RSC Republican Study Committee

Rep. Jim Jordan (R-OH), RSC Chairman
Paul Teller, Executive Director

Budget and Spending Task Force
Weekly Report

Congressman Scott Garrett (R-NJ), Chairman **January 26, 2011**

New CBO Projections: $1.5 Trillion Record-Setting FY 2011 Deficit

Today, CBO released new budget projections which show a $1.48 trillion deficit for this year (9.8% of GDP). *This would be the highest deficit in U.S. history.* Below are other highlights of the report:

Fourteen Highest Deficits in U.S. History: Over the period covered by the report, annual deficits average $768 billion. If these projections are realized, all *fourteen* of the highest deficits in U.S. history will have occurred during the period of 2008-2021.

Record Spending: The projections show federal spending at historically high levels through the ten-year budget window. The lowest spending total is 23.0% of GDP in 2014, while the highest total is 24.0% of GDP in 2021. Over the full ten-year period, spending averages 23.5% of GDP. Prior to the current recession (and excepting World War II), the *highest* spending total was 23.5% of GDP in 1983. By contrast, the 40-year average for spending is 20.8% of GDP.

Tax Revenues Above the Historic Average: The CBO budget outlook shows revenues rising from 14.8% of GDP in 2011 to 20.8% of GDP in 2021. Over the ten-year window, federal revenue averages 19.9%% of GDP. By contrast, the 40-year average is 18.0% of GDP. The deficit problem is a spending problem.

$800 Surplus Versus $6.97 Trillion Deficit: In January 2007, the same month Democrats took control of Congress, CBO projected an ***$800 billion surplus*** over ten years. Today, Republicans inherit from a Democrat Congress a ten-year budget projection of a ***$6.97 trillion deficit.***

Quote of the Week:

"As I have traveled throughout my Congressional district, the one thing I heard loud and clear was simply please stop spending money you do not have, rein in spending, live within a budget."

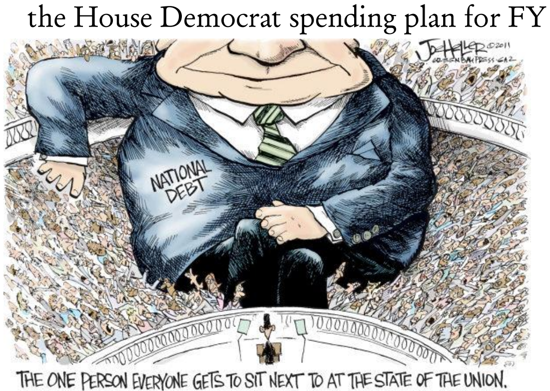
-Congressman Tim Scott, 11/05/10

RSC Sunset Caucus Bill, Saving $617 Million, on Floor Today

Today, the House will consider legislation authored by Rep. Tom Cole (R-OK) to eliminate taxpayer funding of the Presidential Election Campaign Fund. This program provides matching funds to candidates during the presidential primaries, funds for political conventions, and funding for third party candidates (who qualify). *In short, it provides taxpayer subsides to political candidates.* The program was created in the 1970s in an attempt to reduce the influence of money in campaigns, and to reduce the time required of candidates to raise money. By any analysis, it has failed to accomplish these objectives. This legislation will save taxpayers $617 million over ten years. A similar provision is also included in the RSC's Spending Reduction Act (H.R. 408).

House Passes Resolution Guiding FY 2011 Spending Allocation

Yesterday, the House passed H.Res. 38 directing the 302(a) discretionary spending allocation assume non-security FY 2008 spending levels *or less* for the *remainder* of the current fiscal year (FY 2011). RSC Chairman Jim Jordan filed an amendment in the Congressional Record (not made in order) that would require an allocation that "provides a total non-security fiscal year 2011 allocation that is at least $100 billion less than provided for in House Report 111-565." This committee report was the House Democrat spending plan for FY 2011. 89 House Members signed onto a letter to Speaker Boehner calling for $100 billion in FY2011 cuts in the CR.



McClintock-Foxx-Garrett-Jordan Introduce Default Prevention Bill

This week, Representatives McClintock, Foxx, Garrett and Jordan introduced a bill—The Full Faith and Credit Act (H.R. 421)—to guard against default on the federal debt in the event that the U.S. government cannot meet all of its obligations. The bill will stipulate that obligations on the public debt be given first priority with federal tax dollars. This bill is identical to the bill Senator Toomey is introducing in the Senate. To cosponsor the legislation, please contact Will Dunham in Rep. McClintock's office at 52511 or will.dunham@mail.house.gov.

For more information, please contact Brad Watson at x69719

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How to Freeze the Debt Ceiling Without Risking Default

Next year, the government will have 10 times more income than it needs to honor its interest obligations.

By PAT TOOMEY

As members of Congress debate whether to raise the U.S. debt ceiling—the limit on our government's debt—we should all agree on at least one thing: Under no circumstances is it acceptable for the U.S. to default on its debt. Not only are we morally obligated to honor our debts, but we benefit greatly from the nearly universal conviction that those who lend to us will always be repaid, on time and in full. We should never undermine that conviction.

Fortunately, even if Congress doesn't raise the debt ceiling, a default on our debt need not follow when our borrowings reach their limit in the next few months. I intend to introduce legislation to make sure of this.
For months, some political leaders and commentators have argued that failure to raise the debt ceiling would necessarily cause the U.S. to default on its debt. President Obama's Council of Economic Advisors chairman, Austan Goolsbee, recently warned, "If we get to the point where you've damaged the full faith and credit of the United States, that would be the first default in history caused purely by insanity. I don't see why anybody's talking about playing chicken with the debt ceiling."

In fact, if Congress refuses to raise the debt ceiling, the federal government will still have far more than enough money to fully service our debt. Next year, for instance, about 6.5% of all projected federal government expenditures will go to interest on our debt, and tax revenue is projected to cover about 67% of all government expenditures. With roughly 10 times more income than needed to honor our debt obligations, why would we ever default?

To make absolutely sure, I intend to introduce legislation that would require the Treasury to make interest payments on our debt its first priority in the event that the debt ceiling is not raised. This would not only ensure the continued confidence of investors at home and abroad, but would enable us to have an honest debate about the consequences of our eventual decision about the debt ceiling.

If we do not raise it, the government's tax revenue will enable us to fund roughly two-thirds of projected expenditures, including interest payments. Without the ability to borrow the other third, spending cuts would be sudden and severe: Projects would be postponed, some vendor payments would be delayed, certain programs would be suspended, and many government employees might be furloughed. Default would easily be avoided, but these cuts would certainly be disruptive. That's why I hope we can avoid this scenario.

But it would be even worse simply to raise the debt ceiling without regaining control of federal spending. The recent surge in spending, both in absolute dollars and as a percentage of our GDP, has driven us to record deficits and an explosion of debt. The growth in discretionary spending has been the most dramatic, but in the future mandatory entitlement spending will be the deficit driver. Congress must address both in order to put the government back on a sustainable fiscal path.

The vote on whether to raise the debt ceiling—and, if so, by how much—is our best opportunity to insist that any increase in our nation's debt be coupled with concrete steps toward fiscal sanity. Congress should make increasing our debt contingent on immediate cuts in spending and effective reforms of the spending process that helped get us into this mess.

For too many years, Congress has ignored or exacerbated the looming fiscal crisis created by overspending. Last fall's elections were largely a call to finally deal with this imminent threat, and the vote on the debt ceiling is

Congress's opportunity to begin making real progress. We can do so without jeopardizing the full faith and credit of our country—and we should.

Mr. Toomey, a Republican, is a U.S. senator from Pennsylvania.