

OUR ECONOMY AND THE PRESIDENT'S BUDGET: FISCALLY RECKLESS, MORALLY IRRESPONSIBLE, AND A FAILURE OF LEADERSHIP

Democrats believe that on every issue our nation faces, it is our responsibility to ensure that the policies we pursue are consistent with the values we cherish. The Bush Administration's 2006 budget fails in every respect. It is fiscally reckless, adding trillions to the deficit over the next 10 years. It is morally irresponsible, slashing funding for key homeland security, veterans benefits, health care, and education programs. And the Bush Administration's failure to include details of its Social Security privatization proposal and the cost of the war in Iraq is a clear failure of leadership. Democrats are fighting to restore fiscal responsibility and hold those in power responsible for their actions. We are committed to upholding the key values that are the foundation of a strong and secure middle class: national security, prosperity, community, fairness, accountability and opportunity.

The Republican budget is fiscally irresponsible, creating trillions of dollars in new deficits that threaten our economy. The Republicans' fiscal recklessness continues, with record deficits for the past three years and a deficit that is likely to top \$400 billion in 2006. And the Administration has failed to offer a credible plan to cut the deficit in half, as the budget fails to include a single penny for the ongoing war in Iraq or for his Social Security privatization proposal. All told, the Republican budget creates \$4 trillion in new deficits over the next 10 years.

Includes budget-busting tax cuts but fails to invest in our economic recovery. More than 750,000 private-sector jobs and 2.8 million manufacturing jobs have been lost over the past four years. But the Bush budget squanders nearly \$2 trillion over the next 10 years on tax breaks for those who do not need them, creating a long-term drag on economic growth.

Slashes funding for programs designed to help manufacturers. The Bush budget cuts the Manufacturing Extension Partnership (MEP), which helps small U.S. manufacturers with everything from plant modernization to employee training, by nearly 60 percent. It also proposes to eliminate the Advanced Technology Program, which spurs cutting-edge research to solve manufacturing problems.

Cuts funding for the Small Business Administration by \$85 million from last year's request. This budget reduces the agency's funding by nearly one-half from FY 2001. For the second year in a row, the budget eliminates funding for the SBA's largest small business loan program (7(a) loans), and proposes to run the program solely through fee increases, substantially raising the cost for small businesses and lenders. It also eliminates funding for the Microloan Program, which provides very small loans to start-ups.

Cuts job training and employment programs for the fifth year in a row. The budget cuts job training services by about \$280 million and block-grants the adult, youth, and dislocated worker programs and the Employment Service program, jeopardizing critical training resources and particularly harming dislocated workers and at-risk teenagers. The budget cuts other job training and related programs, including trade adjustment assistance, veterans' training, vocational rehabilitation, and adult education by about \$300 million. Over the past five years, the Bush Administration has tried to cut job training and related programs by \$3.3 billion.

Slashes economic and community development. The President's budget slashes funding for community and economic development programs that provide housing, employment counseling, water and sewer improvements, and small business loans by \$2 billion – a 30 percent cut in funding. These cuts will particularly affect our seniors, people with disabilities, cities, and rural communities. The proposal would consolidate 17 different programs, including the Community Development Block Grant, Rural Housing, Empowerment Zones, and Community Services Block Grant. In 2004, the Community Development Block Grants created or retained more than 90,000 jobs.

Shortchanges highways and mass transit. The Administration is proposing only \$284 billion for the six-year highway bill, \$34 billion less than the compromise bill passed by the Senate in 2004. The Administration's refusal to adequately fund the highway bill last year resulted in the Republican failure to pass a six-year highway bill – a missed opportunity to create good-paying jobs and spur economic growth. Every \$1 billion invested in federal highway and transit spending creates 47,500 jobs. And the Republican failure to pass a highway bill has cost us jobs every month that the bill is delayed because of project delays.



Office of House Democratic Leader Nancy Pelosi, February 9, 2005

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