Report on

# The Path to American Prosperity

## The House Republican Budget Alternative

(H.Con.Res 85)


Introduced by:

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U.S. House of Representatives


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## A SUMMARY

# THE HOUSE REPUBLICAN BUDGET FOR FISCAL YEAR 2010

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### GOALS OF THE BUDGET

- *To Restore Growth, Jobs, and Economic Leadership.* It supports a vibrant free-market sector by limiting the size and scope of government; it provides for low taxes and a competitive tax code; and it promotes a robust, diverse energy network that is under Americans' control.

- *To Control the Nation's Debts.* It halts the borrow-and-spend philosophy that brought about today's economic problems, and puts a stop to heaping ever-growing debts on future generations – and does so by controlling spending and *not raising taxes.*

- *To Fulfill the Mission of Health and Retirement Security.* The budget reforms the health care marketplace by making quality coverage affordable and accessible for every American regardless of pre-existing health conditions. It reinforces the decision-making of patients and their doctors, not government bureaucrats; and it reforms Medicare and Medicaid to make them sustainable. The budget also advances the cause of strengthening Social Security without affecting those at or near retirement, but does not assume any savings from these reforms.

- *To Preserve the American Legacy of Leaving the Next Generation Better Off.* The budget assures continued prosperity for today's children by controlling debt and taxes, and by rewarding work, saving, investment, personal responsibility, and individual initiative.

### THE NEAR-TERM BUDGET

- **A 10-Year Budget.** Unlike the Majority's budget – which is limited to 5 years to hide the outyear impact of its fiscal plan – the Republican budget covers 10 years to fully reflect its trends.

- **Discretionary Spending.** The budget gives priority to the Federal Government's most important obligations, national defense and veterans' benefits. All other appropriated spending is level-funded for fiscal years 2010-14, and then increased at a moderate rate through 2019. The final allocation of these and other amounts will be determined by the Committee on Appropriations.

- **Mandatory Spending.** Total mandatory spending increases by an average of 3.9 percent per year for the next 10 years. This is slightly slower growth than projected in the Congressional Budget Office baseline and the Obama/Democratic budget. It provides for a sustainable growth rate to assure the viability of these programs in the future.

  For the three largest and most significant entitlements, the budget does the following:

- *Social Security.* To begin the process of developing a bipartisan solution to Social Security's pending bankruptcy, the budget incorporates some of the reforms advocated by the President's budget director. Absent reform, Social Security is projected to go bankrupt, and will have to impose a 22-percent across-the-board reduction in benefit payments. To address this problem, the budget proposes a trigger that would call for policies such as making small adjustments in the benefits for higher-income beneficiaries if the Social Security Administration determines the program's Trust Fund cannot meet its obligations. This is a modest but serious proposal – which will not affect those at or near retirement – aimed at helping develop a consensus, across party lines, toward saving this important retirement program. The proposal would not occur until 2036, and no savings are assumed. The budget also assures benefits for lower-income recipients are large enough to keep them out of poverty.

- *Medicare.* The Republican budget expands protections for seniors against catastrophic medical costs, simplifies beneficiary contributions, updates Medicare payments, and increases flexibility for hospitals serving unusually high numbers of low-income patients. These enhancements are coupled with a readjustment of cost-sharing for *high-income beneficiaries only*, and a greater State role in targeting hospital funds.

  Additionally, the substitute reinstates the Medicare trigger and designs an enforcement mechanism to lock in any savings resulting from Medicare funding warning legislation designed to reduce the program's general revenue spending exceeding 45 percent.

- *Medicaid.* The budget strengthens the Medicaid safety net by converting the Federal share of Medicaid payments into an allotment tailored for each State's low-income population. This will enhance States' flexibility and their sensitivity to spending growth.

▫ **Deficits.** The budget achieves lower deficits than the Obama/Democratic budget in every year, and by 2019 yields half the deficit proposed in the President's budget.

▫ **Debt Held by the Public.** By reducing deficits, the budget controls government debt. Debt held by the public is $875 billion lower than the President's budget in fiscal year 2010, and $3.6 trillion lower at the end of the 10-year period.

▫ **Taxes.** The budget does not raise taxes.

- It permanently extends the 2001/2003 tax relief provisions and the Alternative Minimum Tax "patch."

- It offers taxpayers the option of paying their income taxes through a simplified code with just two brackets and a generous standard deduction and personal exemption.

- It also reduces the corporate tax to 25 percent from the current 35 percent, second-highest in the industrialized world. Finally, the budget holds the average tax burden to the historical average of about 18.3 percent of gross domestic product.

## THE LONG-TERM BUDGET

- This plan also contains a long-term budget to bring Federal spending and debt under control, and to ensure the missions of health and retirement security are fulfilled.

- Absent long-term reforms to slow spending and debt, the Federal Government will spend its way into bankruptcy.

- The long-term plan of the budget aims at spending and revenue trends consistent with the post-war average tax level of roughly 18.3 percent of gross domestic product.

# INTRODUCTION

It is no exaggeration to say this year's budget debate goes to the heart of what kind of Nation America will be in the 21st century. Economic and fiscal conditions have coalesced in an unprecedented way, posing an extraordinary challenge to U.S. markets and the sustainability of the government's budget policies. The choices made now could send the Nation on an irreversible course – leading either to further decline and uncertainty, or to a restoration of America's character and a future of continued and growing prosperity.

The President and the Democratic Majority have made their approach clear. They are attempting nothing less than to implement the third and final great wave of government expansion, building on the New Deal and the Great Society. Their promises sound appealing – who wouldn't be attracted to free health care, guaranteed college for everyone, bailouts from their mortgage payments? – until the bill comes due: ever-rising taxes, more and more borrowing, and mounting debt. Even more troubling is what this ostensibly "progressive" approach does to the unique character of America and Americans. All these "benefits" come *at the expense of* personal initiative, the vitality of local communities, and the creativity of the business sector. With this approach, the fundamental conditions of life are determined not by individuals making choices for themselves, but by health bureaucrats, industrial policy bureaucrats, education bureaucrats, housing bureaucrats, energy bureaucrats, and on and on. Americans' ability to make responsible choices weakens from a lack of exercise; and the government limits or eliminates the alternatives that would otherwise be available.

There is a different vision, and it is embraced in this Republican budget. It recognizes that responsibility is not a slogan but a way of life, the twin of freedom. It promotes ownership and private property because America depends on – has always depended on – the strength and character of responsible individuals who value self-sufficiency, personal accomplishment, and loyalty to their families and communities. It encourages the entrepreneurial spirit that propels economic growth. This approach acknowledges the need for a sturdy safety net for those facing chronic or temporary difficulties; but it understands that the reliability of this protection requires a vibrant free enterprise sector to generate the resources for the government to use.

This budget has four principal goals:

- *To Restore Growth, Jobs, and Economic Leadership.* It supports a vibrant free-market sector by limiting the size and scope of government; it provides for low taxes and a competitive tax code; and it promotes a robust, diverse energy network that is under Americans' control.

- *To Control the Nation's Debts.* It halts the borrow-and-spend philosophy that brought about today's economic problems, and puts a stop to heaping ever-growing debts on future generations.

- *To Fulfill the Mission of Health and Retirement Security.* The budget reforms the health care marketplace by making quality coverage affordable and accessible for every American regardless of pre-existing health conditions. It reinforces the decision-making of patients and their doctors, not government bureaucrats; and it reforms Medicare and Medicaid to make them sustainable. The budget also advances the cause of strengthening Social Security.

- *To Preserve the American Legacy of Leaving the Next Generation Better Off*. The budget assures continued prosperity for today's children by gaining control of spending and debt, preserving health and retirement security, and rewarding work, savings, and investment.

The balance of this report provides an assessment of the economic and budgetary circumstances facing America today and tomorrow, and presents the Republican strategy for addressing them.

# BACKGROUND

- **STATE OF THE ECONOMY**
- **A TALE OF TWO FISCAL STRATEGIES**

# STATE OF THE ECONOMY

## CURRENT CONDITIONS

The most urgent challenge for policymakers is to find ways of restoring the U.S. economy's vitality. The Congressional Budget Office [CBO] offered this sobering assessment of the economy's current state:

> Economic conditions have deteriorated in the months since CBO prepared its last forecast, which was published in early January. Job losses have mounted, with the unemployment rate jumping to a 25-year high of 8.1 percent. Real GDP fell at a 6.2-percent annual rate in the fourth quarter and appears likely to have declined substantially further in the first quarter. Housing starts, industrial production, and orders and shipments of durable goods all declined sharply in late 2008 and early 2009, although consumer spending rebounded somewhat early this year from a very weak holiday season. Inflation is low, but the extremely low rates reported at the end of last year appear to have been largely transitory.[1]

Especially important is thawing U.S. credit markets, the circulatory system for the entire economy. The Treasury Department and the Federal Reserve have taken significant steps in this direction, but the results are still unclear. These measures also carry risks. As the Fed seeks to boost liquidity, for example, it could also lead to an inflationary spiral that would punish everyone, at every income level. The hundreds of billions being spent by the Treasury under the Troubled Assets Relief Program could easily become a kind of industrial policy, with the government picking winners and losers.

Congress has sought to use fiscal policy "stimulus," although this approach – which has never proved consistently useful except in boosting government spending – may do more harm than good. CBO projects that whatever short-term benefits might arise, the legislation will *reduce* output over the longer run, mainly because its heavy borrowing will impede capital formation.

> Capital formation is affected because the increase in government debt is expected to displace, or "crowd out," a smaller amount of private capital. That result occurs because the reduction in overall national saving dampens spending on business fixed investment and the construction of housing. Although the size of such displacement is very uncertain, CBO assumes that, in the long run, each dollar of additional Federal debt crowds out about a third of a dollar's worth of private domestic capital (with the remainder of the rise in debt offset by increases in private saving and inflows of foreign capital).[2]

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[1] Congressional Budget Office, *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook*, March 2009.

[2] Ibid.

The current state of affairs has raised understandable concerns about the market economy, and the Federal Government has taken numerous steps to address weaknesses. But these should not be considered permanent measures. A free market economy is still the best means of creating prosperity that is accessible to all.

Further, while there was clear abuse in the private sector that contributed to the economy's recent decline, it is critical to understand, as well, the ways in which government policies have contributed to the problem. Four key factors – which overlapped and interacted with one another – led to the crisis:

- Overly loose monetary policy earlier this decade that artificially lowered interest rates.
- Actions of two government-sponsored enterprises, Fannie Mae and Freddie Mac, that put taxpayer dollars at risk to chase profits.
- The government's push to lend money to those who could not afford it to buy homes.
- Private-market failures at each step in the "originate-to-distribute" mortgage credit model. This grew from a regulatory failure to provide adequate transparency and accountability to the financial system.

These factors are described at length in a House Budget Committee Republican staff paper titled: *Roots of the Financial Crisis – the Role of Government Policy*, 8 January 2008.[3]

## GOING FORWARD

Clearly, restoring the vitality of the U.S. economy, promoting growth and job-creation, will be a central focus of public policy. In particular, the thawing of credit markets – the principal circulatory system of the U.S. economy – is the most important measure needed to regenerate economic and job growth. But policies going forward must adhere to the fundamental principles that made the U.S. economy the envy of the world. To the extent the government considers future steps, policymakers should adhere to three basic principles.

The first of these is private property, which is especially important at a time when the government is acquiring the assets of many free market institutions. From an economic standpoint, however, it is *private* ownership, along with property rights, that make free markets possible (i.e. they form the institutional basis for free exchange). Basically, with personal ownership, people maximize their free will and creativity to improve their conditions (ownership of a home is a classic example). This activity, above all, generates dynamic economic growth and prosperity.

The second guideline is to restore the role of *individual* Americans. The international marketplace is a permanent reality of the 21st century, and America must successfully compete to continue its own economic growth; and this requires building on the individual's central role in American society. As Thomas L. Friedman of *The New York Times* has written:

> If this moment has any parallel in American history, it is the height of the Cold War, around 1957, when the Soviet Union leaped ahead of America in the space race by putting up the Sputnik satellite. Yes, there are many differences between that age and our own. The main challenge then came from those who wanted to

[3] http://www.house.gov/budget_republicans/press/2007/pr20090108rootcauses.pdf

> put up walls; the main challenge to America today comes from the fact that all the walls are being taken down, and other countries can now compete with us much more directly. The main challenge in that world was from those practicing extreme communism – namely, Russia, China, and North Korea. The main challenge to America today is from those practicing extreme capitalism – namely, China, India, and South Korea. The main objective in that era was building a strong state; the main objective in this era is building strong individuals.[4]

The third principle is sound money and a strong dollar. The Federal Reserve, through its control of monetary policy, is the *only* institution that can guarantee long-run price stability and the purchasing power of the currency. But the Fed has often taken its eye off its primary institutional mandate to fine-tune the short-run fluctuations in the economy.

The result has been a damaging roller coaster ride of boom and bust economic cycles. The U.S. economy is currently experiencing the effects of the bursting of a housing bubble, which was fueled by an overly loose monetary policy earlier this decade. These sharp cycles only serve to knock the U.S. off the path of sustainable economic growth, job creation, and prosperity – which should be the ultimate goal of policy.

These fluctuations should make it clear that it is time to return to sound monetary policy. That would diminish uncertainty, help keep interest rates down, and increase the confidence entrepreneurs and investors need to take the risks required for future growth. The best way to guarantee sound money is to use an explicit, market-based price guide, such as a basket of commodities, in setting monetary policy. But a more politically realistic path to price stability and long-run sustainable economic growth would be for the Federal Reserve to explicitly embrace inflation targeting. The move would serve as an improvement over the status quo because it could help combat near-term deflation concerns while also calming the market's longer-term inflation fears.

A new and growing concern, which compromises the soundness of the U.S. monetary system, is the overwhelming amount of new borrowing proposed by the administration. This year alone, the U.S. will borrow more than four times the amount ever borrowed in a single year. More troubling is the Federal Reserve's explicit purchase of Treasury bills by printing money to stave off deflation. This move fuels fears that the Fed will eventually monetize a large portion of the U.S. public debt. This calls into question the soundness of the dollar as a reliable store of value. Already, just on the announcement of the administration's plans to borrow more money than all prior U.S. Presidents combined, foreign governments – which hold about 50 percent of the United States' publicly held debt – began raising concerns. Russia and China have now called for replacing the dollar as the world's reserve currency. Losing this status would devastate America's ability to compete and thrive in the 21st century global economy.

In other words, a budget that proposes to recklessly borrow more money compromises the value of U.S. currency. It jeopardizes the savings of the middle class, and the standard of living of seniors on fixed income. It also diminishes America's attractiveness as a stable place to invest.

Based on the principles identified above – private property, the individual's role in the economy, a limit on government expansion and debt, and a sound dollar – the Republican budget is designed to support economic growth in a free market; to enhance America's competitiveness in the 21st century; and to maintain a strong dollar that will secure Americans' purchasing power.

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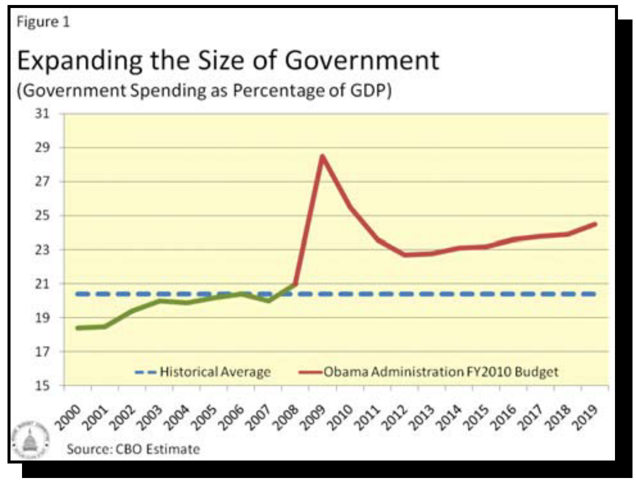
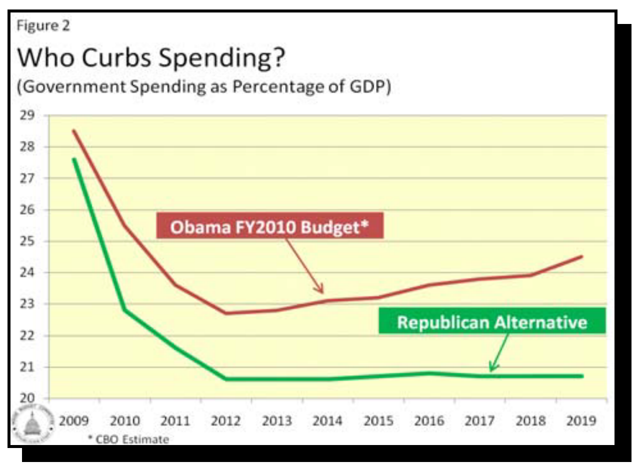
[4] Friedman, *The World is Flat: A Brief History of the Twenty-First Century*, 2005.

## A Tale of Two Fiscal Strategies

**THE OBAMA/DEMOCRATIC APPROACH**

Handed an admittedly daunting challenge, the new President and new Congress made their intentions clear: *shovel on more spending and more borrowing*. They promptly enacted a trillion-dollar "stimulus" bill, followed by a $407.6-billion omnibus appropriation with nearly 9,000 earmarks. They drove this year's deficit to nearly $2 trillion, exceeding 13 percent of gross domestic product – more than double the largest budget deficit since World War II.



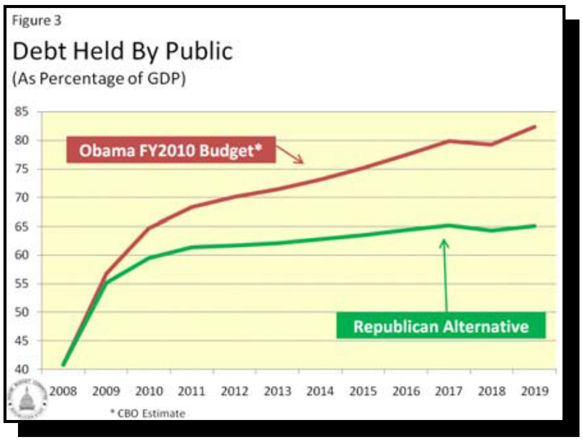

But they did not stop there. The President had an opportunity to present a fiscally disciplined budget – to get spending, deficits, and the debt under control. Instead he went the other direction; and the House Democratic Majority followed. The smallest deficit in the 5-year window of the committee-reported budget resolution – $586 billion – is still larger in nominal terms than any other post-war gap between spending and revenue ($459 billion) – and if they continue to follow the President's plan, deficits will grow again after that. By the end of the President's 4-year term, deficits begin rising again, growing faster than inflation and faster than the U.S. economy.

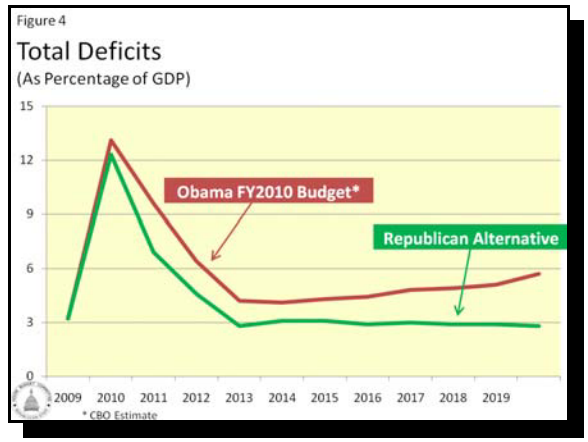
Still, the Democrats' willingness to heap more debt on future generations is only one of the moral failings in their fiscal strategy. Their big-government solutions drain the strengths of individual Americans. Their ostensibly "progressive" approach suffocates personal initiative and transforms self-reliance into a vice, and makes it virtuous to be dependent on government. It creates an aversion to risk, sapping the entrepreneurial spirit necessary for growth, innovation, and prosperity.

The Majority is pursuing the third major installment of the Federal Government's 20th century expansion. *Time* magazine captured this sense last November, with a picture of then-President-elect Obama as the new Franklin D. Roosevelt, and a cover headline that read: "The New New Deal." But that may actually understate the Democrats' ambitions, which point toward the paternalistic, and economically enervating, European model. The cover of *Newsweek* announced on 16 February 2009: "We Are All Socialists Now."

## THE REPUBLICAN APPROACH

An alternative path is available. It is informed by a fundamentally different vision – one that flows from a confidence in Americans themselves. It recognizes that responsibility is not a slogan but a way of life, the twin of freedom. It promotes ownership and private property because America depends on – has always depended on – the strength and character of responsible individuals who value self-sufficiency, personal accomplishment, and loyalty to their families and communities. This approach acknowledges the need for a sturdy safety net for those facing chronic or temporary problems; but it understands that the reliability of this safety net depends on a vibrant free enterprise sector to generate the resources for the government to use.




This budget builds on the initiative of individual Americans, exercised responsibly in a free economy and a democratic political system. Strengthening the role of the individual is the key to invigorating the society, and the economy, at large. The Republican budget also will keep alive the American legacy of leaving the next generation better off.

At the same time, it upholds Americans' compassion toward those who are less well off. It will strengthen the safety net by making it sustainable for the long term – which cannot be done under current policies or the Obama/Democratic budget.

Three main guidelines for this approach are the following:

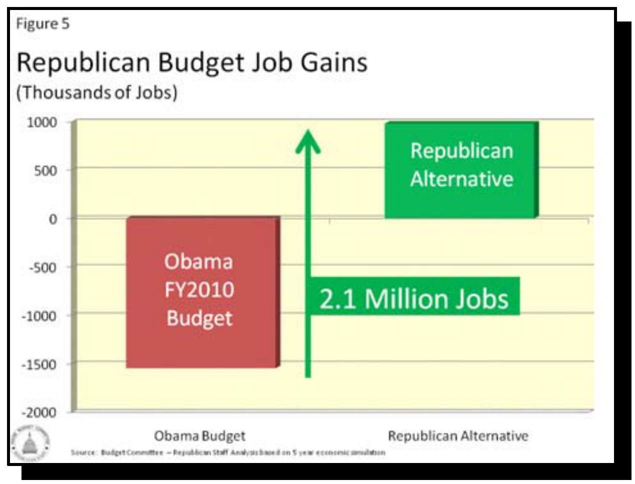
- *Spending is the Problem*. Every budgetary consequence starts with spending, and current spending trends are on a path to outpace even the substantial tax increases planned by the President and Democratic Majority. Controlling spending is the key to fiscal sustainability.
- *A Recession is No Time to Raise Taxes*. The President likes to contend that his proposed tax hikes will not occur until after the current recession has passed. But to threaten future tax increases will discourage businesses today from making the investments in expansion and job creation that are needed to restore economic growth.
- *Inaction is Not an Option*. Some of the most valued government programs – especially those with the mission of health and retirement security – are destined to collapse as currently structured. Those who cling to the status quo, claiming to "protect" these

programs, are only assuring their demise. Strengthening those programs demands reform – reform that should start now.

**THE EFFECT ON JOBS**

A good measure of the two budgets is their effect on job creation. The House Budget Committee Republican staff worked with the Heritage Foundation's Center for Data Analysis [CDA] to simulate the likely economic effects of the alternative budget plan relative to a tax and spending path that replicated the President's budget. The model used in this analysis was the Global Insight [GI] dynamic equilibrium growth model of the U.S. economy.

The CDA had run separate simulations of the President's tax plan and "stimulus" plan in recent months, and the Budget Committee staff combined these simulations to give a rough approximation of the likely economic effects of the President's budget over the budget horizon. That path was then compared to a simulation of the effects of the alternative budget's proposed tax and spending plan over that same budget horizon. The analysis focused on the difference in the jobs effect of the two policy paths.




The simulations show that the President's budget proposal would lead to a negative change in jobs relative to a policy baseline over the 5-year and 10-year budget horizon.

In contrast, the simulation of the Republican alternative budget shows a steady increase in jobs relative to a policy baseline over the 5 and 10-year budget horizon. By the fifth year (2014), the economy would produce roughly 855,000 more jobs under the alternative budget than the baseline path, according to the simulation. Under the President's budget, the economy would be producing more than 1.2 million *fewer* jobs than the baseline path in 2014, according to the same economic model. Therefore, the alternative budget implies a net increase of more than 2 million jobs compared to the President's budget by 2014.

# The Republican Budget Alternative

- **OVERVIEW**
- **THE 10-YEAR FISCAL PLAN**
- **DISCRETIONARY SPENDING POLICIES**
- **HEALTH AND RETIREMENT SECURITY**
- **ENERGY**
- **FEDERAL TAX REFORM**
- **RECONCILIATION**
- **BUDGET PROCESS REFORMS**
- **TWO BUDGETS: A COMPARISON**

# OVERVIEW

As noted previously, the Republican budget is informed by a vision fundamentally different from that of the President and the Democratic Majority. It flows from a confidence in the American character. It is built on the conviction that America's greatest strengths lie in *Americans themselves* – in their creativity, their productive capacities, and their personal initiative. It recognizes that freedom and responsibility necessarily go together – that responsibility and liberty depend on each other,[5] and that both must be *practiced*, in large things and small, to retain their vitality. Only when individuals are free to choose their own courses of action does "responsibility" have any meaning; and only by acting responsibly – accepting both the rewards and consequences of their choices – can individuals retain their freedom.[6]

One clear expression of these strengths is a diverse, resilient, and growing economy. Economic growth is the source of all the material benefits, and enhancements in the quality of life, that Americans enjoy. It also provides the expanding opportunities necessary for individual progress, and for individuals' confidence and trust in the society to which they belong. Therefore this plan, to the greatest extent possible, builds on the initiative of individual Americans, exercised responsibly in a free economy and a democratic political system. Strengthening the role of the individual is the key to invigorating the society, and the economy, at large. It also will keep alive the American legacy of leaving the next generation better off.

At the same time, the budget upholds Americans' compassion toward those who are less well off. It makes the safety net sustainable for the long term – which cannot be done under current policies or the Obama/Democratic budget.

As noted previously, the Republican budget has four principal goals:

- *To Restore Growth, Jobs, and Economic Leadership.* It supports a vibrant free-market sector by limiting the size and scope of government; it provides for low taxes and a competitive tax code; and it promotes a robust, diverse energy network that is under Americans' control.
- *To Control the Nation's Debts.* It halts the borrow-and-spend philosophy that brought about today's economic problems, and puts a stop to heaping ever-growing debts on future generations.
- *To Fulfill the Mission of Health and Retirement Security.* The budget reforms the health care marketplace by making quality coverage affordable and accessible for every

[5] The point is this. On the one hand, the notion of responsibility is meaningless if individuals are not free to make judgments and choices. On the other hand, if individuals fail to exercise this freedom responsibly – accepting both the rewards and consequences of their actions, and respecting the rights of others – their freedom inevitably will be restricted.

[6] As former British Prime Minister Thatcher put it in a speech to the Conservative Central Council on 15 March 1975: "Freedom is demanding but it brings out the best in men and women. It is the climate in which we thrive. I believe, as Harold McMillan said, that men and women walk in public gardens; but they cultivate their own."

American regardless of pre-existing health conditions. It reinforces the decision-making of patients and their doctors, not government bureaucrats; and it reforms Medicare and Medicaid to make them sustainable. The budget also advances the cause of strengthening Social Security.

- *To Preserve the American Legacy of Leaving the Next Generation Better Off*. The budget assures continued prosperity for today's children by gaining control of spending and debt, preserving health and retirement security, and rewarding work, savings, and investment.

To achieve these goals, the budget is constructed for both the near term – the next 10 years – and the longer term, covering 75 years.

- *The Near Term.* Unlike the Democratic Majority's budget, which spans only 5 years, this budget covers the 10 fiscal years of 2010-19. In this way, the budget candidly reflects the implications of its policies throughout the decade. This report discusses the major policy initiatives the budget is intended to drive.

- *The Longer Term*. It is well known that the United States faces a dramatic and permanent shift in the make-up of its population. The first wave of baby-boomer retirements has begun. As that process continues, it will put an immense strain on government health and retirement programs, and on the economy as a whole. Meeting this challenge demands reforms that fulfill the missions of these programs in a manner that is fiscally sustainable. It also calls for controlling government spending and modernizing the tax code so that the U.S. can retain its leadership in the global economy. To achieve, the long-term plan of the budget aims at spending and revenue trends consistent with the post-war average tax level of roughly 18.3 percent of gross domestic product. The goal, in other words, is to reach an effective balance of spending and revenue, thereby preventing the explosion of debt that will otherwise occur. This 75-year plan is described following the discussion of the 10-year budget.

# THE 10-YEAR FISCAL PLAN

This proposal calls for *getting back to the basics*: the Federal budget should emphasize the intrinsic responsibilities of the *Federal* Government – especially national defense, along with its adjunct, support for veterans.

In addition, the 10-year component of this budget is driven by several basic fiscal principles.

- *Spending is the Problem*. Every budgetary consequence starts with spending, and current spending trends are on a path to outpace even the substantial tax increases planned by the President and Democratic Majority. Controlling spending is the key to fiscal sustainability.

- *A Recession is No Time to Raise Taxes*. The President likes to contend that his proposed tax hikes will not occur until after the current recession has passed. But to threaten future tax increases will discourage businesses today from making the investments in expansion and job creation that are needed to restore economic growth.

- *Inaction is Not an Option*. Some of the most valued government programs – especially those with the mission of health and retirement security – are destined to collapse as currently structured. Those who cling to the status quo, claiming to "protect" these programs, are only assuring their demise. Strengthening those programs demands reform – reform that should start now.

### DISCRETIONARY SPENDING

The budget gives priority to the Federal Government's most important obligations, national defense, veterans' benefits, and homeland security activities. All other appropriated spending is level-funded for fiscal years 2010-14, and then increased at a moderate rate through 2019. The final allocation of these and other amounts will be determined by the Committee on Appropriations.

### MANDATORY SPENDING

Total mandatory spending increases by an average of 3.9 percent per year for the next 10 years. This is slightly slower growth than projected in the Congressional Budget Office baseline and the Obama/Democratic budget. It provides for a sustainable growth rate to assure the viability of these programs in the future, helping preserve the three largest and most significant entitlements: Social Security, Medicare, and Medicaid.

### OFFSETS

The budget function levels in a budget resolution are not binding. Ultimately, discretionary savings will be determined by the Committee on Appropriations, and mandatory savings will be determined by the committees of jurisdiction. The budget uses Function 920 to record these savings. The following is a list of offsets that have been assigned to this function:

- The nondefense, nonveterans discretionary freeze at the 2009 continuing resolution level (inflated after 5 years) is not spread to programmatic functions, but left to the appropriators to determine where reductions should fall.
- The savings from repeal of "stimulus" funding beyond this year, excluding unemployment insurance, is assigned to this function.
- Reconciliation instructions for a number of authorizing committees are not spread among the functions because the instructions are not program-specific. They call for a 1-percent reduction to the committees' allocations for reducing waste, fraud, and abuse in each committee's jurisdiction.
- Some savings assumed across the government for attrition in the Federal workforce.

## DEFICITS

The budget achieves lower deficits than the Obama/Democratic budget in every year, and by 2019 yields half the deficit proposed in the President's budget.

## DEBT HELD BY THE PUBLIC

By reducing deficits, the budget controls government debt. Debt held by the public is $875 billion lower than the President's budget in fiscal year 2010, and $3.6 trillion lower over the 10-year period.

# DISCRETIONARY SPENDING POLICIES

Discretionary spending is funding provided in annual appropriations bills for a wide range of government activities, including defense, education, highways, environmental protection, national parks, and other areas.

When national defense and veterans benefits are taken into account, the fiscal year 2010 Republican budget provides an ample level of discretionary funding for these programs and operations, while rejecting the irresponsible levels assumed in the Democratic budget resolutions and administration's budget. Savings from controlling discretionary spending while still making investments in key national priorities will help contribute to deficit reduction, including the additional $1.5 trillion in new deficits added over approximately the next 10 years since the President took office in January.

The budget also repeals "stimulus" spending beyond the current year, excluding unemployment insurance, and directs the savings to deficit reduction.

## NATIONAL DEFENSE

The Republican budget increases funding in 2010 by $5 billion more than the President, and matches the President's request in subsequent years. In addition, the budget fully funds the President's request for Overseas Contingency Operations in fiscal year 2009 and fiscal year 2010, to support U.S. troops in the field; and it assumes a $50-billion placeholder for these operations in every year thereafter, or for other unmet needs as determined at the time. These funding levels will meet the goals described by the Republicans on the Committee on Armed Services. As they put it:

> The United States is engaged in two wars vitally important to the Global War on Terror. While the administration does not like to acknowledge this reality, the President has in fact committed to continue to prosecute these important national engagements during the course of this budget resolution. Additionally, we face military challenges in a variety of other places, such as a bellicose Iran equipped with long-range missiles and dangerously close to nuclear weapons; an increasingly aggressive China; and instability in the Horn of Africa, the Korean peninsula, and the western Pacific to name a few.[7]

The budget recognizes this and would continue Republican support for a U.S. military and national security infrastructure that meets the complex national security engagements of the 21st century. These challenges require continued advances in technology and weapons systems. But above all it demands support for military personnel, the most important component of national security.

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[7] Committee on Armed Services Republicans, *Fiscal Year 2010 Budget Resolution – Armed Services Committee Perspective*, 20 March 2009.

## VETERANS

During a period of necessary spending restraint, the Republican budget still gives priority to veterans services and health care, exceeding the President's request in every year, including providing $53 billion in budget authority in fiscal year 2010. The budget also rejects the President's proposal to have the Department of Veterans Affairs [VA] bill third-party insurers for care provided for service-related conditions.

This level of funding accommodates the health care objectives identified by Republicans on the Committee on Veterans' Affairs. These include, among others, medical services; medical and prosthetic research; medical facilities; and major Veterans Health Administration construction projects.[8]

## OTHER DISCRETIONARY SPENDING

With all other discretionary spending, this budget reflects spending restraint. Overall funding for these categories is assumed to be level-funded through fiscal year 2014 before growing at a moderate rate through 2019. Additionally, as noted above, the budget captures savings by repealing "stimulus" funding beyond the current year, excluding unemployment insurance; and these savings go toward reducing the deficit.

This level of spending still provides the necessary resources for critical investments to secure U.S. borders and other homeland security activities, law enforcement, education, health research, transportation, program integrity initiatives, and other important activities. It simply requires choosing priorities and targeting funds to programs that have proven track records of working, while reducing or eliminating funding for duplicative and wasteful programs.

In addition the Republican budget assumes several important process reforms to ensure that the savings from removing lower priority discretionary spending in these areas are realized, including earmark reform, limits on advance appropriations, and statutory caps on discretionary spending. (See the "Budget Process Reforms" section of this report.)

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[8] Committee on Veterans' Affairs, *Republican Views and Estimates for Fiscal Year 2010*, 13 March 2009.

# HEALTH AND RETIREMENT SECURITY

One of this budget's most important achievements is starting down a path toward making the missions of health and retirement security fiscally sustainable for the long term. Because of this, current and future generations can be given the full opportunity and potential to prosper during their working lives, and dignity in retirement. The plan also embraces Americans' compassion for those in need.

While the budget reflects an abiding confidence in free markets, individual initiative, and personal responsibility, it recognizes that government can play a constructive role in the missions of health and retirement security. The budget seeks to fulfill these missions first by building on the free-market arrangements that have yielded the extraordinary economic foundation from which America's economic prosperity has grown. But in some areas, and for some persons, direct government assistance at times may be needed. The budget keeps these commitments by assuring its contributions are fiscally sustainable, and that they do not overburden future generations.

## THE PRIVATE HEALTH CARE MARKET

**Policy.** The budget reforms the health care marketplace by making quality health care coverage affordable and accessible for every American regardless of pre-existing health conditions. It lets Americans who like their health care coverage keep what they have; gives all Americans the freedom to choose the health care plan that best meets their needs; protects Americans from being forced into government-controlled health care plans; and ensures that health care decisions are made by patients and their doctors, not government bureaucrats. Medical professionals must not be prohibited – either through the use of comparative effectiveness data or otherwise – from providing and/or prescribing care they believe to be medically necessary.

**Justification.** The basic problems in health care financing and delivery have been accurately identified: while the U.S. consumes roughly 17 percent of its total economic resources in health care, rapidly rising costs leave nearly 50 million Americans without access to affordable health coverage. But many reformers have misdiagnosed the root cause of these problems. It is not a failure of the market, but the ways the market has been distorted largely due to government policies and programs. They have undermined the doctor-patient relationship and removed the individual patient from the decision-making process.

Every American should be able to afford and acquire preventive health care and treatment – regardless of employment, health status, or income level. No one should face bankruptcy because of a catastrophic illness; no one should be denied health coverage because they are branded "uninsurable." Yet few will be able to afford health care or insurance if rising costs continue to spiral out of control. Layering on more government control, regulation, and "management" cannot address the problem; it will only reduce the alternatives available to individuals and families. Further, because it will fail adequately to address the cost-drivers in health care, it will inevitably lead to rationing of care.

The only way to ensure that all Americans have access to quality health care is to confront the market distortions that created rising costs. Central to this idea is putting American families and their doctors back in control of their health care needs. Such an approach will not solve every problem in the complex network of health care delivery and financing; but it *will* correct the most fundamental flaws.

## MEDICARE AND MEDICAID

It is widely understood that the unsustainable rates of spending growth in these programs are driven by rising health care costs generally. Less frequently acknowledged is that *the converse also is true*: Medicare and Medicaid themselves contribute in their own way to medical inflation. These two programs account for roughly 34 percent of all health care spending nationally (including the State share of Medicaid), according to the most recent figures from CBO (see Table 1). Another 12 percent comes from other public programs, including those of State and local health departments, the Department of Veterans Affairs, and workers' compensation.

Such large infusions of government funds inevitably stoke rising medical costs. Furthermore, real per-capita growth in Medicare and Medicaid spending has outpaced that occurring in the market (see Table 2). This demonstrates that government spending tends to be less efficient than spending in the market. Hence, *overall medical costs cannot be tamed without also addressing the structure of the Federal health entitlements*.

Put another way, health care reform will fail if Congress fails to reform Medicare and Medicaid.

**Table 1: U.S. Health Care Spending, by Source of Funds, 2006**

| | Billions of Dollars | Percent of Total Spending |
|---|---|---|
| Private Spending | | |
| Private Health Insurance | 723.4 | 34.4 |
| Out-of-Pocket Payments | 256.5 | 12.2 |
| Other Private Spending[a] | 155.3 | 7.4 |
| **Subtotal: Private Health Spending** | **1,135.2** | **53.9** |
| Public Spending | | |
| Medicare | 401.3 | 19.1 |
| Medicaid[b] | 308.6 | 14.7 |
| Other Public Spending[c] | 260.5 | 12.4 |
| **Subtotal: Public Health Spending** | **970.4** | **46.1** |
| **Total** | **2,105.6** | **100.0** |

[a] Includes philanthropy and spending by on-site clinics maintained by employers.
[b] Includes both Federal and State spending.
[c] Includes spending by State and local health departments, the Department of Veterans Affairs, the Department of Defense, workers' compensation programs, and the State Children's Health Insurance Program.
Source: Congressional Budget Office, and Centers for Medicare and Medicaid Services.

**Table 2: Real Per Capita Growth in Medicare, Medicaid, and All Other Health Care Spending**
(percent growth)

| | Medicare | Medicaid | All Other | Total |
|---|---|---|---|---|
| 1975 to 1990 | 5.4 | 5.4 | 4.8 | 5.1 |
| 1990 to 2005 | 3.8 | 3.3 | 3.1 | 3.4 |
| 1975 to 2005 | 4.6 | 4.4 | 4.1 | 4.3 |

Source: Congressional Budget Office, *The Long-Term Outlook for Health Care Spending*, November 2007

Alice M. Rivlin, former budget director in the Clinton administration, made this point in testimony to the House Budget Committee:

> While restraining health spending growth should be a major feature of comprehensive health reform, Medicare is an ideal place to start the effort. Medicare is the largest payer for health services and should play a leadership role in collecting information on the cost and effectiveness of alternative treatments and ways of delivering services, and designing reimbursement incentives to reward effectiveness and discourage waste.[9]

Reform of the U.S. health care market cannot truly succeed in the absence of reforms to these major programs.

### Medicare

**Ten-Year Budget Policy.** The Republican budget expands protections for seniors against catastrophic medical costs, simplifies beneficiary contributions, updates Medicare payments, and increases flexibility for hospitals serving unusually high numbers of low-income patients. These enhancements are coupled with a readjustment of cost-sharing for *high-income beneficiaries only*, and a greater State role in targeting hospital funds. Specifically, the budget endorses the administration's proposal of income-relating the Medicare Part D (prescription drug) benefit (this is for the prescription drug benefit only), and it converts Medicare disproportionate share hospital [DSH] payments into an allotment tailored for each State's low-income population. To ensure the cost of frivolous litigation is not passed on to consumers in the form of higher health care premiums, the substitute caps non-economic damages in medical malpractice lawsuits.

Additionally, the substitute reinstates the Medicare trigger and designs an enforcement mechanism to lock in any savings resulting from Medicare funding warning legislation designed to reduce the program's general revenue spending exceeding 45 percent. By directing savings solely to deficit reduction, this provision will help Medicare fulfill its mission for the long term.

**Long-Term Reforms.** As the long-term fiscal burden of Medicare becomes more unsustainable, it is clear that – to fulfill the mission of Medicare – small and gradual changes to the program will not suffice. The substitute gradually converts the current Medicare program into one in which Medicare beneficiaries choose the most affordable coverage that best suits their individual needs.

*For individuals 55 or older, Medicare will not be changed (other than income-relating the prescription drug benefit)*: the budget preserves the existing program for these beneficiaries. To make the program sustainable and dependable, those 54 and younger will enroll in a new Medicare Program with health coverage similar to what is now available to Members of Congress and Federal employees; and they will receive a premium support payment equal to 100 percent of the Medicare benefit.

The reform targets support for those who truly need additional help. The premium support payment is risk-adjusted, so it increases with age and health status. It is income-related, so low-income seniors receive extra support to cover out-of-pocket costs, and high-income seniors (those with household incomes exceeding the President's benchmark level of $170,000) receive support relative to their annual incomes. Under the new program, premiums continue to be based on an average for all beneficiaries. As a result, phasing the younger population into the new program will not increase premiums for those who remain in the existing program.

The proposal retains the Medicare payroll tax of 2.9 percent of the Federal Insurance Contributions Act [FICA] and Self-Employed Contributions Act [SECA] payroll tax, as is the case now.

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[9] Rivlin testimony to the Committee on the Budget, U.S. House of Representatives, 27 January 2009.

**Justification.** Today, Medicare outlays are growing at a rate of 6.5 percent per year, more than twice the rate of current real GDP growth. Over the next 20 years, during which per-capita GDP is projected to grow an average of 1.1 percent per year, per-capita Medicare spending will increase by twice that amount, 2.2 percent, rising from $10,685 in 2006 to $18,116 in 2030 (adjusted for inflation). In coming decades, Medicare's per-capita spending rates will combine with a shift in the character of the U.S. population – toward one with a larger pool of retirees relative to workers – worsening its financial problems. Consequently, the impact of Medicare on the rest of the health care market will only grow.

In addition, Medicare has an unfunded liability of $36 trillion over the next 75 years. This means that the Federal Government would have to set aside $36 trillion today to cover future benefits for the three generations of Americans: retirees, workers, and their children. This translates to a burden of about $317,000 per U.S. household. Moreover, the problem worsens rapidly: in just the next 5 years, by 2013, Medicare's unfunded liability is projected to grow by 33 percent, to $48 trillion – or about $412,402 per household.

### Medicaid

**Ten-Year Budget Reforms.** The budget modernizes the Medicaid benefit by converting the Federal share of the Medicaid payment for acute care services into an allotment tailored for each State's low-income population, indexed for inflation and population growth. The reform enhances State flexibility and States' sensitivity to spending growth.

**Long-Term Reforms.** Converting the Federal share of the Medicaid benefit into an allotment tailored for each State's low-income population will allow States to offer their Medicaid populations more options. Medicaid recipients, like all other Americans, deserve to choose their own doctors and make their own health care decisions, instead of having the government dictate those decisions for them.

**Justification.** Medicaid spending is growing at a clearly unsustainable rate of about 7.5 percent per year, while maintaining a 10-percent payment error rate, according to the Government Accountability Office. State budgets are overwhelmed with these costs and Federal officials are struggling to meet the growing fiscal needs required to keep this program running. Meanwhile, Medicaid has fostered a two-tiered hierarchy within the health care marketplace that stigmatizes Medicaid enrollees. Providers are paid based on bureaucratically determined formulas that do not reflect the market. As a result, fewer and fewer providers are willing to participate in the program, meaning longer lines for beneficiaries, fewer operational clinics, and insufficient care.

Instead of helping the neediest gain access to the same level of care available to those with private insurance, the current Medicaid program forces both doctors and patients to accept bureaucratically determined standards of care at government-set prices. The result has been a fraying safety net that fails to sustain the most vulnerable; forces the medical community into making the impossible choice of providing care or going bankrupt (more than half of doctors today will not take Medicaid recipients); and threatens to overrun State budgets.

Patients suffer as a result. With administrators looking to control costs and providers refusing to participate in a system that severely under-reimburses their services, Medicaid beneficiaries ultimately are left navigating an increasingly complex system for even the most basic of procedures.

Low-income individuals should not be subject to second rate care simply because they receive more assistance from the government. Offering States more flexibility for their Medicaid beneficiaries will remove the stigma Medicaid recipients face, and allow them to take advantage of a range of options available. Several of the Nation's governors have made innovative proposals to fix Medicaid. This budget encourages further efforts in this direction.

Medicaid is outdated and fiscally unsustainable. Without major reform, Medicaid recipients' access to health care is in jeopardy. The right changes can form a more effective program, and also make the health care safety net stronger and more reliable for the neediest populations.

## SOCIAL SECURITY

**Policy.** Social Security as currently structured is going bankrupt and cannot fulfill its promises to future retirees. Without reform, its Trust Fund will reach exhaustion in 2041; as a result, future retirees face across-the-board benefit cuts of up to 22 percent in that year. Absent reform, this program will be unable to provide for those entering the workforce today, and will excessively burden future workers and sacrifice U.S. prosperity.

To head off these severe consequences, the budget creates a trigger in Social Security to help extend the program's viability. Specifically, the Social Security Administration [SSA] would be required to report on the ability to maintain currently scheduled benefits for workers. If the SSA finds the Trust Fund would be unable to meet those benefits within 5 years, the budget recommends the implementation of policies such as a small change in the way benefit payments are calculated for higher-income workers. This change comes from a policy promoted earlier by the current President's Director of the Office of Management and Budget. The recommendation includes:

- Reducing the 15-percent Primary Insurance Amount bracket by 0.25 percentage points per year, from the date at which SSA finds it cannot meet scheduled benefits within 5 years.

- Phasing in the proposal. Because the Trust Fund currently is expected to reach exhaustion by 2041, this provision would not arise until 2036. *It would not affect those at or near retirement, and no savings in Social Security are assumed in the budget.*

The proposal implements a recommendation developed by the current Director of the Office of Management and Budget. The current-law alternative to these small changes would be an immediate 22-percent across-the-board cut in Social Security benefits.

The budget also assures that lower-income beneficiaries receive benefits of at least 120 percent of the poverty level.

**Justification.** More than 30 million Americans depend on Social Security to provide a significant share of their retirement income. Since the program was enacted in 1935, it has served as a vital piece of the "three-legged stool" of retirement security, which today includes employer-provided pension plans and personal savings.

Still, President Roosevelt himself viewed Social Security as an *evolving* program. As he wrote in a 1939 message to Congress: "We shall make the most orderly progress if we look upon Social Security as a development toward a goal rather than a finished product. We shall make the most lasting progress if we recognize that Social Security can furnish only a base upon which each one of our citizens may build his individual security through his own individual efforts."[10] In this regard, Social Security is one critical, if unfinished, piece of retirement security for seniors – especially those with limited incomes.

That evolution must continue today, because Social Security's shrinking value and fragile condition pose a serious problem that threatens to break the broader compact in which workers support the generation preceding them, and earn the support of those who follow. To maintain the program's significant role in retirement security, the share of future retirees' income promised by Social Security must be fulfilled somehow. The legacy envisioned by President Roosevelt must be completed without bankrupting future workers.

This proposal is relatively modest compared with the magnitude of the Social Security challenge. But it will begin a process aimed at developing bipartisan reforms to ensure Social Security's sustainability over the long term. By choosing some of the reforms advocated by the Director of the Office of Management and Budget, it is hoped this proposal would move toward a consensus for saving and strengthening Social Security.

[10] Cited by the Historian's Office of the Social Security Administration, May 1996.

# Energy

The substitute budget lays a firm foundation to position U.S. to meet three important strategic energy goals: reducing U.S. dependence on foreign oil and natural gas; deploying more clean and renewable energy sources; and ensuring energy policy facilitates economic growth rather than constrains it.

## REDUCING DEPENDENCE

Americans have long recognized that dependence on foreign oil and natural gas threatens both national security and economic security. It is troubling that a significant percentage of U.S. energy needs is supplied by hostile regimes, which manipulate market prices through an anti-competitive cartel. Breaking free of this dependence entails producing more energy at home.

Despite access to abundant domestic resources, the Federal Government has adopted policies that largely prevent domestic production of oil and natural gas. Significant reserves are believed to be located in the Outer Continental Shelf, the Arctic National Wildlife Refuge, the Intermountain West, and various other Federal lands. Most of these resources remain off limits due to the misguided notion that America cannot produce oil and gas in an environmentally responsible way. In fact the opposite is true: every energy project on Federal lands undergoes a rigorous environmental review before production is approved. These include compliance with the National Environmental Policy Act, the Endangered Species Act, the Clean Water and Clean Air Acts, the Resources Conservation and Recovery Act, and a host of other environmental laws.

The substitute budget assumes increased revenues from bonus bids, rents, royalties, and fees from more domestic development of abundant U.S. reserves of oil and gas. It also recognizes that energy production can and should be conducted in a safe, environmentally responsible manner.

Despite success in promoting responsible energy production, U.S. environmental laws and regulations have recently been abused by special interest groups to block or delay otherwise safe energy projects. The Department of Interior reported in a recent study that lawsuits against energy projects on Federal lands increased 700 percent between 2000 and 2007. It also reported that environmental groups challenged all 487 leases issued by the in the Outer Continental Shelf off Alaska in 2008. Furthermore, it reports that nearly 50 percent of leases for energy projects in the Intermountain West region are facing legal challenge. Many of these suits are brought by special interest groups that are opposed to all forms of domestic energy production, regardless of their merit. These tactics have persuaded energy companies to abandon projects because of excessive legal fees and delays, despite never receiving a ruling from a Federal judge. To address this problem, this budget calls for a review and streamlining of environmental laws and regulations that apply to energy production within 360 days of adoption.

## DEPLOYING CLEAN AND RENEWABLE ENERGY TECHNOLOGIES

Increasing domestic oil and gas production alone will not end U.S. dependence on foreign oil. Designing the next generation of a transportation fleet to run on alternative fuels and electricity instead of fossil fuels is a critical component. This will require investing in research, development, and commercialization of alternative fuels and technologies, to find new ways for Americans to produce and deliver electricity.

The transportation sector, which currently runs almost exclusively on oil, represents approximately 29 percent of U.S. energy needs. Transitioning a large proportion of this sector to run on electricity will require hundreds, if not thousands, of new sources of generation. Coal is the most abundant and lowest cost of domestic energy resources. The U.S. cannot ignore the strategic value that coal provides. The U.S. must aggressively pursue the development and deployment of clean coal technologies so that the cheapest, most abundant energy source remains a vital component of the U.S. energy mix. The substitute budget assumes a significant level of new funding for a clean energy technology fund, part of which will be invested in new clean coal technology.

Nuclear energy also must play a critical role in transforming U.S. electricity generation. Currently, it is the only source of energy capable of producing large quantities of reliable, on-demand energy free of greenhouse gas emissions. Today it represents 73.6 percent of emissions-free electricity generation in the U.S., while hydro power represents 22 percent, and wind/solar/geothermal represent 4.4 percent. A Department of Energy study on Voluntary Reporting of Green House Gases shows increasing nuclear power generation is the most effective strategy at reducing emissions. Several recent studies on cap-and-trade proposals conclude an increase in nuclear generation capacity must occur to meet emissions targets. Clearly nuclear energy must play a vital role in meeting future greenhouse gas emissions goals. This budget assumes funding for supporting new nuclear energy technologies and the adoption of policies that encourage more development of nuclear power.

The budget also recognizes the increasing importance in developing renewable and alternative energy sources such as wind, solar, geothermal, bio-fuels, and other sources to move the U.S. toward a cleaner, more sustainable energy future. Development of these renewable technologies, in conjunction with new efforts to build the necessary transmission systems will help ensure that renewable energy will occupy a larger percentage of the United States' energy mix in the future.

Last, the budget recognizes that innovations in energy efficiency and transportation technologies, including advanced batteries, will be necessary to transition the economy into a cleaner, less energy-intensive future. The budget provides funding for these goals through both the regular Department of Energy budget and the new clean energy trust fund.

## FACILITATING ECONOMIC GROWTH THROUGH ENERGY POLICY

Energy is the lifeblood of the U.S. economy and underpins nearly all aspects of economic growth. The experience with $4 gasoline in 2008 highlights the sensitivity of the economy to high energy prices. During that time, prices skyrocketed not only for fuel, but also for food and other commodities, driving Americans to cut back on household spending to absorb the energy price shock. Many businesses in the shipping and transportation sectors shut their doors, and several airlines faced severe financial distress due to the price increases.

This experience taught Americans that low energy prices are a critical ingredient to keeping the economy healthy, while high prices lead to slower economic growth, destroy jobs, and place businesses and consumers in a financially vulnerable position.

Recognizing the economic harm of high energy prices, the Republican budget rejects the President's and the Majority's proposed cap-and-trade scheme. The budget also rejects the President's philosophy that "electricity prices would necessarily skyrocket" under his cap-and-trade plan. There is nothing more unnecessary than artificially causing power prices to skyrocket, especially for a policy that can be accomplished without draconian prices increases.

The budget also rejects the President's proposed $31-billion-to-$80-billion tax increase on domestic oil and natural gas producers. Studies show that every $1 billion invested in the oil and gas industry creates 5,400 jobs that pay an average of $45 per hour versus the national average of $17 per hour. On that basis, the President's tax increases could cost the economy 167,000 to 432,000 jobs, and would undoubtedly increase U.S. dependence on foreign oil.

Consistent with past practice, the substitute budget relies on Congressional Budget Office [CBO] estimates of revenue that would result from expanded domestic production of oil and natural gas. This new revenue is dedicated to the following:

- One third, or $1 billion, to a new Clean Energy Trust Fund.
- One third, or $1 billion, to the Highway Trust Fund.
- One third, or $1 billion, to deficit reduction.

Recent studies show, however, a much greater revenue potential for expanded oil and gas production than assumed by CBO. The American Energy Alliance [AEA] predicts that as much as $11.1 billion in annual Federal revenues, and $4.8 billion in State revenues, would accrue during the pre-production phase of expanded oil and gas development, leading to 270,000 additional jobs. Once full-scale production is achieved, AEA predicts up to 1.2 million new jobs will result, leading to $69 billion in annual Federal revenue and $18.7 billion in State revenue. Assuming AEA revenue estimates would increase funding for the initiatives outlined above as follows:

- One third, or $3.7 billion to $23 billion, to the Clean Energy Trust Fund.
- One third, or $3.7 billion to $23 billion, to the Highway Trust Fund.
- One third, or $3.7 billion to $23 billion, to deficit reduction.

It also would provide an additional $4.8 billion to $18.7 billion in revenue for States.

The substitute budget offers a clear path forward toward ending dependence on foreign oil, deploying clean energy technologies, improving highways, and addressing deficit reduction, all without raising a single dollar of new taxes or causing energy prices to "skyrocket,"which would kill jobs and harm the economy.

# FEDERAL TAX REFORM

## OVERVIEW

The Federal tax code is needlessly complex and burdensome, and it discourages economic growth and U.S. competitiveness. Further, taxpayers and their families face, in the next few years, sharply higher tax rates on income and investment compared to what they pay today. There is also the Alternative Minimum Tax [AMT], which becomes a more intractable problem every year.

For the longer term, the overall Federal tax burden is projected to reach unprecedented levels as a share of economic resources. The current tax code also puts American businesses and American-made products at a competitive disadvantage against foreign competitors, making it harder to keep jobs in the U.S. and to promote growth in the economy.

The problems in the Federal tax law cannot be corrected by merely tinkering with an excessively complex and burdensome tax code. What is needed is a restructuring of the tax laws – one that is broad and yet achievable. It is the kind of tax reform called for in this proposal.

The budget does not raise taxes. It permanently extends the tax relief provisions enacted in 2001 and 2003. It also extends the current AMT "patch," preventing more than 20 million additional taxpayers from being ensnared in this alternate tax system. It also allows individuals to choose how they will pay their Federal income taxes. It also enhances U.S. international competitiveness and the domestic investment climate by lowering the corporate income tax, which is currently the second highest in the industrialized world. Most important, this plan is designed to hold overall Federal tax revenue at roughly 18.3 percent of gross domestic product [GDP] for the foreseeable future – consistent with the historical average of the past 40 years – rather than allowing the tax burden to rise to unprecedented levels, as is assumed under current tax law.

## INDIVIDUAL INCOME TAXES

A world-class tax system should be simple, fair, and efficient. The U.S. tax code fails on all three counts. It is notoriously complex, as families must spend significant time and money navigating a labyrinth of deductions and credits, a host of different rules for characterizing income, and a variety of schedules for taxing that income. The code is also patently unfair, as many of the tax deductions and preferences in the system – which serve to narrow the tax base – are mainly used by a relatively small share of mostly higher-income individuals. It is also highly inefficient, as tax considerations (rather than economic fundamentals) often distort individual decisions to work, save, and invest, leading to a misallocation of resources and lower economic growth.

Individuals react negatively toward the tax code partly because it steers them toward certain activities and away from others. In addition, there are always a few "surprises" – such as the AMT – that end up raising their tax bills. They lack a certain control over their own financial lives.

This reform proposal attempts to solve these problem in a fundamentally American way: by offering individuals a choice. Individuals can choose to pay their Federal taxes under the existing tax code, with all the familiar deductions and schedules, or they could move to a highly simplified income tax system. The simplified plan broadens the tax base by clearing out nearly all the existing tax deductions and credits, compresses the tax schedule down to two low rates and retains a generous standard deduction and exemption level. The tax form for this system could fit on a postcard. The goal is a more simple, fair and efficient tax code, the components of which are described below.

**Includes No Tax Increases.** The budget permanently extends the tax relief provisions enacted in 2001 and 2003. Without this extension, taxpayers would face huge tax increases in 2011, including higher marginal tax rates, higher taxes per child, an elimination of the 10-percent bracket for lower-income workers, and higher taxes on investments, among others.

**Extends AMT 'Patch.'** The Alternative Minimum Tax originally was intended to apply to a small fraction of wealthy taxpayers. But because it was never indexed for inflation, it has in recent years threatened to ensnare millions of middle-income filers. Congress has extended protection from this AMT expansion on a year-by-year basis. This budget provides certainty to middle-class taxpayers by patching the AMT for the foreseeable future.

**Maintains Incentives for Savings and Investment.** This tax system maintains the current lower rates on capital gains and dividends for *all* taxpayers, thereby preventing a tax hike that would discourage much-needed investment. (The Majority's budget increases capital gains taxes by one third and allows dividend taxes to more than double.) This plan also eliminates the Death Tax, which discourages savings, penalizes success, and is particularly harmful to small businesses and family farms.

**Offers Taxpayers a Choice.** The proposal allows individual income taxpayers to make their own choices about how best to pay their taxes. Within 10 years of enactment of this legislation, individuals would choose one of the two tax systems. But individuals are allowed *one* additional changeover between the two tax systems over the course of their lifetimes. Individuals are also allowed to change tax systems when a major life event (death, divorce, or marriage) alters their tax filing status.

**Simplifies Income Tax Rates.** In contrast to the six tax rates in the current code, the simplified tax has just two rates: 10 percent on adjusted gross income [AGI] up to $100,000 for joint filers, and $50,000 for single filers; and 25 percent on taxable income above these amounts. These tax brackets are adjusted each year by a cost-of-living adjustment as measured by increases in the consumer price index [CPI]. This design maintains a large level of progressivity in the tax rate structure, as the top rate in two-and-a-half times higher than the lower rate. (See Table 3 on the next page for a comparison with current tax brackets.) Taxable income equals earnings minus a standard deduction and personal exemption.

**Broadens the Tax Base.** The new, simplified code eliminates nearly all existing tax deductions, exclusions, and other special provisions.

**Provides Generous Standard Deductions, and Personal Exemptions.** The standard deduction is $25,000 for joint tax filers, $12,500 for single filers. The personal exemption is $3,500. The combination is equivalent to a $39,000 exemption for a family of four.

The tables below compare the Simplified Tax rates with those in the current Federal tax code.

**Prevents Future Increase in Tax Burdens.** This individual tax system – in combination with the business tax changes described below – is designed to keep Federal revenues at approximately 18.3 percent of GDP for the foreseeable future, roughly equivalent to the historical average.

**Gives Taxpayers Greater Certainty.** Under current law, the scheduled expiration of the 2001 and 2003 tax relief measures along with a growing expansion of the AMT would push overall tax burdens to an unprecedented level in the coming years. By reforming the entire tax code and removing these upward pressures on taxes, this plan gives Americans peace of mind so that they can adequately plan for their financial future.

**Table 3: Tax Rate Comparison - Single Filers**

| Current Tax Code | | Simplified Tax | |
|---|---|---|---|
| Marginal Rate | Taxable Income | Marginal Rate | Taxable Income |
| 10 percent | $0-$7,825 | 10 percent | $0-$50,000 |
| 15 percent | $7,825-$31,850 | | |
| 25 percent | $31,850-$77,100 | 25 percent | $50,000 and over |
| 28 percent | $77,100-$160,850 | | |
| 33 percent | $160,850-$349,700 | | |
| 35 percent | $349,700 and over | | |

**Table 4: Tax Rate Comparison - Joint Filers**

| Current Tax Code | | Simplified Tax | |
|---|---|---|---|
| Marginal Rate | Taxable Income | Marginal Rate | Taxable Income |
| 10 percent | $0-$15,650 | 10 percent | $0-$100,000 |
| 15 percent | $15,650-$63,700 | | |
| 25 percent | $63,700-$128,500 | 25 percent | $100,000 and over |
| 28 percent | $128,500-$195,850 | | |
| 33 percent | $195,850-$349,700 | | |
| 35 percent | $349,700 and over | | |

## CORPORATE INCOME TAX

**Lowers the Corporate Income Tax.** The U.S. corporate income tax is the second highest in the industrialized world and its burden affects everyone: it leads to lower wages for workers; it reaches consumers in higher prices; and it affects investors through lower stock prices.

The tax also discourages foreign investment in the U.S., an important ingredient for innovation, business expansion, and job creation in the increasingly globalized world. This plan aims to address these problems by lowering the U.S. corporate tax rate from 35 percent to 25 percent, pushing it into the more competitive range among industrialized countries. The move would boost investment flows into the U.S. and encourage more foreign companies to do business and create jobs in the U.S. economy. It also would lessen the incentives for U.S.-based multinationals to keep their profits offshore to avoid a relatively high U.S. tax rate. That would tend to encourage the repatriation of profits and capital back to the U.S., where it could be put to productive use in the domestic economy. In conjunction with lowering the corporate tax rate, the budget assumes changes in some of the current tax preferences, such as repeal of the tax deduction for U.S. production activities (the section 199 deduction), as companies receiving this benefit will be taxed at the lower 25-percent rate.

It is important to recognize that foreign competitors are taxed at lower rates than U.S. corporations. This budget recognizes it is good policy to improve America's competitiveness, and to keep jobs in the United States.

## TEMPORARY PRO-GROWTH INCENTIVES

**Temporarily Suspends Capital Gains Taxes**. This budget eliminates capital gains taxes for the balance of 2009 and all of 2010. That would immediately increase the after-tax rate of return on capital, which would help stabilize the market and establish a floor on equity prices. The capital gains tax essentially lowers the return on risk-taking and discourages investment – much needed activities in the current market environment. Temporarily lifting this tax would give a significant boost to confidence and would unlock much-needed private capital that has been sitting on the sidelines throughout the credit crunch and economic recession.

# RECONCILIATION

Certain policy changes are driven by the reconciliation process, which directs authorizing committees to report legislation that achieves specified amounts of savings in programs within their respective jurisdictions. Specific policy changes, and the program affected, are determined by the authorizing committees.

The table below indicates the reconciliation savings instructions in this budget.

**Table 5: Reconciliation Directives by Committee**
(in billions of dollars)

| Fiscal Years | 2010-19 |
|---|---|
| Committee on Agriculture | -38.481 |
| Committee on Education and Labor | -22.708 |
| Committee on Energy and Commerce | -666.135 |
| Committee on Financial Services | -28.400 |
| Committee on Foreign Relations | -1.839 |
| Committee on the Judiciary | -4.320 |
| Committee on Government Reform | -10.263 |
| Committee on Natural Resources | -1.984 |
| Committee on Transportation and Infrastructure | -1.665 |
| Committee on Ways and Means | -605.049 |
| **Total** | **-1,380.844** |

# BUDGET PROCESS REFORMS

This resolution includes the following reforms to the budget process:

**Cap on Total Government Spending.** Establishes a binding cap on total spending as a percentage of gross domestic product [GDP] at the spending levels projected to result from the this legislation.

**Annual Long-Term Projections.** Requires that, every year, the Congressional Budget Office project Federal Government spending levels and compare those levels to the government spending limits.

**Moratorium on Earmarks.** Places a moratorium on congressional earmarks for 2009, until a commission reports reforms, and dedicates the savings to keeping taxes low.

**Repeal of the 'Gephardt Rule.'** Requires a separate vote on increasing the public debt, thereby repealing the so-called "Gephardt Rule."

**Cost Estimates on Conference Reports and Unreported Bills.** Establishes a point of order against consideration of conference reports or unreported bills (i.e. bills fashioned by the Rules Committee rather than the committee or committees of jurisdiction) unless accompanied by the Congressional Budget Office cost estimate.

**Limit on 'Advance Appropriations.'** Limits, to $23.565 billion, the amount of budget authority that can be appropriated for fiscal year 2011 or later.

**Discretionary Caps.** Sets levels of annual appropriations for each of the 10 years covered by the resolution – and creates a point of order against any budget resolution that does not extend these caps to apply to a new Congress. Separate caps are set for defense and non-defense spending.

**Strengthening of Pay-Go.** Applies pay-as-you-go [pay-go] to direct spending measures only, and prohibits the use of tax increases to finance increases in direct spending.

## TWO BUDGETS: A COMPARISON

| Issue | Obama/Democratic Budget | House Republican Budget |
|---|---|---|
| Deficit | - $1.8 trillion in 2009; $9.3 trillion over 10 years.<br><br>- Deficit equals 5.7 percent of GDP by 2019. | - $1.7 trillion in 2009 ($100 billion lower than the President).<br><br>- Deficits are $3.3 trillion lower for the 10-year period.<br><br>- Deficits fall below 3.0 percent of GDP over the 10-year period. |
| Debt | - Doubles the debt in just over 5 years; triples in just over 10 years.<br><br>- Debt equals $17.3 trillion by 2019, or 82.4 percent of GDP. | - Borrows $3.6 trillion less, resulting in a 65.1-percent debt-to-GDP ratio. |
| Total Spending | - Spending nearly doubles, rising from $2.983 trillion in 2008 to $5.1 trillion in 2019.<br><br>- Spending rises to 24.5 percent of GDP by 2019, 4 percentage points higher than the historical average. | - Spends $4.8 trillion less than the President over 10 years (through 2019).<br><br>- Spending falls to 20.7 percent of GDP, about the historical average. |
| Discretionary Spending | - Increases total discretionary spending by 6.5 percent in 2010.<br><br>- Increases nondefense spending by 9 percent in 2010.<br><br>- In contrast, family income increases by 1.3 percent this year and inflation is projected to be 1.2 percent in 2010. | - Freezes nondefense (excluding veterans) in 2010-14, then allows moderate increases through 2019. |
| Entitlement Spending | - Increases by $1.4 trillion over 10 years. | - Slows the average annual growth in mandatory spending from 5.3 percent to 3.9 percent. |
| Long Term | - Increases Medicare's unfunded liabilities from $36 trillion to $50 trillion.<br><br>- Does nothing to address insolvency of Medicare and Social Security.<br><br>- Spending, deficits, and debt begin to spiral out of control by 2030 and eventually drag down the U.S. economy by 2060.<br><br>- Debt exceeds 100 percent of GDP in 2030. | - Begins reforms to ensure the Federal Government can meet the mission of health and retirement security.<br><br>- Gains control of debt, which never exceeds 75 percent of GDP over the next 75 years.<br><br>- Extends the American legacy of leaving the next generation better off. |

(continued on next page)

| | | |
|---|---|---|
| Taxes | - Increases taxes by $1.5 trillion, including taxes on investors, small business, and energy. | - Provides tax incentives to use private capital, not taxpayer dollars, to unlock credit markets and encourage private sector investment and job growth.<br><br>- Suspends capital gains tax through 2010.<br><br>- Reduces corporate tax rate from second highest in the industrialized world to 25 percent.<br><br>- Produces 2.1 million more jobs than the President in the fifth year of the budget. |
| Energy | - Imposes a national energy tax through a cap-and-trade proposal that will cost the average family $1,600 annually. | - Reduces U.S. dependence on Foreign oil by opening domestic resources to environmentally sound exploration and development, and encourages the development of carbon-free nuclear energy. |
| Defense and Veterans | - Increases Department of Defense funding by 3.9 percent in 2010, and Veterans by 10.25 percent. | - Increases the President's request for defense by $5 billion; reserves $50 billion placeholder for unmet needs in DoD.<br><br>- Fully funds the House-reported level for the VA ($540-million increase over the President). |

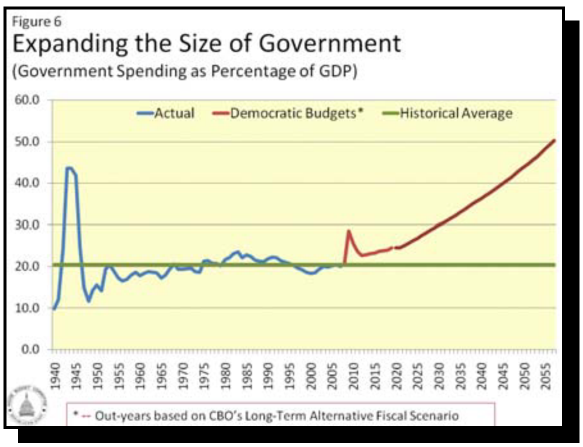
# THE LONGER-TERM BUDGET

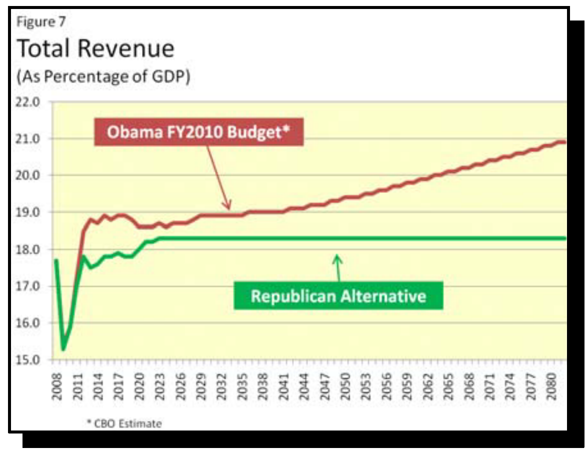
- **A CHOICE OF TWO FUTURES**

# A CHOICE OF TWO FUTURES

The trends described in this report translate into one of two possible fiscal futures for the U.S. The status quo leads to a level of government spending, financed by taxes or debt, that will cripple the U.S. economy and, as a result, deprive future working families of their potential prosperity, and future retirees of the very benefits government promises.

This pattern would worsen significantly under the Obama/Democratic budgets, with their increases in spending, taxes, deficits and debt. Their approach seeks not to right the ship, but to steer it toward a radically different course, straight into the fiscal tidal wave that is already building.




The other path entails a transformation of health care, Federal entitlements, and Federal taxes; restrains the growth of Federal Government spending to sustainable levels; and fulfills America's promises from one generation to another.

The discussion below compares the path of current-law spending and taxes with that of the alternative budget described in this report.

### AN UNSUSTAINABLE PATH

A useful point of reference is a set of estimates produced by the Congressional Budget Office [CBO] in December 2007. According to CBO's estimates, Federal spending trends were already leading toward unprecedented levels of taxes and debt, even before the recent economic troubles and the introduction of the President's large spending and tax increases. Because entitlement spending is governed by permanent law and runs automatically, unless Congress enacts new laws to address the problem, the country marches down this path of unsustainable debt or sharply higher tax levels.

The figures projected Federal spending, revenue, and deficits as shown in Table 6 on the next page. The table is developed from two assumptions: 1) that Congress increases spending only for specific policies approved in the past, such as adjustments to physician payments under Medicare; and 2) that current tax polices are extended, including provisions of the 2001 and 2003 tax laws, and the Alternative Minimum Tax [AMT] is indexed for inflation.[11]

As the table shows, the rate of "primary" Federal spending – excluding interest – rapidly outpaces this revenue path. But because all Federal spending must be financed somehow, the spending excess (reflected as the budget "deficit" in Table 6) causes increased amount of borrowing and interest payments. When these interest costs are included, Federal spending exceeds an alarming 40 percent of GDP by mid-century, and consumes three-fourths of economic resources by 2082.

The substantial borrowing demanded by this trend would rapidly increase to unprecedented levels. By 2031, Federal debt – which was 37 percent of GDP at the end of 2007 – would reach 109 percent of GDP, more than double the level of debt reached during the Civil War. But unlike those war years, when debt temporarily jumped to this escalated level and then quickly declined, the debt under the current fiscal outlook keeps rising, and at an accelerating rate.

The effect on economic performance and standards of living will be devastating, and it will be felt as those born today are completing college and beginning their careers. Workers and families will begin to see the growth in their wages and incomes erode. Another decade after that, standards of living begin to stagnate, and then decline in real terms. By 2060, the economy enters a free-fall, and CBO cannot model the economic impact later in that decade because debt rises to levels the economy cannot support.

**Table 6: Projected Federal Spending and Revenue, as Percentages of Gross Domestic Product**

| | 2007 | 2030 | 2050 | 2082 |
|---|---|---|---|---|
| Primary Spending[a] | | | | |
| Social Security | 4.3 | 6.1 | 6.1 | 6.4 |
| Medicare | 2.7 | 5.9 | 9.4 | 15.6 |
| Medicaid | 1.4 | 2.5 | 3.1 | 3.7 |
| Other Noninterest | 9.9 | 9.8 | 9.7 | 9.6 |
| Subtotal: Primary Spending | 18.2 | 24.2 | 28.3 | 35.3 |
| Interest | 1.7 | 4.8 | 13.6 | 40.1 |
| **Total Spending** | **20.0** | **29.0** | **41.8** | **75.4** |
| Revenue | 18.8 | 18.9 | 19.4 | 20.9 |
| Deficit (-) | -1.2 | -10.1 | -22.5 | -54.5 |

[a] Assumes spending increases that Congress typically has approved, such as adjustments in physician payments under Medicare.
[b] Assumes continuation of current tax law – including the provisions enacted in 2001 and 2003 – and adjustment of the Alternative Minimum Tax for inflation.
Source: Based on figures in *The Long-Term Budget Outlook*, Congressional Budget Office, December 2007.

The other alternative would be to raise taxes to finance growing entitlement spending. Notably, even large and unprecedented tax increases – from the scheduled expiration of the 2001 and 2003 tax provisions, and expansion of the AMT – could not keep pace with the rate of spending growth driving this scenario. As summarized recently by the Brookings-Heritage Fiscal Seminar:

> [R]estoring tax rates to pre-2001 levels will not close the gap between spending and revenues. . . . Even raising revenues as a percent of GDP to European levels

[11] CBO, *The Long Term Budget Outlook*, December 2007.

– levels that are unprecedented in the United States – will not be sufficient. If the wedge between spending and revenues attributable to social insurance programs continues to grow, taxes would have to be raised continuously and would eventually cripple the economy.[12]

CBO also found that financing this unrestrained rate of Federal spending with higher marginal tax rates yielded results similar to those from financing it with debt: over the long run, the economy cannot sustain the tax rates needed to finance this spending. CBO focused on three points in time: 2030, 2050, and 2080. CBO found that by 2050, income tax rates (individual and corporate rates) would have to rise by 90 percent to fund the projected spending path. In other words, the current 10-percent income tax bracket would rise to 19 percent, and the current top rate of 35 percent would rise to 66 percent.

Translating such a tax trend to its impact on families produces the following result: today, a family of four with a median income of roughly $66,000 pays slightly more than $3,100 in individual income taxes; applying the high-tax scenario to today's dollars, this family's income tax bill would jump to $5,900 – an increase of $2,800 (and this figure does not include payroll taxes.) By the end of the period (just past 2080), the top individual and corporate tax rates would have to increase by 150 percent – a tax burden that the economy simply could not sustain, CBO concluded.

Again, CBO made these estimates in 2007. The higher spending, taxes, and debt proposed by the President would only worsen the situation.

## THE PATH OF SUSTAINABLE GROWTH

By contrast, this budget charts a path of fiscal sustainability by keeping revenues as a percent of GDP at their historical average, and restraining spending to hold deficits within their historical levels. The result is that interest and debt accumulate at much slower rates than projected under current fiscal policy, and actually begin to decrease after peaking in mid-century.

**Table 7: Budget Alternative – Projected Federal Spending and Revenue, as Percentages of Gross Domestic Product**

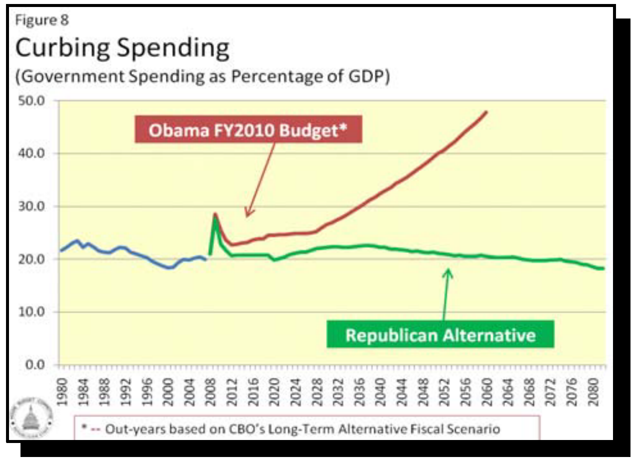
| | 2007 | 2030 | 2050 | 2082 |
|---|---|---|---|---|
| Primary Spending[a] | | | | |
| Health and Retirement Security | 8.4 | 12.2 | 10.7 | 10.3 |
| Other Noninterest | 9.8 | 7.8 | 7.0 | 6.3 |
| Subtotal: Primary Spending | 18.2 | 20.0 | 17.7 | 16.6 |
| Interest | 1.7 | 2.3 | 3.6 | 3.1 |
| **Total Spending** | **19.9** | **22.3** | **21.3** | **19.7** |
| Revenue | 18.7 | 18.3 | 18.3 | 18.3 |
| Deficit (-) | -1.2 | -4.0 | -3.0 | 1.4 |

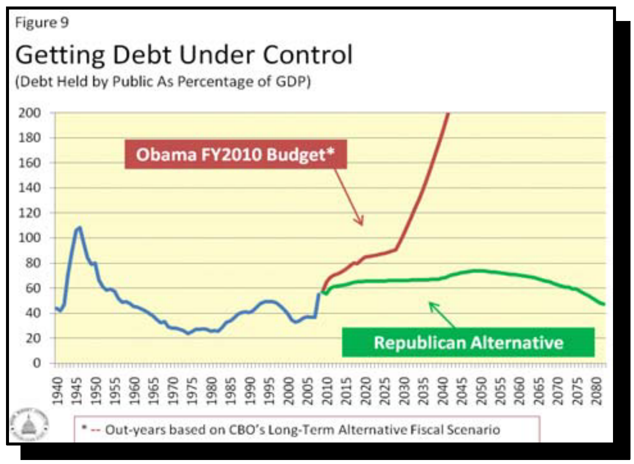
Source: Committee on the Budget.

[12] The Brookings-Heritage Fiscal Seminar, *Taking Back Our Fiscal Future*, April 2008.

Under this plan, Federal spending peaks in 2041 at 24.7 percent of GDP. With revenue projections held to 18.3 percent of GDP, this means the largest deficit faced under this plan is 6.2 percent of GDP.

Similarly, this budget keeps debt held by the public from spiraling to unsustainable levels. Under current policy, debt held by the public soars to the improbable level of more than 800 percent of GDP (though the economy would crash well before this level were reached). As CBO notes in *The Long-Term Budget Outlook*, countries that carry debt of more than 100 percent of GDP must change their fiscal policies because those levels are not sustainable over the long run.




This budget also slows the accumulation of debt held by the public, and eventually reduces debt year over year beginning just after the middle of the century. Although deficit and debt levels rise in this budget path, CBO concluded the economy could sustain them, and would be "considerably stronger" than under current policy.

Most important, real living standards continue to increase under this budget path. Data from CBO show that, under this scenario, the standard of living for a child born today would double (i.e. per-capita output would rise from $45,000 to more than $90,000) by the time he or she reached middle age, just after the middle of the century. In this way, the sustainable budget path continues the American legacy of leaving the next generation better off. *This is in sharp contrast with current fiscal policy, which would lead to stagnant, and eventually declining, standards of living.*

# SUMMARY TABLES

- TABLE S-1: BUDGET TOTALS
- TABLE S-2: BUDGET BY CATEGORY
- TABLE S-3: ADJUSTMENTS TO BASELINE
- TABLE S-4: TOTAL SPENDING AND REVENUES
- TABLE S-5: RECOMMENDED LEVELS FOR MAJOR CATEGORIES AS A PERCENT OF GDP

**Table S-1 Budget Totals**
(In billions of dollars and as a percent of GDP)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Totals 2010-2014 | Totals 2010-2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Budget Totals in Billions of Dollars:** | | | | | | | | | | | | | | |
| Receipts | 2,524 | 2,151 | 2,287 | 2,561 | 2,810 | 2,893 | 3,041 | 3,195 | 3,327 | 3,470 | 3,604 | 3,742 | 13,591 | 30,928 |
| Outlays | 2,983 | 3,878 | 3,280 | 3,256 | 3,246 | 3,397 | 3,570 | 3,713 | 3,896 | 4,032 | 4,187 | 4,335 | 16,749 | 36,913 |
| Deficit | -459 | -1,727 | -993 | -696 | -437 | -504 | -529 | -518 | -570 | -563 | -584 | -593 | -3,158 | -5,984 |
| Debt held by the public | 5,803 | 7,763 | 8,571 | 9,252 | 9,728 | 10,240 | 10,831 | 11,405 | 12,039 | 12,677 | 12,978 | 13,655 | | |
| **Budget Totals as a Percent of GDP:** | | | | | | | | | | | | | | |
| Receipts | 17.7% | 15.3% | 15.9% | 17.0% | 17.8% | 17.5% | 17.6% | 17.8% | 17.8% | 17.9% | 17.8% | 17.8% | 17.2% | 17.5% |
| Outlays | 21.0% | 27.6% | 22.8% | 21.6% | 20.6% | 20.6% | 20.7% | 20.7% | 20.8% | 20.7% | 20.7% | 20.7% | 21.3% | 21.0% |
| Deficit | -3.2% | -12.3% | -6.9% | -4.6% | -2.8% | -3.1% | -3.1% | -2.9% | -3.0% | -2.9% | -2.9% | -2.8% | -4.1% | -3.5% |
| Debt held by the public | 40.8% | 55.2% | 59.5% | 61.4% | 61.7% | 62.1% | 62.8% | 63.5% | 64.4% | 65.2% | 64.3% | 65.1% | | |

**Table S-2 Budget by Category**
(Outlays in billions of dollars)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Totals 2010-2014 | Totals 2010-2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Budget Categories in Billions of Dollars:** | | | | | | | | | | | | | |
| Mandatory Spending | | | | | | | | | | | | | |
| Social Security………………. | 677 | 695 | 720 | 748 | 782 | 821 | 863 | 912 | 966 | 1,024 | 1,086 | 3,766 | 8,618 |
| Other Mandatory…………….. | 1,785 | 1,188 | 1,125 | 1,058 | 1,104 | 1,159 | 1,190 | 1,260 | 1,291 | 1,319 | 1,337 | 5,634 | 12,031 |
| Total ……………………………. | 2,462 | 1,884 | 1,845 | 1,806 | 1,886 | 1,980 | 2,053 | 2,173 | 2,257 | 2,343 | 2,423 | 9,400 | 20,649 |
| Discretionary Spending | | | | | | | | | | | | | |
| Defense (050)……………….. | 667 | 690 | 658 | 638 | 637 | 642 | 654 | 672 | 683 | 694 | 714 | 3,266 | 6,683 |
| Non Defense………………… | 579 | 539 | 552 | 547 | 548 | 548 | 548 | 549 | 552 | 553 | 556 | 2,734 | 5,491 |
| Total……………………………. | 1,246 | 1,229 | 1,210 | 1,185 | 1,185 | 1,190 | 1,202 | 1,221 | 1,234 | 1,247 | 1,270 | 6,000 | 12,175 |
| Net Interest…………………….. | 170 | 167 | 201 | 256 | 325 | 400 | 457 | 502 | 541 | 597 | 643 | 1,349 | 4,089 |
| Total Outlays………………… | 3,878 | 3,280 | 3,256 | 3,246 | 3,397 | 3,570 | 3,713 | 3,896 | 4,032 | 4,187 | 4,335 | 16,749 | 36,913 |

**Table S-3 Adjustments to Baseline**
(In billions of dollars)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2010-14 | 2010-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CBO baseline deficit/surplus (-)** | **459** | **-1,667** | **-1,139** | **-693** | **-331** | **-300** | **-310** | **-282** | **-327** | **-312** | **-325** | **-423** | **-2,773** | **-4,442** |
| **Adjustments:** | | | | | | | | | | | | | | |
| Extend EGTRRA and JGTRRA | --- | --- | -4 | -121 | -217 | -247 | -260 | -271 | -281 | -290 | -298 | -307 | -850 | -2,297 |
| Index AMT for Inflation | --- | --- | -7 | -69 | -31 | -34 | -37 | -41 | -46 | -53 | -60 | -70 | -177 | -448 |
| Interaction between Extending Expiring and Reforming AMT | --- | --- | --- | -13 | -44 | -49 | -53 | -58 | -64 | -70 | -77 | -85 | -159 | -514 |
| Remove Extension of Recurring Emergencies | --- | --- | 51 | 70 | 80 | 89 | 97 | 107 | 116 | 124 | 131 | 141 | 387 | 1,006 |
| Debt Service | --- | --- | --- | -1 | -6 | -16 | -31 | -46 | -63 | -82 | -103 | -125 | -54 | -474 |
| Subtotal | --- | --- | 41 | -134 | -218 | -257 | -285 | -310 | -338 | -372 | -408 | -446 | -853 | -2,727 |
| **Adjusted baseline deficit/surplus (-)** | **459** | **-1,667** | **-1,098** | **-827** | **-549** | **-557** | **-595** | **-592** | **-665** | **-684** | **-733** | **-869** | **-3,626** | **-7,169** |

## Table S-4 Total Spending and Revenues

(In billions of dollars)

| Fiscal year | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2010-2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Summary** | | | | | | | | | | | | | | |
| Total Spending | | BA | 4,179.153 | 3,246.523 | 3,175.792 | 3,221.310 | 3,388.888 | 3,577.154 | 3,727.214 | 3,908.172 | 4,047.418 | 4,207.116 | 4,324.288 | 36,823.875 |
| | | OT | 3,877.957 | 3,279.936 | 3,256.431 | 3,246.376 | 3,396.630 | 3,569.760 | 3,712.541 | 3,896.342 | 4,032.214 | 4,187.389 | 4,334.901 | 36,912.520 |
| | On-Budget | BA | 3,653.504 | 2,691.668 | 2,601.381 | 2,626.004 | 2,767.920 | 2,928.726 | 3,047.662 | 3,191.583 | 3,288.776 | 3,402.832 | 3,471.097 | 30,017.649 |
| | | OT | 3,355.330 | 2,727.108 | 2,684.319 | 2,653.894 | 2,778.937 | 2,924.914 | 3,037.015 | 3,184.193 | 3,278.461 | 3,388.274 | 3,487.199 | 30,144.314 |
| | Off-Budget | BA | 525.649 | 554.855 | 574.411 | 595.306 | 620.968 | 648.428 | 679.552 | 716.589 | 758.642 | 804.284 | 853.191 | 6,806.226 |
| | | OT | 522.627 | 552.828 | 572.112 | 592.482 | 617.693 | 644.846 | 675.526 | 712.149 | 753.753 | 799.115 | 847.702 | 6,768.206 |
| Revenues | Total | | 2,150.688 | 2,286.993 | 2,560.598 | 2,809.732 | 2,892.726 | 3,041.036 | 3,195.023 | 3,326.602 | 3,469.643 | 3,603.670 | 3,742.202 | 30,928.225 |
| | On-Budget | | 1,497.570 | 1,618.785 | 1,865.734 | 2,083.686 | 2,126.661 | 2,238.870 | 2,361.363 | 2,462.383 | 2,572.003 | 2,671.254 | 2,773.775 | 22,774.515 |
| | Off-Budget | | 653.117 | 668.208 | 694.864 | 726.045 | 766.065 | 802.166 | 833.660 | 864.219 | 897.639 | 932.416 | 968.428 | 8,153.710 |
| Surplus/Deficit (-) | Total | | -1,727.269 | -992.943 | -695.833 | -436.645 | -503.904 | -528.724 | -517.518 | -569.740 | -562.571 | -583.719 | -592.699 | -5,984.295 |
| | On-Budget | | -1,857.760 | -1,108.323 | -818.585 | -570.208 | -652.276 | -686.043 | -675.652 | -721.810 | -706.457 | -717.020 | -713.424 | -7,369.799 |
| | Off-Budget | | 130.490 | 115.380 | 122.752 | 133.563 | 148.372 | 157.320 | 158.134 | 152.070 | 143.886 | 133.301 | 120.726 | 1,385.504 |
| Debt (Public) | | | 7,763 | 8,571 | 9,252 | 9,728 | 10,240 | 10,831 | 11,405 | 12,039 | 12,677 | 12,978 | 13,655 | |
| **By Function** | | | | | | | | | | | | | | |
| National Defense (050) | | BA | 693.557 | 696.703 | 619.767 | 628.785 | 639.535 | 653.458 | 668.321 | 683.448 | 699.003 | 715.041 | 731.508 | 6,735.569 |
| | | OT | 671.725 | 696.128 | 663.705 | 643.223 | 642.425 | 647.334 | 659.306 | 677.586 | 688.336 | 699.584 | 720.053 | 6,737.680 |
| International Affairs (150) | | BA | 40.885 | 35.588 | 35.381 | 35.967 | 37.207 | 38.414 | 39.983 | 40.758 | 41.561 | 42.332 | 43.179 | 390.370 |
| | | OT | 37.797 | 39.430 | 39.612 | 38.879 | 38.229 | 37.610 | 37.678 | 37.809 | 38.295 | 38.860 | 39.496 | 385.898 |
| General Science, Space, | | BA | 35.389 | 29.905 | 30.132 | 30.356 | 30.557 | 30.883 | 30.828 | 31.873 | 32.444 | 32.997 | 33.609 | 313.584 |
| and Technology (250) | | OT | 30.973 | 31.845 | 31.288 | 30.346 | 30.443 | 30.709 | 30.542 | 31.484 | 32.019 | 32.571 | 33.153 | 314.400 |
| Energy (270) | | BA | 43.919 | 4.534 | 4.579 | 4.765 | 5.126 | 5.246 | 5.314 | 5.404 | 5.506 | 5.040 | 4.662 | 50.176 |
| | | OT | 2.952 | 7.144 | 11.004 | 12.932 | 11.514 | 9.746 | 6.264 | 4.420 | 4.263 | 3.736 | 3.781 | 74.804 |
| Natural Resources and | | BA | 56.009 | 35.185 | 35.428 | 36.118 | 36.225 | 36.806 | 37.078 | 38.111 | 38.996 | 40.420 | 41.293 | 375.660 |
| Environment (300) | | OT | 36.834 | 41.367 | 40.695 | 39.709 | 38.525 | 38.063 | 37.614 | 38.252 | 39.042 | 39.309 | 40.027 | 392.603 |
| Agriculture (350) | | BA | 24.974 | 23.747 | 24.784 | 21.698 | 22.508 | 23.176 | 22.574 | 22.694 | 22.959 | 23.586 | 24.247 | 231.973 |
| | | OT | 23.070 | 23.994 | 24.076 | 17.598 | 22.087 | 22.153 | 21.518 | 21.792 | 22.007 | 22.616 | 23.099 | 220.940 |
| Commerce and Housing | | BA | 699.092 | 57.181 | 27.920 | 10.520 | 18.966 | 13.149 | 13.473 | 13.393 | 18.342 | 18.331 | 18.555 | 209.830 |
| Credit (370) | | OT | 670.090 | 84.530 | 37.628 | 8.898 | 6.825 | -0.787 | -2.364 | -2.064 | 3.580 | 1.704 | 6.406 | 144.356 |
| | On-budget | BA | 694.439 | 53.919 | 25.853 | 10.548 | 18.989 | 13.166 | 13.482 | 13.394 | 18.333 | 18.313 | 18.526 | 204.523 |
| | | OT | 665.437 | 81.268 | 35.561 | 8.926 | 6.848 | -0.770 | -2.355 | -2.063 | 3.571 | 1.686 | 6.377 | 139.049 |
| | Off-budget | BA | 4.653 | 3.262 | 2.067 | -0.028 | -0.023 | -0.017 | -0.009 | -0.001 | 0.009 | 0.018 | 0.029 | 5.307 |
| | | OT | 4.653 | 3.262 | 2.067 | -0.028 | -0.023 | -0.017 | -0.009 | -0.001 | 0.009 | 0.018 | 0.029 | 5.307 |
| Transportation (400) | | BA | 122.457 | 73.942 | 74.428 | 74.959 | 75.482 | 76.250 | 77.055 | 77.947 | 78.847 | 79.758 | 80.761 | 769.429 |
| | | OT | 87.784 | 95.080 | 95.330 | 94.496 | 94.646 | 94.986 | 94.657 | 93.628 | 93.754 | 95.243 | 96.852 | 948.672 |
| Community and Regional | | BA | 23.811 | 15.337 | 15.243 | 15.372 | 15.292 | 15.450 | 15.679 | 15.949 | 16.230 | 16.502 | 16.807 | 157.861 |
| Development (450) | | OT | 29.983 | 28.736 | 25.640 | 22.255 | 19.425 | 17.388 | 16.052 | 15.373 | 15.537 | 15.798 | 16.050 | 192.254 |
| Education, Training, Employment | | BA | 164.276 | 94.430 | 100.425 | 104.574 | 99.607 | 106.379 | 107.578 | 110.808 | 113.222 | 114.972 | 116.738 | 1,068.733 |
| and Social Services (500) | | OT | 73.219 | 140.624 | 138.168 | 109.894 | 105.778 | 104.136 | 109.050 | 111.157 | 113.434 | 115.574 | 117.370 | 1,165.185 |
| Health (550) | | BA | 380.158 | 382.701 | 362.157 | 366.206 | 384.837 | 393.583 | 416.232 | 440.850 | 472.198 | 502.675 | 535.998 | 4,257.437 |
| | | OT | 354.397 | 388.322 | 366.125 | 365.877 | 380.587 | 394.963 | 414.586 | 438.783 | 469.835 | 500.219 | 533.214 | 4,252.511 |
| Medicare (570) | | BA | 427.076 | 442.815 | 487.442 | 491.952 | 540.003 | 593.406 | 618.202 | 674.176 | 698.771 | 724.830 | 804.287 | 6,075.884 |
| | | OT | 426.736 | 442.947 | 487.269 | 491.715 | 540.125 | 593.211 | 617.949 | 674.288 | 698.566 | 724.560 | 804.379 | 6,075.009 |
| Income Security (600) | | BA | 520.123 | 531.436 | 502.767 | 444.772 | 448.294 | 448.678 | 451.192 | 461.271 | 464.233 | 467.351 | 481.975 | 4,701.969 |
| | | OT | 503.020 | 536.129 | 506.623 | 445.920 | 448.504 | 447.863 | 450.486 | 460.636 | 463.622 | 466.592 | 480.964 | 4,707.339 |

## Table S-4 Total Spending and Revenues

(In billions of dollars)

| Fiscal year | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2010-2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Social Security (650) | BA | 686.427 | 702.796 | 727.399 | 756.260 | 790.978 | 830.189 | 873.451 | 922.860 | 977.535 | 1,035.766 | 1,097.751 | 8,714.985 |
| | OT | 682.849 | 700.892 | 725.233 | 753.586 | 787.853 | 826.607 | 869.425 | 918.420 | 972.696 | 1,030.597 | 1,092.262 | 8,677.571 |
| On-budget | BA | 31.820 | 20.255 | 23.380 | 26.478 | 29.529 | 32.728 | 35.875 | 39.021 | 42.449 | 46.094 | 49.994 | 345.803 |
| | OT | 31.264 | 20.378 | 23.513 | 26.628 | 29.679 | 32.728 | 35.875 | 39.021 | 42.499 | 46.094 | 49.994 | 346.409 |
| Off-budget | BA | 654.607 | 682.541 | 704.019 | 729.782 | 761.449 | 797.461 | 837.576 | 883.839 | 935.086 | 989.672 | 1,047.757 | 8,369.182 |
| | OT | 651.585 | 680.514 | 701.720 | 726.958 | 758.174 | 793.879 | 833.550 | 879.399 | 930.197 | 984.503 | 1,042.268 | 8,331.162 |
| Veterans Benefits and | BA | 97.705 | 106.358 | 112.806 | 108.643 | 113.722 | 115.929 | 118.184 | 124.798 | 124.546 | 124.034 | 132.515 | 1,181.535 |
| Services (700) | OT | 94.831 | 105.017 | 111.832 | 107.500 | 112.512 | 114.819 | 117.546 | 124.320 | 124.059 | 123.478 | 131.887 | 1,172.970 |
| Administration of Justice (750) | BA | 55.783 | 54.159 | 52.227 | 52.785 | 53.363 | 54.247 | 55.345 | 56.664 | 58.019 | 61.193 | 64.023 | 562.025 |
| | OT | 49.853 | 52.611 | 54.395 | 54.581 | 54.157 | 54.058 | 55.083 | 56.349 | 57.658 | 60.826 | 63.627 | 563.345 |
| General Government (800) | BA | 30.405 | 21.590 | 21.869 | 22.218 | 21.988 | 22.481 | 23.050 | 23.673 | 24.344 | 25.069 | 25.833 | 232.115 |
| | OT | 24.629 | 22.457 | 22.744 | 23.311 | 22.800 | 22.760 | 23.200 | 23.780 | 24.099 | 24.743 | 25.350 | 235.244 |
| Net Interest (900) | BA | 169.844 | 167.001 | 201.387 | 255.746 | 325.027 | 400.156 | 457.384 | 502.665 | 540.608 | 594.839 | 642.557 | 4,087.369 |
| | OT | 169.844 | 167.001 | 201.387 | 255.746 | 325.027 | 400.156 | 457.384 | 502.465 | 540.608 | 596.839 | 642.557 | 4,089.169 |
| On-budget | BA | 289.044 | 282.801 | 317.087 | 373.346 | 447.727 | 530.456 | 595.684 | 649.165 | 695.308 | 757.439 | 813.257 | 5,462.269 |
| | OT | 289.044 | 282.801 | 317.087 | 373.346 | 447.727 | 530.456 | 595.684 | 648.965 | 695.308 | 759.439 | 813.257 | 5,464.069 |
| Off-budget | BA | -119.200 | -115.800 | -115.700 | -117.600 | -122.700 | -130.300 | -138.300 | -146.500 | -154.700 | -162.600 | -170.700 | -1,374.900 |
| | OT | -119.200 | -115.800 | -115.700 | -117.600 | -122.700 | -130.300 | -138.300 | -146.500 | -154.700 | -162.600 | -170.700 | -1,374.900 |
| Allowances (920) | BA | -0.120 | -145.294 | -172.721 | -148.918 | -174.485 | -182.519 | -201.917 | -232.899 | -264.079 | -296.107 | -445.841 | -2,264.779 |
| | OT | -0.012 | -240.726 | -238.695 | -178.622 | -189.489 | -187.808 | -201.643 | -225.865 | -253.329 | -283.946 | -409.457 | -2,409.580 |
| Undistributed Offsetting | BA | -92.617 | -83.592 | -87.628 | -91.468 | -95.343 | -98.207 | -101.792 | -106.271 | -115.867 | -121.513 | -126.169 | -1,027.850 |
| Receipts (950) | OT | -92.617 | -83.592 | -87.628 | -91.468 | -95.343 | -98.207 | -101.792 | -106.271 | -115.867 | -121.513 | -126.169 | -1,027.850 |
| On-budget | BA | -78.206 | -68.444 | -71.653 | -74.620 | -77.585 | -79.491 | -82.077 | -85.522 | -94.114 | -98.707 | -102.274 | -834.487 |
| | OT | -78.206 | -68.444 | -71.653 | -74.620 | -77.585 | -79.491 | -82.077 | -85.522 | -94.114 | -98.707 | -102.274 | -834.487 |
| Off-budget | BA | -14.411 | -15.148 | -15.975 | -16.848 | -17.758 | -18.716 | -19.715 | -20.749 | -21.753 | -22.806 | -23.895 | -193.363 |
| | OT | -14.411 | -15.148 | -15.975 | -16.848 | -17.758 | -18.716 | -19.715 | -20.749 | -21.753 | -22.806 | -23.895 | -193.363 |

**Table S-5 Recommended Levels for Major Categories as a Percent of GDP**

| Calendar Year | Debt | Health and Retirement Security | Other Non Interest Spending | Total Spending | Revenues | Deficits |
|---|---|---|---|---|---|---|
| **2020** | 33% | 10.3% | 8.1% | 19.8% | 18.0% | -1.5% |
| **2021** | 33% | 10.6% | 8.0% | 20.1% | 18.2% | -1.8% |
| **2022** | 34% | 10.8% | 8.0% | 20.4% | 18.2% | -2.1% |
| **2023** | 35% | 11.2% | 8.0% | 20.8% | 18.3% | -2.5% |
| **2024** | 37% | 11.4% | 7.9% | 21.0% | 18.3% | -2.7% |
| **2025** | 39% | 11.6% | 7.9% | 21.3% | 18.3% | -3.0% |
| **2026** | 40% | 11.7% | 7.9% | 21.4% | 18.3% | -3.1% |
| **2027** | 43% | 11.9% | 7.9% | 21.7% | 18.3% | -3.4% |
| **2028** | 44% | 12.1% | 7.9% | 22.0% | 18.3% | -3.7% |
| **2029** | 47% | 12.0% | 7.8% | 22.1% | 18.3% | -3.8% |
| **2030** | 49% | 12.2% | 7.8% | 22.3% | 18.3% | -4.0% |
| **2031** | 51% | 12.2% | 7.7% | 22.3% | 18.3% | -4.0% |
| **2032** | 53% | 12.3% | 7.7% | 22.3% | 18.3% | -4.0% |
| **2033** | 55% | 12.2% | 7.6% | 22.3% | 18.3% | -4.0% |
| **2034** | 57% | 12.2% | 7.6% | 22.2% | 18.3% | -3.9% |
| **2035** | 58% | 12.3% | 7.5% | 22.4% | 18.3% | -4.1% |
| **2036** | 60% | 12.2% | 7.5% | 22.4% | 18.3% | -4.1% |
| **2037** | 62% | 12.2% | 7.4% | 22.5% | 18.3% | -4.2% |
| **2038** | 64% | 12.1% | 7.4% | 22.5% | 18.3% | -4.2% |
| **2039** | 66% | 12.0% | 7.4% | 22.4% | 18.3% | -4.1% |
| **2040** | 67% | 11.8% | 7.3% | 22.3% | 18.3% | -4.0% |
| **2041** | 69% | 11.7% | 7.3% | 22.2% | 18.3% | -3.9% |
| **2042** | 70% | 11.5% | 7.3% | 21.9% | 18.3% | -3.6% |
| **2043** | 71% | 11.4% | 7.2% | 21.9% | 18.3% | -3.6% |
| **2044** | 72% | 11.3% | 7.2% | 21.8% | 18.3% | -3.5% |
| **2045** | 72% | 11.2% | 7.1% | 21.6% | 18.3% | -3.3% |
| **2046** | 73% | 11.0% | 7.1% | 21.5% | 18.3% | -3.2% |
| **2047** | 73% | 11.1% | 7.1% | 21.6% | 18.3% | -3.3% |
| **2048** | 74% | 10.8% | 7.0% | 21.3% | 18.3% | -3.0% |
| **2049** | 74% | 10.7% | 7.0% | 21.2% | 18.3% | -2.9% |
| **2050** | 74% | 10.7% | 7.0% | 21.3% | 18.3% | -3.0% |
| **2051** | 74% | 10.6% | 6.9% | 21.1% | 18.3% | -2.8% |
| **2052** | 73% | 10.5% | 6.9% | 20.9% | 18.3% | -2.6% |
| **2053** | 73% | 10.5% | 6.9% | 20.8% | 18.3% | -2.5% |
| **2054** | 73% | 10.4% | 6.8% | 20.7% | 18.3% | -2.4% |
| **2055** | 72% | 10.4% | 6.8% | 20.7% | 18.3% | -2.4% |
| **2056** | 72% | 10.3% | 6.8% | 20.5% | 18.3% | -2.2% |
| **2057** | 71% | 10.3% | 6.7% | 20.5% | 18.3% | -2.2% |
| **2058** | 71% | 10.3% | 6.7% | 20.5% | 18.3% | -2.2% |
| **2059** | 71% | 10.4% | 6.7% | 20.7% | 18.3% | -2.4% |
| **2060** | 71% | 10.4% | 6.6% | 20.5% | 18.3% | -2.2% |
| **2061** | 70% | 10.3% | 6.6% | 20.4% | 18.3% | -2.1% |

| Calendar Year | Debt | Health and Retirement Security | Other Non Interest Spending | Total Spending | Revenues | Deficits |
|---|---|---|---|---|---|---|
| **2062** | 70% | 10.3% | 6.6% | 20.3% | 18.3% | -2.0% |
| **2063** | 69% | 10.3% | 6.5% | 20.2% | 18.3% | -1.9% |
| **2064** | 68% | 10.3% | 6.5% | 20.3% | 18.3% | -2.0% |
| **2065** | 67% | 10.3% | 6.4% | 20.4% | 18.3% | -2.1% |
| **2066** | 67% | 10.2% | 6.4% | 20.2% | 18.3% | -1.9% |
| **2067** | 66% | 10.2% | 6.4% | 20.0% | 18.3% | -1.7% |
| **2068** | 65% | 10.3% | 6.3% | 19.8% | 18.3% | -1.5% |
| **2069** | 64% | 10.3% | 6.3% | 19.7% | 18.3% | -1.4% |
| **2070** | 63% | 10.3% | 6.3% | 19.7% | 18.3% | -1.4% |
| **2071** | 62% | 10.3% | 6.2% | 19.7% | 18.3% | -1.4% |
| **2072** | 61% | 10.3% | 6.2% | 19.8% | 18.3% | -1.5% |
| **2073** | 61% | 10.3% | 6.2% | 19.9% | 18.3% | -1.6% |
| **2074** | 59% | 10.4% | 6.1% | 19.9% | 18.3% | -1.6% |
| **2075** | 59% | 10.2% | 6.1% | 19.6% | 18.3% | -1.3% |
| **2076** | 57% | 10.2% | 6.1% | 19.5% | 18.3% | -1.2% |
| **2077** | 56% | 10.2% | 6.0% | 19.4% | 18.3% | -1.1% |
| **2078** | 54% | 10.2% | 6.0% | 19.0% | 18.3% | -0.7% |
| **2079** | 52% | 10.2% | 6.0% | 18.9% | 18.3% | -0.6% |
| **2080** | 50% | 10.2% | 5.9% | 18.6% | 18.3% | -0.3% |
| **2081** | 48% | 10.2% | 5.9% | 18.3% | 18.3% | 0.0% |
| **2082** | 47% | 10.1% | 5.9% | 18.2% | 18.3% | 0.1% |