RSC Republican Study Committee

Rep. Tom Price (R-GA), M.D., Chairman
Paul Teller, Executive Director

Budget and Spending Task Force
Weekly Report

Congressman Jim Jordan (R-OH), Chairman

May 5, 2010

No Progress on Budget; $10.5 Trillion Fiscal Deterioration Over Past Three Years

Three weeks past the April 15th deadline set by the Budget Act, no committee or floor action is scheduled for the budget resolution. The federal deficit is projected to be $1.5 trillion in FY 2011, the President's budget leads to unsustainable deficits as far as the eye can see (by OMB's own admission), and this would be the first time that the House would fail to pass a budget resolution. Majority Leader Hoyer offered the following excuse for not doing a budget resolution: *"It's difficult to pass budgets in election years because they reflect what the [fiscal] status is."* In January 2007, CBO projected that the federal budget would run $800 billion surpluses over the FY 2008-2017 period. CBO's March 2010 projections—based on estimates of the President's FY 2011 budget submission—forecast a $9.7 trillion deficit over the same period. This $10.5 trillion fiscal deterioration, detailed below, is the current "fiscal status."

Comparison of CBO Budget Outlook 2007 to CBO Estimate of President's FY 2011 Budget
(in billions)

Year	Jan 2007 CBO Projection	Mar 2010 CBO Projection	Actual/Projected Deficit Increase
2008	-98	-459	361
2009	-116	-1,414	1,298
2010	-137	-1,500	1,363
2011	-12	-1,342	1,330
2012	*170*	-914	1,084
2013	*159*	-747	906
2014	*185*	-724	909
2015	*208*	-793	1,001
2016	*192*	-894	1,086
2017	*249*	-940	1,189
Total	*800*	-9,727	10,527

Rep. Lamar Smith to Introduce SAFE Act

RSC Member Lamar Smith will soon introduce the Save America's Future Economy (SAFE) Act. The legislation would place a cap on total federal spending, with the limit allowing federal spending to grow by population growth plus inflation growth. If Congress exceeded this spending limit, the sequestration process established by the 1985 Budget Enforcement Act would be used to bring spending back in compliance with the amendment. Limiting total spending to population growth plus inflation would lead to a balanced budget, and cause the federal government to shrink as a share of U.S. economic production. To cosponsor this legislation, contact Gerardo Interiano of Rep. Smith's staff at gerardo.interiano@mail.house.gov.

Quote of the Week: *"Now, what we're doing -- I want to be clear, we're not trying to push financial reform because we begrudge success that's fairly earned.* ***I mean, I do think at a certain point you've made enough money.***

-President Obama

U.S. Effective Corporate Tax Rate Highest in OECD

The Cato Institute recently released an analysis comparing the U.S. corporate tax system to other major nations. The U.S. effective corporate tax rate of 35.0% compares to a G-7 average of 28.8%, an Organization for Economic Cooperation and Development (OECD) average of 19.5%, and an 18.2% average for the 80 nations examined by the study. The U.S rate is the highest of the OECD nations, though non-OECD nations Argentina, Chad, Brazil, India, and Uzbekistan have effective corporate tax rates slightly above the U.S. rate. Representatives Jordan and Chaffetz recently introduced legislation, the Economic Freedom Act (H.R. 5029), that among other things, lowers the U.S. corporate rate to 12.5%. To cosponsor this legislation contact George.Poulios@mail.house.gov in Rep. Jordan's office.