REPUBLICAN CAUCUS

THE COMMITTEE ON THE BUDGET

B-71 Cannon House Office Building
Washington, DC 20515
Representative Paul D. Ryan, *Ranking Republican*

Phone: (202)-226-7270
http://www.house.gov/budget_republicans/
Augustine T. Smythe, *Republican Staff Director*

REPUBLICAN SPENDING REDUCTION PROPOSAL

CANCEL REMAINING 'STIMULUS' FUNDS

(saves $266 billion in combined mandatory and discretionary spending over 10 years)

PURPOSE

- This proposal would halt any further spending from the "stimulus" bill, saving $273 billion over 10 years. The savings would be directed to deficit reduction, which would promote sustained economic growth and job creation.

SUMMARY

- This initiative rescinds all unobligated discretionary and mandatory budget authority authorized under the "stimulus" bill.

- The measure would begin lifting the economy's burden of excess government spending and debt by shaving $273 billion in spending from the President's budget, which triples the debt compared with 2008 levels.

BACKGROUND

- Several Republican House Members – including Representatives Price, Tiahrt, and Lance – have proposed legislation to rescind unobligated "stimulus" funds and direct the savings toward deficit reduction. Representative Mario Diaz-Balart has a bill that rescinds "stimulus" spending but redirects the funds to the Highway Trust Fund.

- When Congress passed the "stimulus," it was estimated to cost $787 billion. According to the updated estimate by the Congressional Budget Office [CBO], the "stimulus" will increase the budget deficit by $862 billion. Including interest expenses drives its cost to more than $1 trillion.

- Any increase in jobs is welcome. But the recent job growth has been anemic at best, especially considering the administration's promises.

  - The President promised the "stimulus" would hold the unemployment rate to no more than 8 percent. It is now 9.9 percent.

  - The administration also promised the "stimulus" would create 3 million to 4 million jobs. Since the bill's enactment, more than 3 million jobs have been lost.

  - Prior to passage, the administration estimated the level of employment would be about 137.6 million by the end of 2010. At the end of April, employment had reached roughly 130.2 million. So to fulfill the administration's prediction by the end of this year, the economy would have to produce 7.4 million jobs over the next 8 months, more than 925,000 jobs per month. That will not happen. Assuming the economy does manage to create a highly optimistic 300,000 jobs per month – or 2.4 million by the end of the year – it would still fall about 5 million jobs short of the administration's promise.

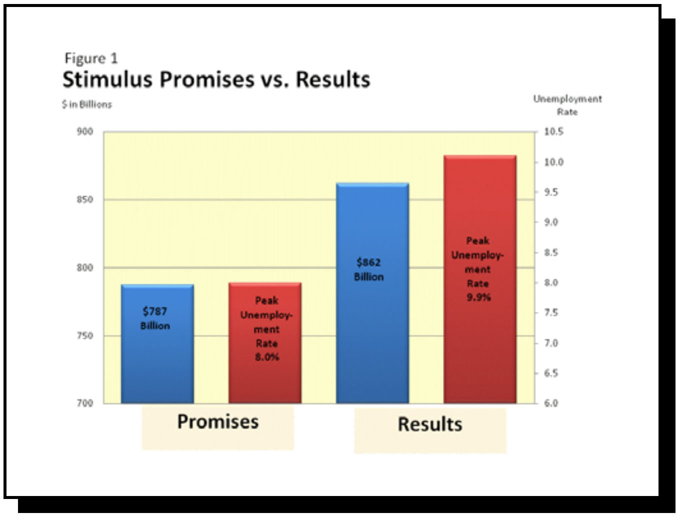
- Of the jobs that have been created, a large percentage have been in government (including temporary census workers).

▪ The "stimulus," advertised as a temporary measure to boost the economy, actually formed the basis for new programs and spending increases for existing programs that are likely to become permanent because they will be tempting for Congress to extend.

  - Less than 2 weeks after "stimulus" was signed, the President's fiscal year 2010 budget proposed to make major components permanent, such as the Make Work Pay Tax Credit, the expansion of the Earned Income Tax Credit, and expanding Pell Grants, to name a few.

  - According to a CBO analysis (of the House-passed bill), extending about half of the provisions in the stimulus bill would increase its cost to $3 trillion. These policies could add hundreds of billions to the annual deficit forever, which is why it is extremely important to end these expectations for future spending as soon as possible.

  - In addition, Senator Harkin and the administration have advocated adding education funds to the "emergency" supplemental legislation.



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.