

# Will the President's Budget Prioritize Fiscal Responsibility?

*As Americans wait for the release of President Bush's 2008 budget on Monday, we do so with the hope that it will reflect the priorities of the American people. Unfortunately, President Bush's past budgets have provided vast give-aways to corporations and multimillionaires at the expense of middle class Americans and our country's fiscal well-being. This year, Democrats call on the President to join us in moving in a new direction.*

## **Why America Needs a Budget that Is Fiscally Responsible:**

- **Under President Bush, Record Surpluses Turned into Record Deficits.** President Bush inherited a unified budget surplus of \$236 billion from President Clinton, the largest surplus in American history. When President Bush took office in 2001, budget surpluses were expected to continue for at least another ten years, and were projected to total \$5.6 trillion between Fiscal Years 2002 and 2011. Despite this, President Bush and his administration took these surpluses, and turned them into the three largest deficits in US history: [President Bush's Budget for Fiscal Year 2002, [A Blueprint for New Beginnings](#), 2/28/01; Office of Management and Budget]
  - \$378 Billion in 2003 (2<sup>nd</sup> largest deficit in U.S. History)
  - \$413 Billion in 2004 (Largest deficit in US History)
  - \$318 Billion in 2005 (3<sup>rd</sup> largest deficit in US History)
- **President Bush Has Doubled Foreign-Held Debt in Five Years.** It took 42 presidents 224 years to build up the same level of foreign debt. [Senate Budget Committee]
- **The Amount of Federal Debt per Person is Equal to \$28,832.71.** [[US Treasury, 1/26/07](#); [US Census, 1/26/07](#)]
- **Growth in Federal Debt Far Greater Than Deficits.** The deficits we face this decade don't tell the whole story about the nation's finances and our growing debt burden. The debt is mounting far more rapidly than the deficit figures indicate, because they hide the fact that we are borrowing from Social Security, which is temporarily in surplus, and the other trust funds. For example, in 2007, the federal government is expected to borrow \$190 billion from Social Security alone and another \$102 billion primarily from Medicare and other trust funds. So while the deficit is estimated to increase by \$218 billion in 2007 (when adjusted to include the costs of 2007 AMT relief, the President's upcoming supplemental request for Iraq and Afghanistan, and expiring tax provisions), the gross debt is estimated to increase by \$510 billion. [Senate Budget Committee, [Fact Sheet CBO Budget Outlook FY 2008-2017, 1/24/07](#)]

- **Revenues Have Only Recently Returned to FY 2000 Levels.** “Although CBO assumes higher revenue collections over the next few years relative to its projections last August, these adjustments in CBO’s calculations have nothing to do with stronger economic growth. In fact, CBO’s latest figures for economic growth in 2006 and 2007 are actually weaker than the agency predicted last August.” [Senate Budget Committee, [Fact Sheet CBO Budget Outlook FY 2008-2017, 1/24/07](#)]
- **The Size of the Tax Gap Problem is Staggering.** “The IRS has estimated that the tax gap was \$345 billion in 2001, and only about \$55 billion of that would ever be recovered given the agency’s current capabilities. The added burden on taxpayers is very real. IRS’s National Taxpayer Advocate has testified that the tax gap added about \$2,000 to the average tax bill in 2001.” [Senate Budget Committee]

### **How President Bush’s Last Budget Failed to Be Fiscally Responsible:**

- **President Bush’s Special Interest Priorities Make America’s Deficits and Debt Worse.** In order to finance the Bush budget giveaways to big oil companies, drug companies, other special interests, and multi-millionaires, the Bush Administration has requested that Congress raise the federal debt limit for the fourth time since taking office. The President’s Fiscal Year 2007 budget would increase the national debt to \$12 trillion by 2011, more than double the \$5.7 trillion of debt when he took office. [Senate Budget Committee, [Fact Sheet CBO Budget Outlook FY 2008-2017, 1/24/07](#)]
- **Tax Cuts Add to the Deficit.** The fact is that the tax cuts enacted since 2001 have added to the deficit and debt. Extending them all without paying for them would continue the reckless build-up of debt and further worsen the long-term outlook. Studies by CBO, the Congressional Research Service, the Joint Committee on Taxation, and the Treasury Department make clear that tax cuts do not pay for themselves. Even Rob Portman, the Director of the administration’s Office of Management and Budget, acknowledged last year that: “*As a general matter, most tax cuts do not pay for themselves.*” [Senate Budget Committee, [Fact Sheet CBO Budget Outlook FY 2008-2017, 1/24/07](#)]
- **President Bush’s Policies Have Added to the Wall of Debt.** Since President Bush took office, gross federal debt has climbed from \$5.8 trillion at the end of 2001 to an estimated \$9.0 trillion at the end of this year. Under the adjusted CBO projections, the country’s total debt would soar to \$12.3 trillion by 2012. At a time when we should be paying down debt to prepare for the coming retirement of the baby boom generation, the President’s policies have instead increased our debt and worsened our long term outlook. [Senate Budget Committee, [Fact Sheet CBO Budget Outlook FY 2008-2017, 1/24/07](#)]

- **Continuation of President Bush's Current Policies Will Lead to Large Deficits.** The official CBO estimates of the budget baseline understate likely deficits over the next decade, because CBO must calculate these estimates under a strict set of guidelines that fail to capture the continuation of current policies. For example, CBO assumes that all expiring tax cuts do in fact expire and that relief from the Alternative Minimum Tax (AMT) is not provided after 2006. Both assumptions are suspect. Similarly, the projections do not include the \$100 billion supplemental request for operations in Iraq and Afghanistan expected in February, and they fail to reflect the cost of the President's defense build-up plans. A different picture emerges when we adjust the CBO baseline estimates for 2008-2017 to remove the \$920 billion cost of extending the \$70 billion in war bridge funding and other emergency funding already provided in 2007 and add in the costs of:
  - Making the Bush tax cuts and other expiring tax cuts permanent (\$2.34 trillion);
  - AMT relief (\$1.04 trillion);
  - The President's proposed defense buildup (\$267 billion);
  - Ongoing military operations in Iraq and the war on terrorism (\$857 billion); and
  - Debt service associated with these policy adjustments (\$986 billion).

These adjustments add \$4.6 trillion to the ten-year CBO projection, for a total deficit of \$3.8 trillion over the decade. [Senate Budget Committee, Fact Sheet CBO Budget Outlook FY 2008-2017, [1/24/07](#)]

**This year, will the President's budget be fiscally responsible, while still focusing on the right priorities?**