RSC Republican Study Committee

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Budget and Spending Task Force
Weekly Report

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CBO: Federal Deficit at $390 Billion Through First Three Months of FY 2010

According to CBO, the federal deficit is $390 billion through the first three months of FY 2010. This is $56 billion or 16.8% above the deficit through the first three months of FY 2009—which was the highest deficit in U.S. history, $1.4 trillion. Only 3 times in U.S. history (2004, 2008, and 2009) has the final deficit for *the year* exceeded the deficit through just the first *three months* of FY 2010. The increased deficit spending is due to lower revenues, down 11%, which is due to the weak economy. The deficit for December alone amounted to $92 billion. CBO notes that normally the federal government runs a *surplus* in December (due to the timing of corporate tax payments).

White House Changes Accounting for "Stimulus" Jobs Created/Saved

On December 18, 2009, OMB Director Peter Orszag announced the White House will no longer use the jobs "created or saved" metric for measuring the success of the "stimulus." In addition, the White House will no longer attempt to measure the impact of the "stimulus" on the employment market on a rolling basis, but will instead only release information on a quarterly basis. Instead, the recipients of "stimulus" money will just report on jobs "funded" by the legislation. Or as Jake Tapper of ABC News describes the new White House accounting method: "In other words, if the project is being funded with stimulus dollars—even if the person worked at that company or organization before and will work the same place afterwards—that's a stimulus job."

And as Rep. Darrell Issa (R-CA) puts it: "The new guidance counts every job that is funded using stimulus money—even if it existed before the Recovery Act, and was not in any danger of being eliminated—as 'created or saved.' This definition ignores the plain meaning of the words 'created' and 'saved' and makes the Recovery.gov's 'JOBS CREATED/SAVED' label a falsehood, further eroding the confidence of the American people in their government."

Since the "stimulus" was enacted into law, nearly 3 million jobs have been lost. The White House projected that with enactment of this legislation, the unemployment rate would never exceed 8%. Instead, the unemployment rate is currently 10%.

AP: "Stimulus" Road Projects Not Curbing Unemployment

An Associated Press (AP) analysis suggests that there is no correlation between local unemployment rates and how much "stimulus" money for roads that county received from Washington. Specifically, the analysis compared the 700 counties that, on a per-capita-basis, got the most "stimulus" money for road construction to the more than 700 counties that received no money at all for this purpose. The AP analysis found no difference in employment trends between the two groups, despite the large difference in "stimulus" spending on roads.

According to the AP: "The effect was so small, one economist compared it to trying to move the Empire State Building by pushing against it."

And according to economist Aaron Jackson: "My bottom line is, I'd be skeptical about putting too much more money into a second stimulus until we've seen broader effects from the first stimulus."

In the last week of the 1st Session, House Democrats passed a second $150 billion "stimulus" by a vote of 217-212.

Quote of the Week: "Ten months into President Barack Obama's first economic stimulus plan, a surge in spending on roads and bridges has had no effect on local unemployment and only barely helped the beleaguered construction industry…"

-**Associated Press Analysis**, 01/11/10