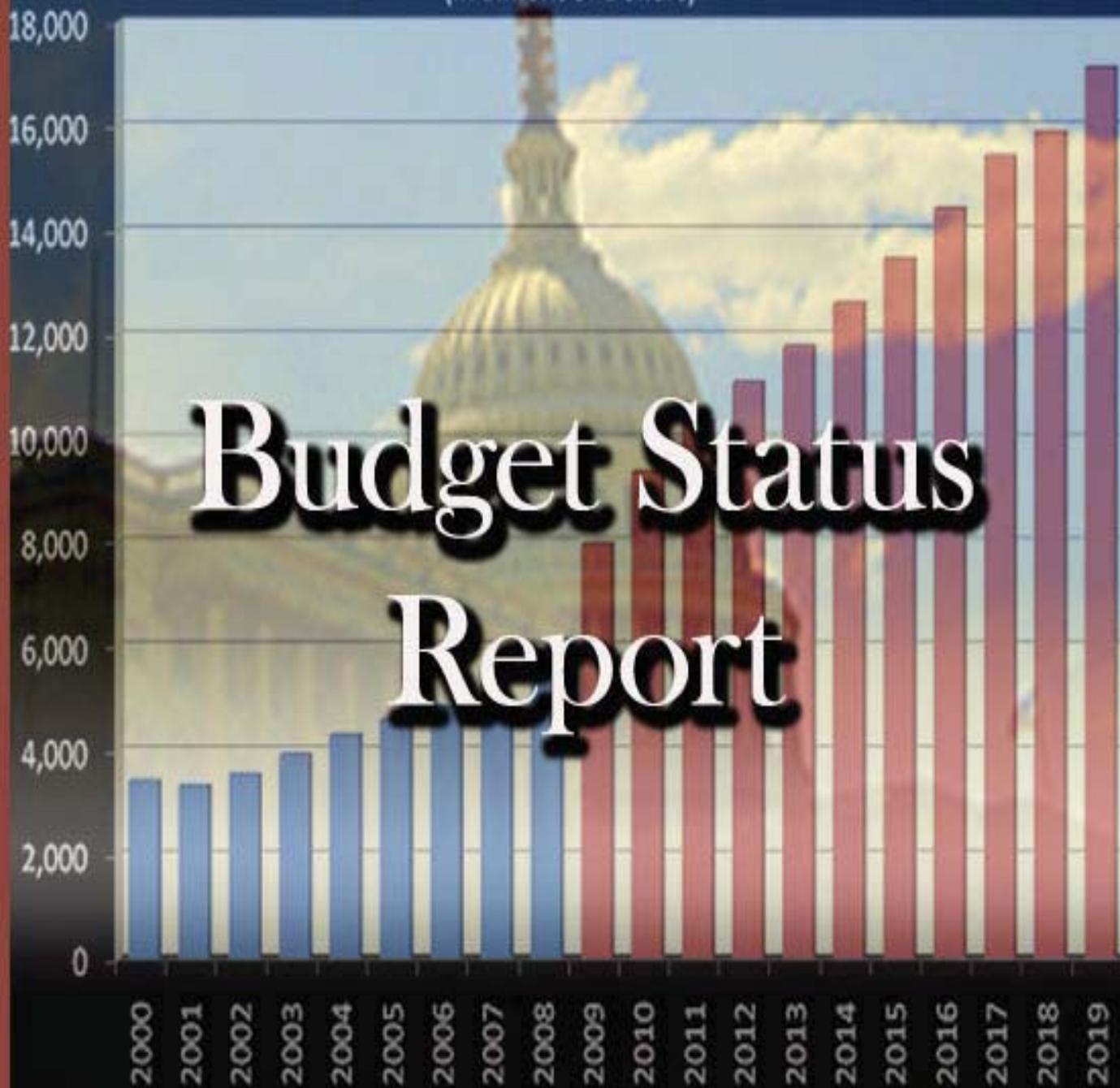


August Recess Packet

1st Session - 111th Congress

Federal Debt

(in Billions of Dollars)



Budget Status Report

Paul D. Ryan, Ranking Republican

July 2009

<http://budget.house.gov/republicans/>





REPUBLICAN CAUCUS

THE COMMITTEE ON THE BUDGET

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\$3.4 TRILLION AND COUNTING: THE DEMOCRATS' BIG SPENDING, BIG DEBT, BIG GOVERNMENT

31 July 2009

SUMMARY

Although health care legislation has been delayed, Congress is still likely to consider, before the end of the year, a bill to create a new \$1-trillion health care entitlement and begin the Federal Government's takeover of the health care sector. But this would only add to the President's well-established pattern of huge increases in spending, taxes, and deficits. In just the first 6 months of his administration, the President has pushed legislation that will boost spending \$3.4 trillion through 2019; raise taxes by nearly \$1.5 trillion; and increase deficits and debt by \$1.9 trillion.

These figures reflect plans by the President and congressional Democrats to launch a government takeover of large parts of the economy, including energy, health care, and even college loans.

As Members head out for the August break, it is useful to review the major spending, tax, and deficit increases being advanced by the President and the Democratic Majority in Congress.

BIG SPENDING, TAXES, AND DEFICITS

Here is a brief summary of the Obama/House Democrats' spending- and deficit-raising actions so far this year, with hyperlinks to House Budget Committee Republican analyses.

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

	Spending	Taxes	Deficit (+ increase)
'Stimulus' (enacted)	575	-212	787
Omnibus ^a (enacted)	268	–	268
Increases to President's War Supp. Request ^b (enacted)	16	–	16
Approps Above Inflation ^c (House-passed)	568	–	568
SCHIP Without Funding Cliffs Gimmick ^d (enacted)	116	75	41
Cap and Trade (House-passed)	864	873	-9
Health Care (Ways and Means-reported)	992	753	239
Totals	3,399	1,489	1,910

^a Congressional Budget Office [CBO] score of spending above baseline in H.R. 1105.

^b CBO score of non-defense spending in H.R. 2346.

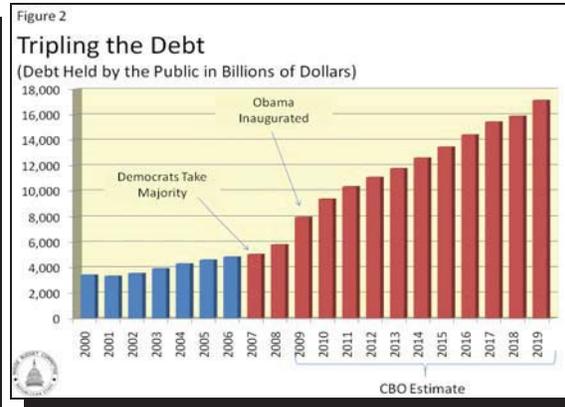
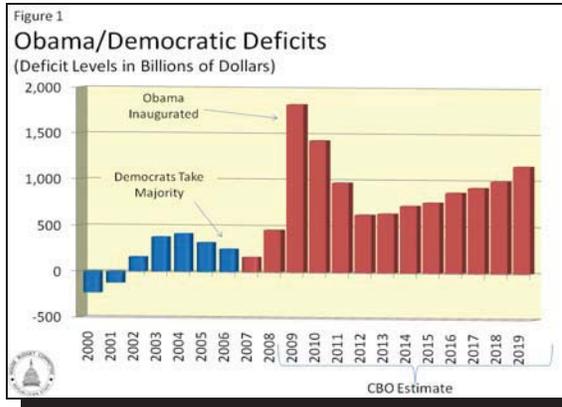
^c House Budget Committee Republican staff analysis of S. Con. Res. 13 vs. CBO March baseline.

^d Based on CBO analysis of extending H.R. 2 beyond 2013.

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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 nearly two million jobs, and the unemployment rate has reached 9.5 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 in this bill caused total fiscal year 2009 discretionary spending to rise by 8.6 percent. 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
 - **Troubled Assets Relief Program [TARP].** Originally sold to the Congress as a \$700-billion program to stabilize the financial sector, 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 got themselves over-extended on their mortgages. Under the TARP law, Congress had the opportunity to deny the administration the second half of the \$700 billion. The House passed this measure, but the Senate defeated it. Based on CBO estimates, the government will lose about \$159 billion – and that is based on \$369 billion of disbursed TARP funds. It also does not account for “recycling” of any repayments or full deployment of funds promised to General Motors and Chrysler. http://www.house.gov/budget_republicans/press/2007/pr20090122tarp.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 Figure 1 and Figure 2 on the next page). 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/pr20090227potus.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
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- Cap and Trade Legislation.** This House-passed bill includes \$873 billion in net tax increases over 10 years, and \$864 billion in net spending increases. The total tax bill for Americans will be \$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



- Fiscal Year 2010 Appropriations.** In total, the House-passed fiscal year 2010 appropriations bills increase discretionary spending by 8 percent, and non-defense spending by 11 percent. If “stimulus” funding is added, total discretionary spending rises by 25 percent – and total non-defense spending increases by 57 percent.

http://www.house.gov/budget_republicans/press/2007/pr20090611approps.pdf
- Health Care** (see separate section below). The House bill would initiate the government takeover of the health care sector, which represents about 17 percent of the U.S. economy. Despite unfunded liabilities of \$62.9 trillion from existing commitments, the bill creates a new \$1-trillion health entitlement; leads to a net reduction in Medicare spending; increases taxes by \$753 billion; and results in a \$239-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/pr20090721tricomupdate.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

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 11 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)	House Current ^a	Dollars	Percent
Agriculture	20.5	22.9	2.4	12%
Commerce-Justice-Science	57.7	64.3	6.6	11%
Defense	487.7	508.0	20.3	4%
Energy and Water	33.3	33.3	0.0	0%
Financial Services	22.7	24.2	1.5	7%
Homeland Security	42.2	42.4	0.2	0%
Interior	27.6	32.3	4.7	17%
Labor-HHS-Education	152.3	163.4	11.1	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	68.8	13.8	25%
302(a) Total	1,013	1,090	77	8%
Overseas Contingencies (war funding)	157	130		
Total Discretionary		1,220		

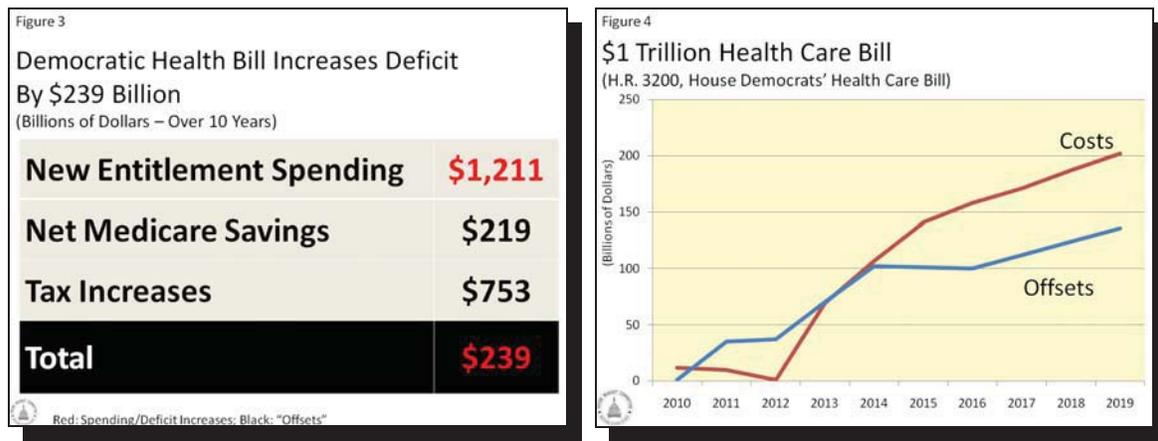
Note: Figures may not add due to rounding.

^a Includes permissible budget resolution cap adjustments for Program Integrity and the Low Income Home Energy Assistance Program. Excludes Overseas Contingency Operations.

THE MAJORITY'S NEW TRILLION-DOLLAR HEALTH ENTITLEMENT

Although the process has been delayed, the President's new trillion-dollar health entitlement is still in the works, and so is his plan to start the government takeover of the health care sector. So a review of the most recent cost estimates is fitting.

- According to the most recent figures from the Congressional Budget Office [CBO], the measure as it now stands in the House will cost roughly \$1 trillion; will raise taxes by \$753 billion; will impose \$219 billion of what the Democrats would call "cuts" in Medicare; *and will still raise the budget deficit by \$239 billion.* (See Figure 3.)

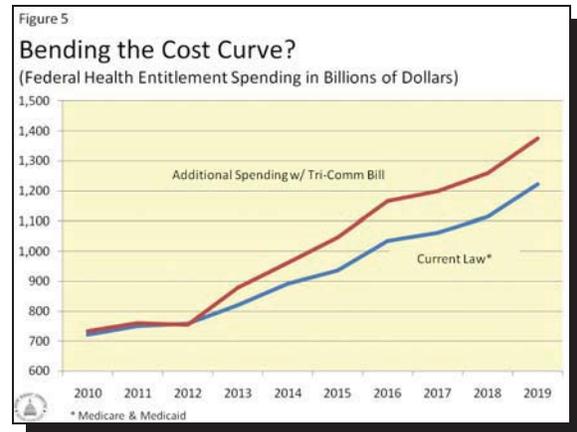


- This violates one of the President's basic principles: that health care reform should not add to the government's river of red ink. During a House Budget Committee hearing in June, Office of Management and Budget Director Orszag said: "And so, just to reinforce the point, what we are saying is that health care reform must be deficit neutral using CBO-scored, hard, scoreable offsets, over 10 years and in the 10th year."¹
- More troubling is the trend. The bill's cost quickly outpaces its offsets, according to preliminary figures by CBO and the Joint Committee on Taxation [JCT]. By 2019, the bill's cost exceeds its total offsets by \$66 billion in that year alone (see Figure 4) – and the gap is even greater if the measure's tax increases are not included.
- In addition, CBO has noted that in the second decade of the plan, its spending will grow at 8 percent, but its revenue will increase at 5 percent – creating an ever-widening gap that will worsen an already unsustainable rate of Federal health care spending.
- But these figures may actually be optimistic. For example, they assume the plan's "public option" entitlement will promote competition in health insurance, when in fact it will smother competition by creating "benchmarks" for benefits and payment levels toward

¹ Testimony to the Committee on the Budget, U.S. House of Representatives, 25 June 2009.

which private-sector plans will gravitate² – leaving fewer choices and forcing more people onto the government plan, making it more expensive. They also do not account for the effect of the plan’s “play or pay” employer mandate – how it would increase costs for businesses and almost surely reduce jobs.

- The Democratic health care proposals also fail to bend down the sharply rising “cost curve” of medical care. In testimony to the Senate Budget Committee, CBO Director Elmendorf said: “In the legislation that has been reported we do not see the sort of fundamental changes that would be necessary to reduce the trajectory of Federal health spending by a significant amount, and on the contrary the legislation significantly expands the Federal responsibility for health care costs . . . The way I would put it is that the curve is being raised.”³ (See Figure 5.)



- In addition, the Majority would add these costs and deficits to an unsustainable entitlement crisis that already threatens the long-term health of the U.S. economy. In its most recent long-term budget projection, issued less than a month ago, CBO projects that the Federal debt will *exceed the size of the entire U.S. economy in 2023*.⁴ That debt increase is primarily due to Medicare, Medicaid, and Social Security spending. The report summarizes what current trends mean to the economy by stating: “CBO’s long-term budget projections raise fundamental questions about economic sustainability.”
- The Majority claims to have reached a “deal” with the Blue Dog Coalition that reportedly would reduce the bill’s cost by \$100 billion. That deal does not make fundamental changes in the bill, but is still catching heavy resistance from the Democratic Progressive Caucus. While specifics of the deal have not been disclosed, if CBO confirms the reduction in the bill’s cost, it would not even reduce the measure’s \$239-billion deficit increase by half. Besides, any one-time savings would not change the bill’s fundamental dynamic: spending growth rates outpacing tax increases, which, according to CBO, “would probably generate substantial increases in Federal budget deficits” in future decades.⁵

² Instead of promoting competition, these benchmarks will become common denominators toward which private health plans will gravitate, reducing options and innovation. In effect, even people who buy private insurance will wind up essentially with coverage shaped by government bureaucrats.

³ Hearing of the Committee on the Budget, United States Senate, 16 July 2009.

⁴ <http://www.cbo.gov/doc.cfm?index=10297>

⁵ CBO letter to Congressman Ryan, Ranking Member, House Budget Committee, 26 July 2009.

PAY-AS-YOU-GO

- While they have been running up spending, deficits, and debt, the Democrats' have tried to appear "fiscally responsible" by passing a Pay-As-You-Go [pay-go] bill. But the bill is merely a facade of "fiscal responsibility."
http://www.house.gov/budget_republicans/press/2007/pr20090722paygo_a.pdf
- As David S. Broder of *The Washington Post* has written, it is a "Pay-Go full of loopholes" and is "less than meets the eye."
- For example, it does not apply to discretionary spending, about 40 percent of the budget; emergencies are not subject to pay-go; and the legislation does not address the Federal Government's existing unfunded entitlement liabilities.
- House Republicans offered an alternative that would have gotten spending, deficits, and debt under control – reducing deficits by \$2.4 trillion compared with the Democrats' pay-go bill – but it was defeated on a largely party-line vote.
http://www.house.gov/budget_republicans/press/2007/pr20090722paygo_sub.pdf
- To put it simply, the Democrats' pay-go is a slogan designed to distract the public from the explosion of spending, deficits, and debt pursued by the President and the Democratic Congress in their relentless drive to expand government.

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.
