

Three Chapters of Reconciliation

Chapter 1 **Mandatory Spending Cuts - \$40 B**

Chapter 2 **Tax Cuts - \$70 B**

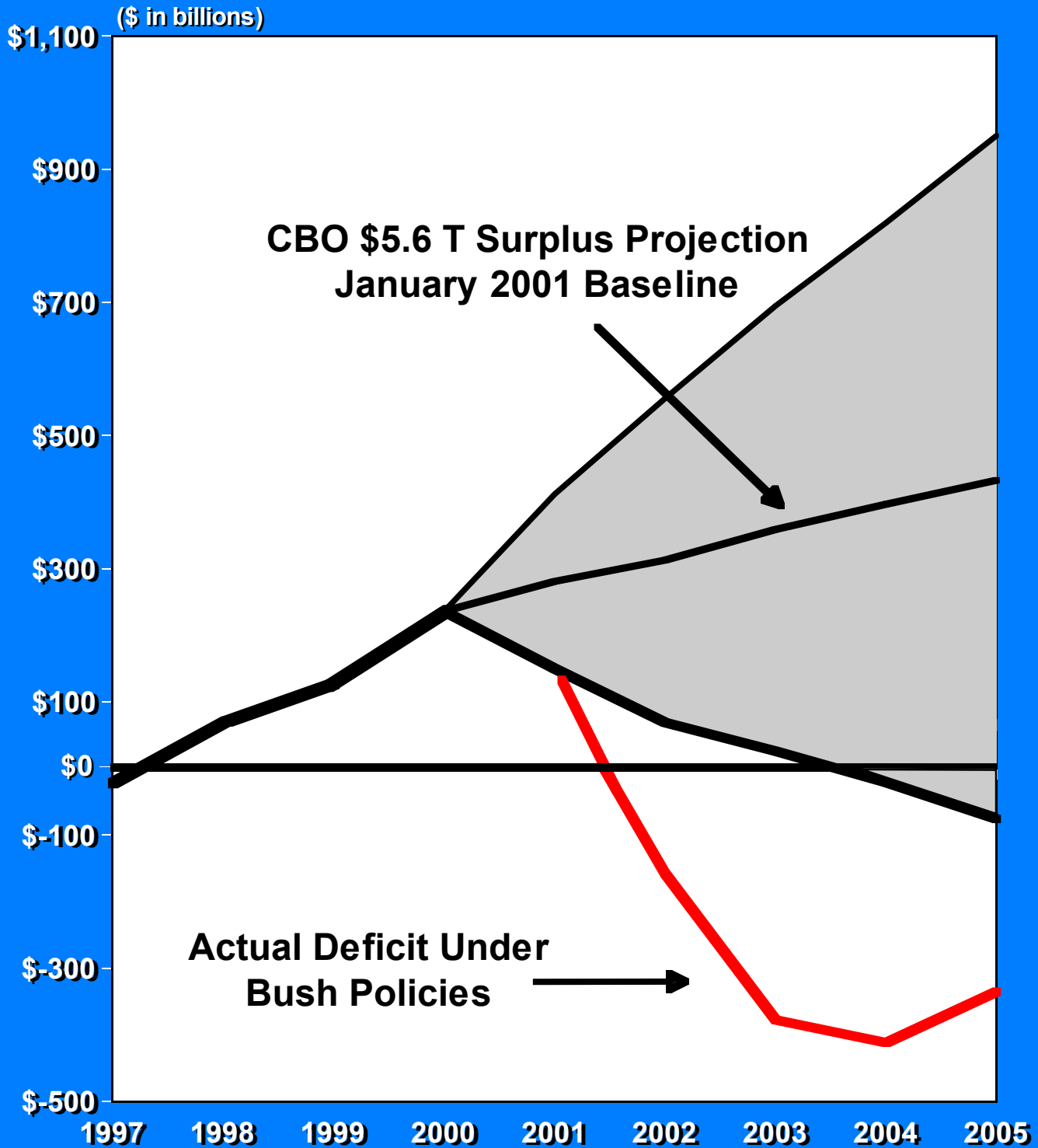
Chapter 3 **Debt Limit Increase - \$781 B**

Bush Administration Said No Fear of Budget Deficits

**“[W]e can proceed with tax relief
without fear of budget deficits, even
if the economy softens.”**

**–President Bush
Remarks at Western Michigan University
March 27, 2001**

Bush Deficits Far Worse Than Scenarios Projected by CBO in 2001



Source: CBO/OMB

Oct 25

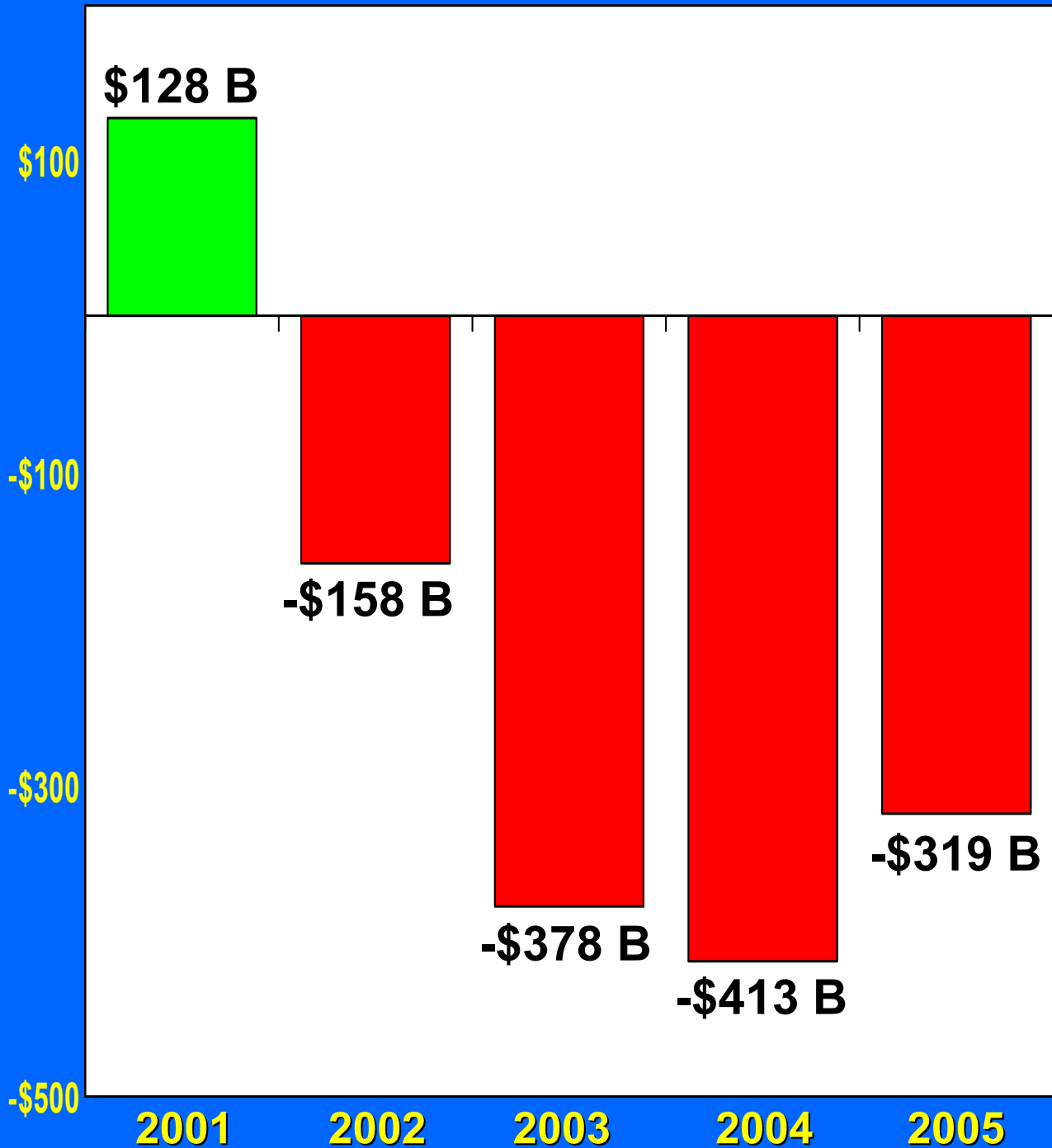
Bush Administration Promised Deficits Would be Small and Short-Term

**“...[O]ur budget will run a deficit that will
be small and short-term...”**

**–President George W. Bush
State of the Union Address
January 29, 2002**

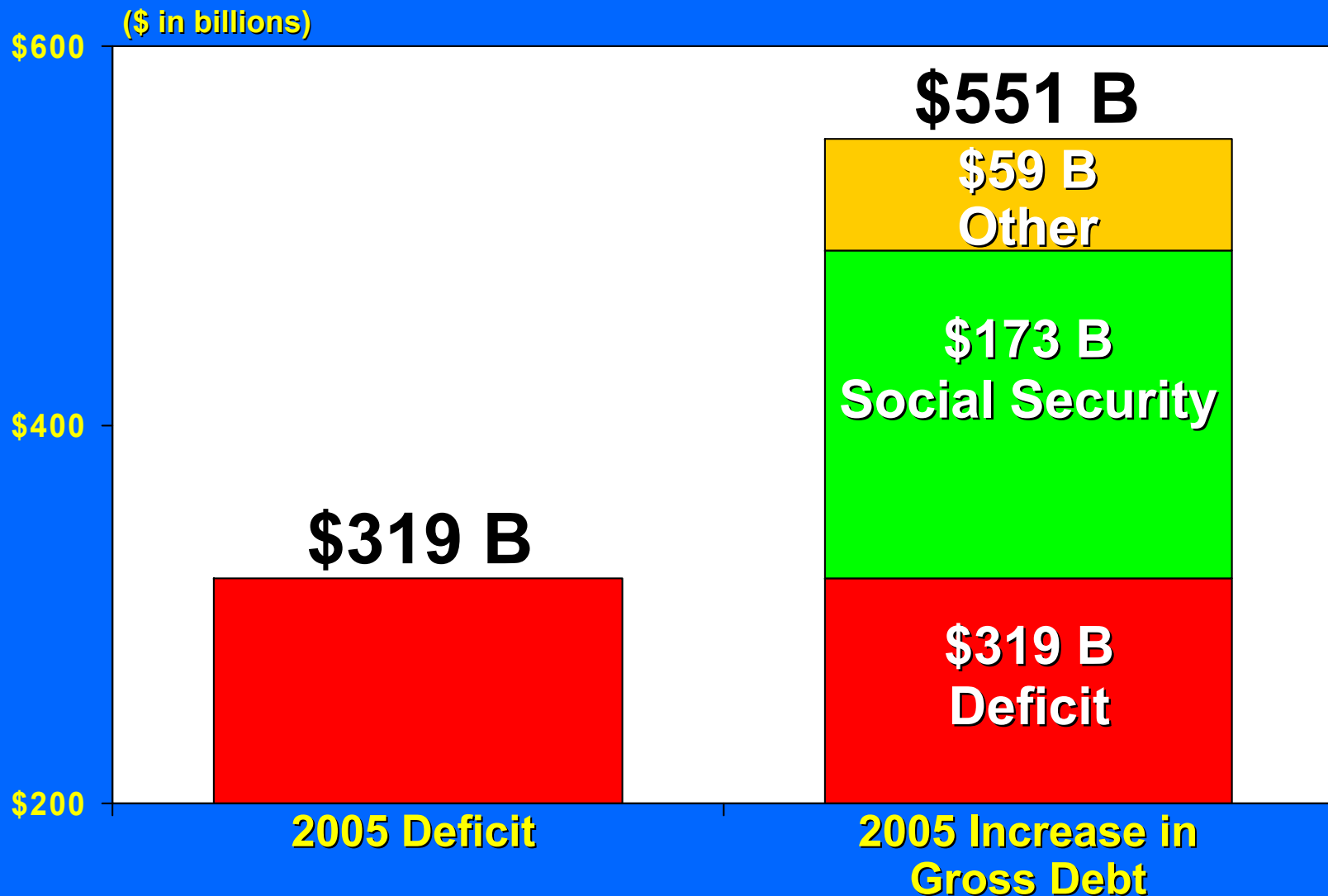
Dramatic Deterioration in Budget Picture Over Last Five Years

(Deficit in billions of \$)



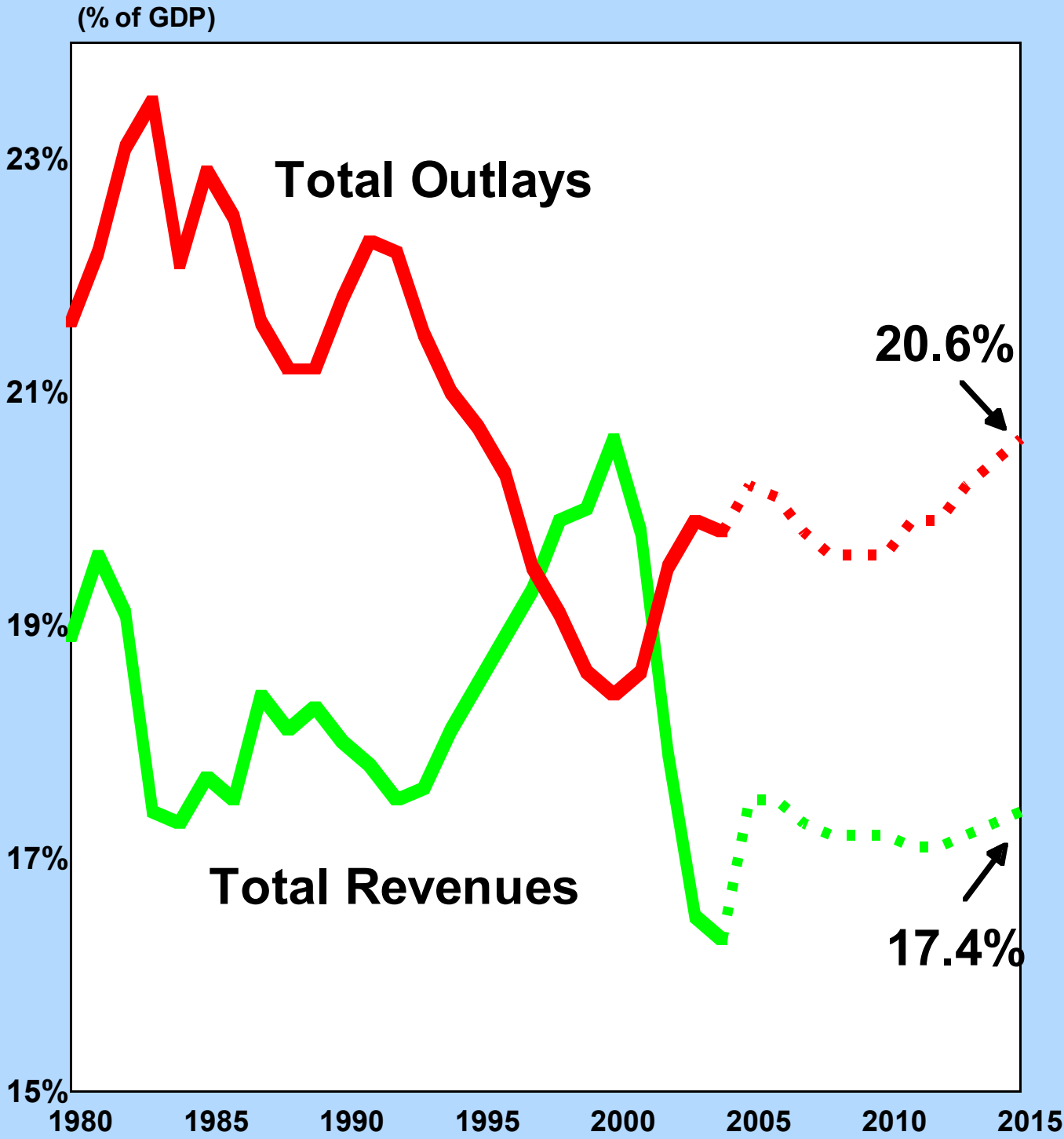
Source: OMB

Increase in Debt in 2005 is Far Greater Than the \$319 Billion Deficit



Source: OMB, Treasury

Spending and Revenues



Source: CBO, OMB, and SBC Democratic staff

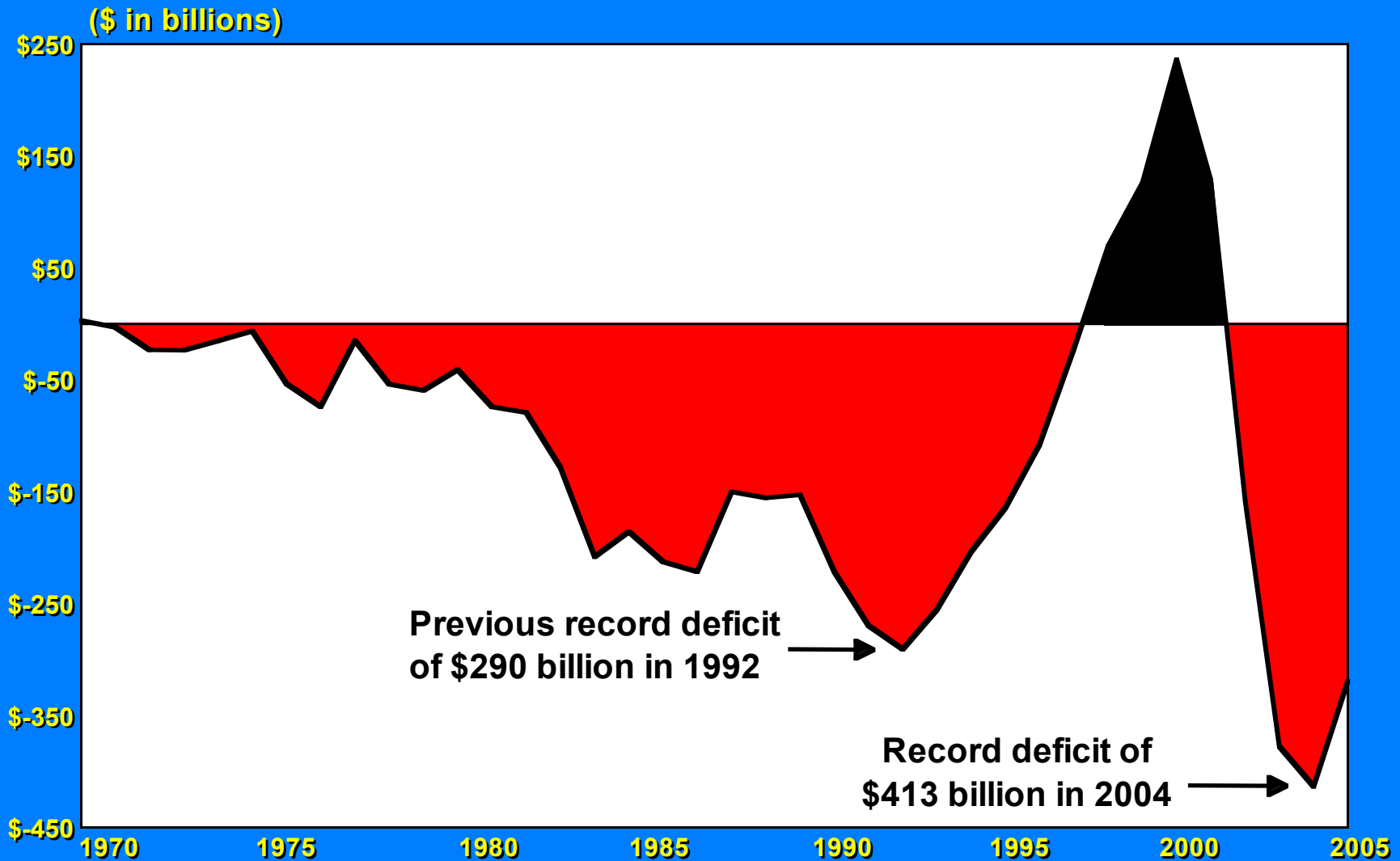
Note: CBO August 2005 Budget and Economic Outlook, with administration's policies as reestimated by CBO in March and CBO's estimate of ongoing war costs and AMT reform.

Bush Administration Tried to Downplay Significance of Deficits

“[O]ur budget gap is small by historical standards.”

**– President Bush’s FY 2004 Budget, page 1
February 2003**

Budget Deficit Hits Record Levels Under Bush Administration



Source: CBO

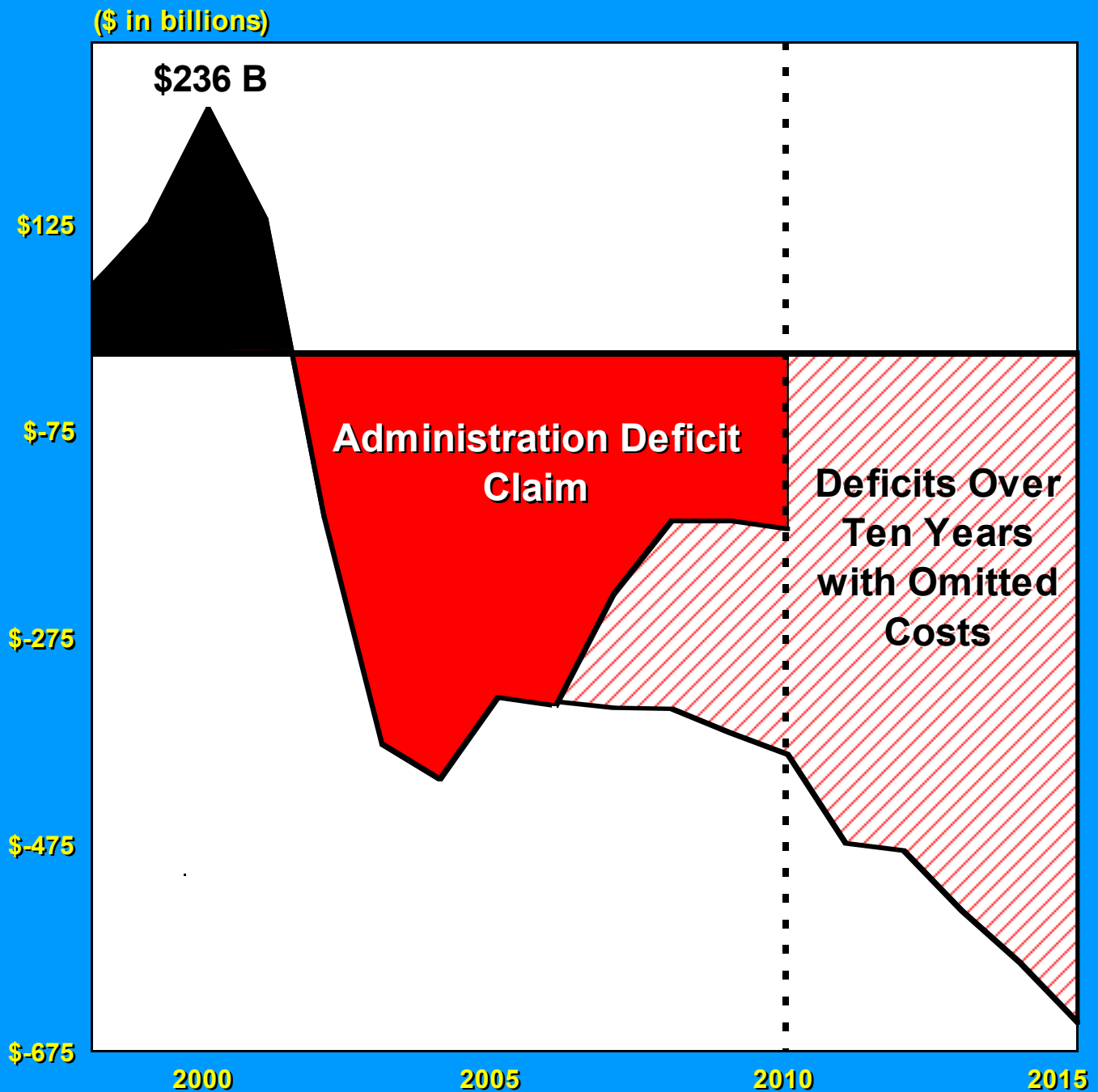
Dec 18

Bush Administration Promised Deficits Will be Reduced in the Future

**So I can say to you that the deficit
will be cut in half over the next
five years...”**

**– President George W. Bush
Remarks in Annandale, Virginia
August 9, 2004**

Long-Term Budget Outlook



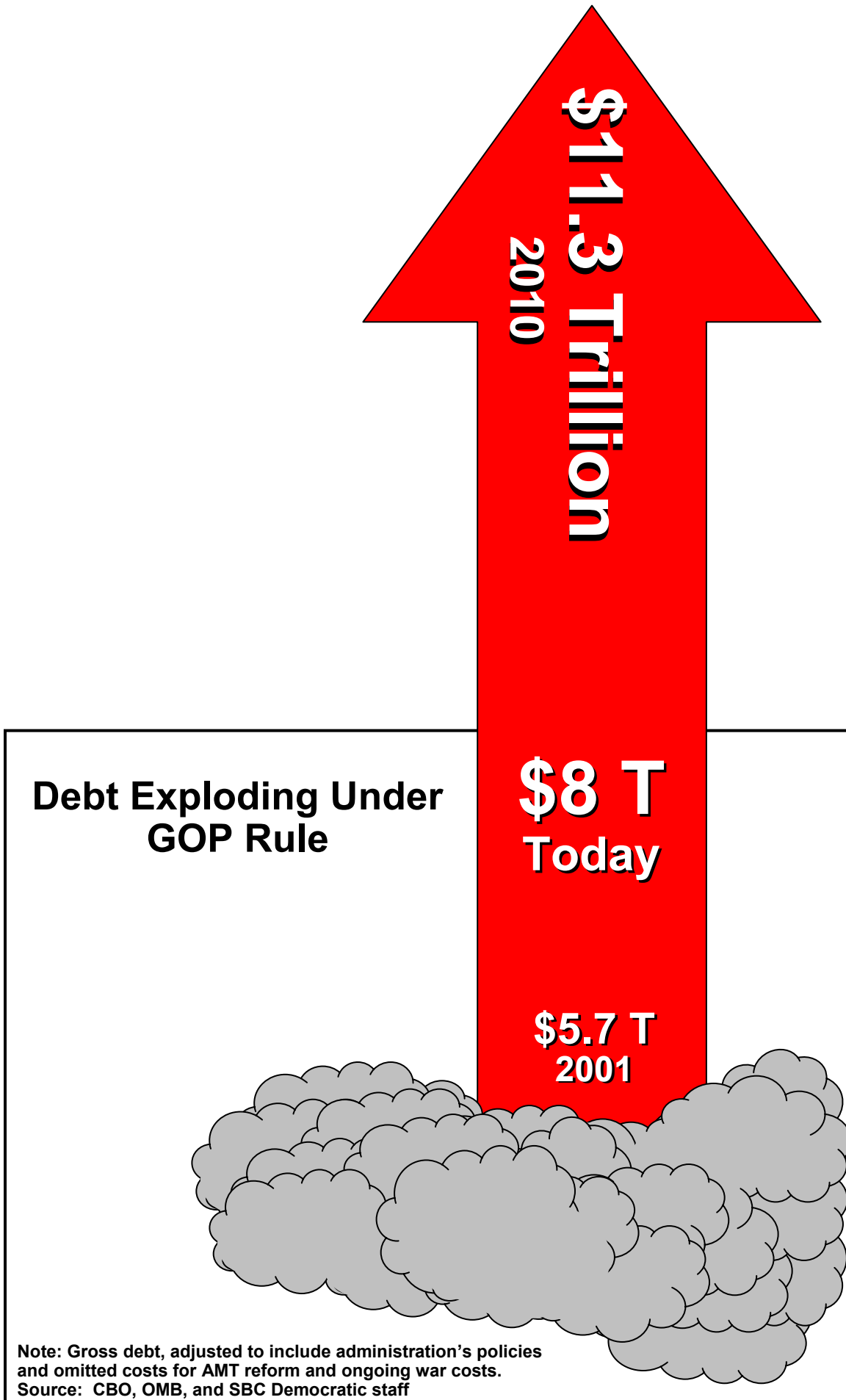
Source: OMB, CBO, SBC Democratic staff

Note: CBO August 2005 Budget and Economic Outlook, with administration's policies as reestimated by CBO in March and CBO's estimate of ongoing war costs and AMT reform.

Bush Administration on Importance of Paying Down Debt

“...(M)y budget pays down a record amount of national debt. We will pay off \$2 trillion of debt over the next decade. That will be the largest debt reduction of any country, ever. Future generations shouldn't be forced to pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren.”

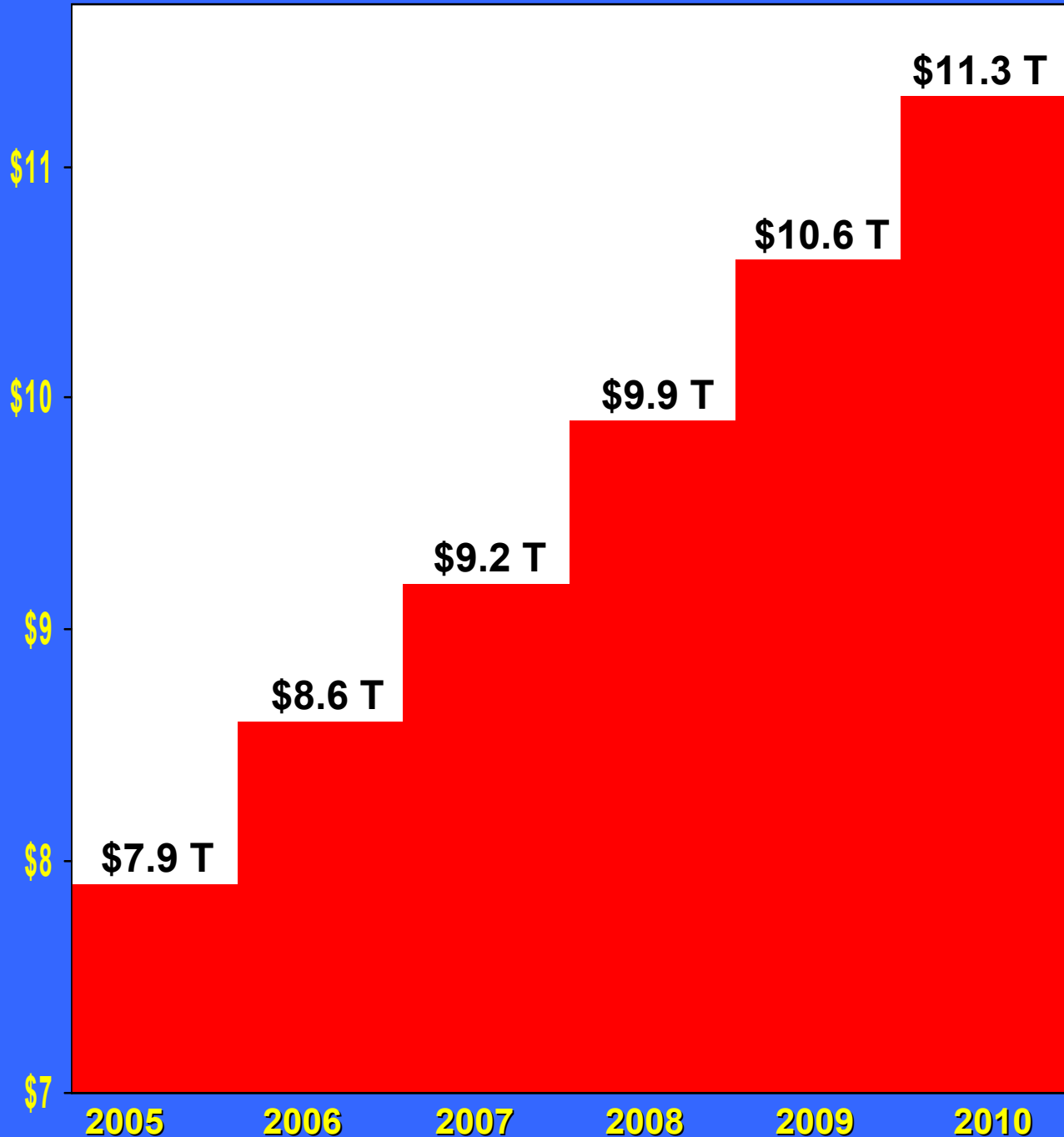
**–President George W. Bush
Radio Address
March 3, 2001**



Building a Wall of Debt

Gross Federal Debt Soars

(\$ in trillions)



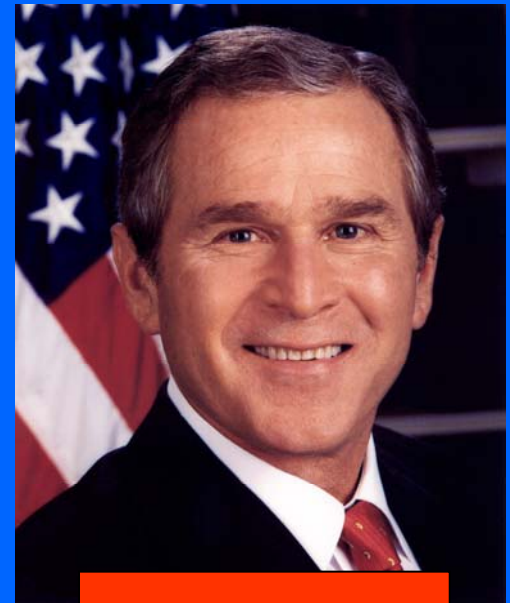
Note: Gross debt, adjusted to include administration's policies and omitted costs for AMT reform and ongoing war costs.
Source: CBO, OMB, and SBC Democratic staff

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)



\$1.09 T

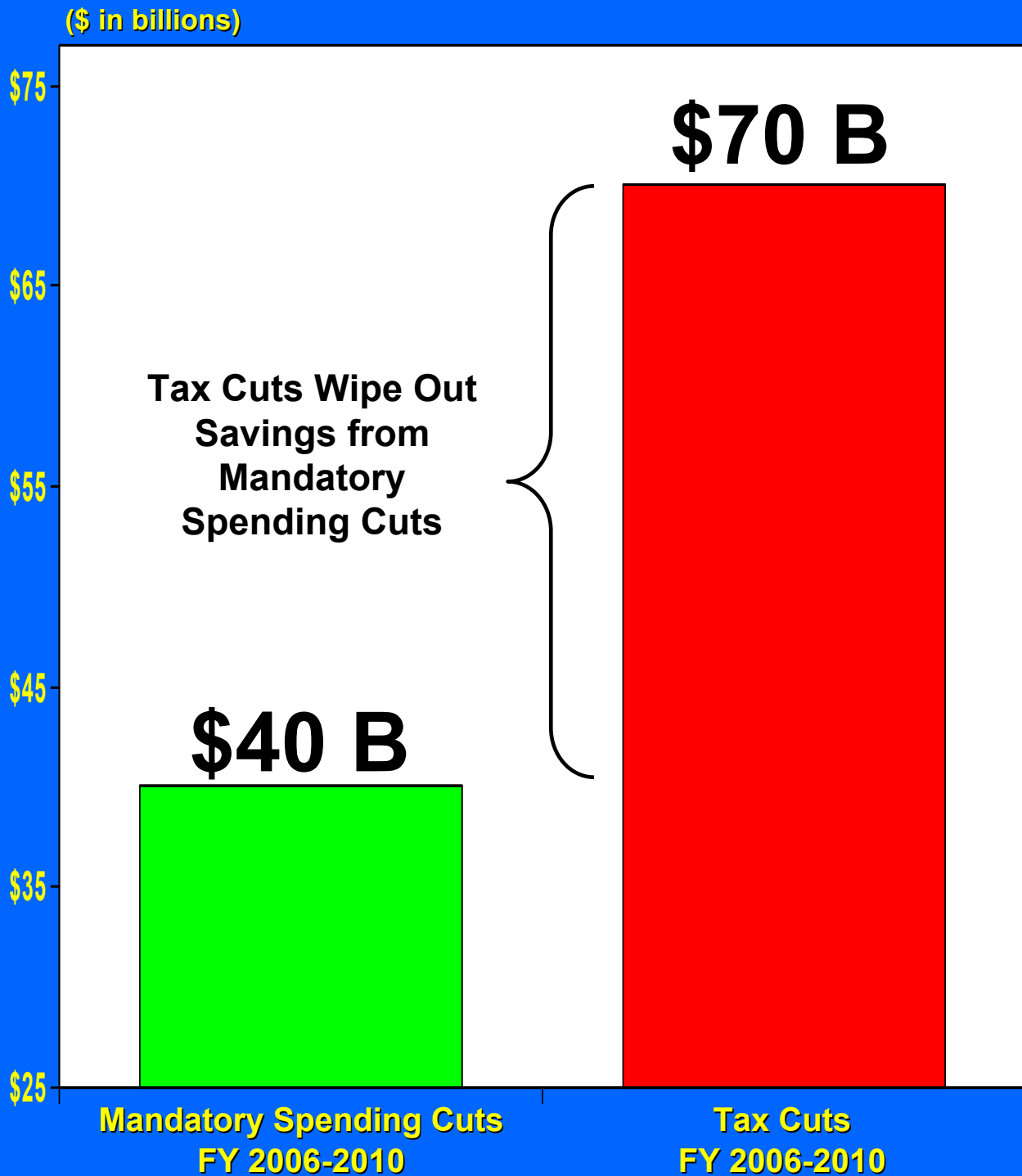
5 Years
(2001-2005)

Top Ten Countries Holding Our National Debt

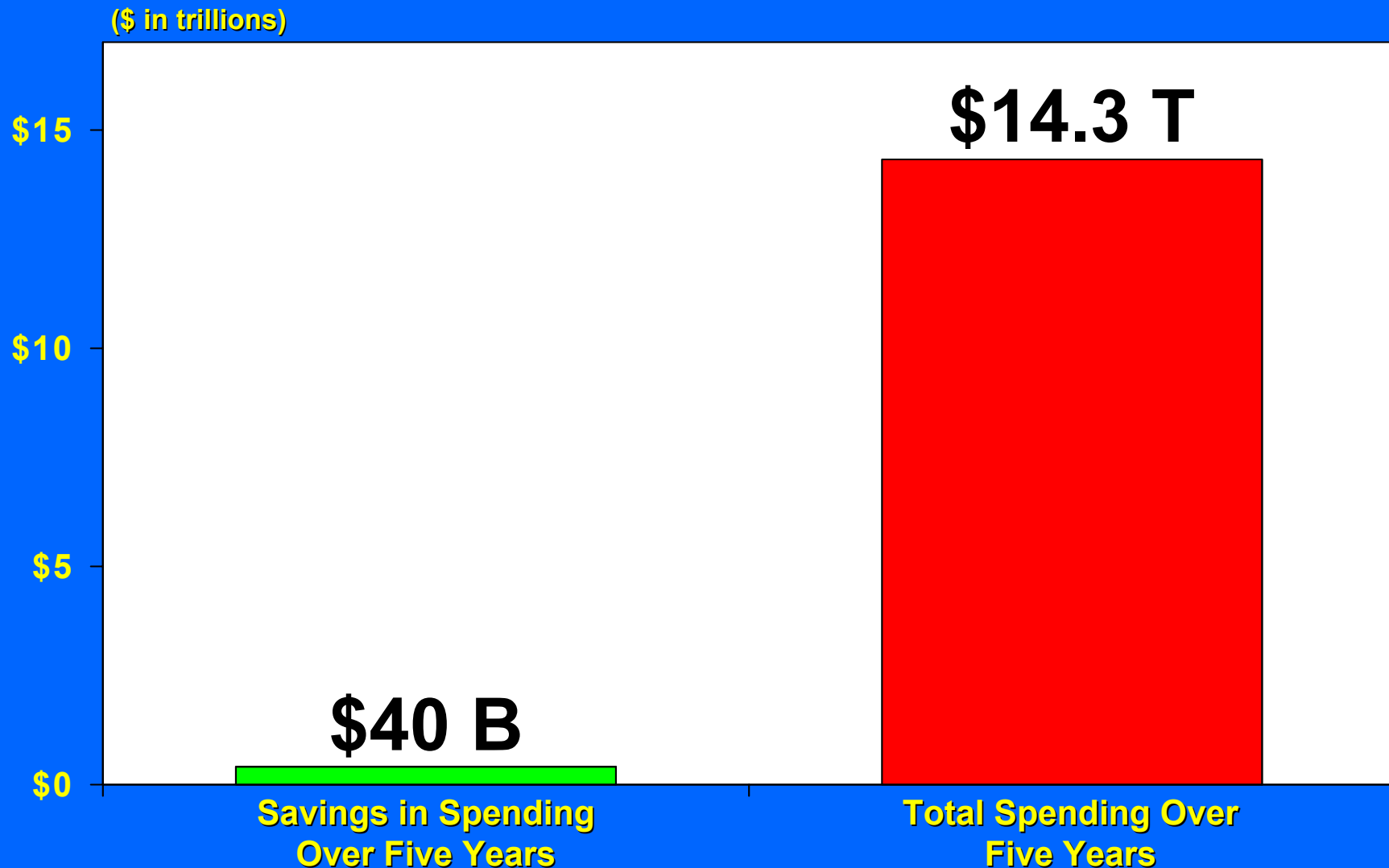
Japan	\$682 B
China	\$248 B
United Kingdom	\$187 B
“Caribbean Banking Centers”	\$114 B
Taiwan	\$72 B
Germany	\$64 B
OPEC	\$64 B
South Korea	\$61 B
Canada	\$52 B
Hong Kong	\$48 B

Source: Department of Treasury
Note: As of October 2005

Budget Reconciliation Increases Deficit by \$30 Billion



Reconciliation Savings Total Less Than Three One-Hundredths of a Percentage Point of Spending Over Next Five Years



Source: CBO, SBC Democratic staff

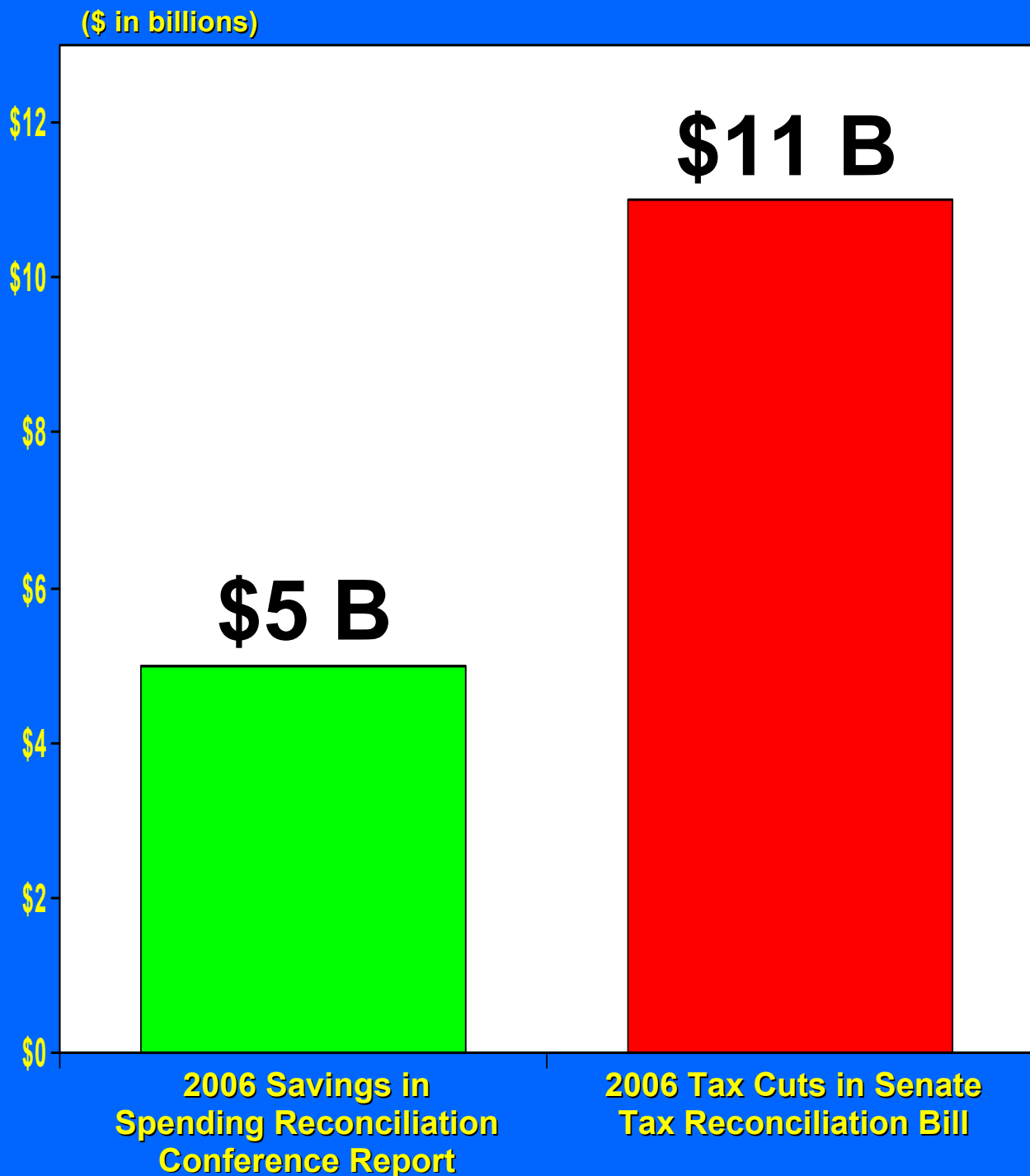
Note: Compares five-year savings with total federal spending over five years under CBO August 2005 Budget and Economic Outlook, with President's policies as re-estimated by CBO in March and CBO's estimate of ongoing war costs and AMT reform.

Spending Cuts Being Done to Make Room for More Tax Cuts

“...House Ways and Means Committee Chairman Bill Thomas told a group of GOP lobbyists that the spending cuts are necessary to make room for tax cutting legislation.”

**–White House Bulletin
November 14, 2005**

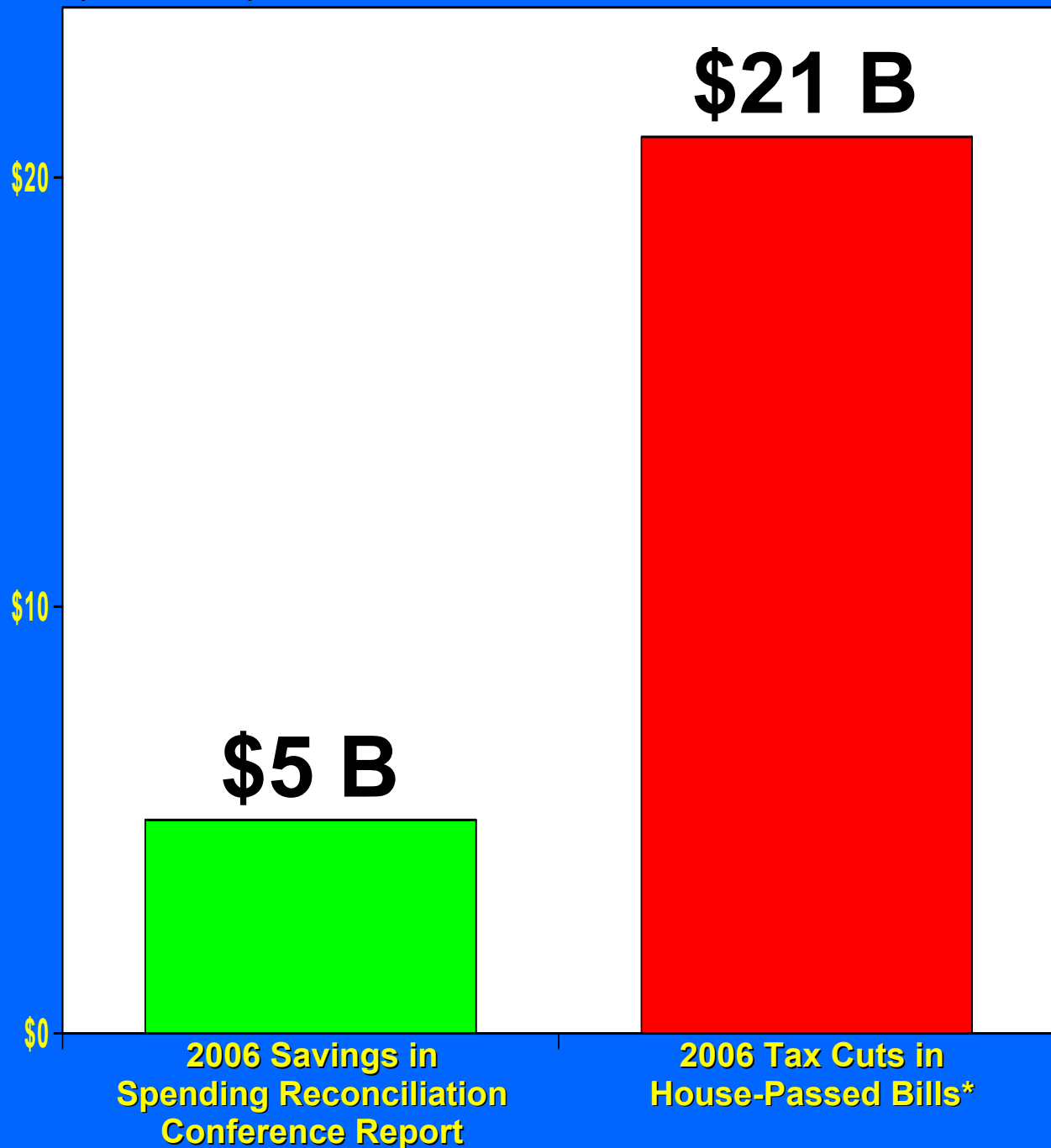
Senate-Passed Tax Cuts More Than Twice as Large as Spending Cuts in 2006



Source: CBO, JCT and SBC Democratic staff

House-Passed Tax Cuts More Than Four Times as Large as Spending Cuts in 2006

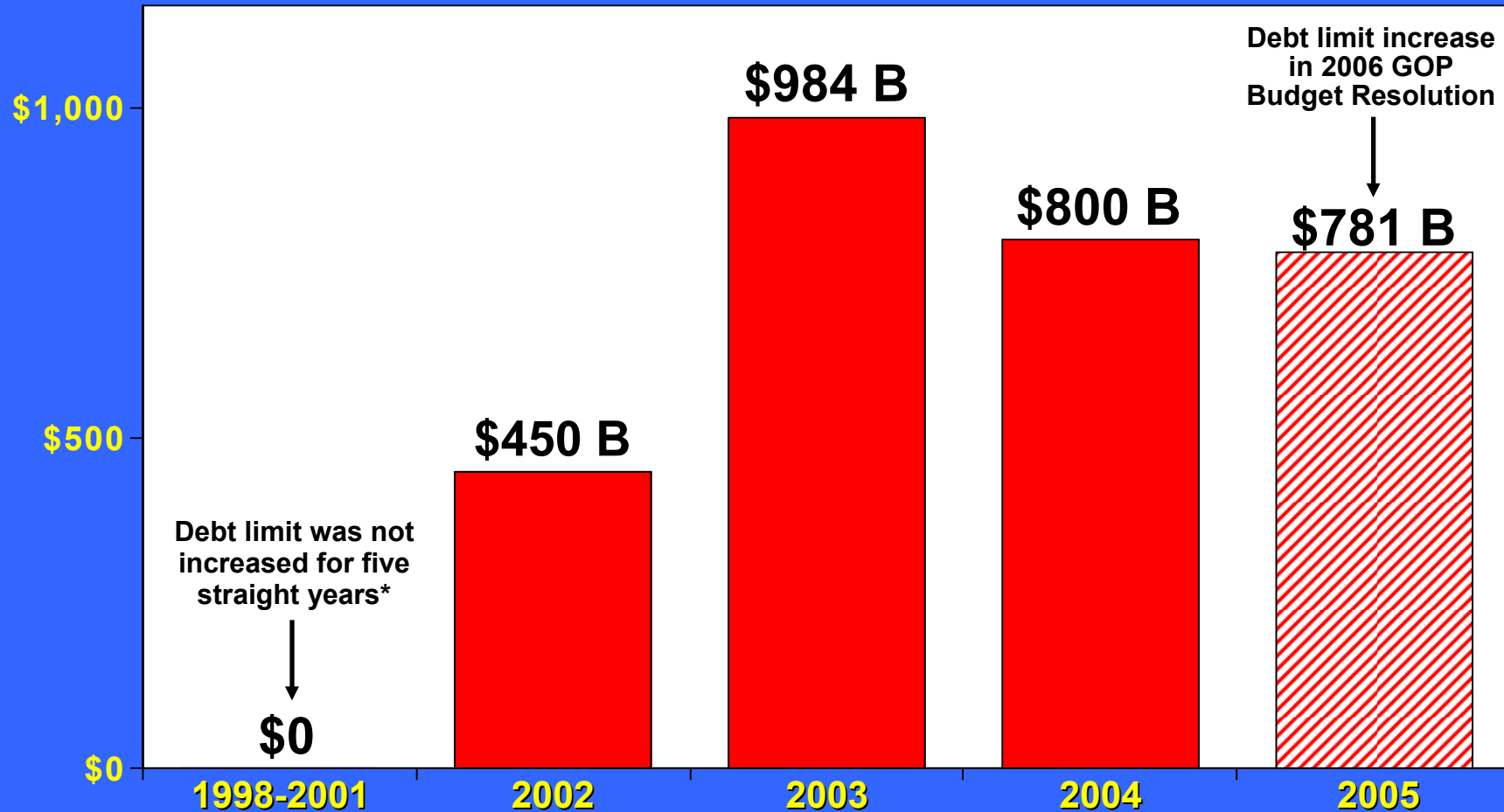
(\$ in billions)



*Includes tax cuts passed outside of reconciliation.
Source: CBO, JCT and SBC Democratic staff

Debt Limit Increases \$3 Trillion Under President Bush

(\$ in Billions, Annual Increases in Statutory Debt Limit)



Debt limit was not increased for five straight years*

\$0

Debt limit increase in 2006 GOP Budget Resolution

\$781 B

*Debt limit was not increased between August 1997 and June 2002.
Source: OMB and 2006 GOP Budget Resolution

Federal Reserve Chairman Greenspan Opposes Deficit-Financed Tax Cuts

**“...[W]e should not be cutting taxes
by borrowing.”**

**– Federal Reserve Chairman Alan Greenspan
Testimony before Joint Economic Committee
November 3, 2005**

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.”

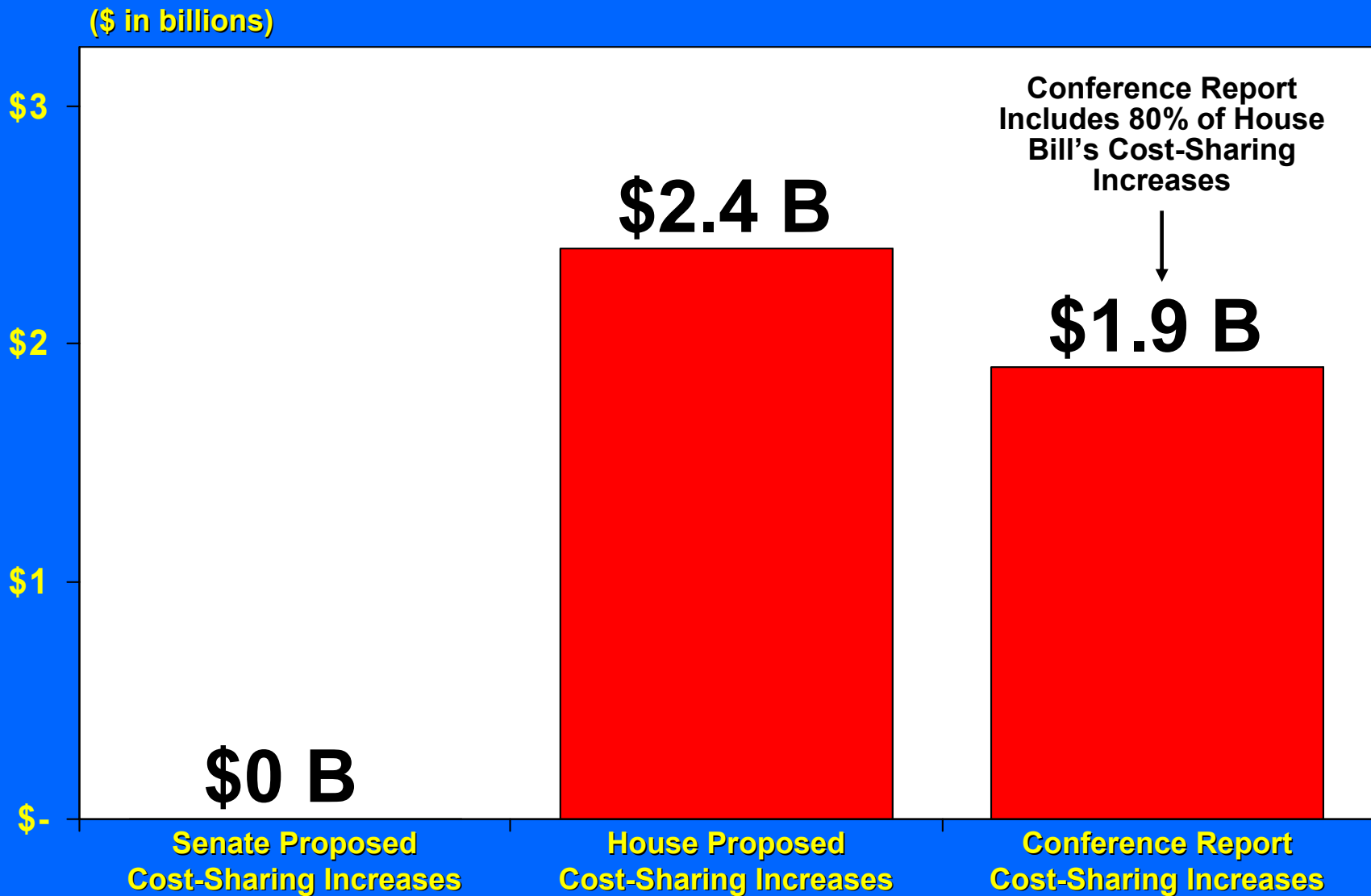
**– Federal Reserve Chairman Alan Greenspan
Testimony before House Budget Committee
March 2, 2005**

Many Reconciliation Provisions Similar to House Version

Includes:

- **Most of House Medicaid cuts targeting low-income beneficiaries**
- **Some of child support enforcement cuts**
- **Many of House foster care cuts**
- **Delayed SSI benefit payments for poor disabled individuals as proposed by House**
- **New TANF work requirements imposing unfunded mandate on states**

Wrong Priorities: Reconciliation Bill Unfairly Targets Medicaid Beneficiaries



Source: CBO

Wrong Priorities: Reconciliation Bill Unfairly Cuts Child Support

“What can the House leadership be thinking?”

“...The President’s 2006 budget cites the child support program as ‘one of the highest rated block/formula grants of all reviewed programs government-wide.’”

“This is a program that epitomizes the value of parental responsibility – increasing family self-sufficiency, decreasing public assistance use, reducing out-of-wedlock births, and discouraging divorces.”

**–Center for Law and Social Policy
November 17, 2005**

Wrong Priorities: Reconciliation Bill Hurts U.S. Companies, Farmers, and Workers

Reconciliation bill repeals anti-dumping provision

- eliminating assistance that benefits U.S. companies, farmers, and workers who have been targets of unfair and predatory trade practices**