

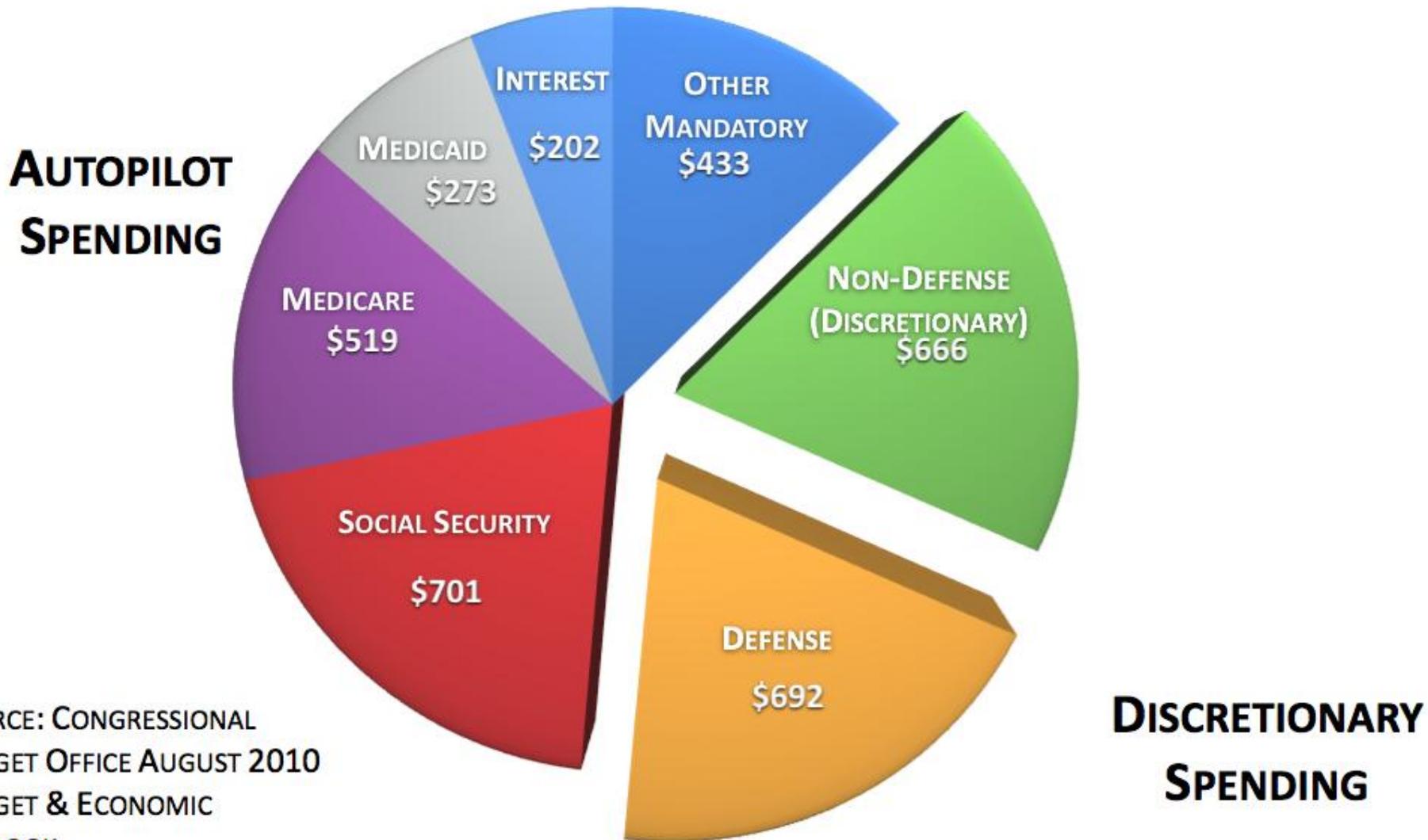
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# THE DEBT CRISIS & OUR SOLUTIONS: REPUBLICAN BUDGET / BUDGET CONTROL ACT

AUGUST 2011

# TOTAL SPENDING IN FY 2010 = \$3.5 TRILLION

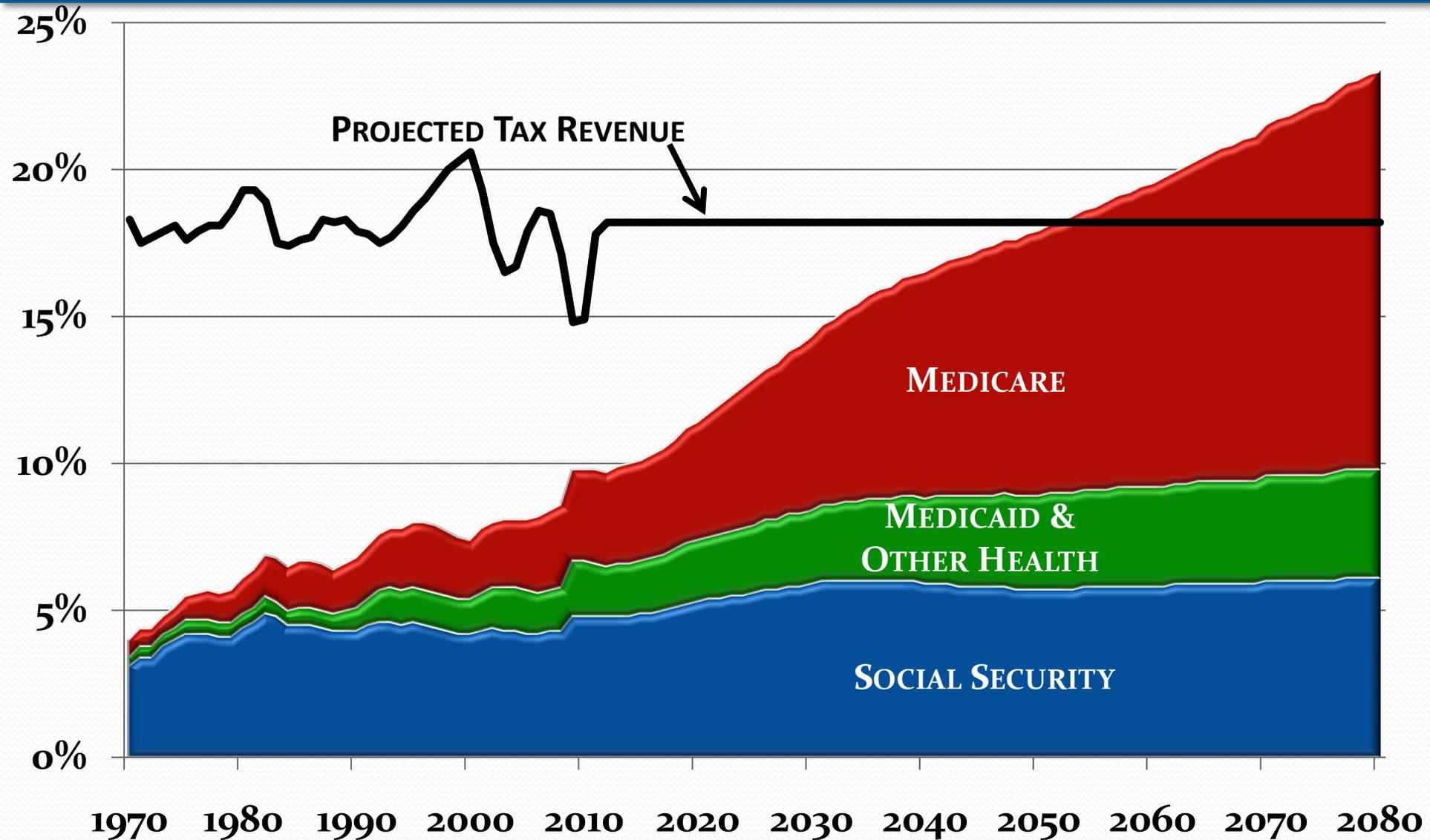
(OUTLAYS IN BILLIONS OF DOLLARS)



SOURCE: CONGRESSIONAL  
BUDGET OFFICE AUGUST 2010  
BUDGET & ECONOMIC  
OUTLOOK

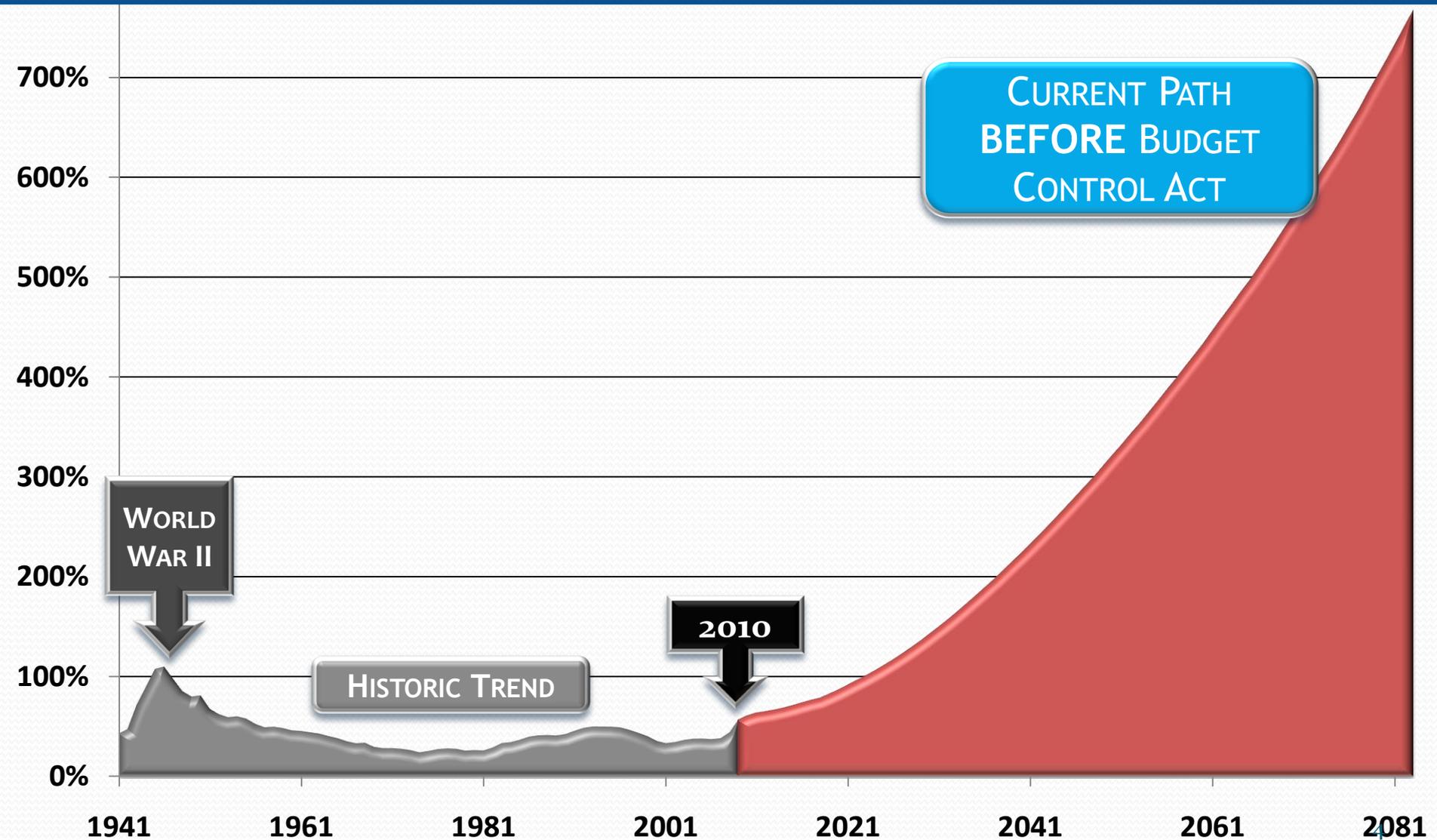
# WHAT DRIVES OUR DEBT?

(GOVERNMENT SPENDING AS SHARE OF ECONOMY)



# WHERE WE WERE: TIDAL WAVE OF DEBT

(DEBT HELD BY PUBLIC AS PERCENTAGE OF GDP) \*SOURCE CBO



# THE CHOICE ON MEDICARE

## REPUBLICAN BUDGET VS OBAMA FRAMEWORK

### PATH TO PROSPERITY

### PRESIDENT'S PLAN

#### CURRENT SENIORS

- No Changes
- No Disruptions
- Preserve and Protect

- Uses rationing board for benefit and provider cuts
- Imposes nearly \$10,000 cut per senior

#### FUTURE SENIORS

- Personalized Medicare; like Members of Congress
- Wealthy get less, sick & low income get more support
- Guaranteed Medicare plan

- No plan to save Medicare
- Allows Medicare to go bankrupt in 2020

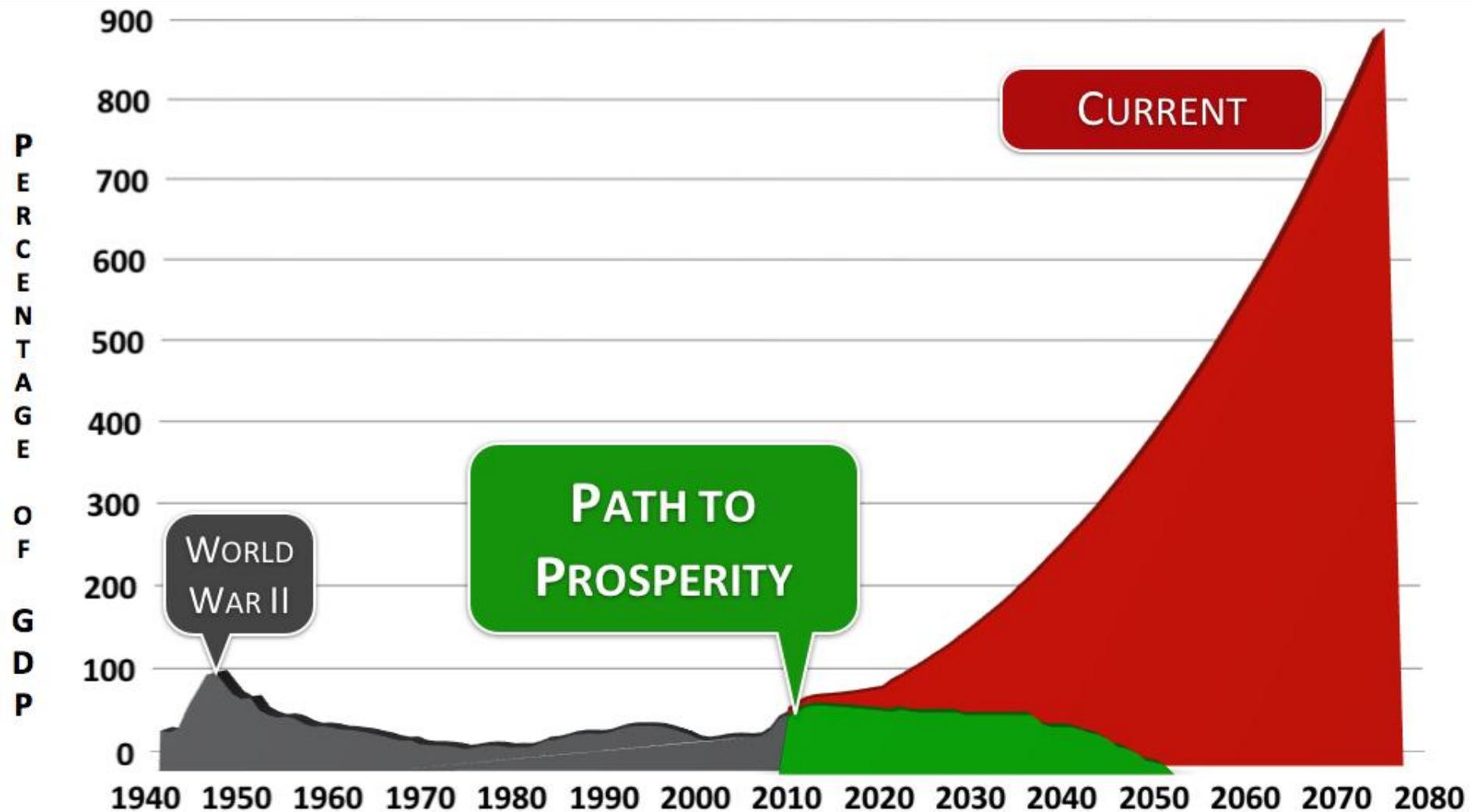
# PATH TO PROSPERITY

(CENTER FOR DATA ANALYSIS AT THE HERITAGE FOUNDATION)

- ✓ **Faster economic growth:** \$1.5 trillion in additional real gross domestic product over the decade.
- ✓ **More jobs:** Nearly 1 million new private sector jobs next year and 2.5 million new private sector jobs in the last year of the decade.
- ✓ **Higher wages:** \$1.1 trillion in higher wages, salary and income.
- ✓ **More prosperity:** avg \$1000 per year in higher income for each family

# A CHOICE OF TWO FUTURES

(DEBT AS A SHARE OF THE ECONOMY)



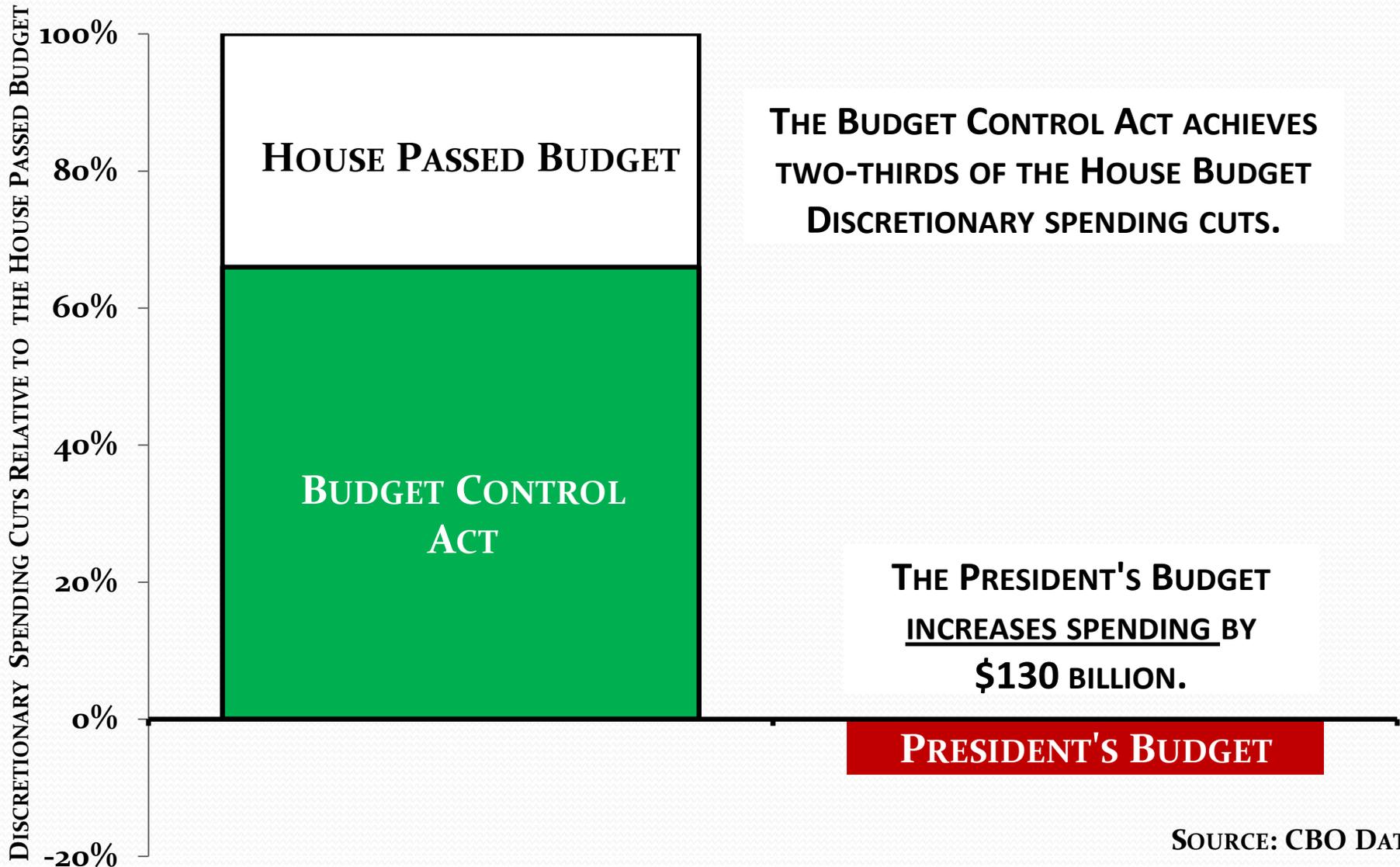
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# THE BUDGET CONTROL ACT

- ❖ CUTS GOVERNMENT SPENDING BY \$2.4 TRILLION;  
\$917 BILLION TODAY, ANOTHER \$1.2-1.5 TRILLION BY 2012
- ❖ CAPS FUTURE SPENDING
- ❖ ADVANCES BALANCED BUDGET AMENDMENT
- ❖ AVOIDS CATASTROPHIC DEFAULT

# REPUBLICAN SPENDING CUTS VERSUS PRESIDENT'S SPENDING SPREE

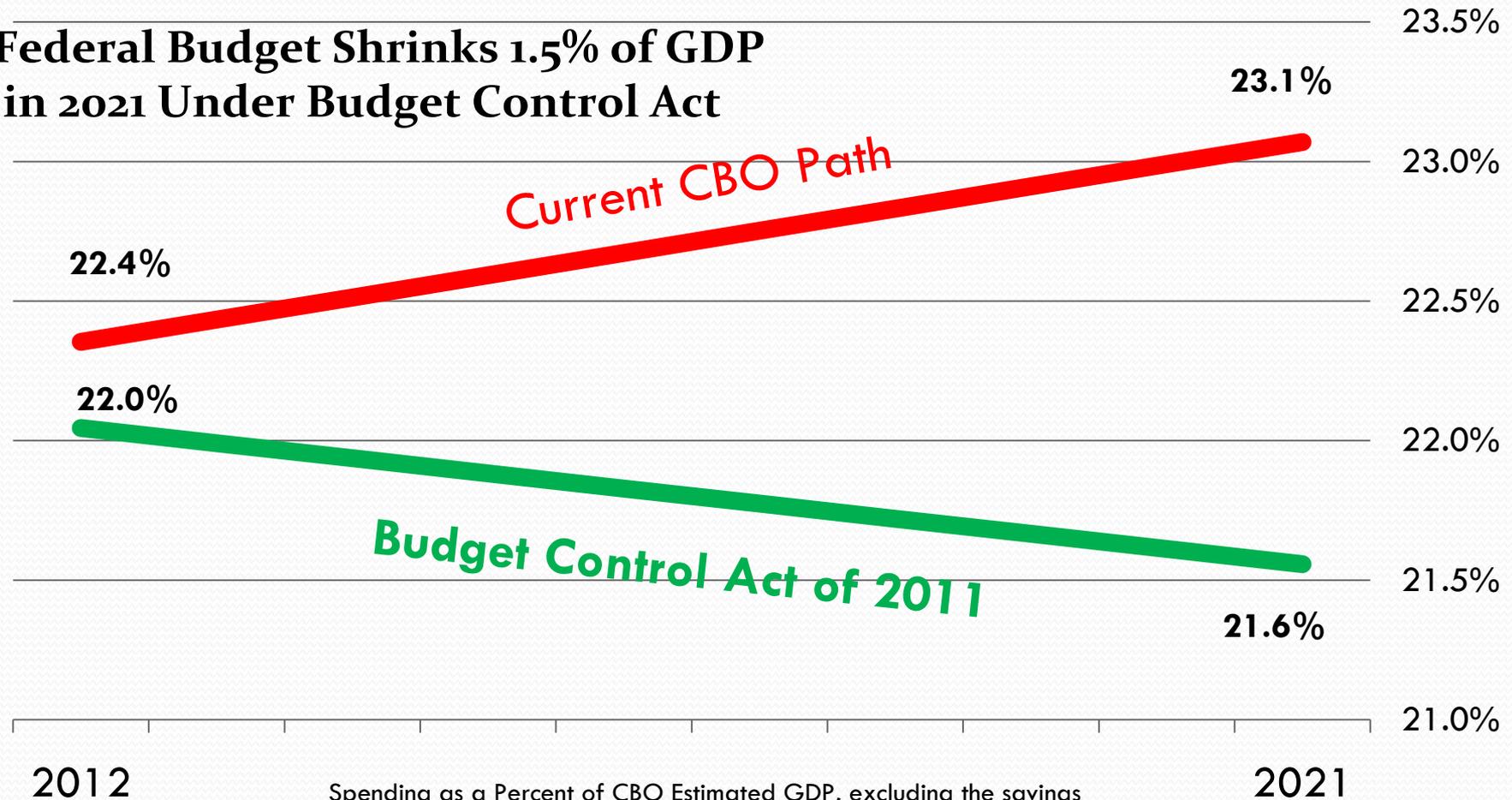
DISCRETIONARY SPENDING CUTS RELATIVE TO HOUSE-PASSED BUDGET, FY2012-2021



SOURCE: CBO DATA

# Change In Spending as a % In GDP

**Federal Budget Shrinks 1.5% of GDP  
in 2021 Under Budget Control Act**



Spending as a Percent of CBO Estimated GDP, excluding the savings  
from winding down operations in Afghanistan and Iraq (Overseas Contingency Fund)

Source: Joint Economic Committee, House Republican Staff

# Budget Control Act - Timeline of Actions

**August 15, 2011**: Joint Select Committee members appointed to enact real spending reforms.

**September 22, 2011**: President requests first portion (\$900 billion) of debt limit increase; Congress can deny request.

**October - December, 2011**: Both House and Senate must vote on a Balanced Budget Amendment.

**November 23, 2011**: Joint Select Committee on Deficit Reduction to submit a plan of \$1.2 - \$1.5 trillion in deficit reduction.

# Budget Control Act - Timeline of Actions

**December 23, 2011:** Deadline for the House/Senate to vote on the Joint Select Committee on Deficit Reduction's bill & enact real spending reforms.

**January 15, 2012:** If Committee plan fails, \$1.2 trillion of automatic spending cuts go into effect (sequestration).

**February 2012:** Approximate time when the first \$900 billion of debt ceiling increase runs out.

**February 2012:** President can request \$1.5 trillion increase only if spending cuts of Commission enacted at \$1.5 trillion, or Balance Budget Amendment Passes. Without either President can only request \$1.2 trillion (same as

# NEXT STEPS

- ❖ SENATE NEEDS TO ACT ON HOUSE PASSED BILLS
- ❖ OVER 800 DAYS SINCE SENATE PASSED A BUDGET
- ❖ REDUCE REGULATIONS ON BUSINESS
- ❖ CREATE A COMPETITIVE TAX CODE
- ❖ DEVELOP DOMESTIC ENERGY & LOWER PRICES
- ❖ BRING CERTAINTY TO JOB CREATORS & ECONOMY
- ❖ PASS PENDING FREE TRADE AGREEMENTS
- ❖ CONTINUE TO REDUCE DEFICITS