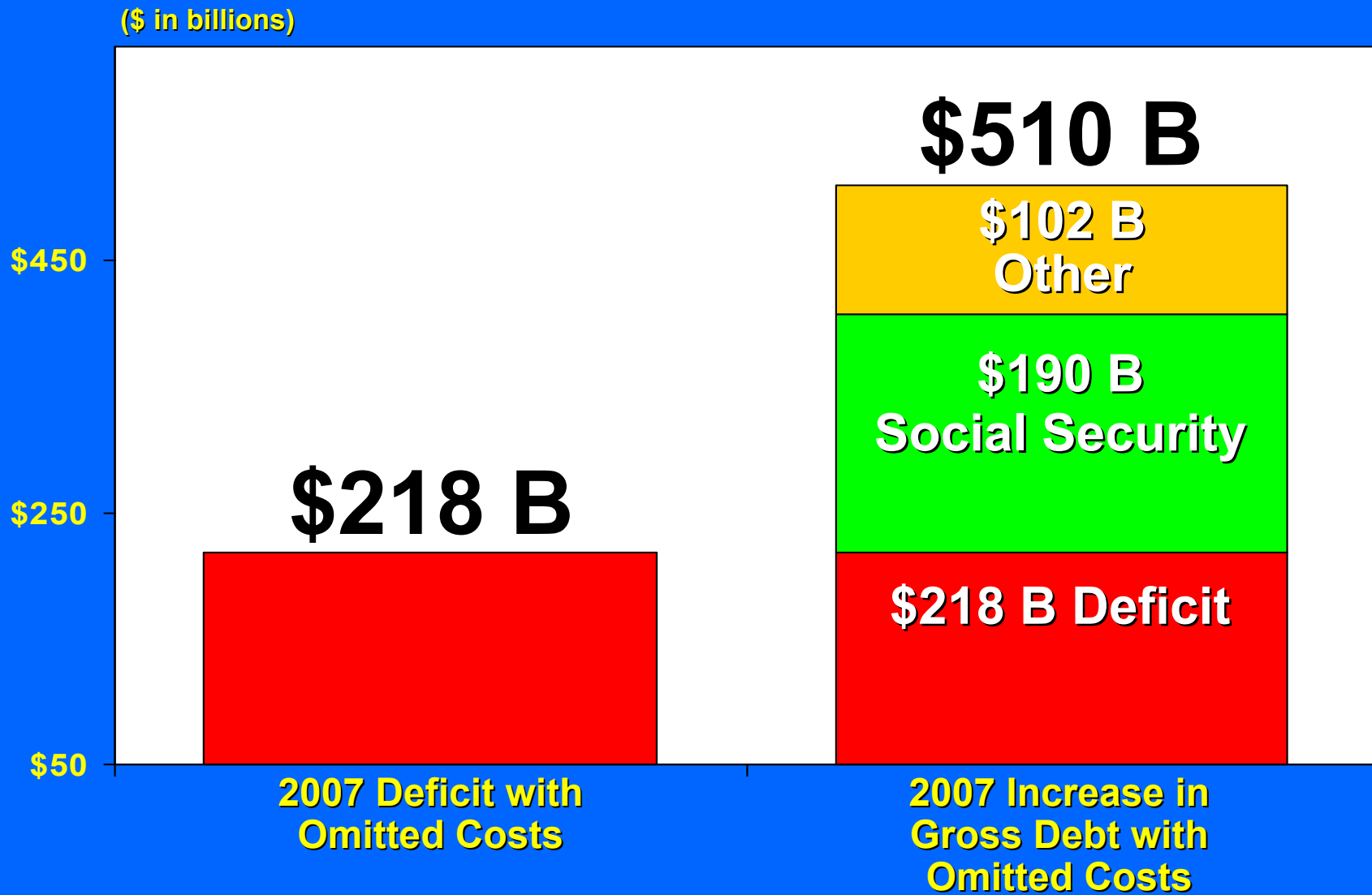


CBO Sees No Substantial Change in Long-Term Budget Outlook

“The favorable outlook suggested by those 10-year projections, however, does not indicate a substantial change in the nation’s long-term budgetary challenges.... Either a substantial reduction in the growth of spending, a significant increase in tax revenues relative to the size of the economy, or some combination of spending and revenue changes will be necessary to promote the nation’s long-term fiscal stability.”

**– *CBO’s Budget and Economic Outlook:
Fiscal Years 2008-2017
January 2007***

Increase in Debt in 2007 is Far Greater Than the Estimated \$218 Billion Deficit



Source: CBO, SBC Democratic staff

Note: Omitted costs include supplemental funding for the wars in Iraq and Afghanistan, AMT relief, and expiring tax provisions.

CBO's Ten-Year Baseline Estimate Understates Deficit

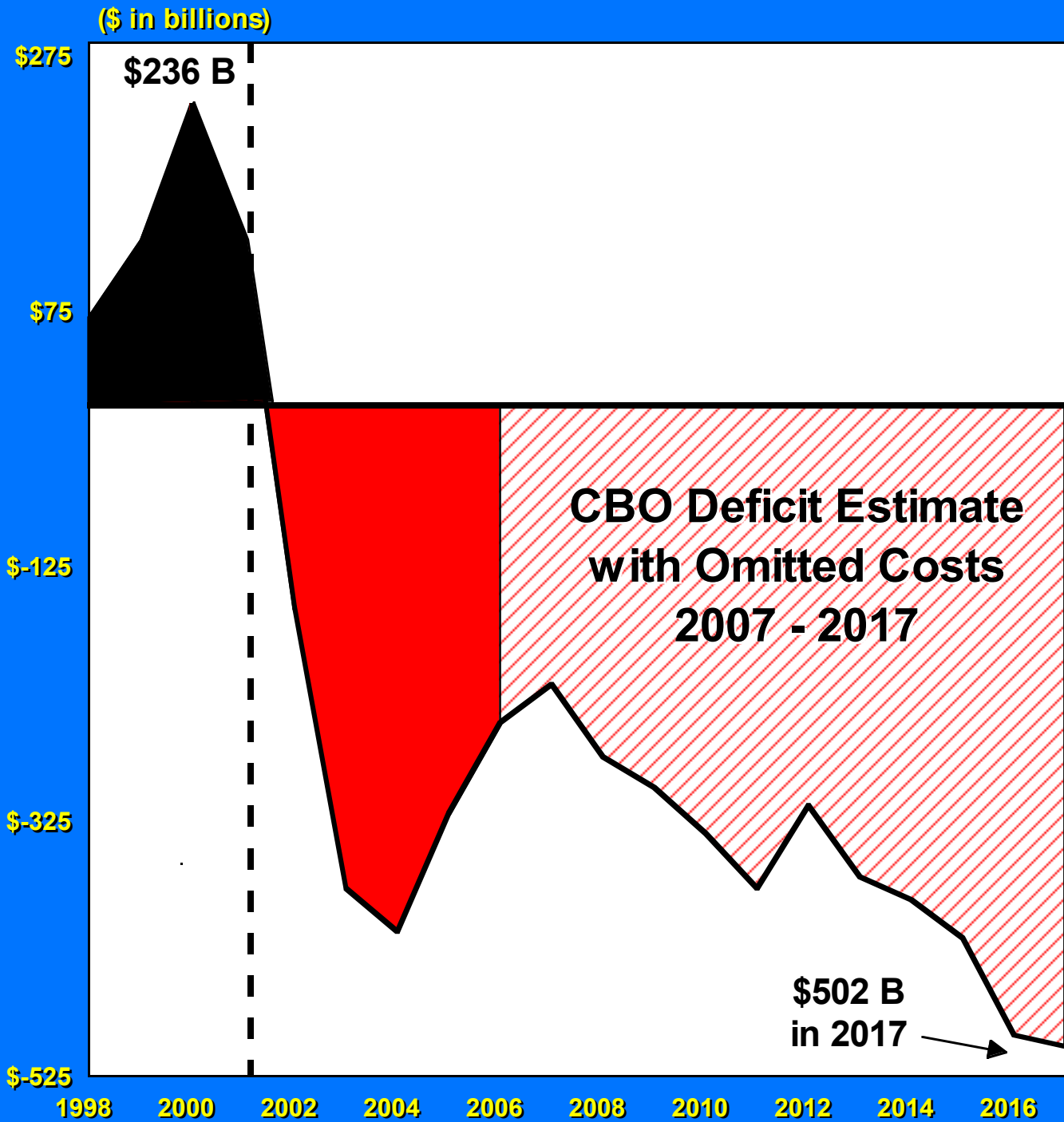
Adjustments:

• Cost of Making Tax Cuts Permanent	\$2.34 T
• AMT Reform	\$1.04 T
• Bush Defense Buildup	\$267 B
• Funding for Ongoing War Costs	\$857 B
• Debt Service	\$986 B
• Remove Extension of 2007 Supplementals	<u>-\$920 B</u>
Total	\$4.6 T

Source: CBO and SBC Democratic staff

Note: Remove extension of 2007 supplementals includes debt service

Long-Term Budget Outlook

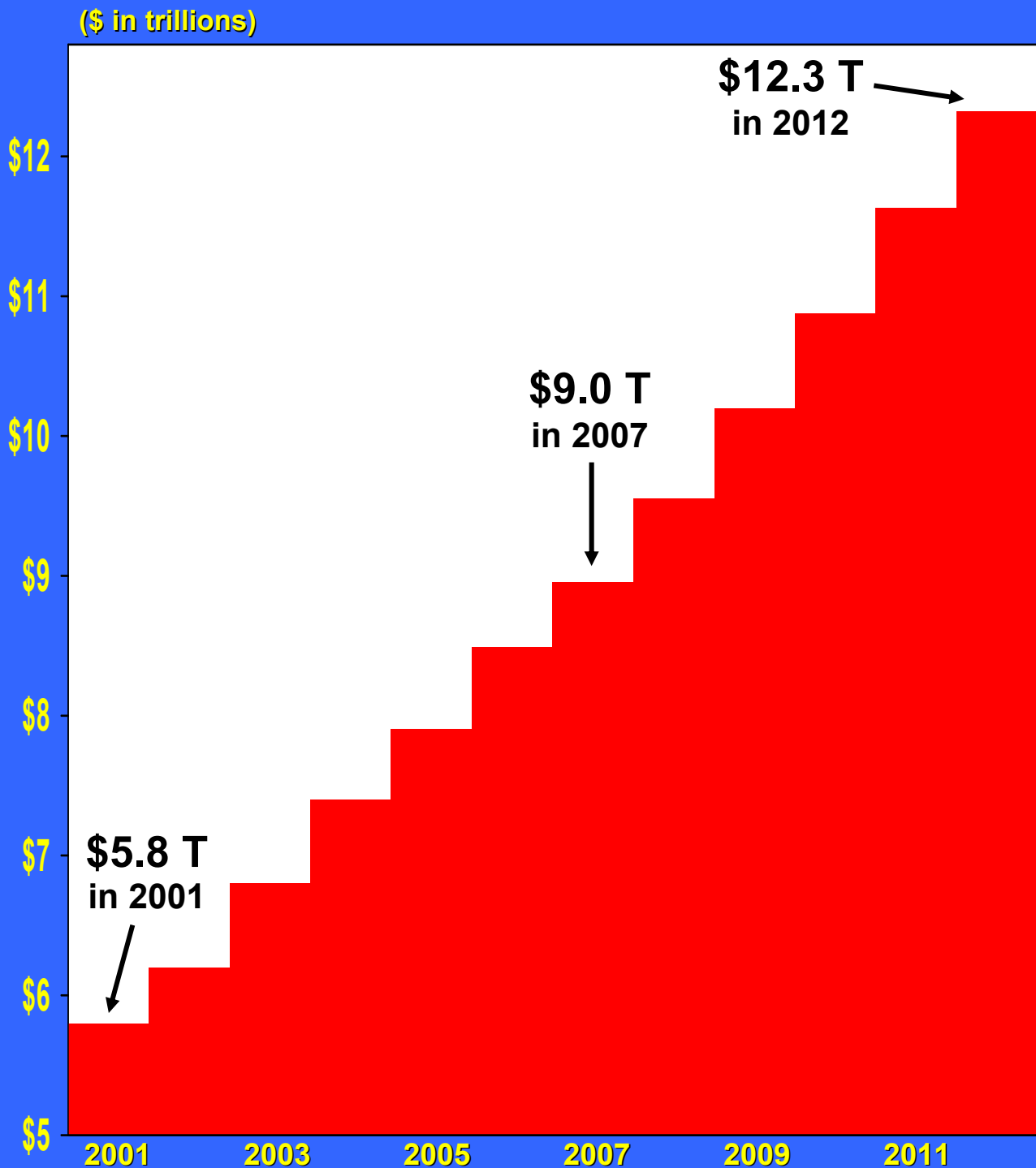


Source: CBO and SBC Democratic staff

Note: CBO January 2007 estimate with tax cuts made permanent, AMT reform, ongoing war costs, Bush defense buildup, and without extension of 2007 emergency funding.

Building a Wall of Debt

Gross Federal Debt Soars

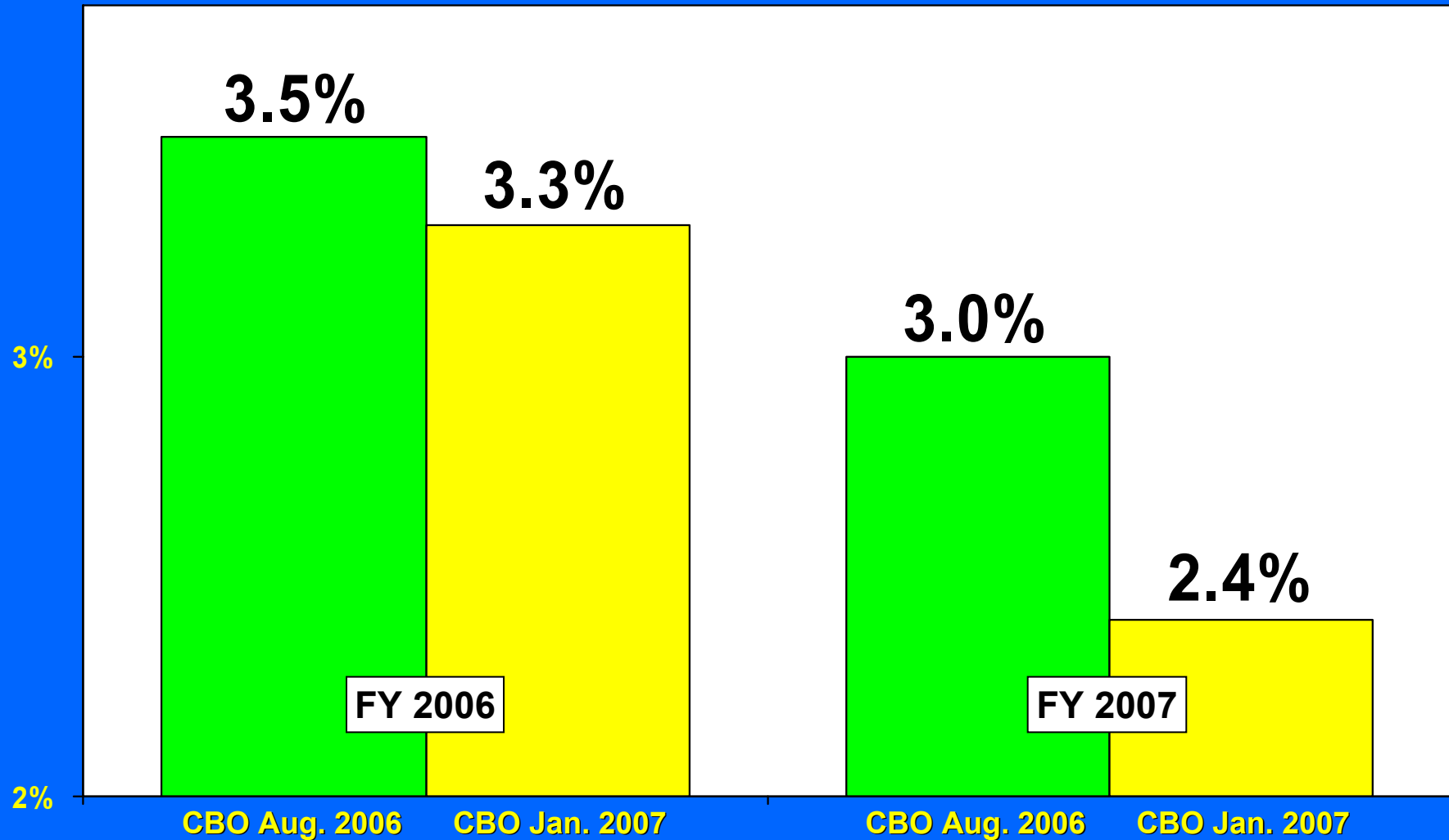


Source: OMB, CBO and SBC Democratic staff

Note: CBO January 2007 estimate with tax cuts made permanent, AMT reform, ongoing war costs, Bush defense buildup, and without extension of 2007 emergency funding.

Economic Growth for 2006 and 2007 Weaker than in CBO's August 2006 Update

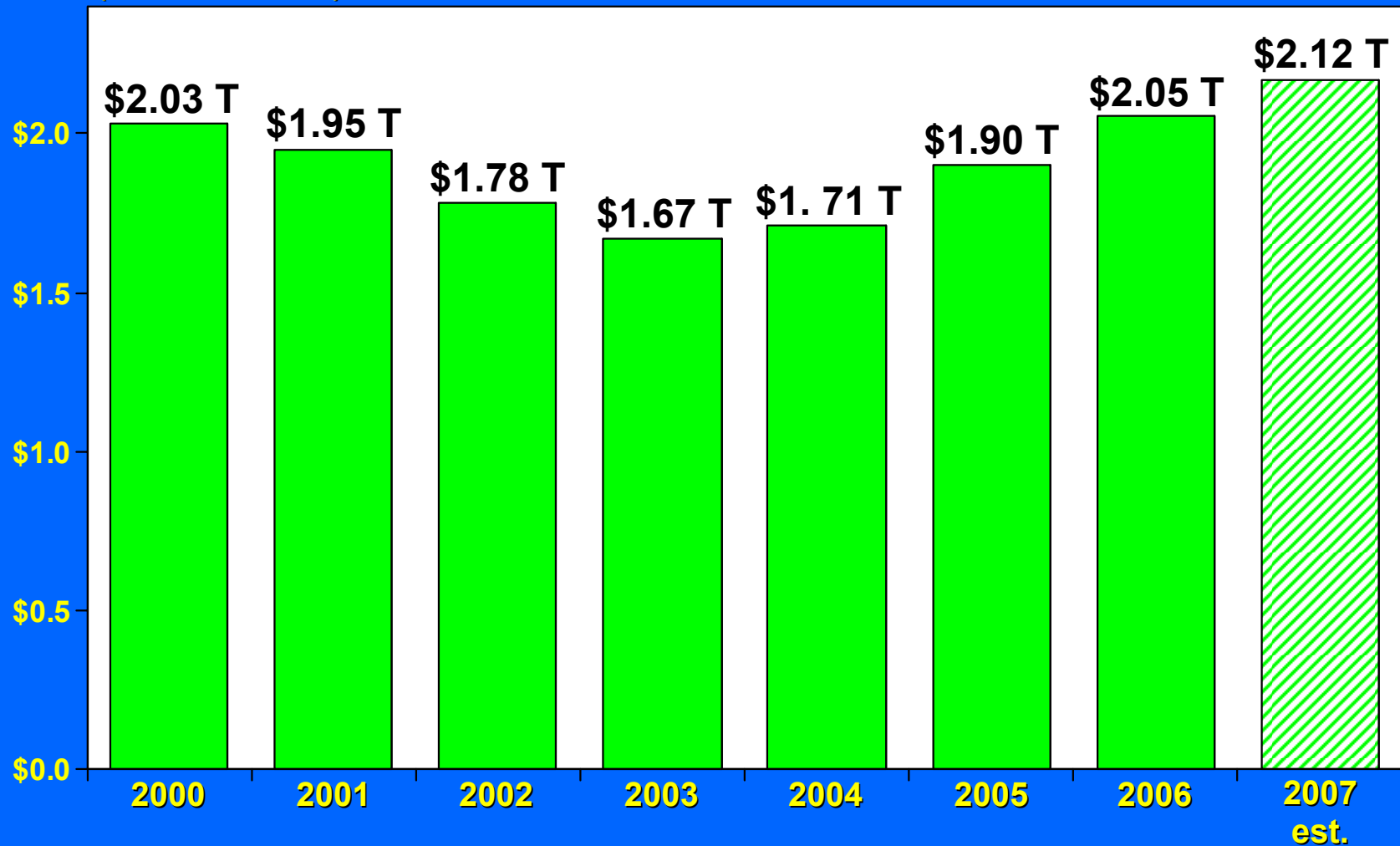
(Real GDP growth)



Source: CBO

Real Revenues Only Recently Exceeded 2000 Level

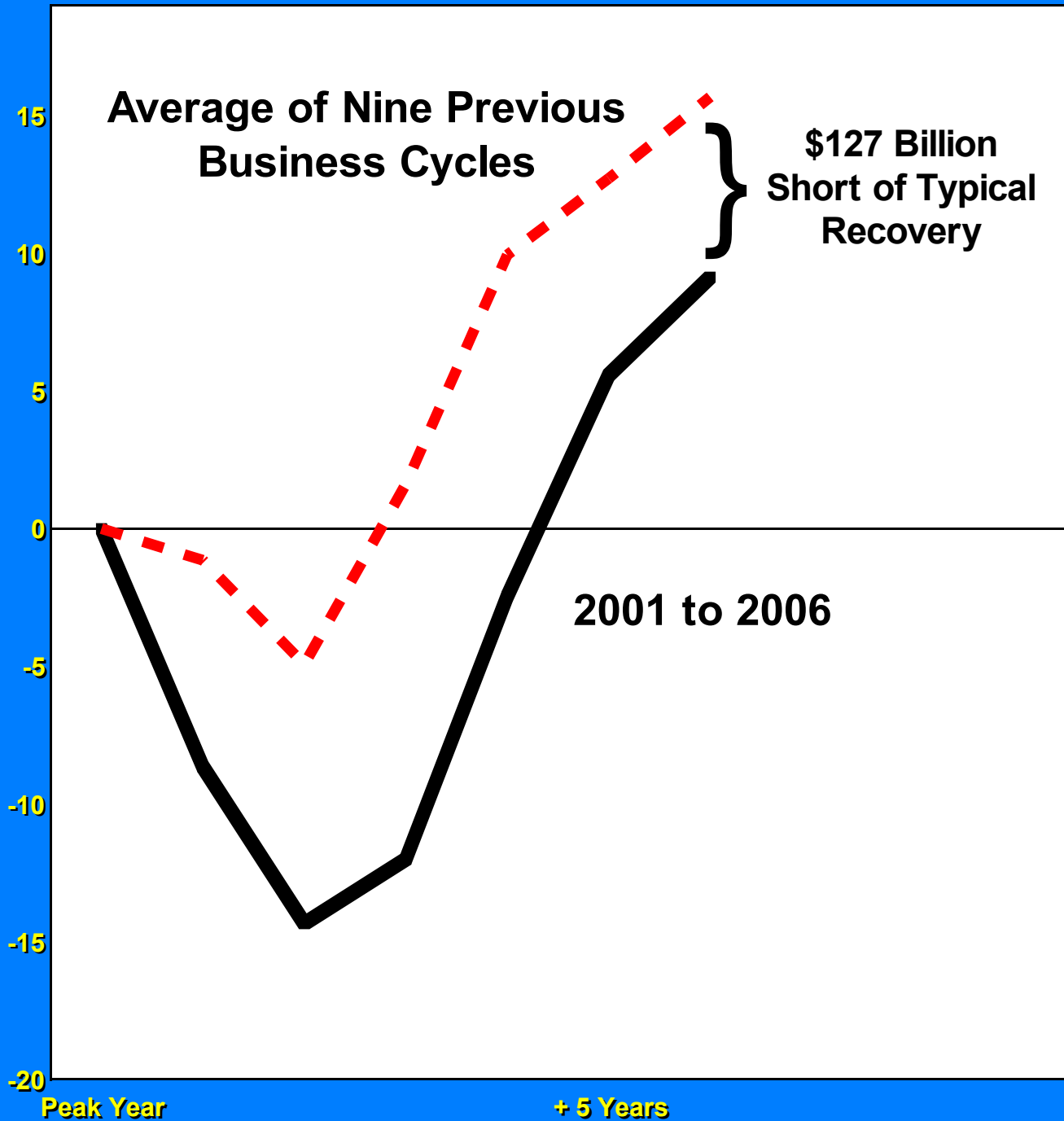
(Trillions of 2000 \$)



Source: OMB, CBO

Real Revenues Lag Typical Recovery Even with Recent Revenue Gains

(Inflation-Adjusted Federal Revenues, Percent Change from Business-Cycle Peak)



Source: CBO, OMB

GAO Comptroller General Walker on Solving Nation's Fiscal Problems

“We are on an imprudent and unsustainable long-term fiscal path, and while the short-term deficits have improved in recent years, the long term is getting worse every second of every minute of every day and the time for action is now.”

**– Government Accountability Office
Comptroller General David Walker
Testimony before Senate Budget Committee
January 11, 2007**