



RSC Policy Brief:
Highlights of the President's FY 2009 Budget Request
February 4, 2008

- The President's budget proposes \$3.11 trillion in total spending in FY 2009 (including additional supplementals), an increase of \$176 billion or 6.0%, as measured in federal outlays. This would be the first time federal spending exceeds \$3 trillion (it surpassed \$2 trillion in FY 2002 and \$1 trillion in 1987). Total spending over five years would amount to *\$15.99 trillion*.
- The President's budget projects a FY 2008 deficit of \$410 billion and a FY 2009 deficit of \$407 billion, the second and third largest nominal deficits in history respectively—though as a share of GDP the deficit has been higher in many other prior years. The budget meets the Administration's goal of eliminating the deficit by 2012 (see table below).

	FY07		FY08	FY09	FY10	FY11	FY12	FY13
	Budget Estimate	Actual						
Unified Deficit (-)	-244	-162	-410	-407	-160	-95	+48	+29
% of GDP	-1.8%	-1.2%	-2.9%	-2.7%	-1.0%	-0.6%	+0.3%	+0.2%

- Discretionary spending (excluding emergency spending) would total \$987.6 billion, an increase of \$46.2 billion or 4.9% over FY 2008. Defense would total \$515.4 billion, an increase of \$35.9 billion or 7.5% over FY 2008. \$40.1 billion is provided for homeland security spending, an increase of \$3.9 billion or 10.7% over the prior fiscal year. Non-security discretionary spending (excluding foreign aid, which the President deems as security spending) would be increased by \$1.3 billion or 0.3% above FY 2008. When foreign aid is decoupled from security spending, non-security discretionary spending would total \$432.1 billion, an increase of \$6.4 billion or 1.5% above FY 2008.
- Though total non-defense, non-homeland security spending increases by 1.5%, some departments and agencies receive much larger increases including: Department of Commerce (18.4% increase), Legislative Branch (17.7% increase), Small Business Administration (15.5% increase), and Department of State and other international programs (16.5% increase).
- Other departments and agencies receive reductions including: Department of Agriculture (4.8% reduction), Department of Health and Human Services (2.1% reduction), Department of Interior

(3.7% reduction), Department of Labor (7.8% reduction), Corps of Engineers (15.1% reduction), and Department of Transportation (25.7% reduction).

- Mandatory spending—programs on “auto-pilot” accounting for 61% of total spending—would increase by \$101 billion or 5.6% over FY 2008, as measured in outlays. The President proposes \$208.2 billion in mandatory savings over five years, including \$178.2 billion in Medicare savings and \$17.4 billion in Medicaid savings. Overall, mandatory spending would grow at an average of 5.4% over five years.
- For FY 2009, \$75.8 billion in emergency spending *is assumed* in the President’s submission—\$70 billion for operations in Iraq and Afghanistan and \$5.8 billion in further hurricane/Gulf Coast relief (for additional levee improvements). For the current fiscal year, an additional \$108.1 billion *is assumed* in the President’s submission (all of it for war funding).
- Medicare spending would increase by \$17 billion or 4.3% over FY 2008 and grow at an average of 5.4% through FY 2013—even after including the President’s proposals to save \$178.2 billion in Medicare funding over five years.
- Social Security would increase by \$34 billion or 5.6% over FY 2008 and grow at an average of 5.9% through FY 2013, as measured in outlays. In addition, the President funds one year of the transition to proposed Social Security personal accounts, costing \$30 billion.
- Medicaid and SCHIP spending would increase by \$13 billion or 6.2% over FY 2008 and grow at an average of 7.1% through FY 2013—after including both the President’s proposals to save \$17.4 billion and spend \$19.3 billion over five years.
- Veterans medical care would increase from \$34.0 billion to \$38.7 billion—an increase of \$4.7 billion or 14.0% over FY 2008.
- The budget proposes to terminate or reduce 151 programs at a savings of \$18.2 billion in FY 2009.
- The budget would prevent \$737.4 billion in tax increases over five years by making permanent the tax cuts from 2001 and 2003 and extending other expiring tax provisions, while proposing an additional \$125.7 billion over five years in tax relief, including \$98.4 billion for health care-related tax provisions. Only one year of AMT relief is proposed (\$60.9 billion in FY 2009).
- The budget includes most of the provisions of the RSC consensus budget process reform legislation, the Family Budget Protection Act (H.R. 2084) including: a joint budget resolution, discretionary spending caps, a pay-as-you-go (PAYGO) provision for mandatory spending, a legislative line-item veto, biennial budgeting, government shutdown protection, and a sunset commission.

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