BUDGET COMMITTEE
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The Democratic Budget Blueprint: More Spending and More Debt Means Less Prosperity for Our Children

More Spending

- Under the President's budget, spending will reach a record level of $3.8 trillion in FY 2011, and will rise to 23.7% of the economy at the end of the decade. The Chairman's mark does little to hold the line on spending and achieves only a slightly lower deficit level than the President by allowing more tax increases to go into effect.
- The spending freeze is a snow job – it applies to only 13% of the budget and still allows non-security discretionary spending to increase at nearly twice the projected rate of inflation.
- **The President's budget increases mandatory spending by $1.9 trillion, or 7%, over 2010-2020 – on top of the autopilot growth that occurs in big mandatory programs like Social Security, Medicare and Medicaid.**
- The budget hides the true cost of the government take-over of health care, which will cost $2.6 trillion when fully implemented.

More Deficits and Debt

- According to CBO, the President's budget will run a deficit of $1.5 trillion in 2010 and $1.3 trillion in 2011. **The President's projected deficits, after all his policy changes are taken into account, *average* 5.3% of GDP over the next 10 years.**
- **The Chairman's mark relies on higher taxes to get to a deficit of 3 percent of GDP by 2015.**
- Based on CBO's re-estimate of the President's budget, **it still doubles the FY 2008 debt held by the public by 2013 and now triples the debt by 2018.** Debt rises to 90 percent of GDP by 2020.
- When the President took office in January 2009, federal debt held by the public was $84,700 per U.S. child under age 18. Under the new budget plan, by 2020 each child's share will be $248,700.
- According to CBO, net interest on publicly held debt would more than quadruple between 2010 and 2020, rising from $209 billion in 2010 to $916 billion in 2020. Relative to the size of the economy, net interest would expand from 1.4 percent of GDP in 2010 to 4.1 percent in 2020.

More Taxes

- **The President's budget proposes over $2 trillion in gross tax increases over ten years** – with $970 billion of this coming from marginal tax rate increases on singles earning over $200,000 and couples earning over $250,000 per year – **this is sure to hit small businesses hard.**

- The Chairman's mark raises taxes by $650 billion over five years, in a manner consistent with the President's budget – marginal tax rate increases on people over certain incomes.
- By the end of 2020, revenues as a percentage of GDP are projected to be 19.6% of GDP – in excess of the historical average of approximately 18%.

More Gimmicks

- **Budget Freeze** – In both the President's budget and the Chairman's mark, gimmicks are used to make the claim for a spending "freeze" but the reality is that non-security spending grows at twice the rate of inflation.
- **Highway Trust Fund Transfer –** Instead of fixing the chronic $10 billion annual deficit in the Highway Trust Fund, the President's budget punts the problem by substituting discretionary appropriations for the shortfalls, while the Chairman's mark assumes that Treasury General Fund transfers will continue. Both approaches put taxpayers on the hook for a program that is supposed to be supported by its users.
- **Weakening Senate Pay-Go –** The Chairman's mark significantly weakens the Senate Pay-Go point of order. The House Pay-Go rule and statutory Pay-Go are already weak, so the only remaining enforcement mechanism is the Senate Pay-Go point of order. If the AMT patch, doctor fix and estate tax are exempted, along with all designated emergencies, Pay-Go becomes virtually toothless to block deficit spending.

More Ignoring the Long-Term Fiscal Crisis

- Neither the President's budget nor the Chairman's mark do anything to address the long-term fiscal crisis we face: **$77 trillion** in unfunded entitlement obligations over 75 years.
- Instead, both budgets seem to leave this problem in the hands of the President's fiscal commission, whose recommendations may or may not be acted on by Congress.
- The reconciliation instructions in the Chairman's mark ($2 billion) are not a tool for aggressively tackling long-term debt. They are actually dangerous. **The Democrats' budget resolution included a $2 billion reconciliation instruction last year, and the Congress used it to spend $2.6 trillion.**
- As U.S. debt mounts with no solution in sight, there is the danger of global credit agencies downgrading the U.S. credit rating from its current AAA status, a loss of investor confidence in U.S. debt around the world, and resulting interest rate hikes from the countries that finance our debt.

Less Prosperity for Our Children

- This level of spending, borrowing and debt is not without consequence. Our children will have to pay back all the debt with interest, which is absorbing a greater share of the economy each year.
- For example, under the President's budget, each U.S. child under 18 will owe $248,700 for their share of the publicly held debt by 2020.
- **As future generations struggle to pay back the debt they will inherit, their quality of life will suffer – instead of working to better their own lives, they will be working to pay off the fiscal irresponsibility of the current generation.** Our children and grandchildren will have less money for the hallmarks of the American dream – a home purchase, a college education, a secure retirement.