

HOUSE BUDGET COMMITTEE

Democratic Caucus

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Overview of the President's 2007 Budget: Budget in Brief #4

The President's latest budget will produce deficits of \$371 billion for 2006 and \$335 billion for 2007, according to the nonpartisan Congressional Budget Office (CBO). These deficits mean that over the most recent five-year period, this Administration is responsible for the five largest deficits in history. Clearly, this Administration's policies continue to take the budget in the wrong direction. Aside from the large deficits, the budget reflects the Administration's decision to impose harmful cuts on important services for working families while protecting benefits for narrow interests. Finally, there is far less than meets the eye in some of the Administration's high-profile budget initiatives.

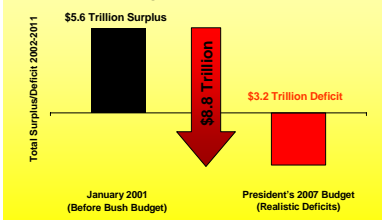
More Huge Deficits — CBO estimates that the deficit for 2006 will be \$371 billion, \$53 billion larger than the 2005 deficit of \$318 billion. The deficit for 2006 without using the Social Security surplus is even higher, over \$550 billion. Over the most recent five-year period, this Administration has produced the five largest deficits in history.

Another Record Deficit

The Five Largest Deficits in History

Rank	Year	Deficit
1 st	2004	-\$412 Billion
2 nd	2003	-\$378 Billion
3 rd	2006	-\$371 Billion
4 th	2007	-\$335 Billion
5 th	2005	-\$318 Billion

Surplus Declines \$8.8 Trillion Under Republican Policies



\$8.8 Trillion Budget Deterioration Under This Administration —

When this Administration took office, it inherited a projected ten-year (2002-2011) surplus of \$5.6 trillion. Based on a realistic estimate of the President's policies, that surplus has now become a \$3.2 trillion deficit over the same period, a dramatic fiscal reversal of \$8.8 trillion.

Administration Protects Narrow Interests While Cutting Services for

Average Americans — The Administration's budget makes shortsighted cuts to investments and services that working families care about. The budget cuts funding for education, Medicare, Medicaid, and environmental protection, and increases fees paid by our veterans and Medicare premiums paid by some seniors. At the same time, the budget protects provisions benefitting narrow interests – such as \$10 billion in unnecessary Medicare subsidies to preferred provider organizations. It also includes another round of large tax cuts targeted primarily to the most fortunate among us.

2007 Budget Summary

Revenues	\$2.431 trillion
Expenditures	\$2.766 trillion
Deficit	\$335 billion

Budget Contains Additional, Hidden Cuts to Critical Services — In addition to the cuts acknowledged in the budget, the Administration plans additional harmful cuts to a range of domestic services in the years after 2007, but does not include these cuts in the publicly released budget materials. An OMB computer printout not released with the budget shows account-level appropriations numbers beyond 2007 – information that has traditionally been included in the public budget materials. These figures reveal substantial cuts to domestic services beyond 2007, even for some programs that the Administration increases in 2007, like veterans’ health care, mine safety, and nutrition assistance for women, infants, and children (WIC). Out-year cuts are also planned for accounts cut or frozen in 2007, like some education programs and the National Institutes of Health. An Administration spokesman denies that these cuts represent Administration policy, but the numbers clearly confirm concerns that the overall five-year domestic appropriations levels in the budget will translate into harmful cuts to important services.

Administration Budget Promises: Less Than Meets the Eye — The budget fails to live up to some of the high-profile claims made by this Administration. For example, the Administration claims to be committed to providing affordable health care for Americans, but this budget includes increases in Medicare premiums, more cuts to Medicaid and Medicare, and a misguided plan for health savings accounts that will shift more of the cost of health care onto individual consumers. The budget also shows that there is less than meets the eye to the Administration’s American Competitiveness Initiative. Of the more than \$5 billion provided for this initiative for 2007, more than three-quarters of the total goes to an extension of the existing research and development tax credit. The President also claims that he is a strong supporter of math and science education programs, but at the same time his budget cuts the funding that helps students attend college.

True Picture Is Even Worse Than Administration’s Numbers Reveal — The Administration’s budget does not reveal the full extent of the deficit problem that its policies have created.

First, the Administration’s budget shows no deficit figures after the first five years, thus masking the \$1.6 trillion deficit impact (2012-2016) of the Administration’s tax cuts and the \$292 billion deficit impact of the Administration’s Social Security privatization plan over the same period.

Second, the budget omits a realistic estimate of the following costs:

- full repair of the Alternative Minimum Tax (AMT), which increases the deficit by \$838 billion over the next ten years if the Administration’s tax cuts are extended; and
- realistic costs for ongoing operations in Iraq and Afghanistan, which total \$313 billion over the next ten years beyond what is included in the President’s budget, according to a CBO scenario.

When these omitted costs, including debt service, are factored in, the deficit over the next ten years (2007-2016) is over \$3 trillion, with triple-digit deficits never falling below \$277 billion per year.

Deficits Much Worse than Administration Acknowledges										
Unified Deficit in Billions of Dollars										
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Bush Budget	-354	-223	-208	-183	-205					
Including Omitted Items	-367	-328	-301	-277	-328	-300	-357	-381	-413	-486