

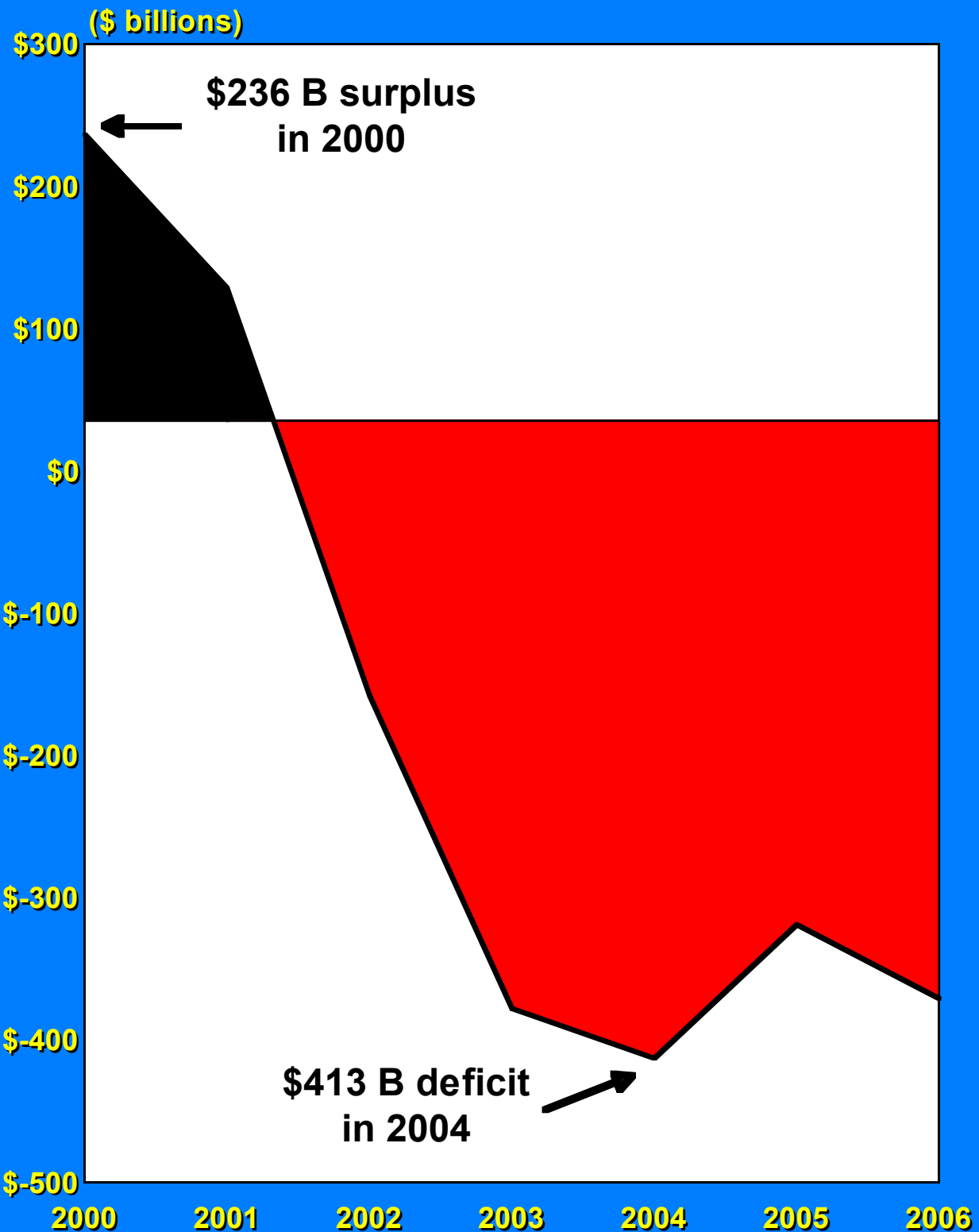
**The Debt is
the Threat.**

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**

Record Surpluses Have Been Turned into Record Deficits



Source: CBO

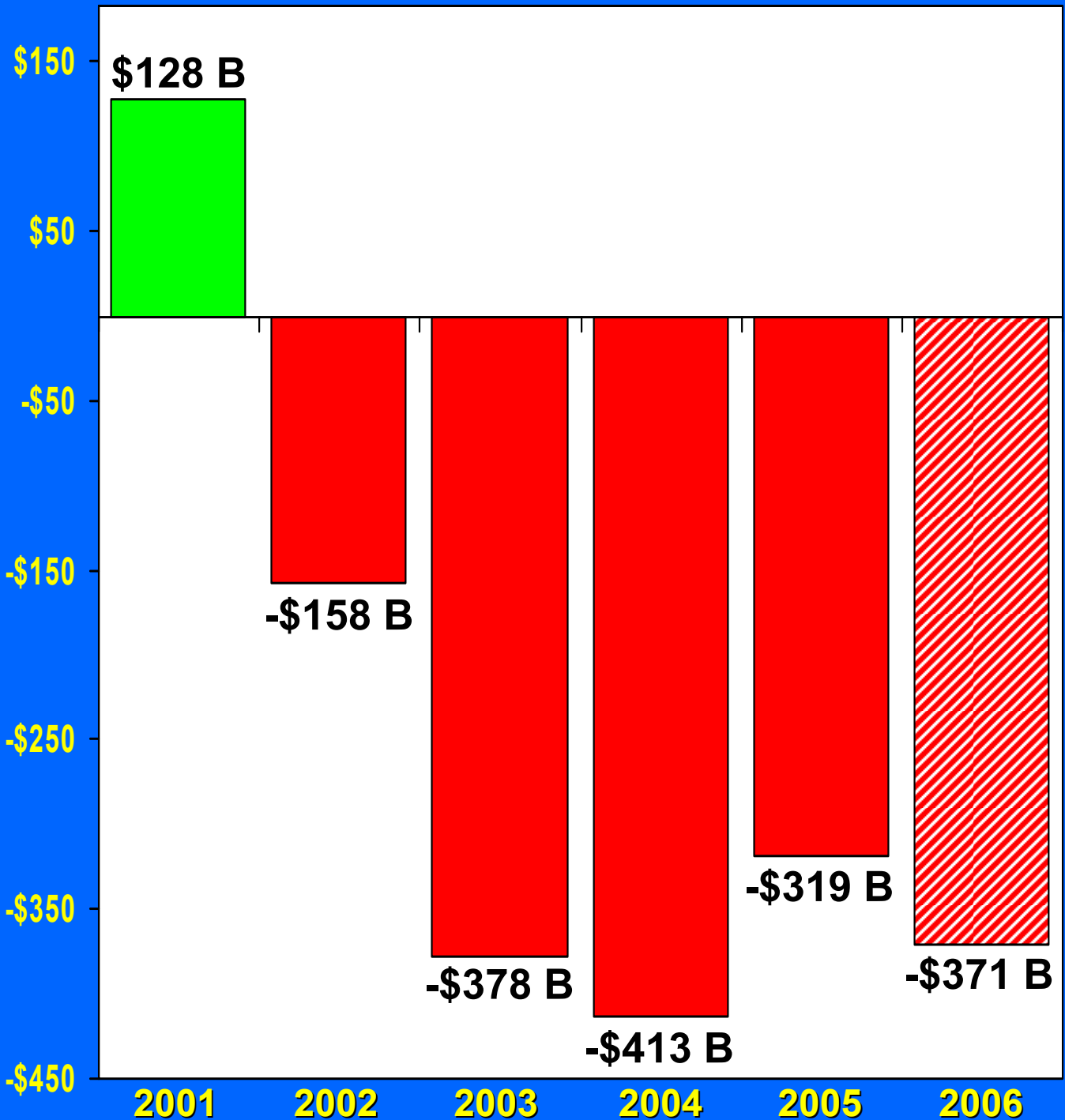
Bush Administration Promised Deficits Would be Small and Short-Term

**“...[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**

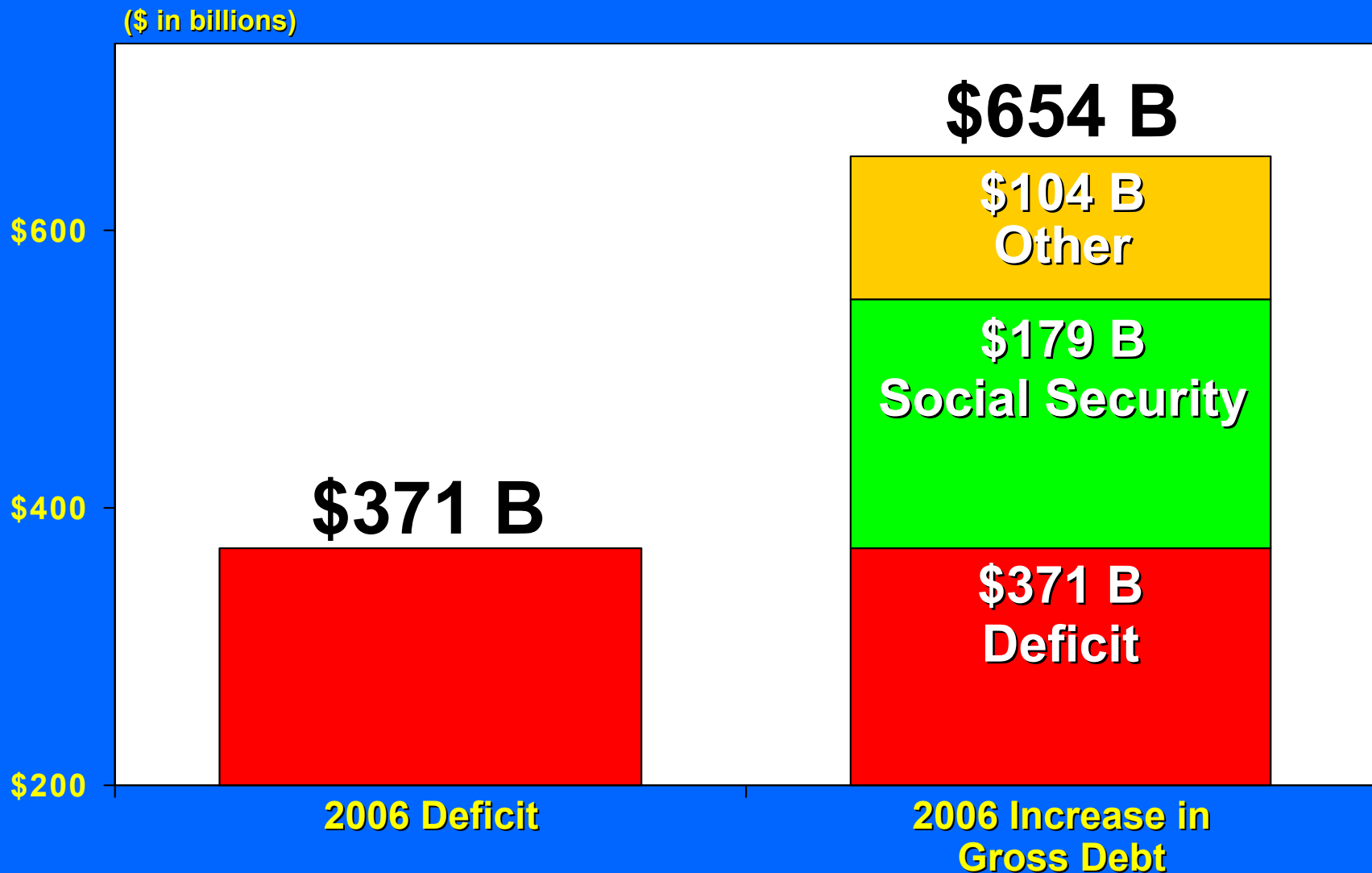
Dramatic Deterioration in Budget Picture

(Deficit in billions of \$)



Source: CBO, OMB

Increase in Debt in 2006 is Far Greater Than the \$371 Billion Deficit



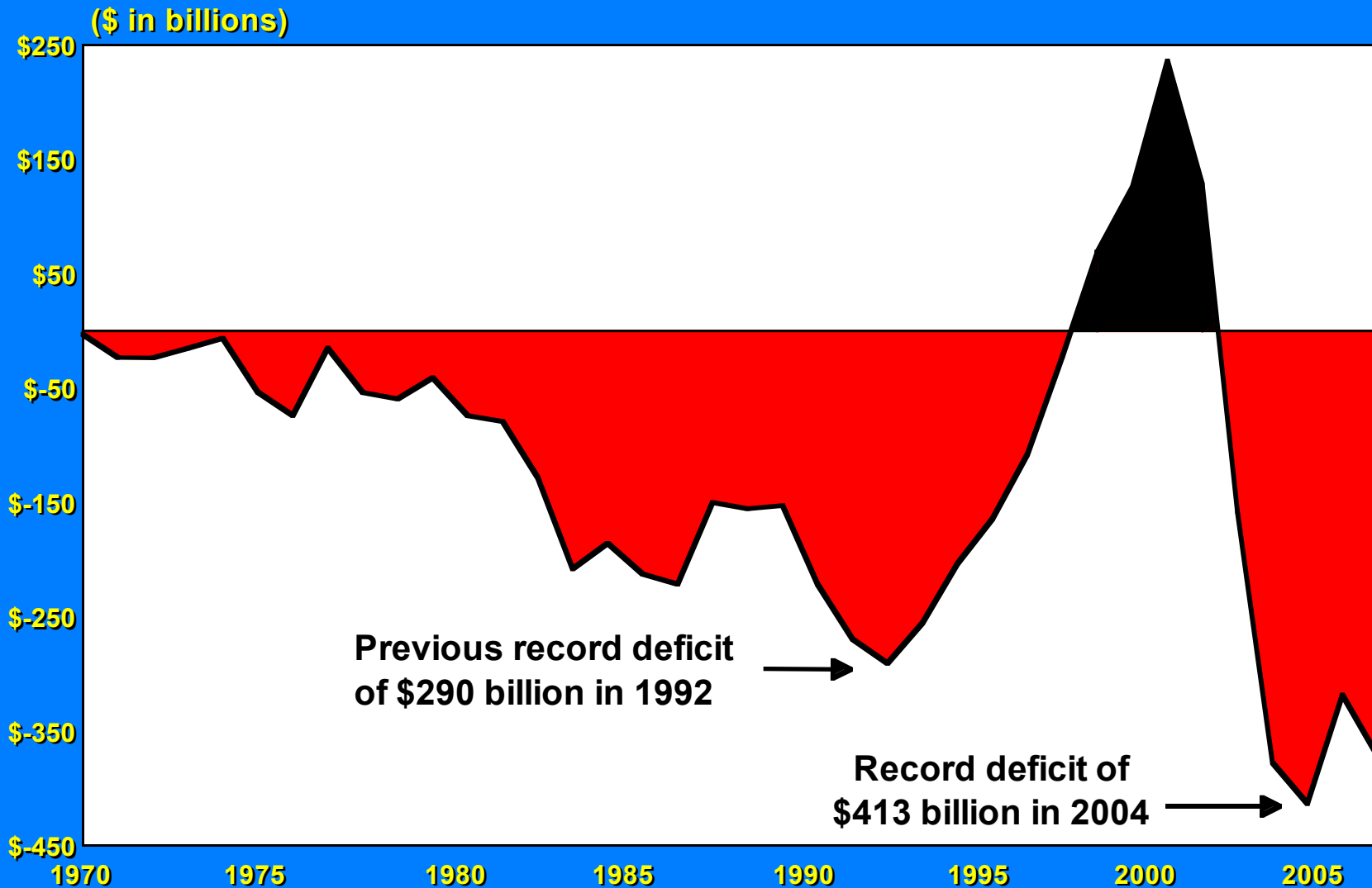
Source: CBO and SBC Democratic staff

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

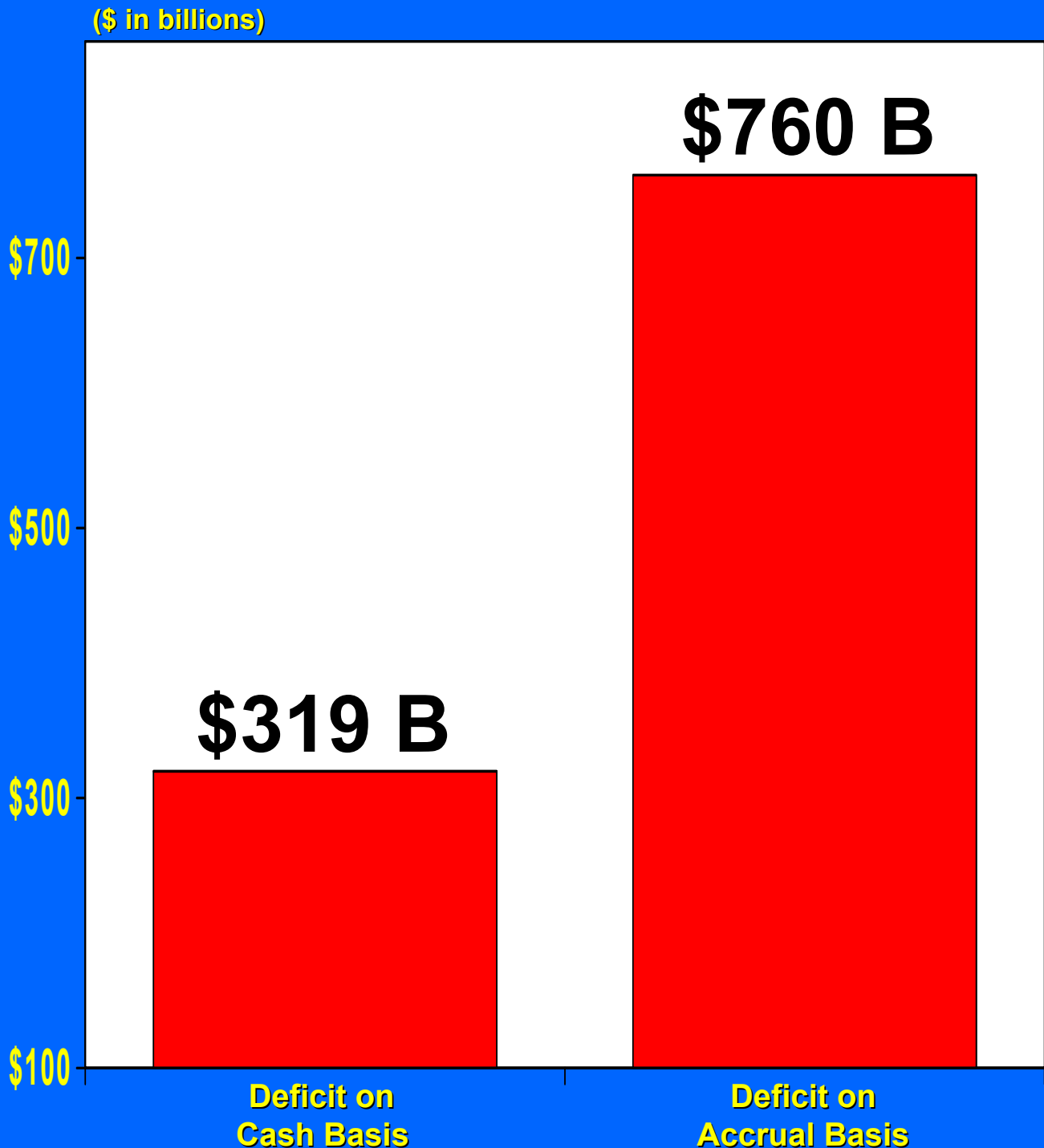
Accrual Accounting Shows Deficits Are Far Worse Than Claimed

“If the United States kept its books like General Motors and nearly every other business in the country, the 2005 budget deficit would be \$760 billion and rising, not \$319 billion and falling, as is commonly reported....

“How can two reports on the same budget be so different? It’s a matter of what’s counted. The budget figures usually bandied about in Washington are the amounts the government takes in and spends each year. The financial report, which has been an annual requirement since the mid-1990s, does what businesses are required to do: include the cost of promised benefits.”

**– Gannett News Service
March 3, 2006**

2005 Deficit Measured on Accrual Basis Much Greater Than Reported Cash Deficit of \$319 B



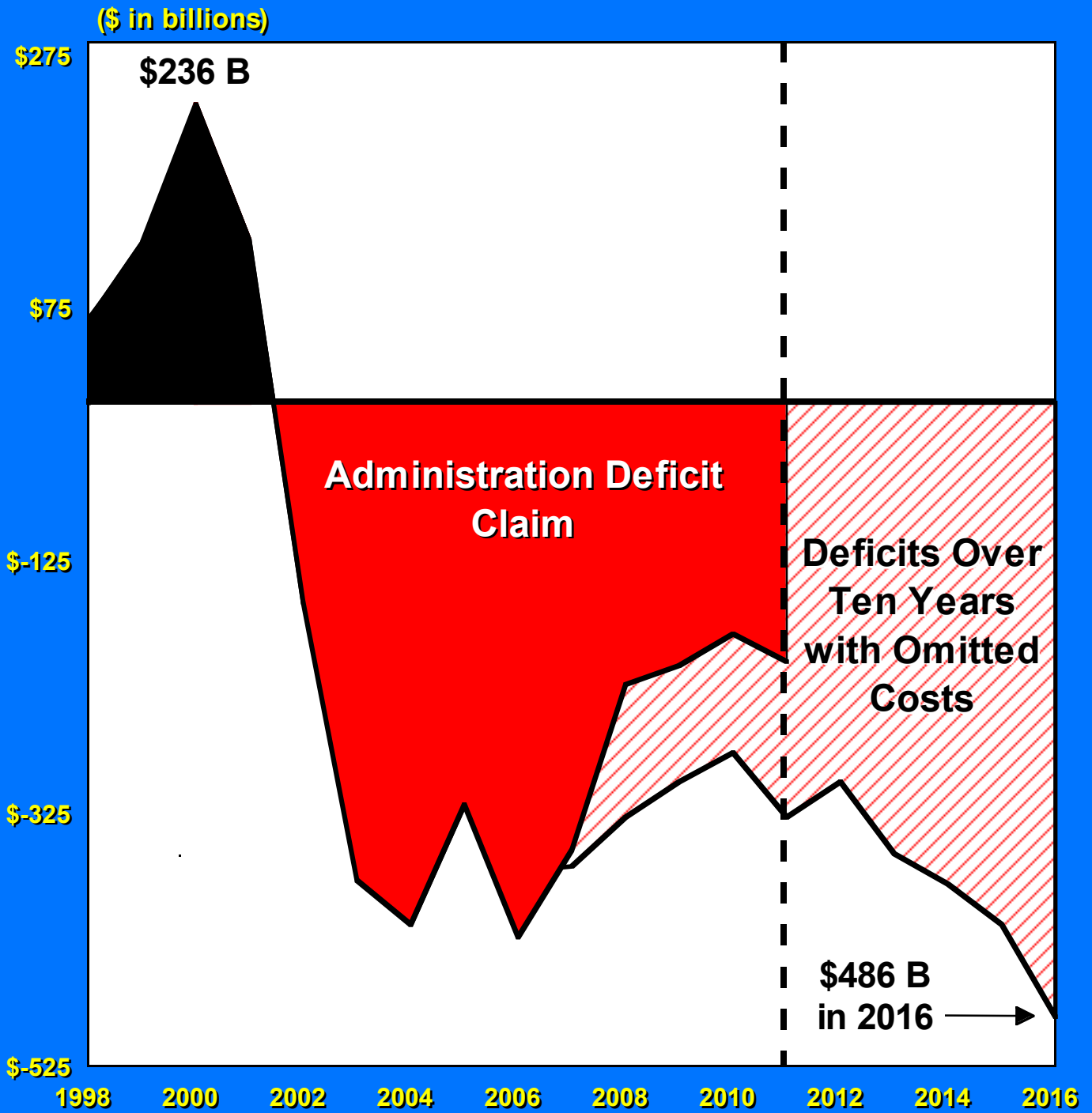
Source: Department of Treasury "2005 Financial Report of the United States Government"

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...”**

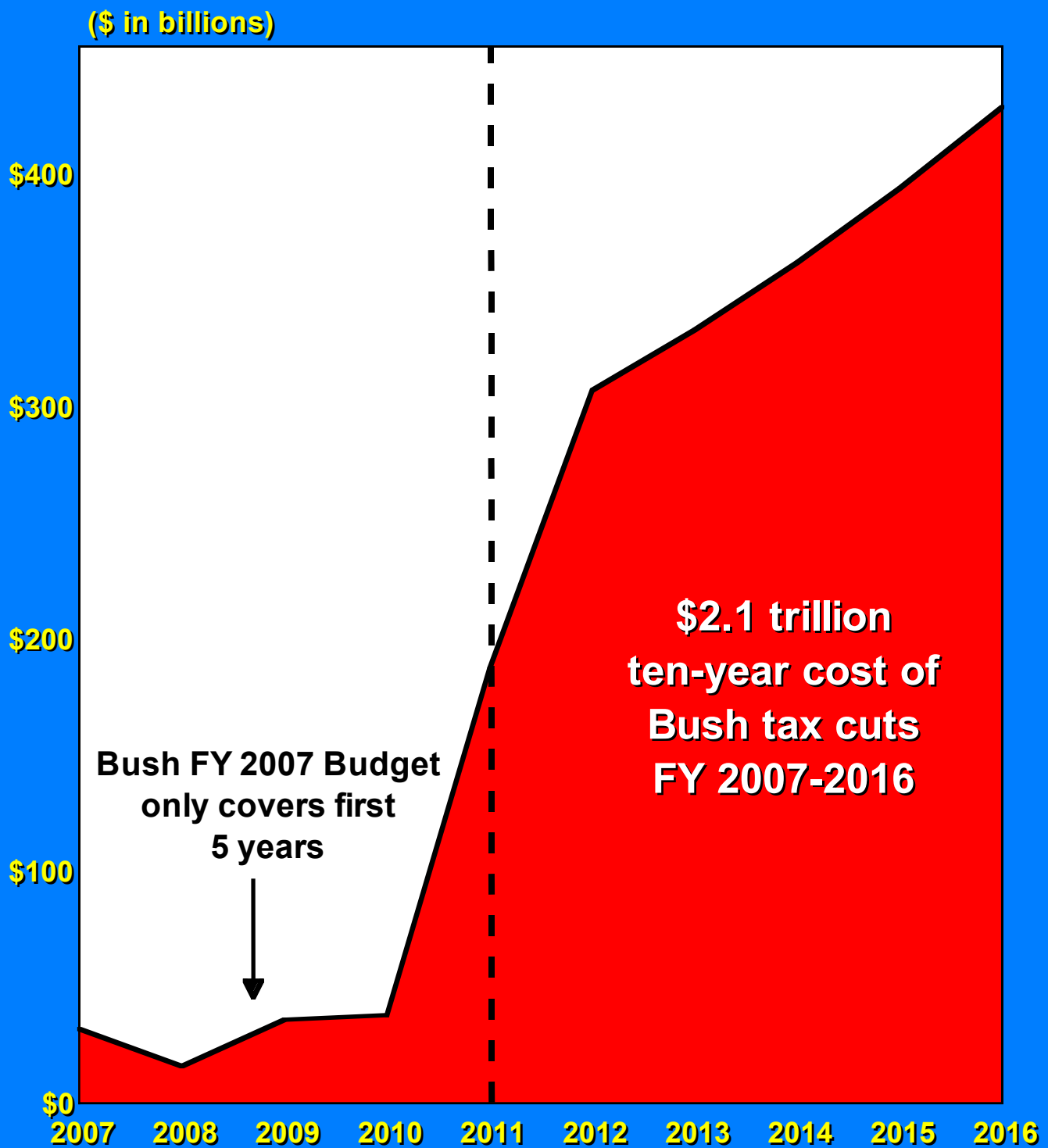
**– President George W. Bush
Remarks in Annandale, Virginia
August 9, 2004**

Long-Term Budget Outlook



Source: CBO and SBC Democratic staff
Note: CBO reestimate of President's FY 2007 budget with AMT reform and ongoing war costs.

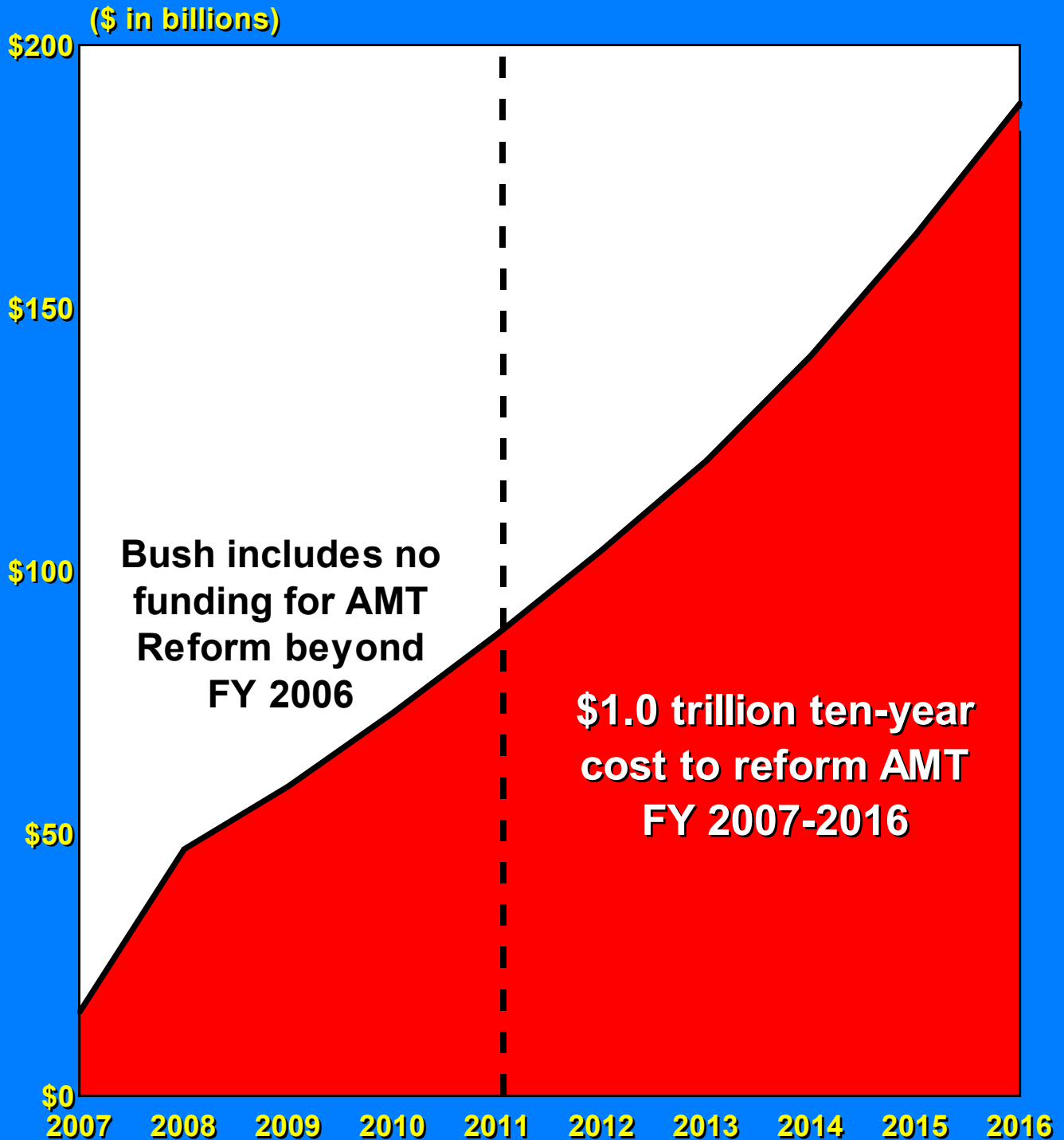
Cost of Bush Tax Cuts Explodes Outside Five-Year Budget Window



Source: CBO

Note: Includes debt service.

Cost of AMT Reform Explodes Outside Five-Year Budget Window

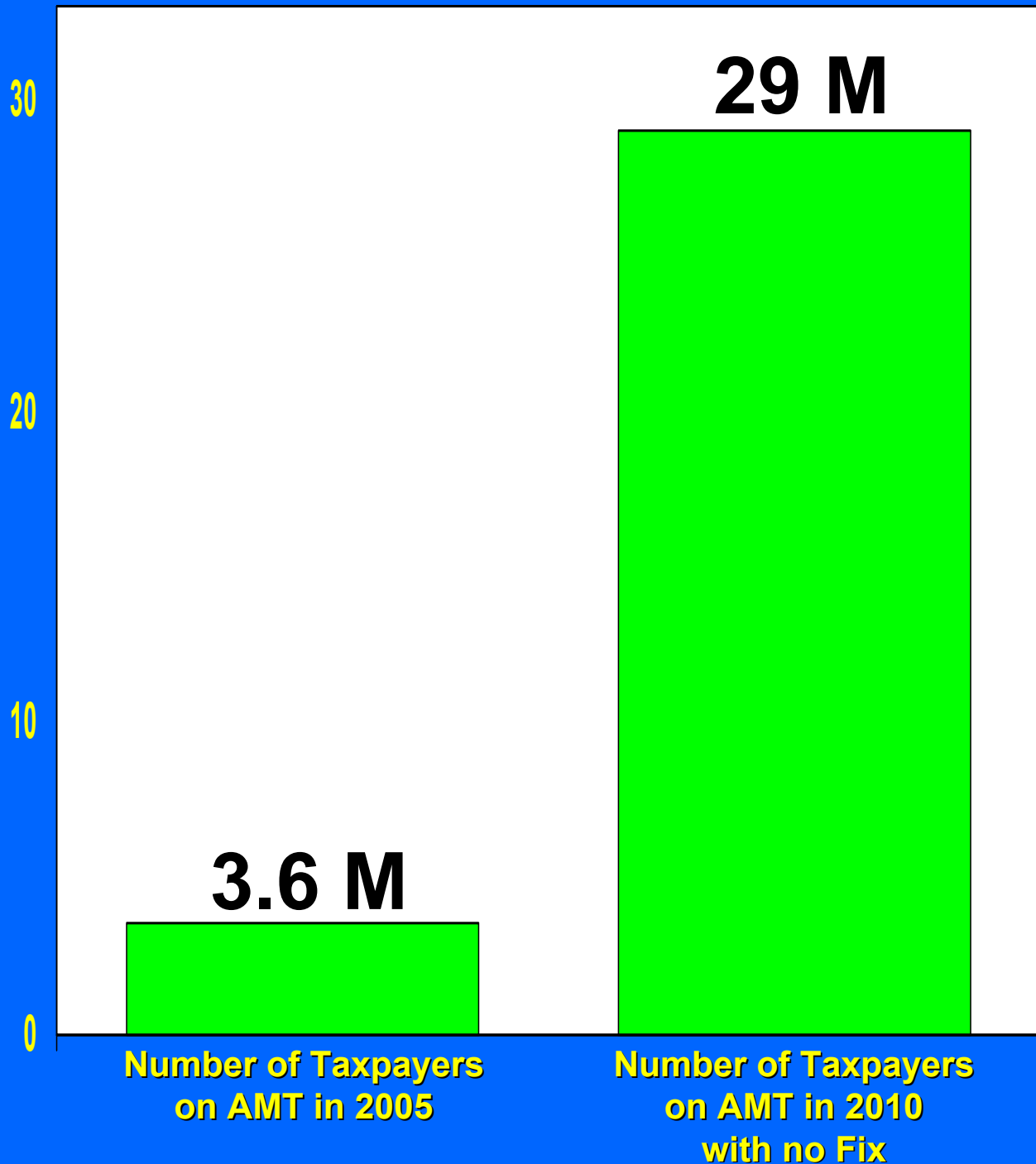


Source: CBO

Note: Includes interest cost, assumes tax cuts made permanent.

Bush Revenue Projections Assume No AMT Fix: 29 Million Taxpayers to be Hit by AMT in 2010

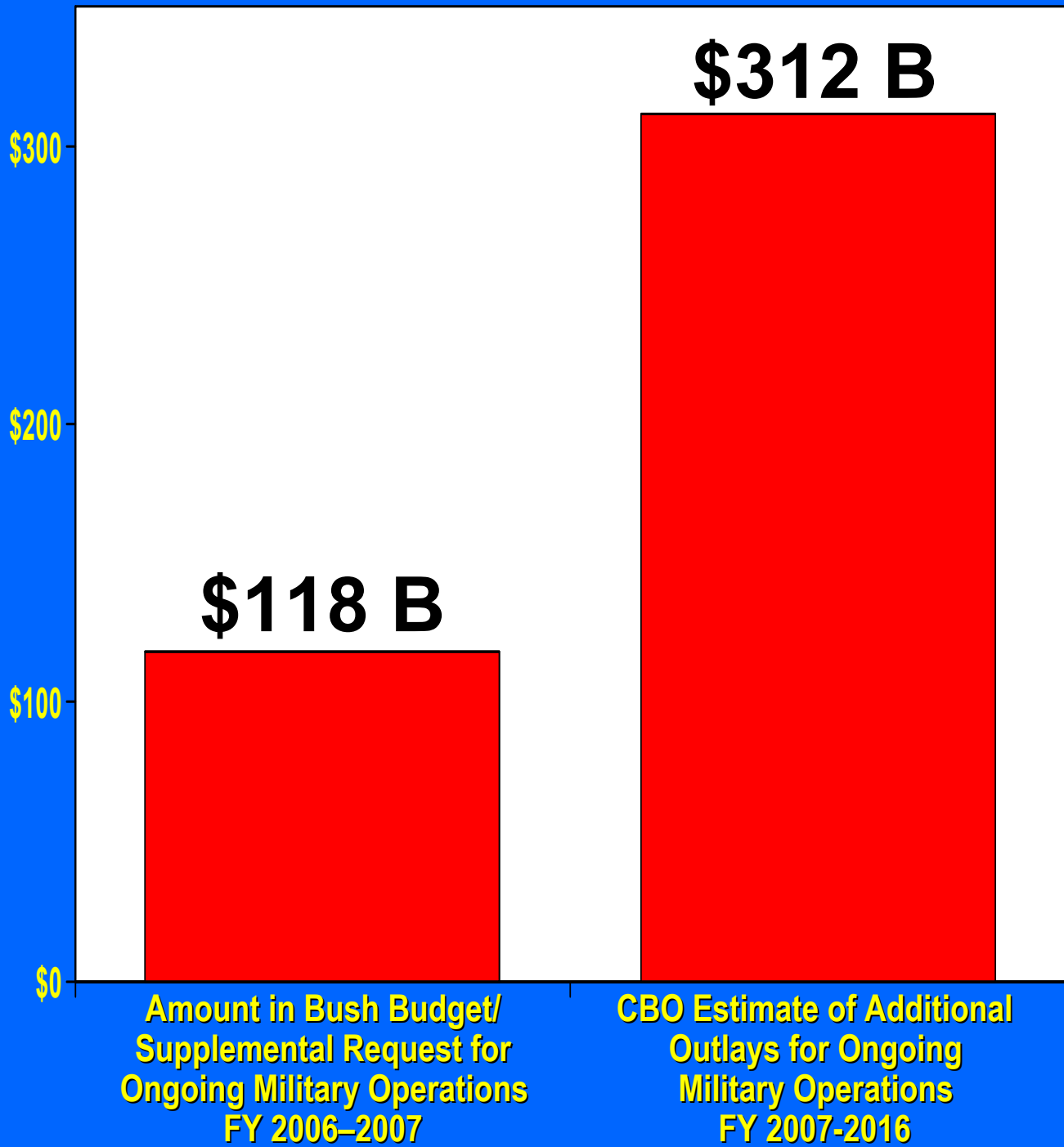
(Millions of Taxpayers)



Source: Joint Committee on Taxation

Long-Term War Costs Underfunded

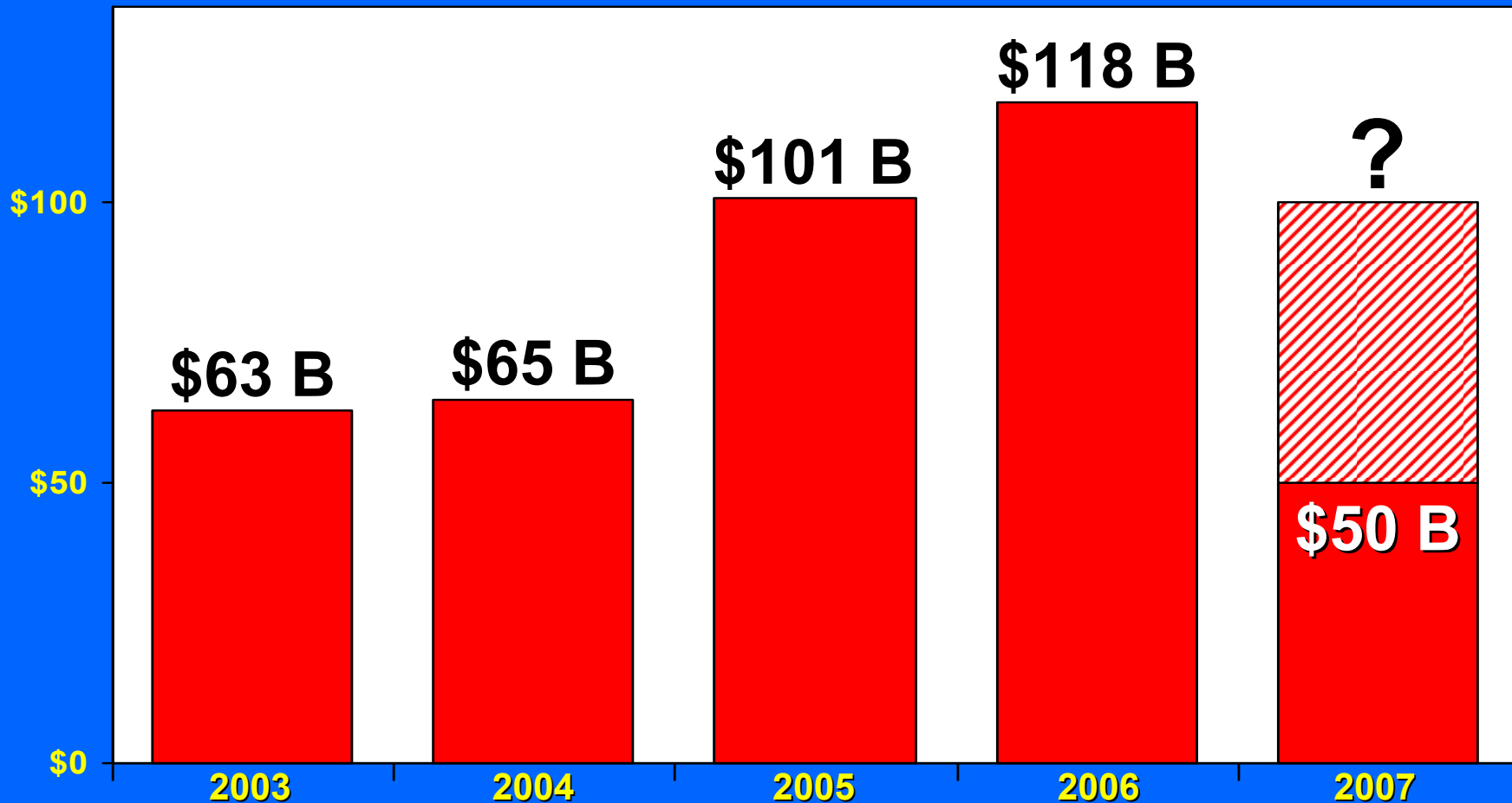
(\$ in billions)



Note: Ongoing military operations include operations in Iraq, Afghanistan, and the continuing war on terrorism.
Source: CBO

Bush Funds Iraq War and War on Terror with Large Supplementals

(\$ in billions, budget authority, Defense only)



Source: OMB, CRS

Note: Totals include supplementals, emergency budget amendments, and "bridge funds." 2005 total includes \$25 billion. FY 2005 emergency budget amendment made available immediately upon enactment in late FY 2004. FY 2006 and FY 2007 totals include enacted funding, requests, and allowances for future requests included in the Bush budget.

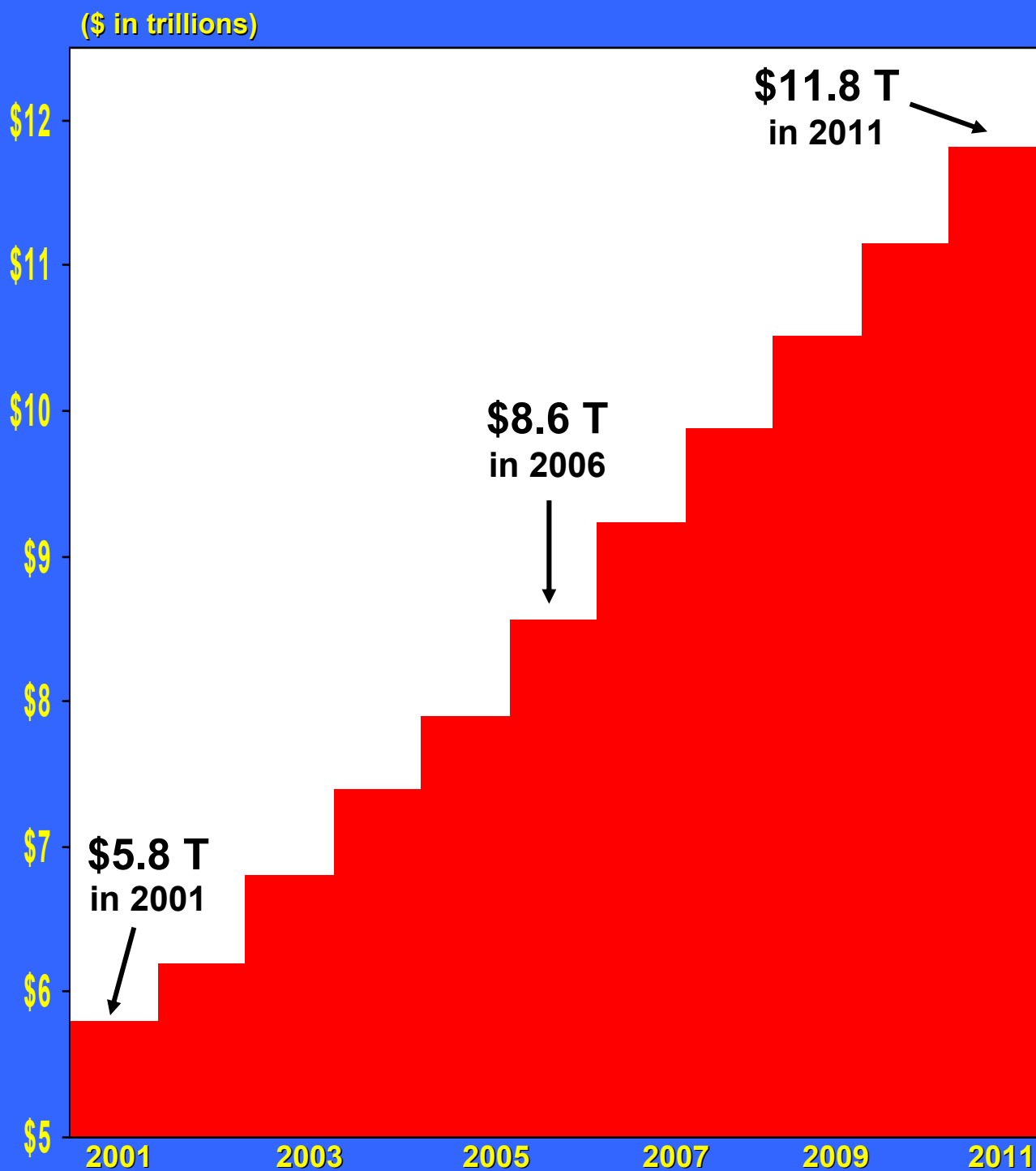
Bush Administration on Importance of Paying Down Debt

“...(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

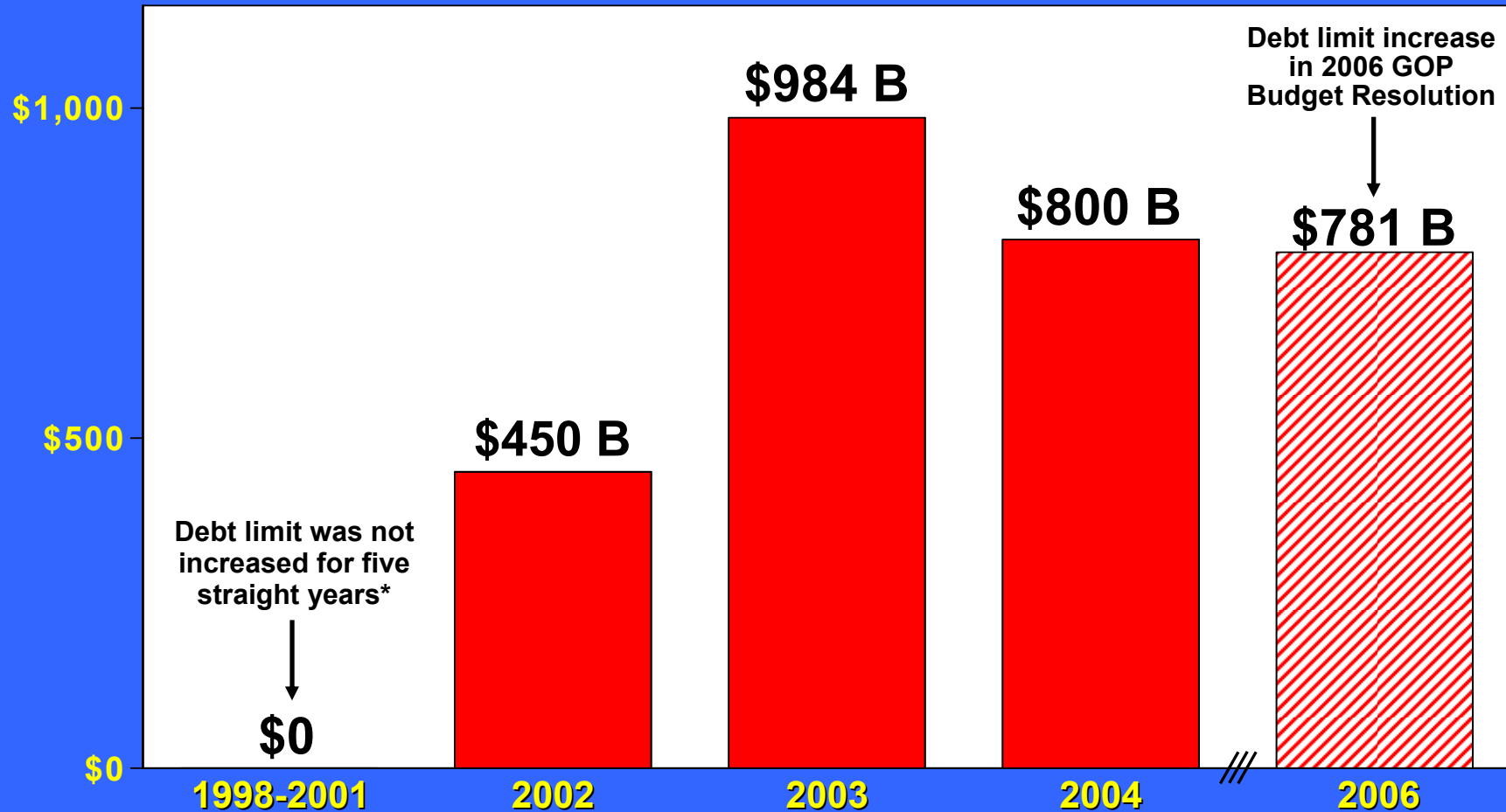


Source: CBO and SBC Democratic staff

Note: CBO reestimate of President's FY 2007 Budget with AMT reform and ongoing war costs.

Debt Limit Increases \$3 Trillion Under President Bush

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



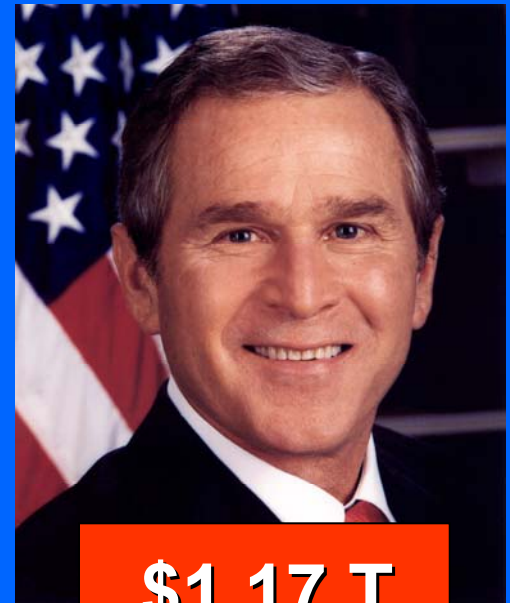
*Debt limit was not increased between August 1997 and June 2002.
Source: OMB and 2006 GOP Budget Resolution

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)



\$1.17 T

5 Years
(2001-2005)

Top Ten Countries Holding Our National Debt

Japan	\$685 B
China	\$257 B
United Kingdom	\$234 B
“Caribbean Banking Centers”	\$111 B
Taiwan	\$71 B
Germany	\$67 B
OPEC	\$67 B
South Korea	\$66 B
Canada	\$53 B
Hong Kong	\$44 B

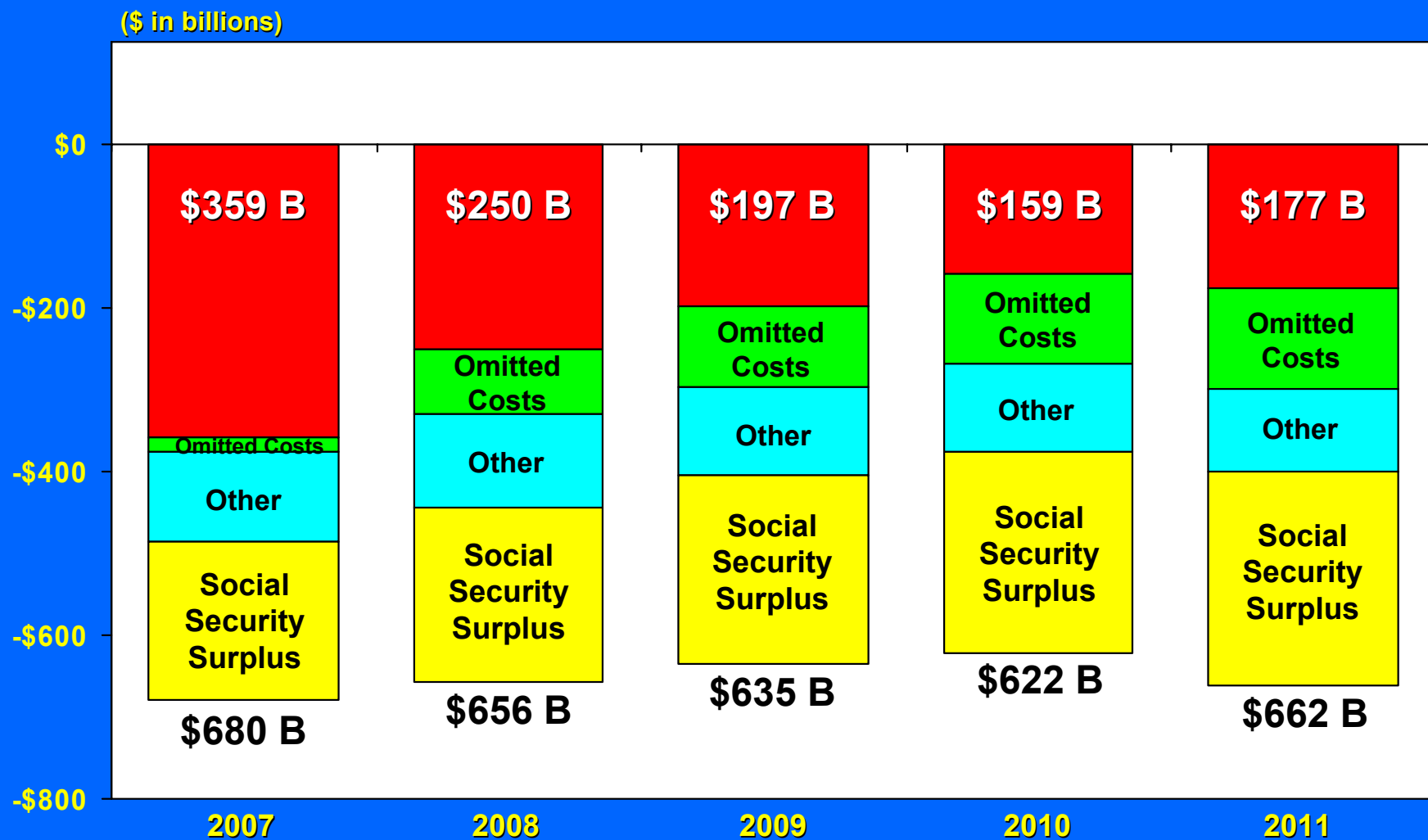
Source: Department of Treasury

Note: As of December 2005

What's Left Out of Senate GOP Budget

- ✗ Full 10-year numbers**
- ✗ Funding for ongoing war costs beyond 2007**
- ✗ AMT reform beyond FY 2006**
- ✗ President's Social Security privatization plan**

Debt Increase Under Senate GOP Budget Far More than Deficit Level Claimed



Source: Senate GOP Budget Resolution and SBC Democratic staff
 Note: Omitted costs include AMT reform and ongoing war costs.

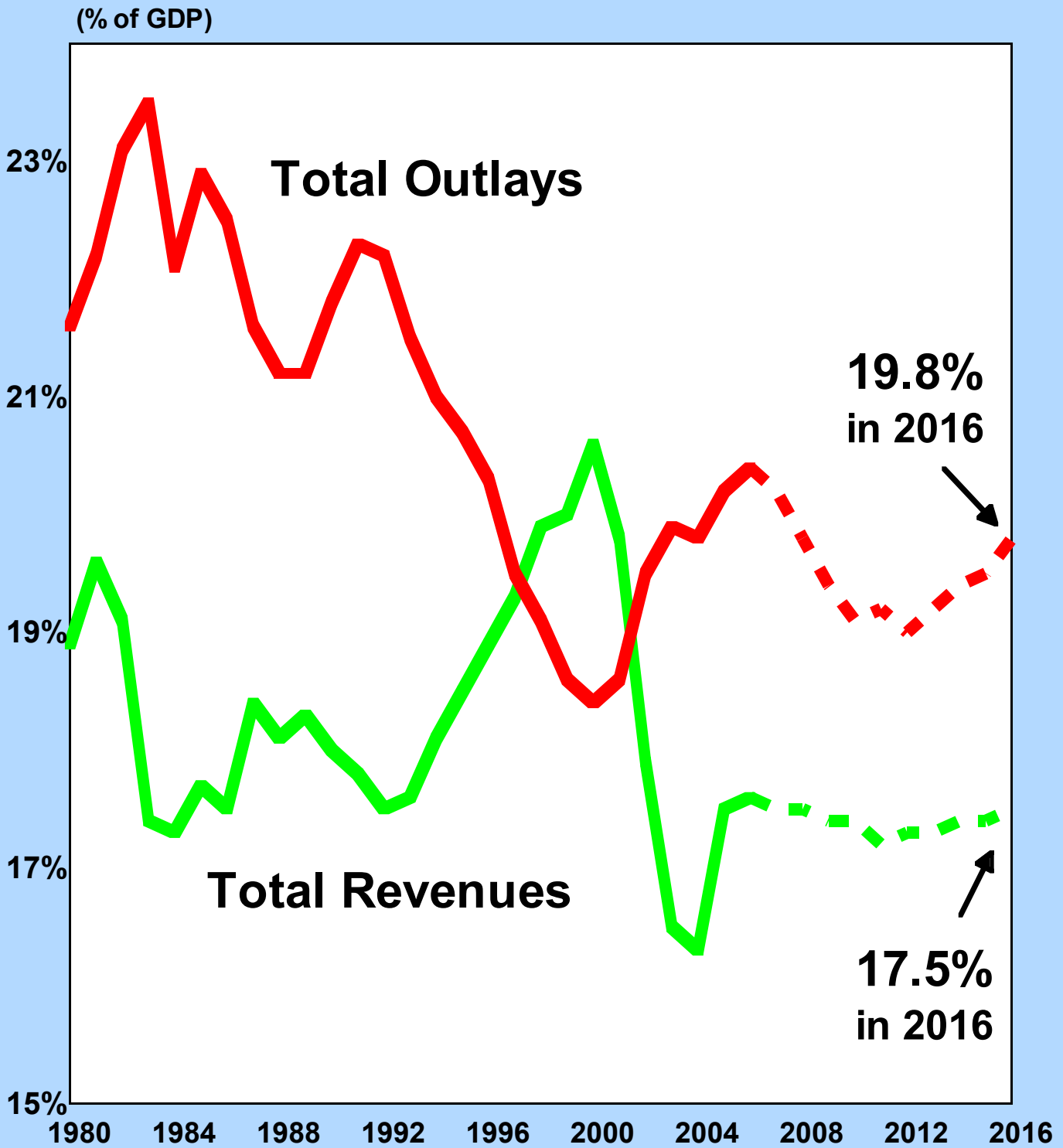
Senate GOP Budget Increases Debt Every Year Over Five-Year Period

(In billions of dollars)

Fiscal year	2006	2007	2008	2009	2010	2011
Summary						
Debt Held by the Public (end of year)	4,967	5,336	5,600	5,809	5,980	6,169
Debt Subject to Limit (end of year)	8,527	9,190	9,767	10,303	10,816	11,355
	<i>663</i>	<i>577</i>	<i>536</i>	<i>513</i>	<i>539</i>	

Source: Senate GOP Budget Resolution

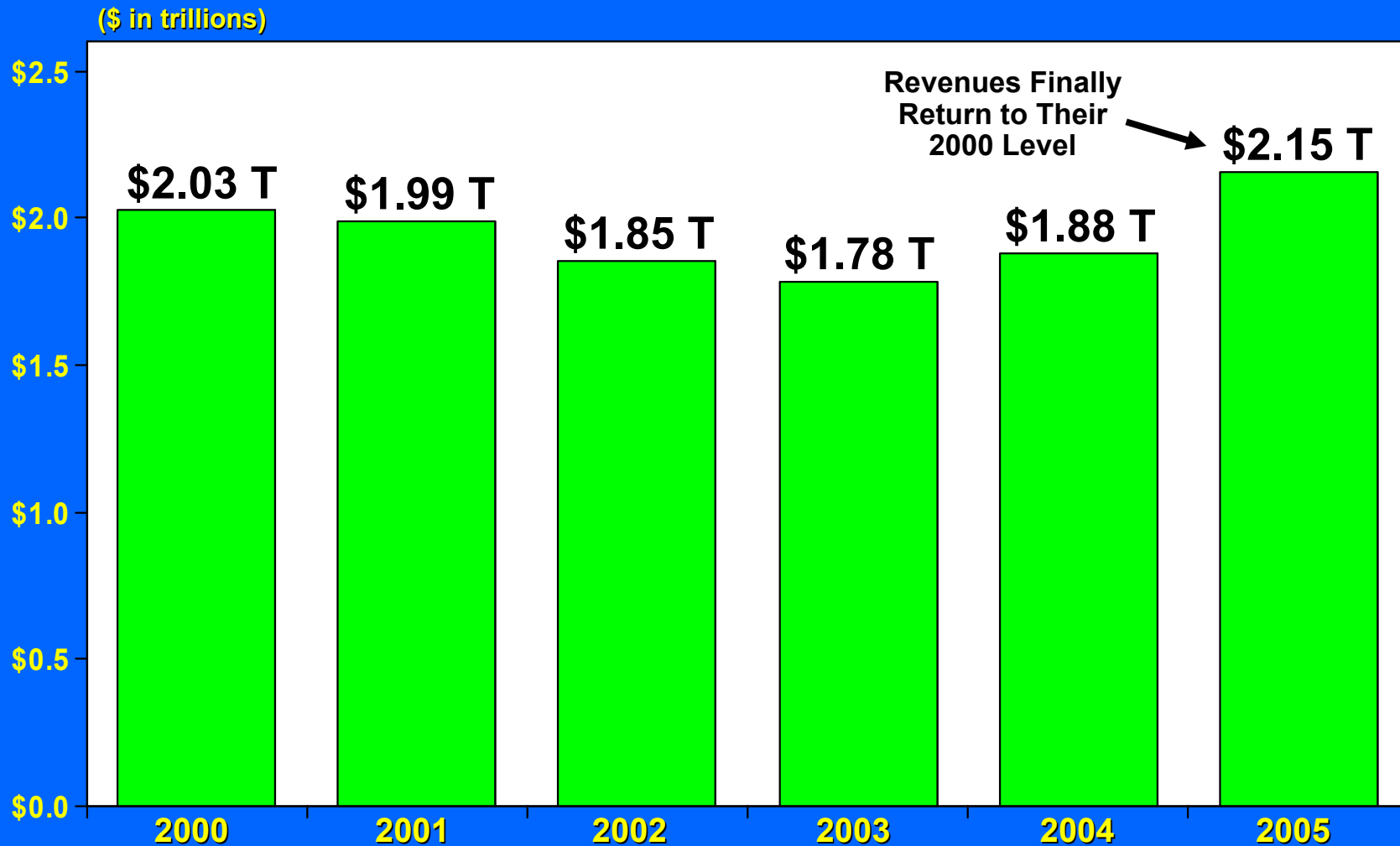
Spending and Revenues



Source: OMB, CBO, SBC Democratic staff

Note: CBO reestimate of President's FY 2007 budget with AMT reform and ongoing war costs.

Revenues Have Experienced Virtually No Growth Since 2000



Former Federal Reserve Chairman Greenspan Rejects Claims That Tax Cuts Will Pay For Themselves

“It is very rare and very few economists believe that you can cut taxes and you will get the same amount of revenues.”

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

Economists Find No Support for Claim That Tax Cuts Pay For Themselves

“...[F]our years after income taxes were first cut and nearly four years after the recession ended, federal revenues are still slightly below their early 2001 peak on a nominal basis; on a real basis, revenues are down 11% from their all-time high. Therefore there is no support for the ‘Laffer Curve’ effect: the view that a tax cut can actually boost government revenues as workers and entrepreneurs respond with large increases in effort.”

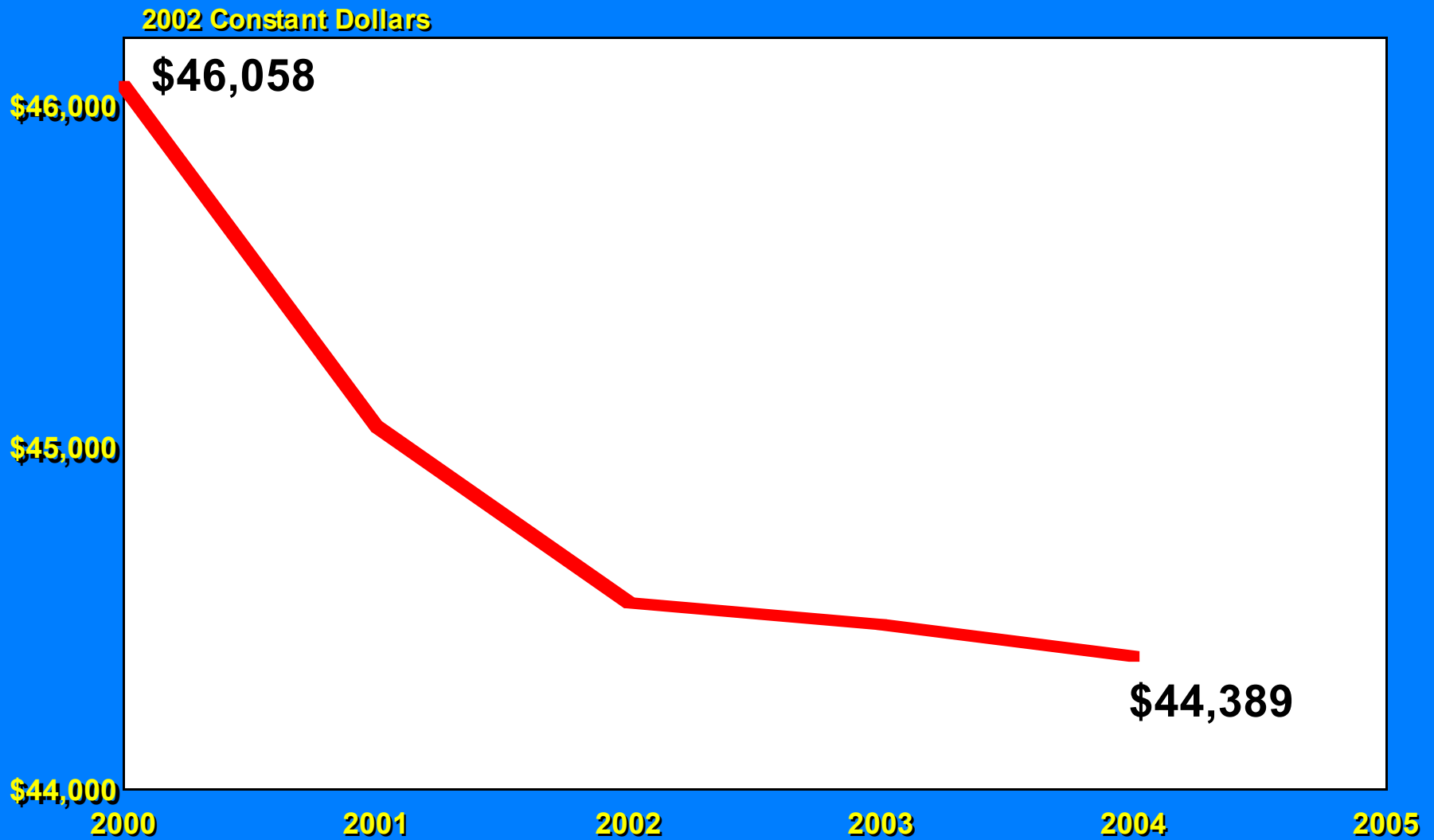
**– Economy.com report
Precis: U.S. Macro
July, 2005**

GAO Comptroller General Walker Believes Current Fiscal Path Threatens Our National Security

“Continuing on this unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security.”

**–GAO Comptroller General David M. Walker
Testimony before Senate Budget Committee
February 15, 2006**

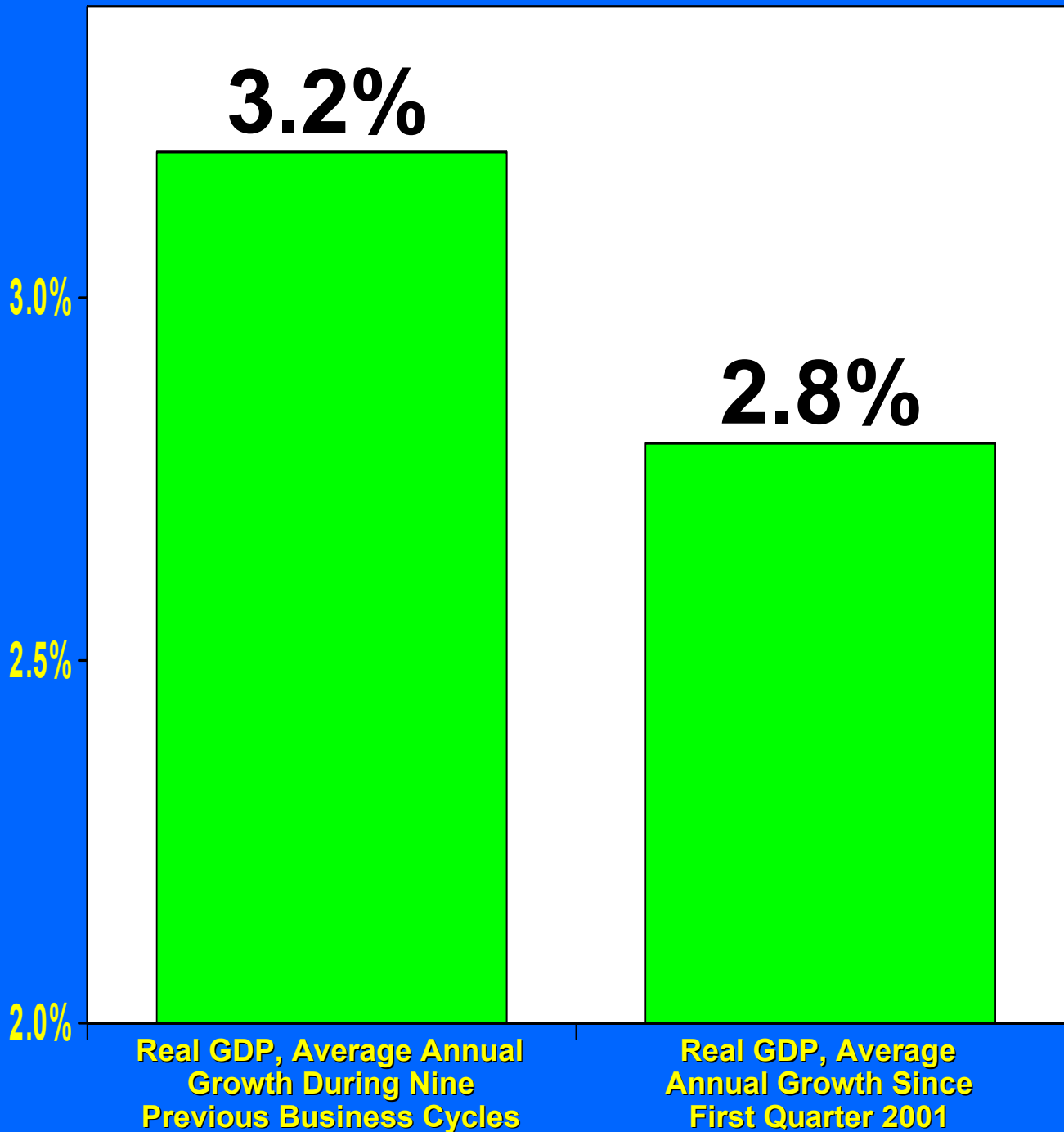
Real Median Household Income Has Declined Four Straight Years



Source: U.S. Dept. of Commerce

Real GDP Growth Lags Behind the Typical Recovery

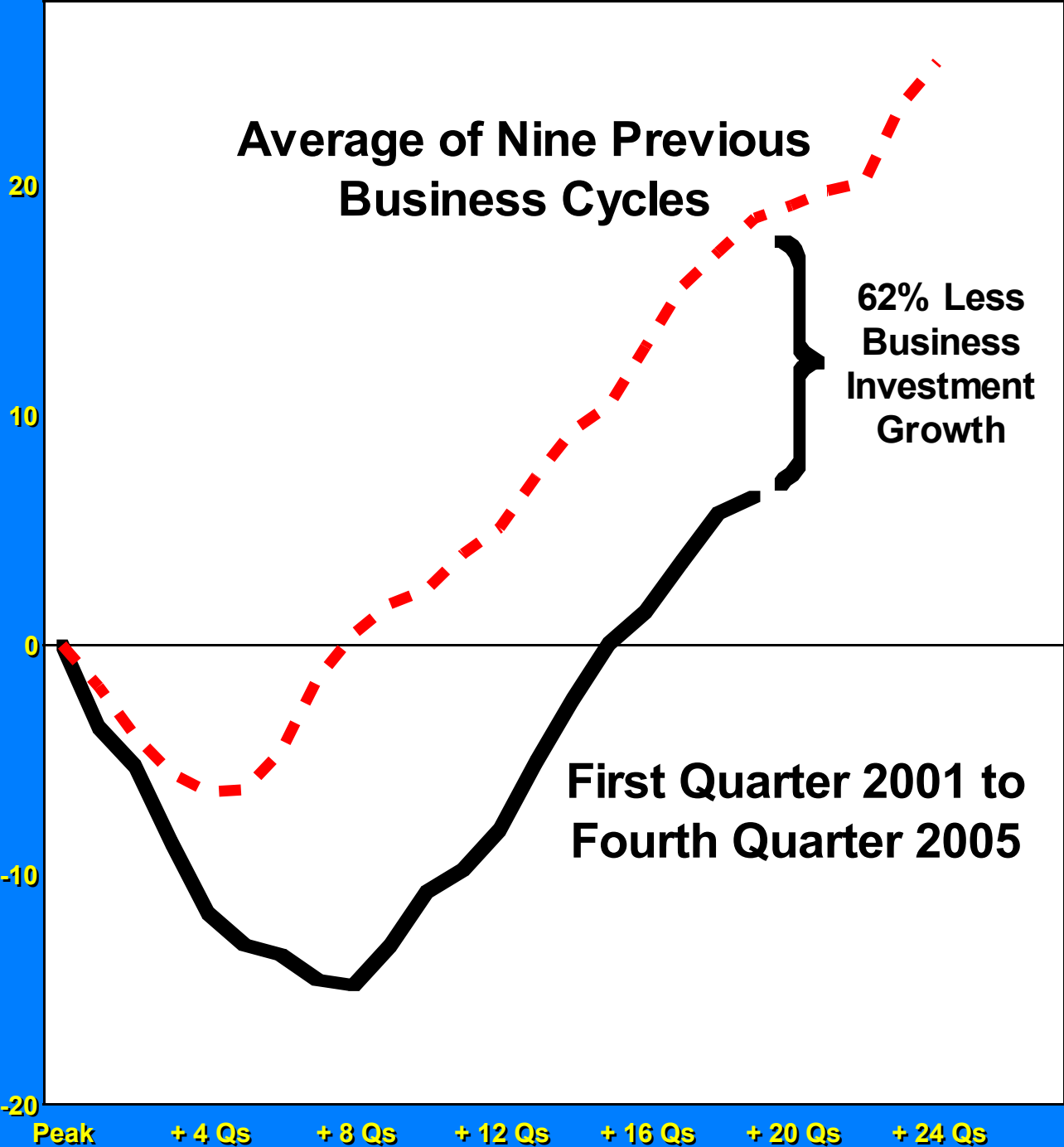
(Average annual percentage growth)



Source: Department of Commerce, Economic Policy Institute

Business Investment Lags Behind Typical Recovery

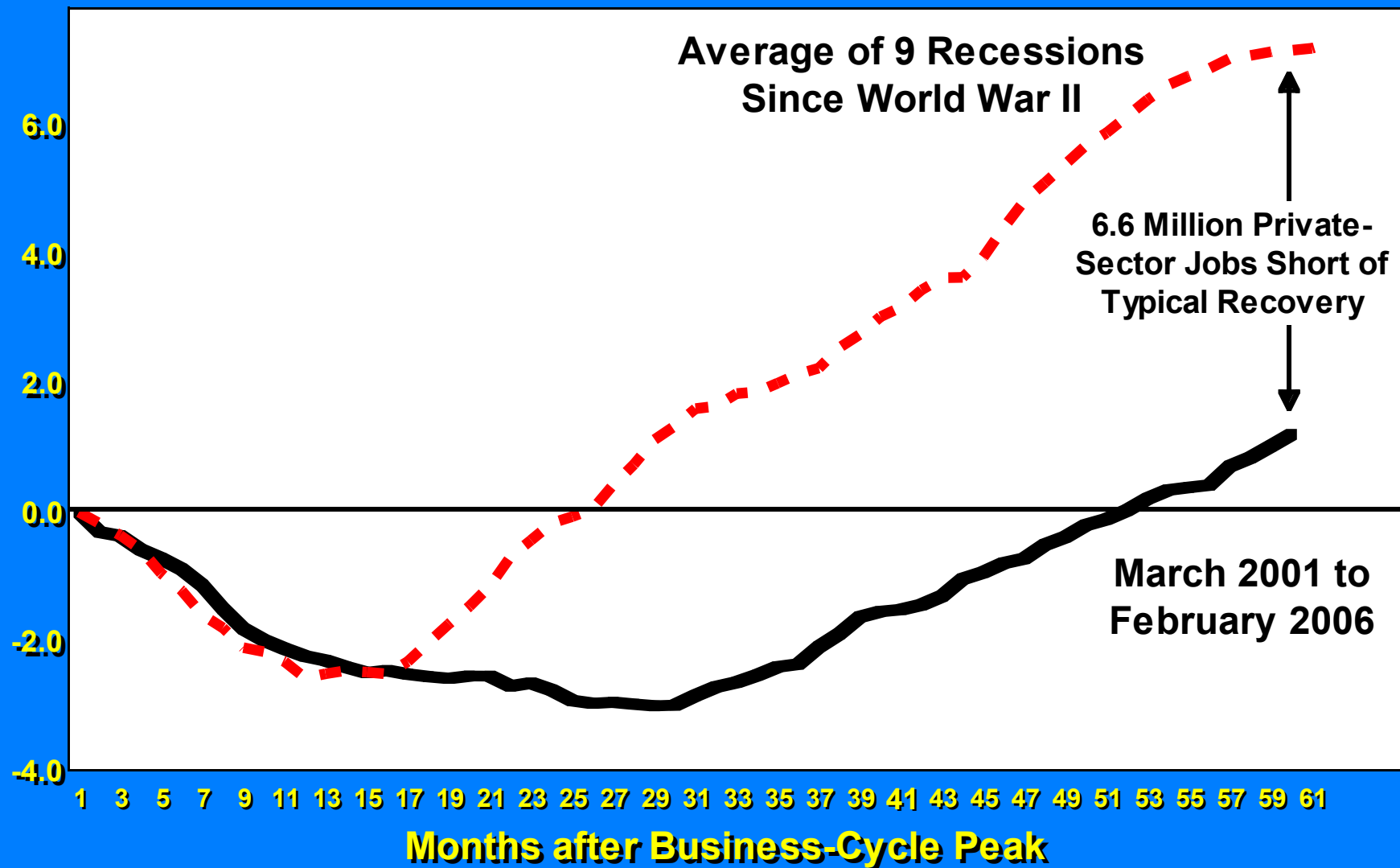
(Real Business Investment, Percent Change from Business-Cycle Peak)



Source: Department of Commerce

Job Creation Lags Behind Typical Recovery

(Private-Sector Jobs, Percent Change from Business-Cycle Peak)

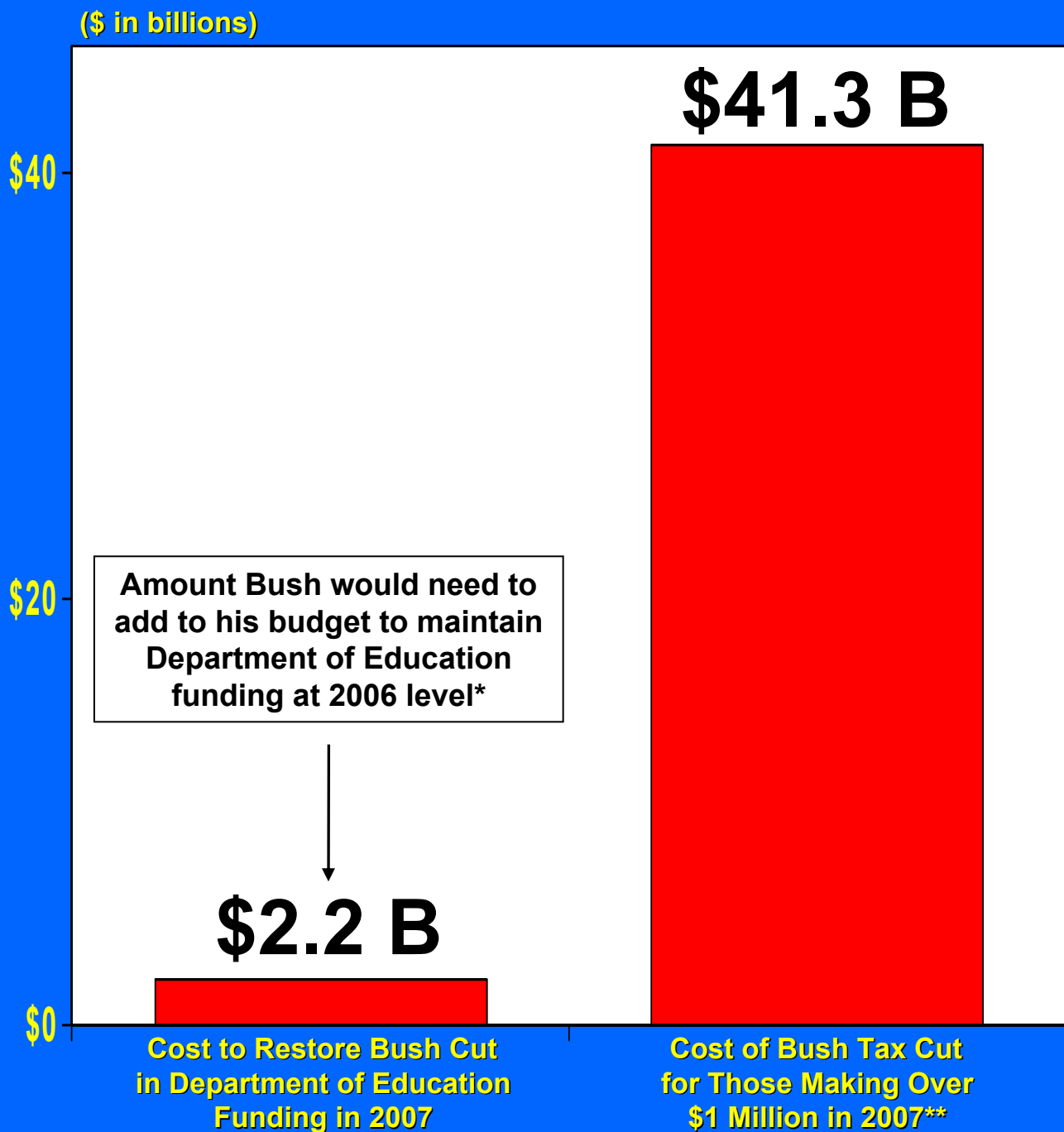


Source: BLS

3/10/06

The Wrong Priorities:

Bush Plan to Cut Education Funding Saves Little Compared to Cost of Tax Cuts for Millionaires



*For comparability purposes, the 2006 education funding level includes student aid administrative costs.

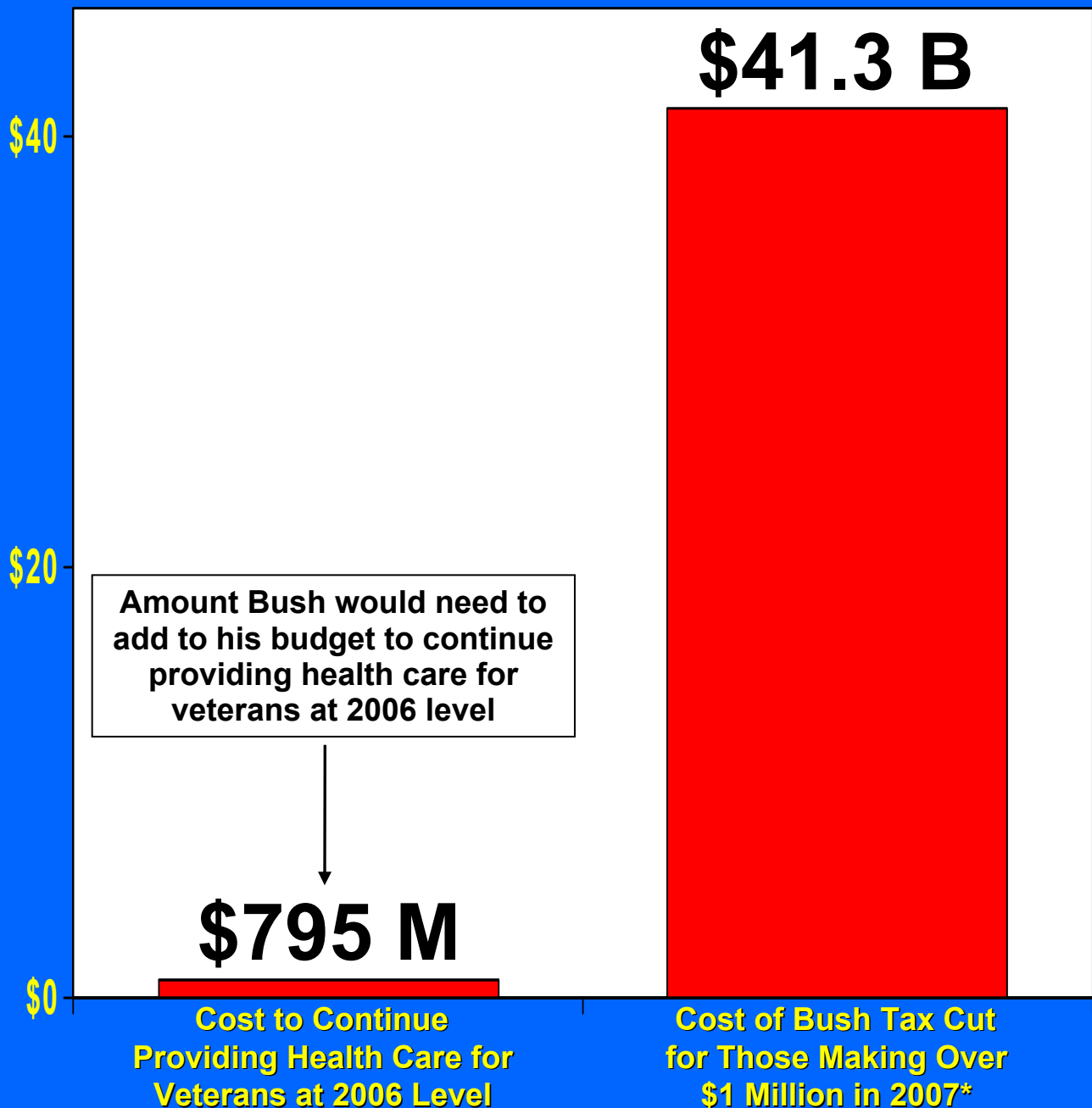
**Assumes extension of 2005 AMT relief, indexed for inflation.

Source: CBO, Urban-Brookings Tax Policy Center, and SBC Democratic staff

The Wrong Priorities:

Bush Plan to Charge Some Veterans \$250 Annual Enrollment Fee and Increase Drug Co-Payments Saves Little Compared to Cost of Tax Cuts for Millionaires

(\$ in billions)



*Assumes extension of 2005 AMT relief, indexed for inflation.

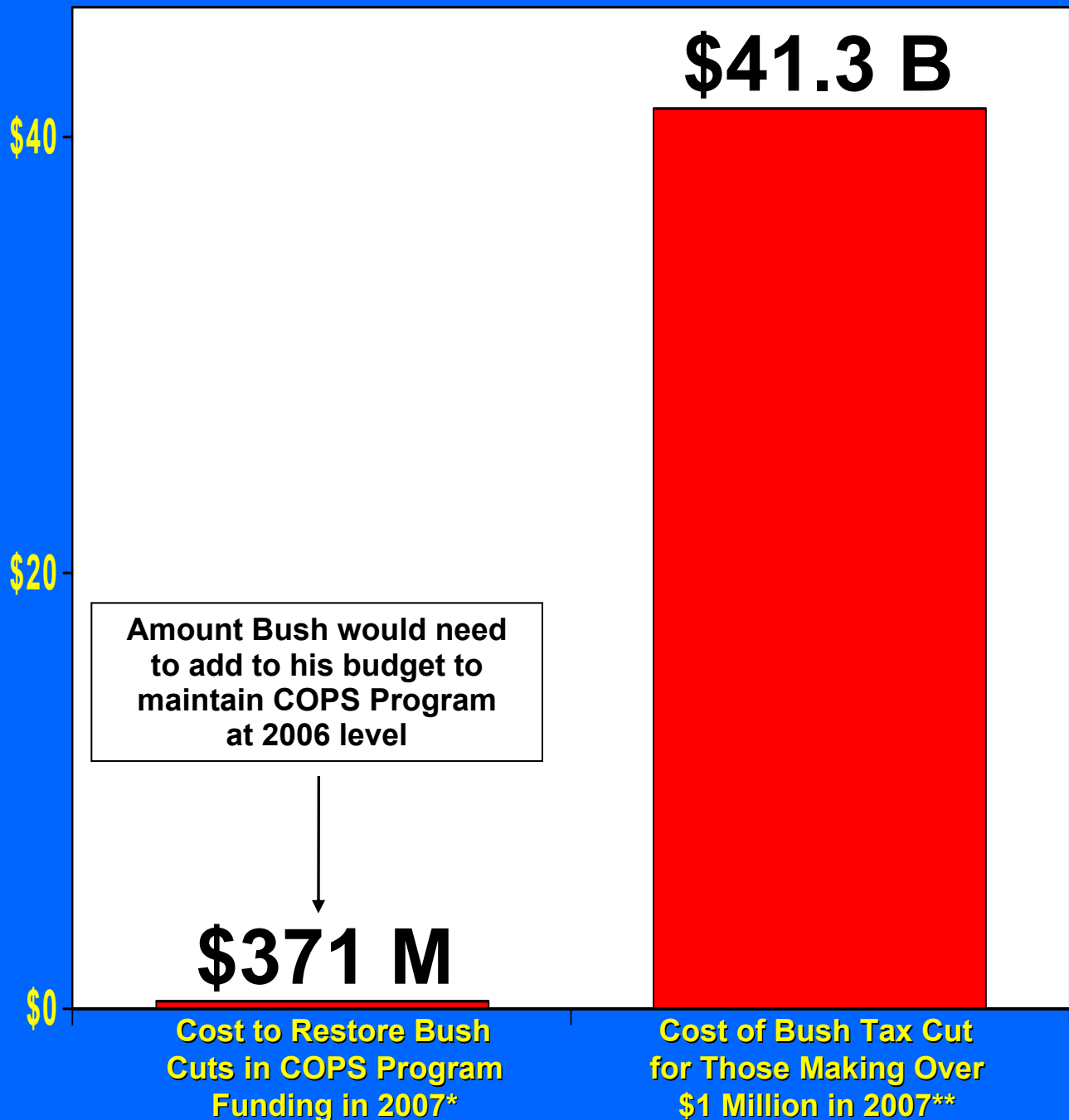
Note: Bush administration proposes \$250 annual enrollment fee and increased drug co-payments for Priority 7 and Priority 8 veterans, resulting in the VA treating 200,000 fewer veterans.

Source: OMB, Urban-Brookings Tax Policy Center

The Wrong Priorities:

Bush Plan to Cut 78% in COPS Program Saves Little Compared to Cost of Tax Cuts for Millionaires

(\$ in billions)



*COPS funding excludes rescissions of prior year unobligated balances.

**Assumes extension of 2005 AMT relief, indexed for inflation.

Source: OMB, Urban-Brookings Tax Policy Center

Wrong Priorities

Program	Cut
Byrne Justice Assistance Grants	Eliminated
Safe and Drug-Free School Grants	Eliminated
Vocational Education	Eliminated
COPS	78%
Firefighter Grants	55%
Essential Air Service	54%
Weatherization Grants	32%
Amtrak	30%
Community Development Block Grants	20%
LIHEAP	17%

Source: OMB, SBC Democratic staff
FY 2007 Senate GOP Budget Resolution versus FY 2006 enacted.

“By this budget, we’ve lost our way”

“But what has become cliché during five years of the Bush administration is now glaringly apparent in the easily discerned outlines of its proposed 2007 budget: Cuts in vital programs that benefit the poor and middle class, continuing tax relief for the very wealth...

“If budgets are, as some contend and we would agree, moral documents, then this one suggests we have abandoned a basic sense of right and wrong and any notion that we are at our best when we strive to make life better for all, not just those who manage to accumulate wealth.”

**– *National Catholic Reporter*
February 17, 2006**