

Strong Economic Growth and Fiscal Discipline Help Reduce Budget Deficit

President's Goal to Cut Deficit in Half is Projected to be Met a Year Ahead of Schedule

Today, the Office of Management and Budget Reported the FY2006 Budget Deficit Is Forecast To Be 30 Percent Lower than the Forecast in February and the President's Goal to Halve the Deficit is on Track to be Met a Year Ahead of Schedule. The President's pro-growth policies have encouraged robust economic growth and job creation, thereby strengthening government revenues and helping to reduce the deficit. The new report estimates this year's deficit to be \$296 billion or 2.3 percent of GDP. Projections now show the deficit will fall to \$188 billion in 2008, or 1.3 percent of GDP, surpassing President Bush's original goal of cutting the deficit in half by FY2009 from its FY2004 projected peak of \$521 billion, or 4.5 percent of GDP.

Economic Growth Generates Increased Tax Receipts and Dramatically Improves Budget Outlook

- **Stronger than Expected Economic Growth in the Opening Quarter of 2006.** The economy has grown 18 consecutive quarters and real GDP grew at an annual rate of 5.6 percent for the first quarter of the year. Since the beginning of 2003, real--or inflation-adjusted--GDP growth has averaged 4.0 percent per year, exceeding the post-World War II average of 3.4 percent per year.
- **President Bush's Pro-Growth Policies Have Resulted In Impressive Job Growth And Economic Expansion.** The economy has created over 5.4 million jobs since August 2003. At 4.6 percent, the unemployment rate is lower than the average of the 1960s, 1970s, 1980s, and the 1990s.
- **The American People's Hard Work Helped Overcome Significant Challenges.** This job growth is particularly impressive in light of the series of challenges faced by the Nation over the past five years, including the stock market decline beginning in 2000, the recession, the terrorist attacks on 9/11, the ensuing Global War on Terror, devastating hurricanes, and higher energy prices.
- **A Robust Economy Has Helped Produce Rapid Increases in Federal Receipts.** From 2005 to 2006, receipts are projected to grow 11 percent (\$246 billion), more than twice as fast as the economy itself. Since the tax relief was fully implemented in 2003, tax receipts have increased over 34.6 percent.

Spending Restraint Helps Reduce Budget Deficit

- **The President Has Held the Line on the Growth of Discretionary Spending.** Last year, the President proposed to cut non-security discretionary spending below the previous year's level, the first such proposal since the Reagan Administration. He proposed to hold total discretionary spending growth to less than the rate of inflation. The Congress delivered on those goals. His FY2007 Budget builds on this success and again calls on Congress to reduce non-security discretionary spending and keep the growth of overall discretionary spending below inflation.
- **The Line Item Veto Will Give the President An Important Tool to Eliminate Wasteful Spending.** Working with Congress, this tool can help reduce the budget deficit and discourage the practice of earmarking Federal funds for projects that are wasteful, duplicative, or unneeded. The House of Representatives approved creation of the line item veto by a strong bipartisan majority and the Senate needs to pass this reform.

Unsustainable Growth in Entitlement Programs Poses Long-Term Threat to Budget

- **Protecting Our Nation's Long-Term Fiscal Health Requires Reining-In Runaway Entitlement Spending.** Over the next 30 years, spending for Medicare, Medicaid, and Social Security will grow to the point that it will crowd out the rest of the Federal budget if needed reforms are not made. The President proposed slowing the growth of Medicaid and Medicare spending in his FY2006 Budget, and Congress passed the Deficit Reduction Act which the President signed into law in February, saving almost \$40 billion over the next five years. The President followed up with proposals in his FY2007 Budget to slow the growth of entitlement programs, including Medicare, by \$65 billion over five years and will continue to work with Congress on entitlement reform, including reforming Social Security to preserve and strengthen it for future generations of Americans.