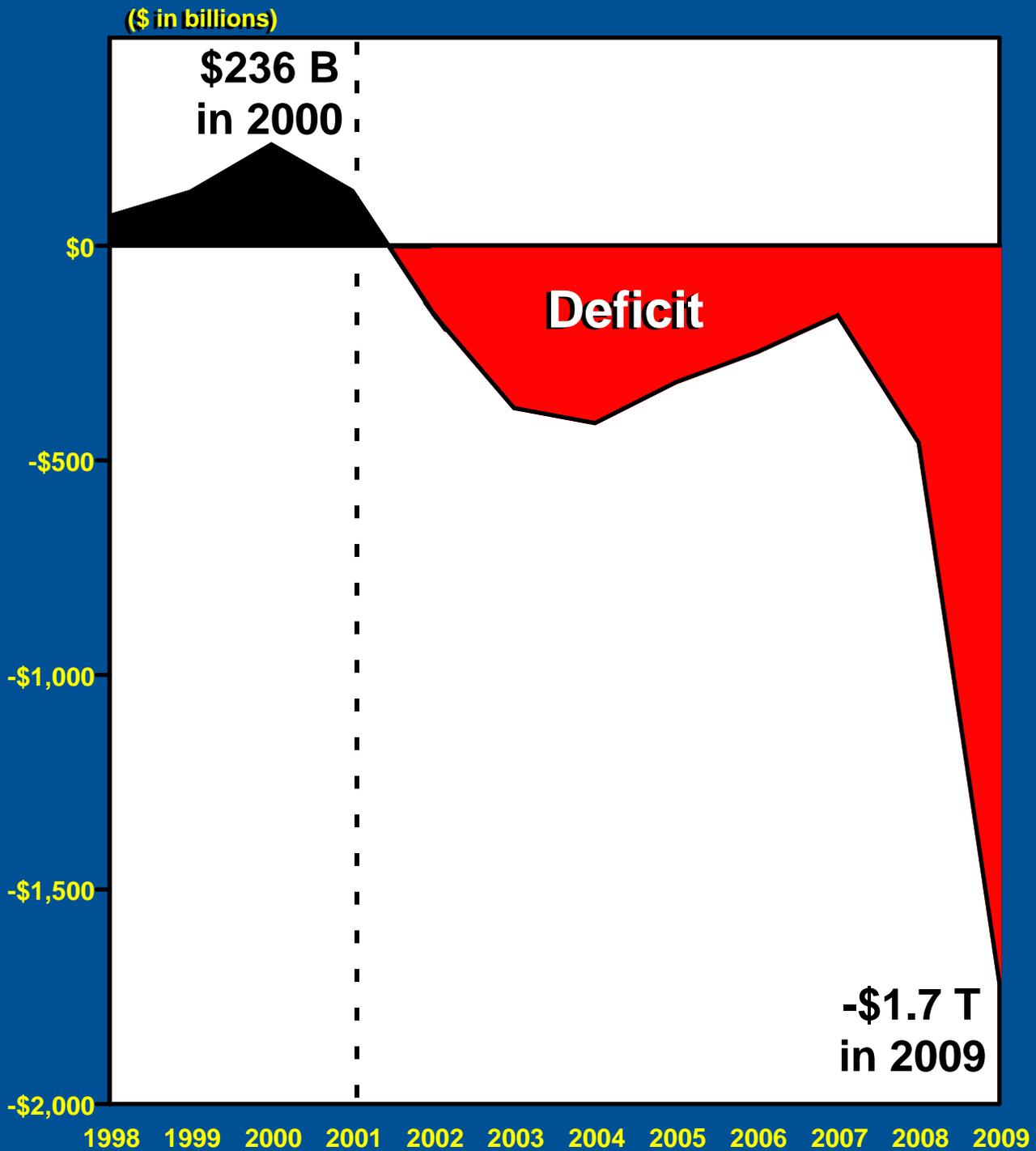


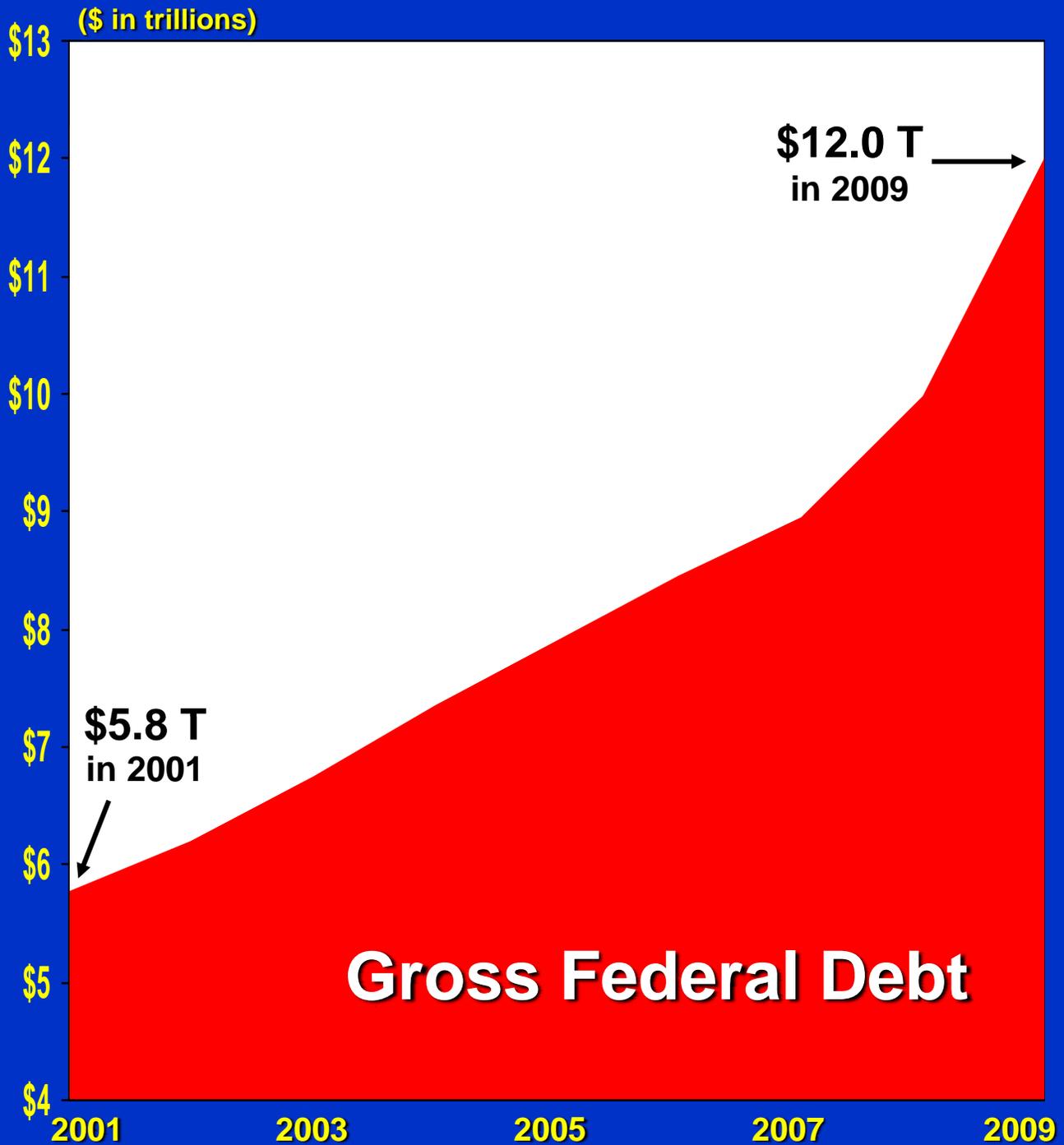
Dramatic Deterioration in Budget Picture Under Bush Administration



Sources: OMB, SBC

Note: 2009 estimate includes deficits related to policies begun under the Obama administration, including the economic recovery package.

Federal Debt Soars Under Bush Administration

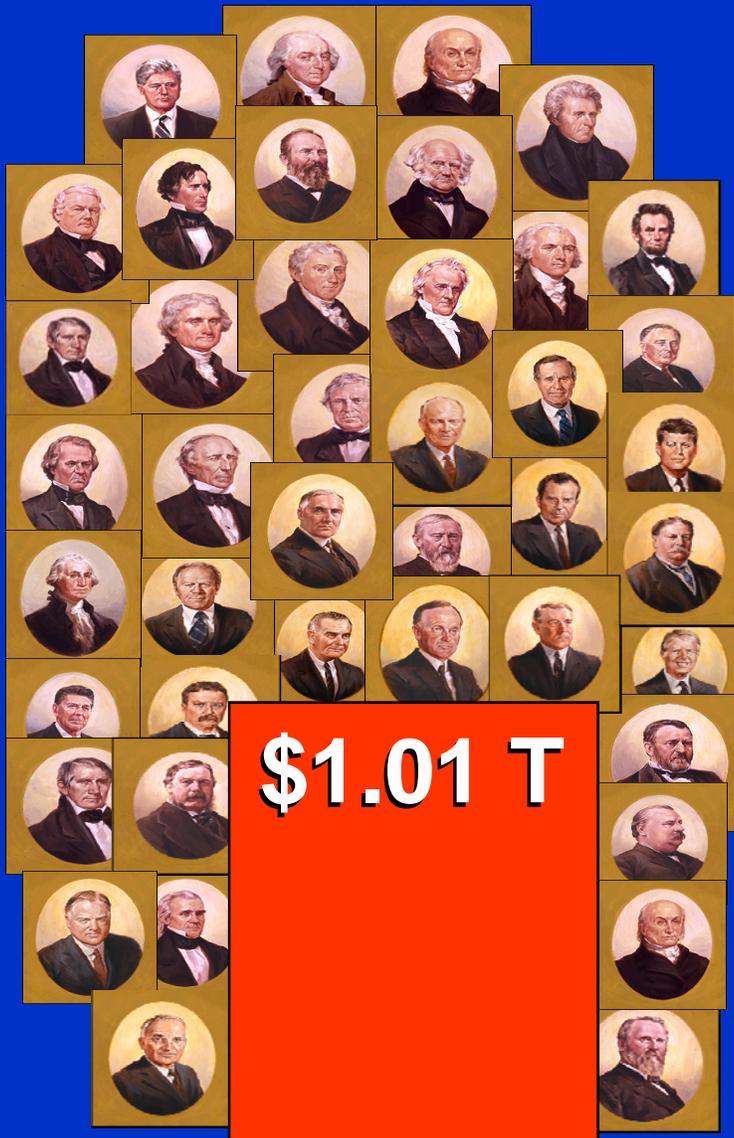


Sources: OMB, CBO

Note: 2009 estimate includes debt related to policies begun under the Obama administration including the economic recovery package.

President Bush More than Tripled Foreign-Held Debt

It Took 42 Presidents 224 Years to Build Up \$1 Trillion of Foreign-Held Debt



224 Years
(1776-2000)



\$2.05 T

President Bush
(2001-2009)

Sources: U.S. Treasury
Monthly data through January 2009

What President Obama Inherited

- **Record deficits, doubling of national debt**
- **Worst recession since Great Depression**
- **Financial market and housing crises**
- **3.7 million jobs lost in last six months**
- **Ongoing wars in Iraq and Afghanistan**

Key Elements of Conference Agreement

- Preserve President's priorities in energy, education, and health care
- Provide \$764 billion in tax cuts, focused on middle-class
- Cut deficit in half by 2012 and by two-thirds by 2014, to 3% of GDP
- Discretionary level \$10 B below President
- Reconciliation for health care and education – require at least \$2 B in deficit reduction
- AMT fix for 3 years
- Disaster relief placeholder for 2 years

Budget Resolution Invests in Energy

Reduces dependence on foreign energy, creates green jobs, preserves environment, and helps with high home energy costs

- Reserve Fund to accommodate legislation to invest in clean energy and address global climate change
- \$500 M above President's level of discretionary funding for energy for FY 2010
- Builds on economic recovery package investments in renewable energy, efficiency and conservation, low carbon coal technology, and modernizing electric grid



Budget Resolution Invests in Education

Generates economic growth and jobs, prepares workforce to compete in global economy, makes college more affordable, and improves student achievement

- **Higher Education Reserve Fund to facilitate President's student aid increases**
- **Education tax cuts**
- **President's requested level of \$5,550 for Pell grants and fully funds his education priorities, such as early education**



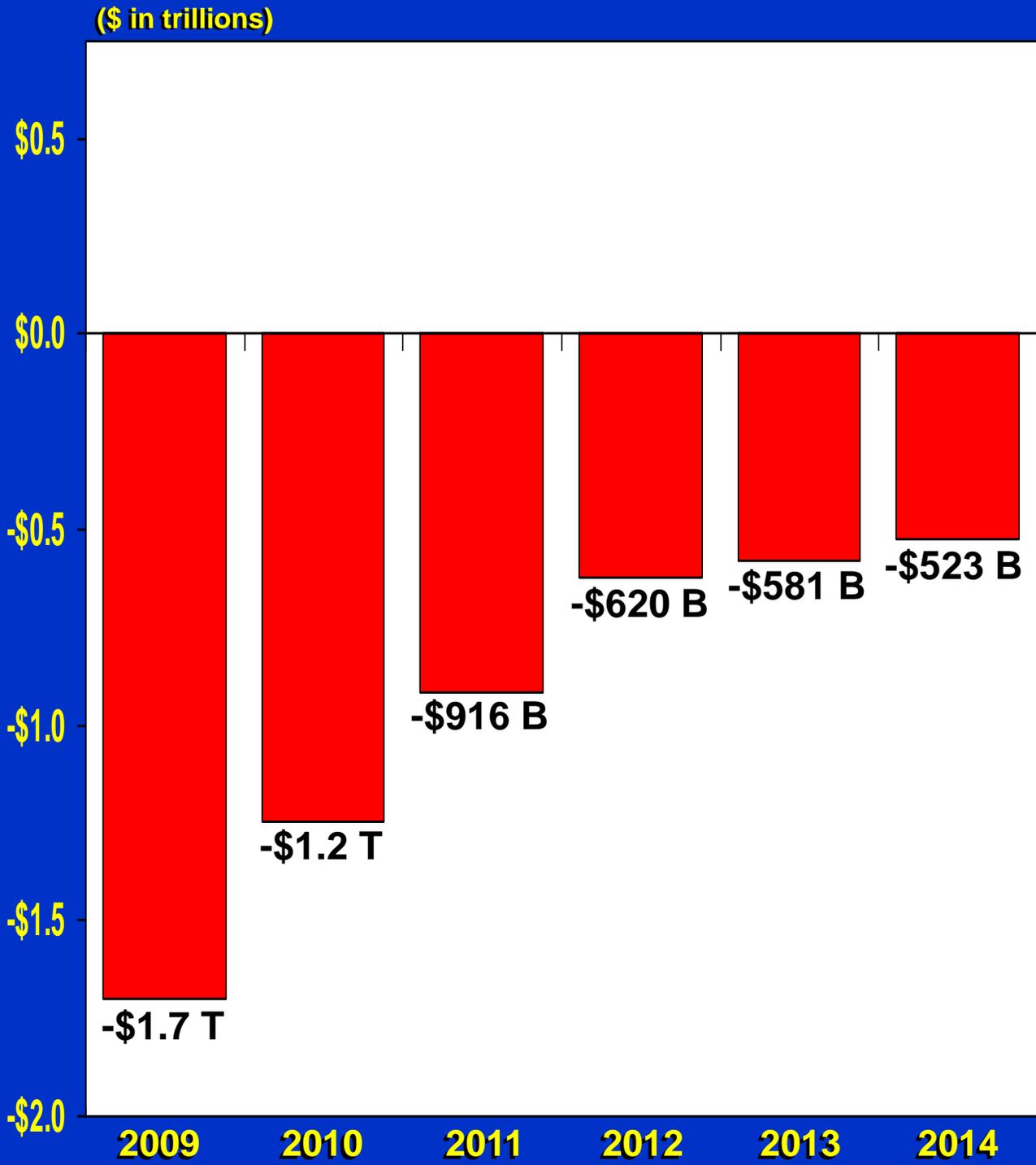
Budget Resolution Invests in Health Care

Bends health cost curve, improves health, expands coverage, increases research, and promotes food and drug safety

- **Reserve Fund to accommodate President's initiative to reform health care system**
- **Funding for at least 2 years and a Reserve Fund to further address Medicare physician payments**
- **Continues investment in key health programs, such as NIH and FDA**

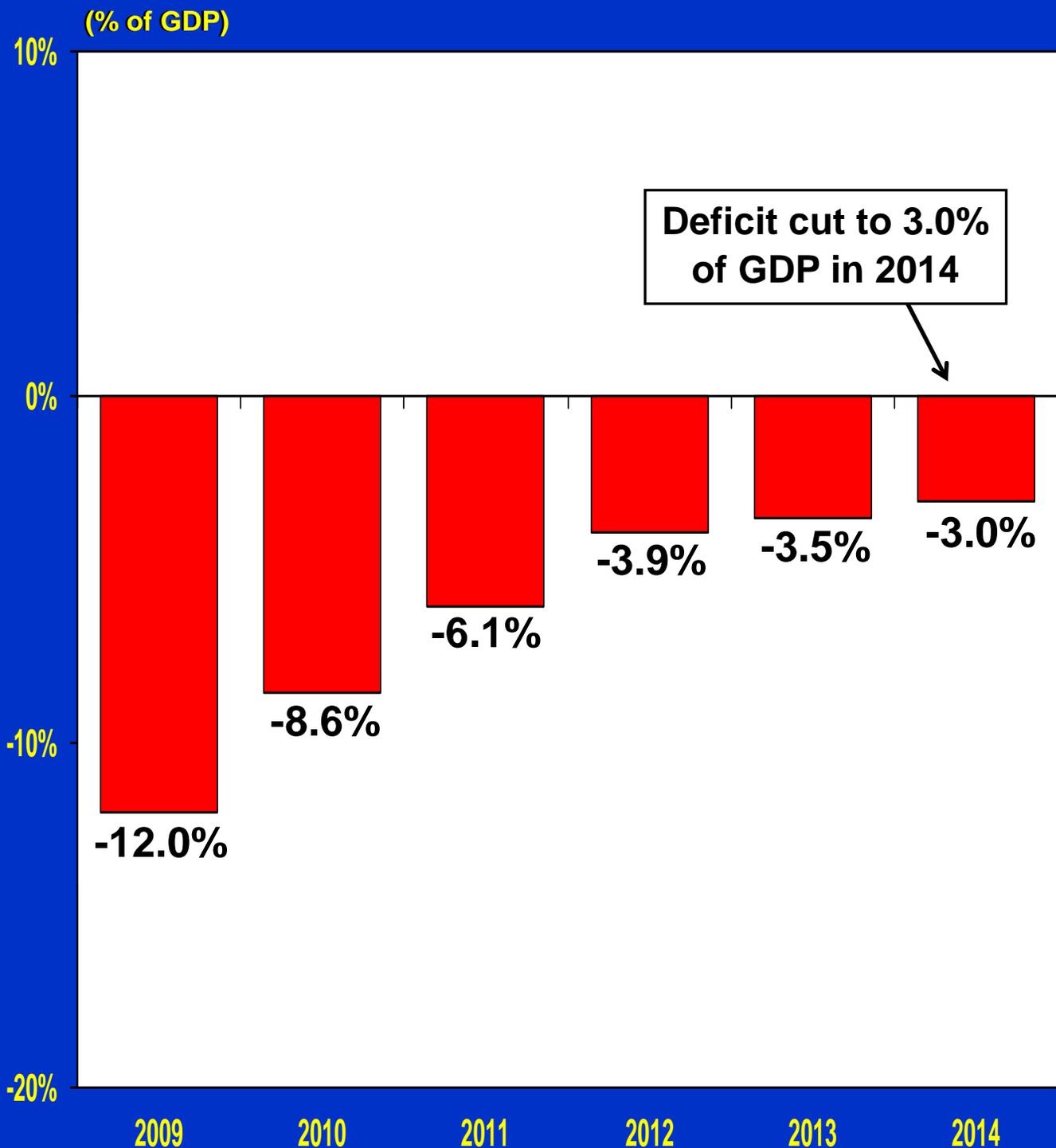


Deficit Cut by Two-Thirds by 2014 Under Budget Resolution



Source: SBC

Deficit as Percent of GDP Under Budget Resolution

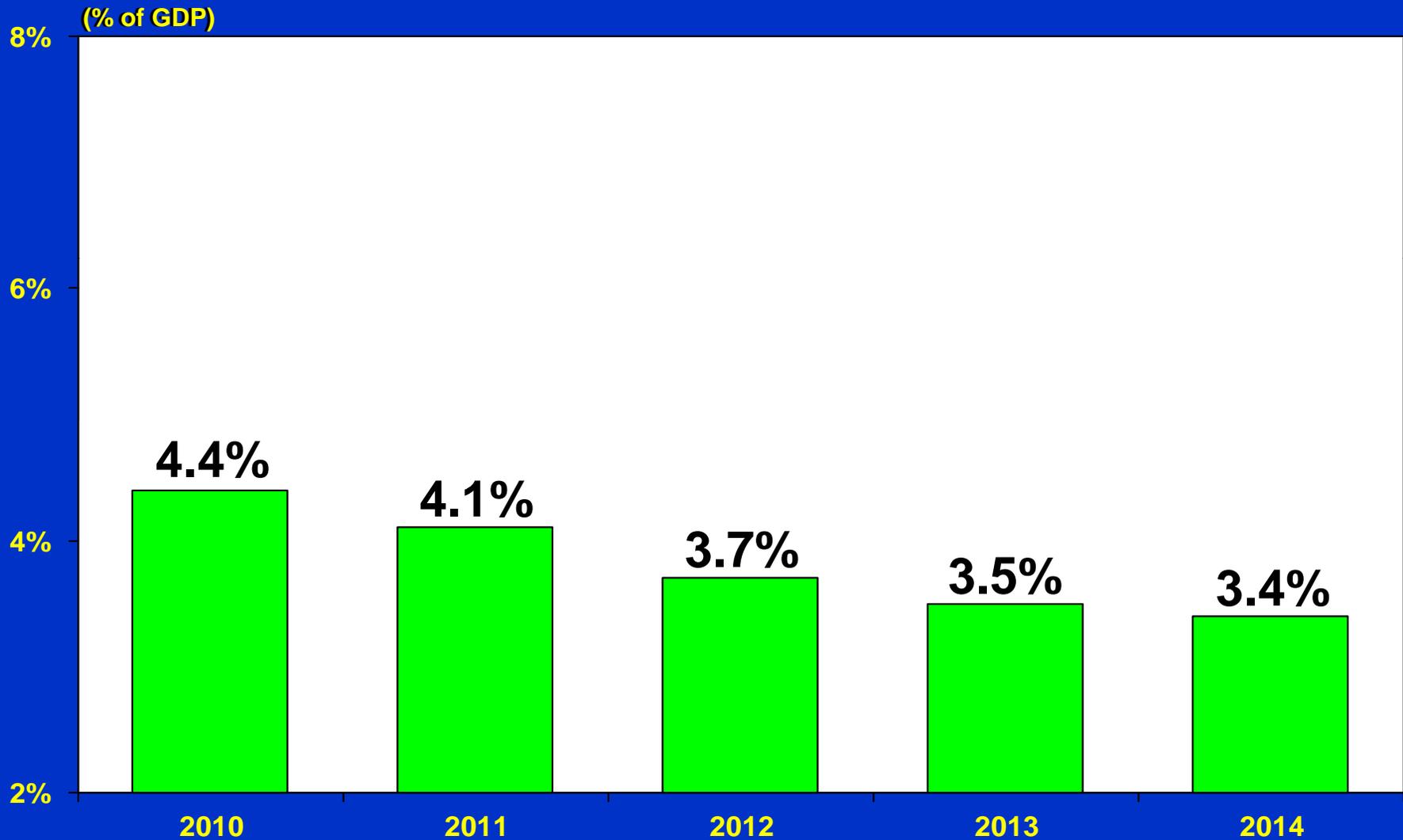


Source: SBC

Revenue Changes in Budget Resolution

	<u>2010-2014</u>
Middle-Class Tax Relief	-\$512 B
- 10% bracket	- Child tax credit
- Marriage penalty	- Education incentives
- All other 2001 and 2003 cuts for those under \$250,000	
AMT Reform	-\$214 B
Estate Tax Reform	-\$72 B
Extenders, Other	-\$63 B
Subtotal, Tax Relief	-\$861 B
Loophole Closers, Raisers	\$97 B
Total Tax Cuts	-\$764 B

Domestic Discretionary Spending as Percent of GDP Under Budget Resolution



Source: SBC

**Non-defense Discretionary
Average Annual Increase
Under Budget Resolution**

2.9%

Budget Enforcement in Budget Resolution

- Discretionary caps for 2009 and 2010
- Maintains strong paygo rule
- Point of order against long-term deficit increases
- Point of order against short-term deficit increases
- Allows reconciliation for deficit reduction only
- Point of order against mandatory spending on an appropriations bill

Budget Resolution Provisions Addressing Long-Term Fiscal Challenges

- **Health Reform reserve fund**
- **Program integrity initiatives to crack down on waste, fraud, and abuse**
- **Long-term deficit increase point of order**

President Obama on Need for Further Action to Address Long-Term Fiscal Imbalance

“Now, I want to be very clear. While we are making important progress towards fiscal responsibility this year, in this budget, this is just the beginning. In the coming years, we’ll be forced to make more tough choices, and do much more to address our long-term challenges.”

**–President Barack Obama
Remarks at Fiscal Responsibility Summit
February 23, 2009**