

Economic Strength And Spending Restraint Drive Down Budget Deficit *Federal Government Succeeds In Cutting Deficit In Half Three Years Ahead of Goal*

Today, President Bush Announced That The Deficit Has Been Cut In Half 3 Years Ahead Of His 2009 Goal And That The FY2006 Budget Deficit Was \$248 Billion. The President's pro-growth policies helped to strengthen our economy and create 6.6 million jobs in the last three years. This strong economic activity has generated historic revenue growth that has shrunk the deficit. A continued commitment to spending restraint has also contributed to deficit reduction.

- **The FY2006 Budget Deficit Was \$248 Billion/1.9 Percent Of GDP, Down From An Original February Projection Of \$423 Billion/3.2 Percent Of GDP.** At this level, the deficit is 0.4 percent below the 40-year average of 2.3 percent of GDP.
- **This Level Surpasses By \$12 Billion 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.**

Pro-Growth Policies Are Fueling A Robust Economy And Increasing Revenues

Tax Relief Is Spurring Economic Growth. Working with Congress, the President doubled the child tax credit, reduced the marriage penalty, cut taxes on capital gains and dividends, and reduced income taxes for every American paying them. Tax relief brought an extra \$2,500 to 44 million American families with children. The President's tax relief continues to help our economy grow faster than any other major developed country. Sustaining this economic momentum requires making these tax cuts permanent.

A Strong Economy Has Led To Historic Revenue Growth. The President's pro-growth policies have helped fuel economic activity that has produced two years of record revenue growth. FY2005 revenues were 14.5 percent higher than the previous year and at \$2.153 trillion were the largest in history. This year's revenues of \$2.407 trillion increased 11.8 percent from FY2005 and September 15th's \$71.8 billion in corporate receipts were an all-time high.

Spending Restraint Works

The President Has Restrained Spending. Every year that the President has been in office, he has reduced the growth of non-security discretionary spending. Additionally, in FY2006, the President succeeded in holding the growth in base discretionary funding to less than the rate of inflation.

The President Has Reduced Or Terminated Lower-Priority And Poor-Performing Programs. The President's FY2007 Budget proposed to reduce or terminate funding for 141 discretionary programs for a savings of \$14.7 billion. This builds on the President's success in FY2006 in which Congress enacted 89 proposed terminations and reductions for \$6.48 billion in savings.

The President Needs The Line Item Veto To Help Eliminate Wasteful Spending. The House of Representatives approved Line Item Veto legislation earlier this year by a strong bipartisan majority, and the President calls on the Senate to do the same. The Line Item Veto would be a tool to further improve government transparency and accountability and ensure taxpayer resources are spent wisely.

FY2006 ACTUAL RECEIPTS, OUTLAYS AND DEFICIT
(in billions of dollars)

	Receipts	Outlays	Surplus/Deficit (-)
FY2005 Actual	2,153	2,472	-319
FY2006 Estimates			
Budget (2/06)	2,285	2,709	-423
Mid-Session Review (7/06)	2,400	2,696	-296
Actual (10/06)	2,407	2,654	-248