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District Work Period Packet: The Democratic Record on Fiscal Responsibility and Economic Recovery

Updated: July 30, 2010

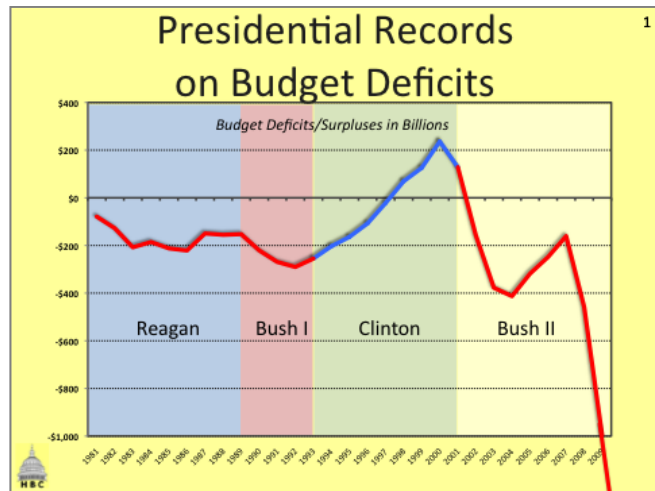
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The Democratic Record of Fiscal Responsibility

Overview. We have proven our commitment to fiscal responsibility by reinstating statutory Pay-As-You-Go (PAYGO) and enacting landmark health care reform legislation that reduces the deficit by \$143 billion over the next ten years – and by \$1.2 trillion more over the following decade. In contrast, when Republicans enacted their prescription drug bill in 2003, the enormous cost added directly to the growing federal budget deficit. Republicans repeatedly used the fast-track reconciliation process to pass legislation that ballooned the budget deficit; their 2006 reconciliation bills added \$31 billion to the deficit over five years, and the 2001 and 2003 Bush tax cuts added \$1.6 trillion to the deficit over ten years. In contrast, our reconciliation bills reduced the deficit.



Put the budget back on track as the economy recovers. The current Administration and the 111th Congress arrived to face huge budget deficits and an economy on the brink of crisis. Critical efforts – like the Recovery Act – to combat the economic decline then necessarily further eroded the budget’s short-term bottom line. Immediate action to balance the budget while the economy was in deep recession would have been counterproductive. But as the economy rebounds, Congress has been taking action to restore long-term stability and return the budget to a sustainable path.

Reinstated statutory “pay-as-you-go.” Earlier this year, we enacted statutory pay-as-you-go (PAYGO) legislation, restoring the kinds of budget checks and balances that were in place during the 1990s that helped turn deficits into surpluses. In contrast, the Minority let those rules expire in 2002, at the same time they enacted large spending increases and revenue reductions that brought back budget deficits. Now that we have reinstated statutory PAYGO, Congress must fully pay for new policies that increase mandatory spending or reduce revenues, helping to stabilize the budget’s bottom line.

Enacted health care reform, which lowers costs and reduces the deficit. Unlike the deficit-increasing Medicare prescription drug bill in 2003, the health care reform bill that the 111th Congress passed into law takes steps to rein in health spending and increase coverage while reducing the federal budget deficit.

Crafted a fiscally responsible budget plan. On July 1, the House passed a Budget Enforcement Resolution that provides a discretionary spending limit for the 2011 appropriations process, sets the goal of returning the budget to primary balance by 2015, and reinforces the House’s commitment to PAYGO principles. The spending limit is \$7 billion below the comparable request made by the President.

Established a bipartisan Fiscal Commission. The Administration has appointed a bipartisan Fiscal Commission to help achieve additional deficit reduction. The Fiscal Commission has been charged with developing proposals to balance the budget (excluding interest payments on the national debt) by 2015. The Administration estimates that such deficit reduction would stabilize the debt-to-GDP ratio at a sustainable level.

Proposed a new “expedited rescission” policy tool. Budget Committee Chairman Spratt introduced the Reduce Unnecessary Spending Act to provide an extra tool to enforce fiscal discipline. Expedited rescission will allow the President to sign a spending bill into law at the same time he proposes to eliminate certain items in the bill with a budgetary cost. Congress would consider these proposals on a fast-track basis, and the proposed cuts take effect if approved by a majority in each chamber.

As TARP stabilized financial markets, Democrats reduced its cost and have shut it down. TARP helped to restore stability to a financial system that was in crisis. To date, the Obama Administration has recovered more than \$194 billion in aid that the Bush Administration handed out to large financial institutions and auto companies. As a result, the program is now expected to cost a small fraction of the original \$700 billion allowed under the program.

Protect against future bailouts using taxpayer dollars. Instead of standing by while Wall Street operates unchecked, the 111th Congress enacted a tough Wall Street reform bill to protect consumers from unscrupulous financial products and to protect taxpayers from bailing out supposed “too big to fail” institutions. The new law effectively shuts down the Troubled Assets Relief Program as a short-term solution to the financial crisis and provides lasting, real Wall Street reforms. It also reduces the deficit by \$3.2 billion over ten years.

Republicans’ Dismal Record on Fiscal Responsibility

No Rules, No Plan, No Discipline. In 1998, 2002, 2004, and 2006 – all years that Republicans controlled the House – Congress failed to approve a budget conference agreement, and without any fiscal commission or other process in place to address our long-term fiscal challenges. In 2002, they allowed the PAYGO law that had been so effective in the 1990s to expire, further weakening fiscal discipline. In 2002, Vice President Cheney reportedly told then-Secretary of the Treasury Paul O’Neill that “deficits don’t matter” when Secretary O’Neill warned of a looming fiscal crisis. Indeed, President Bush inherited a \$5.6 trillion ten-year surplus and quickly turned that into record deficits for as far as the eye could see – leaving the incoming Obama Administration and this Congress with a deficit of \$1.3 trillion for 2009 alone.

They want a budget that raises taxes on most Americans while imposing deep cuts to critical services. While Democrats are taking responsible steps to address our budget situation, the Minority has introduced a budget plan (the Ryan Roadmap) that would raise taxes on 90 percent of Americans while cutting taxes for the wealthy, and would dramatically reduce spending with cuts to Social Security, Medicare, Medicaid, and other government services. The Ryan Roadmap partially privatizes Social Security and cuts benefits, replaces Medicare with a voucher, cuts Medicaid, and eliminates the Children’s Health Insurance Program.

Democrats Spur Economic Recovery

Republican Left Economy in Tatters

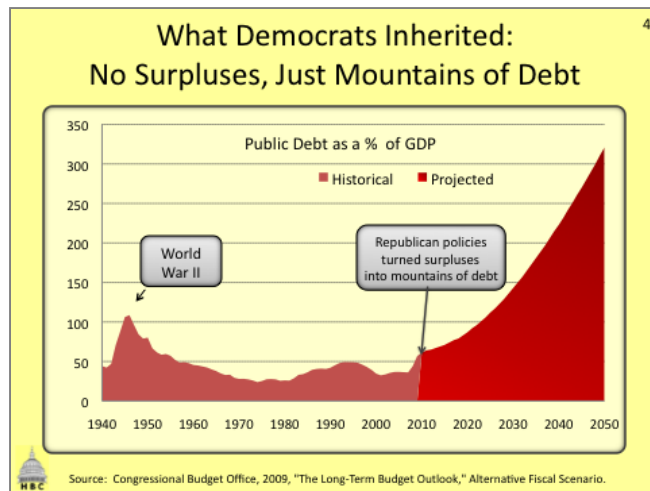
In 2001, Republicans inherited a federal budget in record surplus, with \$5.6 trillion in surpluses projected over ten years and trillions more in surpluses forecasted thereafter.

“[Our budget] will retire nearly \$1 trillion in debt over the next four years... This will be the largest debt reduction ever achieved by any nation at any time.”

--- President Bush, 2/28/01 budget message

But they believed that deficits did not matter and allowed the expiration of the PAYGO rules that had brought the budget into balance in the 1990s. As a result, they enacted a costly new prescription drug plan and massive tax cuts skewed toward the most fortunate Americans, and funded two wars, without paying for any of it.

Fiscally reckless policies coupled with lax financial regulation caused the worst recession since the Great Depression, creating a financial crisis, harming America’s families, and burying the country in trillions of dollars of debt.



Democrats Have Improved the Economy

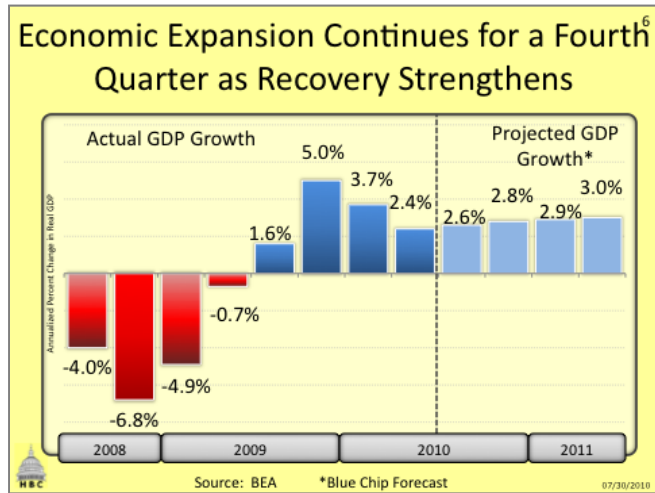
President Obama inherited a \$1.3 trillion deficit for 2009 and a fast-declining economy that shed 779,000 jobs in January 2009 alone. The Administration and the 111th Congress immediately addressed the worst economic and financial crisis since the Great Depression by passing the Recovery Act and beginning the process of winding down TARP. Although too many Americans are still feeling the recession, our actions have transformed job losses into job gains – a critical step on the road to meaningful economic recovery. And, despite those aggressive actions, the 111th Congress did not add substantially to the inherited deficit, leaving it at \$1.4 trillion for 2009.

We passed the Recovery Act to create jobs and rebuild our economy, providing both tax cuts and spending with immediate and long-term economic impacts. It created jobs with funding for infrastructure projects, as well as billions for education that helped states prevent teacher layoffs. According to CBO and various economists, the Recovery Act is continuing to have a significant impact.

The Recovery Act cut taxes. It provided \$288 billion in tax relief to 98 percent of working families and to small businesses. The tax cuts do double duty, helping recipient families make ends meet while boosting broader economic activity by prompting additional consumer spending.

The Recovery Act helped those in need. By extending unemployment insurance and food assistance, and helping those who lost their jobs keep health insurance by temporarily paying two thirds of their premiums under COBRA, the Recovery Act served those struggling in the recession.

The Recovery Act created jobs and grew the economy. CBO estimates that the Recovery Act added between 1.7 and 4.2 percentage points to annualized GDP growth in the first quarter of 2010, and is responsible for between 1.2 million and 2.8 million jobs in that quarter; by implication, the Recovery Act may have supplied most of the 3.7 percent growth in the first quarter of 2010. A study released this week by economists Alan Blinder and Mark Zandi found that the Recovery Act likely raised real GDP by 2 percent in 2010, added 2.7 million jobs, and

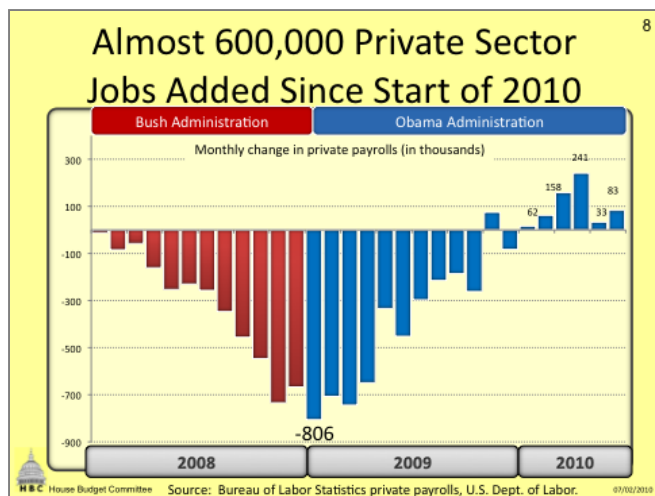


lowered the unemployment rate by 1.5 percentage points. Zandi also calculated that GDP would have contracted by 3.6 percent in the second quarter and 1.0 percent in the third quarter of 2009 without the Recovery Act. Republican charges that the Recovery Act is wasteful, ineffective, and added to the fiscal mess are not supported by the resulting new jobs, benefits for families, and relatively modest change to the inherited 2009 deficit.

Democratic efforts are starting the economic engine. The 2000s saw the worst job creation of any recovery on record and families' incomes stagnated. By the last quarter of 2008, the economy was in free fall: output was shrinking at a 6.8 percent annualized rate and employers laid off 779,000 workers in January 2009 alone.

Now, although we still have far to go, the economy has grown for four straight quarters – by 5.0 percent in the fourth quarter of 2009 (its best output in almost four years), by 3.7 percent in the first quarter of 2010, and by 2.4 percent in the second quarter. Most economists predict steady growth during 2010 and 2011.

Economy has added nearly 900,000 jobs. Although jobs are still hard to find for far too many Americans, Democratic actions have turned job losses into net jobs gains in the first half of 2010, as payrolls have added 882,000 jobs, including 593,000 private sector jobs. The economy has *added* an average of 207,000 jobs per month over the past three months compared to the final three months of the Bush Administration, when the economy *lost* an average of 727,000 jobs per month.



111th Congress Passes Bills Saving Billions of Dollars

Democrats reinstated pay-as-you-go (PAYGO) legislation as well as House rules requiring that new mandatory spending or revenue reductions be offset by equal or greater budget savings, thus ensuring that the deficit is not deepened. This Congress has already passed numerous bills that improve the budget's bottom line by amounts ranging from \$1 million over five years to \$118 billion over ten years. Below is a list of some of the bills with savings, including 19 bills enacted into law and 16 bills passed by the House, and the amount each saves over five and ten years.

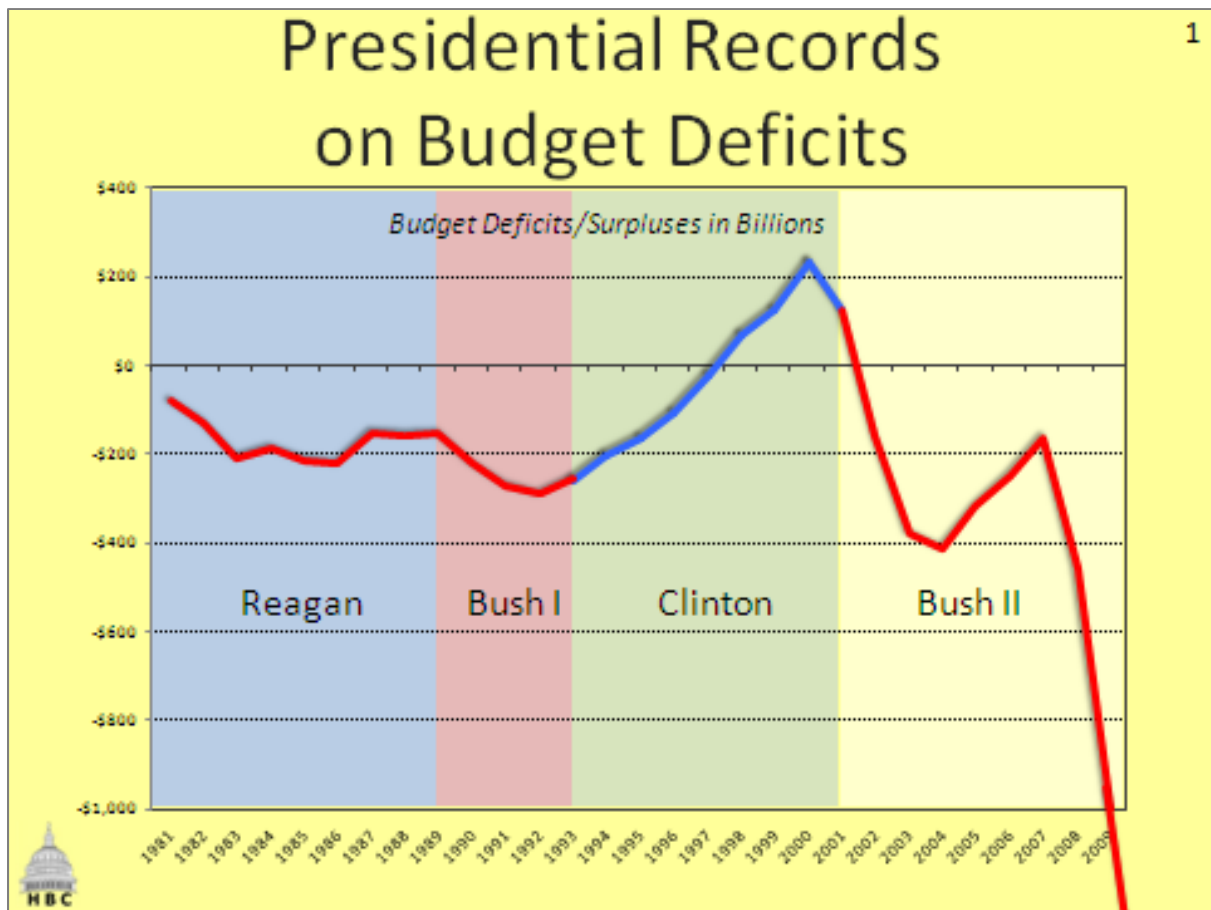
Bills with Savings Passed by the House in the 111th Congress		
(in millions of dollars)		
	<i>Savings over</i>	
	<u>5 Years</u>	<u>10 Years</u>
Bills signed into law:		
Patient Protection and Affordable Health Care Act (P.L. 111-148; H.R. 3590) ^{1/}	-104,090	-118,170
Reconciliation Act of 2010 (P.L. 111-152; H.R. 4872) ^{1/}	-4,987	-24,848
Children's Health Insurance Program Reauthorization Act (P.L. 111-2; H.R. 2)	-1,080	-1,049
Family Smoking Prevention and Tobacco Control Act (P.L. 111-31; H.R. 1256)	-313	-1,043
HIRE Act (P.L. 111-147; H.R. 2847)	-95	-657
Capital Police Administrative Technical Corrections (P.L. 111-145; H.R. 1299)	-445	-410
Preservation of Access to Care for Medicare Beneficiaries & Pension Relief Act (P.L. 111-192; H.R. 3962)	-3,617	-156
National Defense Authorization Act (P.L. 111-84; H.R. 2647)	-194	-124
Social Security Disability Applicant's Access to Professional Representation Act (P.L. 111-142; H.R. 4532)	-30	-59
Worker, Homeowner, and Business Assistance Act (P.L. 111-92; H.R. 3548)	-106	-37
DTV Delay Bill (P.L. 111-4; S. 352)	-15	-15
No Social Security Benefits for Prisoners (P.L. 111-115; H.R. 4218)	-15	-15
Emergency Aid to American Survivors of Haiti Earthquake (P.L. 111-127; S. 2949)	-14	-14
Andean and other trade preferences (P.L. 111-124; H.R. 4284)	-21	-11
Renewing Burma/Myanmar import restrictions (P.L. 111-42; H.J.Res. 56)	-142	-9
Congressional Pay Raise (P.L. 111-165; H.R. 5146)	-4	-9
Homebuyer Assistance and Improvement Act (P.L. 111-198; H.R. 5623)	-20	-9
Technical Corrections to Higher Education Act (P.L. 111-39; H.R. 1777)	-3	-1
Haiti Economic Lift Program Act (P.L. 111-171; H.R. 5160)	-80	-1
Bills passed by the House:		
American Clean Energy and Security Act (H.R. 2454)	-3,773	-9,020
Restoring American Financial Stability Act (H.R. 4173)	-100	-3,200
Small Business and Infrastructure Jobs Tax Act (H.R. 4849)	-2,650	-2,706
Small Business Jobs Act (H.R. 5297)	-380	-1,662
FAA Reauthorization Act (H.R. 915)	-539	-736
Medicare Premium Fairness Act (H.R. 3631)	-1	-154
Foreign Relations Authorization Act (H.R. 2410)	-52	-52
Taxpayer Assistance Act (H.R. 4994)	-52	-45
Food Safety Enhancement Act (H.R. 2749)	-10	-20
Veterans', Seniors', Children's Health Technical Corrections Act (H.R. 5712)	-1	-12
Flood Insurance Reform Priorities Act (H.R. 5144)	-5	-10
Renew Import Restrictions in Burma Freedom and Democracy Act (H.J.Res. 83)	-151	-8
Service Members Home Ownership Tax Credit (H.R. 3590)	-86	-7
National Association of Registered Agencies and Brokers Reform Act (H.R. 2554)	-7	-7
Firearm Excise Tax Improvement Act (H.R. 5552)	-151	-4
Fountainhead Property Land Transfer Act (H.R. 1554)	-2	-2

Note: estimates are for 5- and 10-year periods relevant on date of enactment. Estimates of the bills passed by the House are not additive because there is overlap in items not yet enacted. Some estimates may include rounding errors.

^{1/} Estimates are for 5- and 10-year period consistent with windows for previous year.

Charts Available from the Budget Committee

Available full size on <http://budget.house.gov/charts>



Democrats have a proven record of fiscal responsibility, and are working to ensure stability and prosperity for all Americans. In contrast, reckless Republican policies left a legacy of deep economic recession that decimated revenues and produced record federal budget deficits. The 111th Congress reinstated statutory Pay-As-You-Go (PAYGO), which had been allowed to lapse in 2002. We enacted landmark health care reform legislation that will reduce the deficit by \$143 billion over the next ten years, and by \$1.2 trillion more over the following decade. In contrast, when Republicans enacted their prescription drug bill in 2003, as well as their massive tax cuts, they didn't offset the enormous cost, which instead added directly to the growing federal budget deficit.

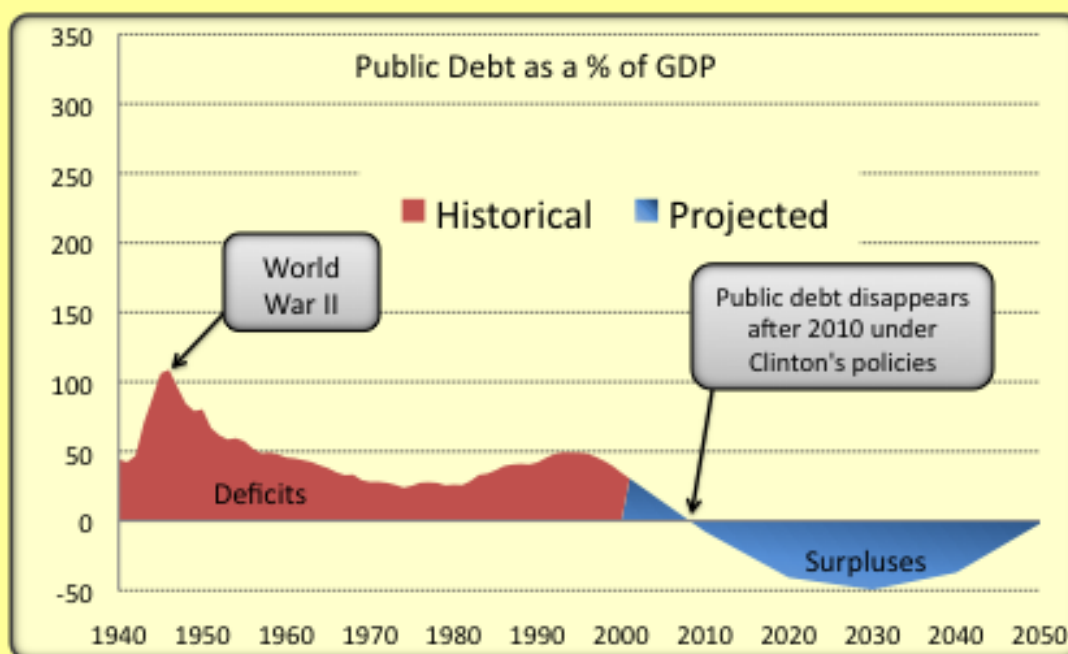
Bush and Republicans Leave Obama an \$8 Trillion Fiscal Mess to Clean Up

2



When President Bush took office in 2001, he inherited a budget surplus of \$5.6 trillion projected over the next ten years. However, reckless Republican fiscal policies quickly turned that into record deficits for as far as the eye could see. As a result, the Obama Administration and this Congress inherited a record budget deficit of \$8 trillion projected over the next ten years.

What Republicans Inherited: Surpluses and the Prospect of Wiping Out the Public Debt



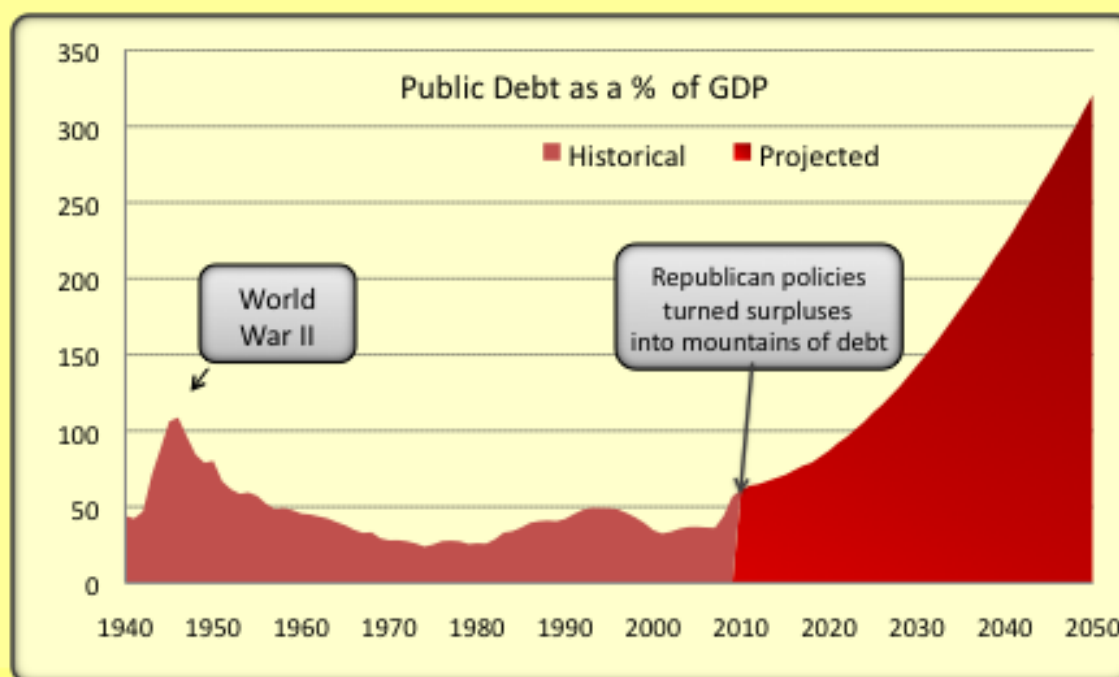
Source: Congressional Budget Office, 2000, "The Long-Term Budget Forecast." Forecast assumes all surpluses would be saved.

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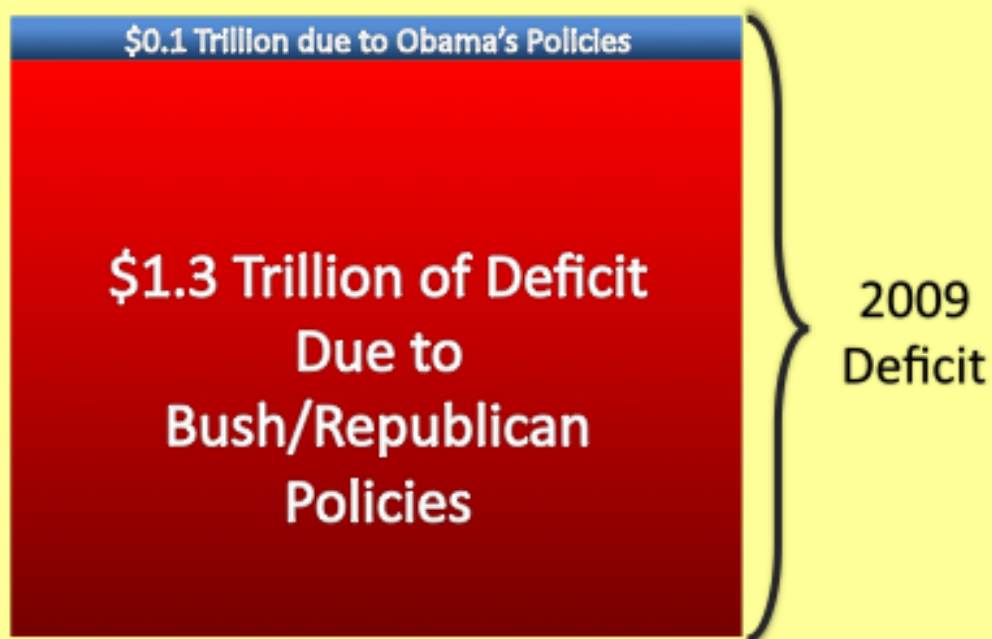
What Democrats Inherited: No Surpluses, Just Mountains of Debt



Source: Congressional Budget Office, 2009, "The Long-Term Budget Outlook," Alternative Fiscal Scenario.

In 2001, Republicans inherited a federal budget in record surplus, with \$5.6 trillion in surpluses projected over ten years. But they believed that deficits did not matter and squandered the opportunity to pay down the national debt and save for the future. Their fiscally reckless policies coupled with lax financial regulation drove us into the worst recession since the Great Depression, creating a financial crisis, harming America's families, and burying the country in trillions of dollars of debt. As a result, President Obama inherited a \$1.3 trillion deficit for 2009 and a fast-declining economy that shed 779,000 jobs in January 2009 alone.

Whose Deficit is it?



In January 2009, President Obama and the 111th Congress inherited a projected deficit of \$1.3 trillion for 2009 and a fast-declining economy that shed 779,000 jobs in January 2009 alone.

The Administration and the Democratic Congress immediately addressed the worst economic and financial crisis since the Great Depression by passing the Recovery Act and beginning to wind down TARP. And, despite those aggressive actions, the deficit in 2009 was \$1.4 trillion.

Economic Expansion Continues for a Fourth⁶ Quarter as Recovery Strengthens



Source: BEA

*Blue Chip Forecast

07/30/2010

Although we still have far to go, the economy has now grown for four straight quarters. It grew by:

- 5.0 percent in the fourth quarter of 2009 (its best output in almost four years),
- 3.7 percent in the first quarter of 2010, and
- 2.4 percent in the second quarter.

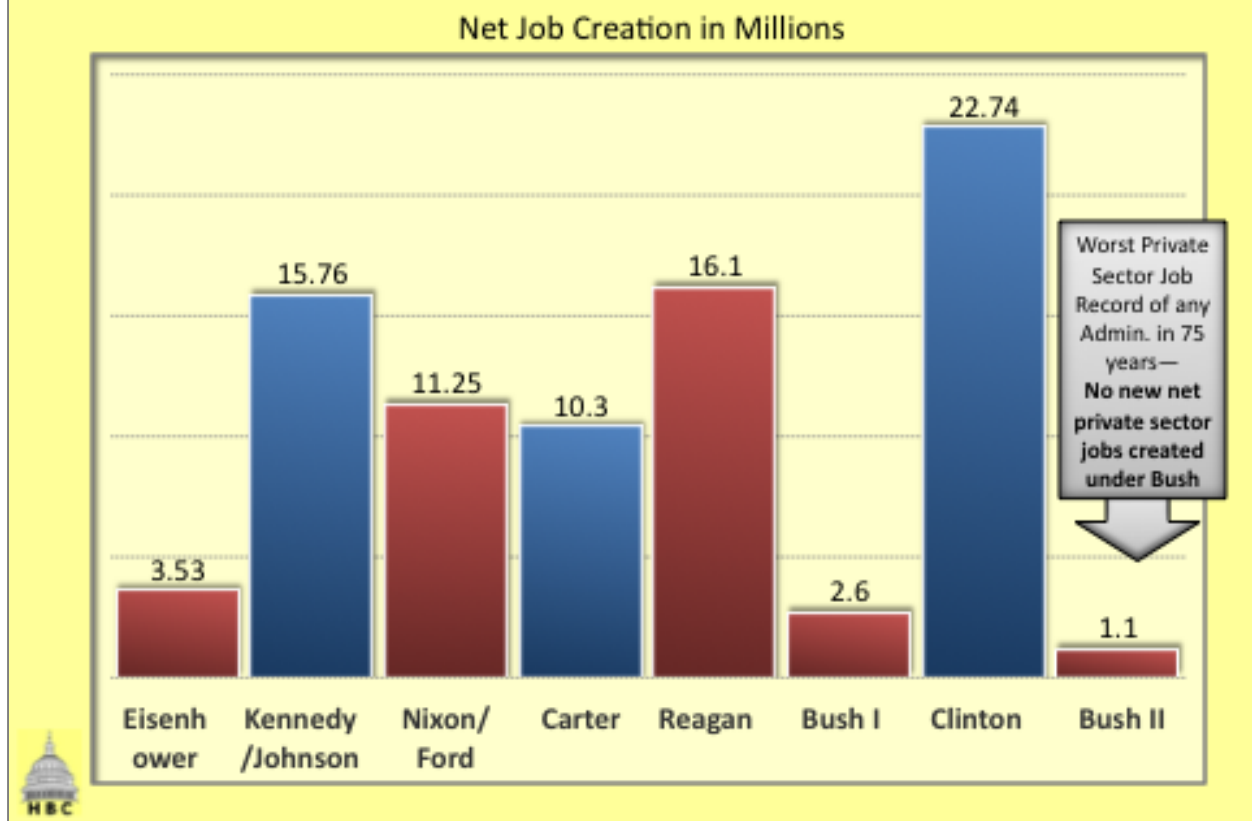
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- raised real GDP by 2 percent in 2010,
- added 2.7 million jobs, and
- lowered the unemployment rate by 1.5 percentage points.

Zandi also calculated that GDP would have contracted by 3.6 percent in the second quarter and by 1.0 percent in the third quarter of 2009 without the Recovery Act.

The Bush Administration's Dismal Jobs Record ⁷

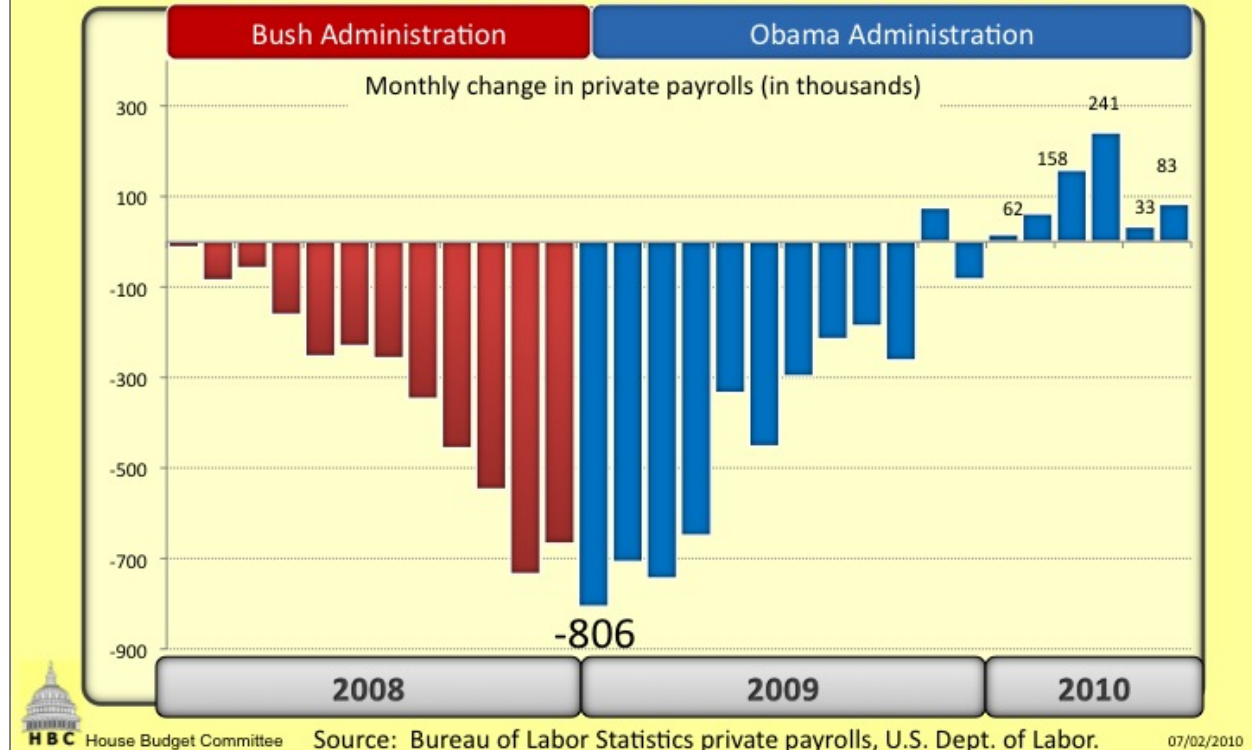


The Bush Administration had the worst jobs record of any Administration in modern times, with just 1.1 million jobs created over eight years – far less than the pace needed to keep up with the growth in the working-age population.

A smaller proportion of Americans was working at the end of the Bush Administration than at the end of the Clinton Administration.

When President Obama took office in January 2009, the economy was hemorrhaging jobs – losing 779,000 jobs in January 2009 alone. Now, as a result of Democratic actions, this year employers added nearly 1 million jobs between January and May.

Almost 600,000 Private Sector Jobs Added Since Start of 2010



The economy has added nearly 900,000 jobs, including nearly 600,000 private sector jobs. Although jobs are still hard to find for far too many Americans, Democratic actions have turned job losses into net jobs gains in the first half of 2010, as payrolls have added 882,000 jobs, including 593,000 private sector jobs.

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