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REPUBLICAN CAUCUS

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### CBO RINGS LATEST FISCAL ALARM

*Ranking Member Paul Ryan Echoes Call to Chart a New Course*

The Congressional Budget Office [CBO] released a dire report on the fiscal future of the Federal budget. In their latest update of *The Long-Term Budget Outlook*, the CBO provides an overview of the looming debt crisis in the decades ahead.

In response to the report, House Budget Committee Ranking Republican Paul Ryan (WI) issued the following statement:

***“It is unclear how many more fiscal alarms need to go off before Washington takes action to avert our looming debt crisis. Earlier in the month in testimony before the House Budget Committee, Federal Reserve Chairman Ben Bernanke emphasized the urgent need for a ‘fiscal exit strategy.’ Last week, Admiral Mike Mullen warned that our debt is ‘the biggest threat we have to our national security.’ Over the weekend, Europeans lectured us at the G-20 summit on the unsustainability of continued profligacy. Today, the CBO reiterated what all but Washington Democrats understand: we are careening off a fiscal cliff.*”**

***“In its detailed report released today, the CBO affirmed that the primary driver of the deteriorating budget outlook is Federal health care spending – a problem exacerbated by recent creation of two new health care entitlements and massive expansion of Washington’s reach into the health care sector.*”**

***“Today’s report exposes the risk of delay, demonstrated by this year’s unprecedented budget failure. We must heed this latest warning and chart a new course to get a grip on Washington’s explosive growth in government spending.”*”**

CBO’s report includes the following key findings:

- The CBO report affirms that the massive health care overhaul fails to address the explosion in health care costs, as [Ranking Member Ryan](#) and House Republicans had argued throughout the health care debate. The CBO report states: “*Enactment of the [health care] legislation did not cause CBO to change its estimates of longer-term growth rates for spending on the government’s health care programs.*”
  - o This finding echoes CBO Director Doug Elmendorf’s recent comments: “*Rising health costs will put tremendous pressure on the federal budget during the next few*”

*decades and beyond. In CBO's judgment, the health legislation enacted earlier this year does not substantially diminish that pressure.<sup>1</sup>*"

- The long-term budget outlook continues to worsen with each passing year Congress fails to act. Debt held by the public will eclipse the size of the entire US economy by the year 2023.
- Under CBO's economic models, Americans' living standards (real GDP per capita) begin to deteriorate in 2015, and the model breaks down completely in 2027 due to the crushing levels of debt. CBO cannot compute how an economy can function with such high levels of government borrowing to finance deficits, crowding out ever-increasing sectors of the private economy. "Unsustainable" is an understatement.
- The CBO projects that government spending as a share of economy will double by 2043, up from its historical average of roughly 20%. Despite tax revenues above the historical average in the years ahead, the explosion in spending drives the unsustainable explosion in debt. *The Long-Term Budget Outlook* is clear: the explosive growth of spending is the problem.
- The tidal wave of debt is driven primarily from the nation's largest entitlement programs – Social Security, Medicare, and Medicaid – along with the compounding growth in interest payments on the debt. Mandatory Federal spending on health care will roughly double from 5.5% of GDP today to 10.9% of GDP over the next 25 years.

To read CBO's *The Long-Term Budget Outlook*: <http://cbo.gov/ftpdocs/115xx/doc11579/06-30-LTBO.pdf>

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<sup>1</sup> "Health Care Costs and the Federal Budget", Presentation to the Institute of Medicine, Douglas Elmendorf, Director of the Congressional Budget Office, May 26, 2010 – <http://www.cbo.gov/ftpdocs/115xx/doc11544/Presentation5-26-10.pdf>