RSC Republican Study Committee

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Budget and Spending Task Force
Weekly Report

Congressman Jim Jordan (R-OH), Chairman **March 10, 2010**

CBO: FY 2011 Obama Budget Produces $11.2 Trillion of Deficits

Last week, CBO released projections of the impact of the President's budget on the nation's fiscal condition. The following are highlights of the report:

$11.2 Trillion Deficits: The President's budget would make the deficit $3.8 trillion worse over this period than CBO's current-law baseline. CBO's baseline projects deficits of $7.4 trillion over the FY 2010-FY 2020 period; the President's budget leads to $11.2 trillion of deficits over the same time period. This is notable because the Administration claims that the President's budget submission reduces the deficit.

Unsustainable Deficits (by Administration's own admission): The deficit would average 5.2 percent of GDP over the next ten years under the President's plan. The lowest it ever gets is 4.1% of GDP. By the Administration's admission, deficits in excess of 3% of GDP are unsustainable. In other words, the President's budget does not come close to sustainable deficit spending levels in any year from 2010 to 2020.

13 Highest Deficits in U.S. History: The budget, if enacted, would mean that all 13 of the highest deficits would be from 2008 (first budget under Democrat-controlled Congress) to 2020 (last year of President's 10-year budget).

$10.5 Trillion Worsening of Nation's Budget Outlook: CBO, in January 2007 (same month as Democrats took control of Congress), projected an $800 billion surplus over the 2008 to 2017 window. If we compare that projection to what has already happened under a Democrat Congress in FY 08 and 09—and to what the President's budget proposes for FY 10 through FY 17—***that $800 billion surplus turns into a $9.7 trillion deficit.*** This is a $10.5 trillion worsening of the budget outlook in the little more than 3 years of Democrat control of the Congress.

Quote of the Week:

"We are cutting what we don't need to make room for what we do."

-President Obama, 3/04/09

"But we have to pass the bill so that you can find out what is in it, away from the fog of the controversy."

-Speaker Pelosi, 3/09/10

"Fiscal Responsibility" Commission Will *Not* Solve the Problem

By the Administration's own admission, their FY 2011 budget submission produces deficits that are unsustainable in every year from 2010 to 2020. Instead of coming up with savings that lead to a budget plan that works, the Administration, by executive order, created a "Fiscal Responsibility" Commission.

The commission is charged to "balance the budget." But by this, the President's executive order does not actually mean that the budget would be balanced—the government takes in at least as much revenue as it spends—but instead that the recommendations would in five years implement policies "resulting in stable overall deficits (including interest payments on the debt) hovering around 3 percent of GDP." In other words, the goal of the commission is to reduce the deficit to *$552 billion* (3% of GDP in 2015) within five years. A $552 billion deficit would still be higher than any deficit run up by the federal government prior to FY 2009.

The commission may propose tax increases as part of these recommendations. This is in contrast to Representative McHenry's bill (H.R. 4249) that creates a commission to achieve savings on the *spending* side of the budget, with a process leading to a vote of the recommendations, and that explicitly prohibits the commission from considering tax increases. And it is worth noting that 12 of the 18 members of the commission will be appointed by Democrats (President Obama, Speaker Pelosi, or Senator Reid), with one Obama appointee being Andy Stern, the President of the Services Employees International Union. The commission's recommendations will be released just after the mid-term elections.

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