



## Policy Brief: The President's Fiscal Year 2006 Budget Request

- The President's budget proposes \$2.57 trillion in total spending (not including the pending FY05 supplementals), an increase of \$88 billion or 3.6%.
- Mandatory spending — programs on "auto-pilot" accounting for 63% of total spending — would increase by \$107 billion or 7% over FY05.
- Total discretionary spending would total \$840 billion, an increase of \$18 billion or 2.1% over FY05.
- Defense discretionary spending would total \$419 billion, an increase of \$19 billion or 4.8% over FY05 (not including the pending FY05 supplementals).
- Homeland security discretionary spending would total \$32 billion, an increase of \$1 billion or 3.1% over FY05.
- Non-defense, non-homeland security discretionary spending would total \$389 billion, a decrease of \$3 billion or 0.7% below FY05. That level is then frozen through 2010.
- The President's budget projects a FY05 deficit of \$427 billion (includes the pending supplementals), the largest nominal deficit in history and the 11<sup>th</sup> largest as a share of the economy. The budget meets its goal of cutting the deficit in half as a share of GDP by 2009 (see table below).

	FY04		FY05	FY06	FY07	FY08	FY09	FY10
	Budget Estimate	Actual						
Unified Deficit (-)	-521	-412	-427	-390	-312	-251	-233	-207
% of GDP	-4.5%	-3.6%	-3.5%	-3.0%	-2.3%	-1.7%	-1.5%	-1.3%

- The growth in mandatory spending would be slowed from a projected annual average of 5.6% to 5.5% by enacting \$78.7 billion in savings over five years and \$175.5 billion over ten years.
- Medicare spending would increase by \$50 billion or 17% over FY05, and there are no proposals in the budget to change Medicare and slow its growth. It would grow at an average of 9.7% through 2010.
- Medicaid spending would increase by \$5 billion or 2.6% over FY05 and grow at an average of 6.5% through 2010 despite proposals to slow its growth rate (see below).
- Veterans medical care would increase by \$0.6 billion or 2.2% over FY05.
- The budget proposes to terminate or reduce 150 programs (a detailed list of the programs is still pending from the Administration).
- The budget prevents \$53.4 billion in tax increases over five years by making permanent the tax cuts in 2001 and 2003 and proposes an additional \$52.8 billion over five years in new tax relief, including \$20.5 billion for health care-related tax provisions.
- The budget includes most of the provisions of the RSC consensus budget process reform legislation, the Family Budget Protection Act (H.R. 3800 in the 108<sup>th</sup> Congress), including: a joint budget resolution, discretionary spending caps, a pay-as-you-go (PAYGO) provision for mandatory spending, emergency designation reforms, a line-item veto to withstand constitutional challenge, biennial budgeting, government shutdown protection, and a sunset commission.
- The budget does not reflect any proposed change to the Social Security program or any transition to an investment-based system with personal retirement accounts.