



John Spratt,
Chairman

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

207 Cannon House Office Building, Washington, DC 20515 (202) 226-7200 ★ www.budget.house.gov

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Administration's Mid-Session Budget Review: Largest Deficit in History

Today's release of the Administration's last required budget update includes a record deficit of \$482 billion for 2009.

This number completes the dramatic fiscal reversal of the last eight years – converting the biggest surpluses in history from the previous Administration into the biggest deficits in history.

Unfortunately, even when faced with the fiscal consequences of its policies, this Administration offers more of the same failed approach – more deficit-financed tax cuts targeted largely at those who need the help the least.

Mid-Session Review

	FY 2008	FY 2009
Outlays (spending)	\$2.9 trillion	\$3.1 trillion
Revenues	\$2.6 trillion	\$2.7 trillion
Deficit	\$389 billion	\$482 billion

Economic Record is Bleak — This Administration has produced a weak economic record for America. The current disruptions in the housing and financial markets and spike in unemployment come after years of subpar economic performance. The brief recession of 2001 was followed by the weakest recovery in modern history – with GDP, investment, job growth, and other key indicators growing at rates below average for other economic expansions. For example, the typical American family's annual income has declined by almost \$1,000 during this Administration.

The Promising Fiscal Outlook Has Disappeared — When President Bush took office, the non-partisan Congressional Budget Office projected a surplus over the next ten-year period of \$5.6 trillion. That sum provided an opportunity to address some of the major issues facing our country, including preparing for the needs of the retiring baby-boom generation. This Administration had other priorities – most notably huge tax cuts – and the surplus was squandered and replaced with record deficits. When this Administration leaves office, it will have nearly doubled federal debt, adding as much debt in eight years as all of the administrations from George Washington to Ronald Reagan *combined*.

Administration Promotes Same Failed Fiscal Prescription — Despite its record of economic failures, the Administration promotes more of the same policies that have contributed to our current fiscal woes. The Administration continues to push misplaced priorities – cutting key services and underfunding investments in order to help pay for \$2 trillion in new tax cuts that heavily benefit those who need the help the least.

Examples of Broken Government Abound — Meanwhile, the Administration has cut domestic services to the detriment of their ability to meet our country's needs. Backlogs for receiving Social Security and veterans' disability benefits, deteriorating public housing stock, unacceptable facilities for wounded soldiers at Walter Reed, and contaminated food supplies and inadequately inspected toys are all symptoms of underfunding under the Administration's policies.

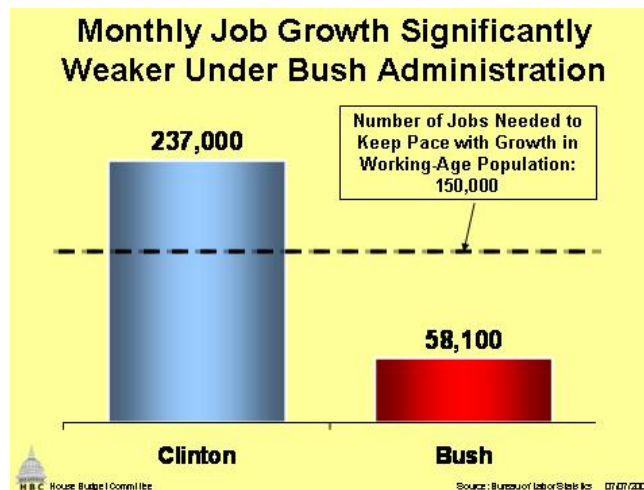
Democrats Leading the Way to Restore Fiscal Responsibility — The new majority in the 110th Congress has been leading the way to get our budget back on the right track. The House rules package adopted in the first week of the new Congress included a tough pay-as-you-go rule, and House committees have produced fiscally responsible legislation to comply with the rule. Meanwhile, the Congress earlier this year adopted a budget resolution conference report that returns the budget to balance by 2012 – the first election-year budget resolution passed since 2000.

Today's News

More Record Deficits on this Administration's Watch — The Mid-Session Review shows a 2008 deficit of \$389 billion, the third largest in history. The news worsens for 2009: the Review shows a record deficit of \$482 billion, \$69 billion greater than the previous largest deficit recorded in 2004. Since the Administration released its most recent budget in February, the 2009 deficit has gotten worse by \$75 billion. In short, this Administration has turned the record surpluses it inherited into record deficits.

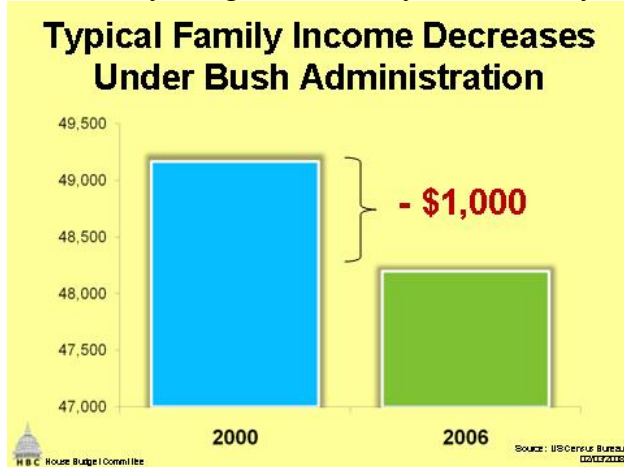
Dismal Economic Record

Fewer New Jobs Are Available, the Unemployment Rate Has Spiked, and More Workers Face Extended Unemployment — The economy, which created more than 200,000 jobs per month between 1993 and 2000, has averaged only 58,100 new jobs a month since 2001 – less than half the pace needed to keep up with the growth of the working-age population. This weak job market has left nearly 2.5 million more workers unemployed, with an increasing number remaining unemployed for more than six months. The manufacturing sector has been particularly hard hit, with a loss of 3.6 million jobs.



Hard Work Has Not Yielded Increases in Real Family Income — American workers are more productive than ever, but many are not enjoying the fruits of their labor.

Productivity has grown robustly since 2000, yet the real (inflation-adjusted) median family income *fell* by almost \$1,000 by 2006. While real income has declined for most households, our most vulnerable citizens have fared the worst: in 2006, 36.5 million Americans were living below the poverty line – an increase of 5.4 million since 2000.



Other Economic Indicators Headed in Wrong Direction — The price of oil has quintupled since 2002, which has translated into record prices at the pump and helped push consumer

confidence to the lowest levels since 1992. Meanwhile, housing foreclosure rates are at record levels, and millions more Americans are making do without health insurance compared to 2000.

Promising Fiscal Outlook Has Disappeared

Administration Has Broken Promise of Dramatic Debt Reduction— The Administration claimed that the policies in its first budget (for FY 2002) would result in the most dramatic debt *reduction* in history. Instead, we’ve seen the most dramatic debt *increase* in history. Federal debt stood at \$5.7 trillion when this Administration took office. It now stands at \$9.5 trillion, having added as much debt as all the previous presidents from Washington to Reagan combined. This debt is accumulating at the worst possible time, just as the baby boom generation begins to retire. This period will bring renewed fiscal challenges as changes in our population will mean fewer workers to support each retiree. It is essential to get our fiscal house in order now to meet these challenges.

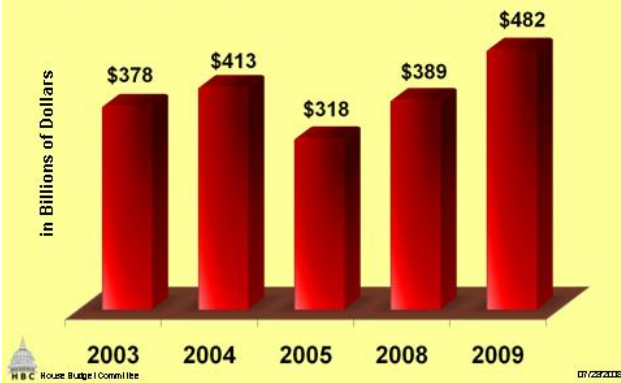
From the President’s First Budget Message:

“[Our budget] will retire nearly \$1 trillion in debt over the next four years... ”

-George W. Bush, Feb. 28, 2001

Wrong Kind of Records Set — During this Administration, the government has posted the highest deficits in history. In 2001, this Administration inherited a budget with a surplus that was projected to grow to nearly three quarters of a trillion dollars for 2009 alone. Today’s deficit projection of \$482 billion for 2009 represents a deterioration of over a trillion dollars from that projection. All told, the \$5.6 trillion projected ten-year (2002-2011) surplus inherited by the Administration has been squandered, transformed –

Bush Administration Responsible for Five Biggest Deficits In American History



according to the Administration’s own estimates – into a \$2.8 trillion deficit over the same period, a swing of \$8.5 trillion.

Administration Continues to Promote Same Flawed Policies and Priorities

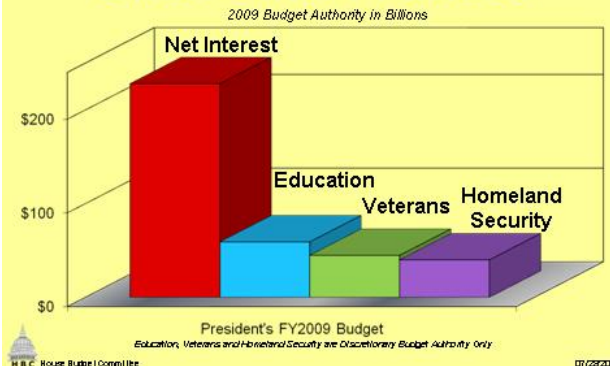
— The President’s 2009 budget contains the same policies that led to record deficits and ignores the need to invest in vital services for families and communities. To help pay for a fraction of its \$2 trillion in new tax

cuts over the next ten years, which largely benefit the most fortunate, the President’s budget imposes harmful cuts on a range of critical services. The President’s budget cuts Medicare by \$557 billion over ten years without addressing well-documented overpayments to Medicare managed care, cuts Medicaid by \$42 billion over ten years, cuts low-income home energy assistance at a time when fuel prices are skyrocketing, and slashes new funding for state and local law enforcement assistance, to name but a few examples.

Administration Ignores the Fiscal Impact of Its Policies —The Administration’s refusal to offset the costs of new tax cuts, new entitlement expansions, and the wars have led to the ballooning of the national debt. The Administration pushed through tax cuts that cost roughly \$2 trillion dollars, as well as a Medicare prescription drug bill that cost \$400 billion. The wars have already cost nearly \$900 billion. Yet, the Administration has paid for none of these measures. In fact, if the Administration’s tax cuts and the war had been fully offset, we would not be facing such a mountain of debt, which threatens our economy and our ability to meet the needs of our citizens.

Rising Debt Service Costs Crowd Out Needed Services — According to the Mid-Session Review, the government’s net interest payments will total \$228 billion in 2009. By 2013, net interest payments are estimated to increase to \$299 billion, far higher than the \$171 billion for 2002. These payments are just like interest payments on a family’s credit card – they are obligatory, while providing no services or goods – no education for a child, no new roads, and no additional national security. Interest payments over the next five years dwarf spending on most national priorities including homeland security, education, and veterans’ health care.

Interest Payments on Debt Dwarf Other Priorities

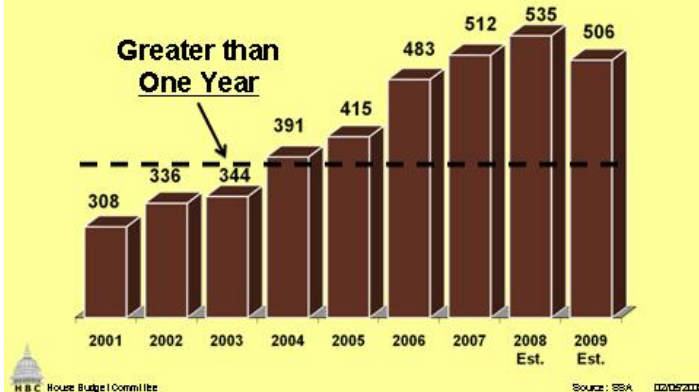


Examples of Broken Government Abound

Lengthy Backlogs For Essential Services — Across the government, years of underfunding are forcing some of our most vulnerable citizens to wait for help. The

Waiting Times For Disability Decisions Have Increased Under the Bush Administration

Average Processing Time For Social Security Disability Hearing In Days



Social Security Administration has experienced a backlog of nearly 750,000 disability hearings with an average wait of 17 months for a hearing. Likewise, the veterans' claims backlog has risen by 50 percent since 2003. Lengthy waits can lead to significant hardship, including bankruptcies and foreclosures.

Inadequate Maintenance and Infrastructure Spending —

Numerous problems exist for the nation's infrastructure, from crumbling highways and bridges to dilapidated schools and uninhabitable public housing units. The Administration has not adequately addressed these needs and, in many cases, has made funding cuts that only exacerbate the problems. Highways and bridges across the country need repairs and yet the Administration's request for surface transportation is below authorized levels. Continued underfunding only adds to further deterioration of the stock of infrastructure – increasing congestion, compromising public safety and pushing up future costs.

Administration a Roadblock as Congress Works to Fix Government — In the face of record fiscal deterioration on its watch, the Administration has chosen to take a stand with the Congress over that portion of the budget devoted to discretionary spending. This year, the Congress is again fighting to properly fund the important services of government over Administration objections. The appropriations bills being moved by the Congress differ from the Administration's requested level by only 2 percent. Yet this additional funding will provide responsible investments in domestic programs and begin to correct the failings we have experienced due to underfunding core functions of government. Responsible investments in areas like human capital and scientific innovation must proceed if our economy is to prosper.

Congress is Righting the Fiscal Ship

Leading the Way to Restore Fiscal Balance — The 110th Congress continues to focus on restoring fiscal responsibility while addressing vital needs. Accomplishments this year include:

- **Adopted Balanced Budget** — For the first time in an election year since 2000, the Congress adopted a budget resolution conference report.

- **Pay-as-you-go Discipline Remains a High Priority** — The pay-as-you-go rule, a key tool in restoring fiscal balance during the Clinton Administration, was allowed to lapse in 2002. The Democratic majority in the 110th Congress has reinstated the rule, and House committees have produced fiscally responsible legislation to comply with the new rule – including the student loan bill, energy legislation, the farm bill, and the Medicare physician payment bill.
- **Set Reasonable Discretionary Spending Level** — The 2009 appropriations bills pending in Congress make a down payment toward revitalizing priority services while complying with this year’s budget resolution, which returns the budget to balance in 2012.

The fiscal outlook the 110th Congress inherited – large deficits and neglected priorities – cannot be corrected overnight. Nevertheless, Congress has begun the hard work to reach a balanced budget while making sure government can still help meet America’s critical needs.