

REPUBLICAN CAUCUS

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THE PRESIDENT'S FY09 BUDGET

KEY FACTS

While the President's fiscal year 2009 budget proposal projects an increase in this year's deficit due to the slowing economy, it achieves balance by 2012 – *without raising taxes* – by maintaining pro-growth policies, holding non-security discretionary spending to a near freeze, and reforming some of the largest, and least sustainable, entitlement programs.

- **Taxes/ Revenues:** Projects \$2.5 trillion in FY08, a decline from FY07 due to a slowing economy and assumption of enactment of a growth package. Over the five-year period, with extension of tax relief, revenues grow an average of 6.3% per year. Proposals include:
 - ▶ Make permanent the tax laws enacted in 2001 and 2003.
 - ▶ Extend AMT relief for one year.
 - ▶ Other extenders such as the Research and Experimentation [R&E] tax credit.
 - ▶ New standard deduction for health insurance, Health Savings Accounts [HSAs], and other initiatives.

- **Total Spending:** \$3.1 trillion for FY09, an increase of \$176 billion over FY08. Spending increases by an average of 3.0% per year for the next five years.

- **Discretionary Appropriations:**
 - ▶ Total Discretionary (excluding war funding): \$987.6 in 2009; an increase of 4.9 % over FY08.
 - ▶ Dept. of Defense (base budget): \$515.4 billion in FY09 non-emergency, an increase of 7.5% over FY08.
 - ▶ Homeland Security: \$40.1 billion in FY09; an increase of 10.7% over FY08 (large increase for border enforcement).
 - ▶ Other Appropriations (non-security funding): \$393 billion in FY09, an increase of 0.3 % over FY08, well below inflation.
 - ▶ International Programs: \$39.5 billion in FY09, an increase of 16.1%.
 - ▶ *Proposes to reduce or terminate 151 programs for a savings of over \$18 billion.*

➤ **Entitlement Reform:**

- ▶ Relative to a baseline, \$16 billion in savings for FY09; \$208 billion in savings over the next 5 years.
- ▶ Assumes entitlement growth at 5.6% per year (compared with 5.9% in OMB's baseline) through 2013, including the following:
 - Largest savings are in Medicare (\$12 billion in FY 2009 and \$178 billion over 5 years in savings relative to the baseline).
 - Reduces Medicare's long-term unfunded obligations by about one-third (\$10 trillion in savings on a net present value basis over 75 years).

➤ **Budget Process Reforms:**

- ▶ Line Item Veto.
- ▶ Makes earmarks more transparent, and calls on Congress to cut the cost and number of earmarks by half.

The President's Budget: Total Spending, Revenue, and Deficits
(dollars in billions)

	2008	2009	2010	2011	2012	2013	Annual Percent Change	
							2008-09	5-year annl.avg
Outlays	2,931	3,107	3,091	3,171	3,222	3,399	6.0	3.0
Revenue	<u>2,521</u>	<u>2,700</u>	<u>2,931</u>	<u>3,076</u>	<u>3,270</u>	<u>3,428</u>	7.1	6.3
Deficit (-)	-410	-407	-160	-95	48	29		
Deficit as % of GDP	-2.9	-2.7	-1.0	-0.6	0.3	0.2		

Source: Office of Management and Budget.