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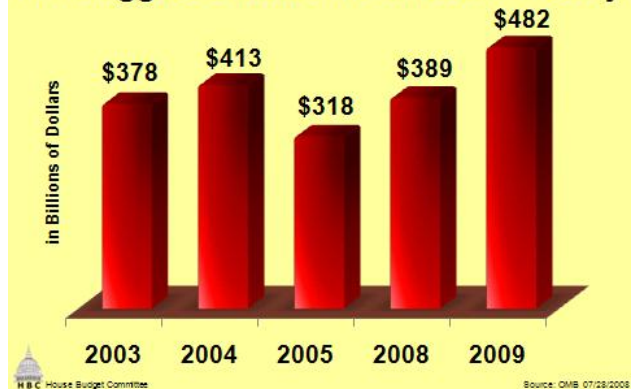
The Bush Administration's Fiscal Failures: Record Deficits and Deteriorating Services

This Administration will, according to its own July estimates, leave the country facing a record projected budget deficit of \$482 billion for 2009. That deficit estimate completes the dramatic fiscal reversal of the last eight years, in which this Administration inherited the biggest surpluses in history but transformed them into the biggest deficits in history. As a result of those deep budget deficits, the nation's debt has nearly doubled.

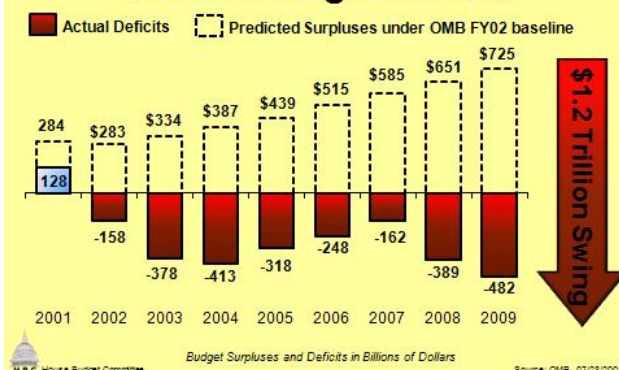
The consequences of its policies have had no effect on the Administration's fiscal plans. Year after year, this Administration continues to offer more of the same failed approach – more deficit-financed tax cuts targeted largely at those who need the help the least, while continuing to ignore deteriorating public services. This tactic has left us with a weakened economy and a growing mountain of debt that draws down the funds needed elsewhere to pay for critical services and investments, including a crumbling transportation infrastructure, unmet homeland security needs, and backlogs for essential government services. The Administration's budget legacy is one of fiscal failure.

Set the Wrong Kind of Records — The government has posted the highest deficits in history under this President. At the beginning of this Presidency, the non-partisan Congressional Budget Office projected a surplus over the next ten-year period of \$5.6 trillion. That surplus represented an opportunity to address some of the major issues facing our country, including preparing for the needs of the retiring baby-boom generation. This Administration had other priorities – most notably huge tax cuts – and the surplus was squandered and replaced with record deficits.

Bush Administration Responsible for Five Biggest Deficits In American History



Projected Surpluses Become Huge Deficits

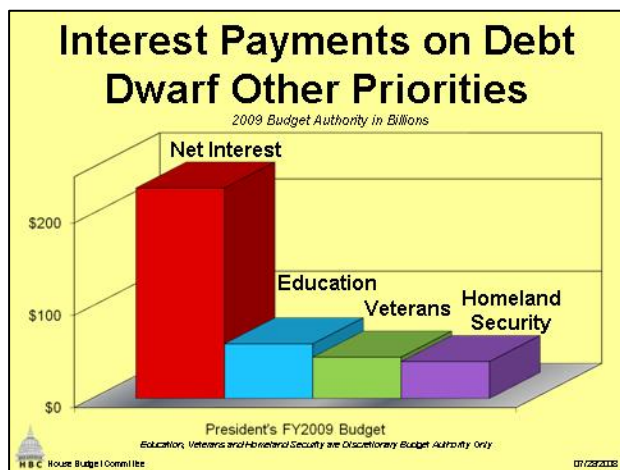
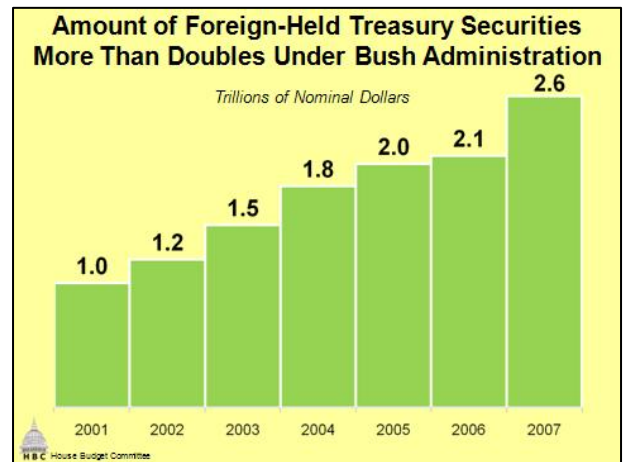


Erased a Promising Fiscal Outlook — In 2001 this Administration inherited a budget with a surplus that was projected to grow to nearly three quarters of a trillion dollars for 2009 alone. Instead, this summer the Administration estimated that 2009 will end with a \$482 billion deficit – a deterioration of over \$1 trillion from its projection in 2001. In fact, this Administration will have created a budget deficit every single year since 2002, even though the government had been in surplus for the previous four years in a row.

Broke its Promise of Dramatic Debt Reduction — The Bush Administration’s fiscal legacy is in sharp contrast to its initial promises. Its first budget, for fiscal year 2002, claimed that it would result in the most dramatic debt *reduction* in history. Instead, we’ve seen the most dramatic debt *increase* in history, raising the federal debt from \$5.7 trillion to \$9.5 trillion. In fact, this Administration’s policies added as much debt in eight years as all of the administrations from George Washington to Ronald Reagan *combined*. And this debt is accumulating at the worst possible time, just as the baby boom generation begins to retire and changes in our population will mean fewer workers to help support each retiree, bringing new fiscal challenges.

Ignored the Fiscal Impact of Its Policies — The national debt has grown so dramatically because the Administration refuses to offset the costs of new tax cuts, new entitlement expansions, and the wars. The Administration pushed through tax cuts that cost roughly \$2 trillion, as well as a Medicare prescription drug bill that cost \$400 billion. The wars have already cost nearly \$900 billion. Yet, the Administration has paid for none of these measures. In fact, if the Administration’s tax cuts and the war had been fully offset, we would not be facing such a mountain of debt.

Doubled Foreign Ownership of Federal Debt — A significant portion of the country’s increased debt has been purchased by foreign investors. Under this Administration, foreign-held debt will have more than doubled, from \$1 trillion in January 2001 to well over \$2 trillion in January 2009. Such growing reliance on foreign investors puts our economy at risk from instability abroad.



Rising Debt Service Costs Crowd out Needed Services — The government’s net interest payments are estimated to total \$228 billion in 2009 under the President’s policies. By 2013, net interest payments are estimated to increase to \$299 billion, far higher than the \$171 billion in 2002. Just like interest payments on a family’s credit card, these payments are obligatory, yet they provide no services or goods – no education for a child, no new roads, and no additional national security. Interest payments over the next five years dwarf spending on most national priorities including homeland security, education, and veterans’ health care.

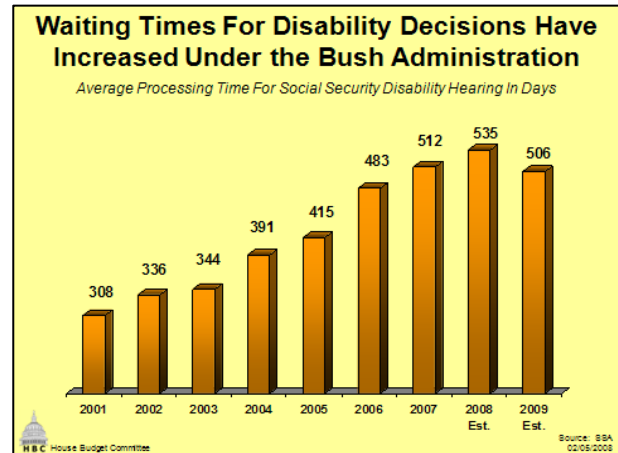
Continued Same Flawed Policies and Priorities — The President’s final budget contains the same policies that led to record deficits and continues to ignore the need to invest in services vital to families and communities. To help pay for a fraction of its \$2 trillion in new tax cuts — which largely benefit the most fortunate — the President’s budget imposes harmful cuts on a range of critical services. For example, it cuts Medicare by \$557 billion over ten years without addressing well-documented overpayments to Medicare managed care, cuts Medicaid by \$42 billion over ten years, cuts low-income home energy assistance at a time of skyrocketing fuel prices, and slashes new funding for state and local law enforcement assistance.

Broken Government

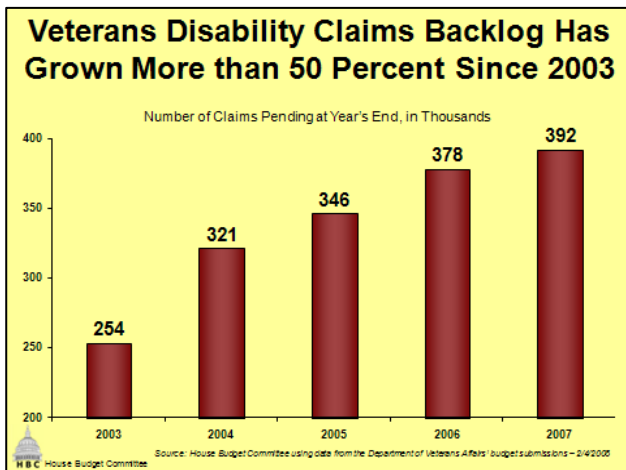
At the same time deficits and debt are setting records, the level of government services and responsiveness has deteriorated significantly over the past several years as a result of persistent underfunding by this Administration and previous Republican Congresses. Social Security, Veterans, State, and other departments and agencies are experiencing record backlogs for essential government services, investments in critical infrastructure are being delayed, and needed improvements in homeland security and emergency response are not being made.

Record Backlogs for Essential Government Services

Social Security Administration Backlogs Top 17 Months — According to the Social Security Administration, it is currently experiencing a record backlog of 767,595 pending disability hearings, with the wait for a hearing averaging 17 months. Social Security cases will increase by about 90,000 annually over the next five years, likely resulting in a backlog of one million cases by 2010. The backlogs are mostly the result of chronic understaffing and increased claims. Lengthy waits can lead to bankruptcies and foreclosures. “People have died waiting for a hearing,” said Social Security Commissioner Michael Astrue in July 2007. But the Administration chose to make privatization — not ensuring that workers who earned disability benefits receive them — its priority.



Veterans Claims Backlog Has Risen 50 Percent since 2003 — The veterans’ disability benefits system is on the verge of crisis, according to findings of the Government Accountability Office. As the number of veterans disability claims grew from 735,000 in 2003 to 838,000 in 2007, the President’s budgets and the Administration’s policies failed to respond adequately. As a result, the number of claims pending at year’s end (the “backlog”) grew by more than 50 percent from 2003 to 2007, to nearly 392,000. On average, a veteran’s compensation or pension claim awaits resolution with VA for more than six months. If a veteran appeals VA’s determination, it takes an average of nearly two years (657 days) to resolve the appeal. This Congress has provided significant funding increases to hire another 2,900 claims processors and begin to reduce this large backlog.



Deferred Maintenance and Infrastructure Funding

Unmet Maintenance Needs for Our Transportation Systems — Maintenance of transportation infrastructure came to the forefront of the public’s minds last summer when the I-35 Bridge in Minneapolis, Minnesota, collapsed and fell into the Mississippi River. The I-35 Bridge is 1 of almost

73,000 bridges rated as “structurally deficient.” In all, more than 25 percent of almost 600,000 bridges have either a structural or functional deficiency. Meanwhile, the cost of congestion on the roads and in the air has mounted, resulting in 38 hours of delay (almost a week’s vacation) and 26 gallons of “wasted” fuel, for a total congestion cost of \$710 per person for individuals traveling during peak hours in 2005.

Despite the congestion and maintenance needs of our transportation infrastructure, the current Administration has sought to cut funds for our highway construction, transit programs, and airport improvements. For example, the President’s 2009 request sought a \$2 billion cut to highway and transit programs from their originally authorized amounts — programs that repair our existing infrastructure, build transit systems that could provide alternatives to driving, and that support jobs.

Inadequate Resources for Homeland Security and Emergency Response

Underfunded Homeland Security and Emergency Response — Despite persistent threat of attack, the Administration’s budgets have repeatedly cut the funding for several programs that would either make us safer from attack or would bolster our ability to respond if such an attack occurred. Every year the Administration has proposed large cuts to first responder grant programs. The President’s 2009 budget cuts funds for first responders by \$2.0 billion below the level needed to keep pace with inflation. Every year the Administration has proposed either no funding, or inadequate funding, to address the more than \$5 billion in basic security measures that the Coast Guard has assessed that our ports need. The President’s 2009 budget cuts port security grants by \$190 million below the 2008 enacted level.

Inadequate Consumer Protections

Food and Drug Administration Unable to Keep Pace — The inability of the Food and Drug Administration (FDA) to support its mission has become an all-too-common story in recent years. Peter Barton Hutt, a former chief counsel of the FDA, testified that “the agency is barely hanging on by its fingertips.”

“FDA has become a paradigmatic example of the ‘hollow government’ syndrome – an agency with expanded responsibilities, stagnant resources, and the consequent inability to implement or enforce its statutory mandates.”

Peter Barton Hutt, former FDA Chief Counsel

As an example, he pointed to the problems experienced this past year with contaminated pet food. Given insufficient resources, the FDA must leave particular areas neglected. According to Hutt, “This is what happened with contaminated pet food, one of many areas which have been neglected because of a lack of agency resources.” And while USDA-regulated meat and poultry imports have increased by 87 percent over the last ten years, inspections are decreasing; the FDA now inspects less than one percent of all imports.

Consumer Product Safety Commission Plagued by Insufficient Budget — The failure of the nation’s product safety system became apparent last year with the record number of consumer product recalls. The ability of the Consumer Product Safety Commission to provide effective oversight has been harmed by years of decreasing staffing at the agency. In fact, the budget the Administration submitted last year would have provided for the fewest number of staff in the agency’s history. To address the needs, Congress passed a new law that provides the needed budget and staff resources while also tightening federal standards for lead in toys.