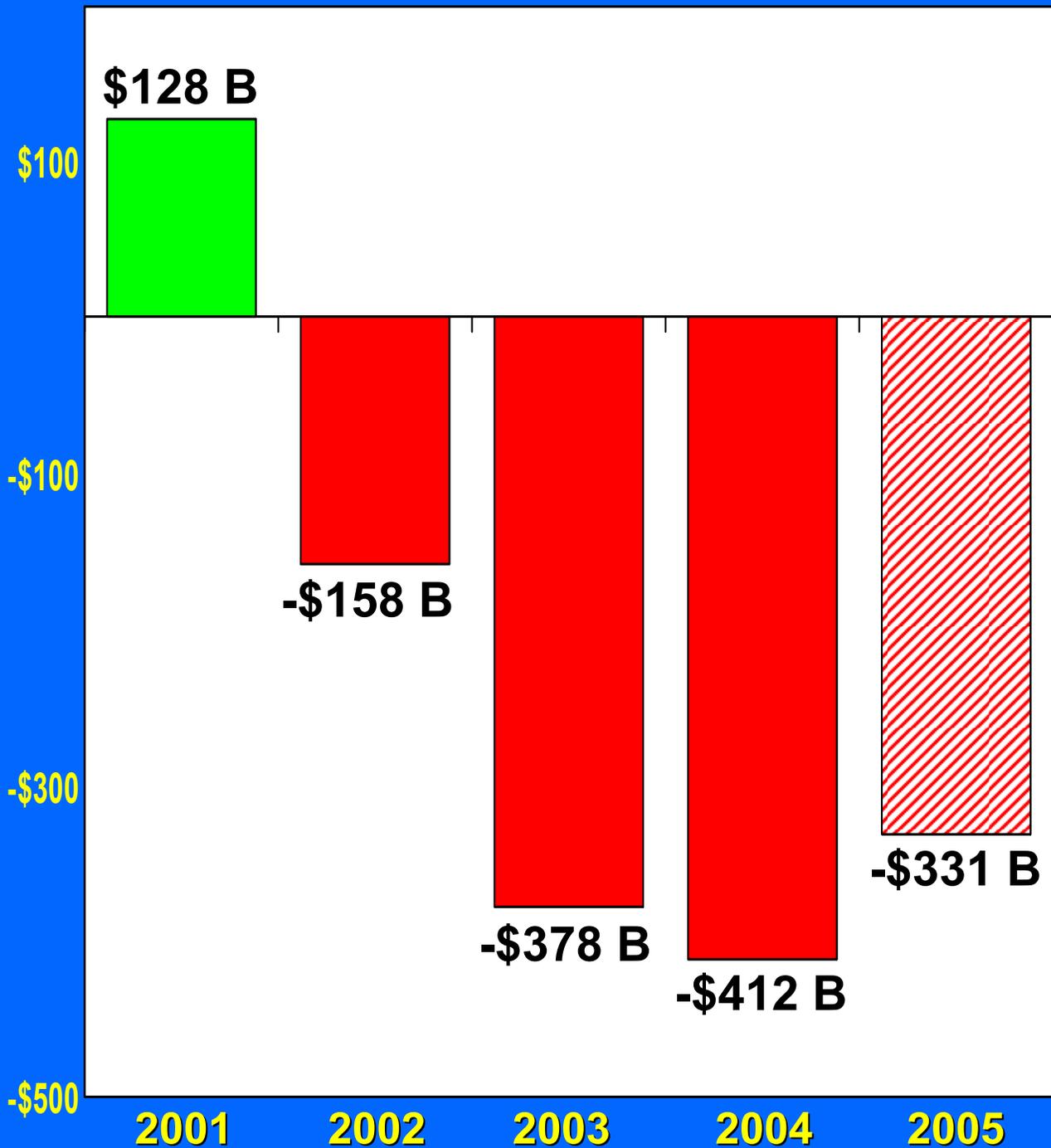


# Dramatic Deterioration in Budget Picture Over Last Five Years

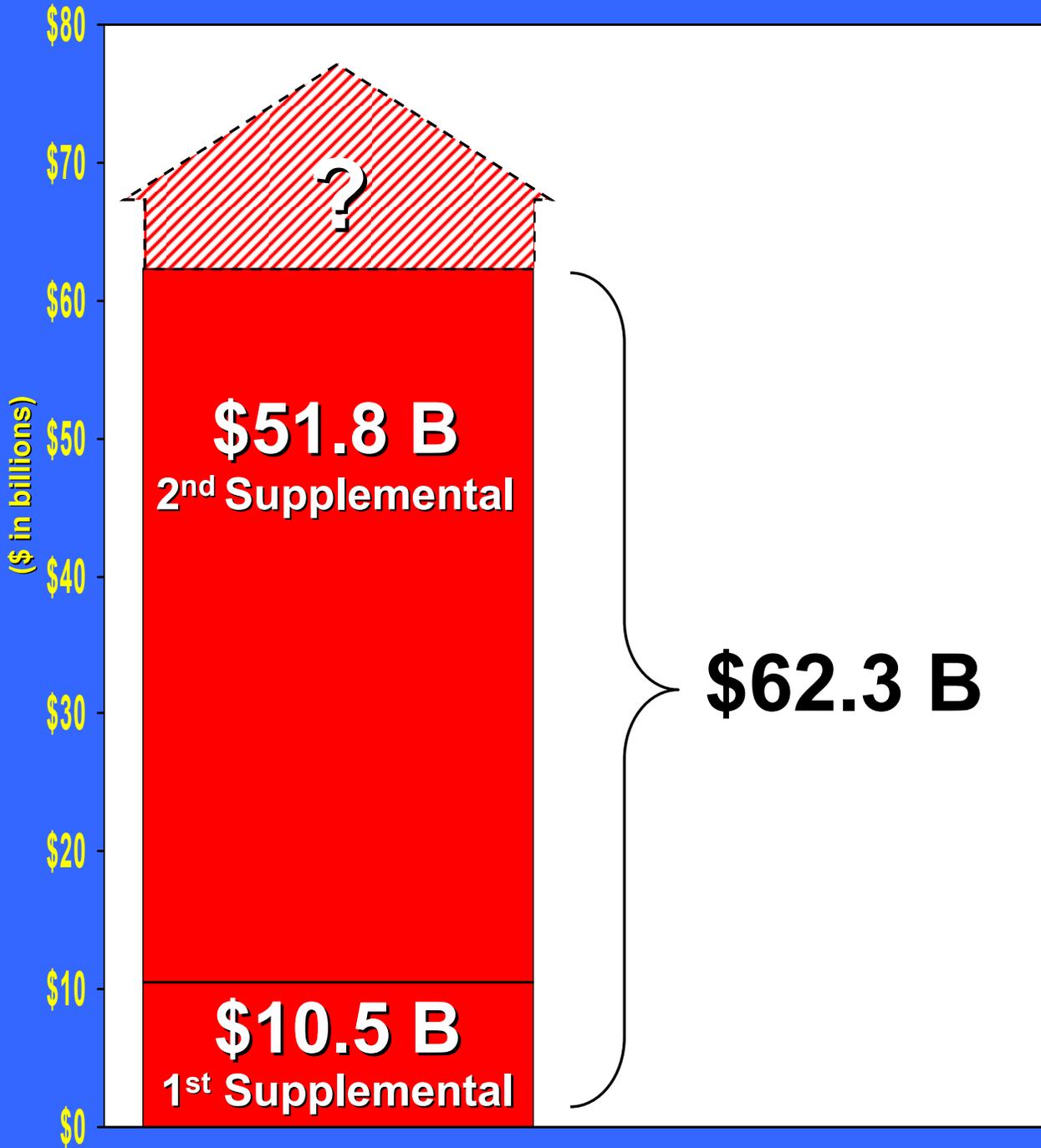
(Deficit in billions of \$)



Source: CBO

Aug 23

# Hurricane Katrina Recovery Costs



Source: White House

# THE WALL STREET JOURNAL.

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WEDNESDAY, SEPTEMBER 7, 2005 • VOL. CXXLVI NO. 47 • \*\*\*\*\* \$1.00

## First Estimates on Katrina Costs For Washington Hit \$200 Billion

The federal government could spend as much as \$150 billion to \$200 billion caring for the victims of Hurricane Katrina and rebuilding from its devastation, according to early congressional estimates—a total bill that would far surpass the initial costs

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*By John D. McKinnon and David Rogers in Washington and Dionne Searcey in Baton Rouge, La.*

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of recovering from the 9/11 terror attacks and could put Katrina on track to become the most expensive natural disaster in American history.

The early estimates are rough, but they are so high that some in Congress already are talking of creating a new government entity simply to manage the costs, similar to the effort by then-Commerce Secretary Herbert Hoover after floods in the same regions in the 1920s. All told, the process of paying for relief and repair is likely to be a “three-to-four-year exercise,” said Sen. Judd Gregg, the New Hampshire Republican who heads the Budget Committee.

Even as levee breaches were being repaired in New Orleans and oil spills and fires were posing new problems, a torrent of federal relief spending was under way. The Federal Emergency Management Agency is committing funds at a rate close to \$1 billion to \$2 billion a day, officials estimated.

Lawmakers said the \$10.5 billion al-

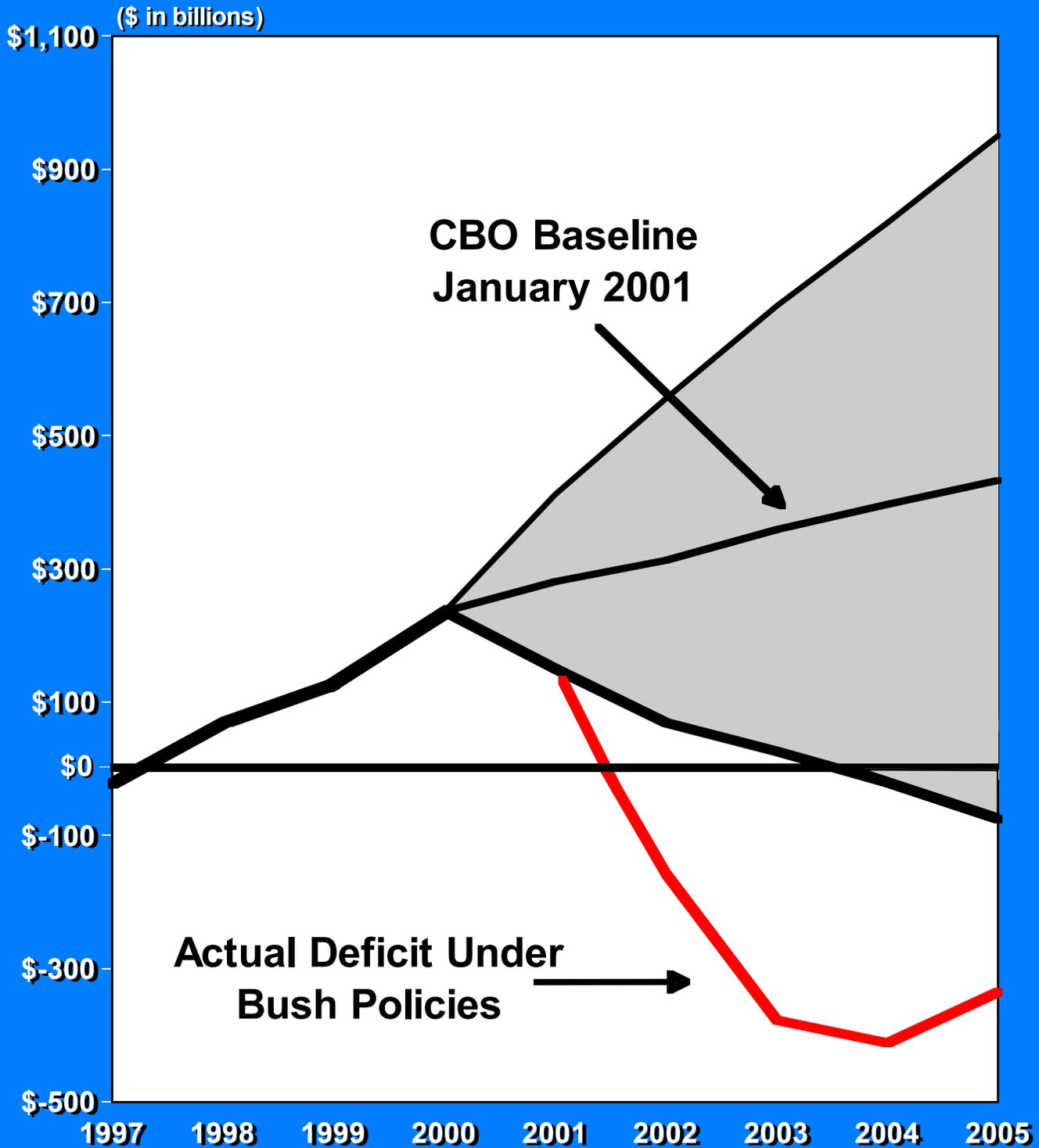
ready allocated to relief efforts in an emergency measure late last week was likely to be gone in a matter of days. As a result, they expect the White House to ask shortly for an additional \$40 billion. That alone will drive the cost of Katrina to more than three times the federal cost of the four big hurricanes that struck Florida last year. Approval is virtually certain: Louisiana is a politically important swing state coveted by both Republicans and Democrats, and neither party will want to be seen as short-changing the effort.

But that will be only a down payment on a federal tab that all now agree is going to reach more eye-popping levels. The width of the storm’s impact adds to costs. Among other things, the federal aid will include not only immediate relief but also major payments under the national flood-insurance program, and new appropriations to subsidize small-business disaster loans. What makes this disaster’s costs extraordinary, however, is the fact that so many people face such a lengthy displacement and will now need housing and individual income and health assistance under a government safety net that didn’t exist when the famous floods of the 1920s hit the same region.

In many cases, such as Medicaid or welfare-related payments, states typically share in the costs. But the federal government will be asked to carry more of the burden, both because the affected states such

*Please Turn to Page A4, Column 4*

# Bush Deficits Far Worse Than Scenarios Projected by CBO in 2001

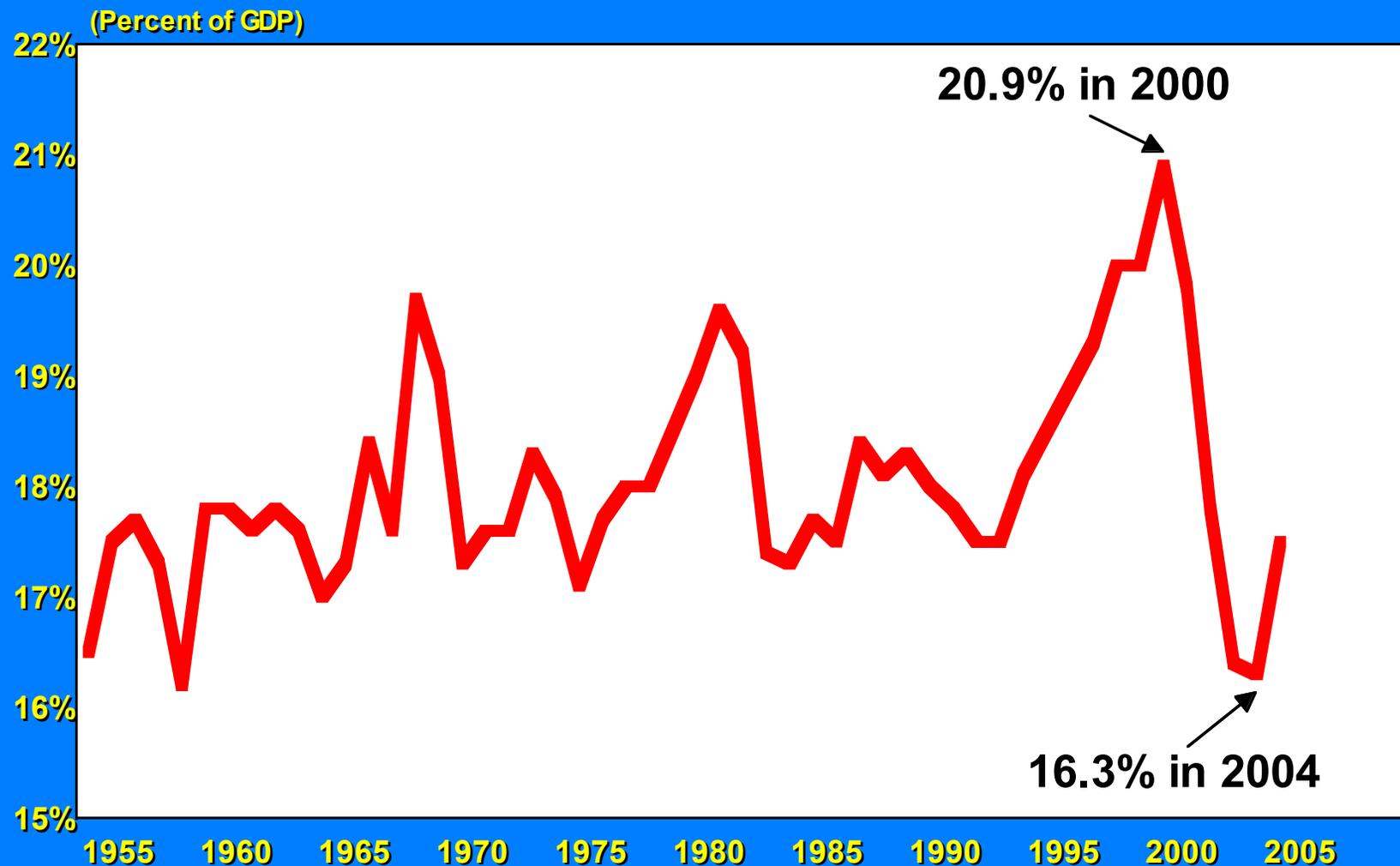


Source: CBO/OMB

Jul 13

# Revenues as a Percent of GDP

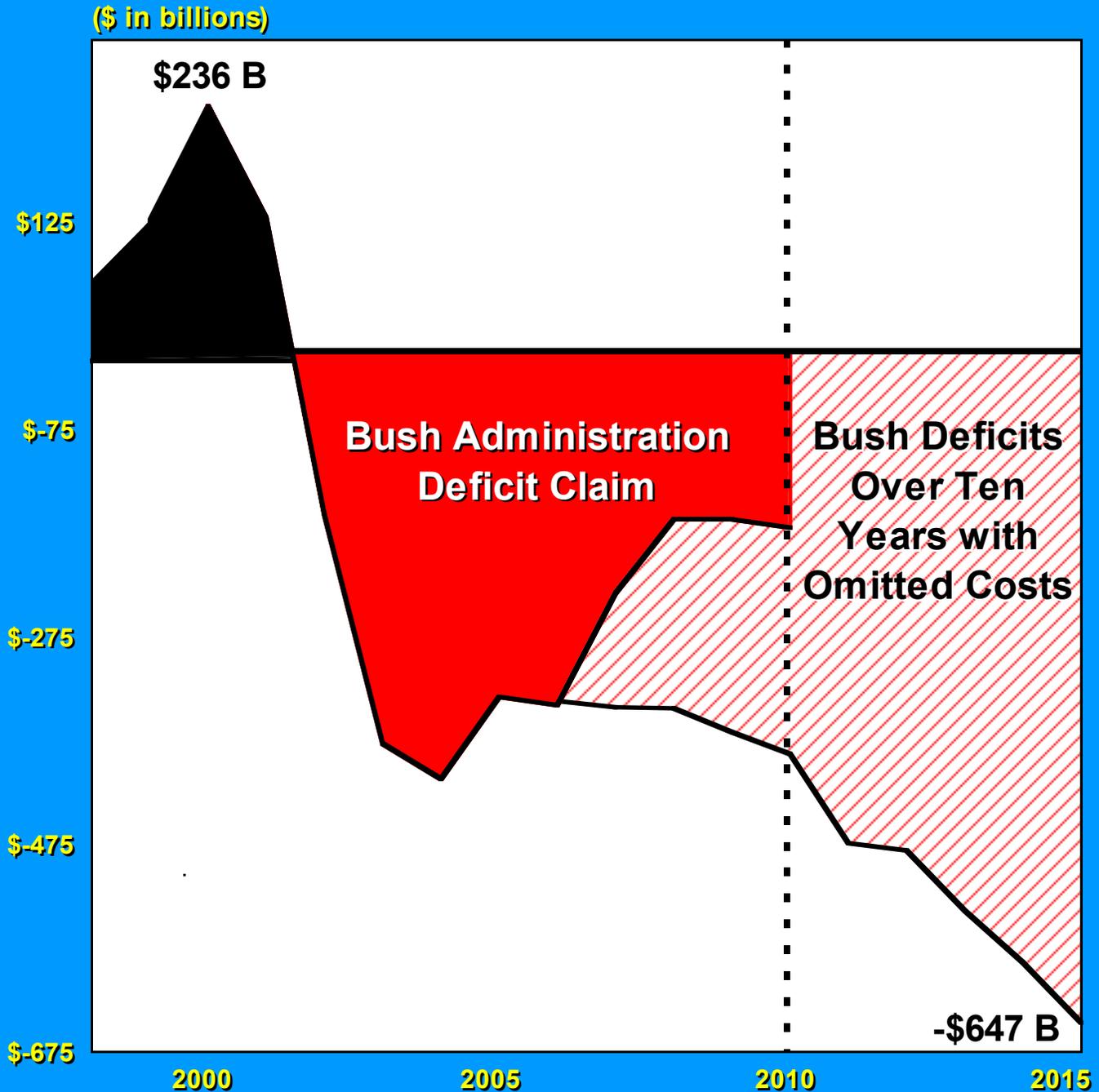
## 2004 Level is Lowest Since 1959



Source: CBO

8/15/05

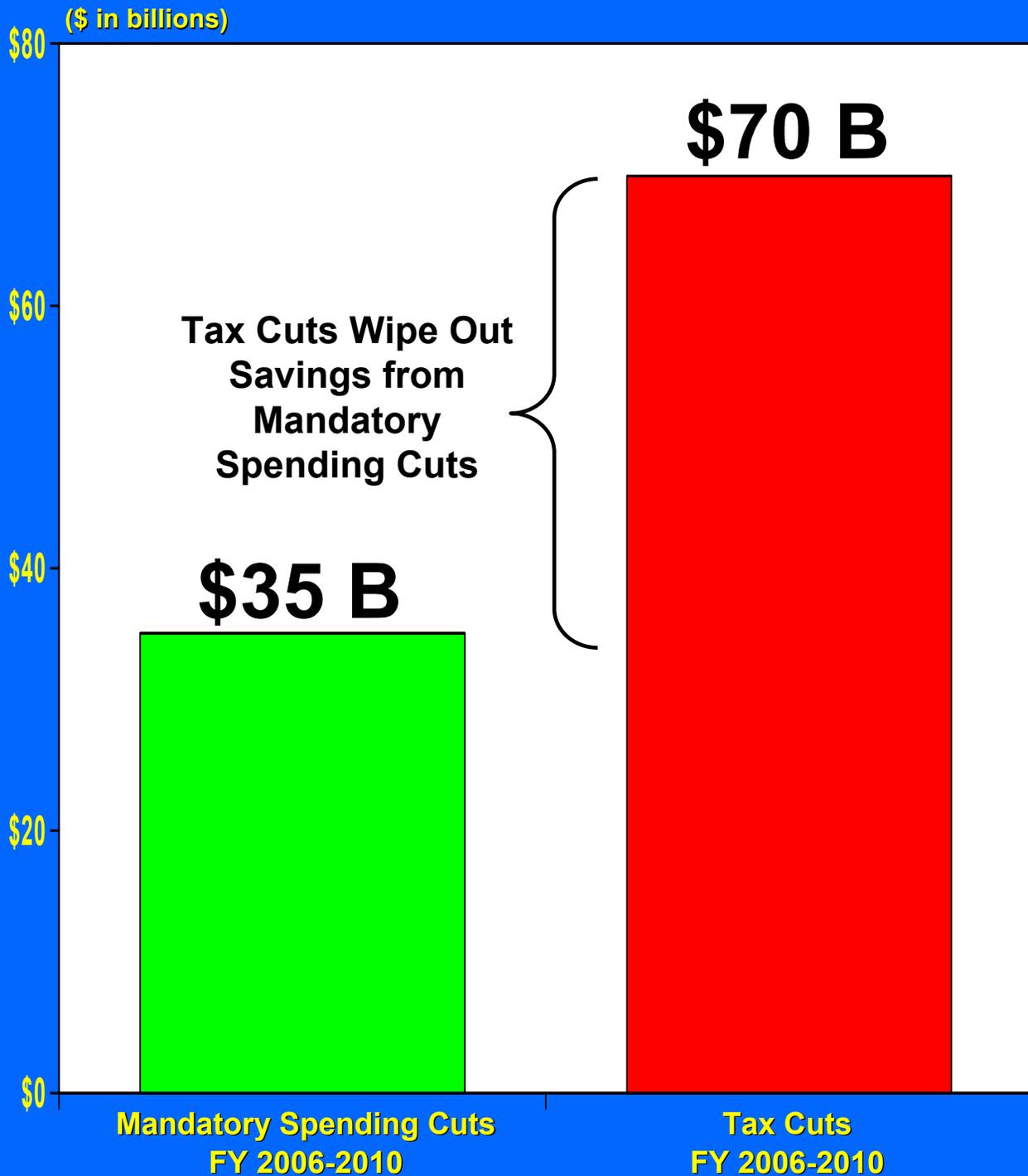
# Bush Budget Hides Worsening Budget Outlook



Source: OMB, CBO, SBC Democratic staff

Note: CBO August 2005 Budget and Economic Outlook, with President's policies as reestimated by CBO in March and CBO's estimate of ongoing war costs and AMT reform.

# GOP Budget Reconciliation Increases Deficit by \$35 Billion



Source: FY 2006 GOP Budget Resolution

# GOP Budget Conference Report Increases Debt Every Year Over Five-Year Period

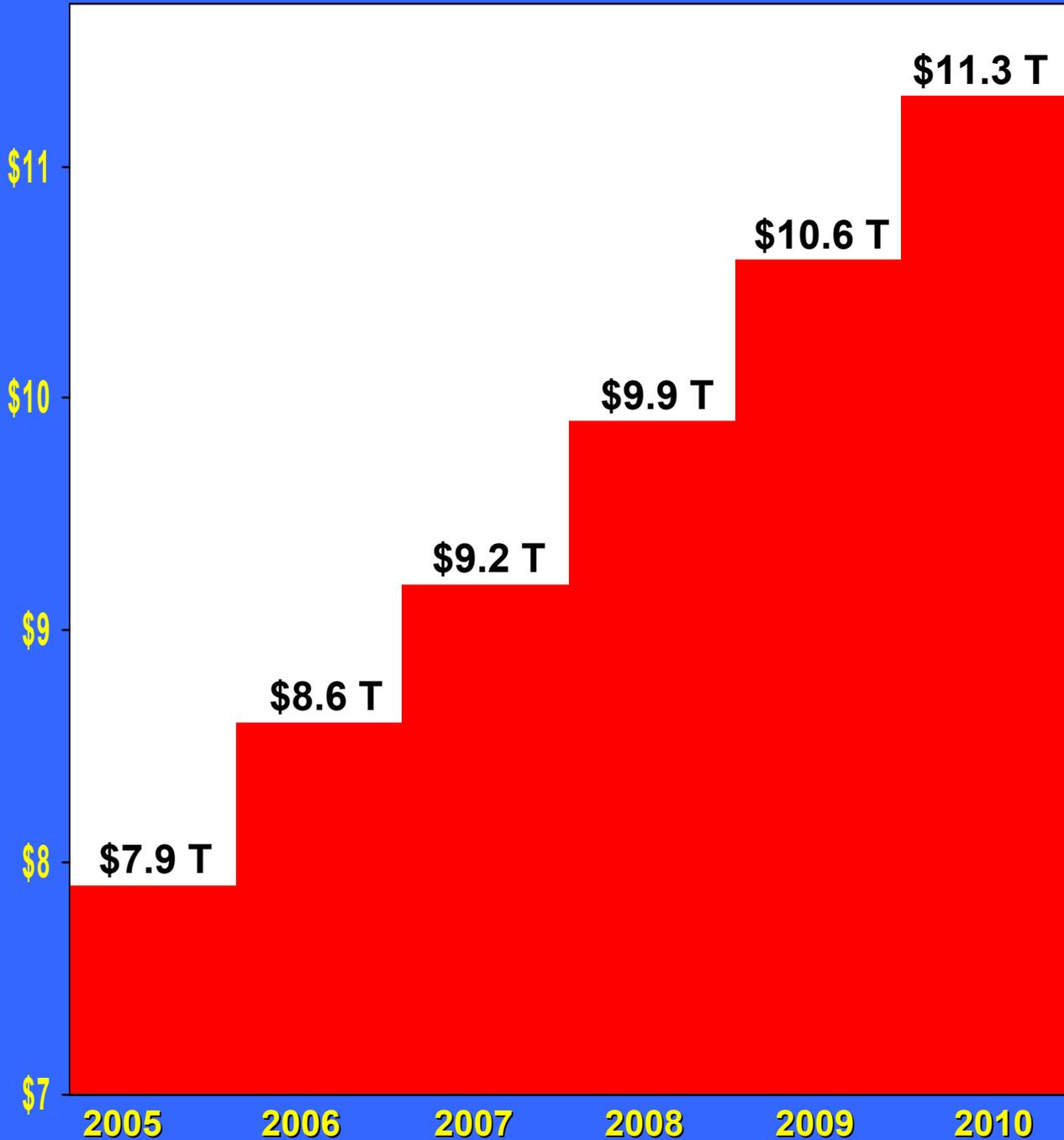
FISCAL YEAR 2006 BUDGET RESOLUTION  
GOP BUDGET CONFERENCE REPORT  
(In billions of dollars)

Fiscal year	2005	2006	2007	2008	2009	2010
<b>Summary</b>						
Debt Held by the Public (end of year)	4,689	5,082	5,409	5,677	5,927	6,150
Debt Subject to Limit (end of year)	7,962	8,645	9,284	9,890	10,500	11,105
	<i>683</i>	<i>639</i>	<i>606</i>	<i>610</i>	<i>605</i>	

Source: FY 2006 GOP Budget Conference Report

# Building a Wall of Debt Under Bush Budget Policies

(\$ in trillions)



Note: Gross debt, adjusted to include President's policies and omitted costs for AMT reform and ongoing war costs.  
Source: CBO, OMB, and SBC Democratic staff

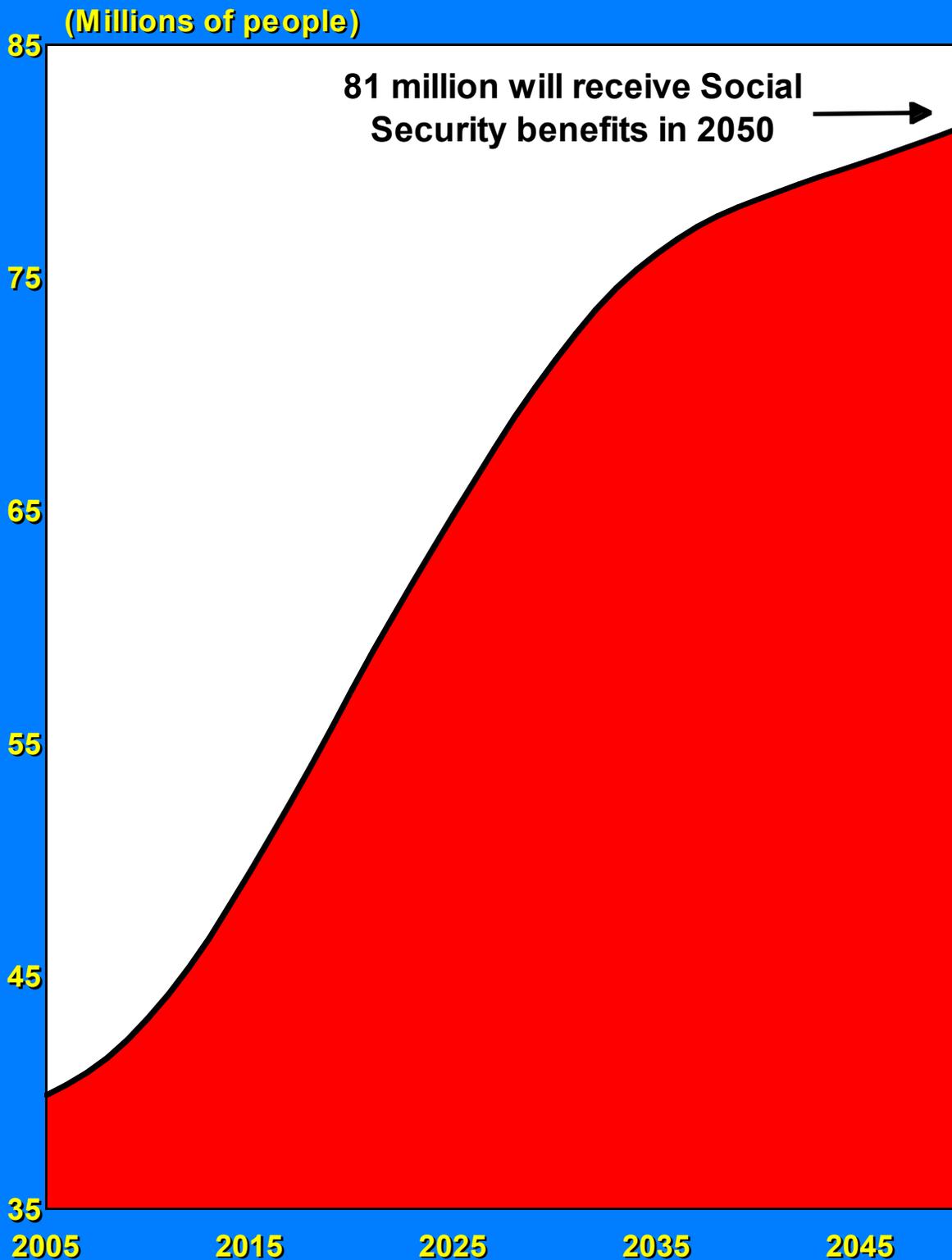
# Top Ten Countries Holding Our National Debt

Japan	\$680 B
China	\$243 B
United Kingdom	\$141 B
“Caribbean Banking Centers”	\$108 B
Taiwan	\$71 B
Germany	\$61 B
South Korea	\$60 B
OPEC	\$57 B
Hong Kong	\$48 B
Norway	\$44 B

Source: Department of Treasury

Note: As of June 2005

# Number of Social Security Beneficiaries Explodes with Retirement of Baby Boom Generation

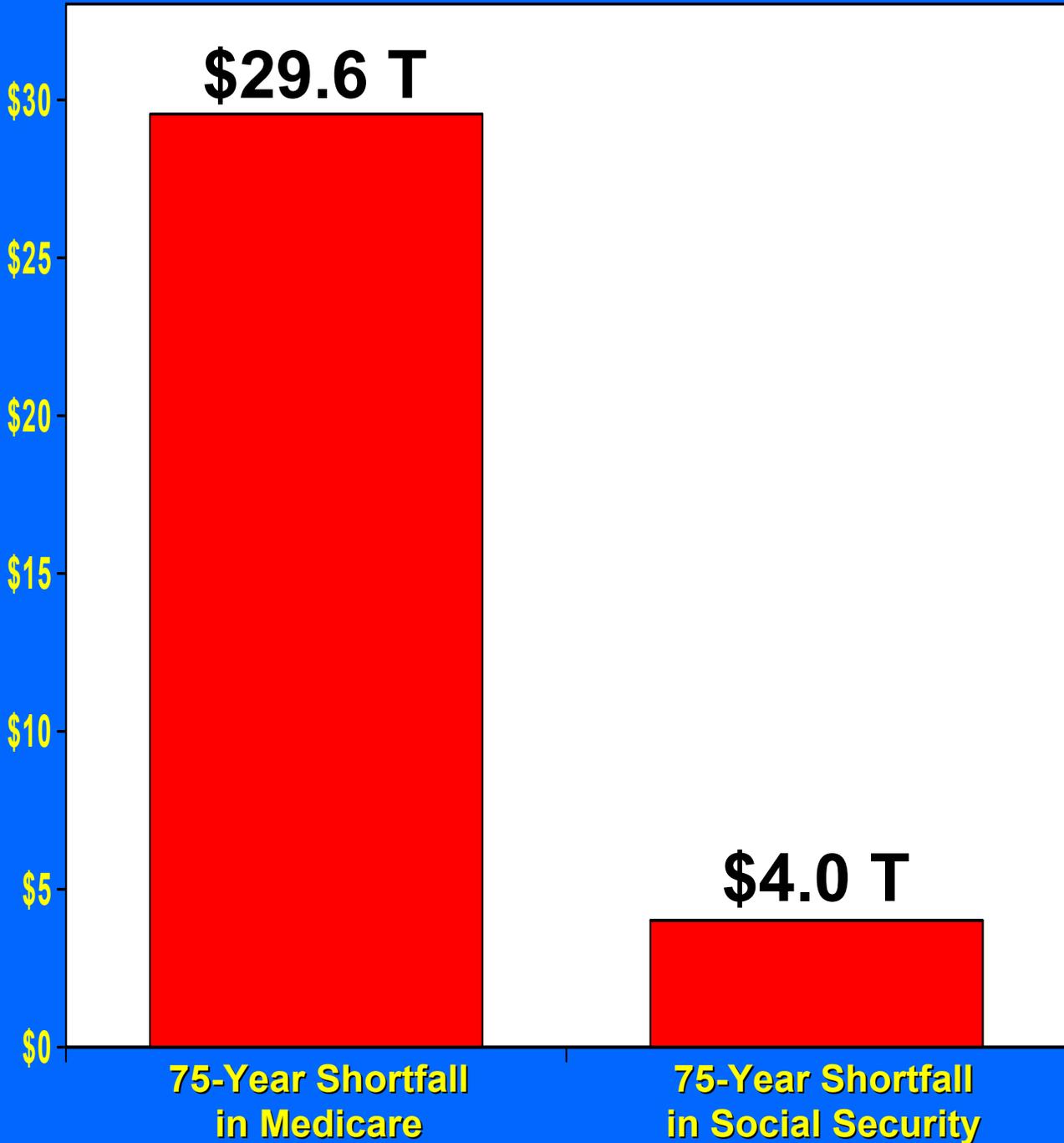


Source: 2005 Social Security Trustees Report  
Note: OASI beneficiaries

# Comparing Long-Term Costs of Medicare and Social Security

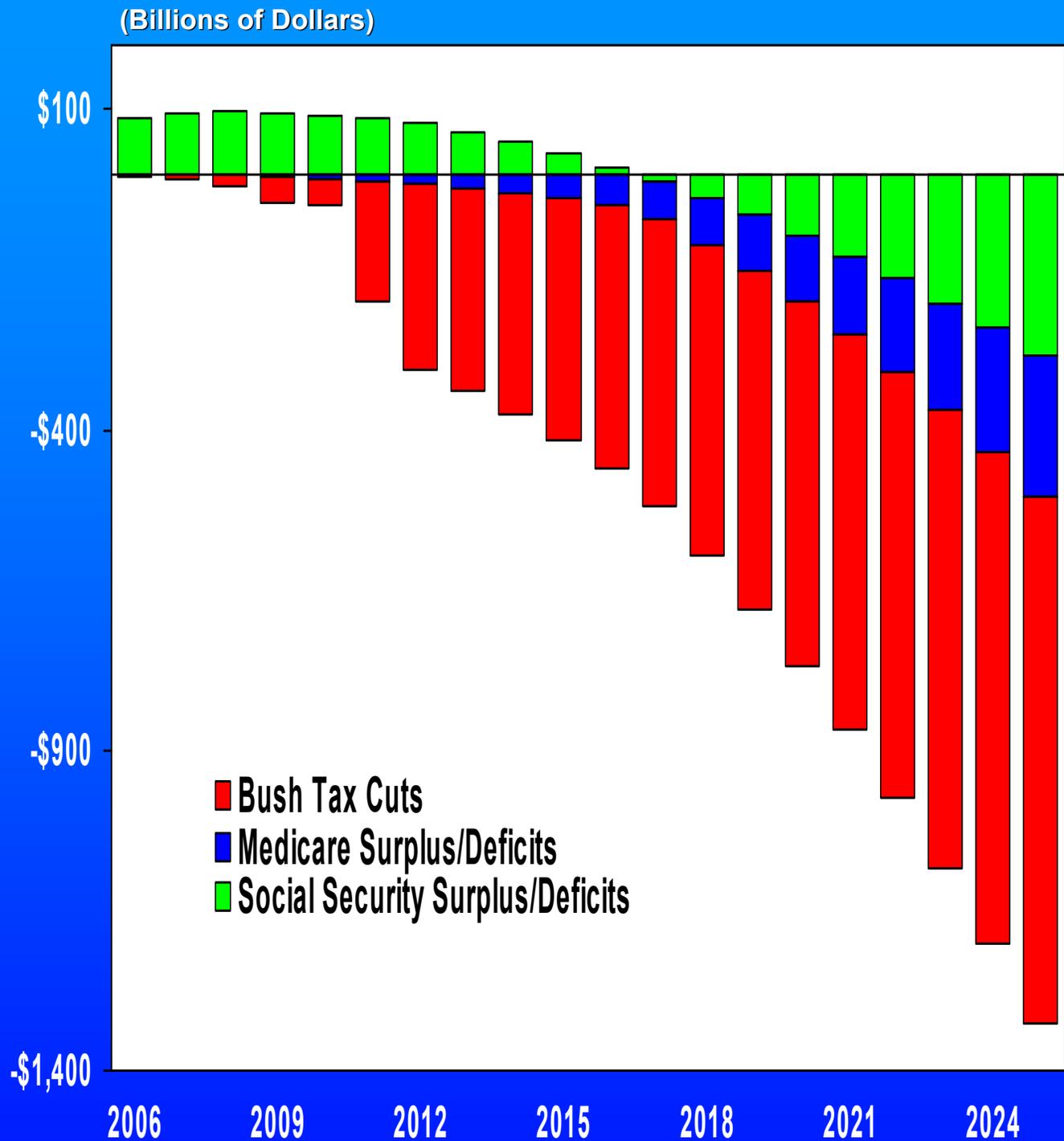
## Present Value of Costs Over Next 75 Years

(\$ in trillions)



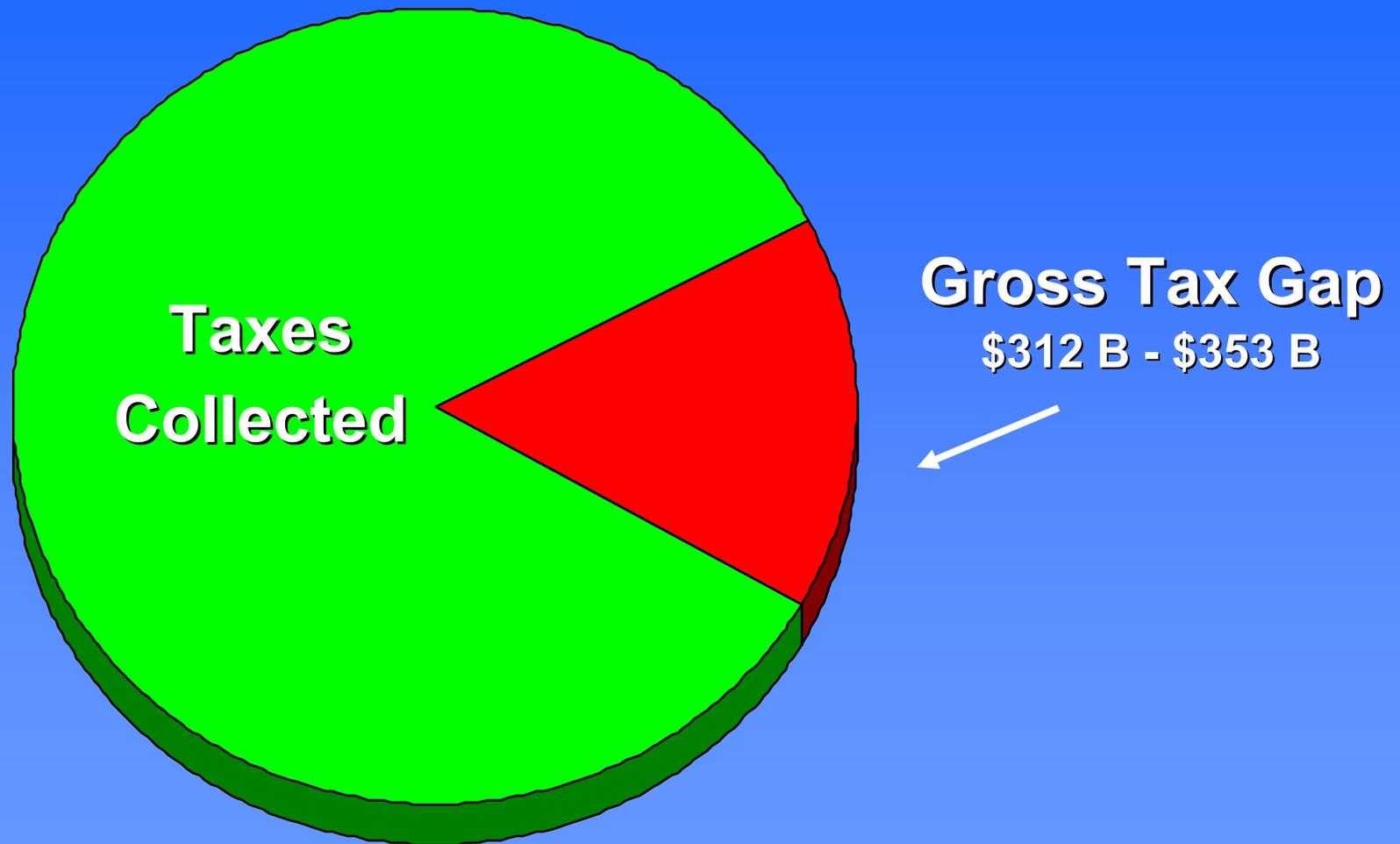
Source: Social Security Trustees 2005 Annual Report

# Tax Cuts Explode as Trust Fund Cash Surpluses Become Deficits FY 2006-2025



Source: Social Security Trustees 2005 Annual Report, CBO, CBPP, and SBC Democratic staff

# Annual Tax Gap May Exceed \$350 Billion



Source: IRS study on estimated 2001 tax gap, March 29, 2005