

PRESIDENT'S BUDGET ON THE ECONOMY & INNOVATION: MORE OF THE SAME MISPLACED PRIORITIES *PUTTING SPECIAL INTERESTS AHEAD OF AMERICA'S FAMILIES*

Key Points:

- **The Bush budget is fiscally reckless and creates trillions of dollars in new deficits that threaten our economy and burden our children and grandchildren with debt.**
- **Under President Bush's budget, when omitted costs are included, we have deficits for as far as the eye can see – with the deficit projected to rise to \$464 billion by 2016.**
- **It squanders nearly \$2 trillion on tax cuts for the wealthy while cutting programs vital for a growing economy – such as job training and small businesses-- for America's families.**
- **The President's budget takes some steps forward in spurring innovation, but more must be done in education, research and development and broadband to spur innovation and technological progress to give all Americans an opportunity to achieve the American dream.**
- **Democrats are committed to expanding economic opportunity and prosperity and creating good-paying American jobs through our Innovation Agenda, which will unleash the next generation of growth and jobs – and through a return to fiscal responsibility.**

Democrats believe that we must pursue new policies that take our country in a different direction. The Bush Administration's FY 2007 budget fails on that score; it continues with more of the same wrong priorities that have taken our country in the wrong direction. It put special interests first and the American people last. It is fiscally reckless, adding trillions to the deficit over the next 10 years, and morally irresponsible, slashing funding for key priorities critical to America's middle class. Democrats are fighting to restore fiscal responsibility and to bring real solutions to the American people, along with economic prosperity, a strong national defense, affordable health care and energy, and strong public schools.

The Bush budget is fiscally irresponsible, creating trillions of dollars in new deficits that threaten our economy. The Republicans' fiscal recklessness is a tax on our future, creating a deficit in 2007 that is likely to reach \$244 billion. Under the President's budget, we have deficits for as far as the eye can see – with the deficit projected to rise to \$464 billion by 2016 – with honest and realistic accounting. To hide this fact, the budget omits enormous costs, including the full costs of fixing the Alternative Minimum Tax and the full costs for the Iraqi war. The President's budget increases the national debt by \$2.5 trillion over five years, squandering nearly \$2 trillion on permanent tax breaks for the wealthy. And yet the budget contains only a one-year provision for Alternative Minimum Tax relief for middle-class families, even though an estimated 32 million taxpayers will be subject to higher taxes by 2010 without AMT reform. [Tax Policy Center]

President Bush has presided over the worst fiscal reversal in history. Republicans have already taken a projected 10-year surplus of \$5.6 trillion, and turned it into a \$2.8 trillion deficit, and this budget continues this path of mortgaging the future of our children and grandchildren with deficits totaling \$3.2 trillion over the next 10 years under honest and realistic accounting.

The debt has exploded on this President's watch with about 75 percent of the new debt borrowed from foreign creditors. The national debt is \$8.8 trillion, or more than \$29,000 per person, up \$3 trillion since 2001 and it will soar to more than \$12 trillion at the end of 2012. President Bush has now borrowed more money from foreign nations than previous 42 U.S. presidents combined.

Democrats unveiled an Innovation Agenda to build a skilled workforce in science, engineering, and information technology, spur federal research and development, guarantee access to broadband, achieve

energy independence through emerging technologies, and provide innovative small businesses with financing and technological support.

President's budget is a step in the right direction – increasing funds for National Science Foundation.

The President's budget proposes a 1.4 percent increase in federal research and development funding, with increases for the National Science Foundation (NSF), the Department of Energy's Office of Science, and the National Institute of Standards and Technology's laboratory programs. Unfortunately, these increases are offset by cuts in other research and development and are well below the level authorized by Congress. Democrats support a balanced approach to our research portfolio and a sustained commitment to research and development funding in the physical sciences.

Cuts elementary and secondary education. Despite modest increases for math and science education, the President's budget cuts spending for the Education Department by over 2 percent -- denying 3.2 million children the extra reading and math help they were promised by NCLB. Most of the funds to improve math and science education come from eliminating all of the education technology programs, as well as teacher quality enhancement. Investments in education programs at NSF would also decline, even though over the last 4 years, NSF K-12 funding has dropped almost 50 percent. Only 36 percent of 4th graders and 30 percent of 8th graders tested proficient in math (NAEP 2005), 39 percent of our 12th graders lack basic math skills (NAEP 2005).

Fails to make college affordable. The Bush budget increases the maximum Pell Grant to \$4,600, but funds this increase by eliminating other higher education programs, which help lower-income students afford college – including the Perkins Loans, the Supplemental Educational Opportunity Grant program, and the Leveraging Educational Assistance Partnerships program. Approximately 1.5 million students would lose financial aid awards as a result of these Bush higher education cuts.

Slashes help for U.S. manufacturing with new technologies. Three million manufacturing jobs have been lost over the past six years and American companies are struggling to maintain their position in the global economy. But the budget slashes funding for the Manufacturing Extension Partnership (MEP), which helps small manufacturers with everything from plant modernization to employee training to advanced manufacturing technologies that will help them compete in a global market, by 57 percent, and terminates the Advanced Technology Program, which sponsors research to solve manufacturing problems and develop new technologies for commercial use.

Cuts small business assistance. Small businesses employ nearly half of all workers and create three out of four new jobs, but the budget cuts the Small Business Administration by 25 percent from last year's request and 45 percent from 2001. The budget cuts key business counseling and outreach programs such as Small Business Development Centers, Women's Business Centers, and the Program for Investment in Microentrepreneurs. It also eliminates Microloan funding -- likely forcing start-up businesses owned largely by women and minorities to pay thousands of dollars in additional costs.

Breaks President's promise to expand broadband. President Bush set a goal of universal, affordable access for broadband technology by the year 2007, but the budget slashes broadband loans by about 40 percent and eliminates broadband grants entirely. Much of rural America still lacks the internet access that could spur economic growth. It also eliminates Star Schools (to deliver educational content electronically), and public works grants for infrastructure, including broadband.

Cuts job training programs. As middle-class workers seeing their wages stagnate, and good American jobs are moving overseas, the President's budget slashes \$639 million from job training -- including a \$55 million cut to Job Corps and a 24 percent cut to dislocated worker employment and training.