REPUBLICAN CAUCUS
THE COMMITTEE ON THE BUDGET
B-71 Cannon House Office Building
Washington, DC 20515
Representative Paul D. Ryan, *Ranking Republican*
Phone: (202)-226-7270
http://www.house.gov/budget_republicans/
Augustine T. Smythe, *Republican Staff Director*

THE ADMINISTRATION'S MID-SESSION REVIEW

THE DEBT KEEPS MOUNTING

23 July 2010

The update of the President's budget estimates released today shows more of the same results from his failed economic and fiscal policies: record spending, deficits, and debt, and an economy that continues to struggle. Even after including the government takeover of health care – which the President touted as a step toward getting control of runaway spending – the administration's budget continues its unsustainable course. Here are key points from today's *Mid-Session Review*:

THE BUDGET OUTLOOK

- *Deficits*. Under estimates by the Office of Management and Budget [OMB], projected deficits will be $8.474 trillion over the next 10 years. The deficit projection for the forthcoming year has risen by $150 billion compared with the February budget, and deficits are $243 billion higher in fiscal years 2011-15 than projected in February. By OMB's own projections, the annual deficit under the President's budget never falls below $698 billion, and reaches $900 billion in 2020 (see Table 1 on page 3).

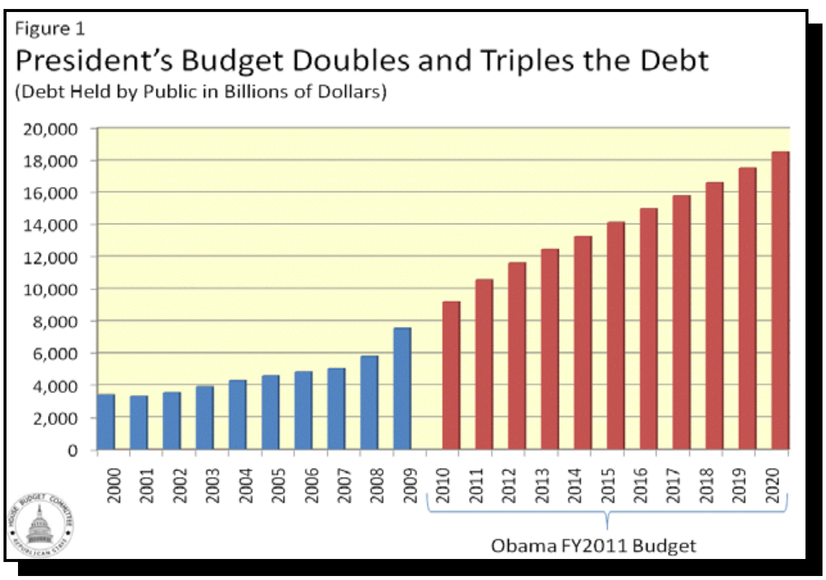


Figure 1
President's Budget Doubles and Triples the Debt
(Debt Held by Public in Billions of Dollars)

- *Debt*. Relative to the 2008 level ($5.8 trillion), debt held by the public under the President's budget more than doubles in 5 years (to $13.3 trillion) and more than triples by the end of the decade (to $18.5 trillion). As a share of the economy, the debt rises

---

Authorized by . . . . Paul D. Ryan, Ranking Republican

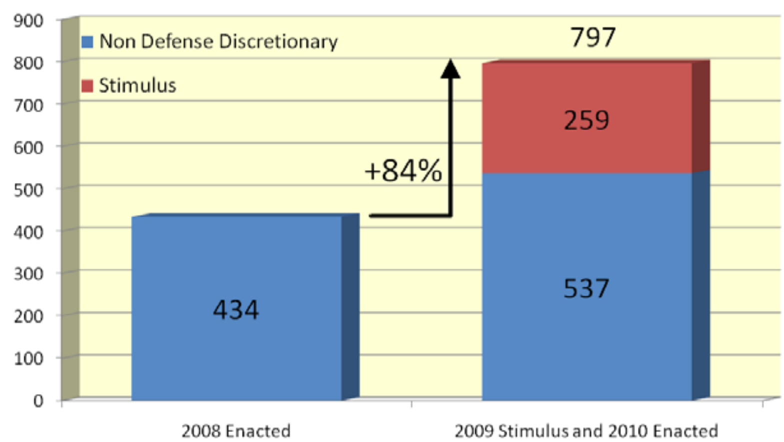
inexorably, to 77.4 percent of gross domestic product [GDP] in 2020 (see Figure 1). Total debt reaches $26.2 trillion in 2020, $440 billion higher than the February estimate.

- *Spending*. The deficits and debt are driven by higher spending. The President and the Democratic Congress have launched an unprecedented increase in spending, including: the $862-billion "stimulus" bill, which has yet to produce the promised economic growth and job-creation; legislation signed by the President that resulted in an 84-percent increase in non-defense discretionary spending, including "stimulus"; an expansion of the State Children's Health Insurance Program [SCHIP] that increases spending by an average of 23.7 percent for 5 years, then abruptly cuts funding by 65 percent in 2014 – a cut that clearly will not happen; and the government takeover of the health care sector, which will increase spending by $2.6 trillion when fully implemented.

Figure 2

84-Percent Increase - Non Defense Discretionary

(BA in Billions of Dollars)



Source: CBO. Non defense discretionary appropriations without emergency at time of scoring.

- *New Spending Proposals*. Yet despite the "stimulus" failure and a proposed deficit path the administration acknowledges is unsustainable, the administration adds $31 billion in new spending proposals for fiscal years 2010-20 that were not in the February budget.

- *Tax Increases.* The President's budget increases tax revenue by more than $2.5 trillion over 10 years, based on administration estimates – and this does not count the $843-billion tax increase in the House-passed cap-and-trade bill, which the President endorsed. Included in his tax hikes are taxes ostensibly aimed at high-income individuals, though they would hit small businesses as well; other taxes aimed mainly at businesses (dubbed "revenue changes and loophole closers"); and the new tax on people who do not buy health insurance as dictated by the administration's takeover of the medical sector.

- *Outsourcing Budget Responsibilities.* The spending binge undertaken by the President and Democratic Congress has worsened an already critical long-term budget outlook. But instead of facing the problem and offering proposals for addressing it, the administration continues relying on the 18-member National Commission on Fiscal Responsibility and Reform. Like the February budget, the *Mid-Session Review* includes the following language: "The Commission is charged with identifying policies to improve the fiscal situation in the medium term and achieve fiscal sustainability over the long run. . . . In addition, the Commission is charged with proposing recommendations that meaningfully improve the long-run fiscal outlook, including changes to address the growth of entitlement spending . . . ."

- *Congress's Failure to Budget*. While the President's budget fails to address the deteriorating fiscal situation, at least he put forward a budget – a responsibility the Democratic House has given up on.

Table 1: Administration Projections of Spending, Revenues, and Deficits, 2010-20

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-20
In Billions of Dollars												
Receipts	2,132	2,426	2,814	3,102	3,441	3,597	3,853	4,083	4,301	4,523	4,725	36,865
Outlays	3,603	3,842	3,725	3,838	4,139	4,359	4,610	4,804	5,051	5,345	5,626	45,339
Deficits	1,471	1,416	911	736	698	762	758	721	749	822	900	8,474
Debt Held by the Public	9,199	10,550	11,602	12,459	13,264	14,134	14,984	15,795	16,619	17,514	18,505	n/a
As Percentages of Gross Domestic Product												
Receipts	14.5	15.8	17.4	18.1	19.0	18.8	19.2	19.4	19.6	19.7	19.8	18.7
Outlays	24.6	25.1	23.0	22.4	22.8	22.8	22.9	22.8	23.0	23.3	23.5	23.2
Deficits	10.0	9.2	5.6	4.3	3.8	4.0	3.8	3.4	3.4	3.6	3.8	4.5
Debt Held by the Public	62.7	68.9	71.7	72.7	73.2	73.9	74.6	75.0	75.6	76.4	77.4	n/a

Source: Office of Management and Budget, *Mid-Session Review*.

ECONOMIC ASSUMPTIONS

As disconcerting as the numbers are, the *Mid-Session Review* fails to accept what the American public has clearly recognized: the President's economic policies have failed, and have not produced their promised growth and job creation. The economic assumptions underlying the budget update are about the same as – or in some cases slightly more optimistic – than the administration's projections in February.

- *Economic Growth*. The administration now projects real GDP to grow by 3.2 percent this year – compared with a February estimate of 2.7 percent – and rising to above 4 percent by 2012. The figures are more optimistic than other private forecasts, particularly over the medium term.

- *Unemployment*. The most painful statistic in the *Mid-Session Review* is the unemployment rate, which OMB projects at 9.7 percent this year. The administration projects the rate to fall slowly, with unemployment remaining above 8 percent through 2012.

- *Inflation*. OMB expects very low inflation rates for the next several years, with the consumer price index [CPI] projected to rise just 1.6 percent this year, 1.3 percent next year, and barely above 2 percent in the second half of the decade.

- *Interest Rates*. The *Mid-Session Review* projects the rates on 10-year Treasury bills rising from 3.5 percent to 5.3 percent by 2015, and then holding at that level – roughly consistent with administration estimates in February. For 91-day notes, the administration expects them to peak at 4.1 percent in 2014 and then remain at that level – again consistent with the February projections.