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BUDGET YEAR-END REVIEW:
THE DEMOCRATS' YEAR OF BIG SPENDING, BIG DEBT, BIG GOVERNMENT

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SUMMARY

While the Senate struggles to jam through a new \$1-trillion-or-so Federal health care entitlement, it is important to not lose sight of the cumulative budget impact of the President's entire first year. The President and the Democratic-controlled Congress have undertaken a breathtaking expansion of government - into the health care, financial and energy sectors, among others.

With control of both Congress and the White House, the Democrats have passed legislation that will boost spending by over \$3 trillion through 2019; raise taxes by nearly \$1.3 trillion; and increase deficits and debt by \$1.7 trillion. The President and Democratic Majority's major spending, tax, and deficit increases are summarized below, with hyperlinks to House Budget Committee Republican analyses.

BIG SPENDING, TAXES, AND DEFICITS

Table 1: New Spending, Taxes, and Deficits Under Obama/House Democrats - 2009-19
(in billions of dollars)

Table with 4 columns: Item, Spending, Taxes, Deficit (+ increase). Rows include 'Stimulus' (enacted), 2009 Omnibus (enacted), SCHIP Without Funding Cliffs Gimmick (enacted), Cap and Trade (House-passed), Health Care (H.R.3961 and H.R.3962), Increases to President's War Supp. Request (enacted), Approps Above Inflation (Enacted), Financial Services Reform (H.R. 4173, excluding TARP offsets), Second 'Stimulus' (House Passed), and Totals.

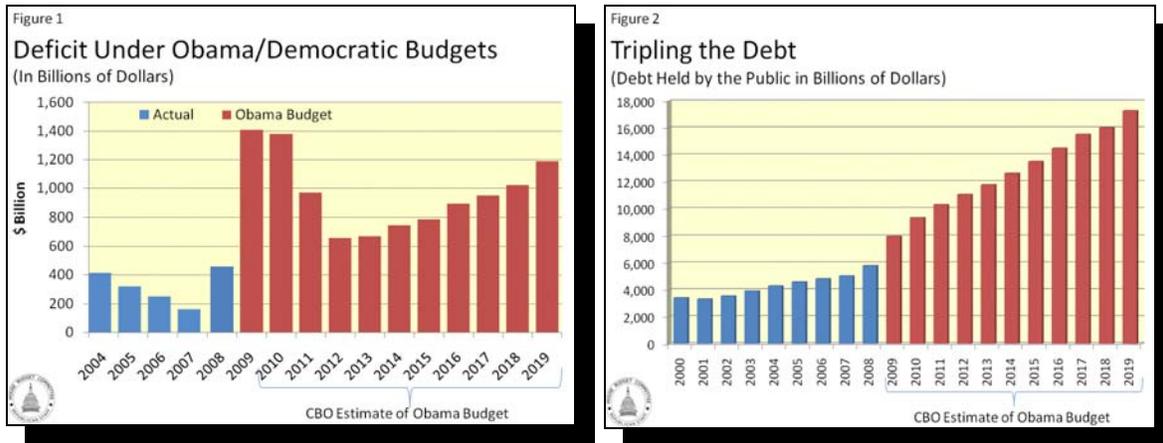
a Congressional Budget Office [CBO] score of spending above baseline in H.R. 1105.
b Based on CBO analysis of extending H.R. 2 beyond 2013.
c Spending estimate equals net spending less Medicare cuts plus physician payment update.
d CBO score of non-defense spending in H.R. 2346.
e House Budget Committee Republican staff analysis of enacted vs. CBO March baseline BA excluding emergencies.

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- **A \$787-Billion ‘Stimulus’ Bill.** With debt service, this bill adds more than \$1 trillion to deficits and debt. According to the Congressional Budget Office [CBO], only about 11 percent of the discretionary funds will be spent in the first year, and less than half will be spent in the first 2 years. Less than 1 percent of the bill was devoted to tax incentives to businesses to create jobs. Since enactment of the Democratic “stimulus,” the economy has lost more than 3 million jobs, and the unemployment rate is 10 percent – exceeding the administration’s predicted maximum unemployment rate of 8 percent. Republicans offered an alternative that would create twice as many jobs at half the cost.
http://www.house.gov/budget_republicans/press/2007/pr20090213stimulusconf.pdf
 - **A \$407.6-Billion Fiscal Year 2009 Omnibus Appropriations Bill.** After deliberately stalling most appropriations until the new President took office, the Democrats increased total fiscal year 2009 discretionary spending by 8.6 percent (total non-defense rose by 10.3 percent from 2008). The bill rolled nine appropriations bills into a 1,128-page omnibus spending bill with nearly 9,000 earmarks.
http://www.house.gov/budget_republicans/press/2007/pr20090224omni.pdf
 - **State Children’s Health Insurance Program [SCHIP] Reauthorization.** This bill increases SCHIP spending by an average of 23.7 percent for 5 years, then abruptly cuts funding by 65 percent in 2014. Absent this funding cliff gimmick, the bill increases spending by \$116 billion over 10 years.
http://www.house.gov/budget_republicans/press/2007/pr20090204schip.pdf
 - **Cap and Trade Legislation.** This House-passed bill includes \$873 billion in net revenue increases over 10 years, and \$864 billion in net spending increases. The total tax bill for Americans will be higher – \$1 trillion over 10 years; and when fully implemented the bill will increase spending by \$914 billion. Meanwhile, the bill fails to guarantee a reduction in greenhouse gases, while pushing American jobs overseas; it benefits special interests by giving away 83 percent of the carbon allowances through a byzantine cap-and-trade scheme; and it effectively leads to a government takeover of 86 percent of the U.S. energy sector through a convoluted system of new allowances and mandates.
http://www.house.gov/budget_republicans/press/2007/pr20090625captrade.pdf
 - **Health Care.** The House bill [H.R. 3962] would initiate the government takeover of the health care sector, which represents about 17 percent of the U.S. economy. Despite total Federal unfunded liabilities of \$62.9 trillion from existing commitments, the bill creates a nearly trillion-dollar health entitlement; assumes a 21-percent reduction in Medicare reimbursements to physicians and increases taxes by \$574 billion. If the increase in payments to physicians (passed as a separate bill) is included, it would result in at least a \$210-billion increase in the deficit over 10 years. More troubling, CBO’s analysis indicates the trend worsens over time, leading to substantial deficit increases in the long term.
http://www.house.gov/budget_republicans/press/2007/pr20091103health3962.pdf
 - **The President’s Budget.** The President’s budget increases discretionary spending by 8 percent in 2010, and non-defense discretionary spending by 11 percent. It also includes \$1.4 trillion in entitlement spending increases over 10 years, and a minimum of \$1.5

trillion in higher taxes (based on the budget resolution). The budget doubles the debt after 5 years, and triples it after 10 years (see charts below). Republicans offered a budget alternative that would have reduced the debt in the President's budget by \$3.6 trillion.

http://www.house.gov/budget_republicans/press/2007/pr20090825msr2.pdf

- **Fiscal Year 2009 Supplemental Appropriations.** The final supplemental bill exceeded



President Obama's request by \$16 billion. While largely slated as an emergency war funding measure, the bill also contains funding spread across 15 non-defense agencies.

http://www.house.gov/budget_republicans/press/2007/pr20090616supp.pdf

- **Fiscal Year 2010 Appropriations.** In total, the fiscal year 2010 appropriations bills increase discretionary spending by 8 percent, and non-defense spending by 12 percent. If "stimulus" funding is added, total discretionary spending rises by 25 percent – and total non-defense spending increases by 57 percent. The fiscal year 2010 omnibus appropriations bill, H.R. 3288, provides \$447 billion in budget authority, an increase of \$48 billion from fiscal year 2009.

http://www.house.gov/budget_republicans/press/2007/pr20090611approps.pdf

- **Education 'Reconciliation.'** The Education and Labor Committee has reported a bill that nationalizes all Federal student loans; expands Washington's role in education; and distorts the budget reconciliation process to create ten new entitlements that will add to the already unsustainable budget commitments of the Federal Government. In addition, when its full costs are taken into account, the bill will result in a net increase of \$39 billion in spending and the deficit.

http://www.house.gov/budget_republicans/press/2007/pr20090730student.pdf

- **Expanded Regulation for Financial Services.** The House recently passed the most sweeping overhaul of the Nation's financial system since the enactment of Depression-era banking and securities laws. The new bill establishes a permanent bank bailout fund of up to \$200 billion – in essence, a "TARP II" – and officially enshrines the notion of "too big to fail" for certain institutions. It also creates a new bureaucracy with the ability to write wide-reaching rules, limit consumer choices, and ration credit. Instead of devoting excess TARP funds to debt reduction, the bill taps these funds to increase spending by \$10 billion in the first 5 years.

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- **Second ‘Stimulus.’** Because the trillion-dollar “Stimulus I” passed earlier this year has demonstrably failed to “save or create” 3.5 million jobs, and has not held unemployment to 8 percent as the President promised, the Democrats have conjured yet *another* “jobs” bill – this time with a price tag of \$150 billion. This legislation simply adds more spending to programs that already benefitted from the “Stimulus I” bill – even though the programs receiving funds from the *latest* “stimulus” have so far only spent 15 percent of their designated funds from the *first* measure. As mentioned below, the second “stimulus” exploits TARP, reducing its authority to presumably free up \$70 billion for spending in the bill. The remaining \$80 billion was designated as emergency spending and avoided House pay-as-you-go [pay-go] rules requiring offsets.
http://www.house.gov/budget_republicans/press/2007/pr20091216fourbill.pdf
 - **Extension of the Troubled Asset Relief Program [TARP].** Originally sold to the Congress as a temporary \$700-billion emergency program to stabilize financial markets while protecting taxpayers, TARP has morphed into the government’s purchase of stock in private-sector companies; the government takeover of two major auto makers; and a bailout for homeowners who cannot pay their mortgages. Even though the goal of financial stabilization has been reached, according to the Federal Reserve Chairman Bernanke – and most major bank recipients have repaid or will soon repay funds – Treasury Secretary Geithner nevertheless extended TARP authority until 3 October 2010. House Democrats quickly saw an opportunity to exploit TARP, using it as an “offset” for “Stimulus II,” despite statutory language that clearly prohibits this type of action. This TARP offset may allow the Majority to circumvent House pay-go rules, but it does not reduce the deficit impact of the bill. TARP was never intended to be the slush fund that it has become for more Washington spending.
http://www.house.gov/budget_republicans/press/2007/pr20091208tarp.pdf
 - **Debt Limit Increase.** The continued profligate spending by the administration and Congress has forced a second increase this year in the government’s debt ceiling (the first increase of \$789 billion was enacted in the “stimulus” legislation in mid-February) – and the fourth increase in the past year and a half. H.R. 4314 increases the government’s statutory debt limit by \$290 billion, from \$12.104 trillion to \$12.394 trillion. This is a stopgap measure, however, that provides a cushion for only 2 to 2½ months. Congress will still need to increase the debt limit by an additional \$1.5 trillion to cover the surge in debt that will occur through 2010.

DISCRETIONARY SPENDING

As noted, the House has passed its 12 fiscal year 2010 appropriations bills, and they are largely consistent with the President's budget. These bills are summarized in Table 2 below. Some key points:

- Non-defense discretionary spending for 2010 rises by 12 percent from the current year (2009) enacted levels, excluding emergencies.
- Total discretionary spending rises by 8 percent.
- The largest reduction taken by the House Appropriations Committee relative to the President's budget is in the Department of Defense budget, which is cut by \$3.5 billion.
- Both the President's budget and the Majority's budget resolution have unrealistic assumptions about restraining discretionary spending levels in the outyears – which means spending, deficits, and debt are likely to rise even higher than the record levels projected in their budget.

Table 2: Fiscal Year 2010 Discretionary Spending – House Current Status
(dollars in billions)

Subcommittee	Fiscal Year 2009	Fiscal Year 2010	Increase From 2009 Scored to 2010 Current Status	
	Enacted (scored)	Final ^a	Dollars	Percent
Agriculture	20.5	23.3	2.8	14%
Commerce-Justice-Science	57.7	64.3	6.6	11%
Defense	487.7	508.0	20.3	4%
Energy and Water	33.3	33.5	0.2	1%
Financial Services	22.7	24.2	1.5	7%
Homeland Security	42.2	42.5	0.3	1%
Interior	27.6	32.2	4.6	17%
Labor-HHS-Education	152.3	163.6	11.3	7%
Legislative Branch	4.4	4.7	0.3	7%
MilCon/VA	72.9	76.5	3.6	5%
State-Foreign Operations	36.6	48.8	12.2	33%
Transportation-HUD	55.0	67.9	12.9	23%
Total	1,013	1,090	77	8%
Overseas Contingencies (war funding)	157	130		
Total Discretionary		1,220		

Note: Figures may not add due to rounding.
^a Includes permissible budget resolution cap adjustments for Program Integrity and the Low Income Home Energy Assistance Program. Excludes Overseas Contingency Operations.

This document was prepared by the Republican staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and may not reflect the views of individual committee members.