



REPUBLICAN CAUCUS

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THE PRESIDENT'S BUDGET FOR FISCAL YEAR 2011

Despite recent rhetoric of fiscal responsibility, the President's budget more than doubles the debt, drives spending to a new record of \$3.8 trillion in FY 2011, pushes the deficit to a new record of \$1.6 trillion in FY 2010, and raises taxes by over \$2 trillion through 2020 by the Administration's own estimates.

Debt. The President's FY 2011 budget doubles the debt in 5 years and triples it by FY 2019 from FY 2008 levels. It would push the debt to \$9.3 trillion this year, or 63.6% of gross domestic product [GDP], the largest debt in history and the largest debt as a share of our economy in 59 years. Despite the Senate's passage of a \$1.9 trillion increase in the debt limit, Congress would need to increase this limit again before October 1, 2011 under the President's budget. The interest bill on the debt would more than quadruple by the end of the decade, reaching \$840 billion in 2020.

Deficits. The budget boosts the deficit to a record level this year, \$1.6 trillion or 10.6% of GDP. This is the largest deficit as a share of the economy since World War II. Deficits never fall below \$700 billion, never fall below 3.6% of GDP, and end the decade at more than \$1 trillion.

Total Spending. Even with a decline in spending due to the repayment of most TARP funds and the eventual spend-out of "stimulus" funds, spending reaches a record level of \$3.8 trillion in FY 2011. The budget does not include the spending impact of the Administration's cap-and-trade proposal. Even so, spending is still 23.7% of the economy at the end of the decade (the historical average is 20%).

Discretionary Spending Freeze? The Administration's much ballyhooed freeze in non-defense, non-homeland, non-Veterans, non-international affairs, non-Pell Grant, non-emergency discretionary spending needs to be put in perspective. Since taking office, the President has signed appropriations bills and a "stimulus" that have led to an 84% increase in non-defense discretionary spending over two years. The spending freeze applies to only 13% of the budget and does not go into effect until next year.

Entitlement Spending. The budget includes a slew of new entitlement spending; the largest is a new health care entitlement that costs \$1 trillion.

Taxes/Revenues. By the Administration's own estimates, the budget increases taxes by more than \$2 trillion over 10 years -- and this excludes the revenue impact of the President's cap-and-trade proposals (\$843 billion by CBO's estimate of the House-passed cap-and-trade bill). In contrast to the President's statements, the budget increases taxes on those earning less than \$250,000, including new cap-and-trade taxes and a tax on those who do not purchase health insurance.

False Claim of Fiscal Responsibility and Gimmicks. With breathtaking increases in spending, taxes, deficits, and debt, the Obama budget points to a non-binding commission with a charge to balance the budget excluding interest on the debt; a pay-as-you-go enforcement scheme that has allowed deficits to soar from \$161 billion since the rule was implemented in 2007 to \$1.6 trillion this year; and numerous other sleights of hand (e.g., converting the Pell Grant program from a discretionary program to an entitlement to help hit a “freeze”).

President Obama's FY 2011 Budget Plan
(\$ in billions)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2020</u>	Totals <u>2011-20</u>
Revenues.....	2,524	2,105	2,165	2,567	4,710	37,268
(% GDP)	17.7%	14.8%	14.8%	16.8%	19.6%	18.9%
Outlays.....	2,983	3,518	3,721	3,834	5,713	45,800
(% GDP)	21.0%	24.7%	25.4%	25.1%	23.7%	23.3%
Deficit (-) Surplus (+).....	-459	-1,413	-1,556	-1,267	-1,003	-8,532
(% GDP)	-3.2%	-9.9%	-10.6%	-8.3%	-4.2%	-4.5%
Public Debt.....	5,803	7,545	9,298	10,498	18,573	
(% GDP)	40.8%	53.0%	63.6%	68.6%	77.2%	

In addition, charts on spending, deficits, and debt levels in the President’s FY 2011 budget can be found at: http://www.house.gov/budget_republicans/graphs/20100201presidents.pdf

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