Budget Resolution Highlights

Restores Fiscal Responsibility

- Puts nation back on sound fiscal path
- Balances by 2012
- Reduces spending as share of GDP
- Reduces debt as share of GDP after 2009
- Adopts spending caps and restores strong paygo rule

Meets Nation's Priorities

- Rejects President's cuts in key areas
- Provides increases for kids' health (SCHIP), education, and veterans

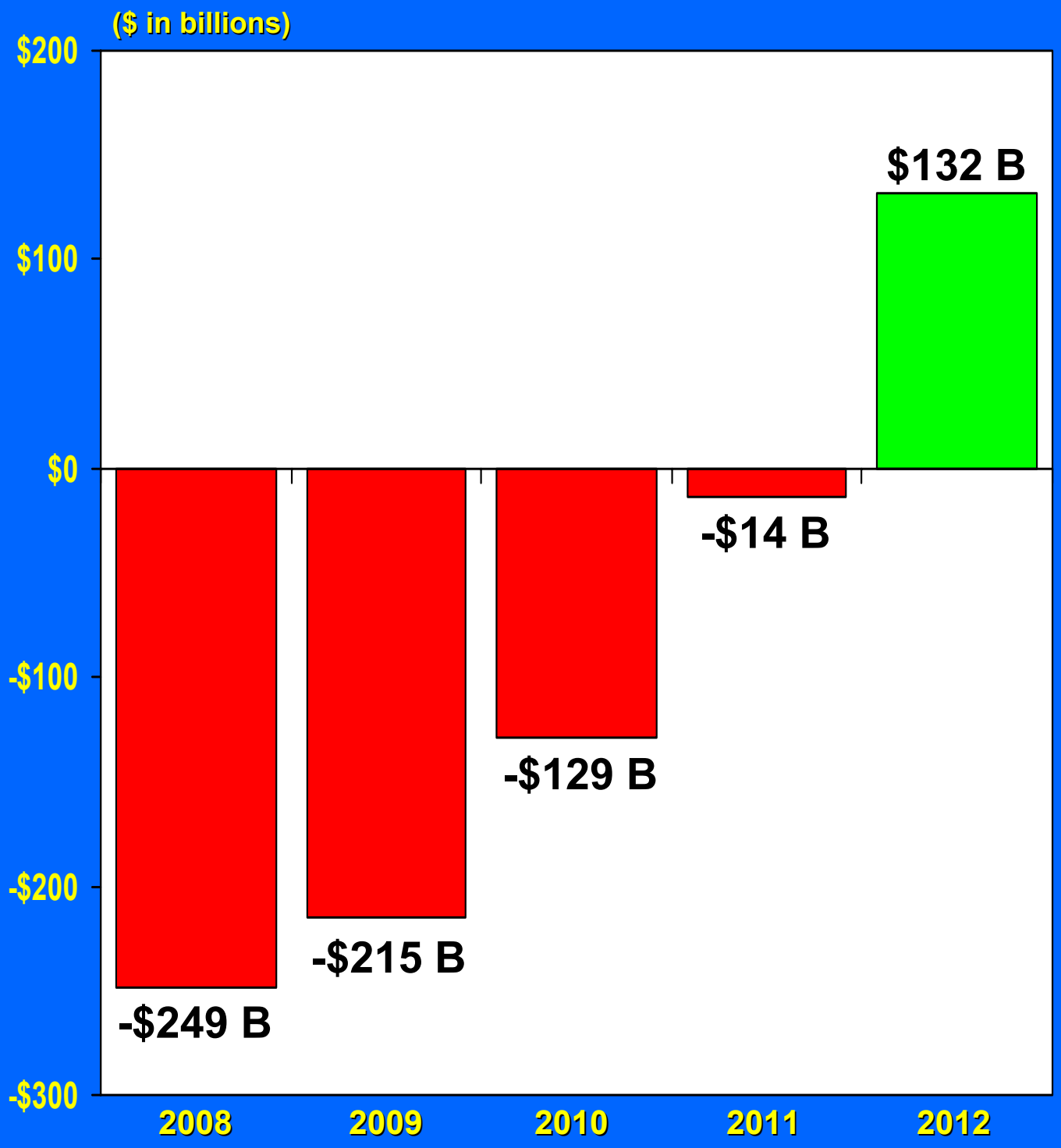
Keeps Taxes Low

- Protects middle-class with two years AMT relief
- Includes deficit-neutral reserve fund for new tax relief and extension of expiring provisions
- Includes no tax increase

Prepares for Long-Term

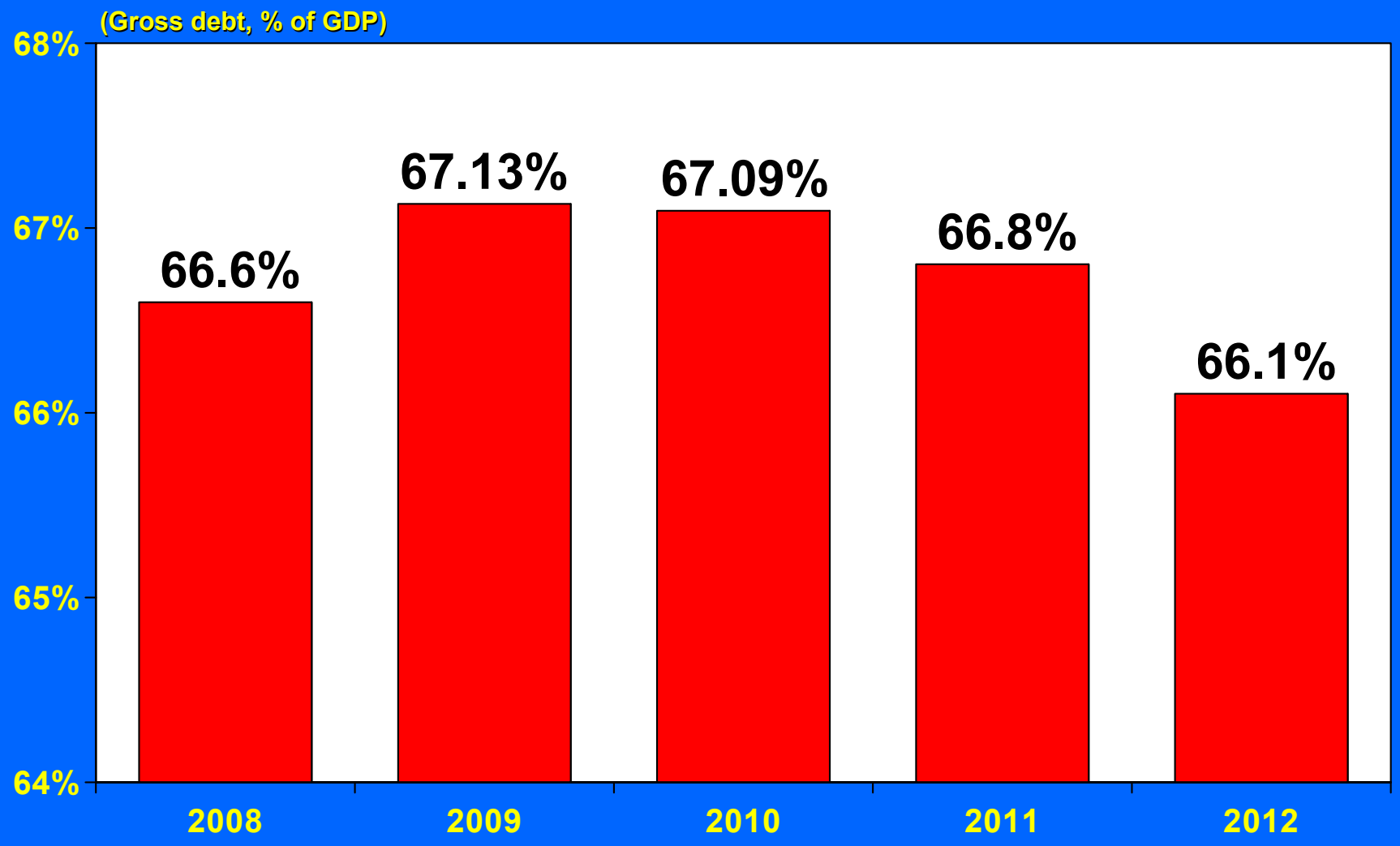
- Includes 'comparative effectiveness' reserve fund to address rising health care costs
- Adopts new budget point of order against long-term deficit increases

Deficit/Surplus Under Budget Resolution



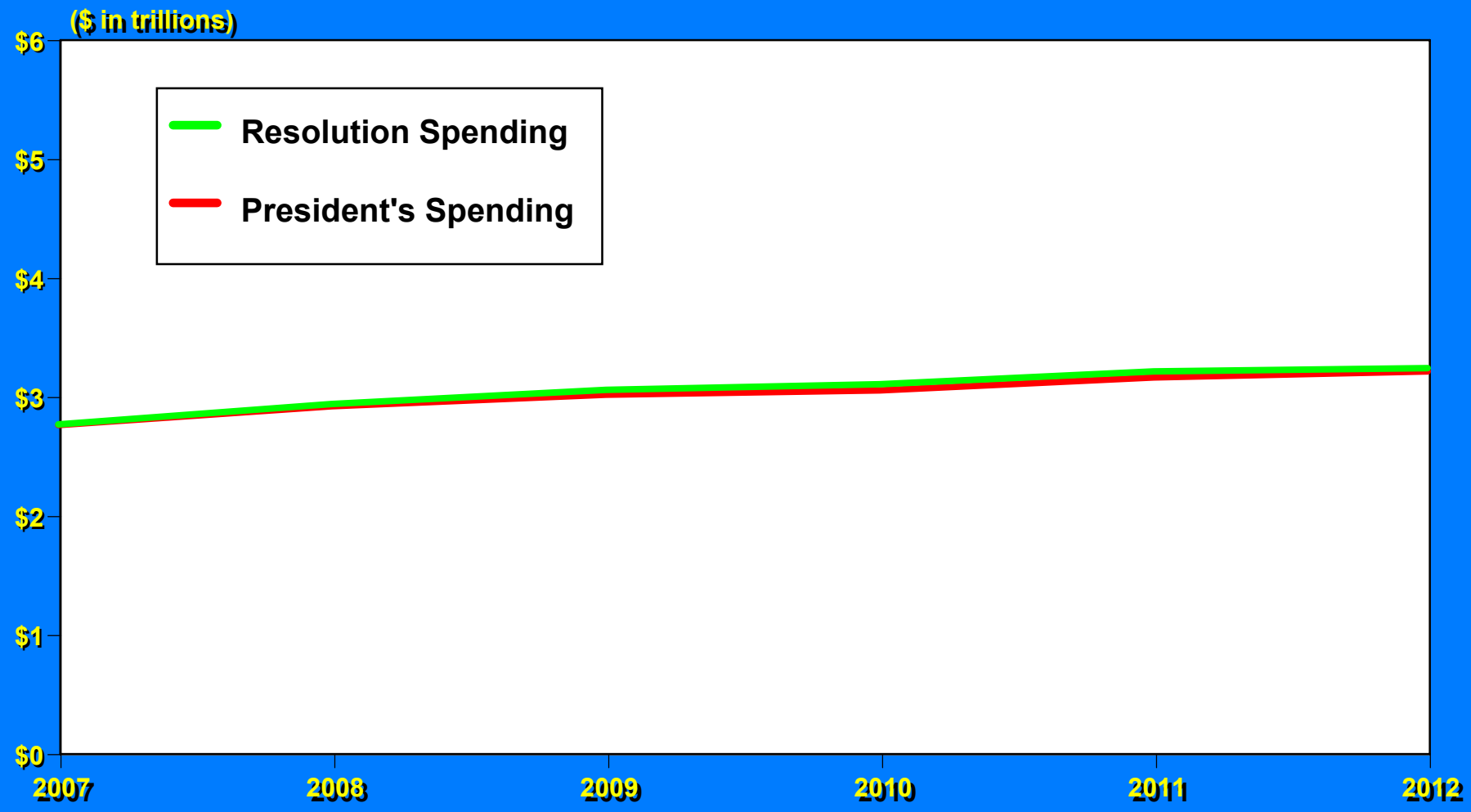
Source: SBC

Debt Under Budget Resolution



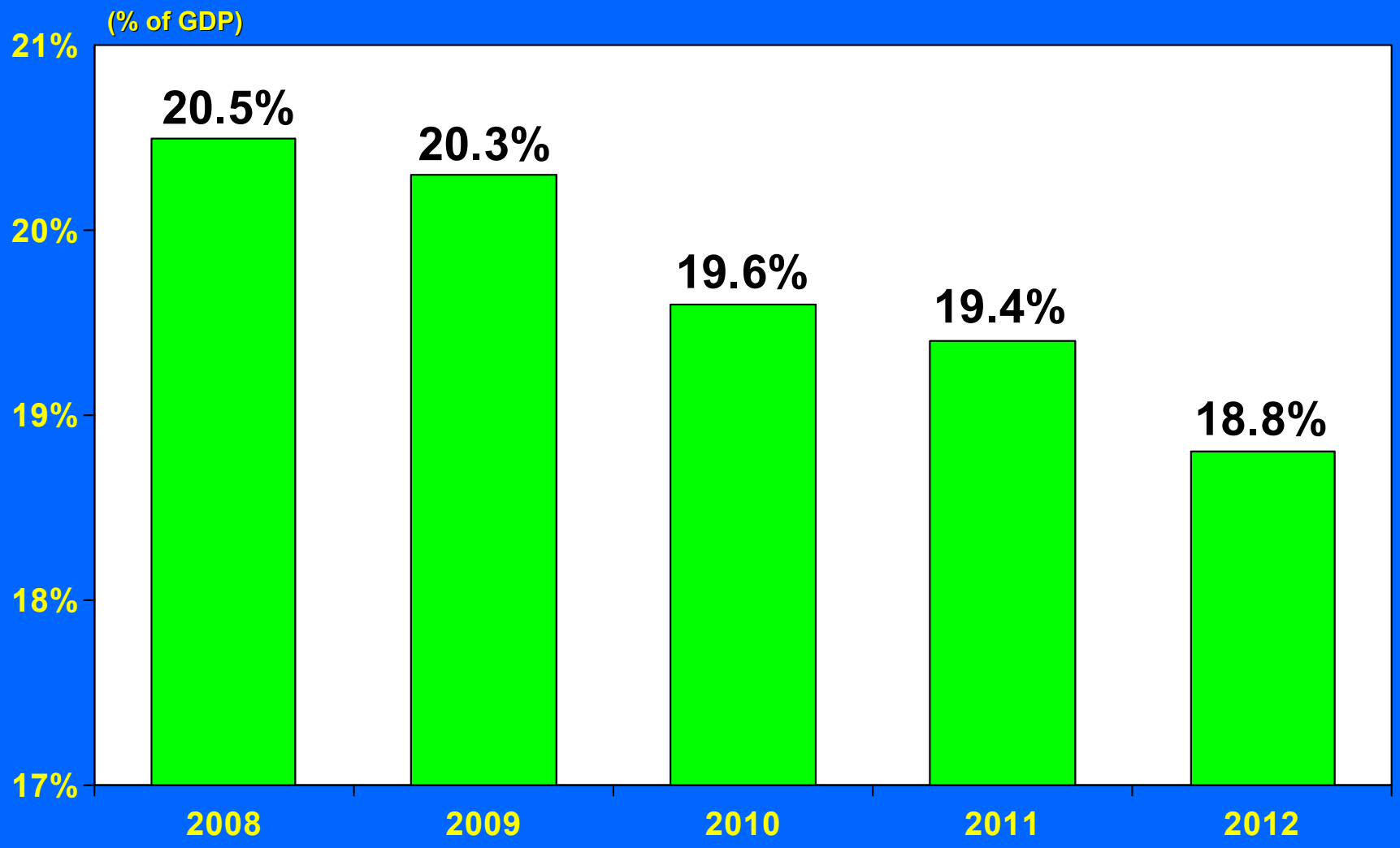
Source: SBC Democratic staff

Comparison of Spending Under Resolution and President's Budget



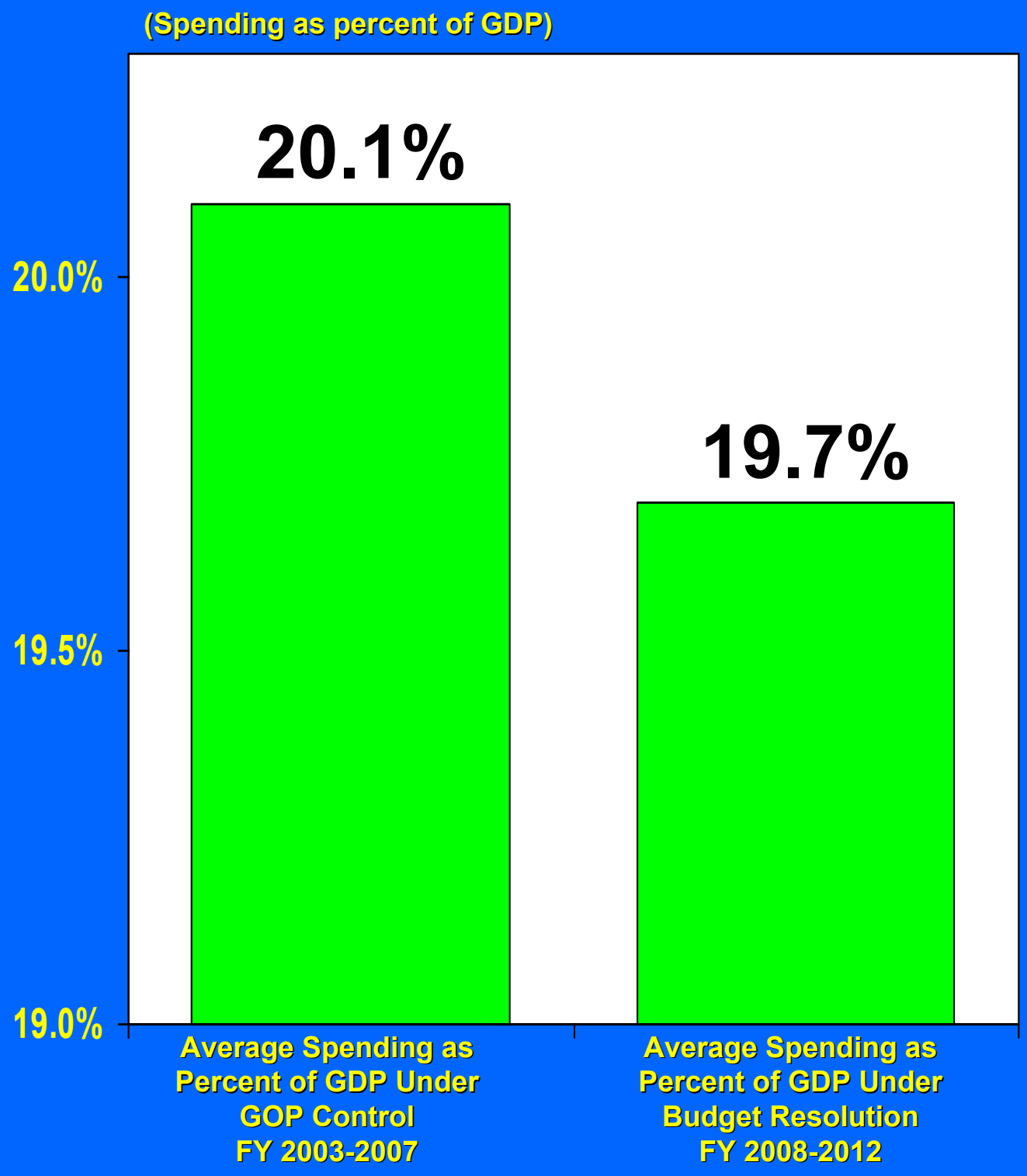
Source: SBC, CBO

Spending Under Budget Resolution



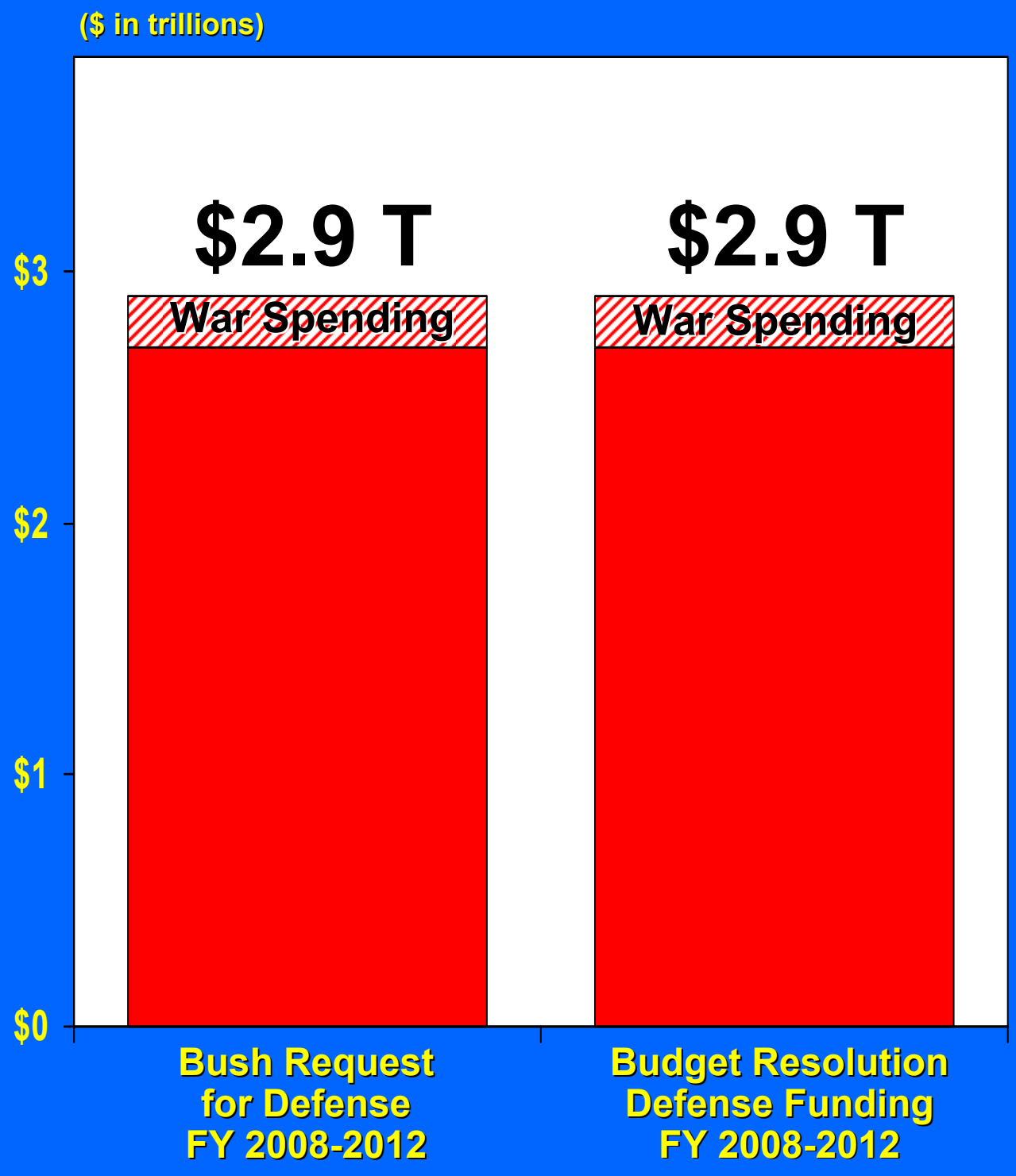
Source: SBC

Budget Resolution Has Lower Spending as Percent of GDP Than Average Under GOP Control



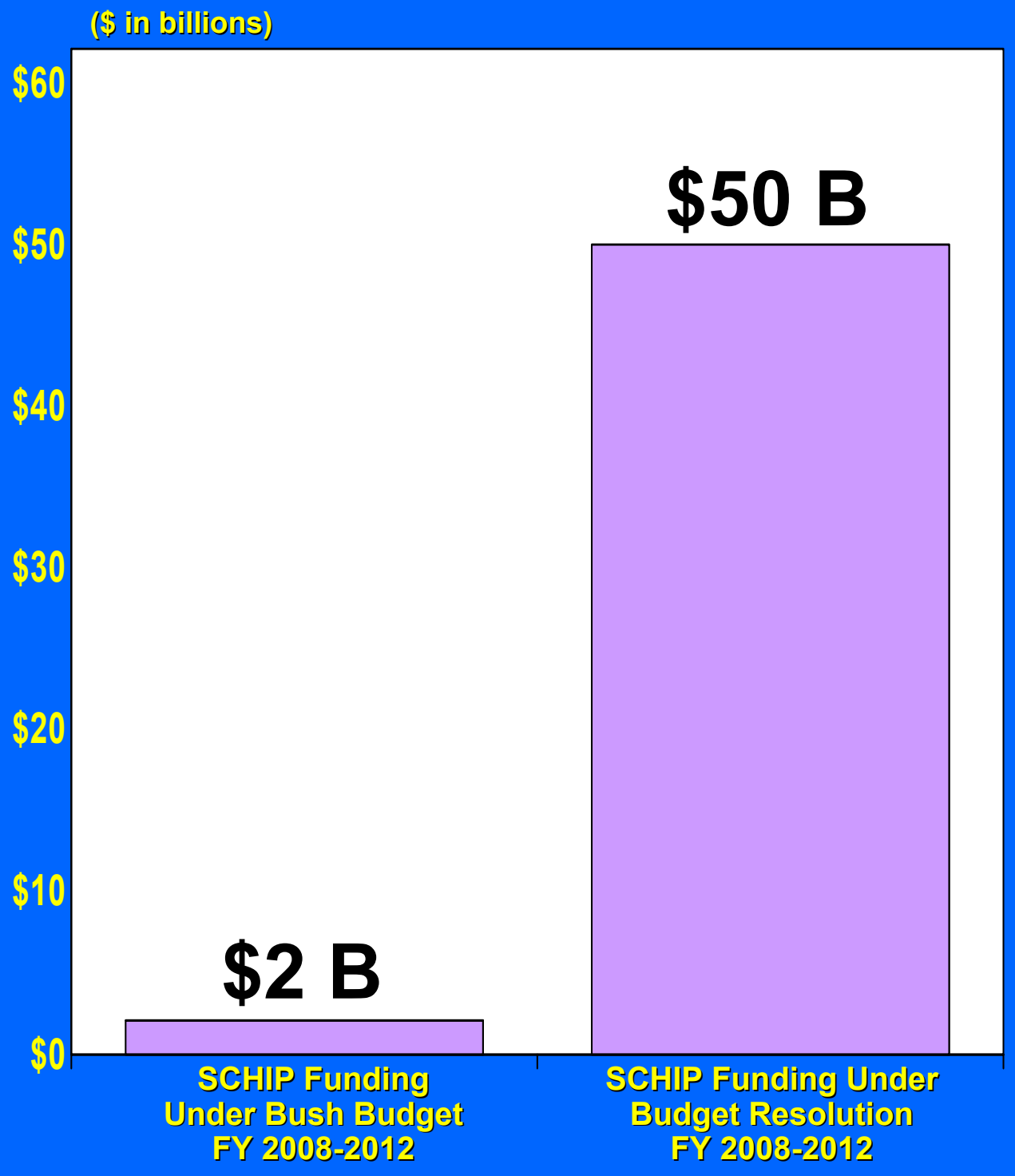
Source: OMB, SBC

Budget Resolution Fully Funds Bush Defense Request Over Five Years



Source: OMB, SBC

Budget Resolution Provides Up to $50 Billion for SCHIP Over Five Years



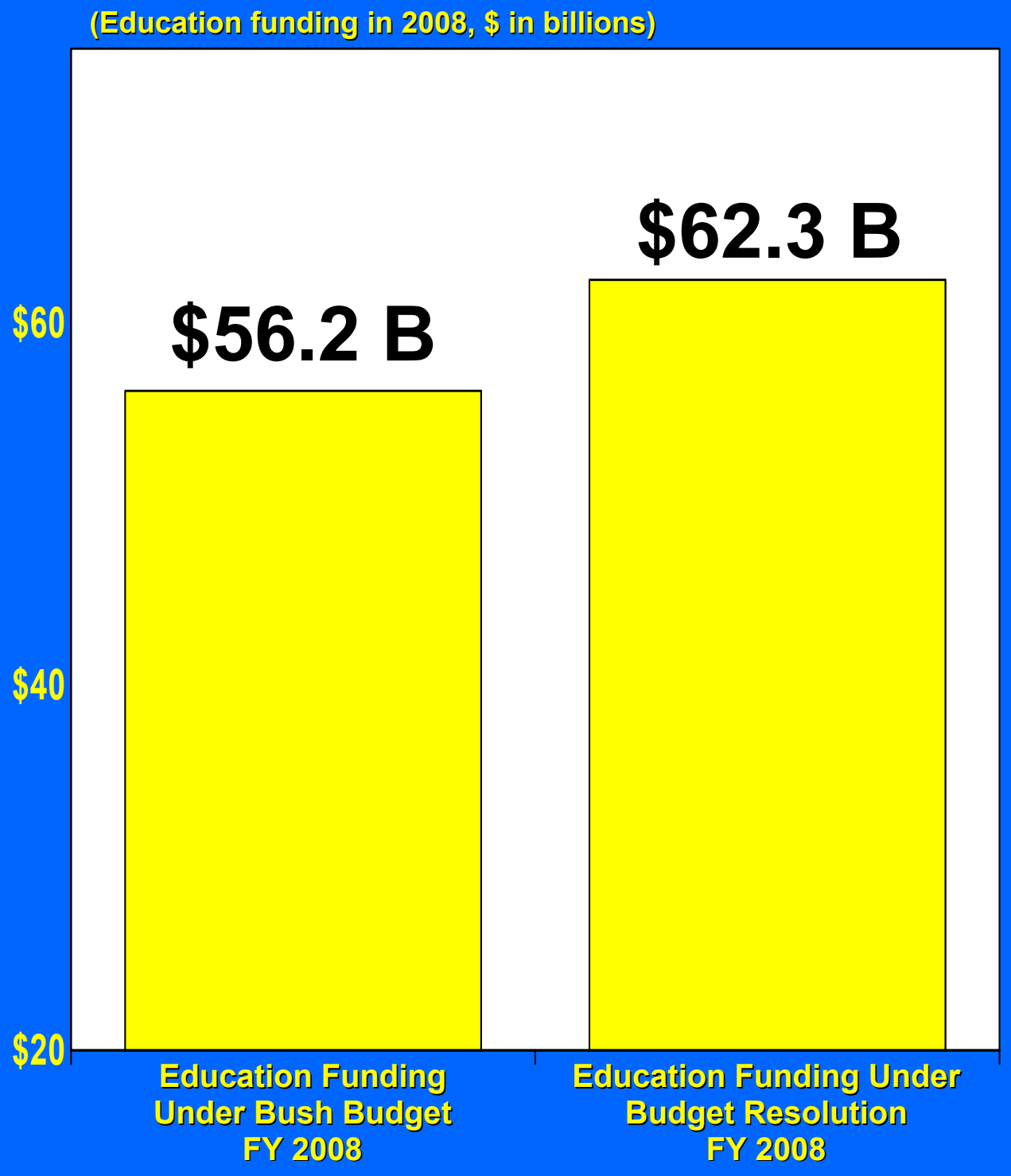
Source: CBO, SBC
Note: President's SCHIP funding level includes Medicaid interaction

"Unhealthy Beginning"

"The State Child Health Insurance Program arguably is the best thing going for children in families with annual incomes too high to be eligible for Medicaid but not high enough for them to afford private health insurance.... Statehouses across the country consider the SCHIP a winner … At issue is President Bush's budget plan changing aspects of the funding and direction of the program, forcing states to scale back or scratch up more funds to keep their programs at current levels. Why scramble something that is working well?"

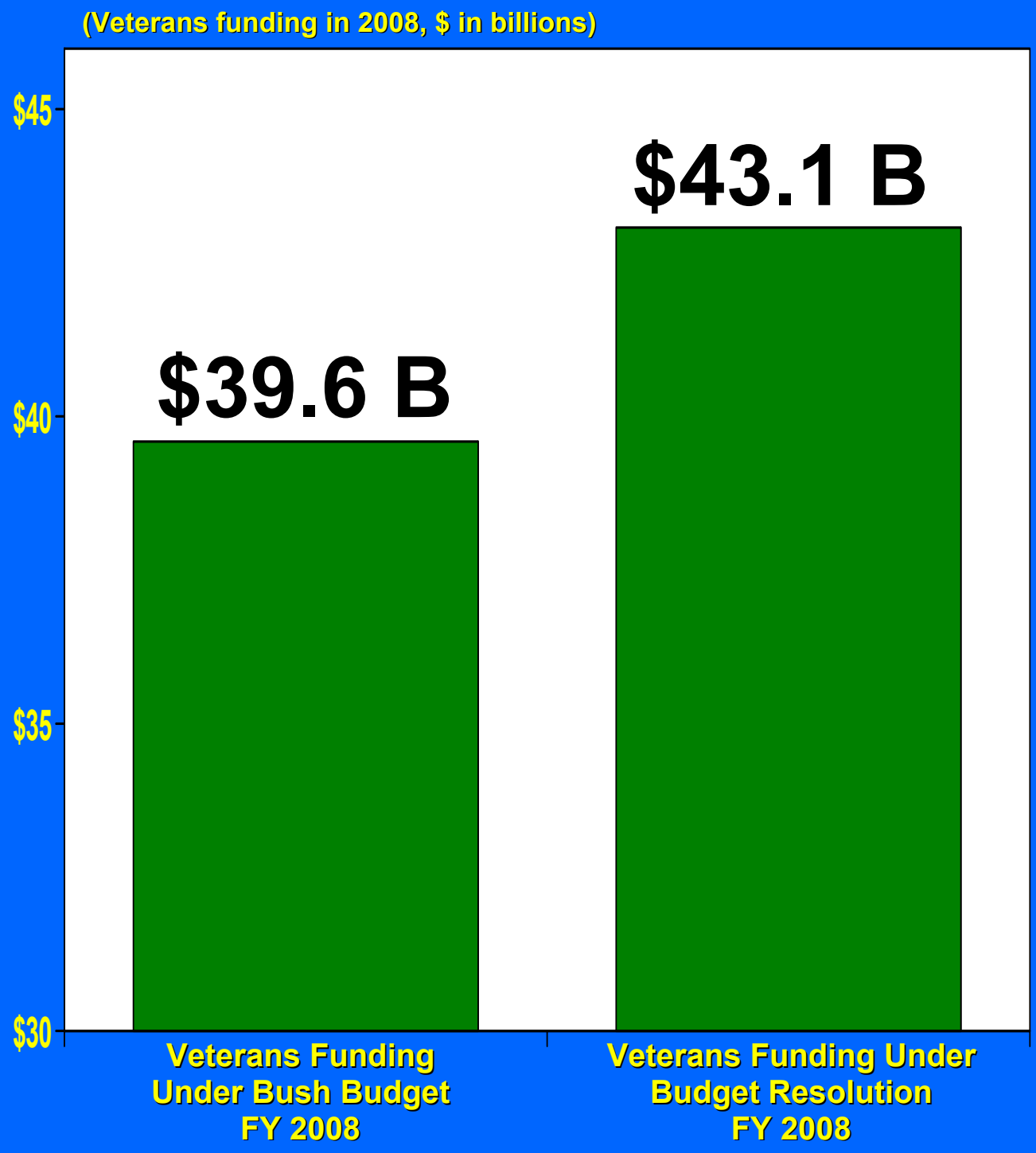
– *The Akron Beacon Journal* (Ohio)
March 4, 2007

Budget Resolution Provides $6.1 Billion More than Bush Budget for Education



Source: CBO, SBC
Note: Levels reflect Department of Education funding

Budget Resolution Provides $3.5 Billion More Than Bush Budget for Veterans



Source: CBO, SBC

Budget Resolution Provides More for Veterans' Medical Care than Independent Budget Request

Veterans' Account	Independent Budget	Budget Resolution
Medical Care	$36.3 Billion	$36.9 Billion
Information Technology	$1.3 Billion	$1.6 Billion
Medical and Prosthetic Research	$480 Million	$481 Million
Operating Expenses	$2.23 Billion	$2.23 Billion
Construction	$2.14 Billion	$960 Million

Source: Independent Budget, SBC

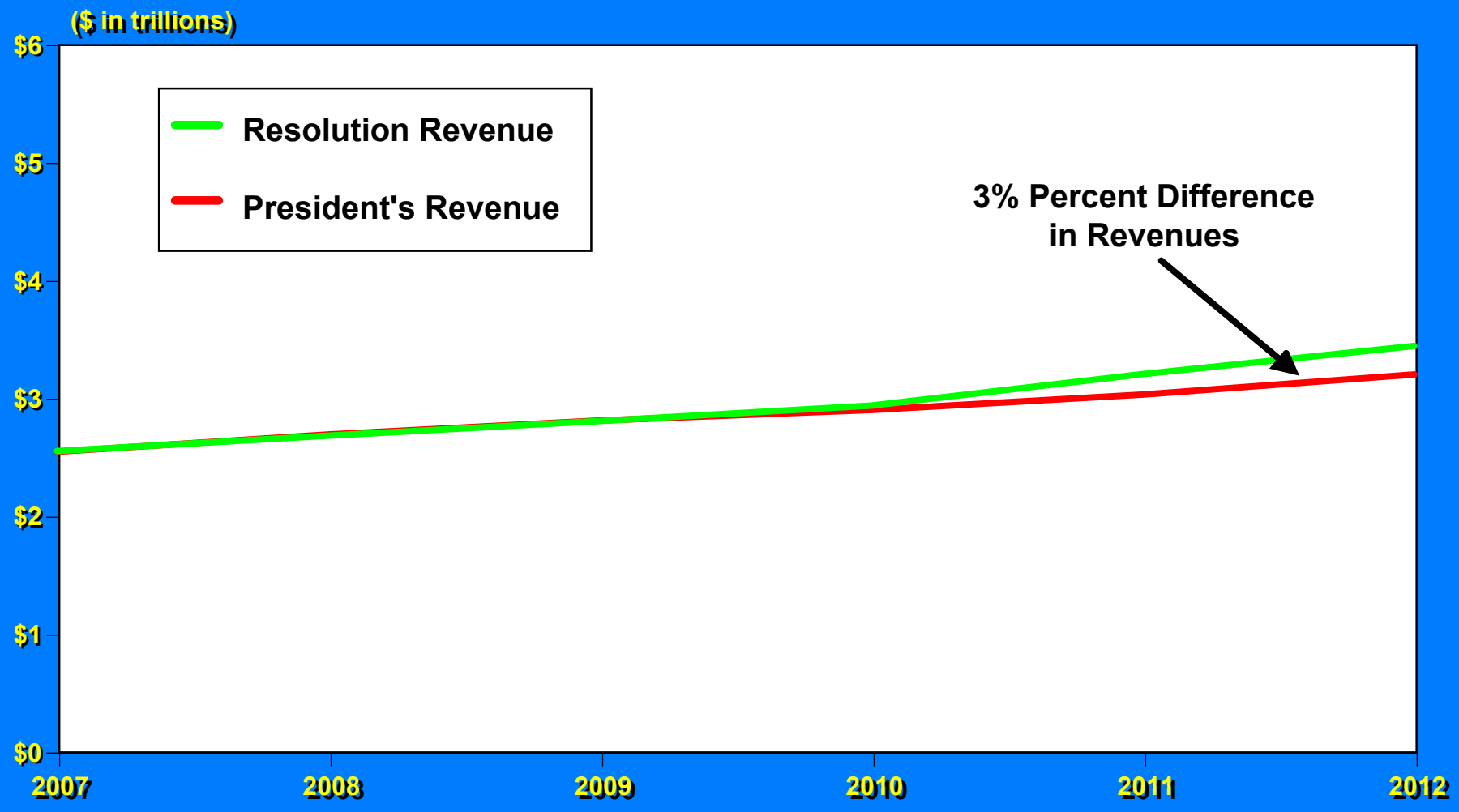
Other Priorities in Budget Resolution

- Law enforcement - COPS/first responders
- Heating assistance - LIHEAP
- Community development - CDBG
- Transportation - Amtrak

Revenues in Budget Resolution

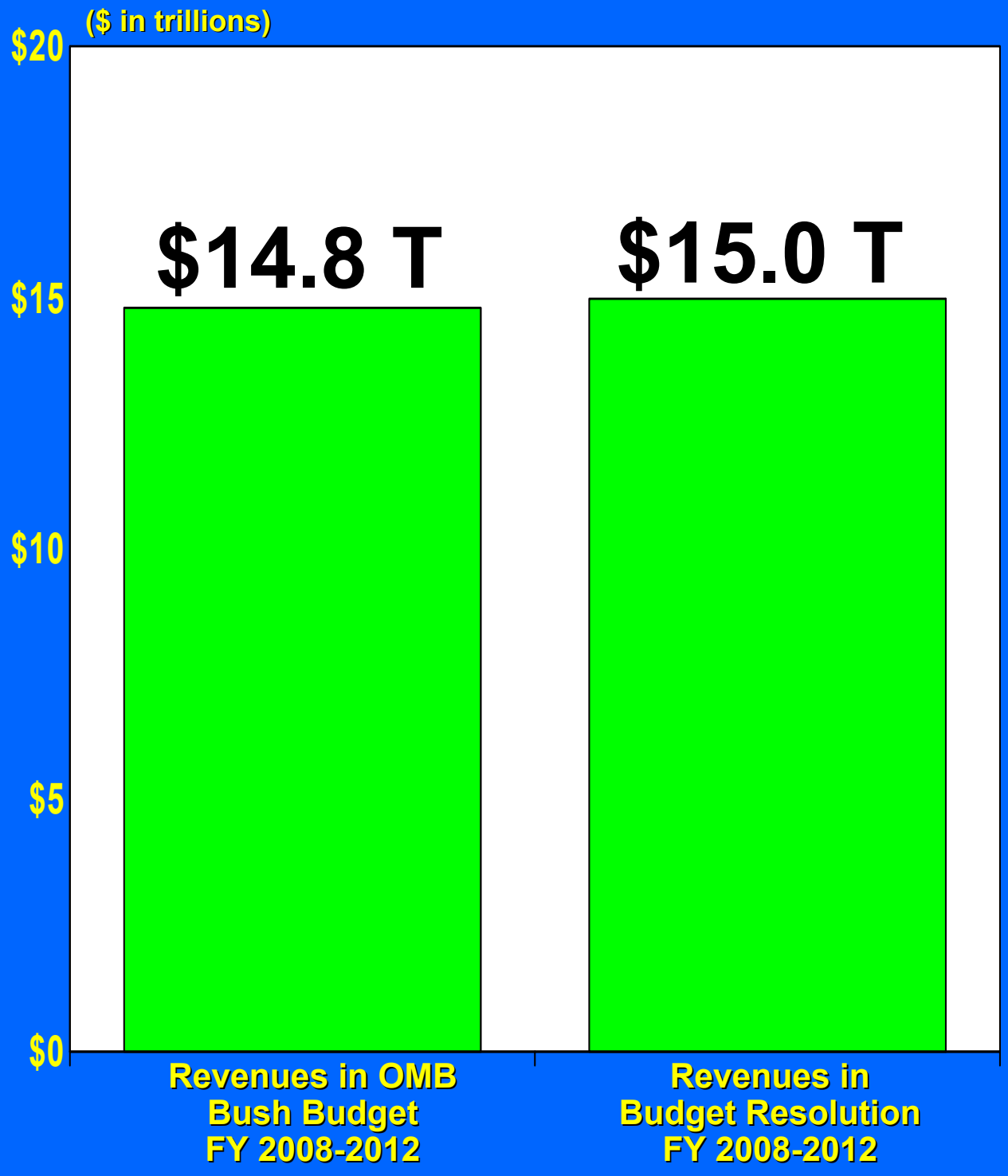
- Protects middle-class taxpayers with two years of AMT relief, fully offset
- Deficit-neutral reserve fund for tax relief, including extension of expiring provisions
- Calls for new measures to close tax gap, shut tax shelters, and address offshore tax havens
- Calls for tax simplification and reform
- Includes no tax increase

Comparison of Revenues Under Resolution and President's Budget



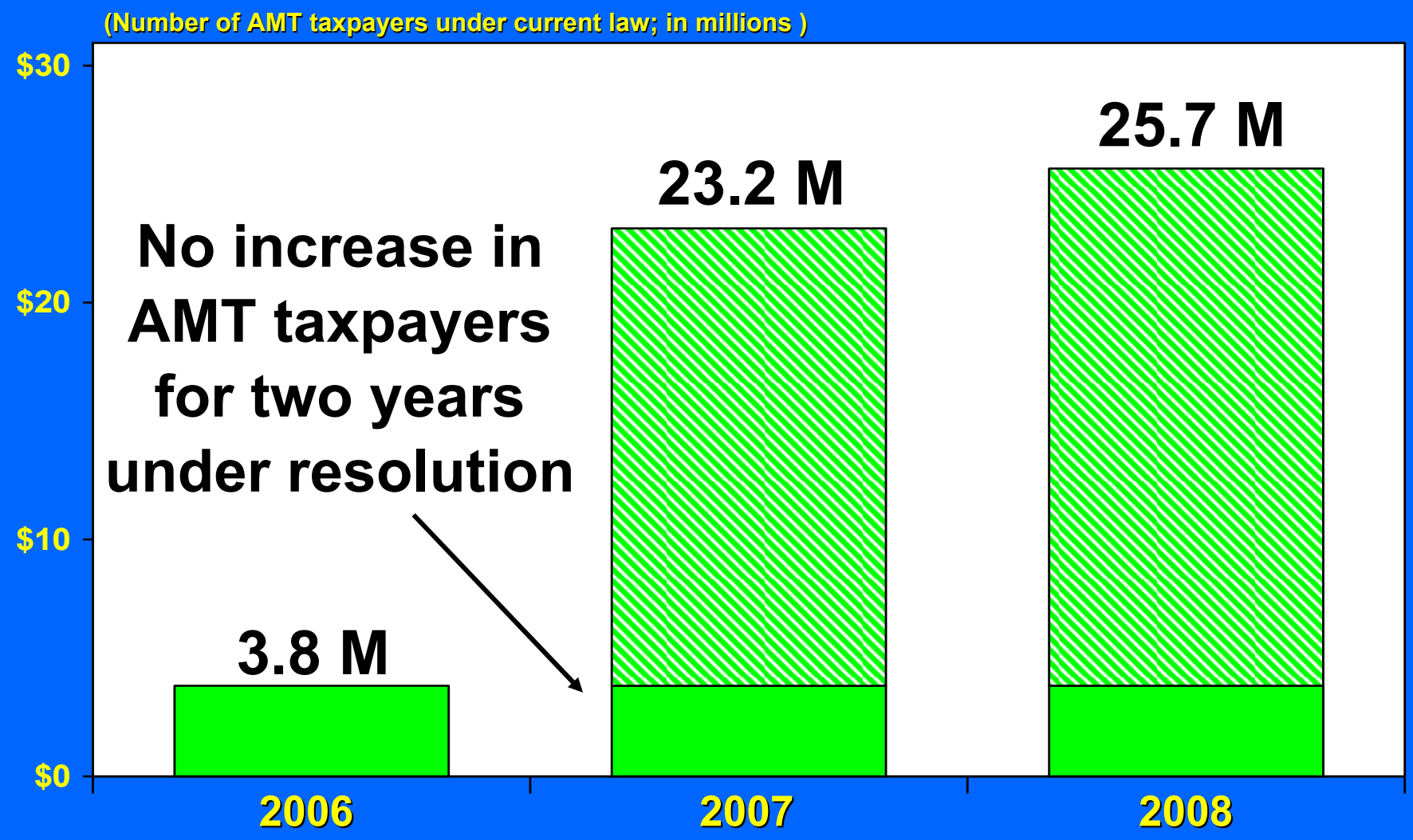
Source: SBC, CBO

Budget Resolution Revenues Above Bush Budget Revenues by Only 1.2 Percent



Source: OMB, SBC

AMT Relief for Two Years
(with cost offset)



Source: JCT, CBO

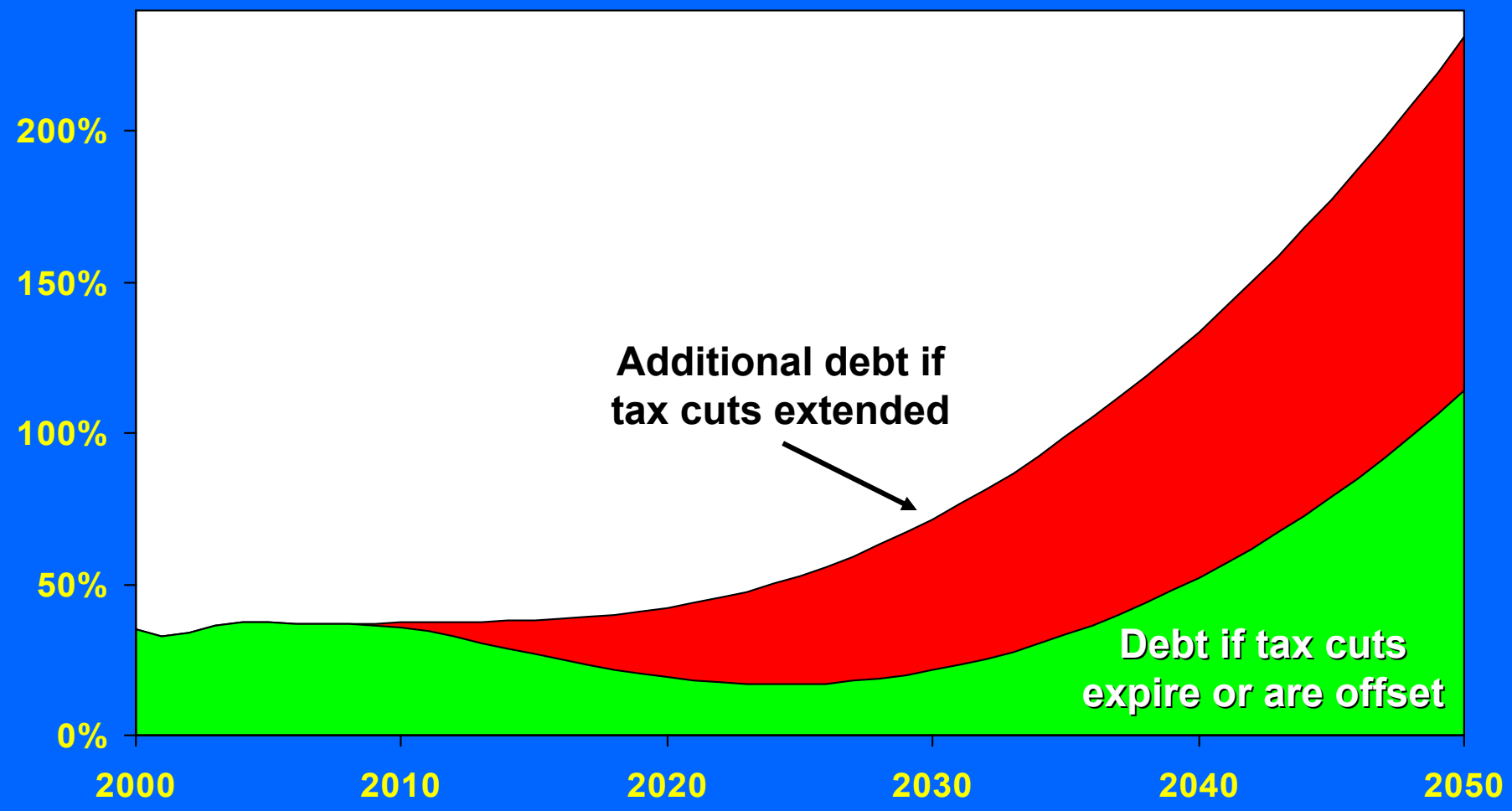
GAO Comptroller General Walker on Solving Nation's Fiscal Problems

"If we look into the future and face the facts, we'll see that our problem is not just on the spending side and entitlements. It's also on the revenue side."

– Government Accountability Office Comptroller General David Walker
Remarks to American Institute for Certified Public Accountants
August 21, 2006

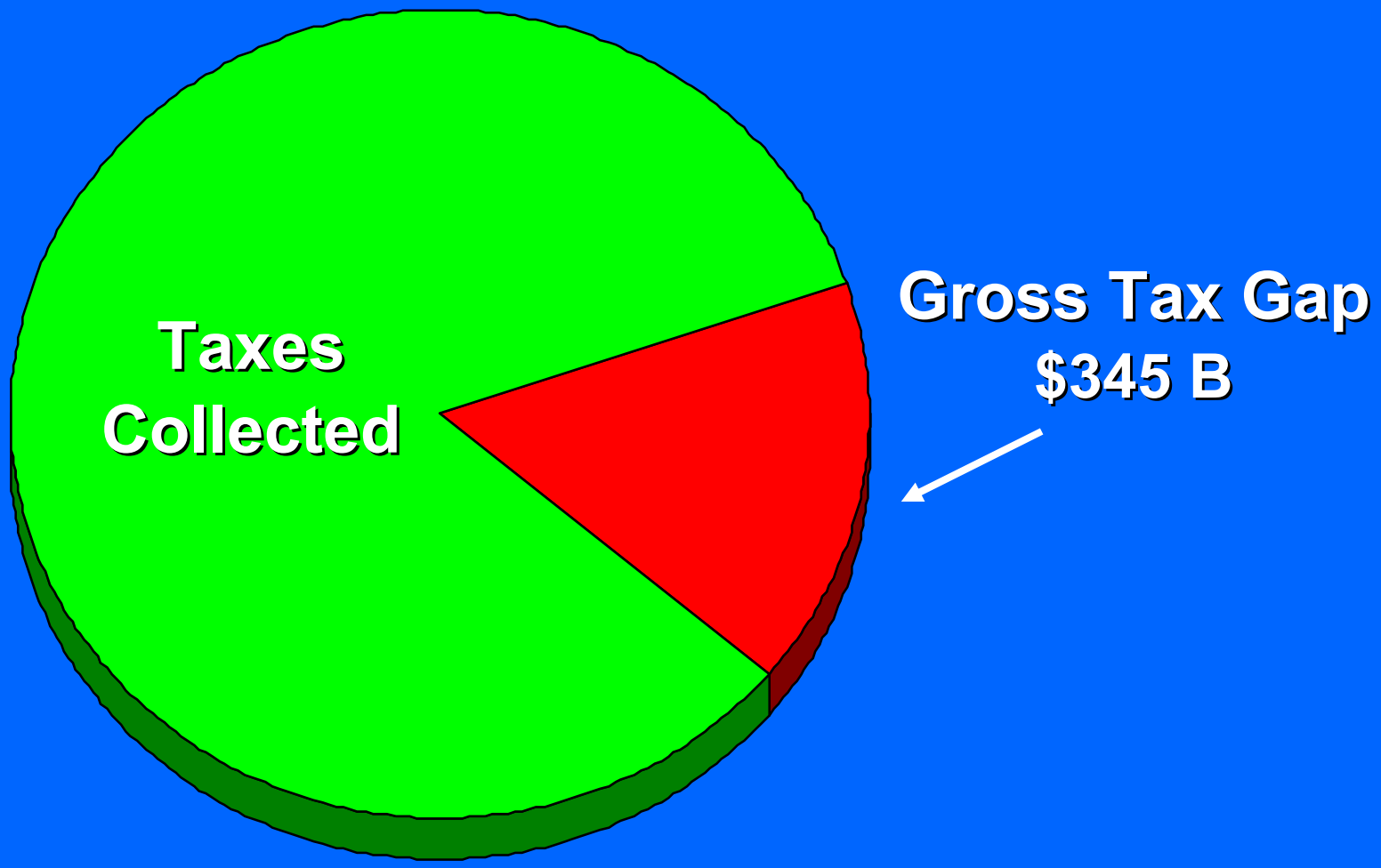
Debt Explodes if All Tax Cuts are Extended Without Offsets

Debt as a Share of the Economy



Source: CBPP projections based on CBO data.

IRS Estimates $345 Billion Annual Tax Gap



Source: IRS estimate of 2001 tax gap, February, 2006

National Taxpayer Advocate Finds Tax Gap Adding More Than $2,000 to Average Household Tax Bill

"Compliant taxpayers pay a great deal of money each year to subsidize noncompliance by others. ... [E]ach household was effectively assessed an average 'surtax' of about $2,680 to subsidize noncompliance [in 2001]. That is not a burden we should expect our nation's taxpayers to bear lightly."

–National Taxpayer Advocate Nina E. Olson
2006 Annual Report to Congress
January 9, 2007

Five-Story Cayman Islands Building That 12,748 Companies Call Home

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Offshore Tax Havens Aggressively Targeting U.S. Taxpayers

"'I am going to show you how to protect your money and all you own so nobody, not even the government, can get at it,' says U of Money.com."

–*USA Today*
September 14, 2006

Offshore Tax Havens Aggressively Targeting U.S. Taxpayers

"Once your assets have been transferred to an offshore entity ... they are safe," says website Carib-Offshore.com. "You can't be taxed on them."

–*USA Today*
September 14, 2006

Offshore Tax Haven Abuse Proliferating

"Experts have estimated that the total loss to the Treasury from offshore tax evasion alone approaches $100 billion per year, including $40 to $70 billion from individuals and another $30 billion from corporations engaging in offshore tax evasion. Abusive tax shelters add tens of billions of dollars more."

– Press Release
Senate Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations
February 17, 2007

Dortmund Subway System
Dortmund, Germany

Gelsenkirchen City Hall (Rathaus)

Closing Loopholes and Abusive Tax Shelters Are Not Tax Increases

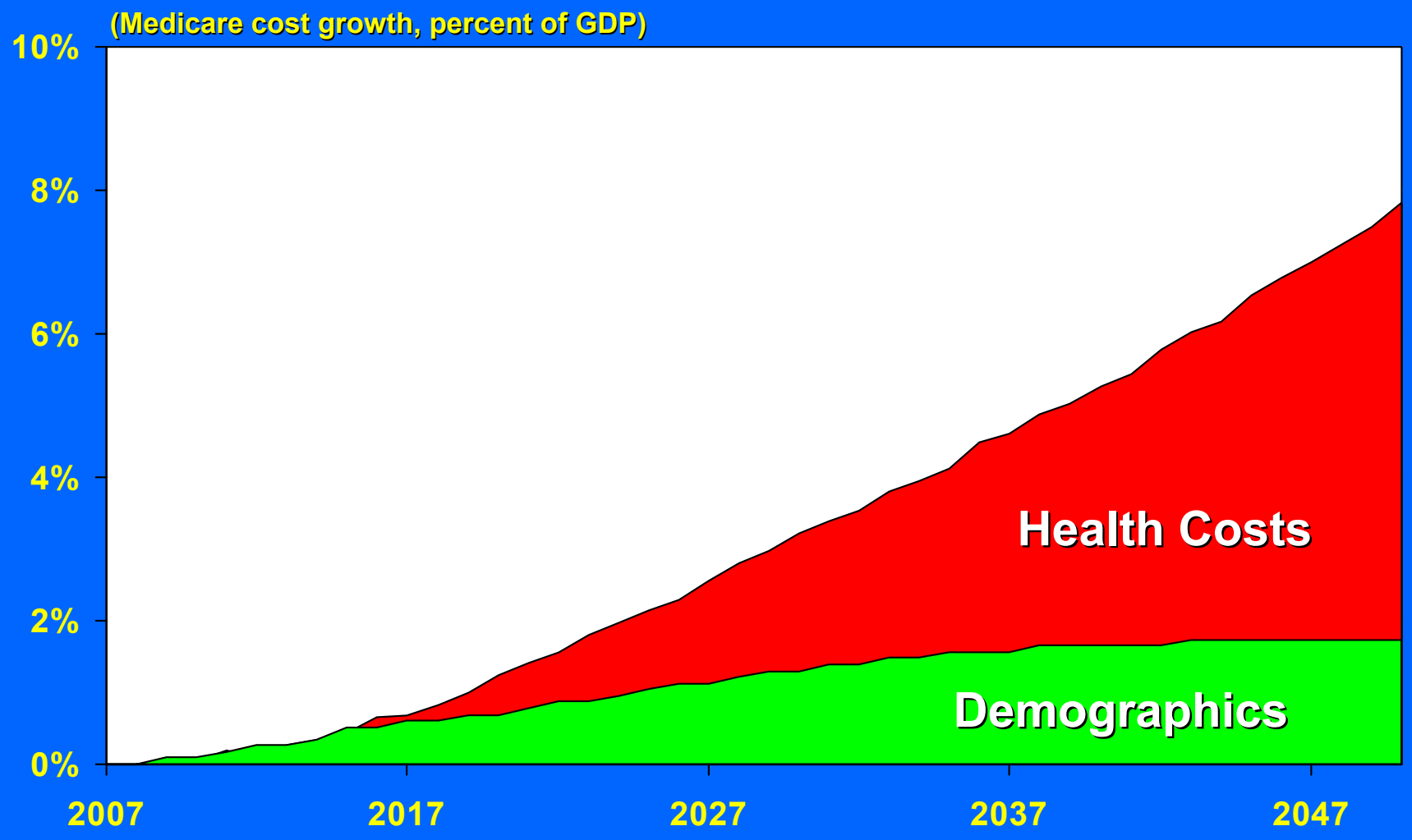
"Just in the period of time since 2001, our committee has raised around $200 billion in new revenues by shutting down tax shelters, by closing inversions and other abusive tax schemes. Now just in the year 2004 alone, the Finance Committee fully offset a $137 billion tax bill at no expense to the American taxpayers."

– Senate Finance Committee Chairman Charles Grassley (R-IA)
Senate Floor Statement
March 15, 2006

Budget Resolution Provisions Addressing Long-Term Fiscal Challenges

- $15 billion in Medicare savings
- Program integrity initiatives to crack down on waste, fraud, and abuse
- New mandatory spending and tax cuts must be paid for – paygo
- Long-term deficit increase point of order
- Save Social Security First point of order
- Health IT reserve fund
- Comparative Effectiveness reserve fund

Rising Health Care Costs Driving Medicare Cost Growth



Source: CBPP projections based on CBO data.

Comparative Effectiveness Reserve Fund

- Will jumpstart effort to bring down health care costs
- New initiative to provide research on effectiveness of different treatments, medical devices, and drugs

HHS Secretary Leavitt on Medicare Fraud

"It's evident that there is substantial fraud going on in the Medicare program and we need to be able to have the resources to root it out, to prosecute it and to make certain that it stops.... [I]t's a desperate need, we have to have more resources for enforcement."

– Health and Human Services Secretary Mike Leavitt
Testimony before House Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies
February 27, 2007

Building visited by U.S. Department of Health
and Human Services Secretary Mike Leavitt.

Budget Enforcement in Budget Resolution

- Discretionary caps for 2007 and 2008
- Restores strong paygo rule
- Point of order against long-term deficit increases
- Allows reconciliation for deficit reduction only