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BUDGET CONFERENCE REPORT – FISCAL YEAR 2009
HIGHER SPENDING, HIGHER TAXES, NO REFORM

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The budget conference report for fiscal year 2009 calls for record tax increases, raises discretionary spending by \$241 billion above the President over 5 years, and does nothing to reform entitlements or earmarks. Even worse, Democrats already have signaled their intent to put off appropriations until after the next election – making this “budget” an exercise in futility. Here are some key points about the budget conference report.

Table 1: Summary of the Budget Resolution Conference Report

Table with 7 columns (Year) and 6 rows (Total Outlays, Total Revenue, Surplus/Deficit(-), Debt Held by the Public). Data points for 2008-2013 are provided for each row.

- The Largest Tax Increase in History. Though Democrats claim otherwise, the budget raises taxes by at least \$683 billion over the next 5 years. These include increases in marginal tax rates; elimination of the 10-percent bracket for lower-income taxpayers; higher taxes on marriage, children, small businesses, and estates; and higher tax rates on investments. The tax hikes occur for two reasons.
- Required by PAYGO. The budget operates under the Democrats’ pay-as-you-go [PAYGO] rule, which requires capturing the full \$683 billion in additional revenue from these tax increases.
- The Trigger. If they waive their PAYGO rule, the budget still contains a “trigger” that requires these tax increases unless surpluses are large enough to offset them.

But even if the Congress could overcome these two hurdles, the tax increase they admit to is “only” \$347 billion over 5 years – still the largest tax increase in history, and bigger than the \$240.6-billion increase in the Omnibus Budget Reconciliation Act of 1993.

- Higher Taxes Feed Higher Spending. The Majority’s budget needs these tax increases to support its alarming spending increases (see Table 1 above):
- More Than \$1 Trillion in Discretionary Spending. The conference report increases discretionary spending by \$21 billion above the President’s request, pushing it above \$1 trillion for 2009. This translates to a spending increase of \$241 billion when extended over 5 years.

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- *Entitlements Continue on Automatic Pilot.* This budget does nothing to address the growing entitlement problem. Medicare and Social Security alone currently face \$40 billion in unfunded liabilities, and that figure is growing unchecked every year.
  - **Budgeting by Proxy.** Instead of doing real budgeting, the Majority offers extravagant new spending in the form of 31 “reserve funds,” for veterans, renewable energy, higher education, and numerous other initiatives. Unfortunately, these are not empty promises: they reflect the Majority’s pursuit of more spending – *beyond what is already contained in the budget* – chased by higher taxes.
  - **Record Debt Increase.** Although the Majority claims to balance the budget by 2012, the conference report results in *the largest annual debt increase in history* – from \$8.921 trillion in 2007 to \$9.575 trillion by the end of the current fiscal year (30 September 2008) – an increase of \$654 billion this year.
  - **Pork Over Paychecks – No Earmark Reform.** Having repeatedly decried the scandal of earmarks, the Majority does nothing in the budget to address them. Last year’s appropriations bills included some 11,000 earmarks totaling \$14.8 billion – and under this budget, the trend will continue.
  - **Fails to Reflect Additional War Supplemental Funding.** The budget resolution includes only the war supplemental amount requested by the President. Any additional supplemental spending will increase the deficits in this conference report.
  - **An Exercise in Futility.** As noted, Democratic leaders already have indicated they will put off most or all of the 2009 appropriations bills until after the election – because they do not want to deal with President Bush, who will not support their \$241-billion spending increase over the next 5 years. Final appropriations have run late on numerous previous occasions. But this would be the first time Congress has *deliberately* stalled on 40 percent of the budget.