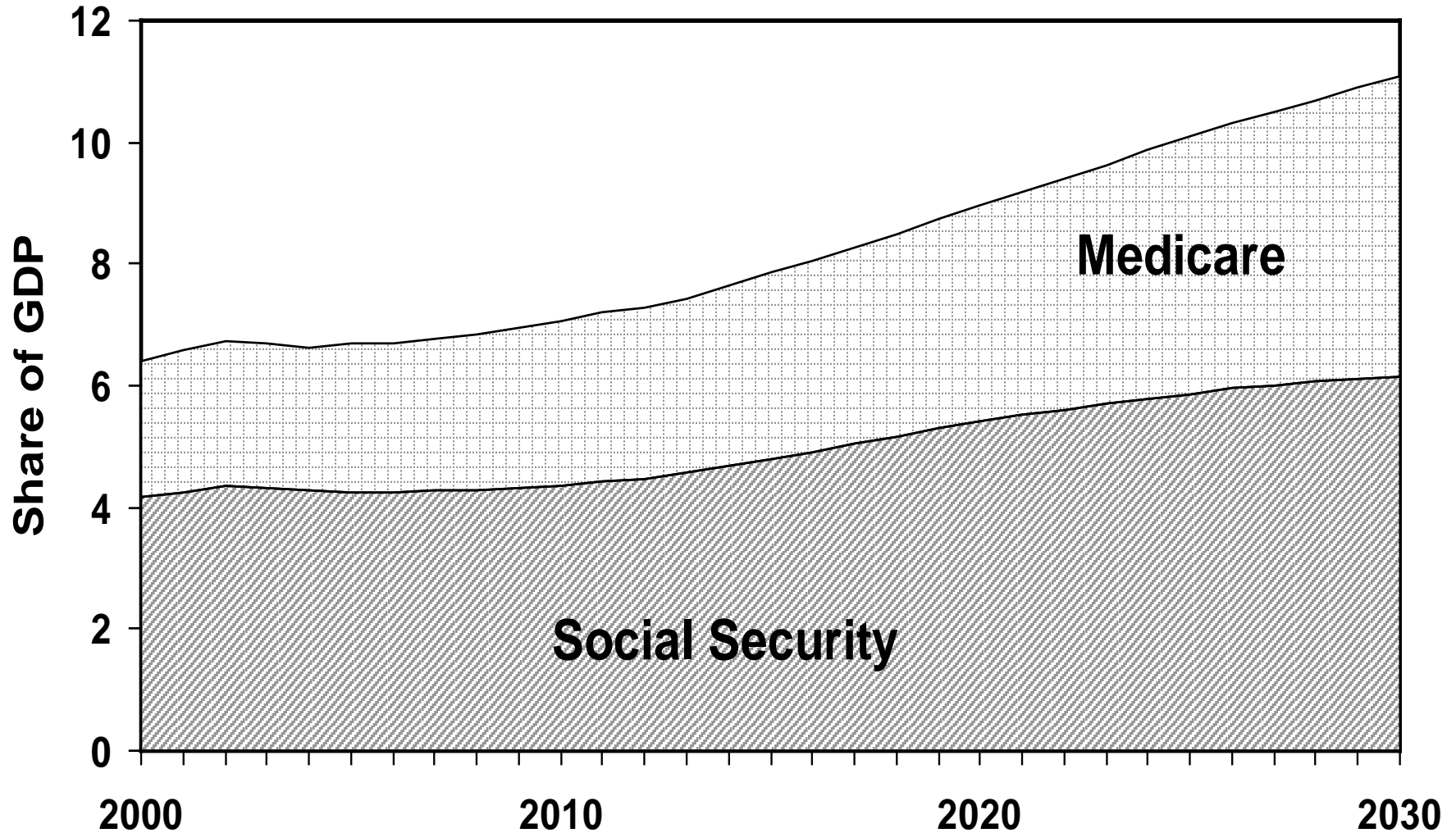


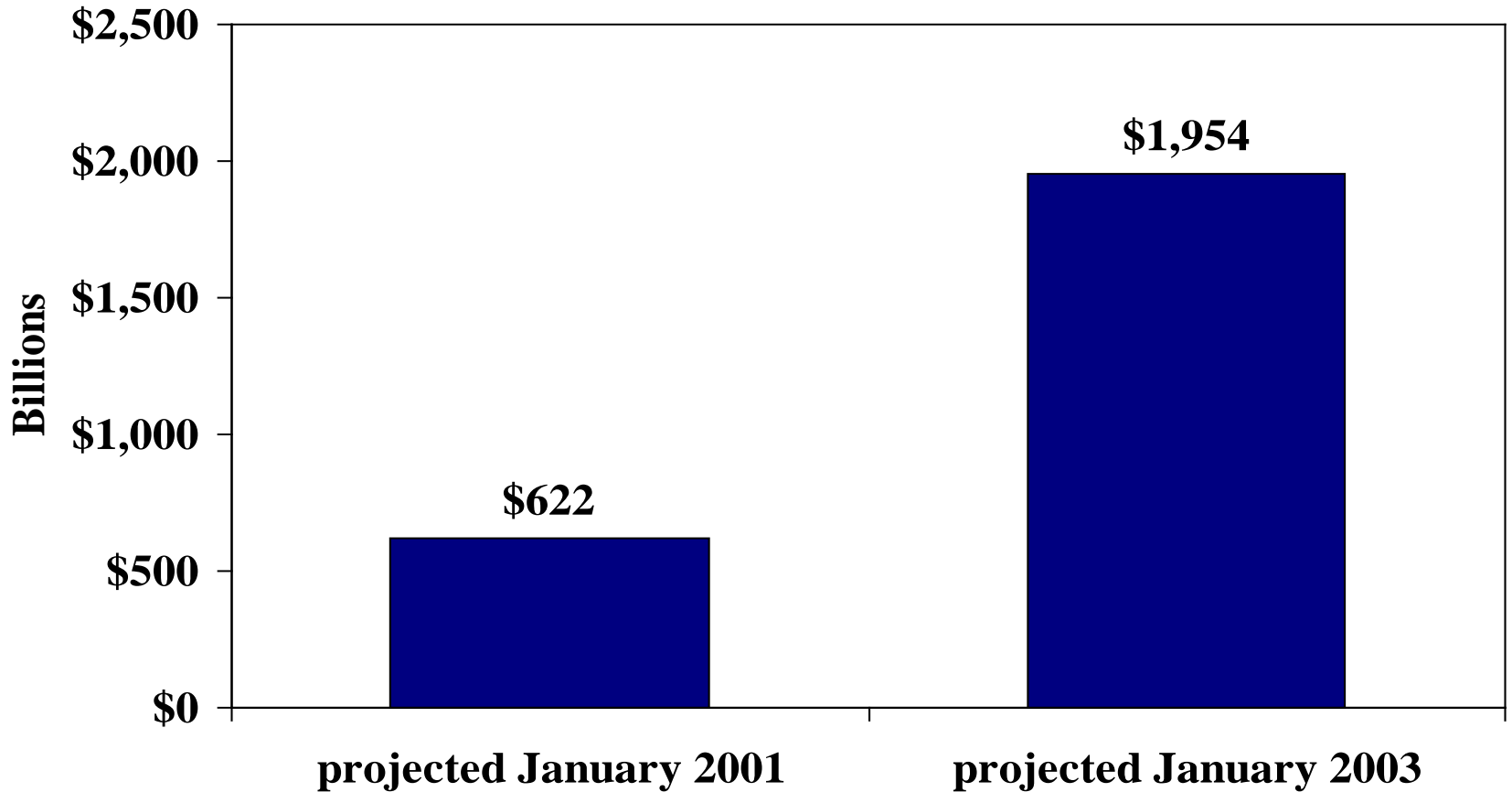
Longer-term budget outlook



Source: CBO

Interest on the National Debt

Ten-year totals, 2002-2011



Source: Congressional Budget Office, January 2003

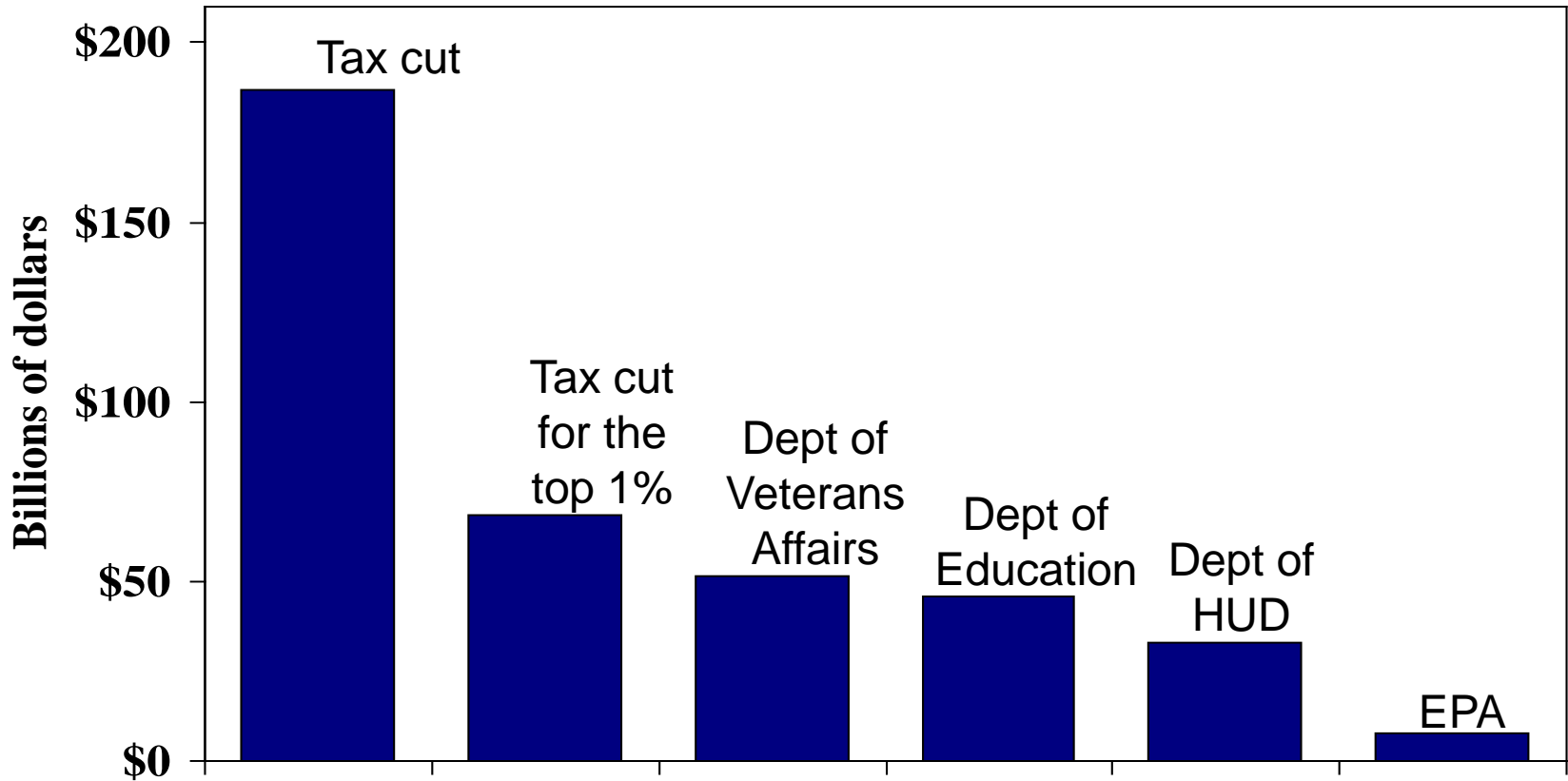
Annual Cost of Tax Cut Compared to Agency Budgets

When fully in effect, the annual cost of the tax cut will be:

- Five times as large as the budget of the Department of Housing and Urban Development
- Four times the budget of the Department of Education
- More than three times the Department of Veterans Affairs and Department of Transportation budgets
- Twenty-four times larger than the EPA budget

The Tax Cut and Agency Budgets

Comparable annual costs



Note: Figures for the tax cut represent the annual cost when fully effective (including AMT relief), scaled to the size of the economy in 2002. Figures for agency budgets represent the annual average, 2001-2003.

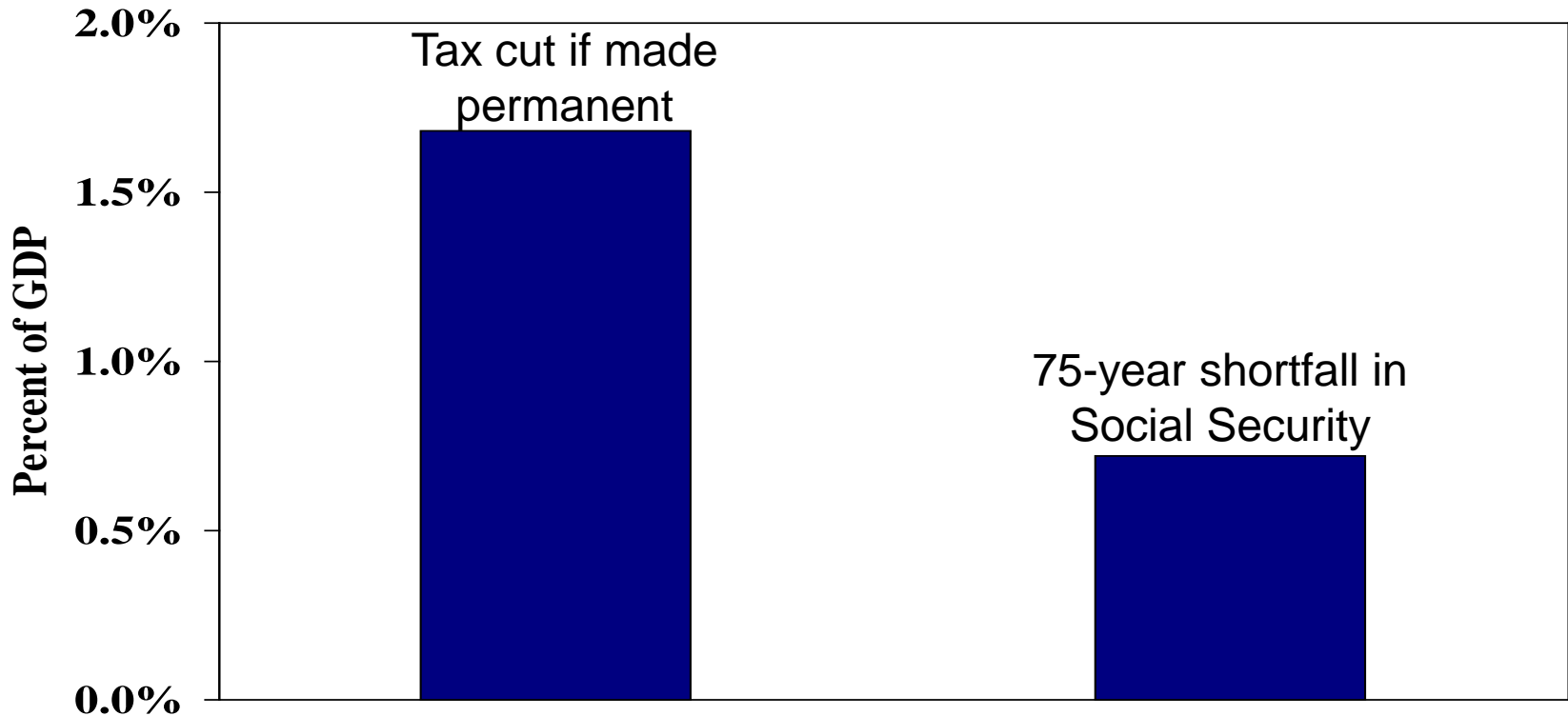
Annual Cost of Tax Cuts for the *Top One Percent* Compared to Agency Budgets

When fully in effect, the annual cost of the tax cut for the top one percent of filers will be:

- Twice the budget of the Department of Housing and Urban Development
- 1 ½ times the Department of Education budget
- Larger than the Department of Veterans Affairs and Department of Transportation budgets
- Nearly nine times as large as the EPA budget

The Tax Cut and Social Security

Costs over the next 75 years



Social Security estimate from 2002 Trustees Report; all figures are “net present values” of costs from 2002-2076. Estimates of the tax cut assume all provisions are permanent (including AMT relief) and grow only with the economy after 2011.

Cost of Bill Through 2013 If Tax Cuts Are Extended

(in billions of dollars)

Dividend and capital gains [expires 2008]	\$325
Top bracket rate reductions	74
Child tax credit [expires 2004]	90
10% bracket [expires 2004]	45
Tax breaks for married couples [expires 2004]	55
Expand Sec 179 business expensing [expires 2005]	35
Increase AMT exemption [expires 2004]	18
Expand bonus depreciation [expires 2004]	145-400
State fiscal relief	<u>20</u>
TOTAL	807-1,062

Federal Revenues in 2003 As a Share of the Economy--A Historical Comparison

All Federal Revenues Lowest Since 1959

Federal *Income Tax*
Revenues Lowest since 1943

Cost in Tenth Year of Extending All Expiring Tax Provisions

Before President Bush

As of January 2001, the cost in 2011 of extending all expiring provisions was \$22 billion

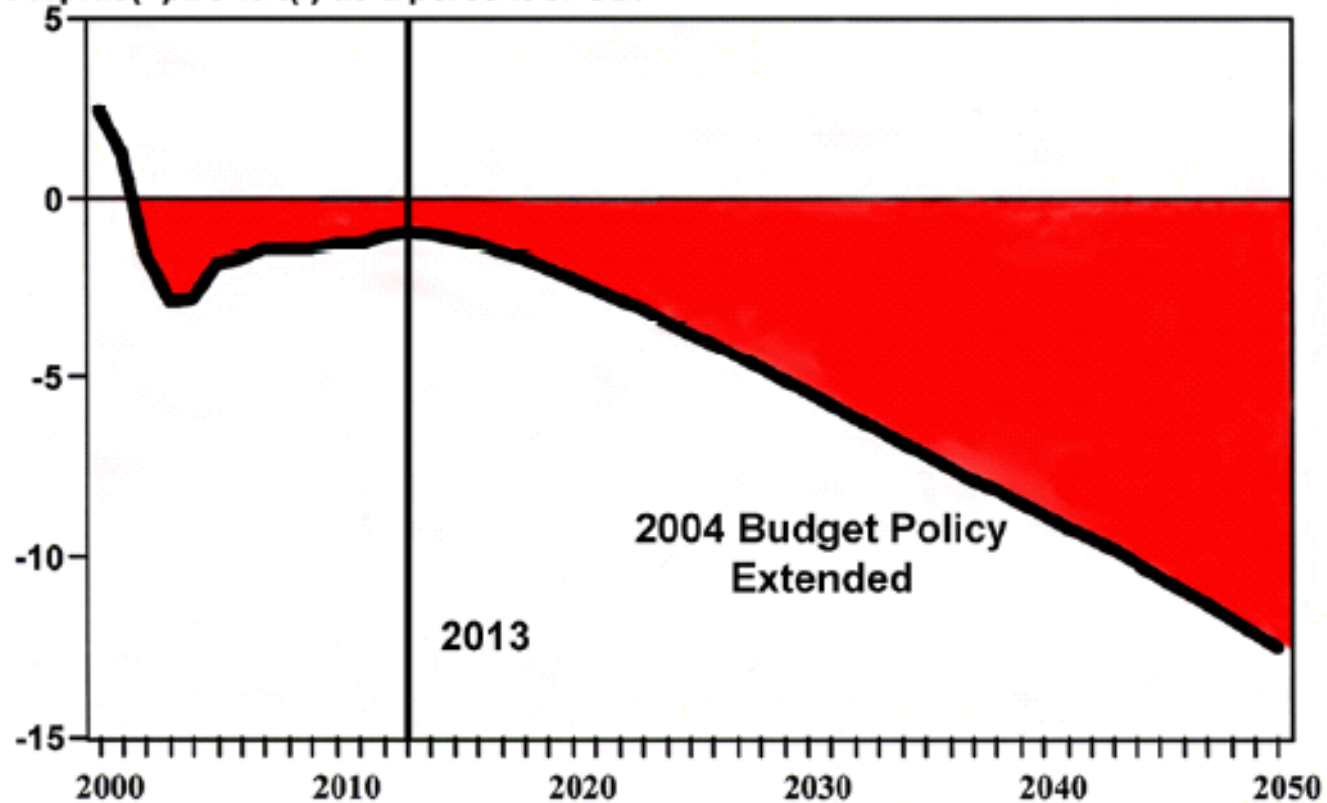
Today

The cost in 2013 of extending all expiring provisions is \$430 billion

Source: Bill Gale and Peter Orszag, The Brookings Institution, "Sunsets in the Tax Code,"
May 26, 2003.

The Next Ten Years: The Budget "Sweet" Spot

Surplus(+)/Deficit(-) as a percent of GDP



Source: President's Budget for FY 2004, Analytical Perspectives, p. 43.

Cost of Tax Cuts and Social Security Shortfall Over the Next 75 Years

Cost of 2001 and 2003 tax cuts if made permanent	\$11.5 trillion in present value
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Social Security Shortfall	\$3.8 trillion in present value
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The cost of the tax cuts, if made permanent, is three times as large as the Social Security shortfall

Source: Calculation by Peter Orszag, the Brookings Institution

Funding for Other Block Grants Has Not Kept Pace with Inflation

- Analysis of 11 block grants shows that inflation-adjusted funding has fallen by 11% since establishment of block grant (or 1982 if later)
- Excluding child care, funding for block grants fell 22%
- SSBG has lost 65% of its funding and LIHEAP has lost 53%