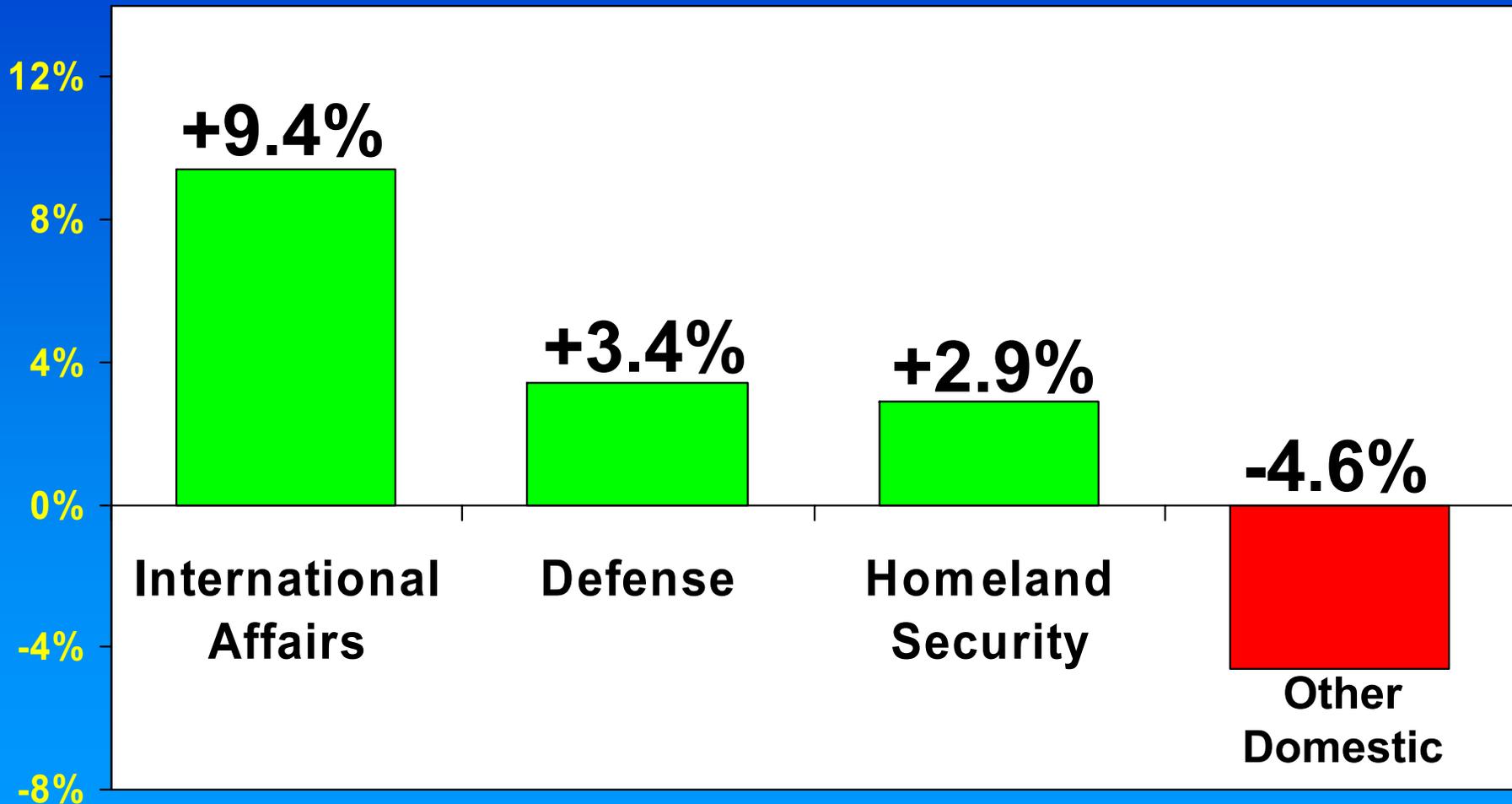


International Affairs Receives Largest Percent Increase in Bush Budget

(Percent increase in discretionary budget authority vs. OMB baseline)



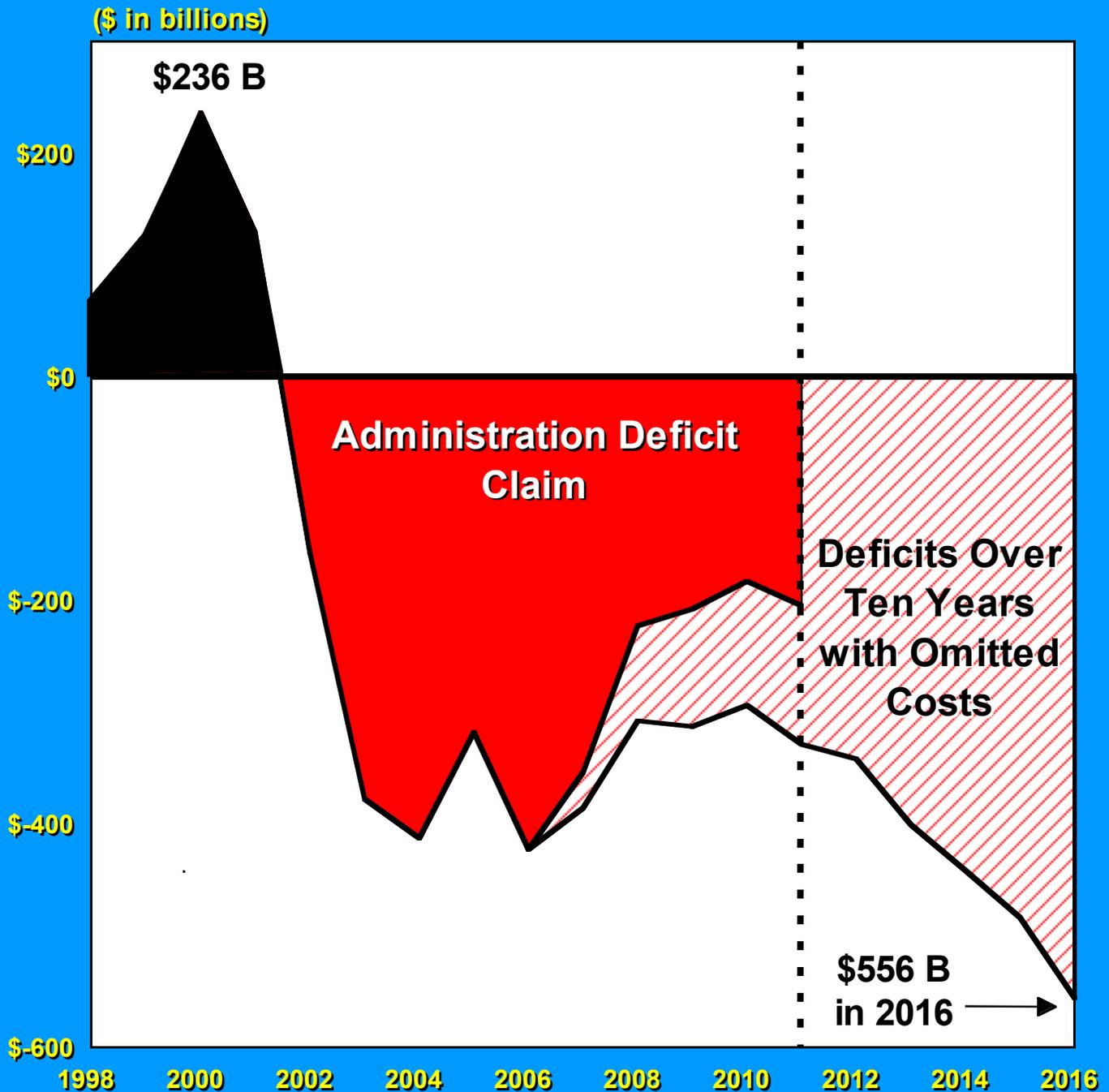
Source: OMB

Wrong Priorities

Program	Cut
Byrne Justice Assistance Grants	Eliminated
Safe and Drug-Free School Grants	Eliminated
Vocational Education	Eliminated
Rural Health Care	83%
COPS	78%
Essential Air Service	54%
Amtrak	30%
RUS Electrification Loans	29%

Source: OMB
FY '07 request versus FY '06 enacted.

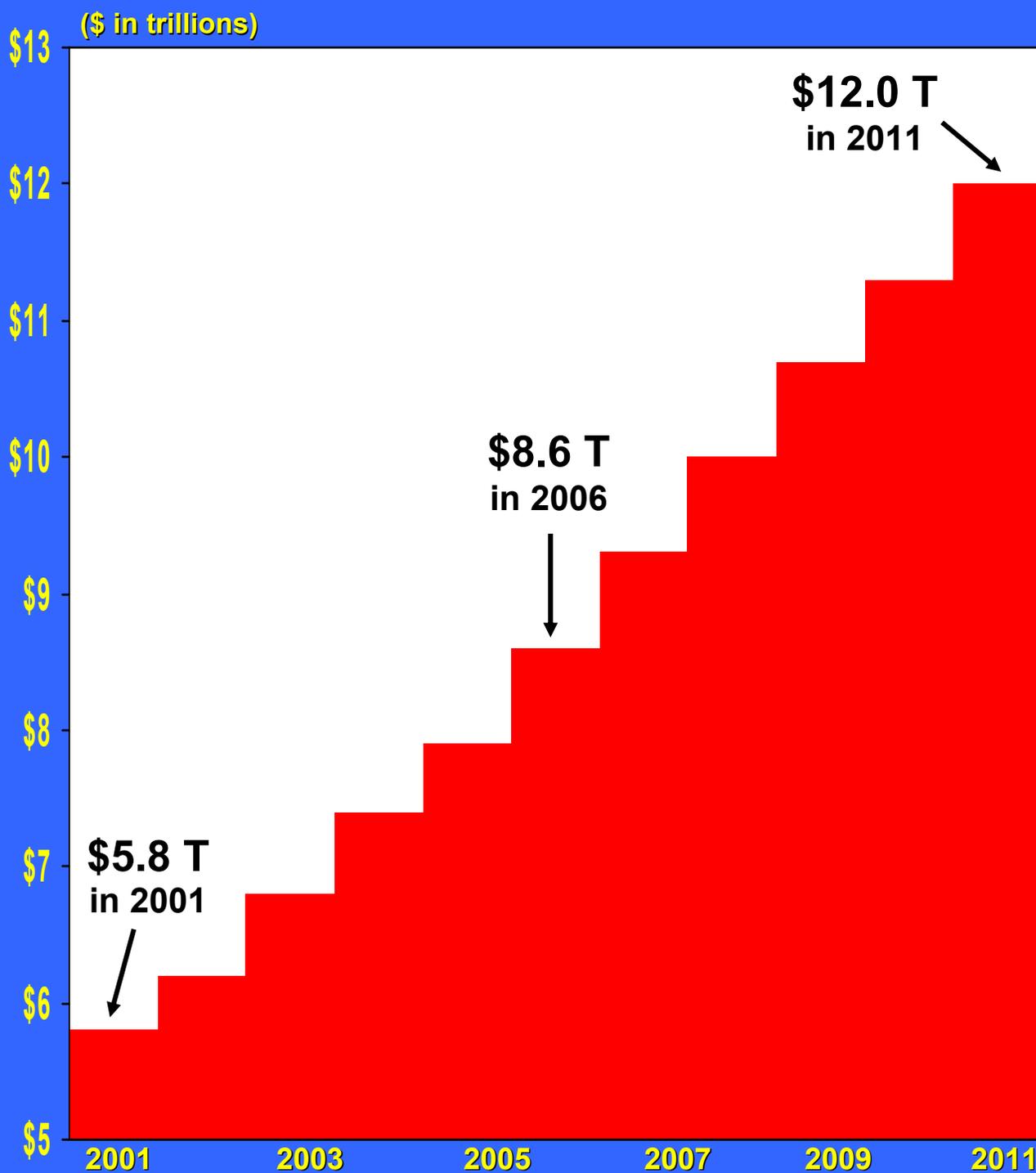
Long-Term Budget Outlook



Source: OMB, CBO, SBC Democratic staff
Note: Bush FY 2007 Budget extended over ten years with AMT reform and ongoing war costs.

Building a Wall of Debt

Gross Federal Debt Soars



Source: OMB and SBC Democratic staff

Note: Bush FY 2007 Budget with AMT reform and ongoing war costs.

Top Ten Countries Holding Our National Debt

Japan	\$685 B
China	\$257 B
United Kingdom	\$234 B
“Caribbean Banking Centers”	\$111 B
Taiwan	\$71 B
Germany	\$67 B
OPEC	\$67 B
South Korea	\$66 B
Canada	\$53 B
Hong Kong	\$44 B

Source: Department of Treasury

Note: As of December 2005

GAO Comptroller General Walker Believes Current Fiscal Path Threatens Our National Security

“Continuing on this unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security.”

**–GAO Comptroller General David M. Walker
Testimony before Senate Budget Committee
February 15, 2006**

The New York Times

THURSDAY, FEBRUARY 9, 2006

Iraq Utilities Are Falling Short of Prewar Performance

\$56 Billion Cost Estimate Is Seen as Low

By JAMES GLANZ

WASHINGTON, Feb. 8 — Virtually every measure of the performance of Iraq's oil, electricity, water and sewerage sectors has fallen below preinvasion levels even though \$16 billion of American taxpayer money has already been disbursed in the Iraq reconstruction program, several government witnesses said at a Senate Foreign Relations Committee hearing on Wednesday.

Of seven measures of public services performance presented at the committee hearing by the inspector general's office, only one was above preinvasion levels.

Those that had slumped below prewar levels were electrical generation capacity, hours of power available in a day in Baghdad, oil and heating oil production and the numbers of Iraqis

with drinkable water and sewage service.

Only the hours of power available to Iraqis outside Baghdad had increased over prewar values.

In addition, two of the witnesses said they believed that an earlier estimate by the World Bank that \$56 billion would be needed for rebuilding over the next several years was too low.

At the same time, as Iraq's oil exports plummet and the country remains saddled with tens of billions of dollars of debt, it is unclear where that money will come from, said one of the witnesses, Joseph A. Christoff, director of international affairs and trade at the Government Accountability Office.

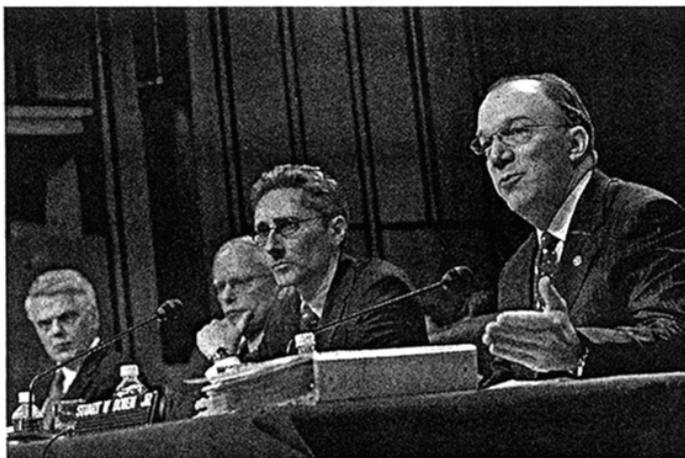
And those may not be the most serious problems facing Iraq's pipelines, storage tanks, power lines, electrical switching stations and other structures, said Stuart W. Bowen Jr., the special inspector general for Iraq reconstruction, an independent office.

In one sense, focusing on the plummeting performance numbers "misses the point," Mr. Bowen said. The real question, he said, is whether the Iraqi security forces will ever be able to protect the infrastructure from insurgent attack.

"What's happened is that an incessant, an insidious insurgency has repeatedly attacked the key infrastructure targets, reducing outputs," Mr. Bowen said. He added that some of the performance numbers had fluctuated above prewar levels in the past, only to fall again under the pressure of insurgent attacks and other factors.

The chairman of the committee, Senator Richard G. Lugar, Republican of Indiana, began by billing the session as a way of deciphering how much of America's original ambitions in the rebuilding program are likely to be fulfilled with the amount of money that Iraq, the United States Congress and international donors are still prepared to spend on the task.

This downsizing of expectations was striking given that \$30 billion American taxpayer money has already been dedicated to the task, according to an analysis by Mr. Christoff of the accountability office. Of that money, \$23 billion has already been obligated to specific rebuilding contracts, and \$16 billion of that amount has been disbursed, Mr. Christoff said.

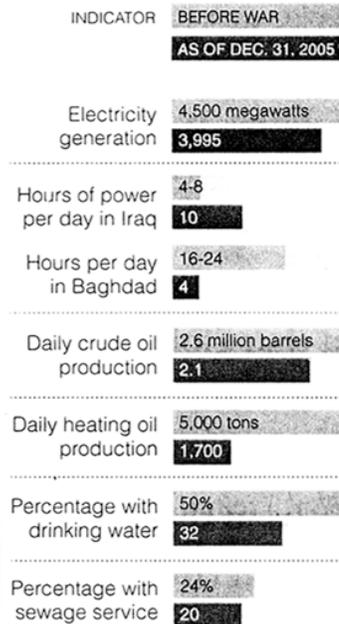


David Y. Lee for The New York Times

Stuart W. Bowen Jr., right, yesterday with, from left, James R. Kunder; James Jeffrey, a State Department aide; and Joseph A. Christoff.

Slow Progress

Progress reports for nearly every major area of Iraq's infrastructure were below prewar levels at the end of last year.



Source: Special Inspector General for Iraq Reconstruction

The New York Times

Mr. Bowen's office has pointed out that another \$40 billion in Iraqi oil money and seized assets of Saddam Hussein's regime was also made available for reconstruction and other tasks at one time or another. Last week, Robert J. Stein Jr., one of four former United States government officials in Iraq who have been arrested in a bribery and kickback scheme involving that money, pleaded guilty to federal charges.

Mr. Bowen pointed out in his testi-

Shortfalls in public services are linked to a ceaseless 'insidious insurgency.'

mony that the news on reconstruction in Iraq is not all bad. Despite the recent financing and performance shortfalls, the rebuilding program now seems to be much less ridden by fraud, corruption and chaos than it was in the early days when people like Mr. Stein were in charge.

James R. Kunder, assistant administrator for Asia and the Near East at the United States Agency for International Development, in the State Department, emphasized things like what he called a 30 percent "potential increase" in electricity output because of new and reconditioned power generators in Iraq.

"We have done a lot of reconstruction work in Iraq over the last couple

of years," Mr. Kunder said. "We did not meet all of the goals, the ambitious goals, we originally intended," he conceded.

Mr. Christoff of the accounting office said the latest numbers may actually overstate how well Iraqis have been served by the reconstruction program.

Water numbers, for example, often focus on how much drinkable water is generated at central plants, he said. But he said 65 percent of that water was subject to leaking from porous distribution pipes, which often run next to sewage facilities.

"So we really don't know how many households get potable, drinkable water," Mr. Christoff said.

Mr. Christoff also brought another new figure to the hearing: he said that on a recent trip to Baghdad, the American forces there had told him that they would need another \$3.9 billion to continue training and equipping Iraqi forces, in part so that they can better protect the infrastructure.

The money would presumably be included in a 2006 supplemental funding request in which the Bush administration has said it would ask for more money to support the conflicts in Iraq and Afghanistan, an official at the Office of Management and Budget said. The administration "told us it would include this type of expenses," the official said, adding that no total for Iraqi security forces has yet come directly from the White House.

If the \$3.9 billion that the American forces believe they need is actually appropriated, it would bring the total amount spent simply on training and equipping the Iraqi Army and the police to about \$15 billion.

Funds may be lacking for ample Iraqi army

By Rowan Scarborough
THE WASHINGTON TIMES

The U.S. general in charge of shaping an Iraqi army raised the prospect yesterday that the new Baghdad government will not have sufficient money to fund the 10-division army envisioned by the Bush administration.

Since Iraq's security is projected to depend on an army of that size, it raises the question of whether Iraq will have the right size land force to

allow large numbers of U.S. troops to go home after 2006, when the new government would start budgeting more of its defense needs.

Army Lt. Gen. Martin Dempsey said plans are to create a 160,000-soldier army, tapping a pot of \$10 billion in U.S. funds that also will be used for a police force, border guards, highway patrol, navy and an air force.

“But they may not end up
see WAR, page A5