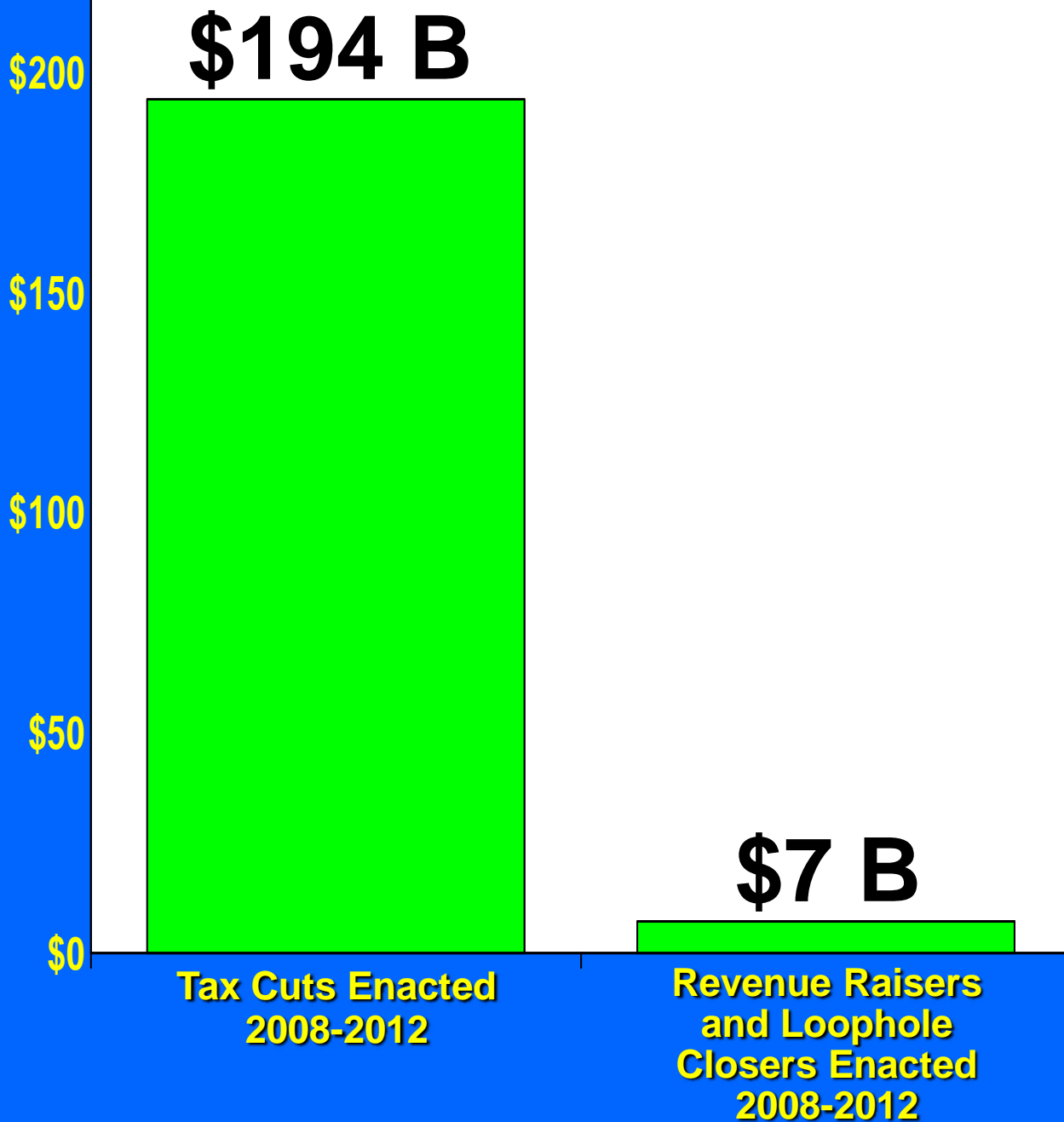


Democratic Record on Taxes Since Taking Control of Congress

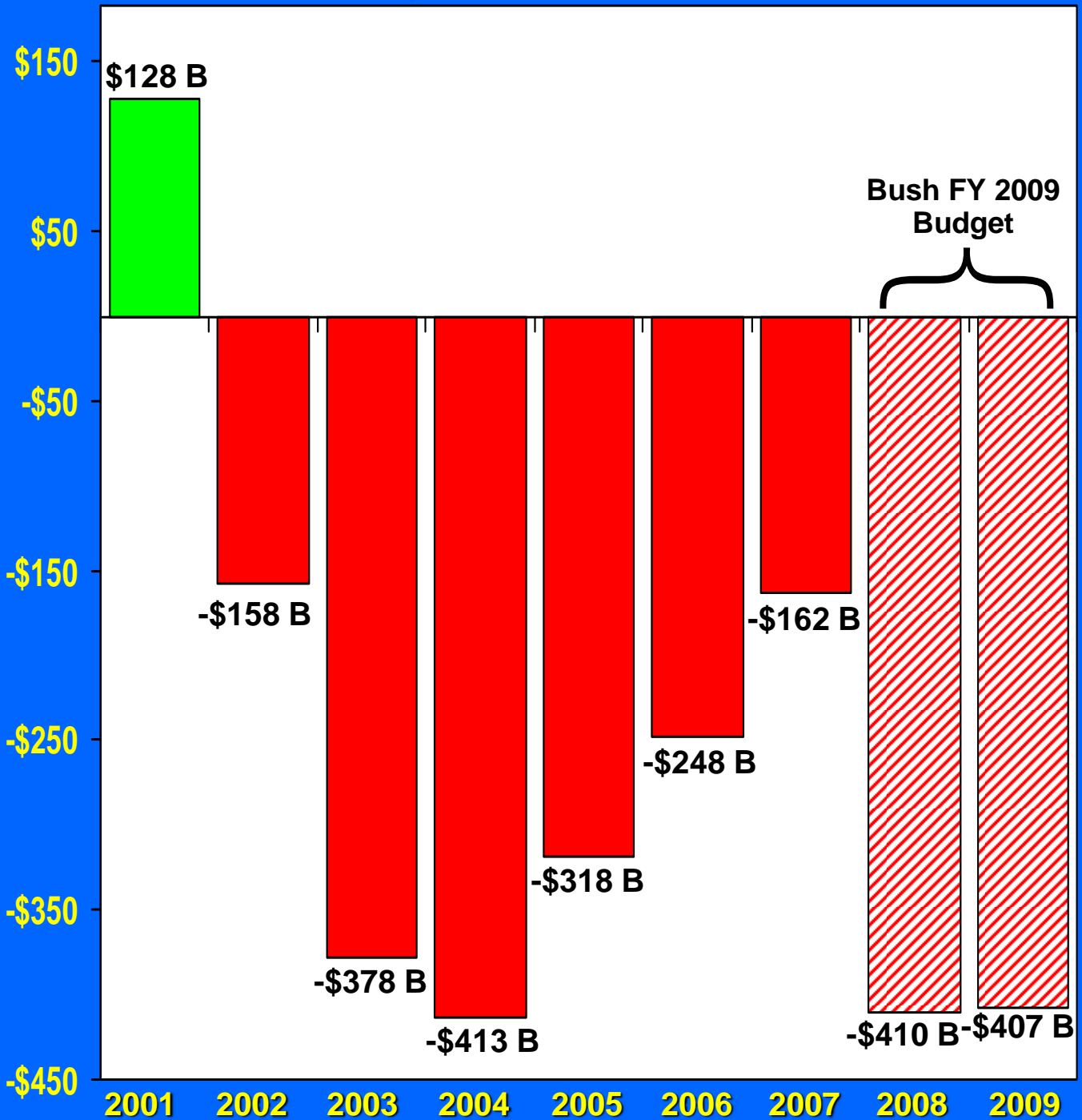
(\$ in billions)



Source: CBO

Dramatic Deterioration in Budget Picture

(Deficit in billions of \$)

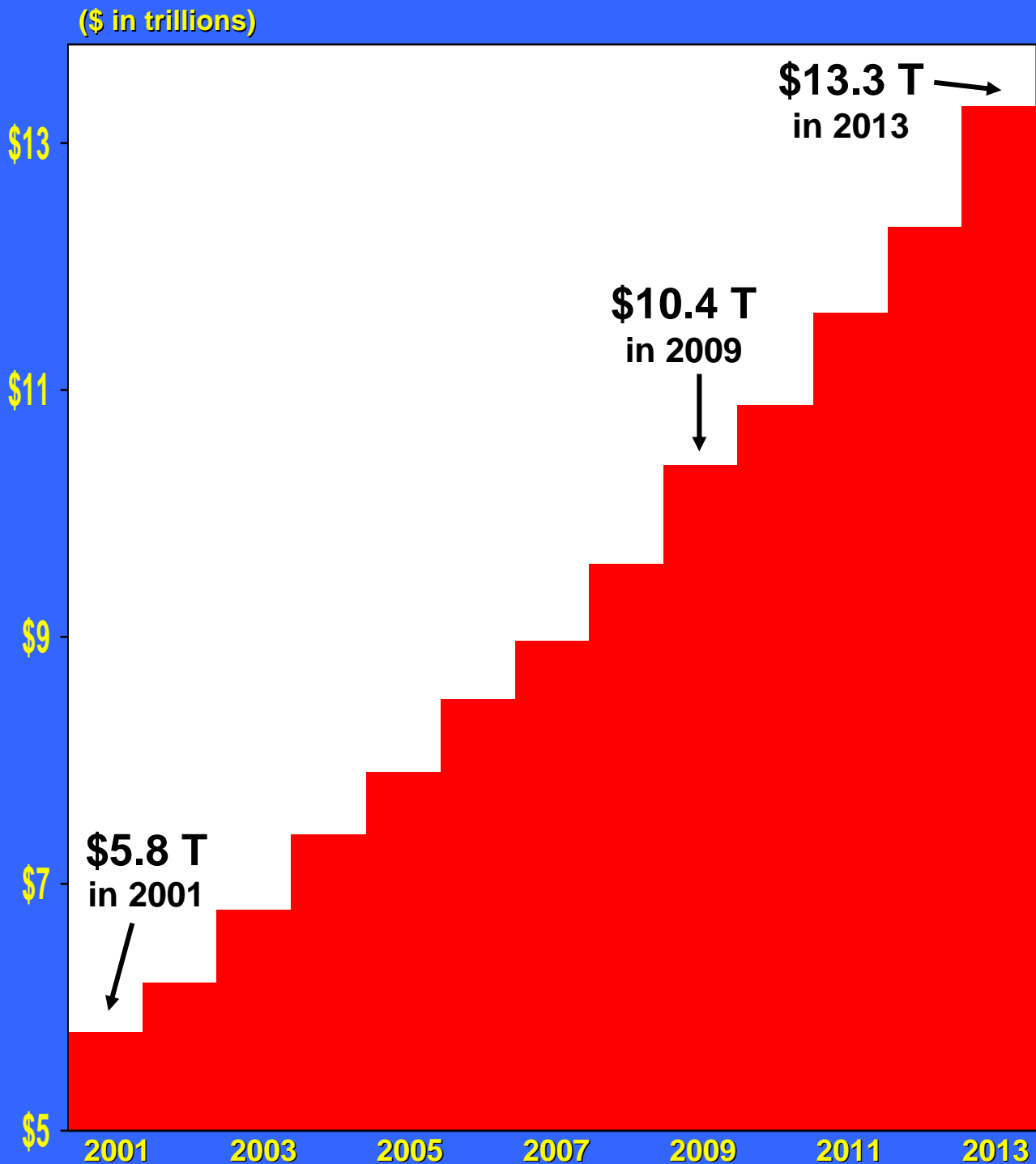


Source: OMB

Note: 2008 and 2009 estimates from Bush FY 2009 Budget.

Building a Wall of Debt

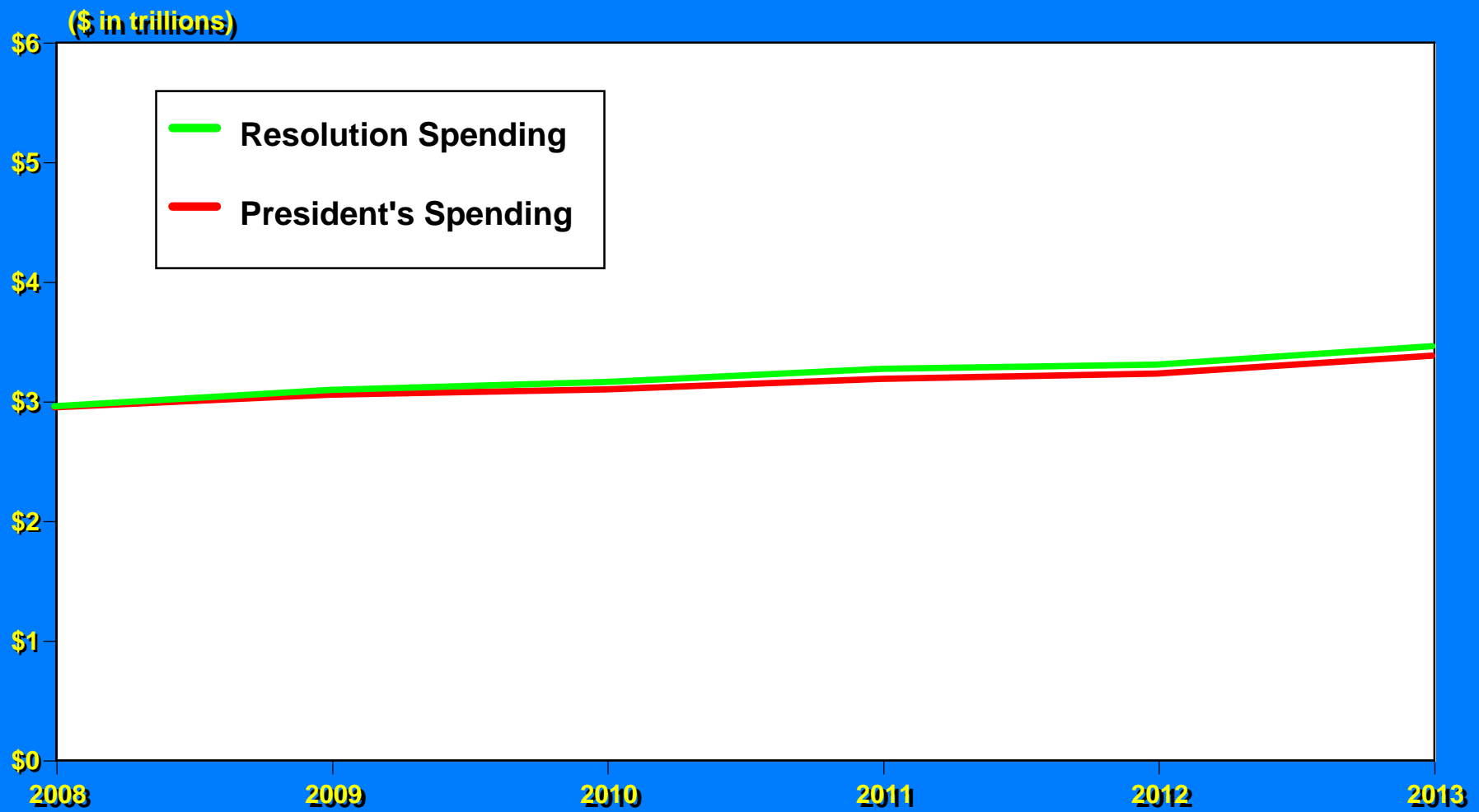
Gross Federal Debt Soars



Source: OMB, CBO and SBC

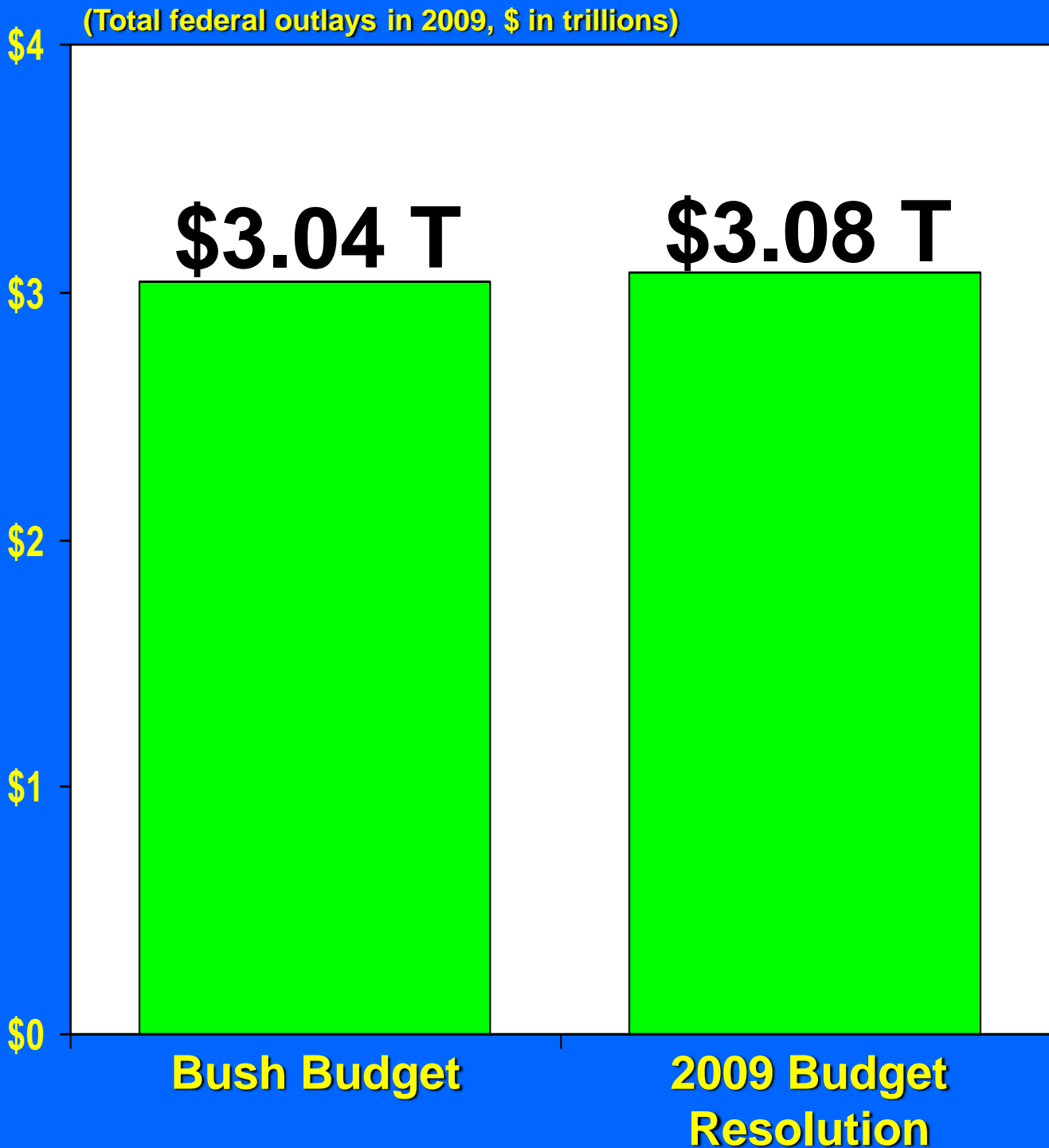
Note: Bush FY 2009 Budget with AMT reform, ongoing war costs, and associated debt service.

Comparison of Spending Under Resolution and President's Budget



Source: SBC, CBO

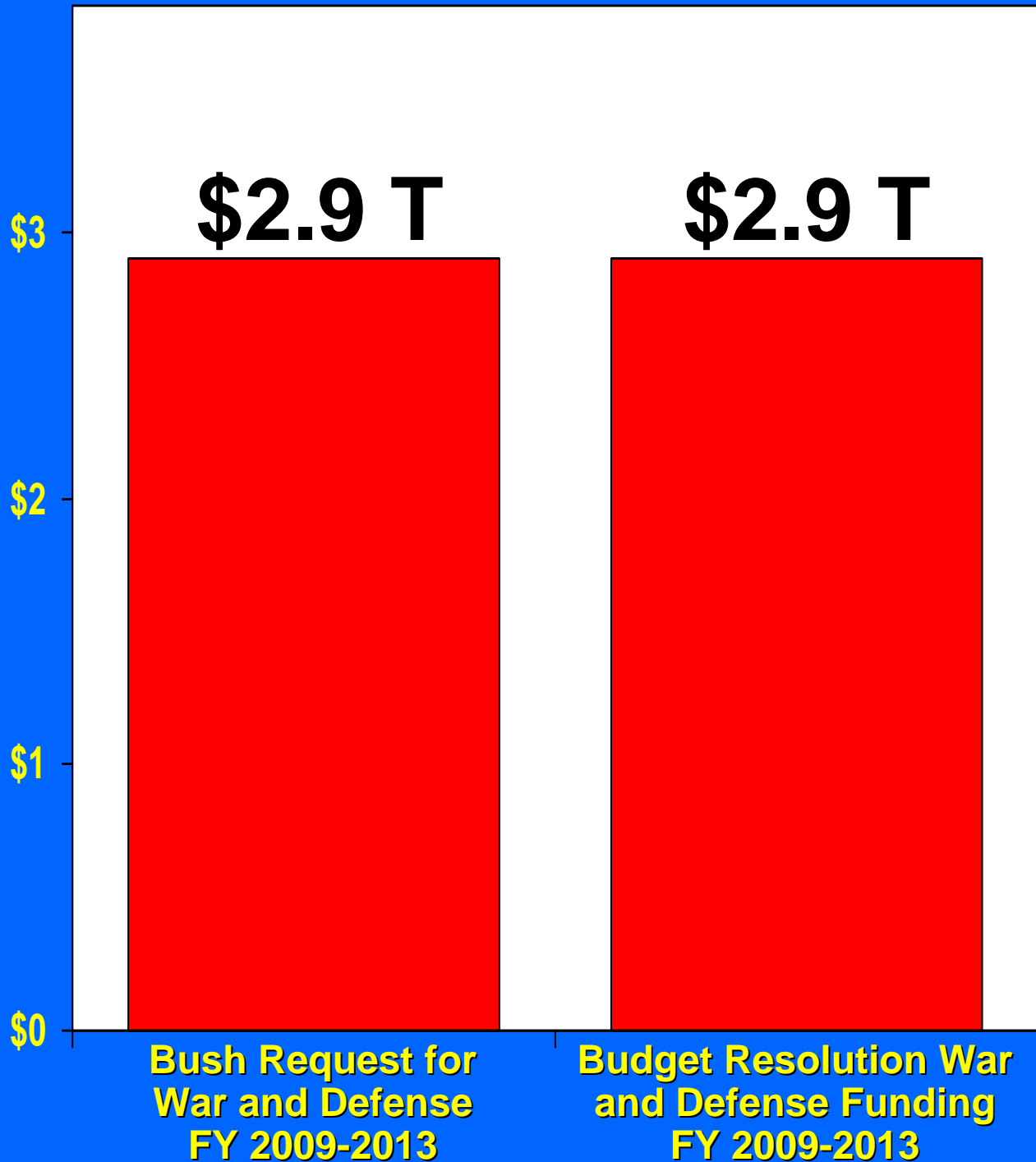
Budget Resolution Includes Only 1% More Spending Than Bush Budget in 2009



Source: CBO, SBC

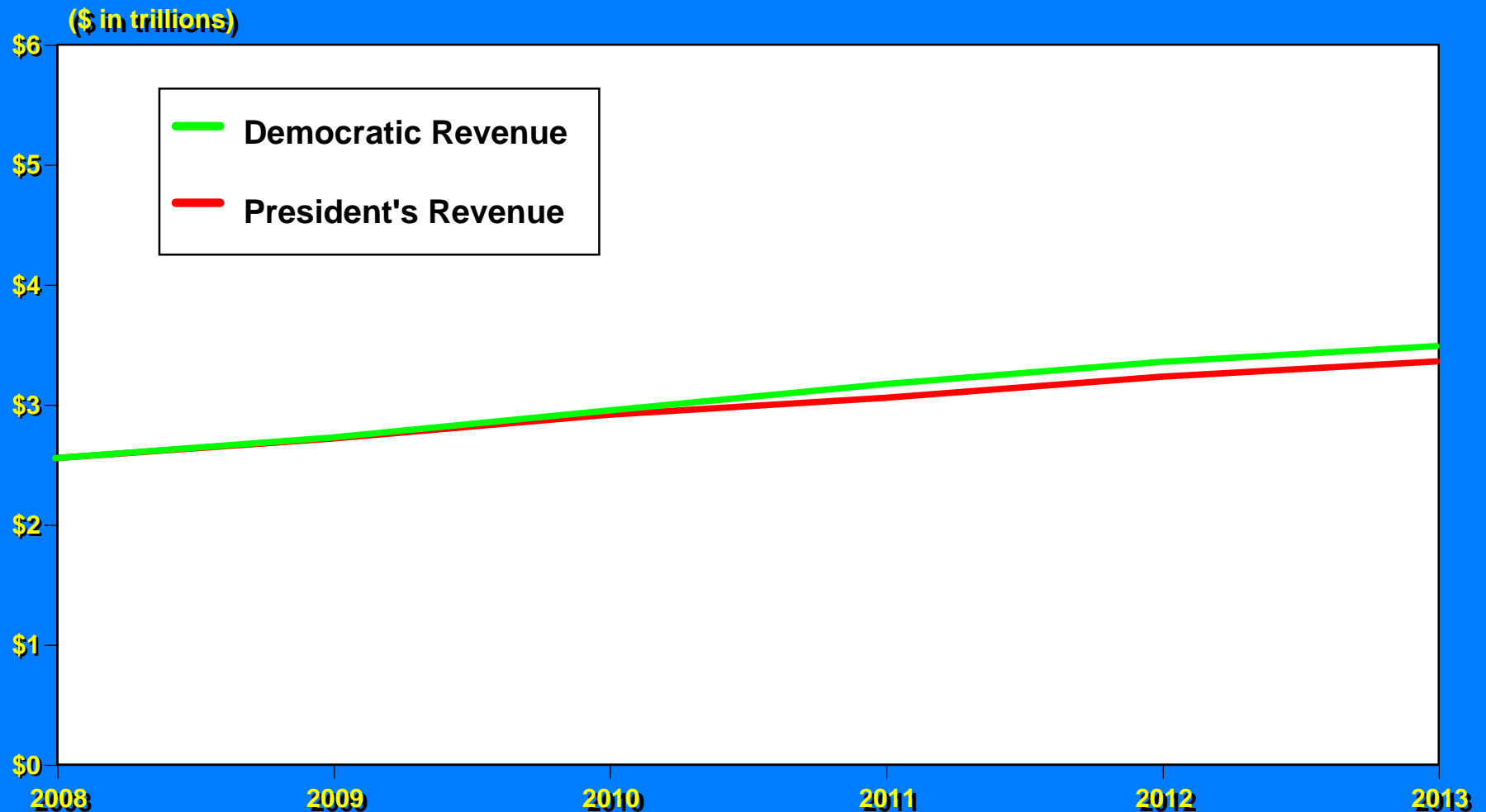
Budget Resolution Fully Funds Bush War and Defense Requests Over Five Years

(\$ in trillions)



Source: CBO, SBC

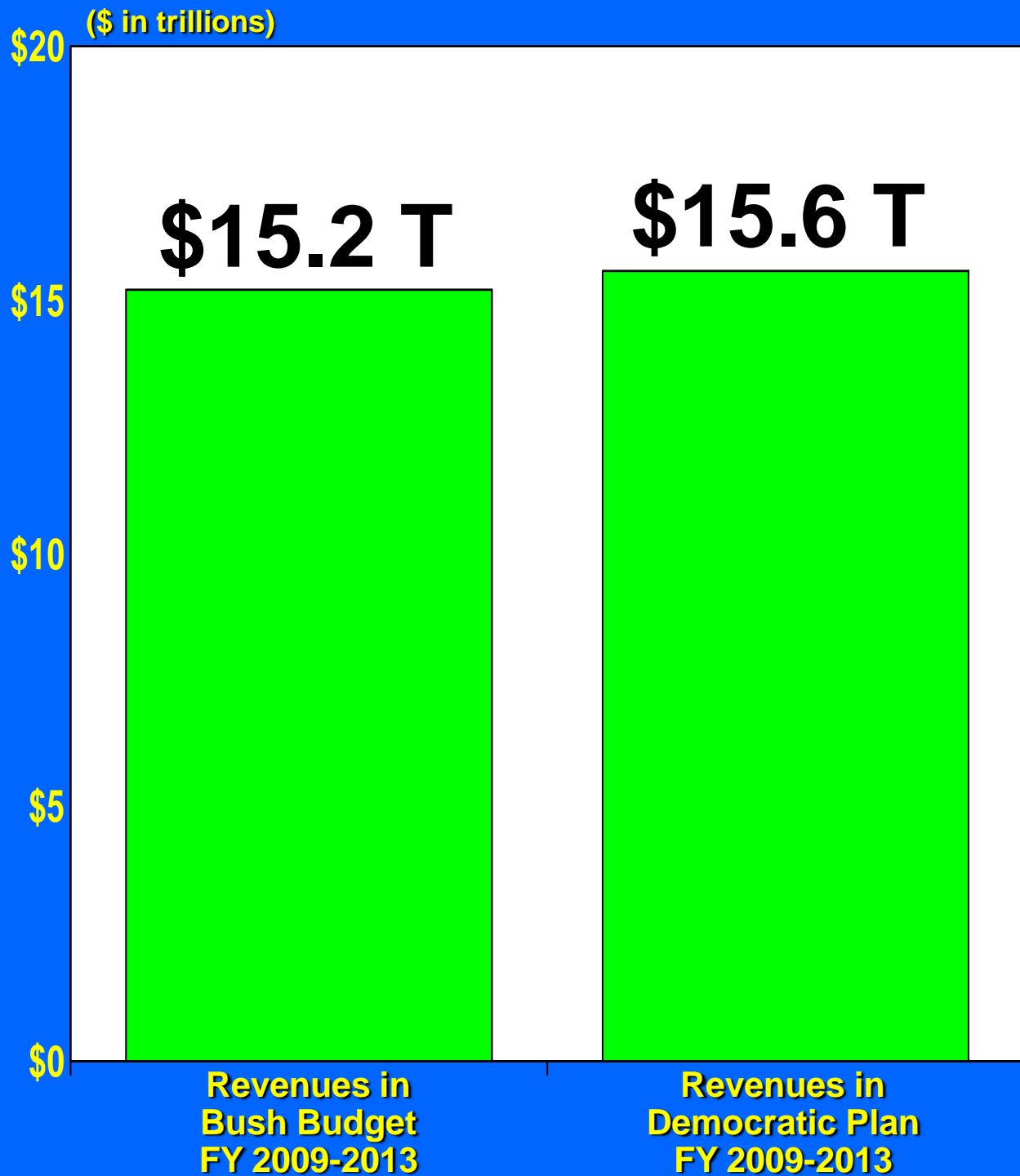
Comparison of Revenues



Source: SBC, CBO

Note: Democratic revenue adjusted to assume extension of middle-class tax cuts and reform of estate tax.

Democratic Revenues Above Bush Budget Revenues by Only 2.6 Percent



Source: CBO, SBC

Note: Democratic revenue adjusted to assume extension of middle-class tax cuts and reform of estate tax.

Senator Gregg on Need for More Revenues to Address Long-Term Fiscal Imbalance

“...[W]e also know revenues are going to have to go up, if you’re going to maintain a stable economy and a productive economy, because of the simple fact that you’re going to have this huge generation that has to be paid for.”

**– Senator Judd Gregg (R-NH)
Remarks at Senate Budget
Committee Hearing on
Long-Term Fiscal Challenges
January 31, 2007**

SENATE PAYGO RULE

- **New mandatory spending and tax cuts must be offset or get 60 votes**

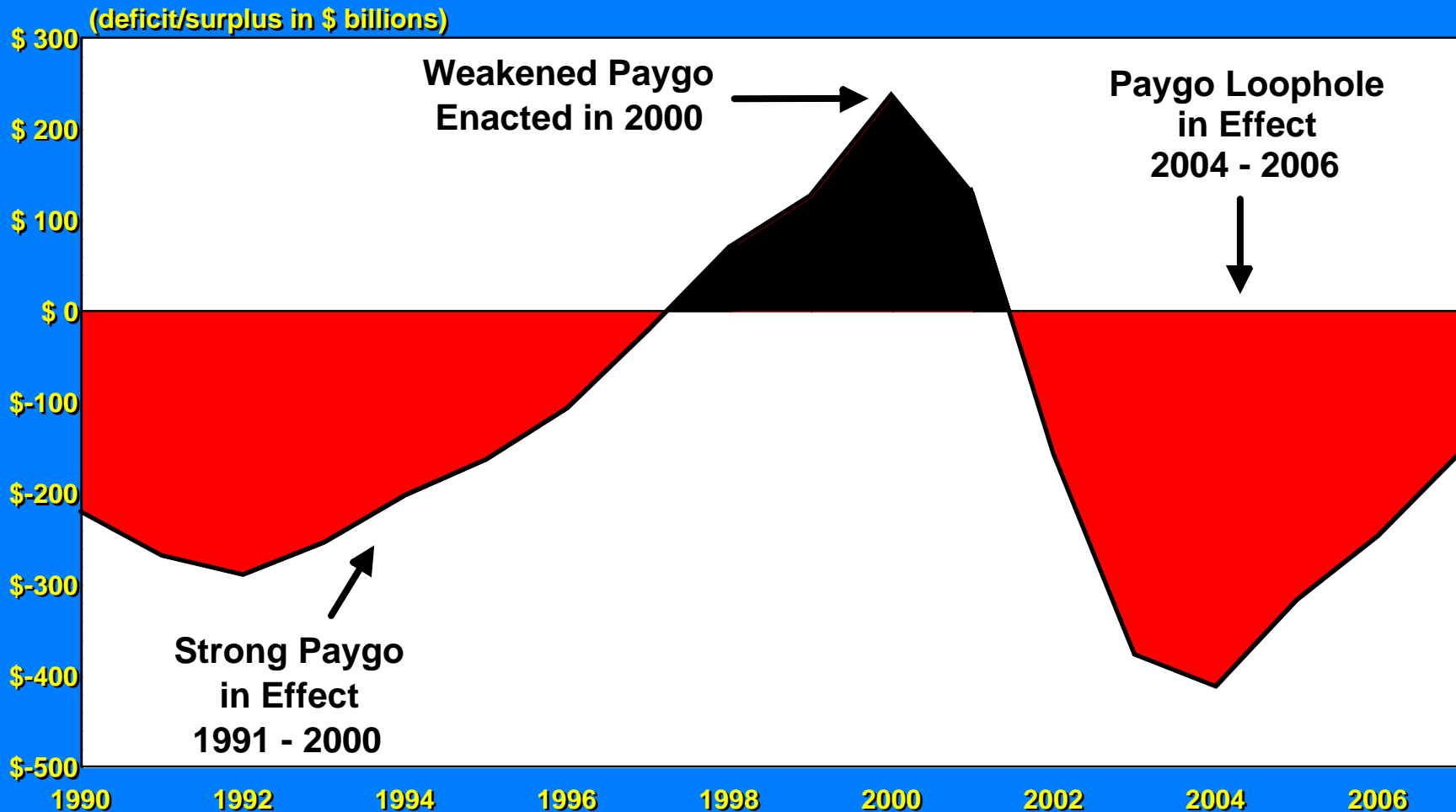
Senator Gregg on Restoring PAYGO

“The second budget discipline, which is pay-go, essentially says if you are going to add a new entitlement program or you are going to cut taxes during a period, especially of deficits, you must offset that event so that it becomes a budget-neutral event that also lapses.

“... If we do not do this, if we do not put back in place caps and pay-go mechanisms, we will have no budget discipline in this Congress, and, as a result, we will dramatically aggravate the deficit which, of course, impacts a lot of important issues, but especially impacts Social Security.”

- Senator Judd Gregg (R-NH)
Senate Floor Debate on Budget Enforcement
Amendment to FY 2002 Supplemental
June 5, 2002**

Strong Paygo Rule Helped Turn Deficits to Surplus in 1990's



Note: FY 2000 GOP budget resolution weakened Senate paygo rule to allow on-budget surpluses to offset tax cuts and spending increases. GOP blocked renewal of statutory paygo at end of FY 2002. FY 2004 GOP budget resolution further weakened Senate paygo rule by exempting all tax cuts and spending increases in any budget resolution. Democratic Majority restored strong Senate and House paygo rules in 2007.
Source: CBO

PAYGO is Working

- **Excluding AMT, Senate paygo “scorecard” has positive balance of \$1.3 B over 11 years**
- **Every bill sent to President – other than AMT and stimulus – has been paid for (or more than paid for)**
- **Paygo also has significant deterrent effect – preventing many costly bills from ever being offered**

GOP Claims on PAYGO Full of Holes

Alleged “Real PAYGO Violations”

	<u>Claim</u>	<u>Fact</u>
<ul style="list-style-type: none"> • Immigration Reform <ul style="list-style-type: none"> - Never passed Senate - Fully paid for on unified basis 	\$30.3 B	0
<ul style="list-style-type: none"> • Energy Bill <ul style="list-style-type: none"> - Final bill sent to President more than paid for - Passed Senate 86-8 	\$4.2 B	-\$52 M
<ul style="list-style-type: none"> • Mental Health Parity <ul style="list-style-type: none"> - In conference – final bill will be fully paid for - Passed Senate by unanimous consent 	\$2.8 B	0
<ul style="list-style-type: none"> • Prescription Drug User Fee Amendments <ul style="list-style-type: none"> - Final bill sent to President more than paid for - Passed Senate by unanimous consent 	\$0.2 B	-\$4 M
<ul style="list-style-type: none"> • Minimum Wage Increase <ul style="list-style-type: none"> - Fully paid for on unified basis 	\$50 M	0
<ul style="list-style-type: none"> • Water Resources Development Act <ul style="list-style-type: none"> - Final bill sent to President more than paid for - Passed Senate 81-12 	\$4 M	-\$5 M
TOTAL	\$38 B	-\$61 M

Source: SBC GOP “Swiss-Cheese-Go” chart, SBC Majority staff

Note: Minimum wage increase in 2007 supplemental was fully paid for on unified basis, but had small net on-budget cost.

GOP Claims on PAYGO Full of Holes

Alleged “Gimmicks to Get Around PAYGO”

	<u>Claim</u>	<u>Fact</u>
<ul style="list-style-type: none"> ● SCHIP Reauthorization <ul style="list-style-type: none"> - More than paid for over 6 and 11 years - 5-year reauthorization - Congress will reauthorize in 2012 with new policies and offsets 	\$45 B	-\$207 M
<ul style="list-style-type: none"> ● Farm Bill <ul style="list-style-type: none"> - More than paid for over 6 and 11 years - 5-year reauthorization - Congress will reauthorize in 2012 with new policies and offsets 	\$27.5 B	-\$102 M
<ul style="list-style-type: none"> ● Higher Ed Reconciliation Bill <ul style="list-style-type: none"> - More than paid for over 6 and 11 years - Savings will continue to grow in decades beyond budget window 	\$26 B	-\$752 M / 5 yrs -\$3.6 B / 10 yrs
<ul style="list-style-type: none"> ● 2007 Supplemental – County Payments / PILT / MILC <ul style="list-style-type: none"> - PAYGO rule applies to mandatory spending and revenues only – not to appropriations - Discretionary spending controlled by separate caps - 2008 budget resolution established new 60-vote point of order to limit changes in mandatory spending on appropriations bills and strengthen PAYGO even further 	\$6.5 B	0
TOTAL	\$105 B	-\$3.9 B

Source: SBC GOP “Swiss-Cheese-Go” chart, SBC Majority Staff

Note: Per section 201 of 2008 budget resolution, net savings enacted pursuant to reconciliation are not included on PAYGO ledger. They are reserved solely for deficit reduction.

GOP "Easy Cheese" Budgets



Source: 2004, 2006, and 2008 Budget Resolutions
Note: Loophole is equal to total cost of mandatory spending and revenue changes assumed in GOP budget resolutions. These amounts were credited on the GOP paygo ledger and available to spend by Congress.