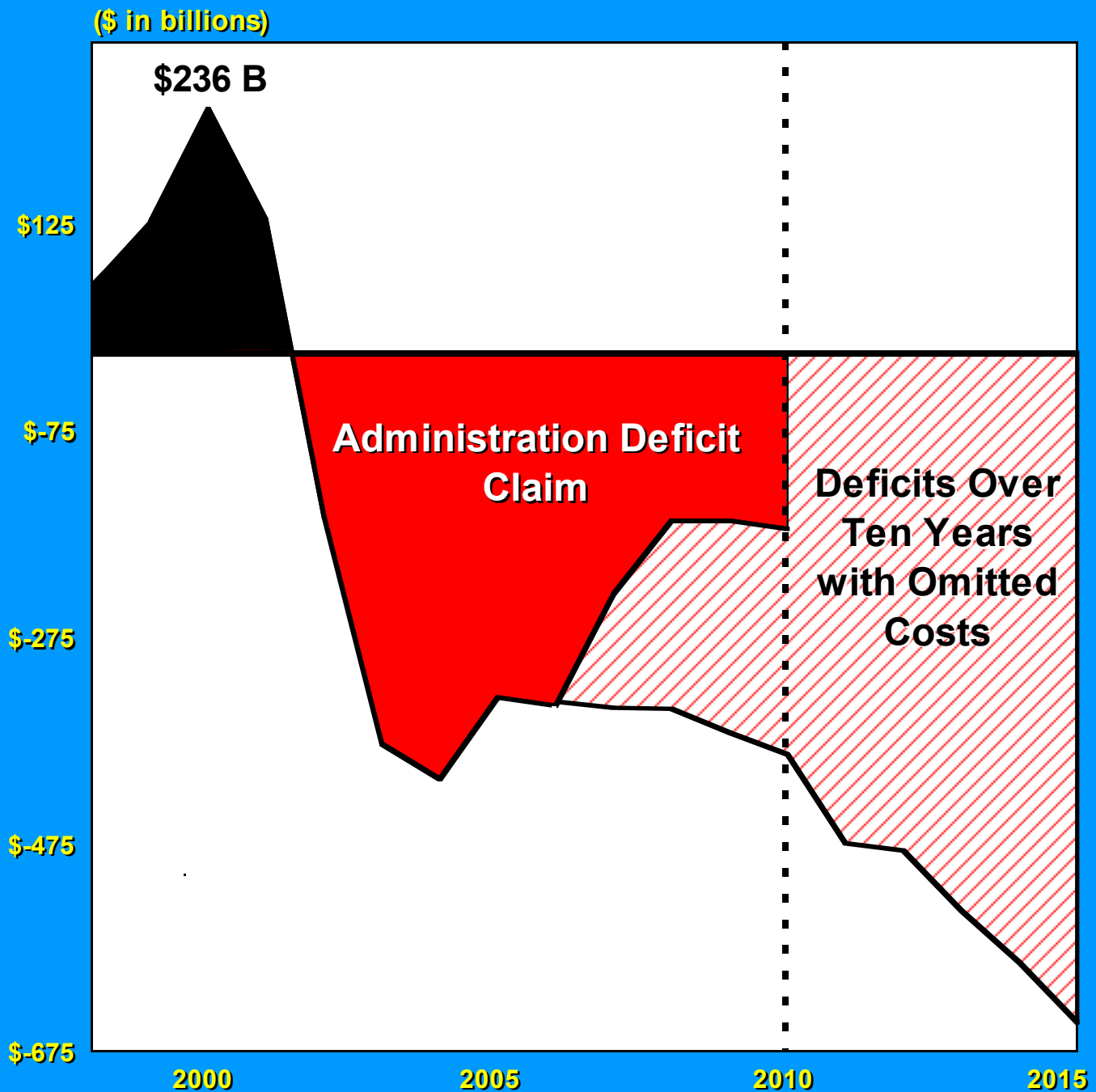


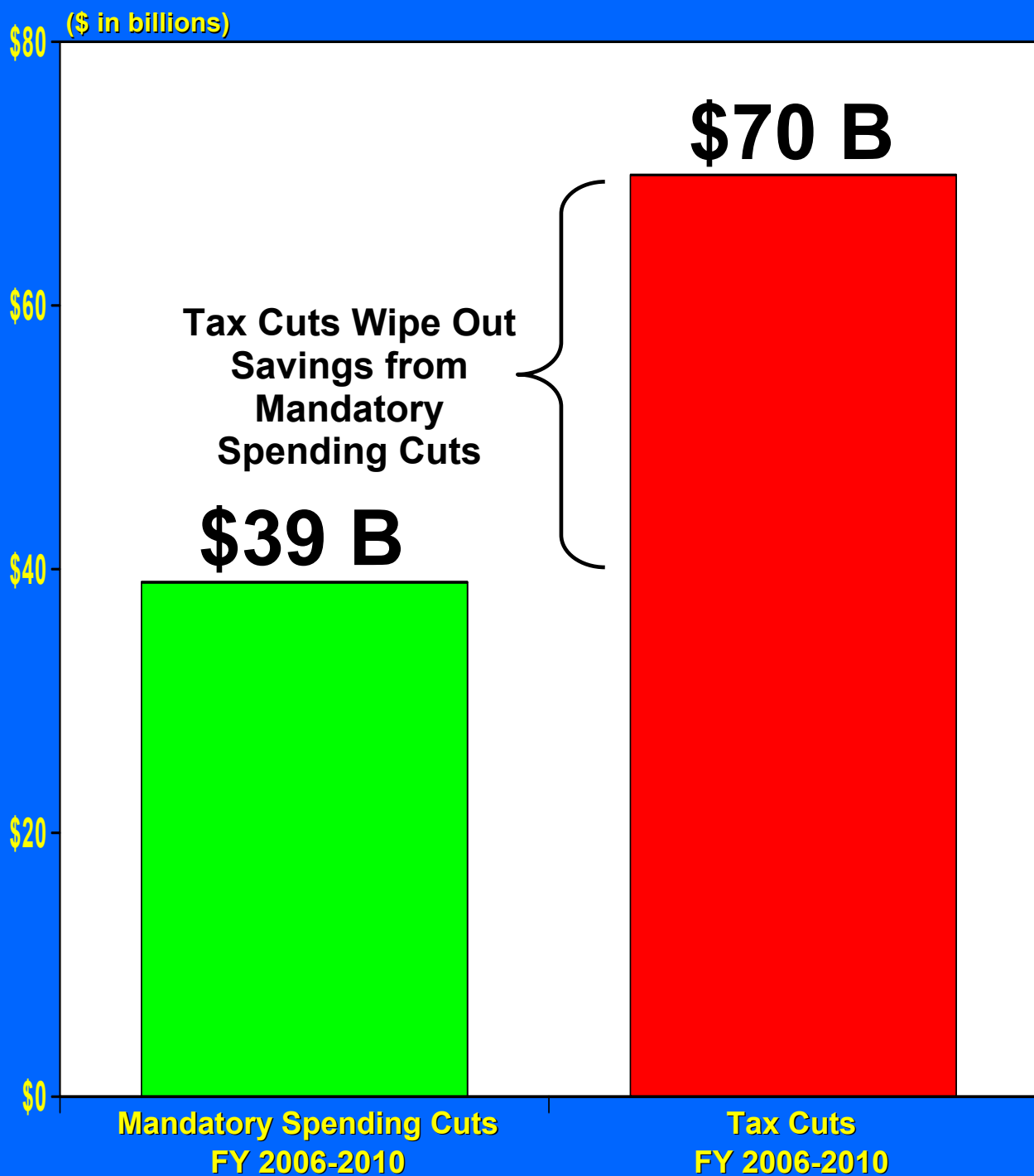
Long-Term Budget Outlook



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.

GOP Budget Reconciliation Increases Deficit by \$31 Billion



Source: CBO, FY 2006 GOP Budget Resolution

Federal Reserve Chairman Greenspan on Restoring PAYGO

REP. SPRATT: “Let me ask you this. You said you were for extension of the original PAYGO rule, which would apply to tax cuts as well as to entitlement increases. Does that mean you would advise us that as we approach these sunsets and expirations in existing tax cuts, that they be offset before the renewal be passed?”

MR. GREENSPAN: “Yes, sir.”

– Federal Reserve Chairman Alan Greenspan
Testimony before House Budget Committee
February 25, 2004

Federal Reserve Chairman Greenspan Opposes Deficit-Financed Tax Cuts

“If you’re going to lower taxes, you shouldn’t be borrowing essentially the tax cut. And that over the long run is not a stable fiscal situation.”

- Federal Reserve Chairman Alan Greenspan
Testimony before House Budget Committee
September 8, 2004**

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

Conrad-Nelson-Feingold Amendment Eliminates Pay-Go Loophole

Current GOP Pay-Go Rule

- Exempts all tax cuts and mandatory spending increases assumed in any budget resolution, no matter how much they increase deficits

Loophole:

Failure to include stronger pay-go rule allows \$351 billion in deficit-financed tax cuts or mandatory spending over 2006-2015 with only 51 votes.

Stronger Conrad-Nelson-Feingold Pay-Go Rule

- All mandatory spending and tax cuts that increase deficits must be paid for, or require 60 votes