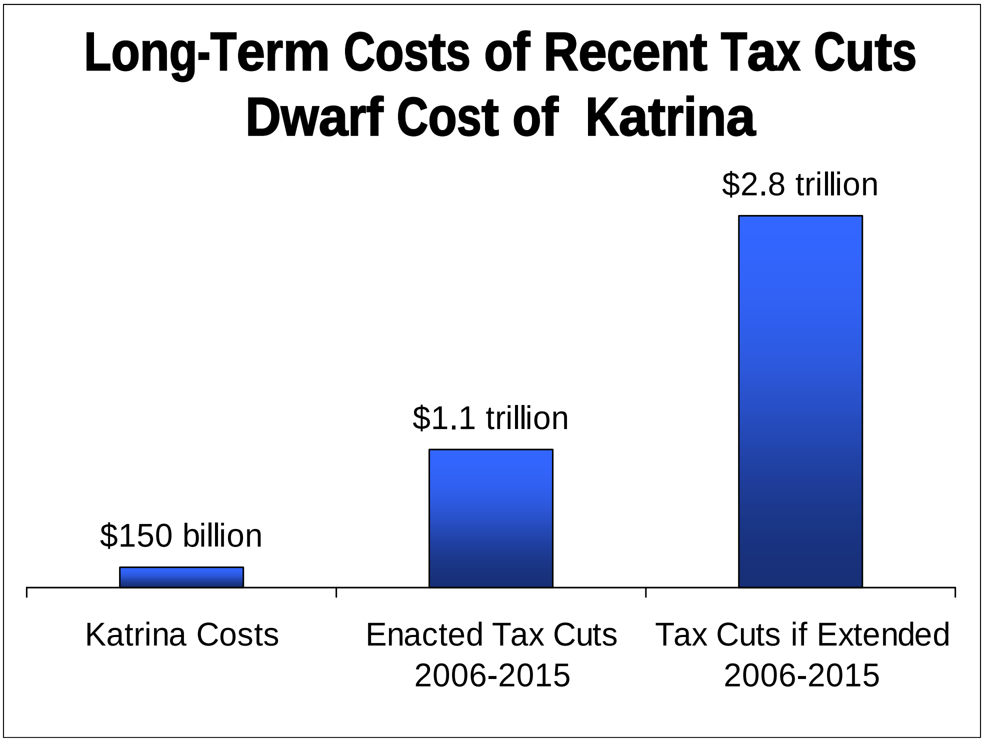
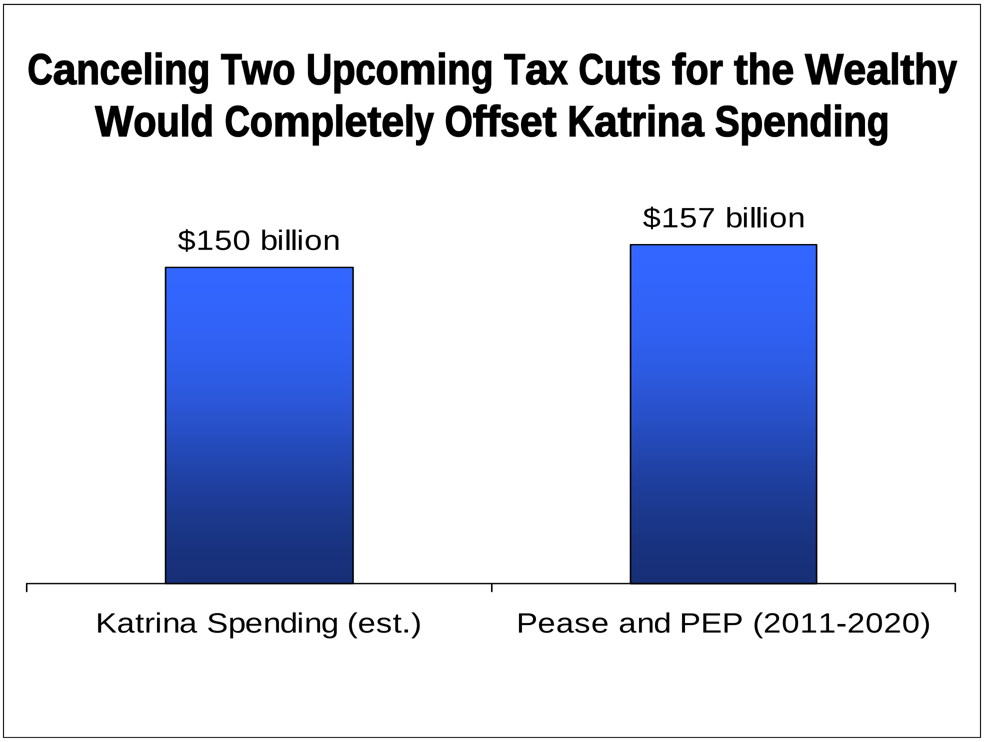
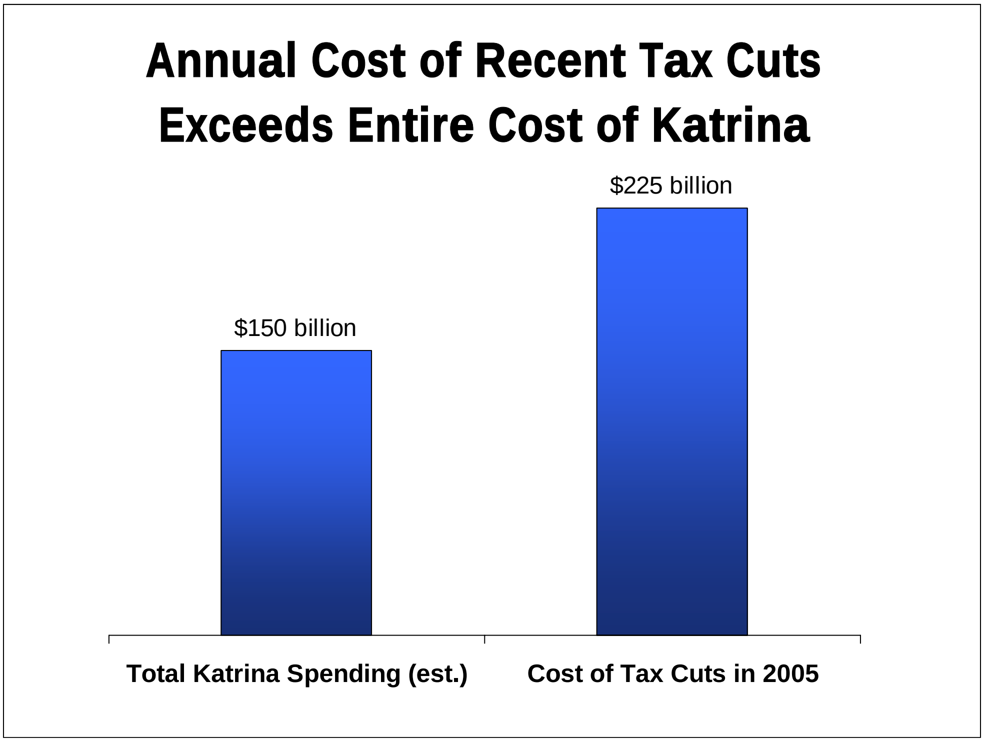


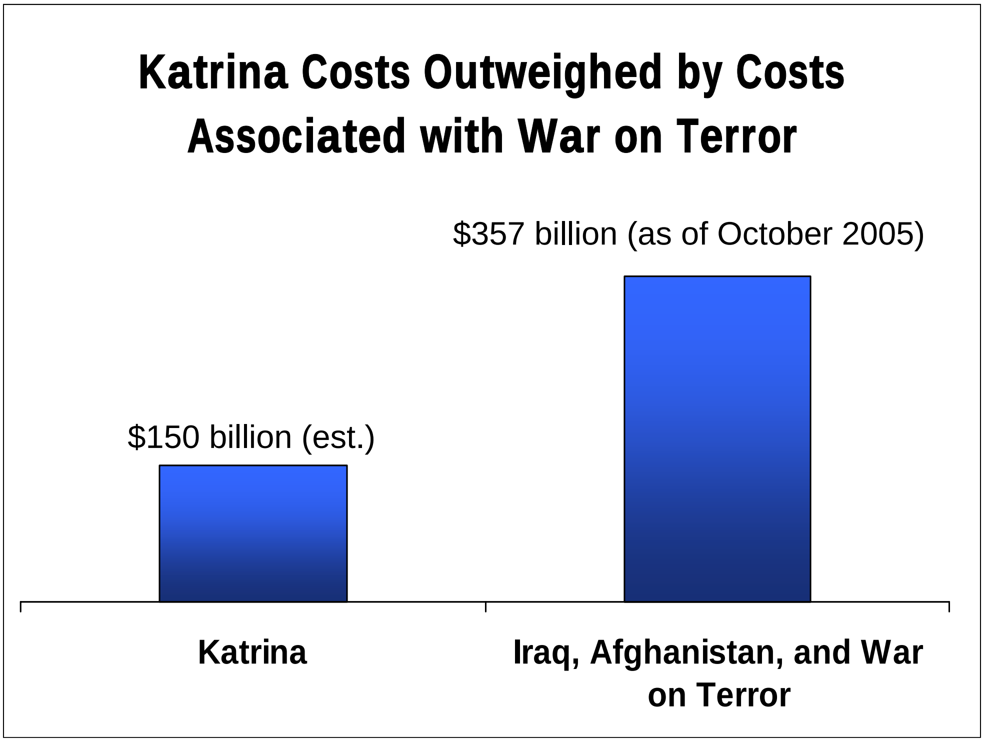

The 2001 and 2003 tax cuts are scheduled to expire by 2010, but the administration and key congressional leaders have called for their permanent extension. If these cuts are extended, along with their alternative minimum tax relief provisions, their cost through 2015 will total nearly 20 times the cost of Katrina. Even if these tax cuts are allowed to expire on schedule, their cost over the next decade will be more than seven times the cost of Katrina.




Beginning January 1st, two of the tax cuts enacted in 2001, which lift existing limits on personal exemptions and itemized deductions, are scheduled to begin taking effect. These tax cuts will benefit only high-income households, primarily millionaires. Over the first decade these tax cuts will be fully in effect, assuming they are extended past 2010 as the President has proposed, their cost will exceed the entire cost of Katrina.

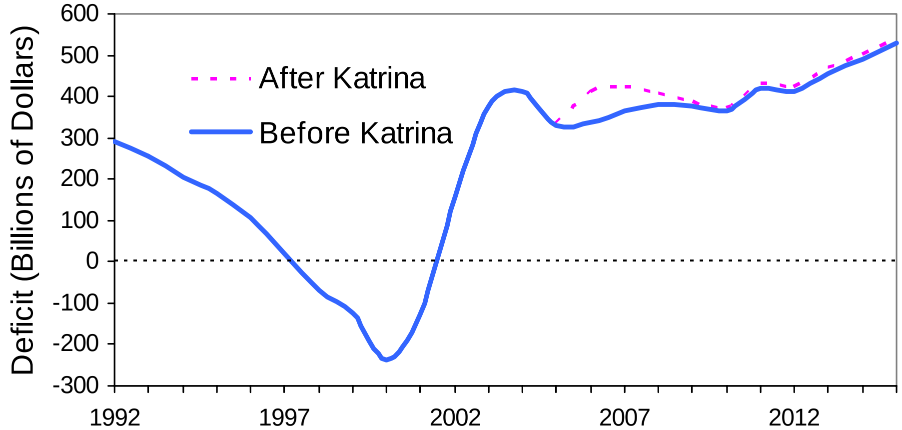



The tax cuts passed since 2001 will cost more this year alone than the entire Katrina relief and reconstruction effort.



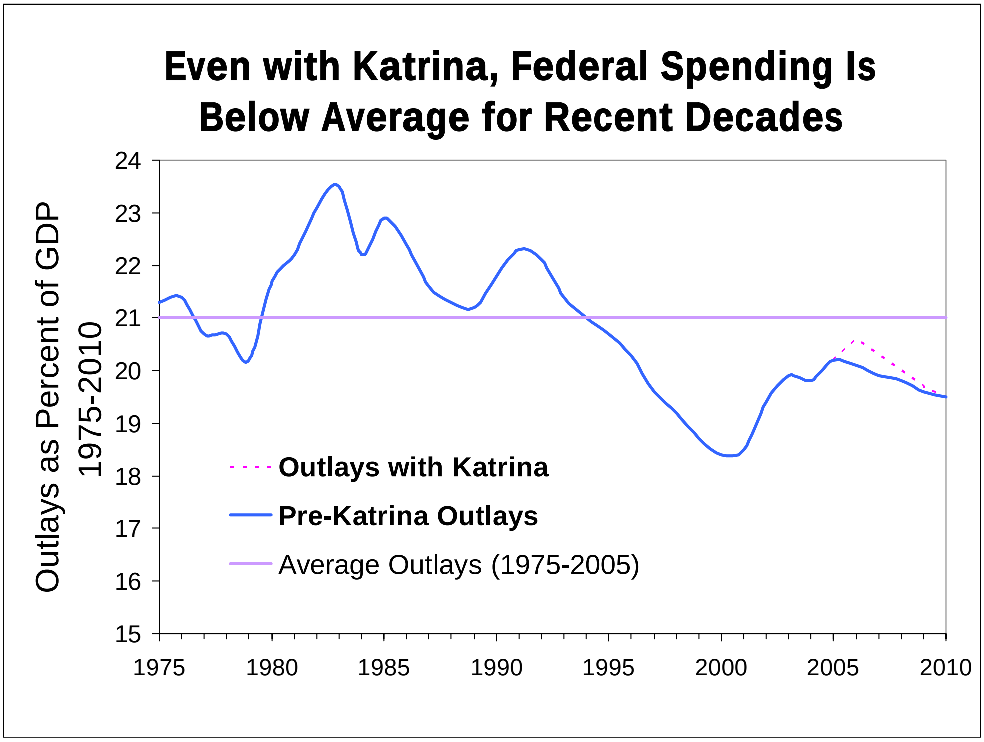

Money already allocated for the wars in Iraq and Afghanistan, the reconstruction efforts, aid to Iraq and Afghanistan and enhanced security at defense bases far exceeds the projected costs of Katrina.

## Katrina Will Have Little Effect on Long-Term Deficits




Projected deficits come from the CBO August 2005 budget projections, adjusted for extension of the 2001 and 2003 tax cuts, and a gradual phase-down of spending in Iraq

The nation faces a long-term fiscal imbalance resulting from the combination of historically low revenues (if recent tax cuts are made permanent) and historically high spending (stemming largely from the retirement of the Baby Boomers and increasing health care costs). Katrina-related costs will not substantially change this long-term imbalance.




Federal spending as a proportion of GDP — the standard method of comparing changes in spending over time — is below its historical average, and will remain so even with Katrina spending.