



HOUSE BUDGET COMMITTEE

Democratic Caucus

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Year-End Republican Budget Report Card: F

The Republican Congress and Administration are ending fiscal year 2006 this week with an overall “F” on their budget report card. The Republican Congress has failed to pass a concurrent budget resolution governing spending and revenues. It has failed so far to send a single fiscal year 2007 appropriations bill to the President – and is unlikely to pass more than two bills before the new fiscal year begins. Meanwhile, its inability to set wise fiscal priorities took a government budget surplus of \$128 billion in 2001 and transformed it into record deficits.

These budget failures have immediate and long-term consequences. The record deficits have ballooned the national debt, wasting hundreds of billions of dollars now on annual interest payments on the debt as well as creating a burden for future generations. The rising national debt is increasingly being purchased by foreign investors, sending U.S. taxpayer dollars overseas to pay interest and making our economy more vulnerable to potential political or economic instability from abroad. Just this week the United States dropped from first to sixth in the World Economic Forum’s global competitiveness index ranking, in part due to our budget deficit and growing debt.

The Republican Congress has no plan to bring the budget back to balance, lower the national debt, or reduce the growing interest payments on that debt. The Republican Congress and Administration have failed to budget on all these counts.

Adopt a Budget? **F**

For only the fourth time since enactment of the Congressional Budget Act of 1974, Congress failed to adopt a concurrent resolution on the budget this year. The Senate approved its 2007 budget blueprint in March but the House did not pass its until May 18, more than a month after the statutory deadline for completing action on the budget resolution. The House and Senate Republican budgets were so flawed that there was little chance of reaching agreement. House Republicans therefore immediately approved a “deeming resolution” as a proxy for a conference report on the budget resolution. The ability to budget is one of the basic tests of good government, and this Republican Congress failed. If a Congress can’t budget, then it can’t govern.

Enact All Appropriations Bills On Time? **D**

Following the pattern under this Administration, the Republican Congress has failed so far to enact a single regular appropriations bill before the start of the new fiscal year. Even if Congress manages to complete the Defense and Homeland Security bills later this week, the other nine bills totaling more than

Republican Budget Report Card

Assignment	Grade
Adopt a Budget	F
Enact Appropriations Bills	D
Balance the Budget	F
Control Foreign-Held Debt	F
Reduce Interest on the Debt	F
Eliminate Wasteful Spending	F
Address Other Priorities	Incomplete

Appropriations Bills Enacted on Time

0	FY 2002
0	FY 2003
3	FY 2004
1	FY 2005
2	FY 2006
0 so far	FY 2007

\$460 billion will remain unfinished next week at the start of fiscal year 2007. Since 2002, with unified control of both chambers of Congress and the White House, Republicans have never once enacted all regular appropriations bills on time. In fact, the closest they came to fulfilling this budget requirement was to enact 3 of 13 bills by the start of 2004. This failure reflects Republicans' fiscal denial: their refusal to recognize that their budget does not match the priorities of the American people. Without funding bills in place for 2007, government agencies cannot plan their budgets effectively and will have to cut back on the services they provided this year.

Balance the Budget? **F**

Republican budgets have turned record surpluses into deficits for as far as the eye can see, with no plan to return the federal budget to balance. In fact, the Bush Administration and the Republican Congress have created the three worst deficits in history (2003, 2004, and 2005), with the expected 2006 deficit of \$260 billion ranking sixth and the 2007 deficit expected to be even worse.

Have Plan to Reduce the Deficit? **F**

In the face of this grim budget forecast, Republicans have not only failed to offer a plan to put the budget on the path to balance, they have continued to deepen the deficit by further cutting taxes primarily for those who least need the help. In contrast, House Democrats this spring supported a fiscally responsible budget resolution that reaches balance in 2012, includes budget enforcement rules, provides tax cuts for working families, and invests in key priorities including education, health care, and homeland security.

Lower National Debt? **F**

In 2001, the Bush Administration's first budget predicted that the debt limit would not have to be increased before 2008. Instead, in the last five years, Congress has been forced to raise the debt limit four times, by a total of \$3 trillion, with a fifth increase endorsed by the House as part of the 2007 budget resolution. Rather than paying down the debt, this Republican Administration's policies will almost double it by 2011, to a total of more than \$11 trillion.

Control Amount of Foreign-Held Debt? **F**

The escalating national debt has increasingly been purchased by foreign investors – who have more than doubled their holdings of U.S. debt since the Bush Administration began. As a result, foreign investors now hold nearly 45 percent of our public debt, which increases our economy's vulnerability to potential political or economic instability from abroad. Meanwhile, the interest payments on foreign-held debt send U.S. tax dollars overseas; local, state, and federal government interest payments to foreign investors totaled \$114 billion in 2005 alone.

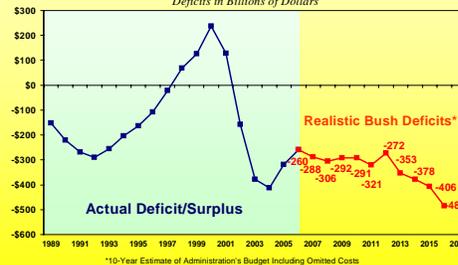
Bush Administration Posts Record Deficits

Largest Deficits in History

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

Realistic Bush Deficit Estimates Show Bleak Outlook

Deficits in Billions of Dollars

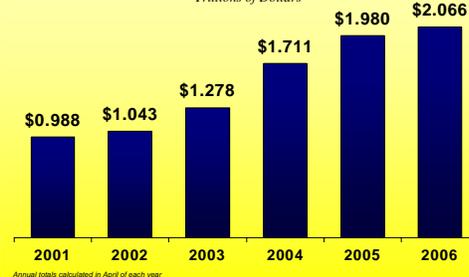


Republicans Nearly Double the Debt Limit

Debt Limit When Bush Took Office		\$5.95 Trillion
Increases	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

Amount of Foreign-Held Debt More Than Doubles Under Bush Administration

Trillions of Dollars



Reduce Interest on the Debt? **F**

The growing national debt has dramatically increased the interest payments the government must make; Congress wasted \$184 billion in interest on the debt in 2005, and will spend \$220 billion on interest in 2006. In fact, the federal government's interest payment on the debt is the fastest growing category of federal spending over the next five years. Every dollar spent on interest on the national debt is a dollar that does not educate a child or keep the nation secure, but it does directly increase the budget deficit. Paying down the debt would reduce the obligatory interest payments, freeing up resources that could be used to bolster Social Security solvency.

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 

Eliminate Wasteful Spending? **F**

In addition to wasting billions of dollars paying interest on the national debt, the Republican Congress has refused to cut wasteful spending in other areas. For example, the Medicare Modernization Act of 2003 includes a \$10 billion "slush fund" for Medicare preferred provider organizations. It also specifically prohibits the Secretary of Health and Human Services from negotiating directly with pharmaceutical companies on behalf of Medicare to obtain discounts on prescription drugs. Under the Republican watch, the construction of an underground Capitol Visitor Center is long overdue and far over-budget; the total bill is now estimated to cost taxpayers more than \$580 million by the time the center is finally complete in late 2007, more than twice the original estimate of \$265 million.

Address Other Priorities? **Incomplete**

As fiscal year 2006 ends, the Republican Congress is planning to leave Washington with a resounding failing grade on budget issues. But along with its failure to budget, the Republican Congress has failed to complete legislation on a number of other high-priority issues. For instance, the Congress has not passed comprehensive legislation to protect our borders and ports by fully enacting the recommendations of the 9/11 commission. It has failed to extend tax cuts for middle-income Americans, including deductions for teachers' classroom expenses, state and local sales taxes, and qualified education expenses. The Republican Congress has also failed to enact immigration reform, failed to reauthorize higher education programs (which were due for renewal two years ago), and failed to enact a measure to prevent lobbying abuses.