

RSC Policy Brief: Highlights of the President's FY 2010-2020 Budget Proposal

February 2, 2010

On February 1, 2010, the President submitted his budget request for FY 2010-2020 which proposes: \$10 trillion of new deficit spending, the highest spending levels (as a percentage of the economy) since World War II, and \$2.8 trillion worth of tax increases over ten years. Below are highlights of the budget request.

Highlights

- **Third Record-Breaking Deficit in a Row:** The President's budget proposes a **\$1.56 trillion** deficit in FY 2010. This follows a record-breaking \$1.41 trillion deficit in FY 2009, which followed a then record-breaking \$459 billion deficit in FY 2008.
- **Thirteen Highest Deficits in U.S. History:** In all, total proposed deficit spending amounts to more than \$10 trillion over the period covered by the budget submission (FY 2010-FY2020). The lowest deficit in the budget proposal is \$706 billion in 2014. The budget proposes a deficit of slightly more than \$1 trillion in 2020—which means that under this budget there is no effort to bring the deficit back to a more sustainable level even after the current recession, and the wars in Afghanistan and Iraq, are long over. By contrast, the highest deficit prior to 2009 was \$459 billion (FY 2008). If the deficit figures proposed by this budget are realized, all *thirteen* of the highest deficits in U.S. history will have occurred during the period covered by the President's budget request, FY 2010-2020, and the first two years of budgets under the Democrat Congress (FY 2008, FY 2009). Deficit figures by year:

Table: First 2 Budgets by Democrat Congress, President's Budget for FY 2010-2020
In Billions of Dollars

Year	Spending	Tax Revenue	Nominal Deficit	Deficit % of GDP
2008 (actual)	2,983	2,524	459	3.2
2009 (actual)	3,518	2,105	1,413	9.9
2010	3,721	2,165	1,556	10.6
2011	3,834	2,567	1,267	8.3
2012	3,755	2,926	828	5.1
2013	3,915	3,188	727	4.2
2014	4,161	3,455	706	3.9
2015	4,386	3,634	752	3.9
2016	4,655	3,887	778	3.9
2017	4,872	4,094	778	3.7
2018	5,084	4,299	785	3.6
2019	5,415	4,507	908	3.9
2020	5,713	4,710	1,003	4.2

- **Even Higher Deficits than Last Year's Budget:** Last year's budget proposed \$6.97 trillion of deficit spending over the FY 2010-FY 2019 period. This year's budget proposes \$9.09 trillion of deficit spending over the same period (and then an extra \$1 trillion in 2020).

- **Annual Deficits Turn Into Monthly Deficits:** In the first three years of budgets under the control of a Democrat Congress (FY 08, 09, and proposed for 10), deficit spending will amount to \$3.4 trillion (and then another \$8.5 trillion in the ten years after that). By contrast, it took twelve years (FY 96-07) for a Republican Congress to create total deficits of \$1.2 trillion. So far, the Democrat Congress is creating nearly triple the deficit spending in one-quarter of the time. *Annual deficits under the Republican Congress have become monthly deficits under the Democrat Congress.*
- **Democrat Congress Record on Deficits—From Projected \$800 Billion Surplus to \$9.2 Trillion Deficits:** The same month Democrats took control of Congress (January 2007), CBO, under then CBO Director Peter Orszag, projected an \$800 billion surplus over the ten-year period FY2008-2017. Today, covering the same period—including the actual deficits from FY 2008 and FY 2009—as well as what the President proposes in his budget for fiscal years 2011 through 2017, **that \$800 billion surplus turns into a \$9.2 trillion deficit.** This is a \$10 trillion worsening of the budget outlook in three years of Democrat control of the Congress.
- **\$13.5 Trillion of New Debt:** The President’s budget proposes to increase the national debt from today’s level of \$12.3 trillion to \$25.8 trillion in FY 2020—an increase of \$13.5 trillion or 109.8%. **The amount of new debt proposed by this budget is larger than the total amount of debt accumulated by the federal government from 1789 to today (even including the \$3.6 trillion of new debt over the last three years).**
- **Tripled the Public Debt:** The budget would triple the public debt (not including debts to government trust funds, such as Social Security) from \$5.8 trillion in FY 2008 to \$17.5 trillion in FY 2019.
- **Record Spending:** The President’s budget proposes federal spending of 25.4% of GDP in 2010 and 25.1% of GDP in 2011, the two largest spending levels as a percentage of GDP in U.S. history, except for World War II (the third highest is last year’s total of 24.7% of GDP). The budget then proposes to keep federal spending at a historically high level through the ten-year budget window. The lowest spending total is 22.8% of GDP in 2013, which is still higher than any spending level since 1985. Over the 2010-2020 period, the President’s budget proposes an average spending level of 23.5% of GDP. Outside of World War II, federal spending has only been as high as the average proposed by this budget once in American history (1983, also 23.5% of GDP).

Tax Analysis

- **\$2.8 Trillion Tax Increase:** The President’s budget submission increases taxes by \$2.8 trillion over ten years. This includes allowing many of the 2001 and 2003 tax cuts to expire at the end of this year, such as allowing the top rate (which is often paid by small businesses) to increase from 35% to 39.6%, and allowing the top capital gains tax rate to return to 20%. These tax increases would take effect in an economy that, according to many economists, will still have an unemployment rate around 10%.
- **Limit on Itemized Deductions:** The budget proposes a \$291.2 billion ten-year tax increase in the form of a limit on the value of itemized deductions. This could have a negative affect on non-profits, churches, faith-based schools, hospitals, and other charitable organizations.
- **National Energy Tax:** The budget, while hiding the resulting new spending and tax increases that would result, proposes that a deficit-neutral National Energy Tax be enacted. The House-passed National Energy Tax would increase taxes by \$843 billion over ten years ([H.R. 2454](#)).
- **“Fiscal Commission”:** The President’s budget calls for a “fiscal commission” to propose entitlement and tax changes to reduce the deficit to 3% of GDP by 2015. In other words, the goal would be to reduce the deficit to \$600 billion within *five years*. 12 of the 18 members of the commission would be appointed by Democrats. It is likely that any recommendations resulting from such a commission would include large tax increases.

Spending Analysis

- **Mandatory Spending:** Increases from last year's level of \$2.1 trillion to \$3.4 trillion in 2020, an increase of \$1.3 trillion or 59.4%. Within that amount: Medicare spending increases from \$425 billion in 2009 to \$953 billion in 2020—an increase of \$528 billion or 124.2%; Social Security spending increases from \$678 billion in 2009 to \$1.20 trillion in 2020—an increase of \$523 billion or 77.1%; and Medicaid spending increases from \$251 billion in 2009 to \$487 billion in 2020—an increase of \$236 billion or 94.0%.
- **Interest Payments on the Debt:** Increases from \$187 billion in FY 2009 to \$840 billion in FY 2020—an increase of \$653 billion or 349.2%.
- **Discretionary Spending:** Increases from \$1.22 trillion in FY 2009 to \$1.48 trillion in FY 2020—an increase of \$265 billion or 21.7%.

Health Care

- **Government Takeover of Health Care:** Proposes \$597 billion of new entitlement spending, and \$712 billion of new taxes (both over ten years), for the government takeover of health care pending in Congress.
- **“Doc Fix:”** Proposes \$371 billion of non-offset spending for this purpose.
- **FMAP:** Proposes six-month extension of higher Medicaid FMAP rate to states at cost to taxpayers of \$25.5 billion in FY 2011.

Other Items of Note

- **Legal Services Corporation (LSC):** Proposes \$435 million—an increase of \$15 million compared to last year for this program. The budget proposal also allows LSC funds to subsidize entities engaged in abortion litigation. Under the proposal, only *direct* funding of abortion litigation would be prohibited, but LSC grantees could engage in abortion litigation, provided that funding is technically billed to another funding source, such as NARAL or Planned Parenthood.
- **DC Abortion:** The budget contains language that only bans *federal* dollars from being used for abortion in Washington, DC but does not prohibit local funding. Since Congress controls DC's entire budget, which includes all local revenues, this language allows taxpayer-funded abortion where it was previously prohibited. Historically, there has been a restriction on government-funded abortion in DC due to the Dornan Amendment, which prohibited both federal and local appropriated funds from being used to pay for abortion.
- **Family Planning Increase:** Provides \$327.4 million, a \$10 million increase, for Title X funding for family planning services, which could be a funding source for organizations that support abortion, including Planned Parenthood.
- **UNFPA:** The budget reinstates funding for the United Nations Population Fund (UNFPA), which is a controversial program that the U.S. has not funded in the past due to its long-standing involvement with China's one-child policy. The President's budget submission also eliminates language preventing UNFPA funds from being used for programs in China, and eliminates the prohibition on UNFPA funds being used for abortions.
- **Race to the Top:** Provides an additional \$1.35 billion for the Race to the Top Fund (educational grants to the states). The original \$4.35 billion in “stimulus” funds have not yet been spent, and there have been no reports on the effectiveness of the program.
- **Guantanamo Bay:** \$237 million to purchase, renovate, staff and equip an unopened maximum-security state prison in Thomson, Illinois to transfer and house prisoners currently held in custody in Guantanamo Bay Cuba.

RSC Staff Contact: Brad Watson, x69719 or brad.watson@mail.house.gov