BUDGET COMMITTEE

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Budget Perspective:
The House "Enforcement Resolution"

House Budget Chairman Spratt hailed the "enforcement resolution" adopted by the House on July 1 (H. Res. 1493) as the "functional equivalent of a traditional 5-year budget resolution." Majority Leader Hoyer said it was "a very meaningful action taken by the Congress. This was not some superficial action without meaning."

What exactly did the House do? The House did not agree to a full 5-year budget; instead, by adopting H. Res. 1493, the House "deemed" a budget allocation to the House Appropriations Committee for fiscal year 2011, adopted minor modifications to the House enforcement mechanisms in the FY 2010 budget resolution, and included a sense of the House clause that the debt to GDP ratio should be stabilized "at an acceptable level."

Taken as a whole, H. Res. 1493 stands for 4 things:

1. A discretionary number of $1,121 billion for FY 2011, not counting war or emergencies;
2. A free pass for the policies exempted from statutory PAYGO (continue 2001 and 2003 tax cuts for income under $250,000, reimpose the estate tax at 2009 levels, provide a 3-year AMT patch, and a 5-year physician payment freeze);
3. An emergency designation to exempt war spending (and whatever other spending included on an appropriations bill might be politically expedient) from budget enforcement; and,
4. The pay-as-you-go principle for everything else.

The budget experts in the House contend that this is a functional equivalent of a traditional budget resolution. Let's see how the House's deeming resolution translates into deficits and debt over the next 5 years.

Applying the principles in H. Res. 1493 to the CBO March baseline (adjusted for enacted legislation) shows that the House "budget" increases deficits and the debt by $807 billion by 2015 relative to doing nothing.[1] As shown in the table on the next page, the House "budget"

[1] For discretionary, this analysis makes three assumptions:

1. The FY 2011 discretionary limit will increase with the rate of inflation (this is a departure from the 3-year non-security "freeze" policy in the President's Budget because the House would need more than a one-year deemer to implement such a policy),
2. War costs for FY 2011 and future years will be on top of the underlying discretionary figures, and
3. The FY 2010 supplemental is at the level passed by the House on July 1 (HR 4899).

would increase spending by $157 billion and reduce revenues by $650 billion, relative to the CBO current law baseline.

In terms of the debt, the House "budget" would increase debt held by the public as a share of the economy by 4 percentage points over the next 5 years. The debt-to-GDP ratio of 69 percent in 2015 that results from the House deemer is well above the debt-to-GDP ratio of 60 percent that generally is viewed as an acceptable level.

Budgetary Effects of House "Enforcement Resolution"
(By fiscal year in billions of dollars)

	2010	2011	2012	2013	2014	2015	2010-2015
House Resolution							
Outlays							
Discretionary	1,377	1,408	1,336	1,297	1,288	1,296	8,000
Mandatory	1,990	2,079	2,031	2,092	2,240	2,371	12,803
Net Interest	209	240	290	352	418	486	1,996
Total	3,576	3,727	3,657	3,741	3,946	4,153	22,799
Revenues	2,162	2,532	2,781	3,157	3,430	3,585	17,647
Deficit	1,414	1,195	876	583	517	567	5,152
Debt Held By Public	9,066	10,107	11,030	11,650	12,197	12,790	
Debt as % of GDP	62%	67%	70%	70%	69%	69%	
House Resolution Above Baseline							
Outlays							
Discretionary	10	35	-9	-49	-68	-77	-157
Mandatory	4	12	52	56	56	59	238
Net Interest	0	2	8	15	22	29	76
Total	13	48	51	22	11	12	157
Revenues	-6	-139	-190	-93	-112	-110	-650
Deficit	20	187	242	115	122	121	807
Debt Held By Public	20	207	449	563	685	807	
Debt as % of GDP	0%	1%	3%	3%	4%	4%	