more veterans 
- Give each college freshman \$342 in tuition assistance 
- Improve Social Security solvency by half a billion dollars 

**Spending Grows Twice as Fast Under Bush**

— Despite claims of fiscal conservatism, the Bush Administration has increased federal spending at more than twice the rate of the Clinton Administration. The Administration’s own data shows that total federal outlays have grown by an average of 7.7 percent annually under the Bush Administration (fiscal years 2002 through 2006), more than twice the average of 3.6 percent under the Clinton Administration (fiscal years 1994 through 2001). Total spending for 2006 will be almost \$2.7 trillion. That total includes both entitlement spending that occurs automatically for programs such as Social Security and Medicare and discretionary funding that is provided through separate appropriations bills each year.

**Spending Grows Twice as Fast Under Bush Administration Than Under Clinton**

