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**THE HOUSE DEMOCRATIC BUDGET  
THE MAJORITY'S ENTITLEMENT FAILURE**

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Despite repeated warnings that Federal entitlements must be reformed to be saved, the Democratic budget deliberately puts off reform for at least 5 years – inviting a fiscal and economic crisis for these programs.

**THE NEED FOR REFORM**

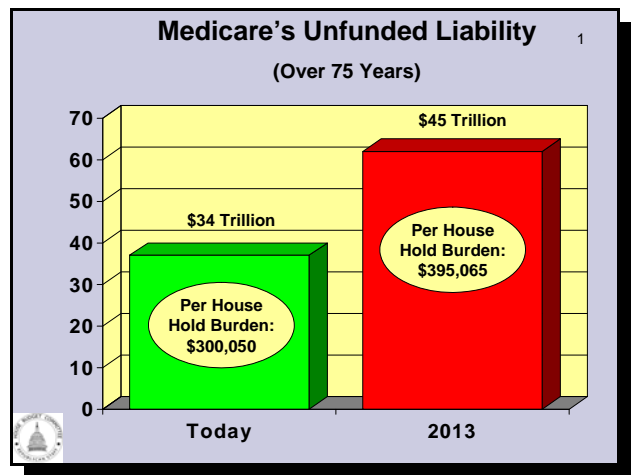
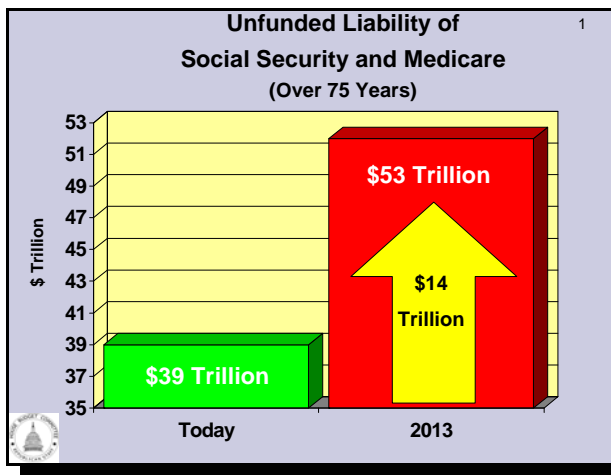
Numerous experts have warned that Congress must begin reforming the Federal Government's largest entitlement programs to ensure they are sustainable for future generations. Some examples:

- “Unless action is taken to bring program cost in line with available resources, the coming surge of entitlement spending will end in a fiscal train wreck that will have an adverse impact on the U.S. economy and virtually every American.” - Government Accountability Office, *The Federal Government's Financial Health: A Citizens Guide to the 2007 Financial Report of the United States Government*, February 2008
- “Rising health care costs are a problem in general . . . We're on an unsustainable path, so something is going to have to give.” - Congressional Budget Office Director Peter R. Orszag, testimony to the Committee on the Budget, U.S. House of Representatives, 23 January 2008
- “Without early and meaningful action to address entitlements, the U.S. economy could be seriously weakened, with future generations bearing much of the cost.” - Federal Reserve Chairman Ben S. Bernanke, testimony to the Committee on the Budget, U.S. House of Representatives, 28 January 2007

**FACTS ABOUT THE ENTITLEMENT CHALLENGE**

- Even if taxes were increased by \$683 billion in the next 5 years, as proposed in the Democratic budget, Federal spending at its current rate will outpace Federal revenue by increasing amounts over the next several decades.
- This problem is mainly due to the Federal Government's entitlement programs, which are growing at an average of 6 percent per year – twice as fast as inflation, and faster than the entire economy.

- The principal drivers of this problem are Medicare and Medicaid, both of which are growing at more than 7 percent per year.
  - Social Security is growing at 6 percent per year.
  - Even if the budget were balanced today, these programs *alone* would drive it right back into deficit.
- The first baby boomer received her first Social Security check last month. Right on her heels, about 10,000 boomers will be added to Social Security *each day*; and by the time a child born today reaches adulthood, *more than 80 million* Americans will qualify for both Social Security and Medicare. In other words, the challenge for these programs will only get harder.
- By *doing nothing* over the 5 years of their budget resolution, the Democrats are allowing the long-term unfunded liability of Medicare and Social Security on future generations to grow by \$14 trillion, or 37 percent, from \$39 trillion to nearly \$53 trillion.
- This represents a growth in unfunded liability of over \$40,000 for every man, woman, and child in the United States.
  - In Medicare alone, the unfunded liability will grow from \$34 trillion to \$45 trillion. That translates to an increased cost per household from \$300,050 now to \$395,065 in just 5 years.



- In less than a decade, entitlements will take up 62 percent of the entire Federal budget; and they will keep growing until they crowd out all our other spending – including education, science, the environment, agriculture, and even homeland security and defense.
- By 2019, Medicare benefits will have to be reduced by 21 percent, or taxes increased significantly, or some combination of the two, if nothing is done to reform the program. Similarly, by 2041, Social Security benefits will have to be reduced by 25 percent, taxes increased significantly, or some combination of the two, if no reforms are enacted.

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- By 2040, three entitlement programs – Social Security, Medicare, and Medicaid *alone* – will consume 20 percent of the U.S. economy. That is equivalent to the cost of the *entire Federal Government* today; and it will take twice the current rate of taxes *just to maintain the current level of entitlement benefits*.
  - But this challenge is also an *opportunity* – an opportunity to make these programs better, more efficient, more responsive, more sustainable for the future. *It is an opportunity Democrats are ignoring*.