

# Fiscal Year 2006: Keeping The Commitment To Restrain Spending

With final approval today in Congress of the FY2006 budget bills, the President's plan to restrain spending and reform programs will soon become law. The President worked with Congress to reduce non-security discretionary spending below last year's level, terminate or reduce funding for 89 lower-priority or poor-performing programs, and rein in mandatory spending for the first time in nearly a decade. This commitment to fiscal discipline will help keep the Federal government on track to achieve the President's goal of cutting the deficit in half by 2009.

## A Responsible Budget

- The President's FY2006 budget was the first since the Reagan Administration to propose reducing non-security discretionary spending below the previous year's level. Congress agreed to these savings in its budget resolution, and this year's appropriations process put these savings in place.
- The Administration supported an additional 1 percent across-the-board cut in all discretionary spending, except the Department of Veterans Affairs. This cut produced more than \$8 billion in savings.
- Even before the application of the across-the-board cut, total discretionary spending growth was kept to just 2.1 percent, less than the rate of inflation. With this additional cut, overall discretionary spending growth was reduced to just 1.1 percent.
- The President has succeeded in reducing the growth rate of non-security discretionary spending every year that he has been in office, from a high of 15 percent growth inherited from the previous Administration in 2001 to an actual cut in this spending in FY2006 below the previous year's level.

## Restraining Spending And Reforming Programs

- In his FY2006 budget, the President proposed 154 terminations and reductions to lower-priority or poor-performing programs for a total of \$15.8 billion in savings in FY2006.
- Savings were achieved by Congress in 89 of these of these proposals, producing \$6.48 billion in savings. This is a significant improvement over FY2005 in which Congress enacted only 7 of the President's 65 savings proposals, for a total of only \$366 million.
- Additionally, \$400 million in rescissions that the Administration requested to help offset additional hurricane relief spending were approved.

## Reining in Entitlement Spending

- In his FY2006 budget, the President proposed reforms to mandatory spending programs to save \$53.8 billion over five years.
- Congress adopted the call for entitlement reform in its budget resolution, and legislation passed by the House and Senate will provide nearly \$40 billion in mandatory savings over five years, \$5 billion more than Congress called for in its budget resolution.
- When signed into law, the deficit reduction package will be the first of its kind enacted in nearly a decade.
- Reforms in the legislation include:
  - ✓ Slowing the spending growth in Medicaid by 0.4 percent over the next five years.
  - ✓ Reducing overpayments to pharmacies for Medicaid drugs.
  - ✓ Giving governors more flexibility to better manage programs – a change supported by many Republican and Democratic governors.
  - ✓ Closing loopholes that allow estate planners to hide assets to game the system.
  - ✓ Saving more than \$12 billion by reducing subsidies to private student loan lenders and improving benefits to students. The reform includes the largest single increase in grant aid history for low-income students and \$3.75 billion in grants for students who major in math or science.
  - ✓ Reducing taxpayer liability for the unfunded pension insurance program by \$3.6 billion.
  - ✓ Reducing Medicare growth by 0.3 percent over five years, saving \$6.412 billion.

*(All figures according to Congressional Budget Office.)*