



Our Stated Commitment To Limited Government And Fiscal Responsibility

“This year’s election offers the chance, after four decades of one-party control, to bring to the House a new majority that will transform the way Congress works. That historic change would be the end of government that is too big, too intrusive, and too easy with the public’s money. It can be the beginning of a Congress that respects the values and shares the faith of the American family.” Contract with America (1994)

Federal Spending Today

- Total federal spending in FY07 is projected to be \$2.77 trillion. This is the largest nominal amount ever spent in a fiscal year. *Source: OMB Historical Tables*
- Since 2000, the amount the government spends annually per household rose from \$19,016 to \$21,878 in 2005 – an increase of 15.1%. This is the highest level of spending per household since WWII. *Source: Heritage Foundation*
- In 2003, mandatory spending reached 10.9% of GDP for the first time ever and is projected to reach 11.2% in 2006. *Source: CBO and OMB Historical Tables*
- Discretionary spending has reached 7.9% of GDP for the first time in over a decade. *Source: CBO*
- The Treasury Department stated that FY05 ended with the federal government running a \$318 billion deficit (or \$494 billion if the Social Security surplus is not counted). This is the third largest nominal deficit in history and the 36th largest as a share of GDP.
- Between 1996 and 2006, total federal spending increased 74.4%, for an average of 5.7% each year. From 1996 to 2005, the family budget increased at an average of 3.6% annually. Since 1996, inflation has averaged 2.4% per year. *Source: OMB Historical Tables, CBO, and U.S. Census Bureau*
- Mandatory spending (excluding interest) has increased 85%, for an average of 6.4% each year since 1996. *Source: OMB Historical Tables and CBO*
- Discretionary spending grew 98% and 7% on average since 1996. Defense discretionary spending grew 111% overall and 7.8% on average, in order to fund the War on Terror and fill the Clinton defense deficit, but non-defense discretionary spending has grown 83% and 6.2% on average. *Source: OMB Historical Tables*
- The 13 spending bills in FY05 contained 13,999 projects, up from 958 in FY96. The cost of these earmarks was \$27.3 billion. Over a two-year period, the number of projects has increased by 50%. The cost of these earmarks has more than doubled from \$12.5 billion in FY96 to over \$27 billion in FY05. *Source: Citizens Against Government Waste*

What Do The Voters Think?

- In 1995, when asked which party better controls government spending, the public gave the GOP an overwhelming 19% advantage (38%-19%). When asked this same question in 2004, the public gave the Democrats a 2% advantage. *Source: NBC/Wall Street Journal Polls*

- When asked in 1995 which party better handles the issue of the deficit, the public chose Republicans 50%-34%, a 16% advantage. When asked this same question in 2005, Americans chose Democrats 47%-29%, an 18% GOP disadvantage. *Source: NBC/Wall Street Journal Polls & Pew Research Center*

What Will Happen If We Do Not Act?

- According to a GAO study, before the prescription drug bill was enacted, in order to balance the federal budget in 2040, total federal spending would have to be cut in half or federal taxes doubled. Closing that long-term fiscal gap would require an annual economic growth in the double digits every year for the next 75 years. (During the 1990s, the economy grew at an average of 3.2% per year.)
- According to the same study, if gross debt is added to the many other federal liabilities, the burden per person is well over \$100,000—amounting to an unfunded burden of about \$30 trillion.
- In 2020, unfunded liabilities for Social Security and Medicare will consume 36% of federal income tax revenue, provided that income tax revenues remain at their historical level of 10.89% of GDP. In 2040, these unfunded liabilities will consume 70%, and in 2060, 87%. *Source: Heritage Foundation*
- “Expected growth in these programs [Social Security, Medicare, and Medicaid], along with projected increases in interest on the debt and defense, will absorb all of the government’s currently projected revenue within eight years, leaving nothing for any other program.” *Source: The Brookings Institution, Restoring Fiscal Sanity, January 2004*
- Government will grow from approximately 20% of GDP in 2003, to well over 40% of GDP in 2040. *Source: General Accountability Office, June 2005 Testimony*

What Shall We Do?

- Ensure that every budget we pass contains spending reconciliation instructions to slow the growth in mandatory spending.
- As we did with the Contract with America, commit ourselves to balancing the budget in seven years without tax increases.
- Ensure that no new federal program is launched without being fully offset.
- Pass comprehensive budget process reform, including provisions such as:
 - 1) *Earmark Reform*—“Congress ought to be on a pork free diet.”
 - 2) *Joint Budget Resolutions*—“When we pass a budget it ought to have the force of law.”
 - 3) *Rainy Day Fund*—“We need to set money aside for emergencies, such as hurricane relief, and stop adding it on top of the budget.”
 - 4) *Sunsetting*—“The closest thing to eternal life on earth should not be a federal program.”
 - 5) *Taxpayer Bill of Rights (TABOR)/Spending Cap*—“We should limit federal spending to inflation and population so that the federal budget cannot grow faster than the family budget.”