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U.S. HOUSE OF REPRESENTATIVES

# COMMITTEE ON THE BUDGET

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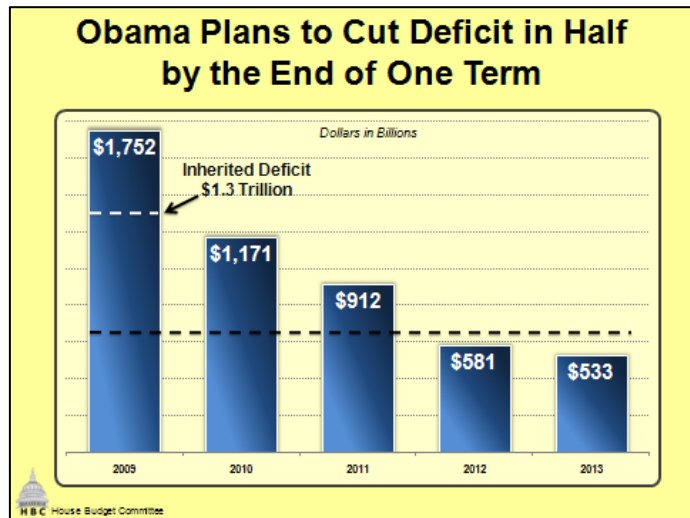
## President Obama's Fiscal Year 2010 Budget

Facing the legacy of deep deficits and an economic crisis inherited from the previous Administration, the President today released an outline of his 2010 budget plan that focuses on economic recovery, strategic investments, and fiscal responsibility.

### Key Features

**Economic Recovery** — The Obama Administration has inherited an economy with an unemployment rate of 7.6 percent, and getting the economy back on track must be the number one priority. The budget reflects the economic recovery legislation recently signed into law – including its provisions that provide relief to middle-income taxpayers, create jobs by investments in infrastructure and other key areas, and extend unemployment benefits for millions of Americans. Today's budget outline also provides additional resources to help strengthen the economy and create jobs, including additional infrastructure investments and tax relief.

**Strategic Investments** — To build a stronger economy for the future, the budget includes strategic investments in health care reform, education, and energy.



- **Health Care Reform** — The President's plan for reforming health care recognizes that the challenges of reducing costs, improving quality, and ensuring access are inextricably linked. The budget includes several provisions to improve quality and efficiency in health care, saving \$316.0 billion over ten years. The budget makes a significant down-payment on health reform by putting these savings, along with \$317.8 billion from a tax policy change on upper-income taxpayers, into a \$634 billion "Health Reform Reserve Fund" to help pay for an initiative to make health coverage affordable and accessible for all Americans.

- **Education** — The budget expands access to college by increasing the maximum Pell grant to \$5,550 for 2010 and by spending \$116.8 billion on increases over the ten-year period through mandatory funding rather than through annual appropriations. The budget also provides \$2.5 billion over six years for a new College Access and Completion Fund, and saves \$47.5 billion over ten years by originating all new student loans in the Direct Loan program, thus eliminating bank subsidies. The budget builds upon the \$96.8 billion provided to the Department of Education in the economic recovery package with initiatives to improve teacher effectiveness, support low-performing schools, and focus on proven efforts to improve student outcomes.
- **Energy** — The President’s budget reflects a commitment to build a new, low-carbon economy that is powered by clean, renewable energy and to reduce our country’s dependence on foreign oil. The budget builds on the Recovery Act’s \$39 billion in funding and \$20 billion in tax incentives for energy investments that will create hundreds of thousands of new jobs. The budget encourages the early commercial use of innovative energy technologies and includes a market-based cap-and-trade approach to reducing greenhouse gas emissions that will fund additional investments in energy totaling \$150 billion over ten years.

**Fiscal Responsibility** — The Bush Administration converted the federal budget’s condition from healthy to weak, setting record deficits and leaving the Obama Administration a record deficit for 2009. Meanwhile, the country’s debt grew dramatically under the previous Administration, as did interest payments on that debt. The President’s 2010 budget takes steps to put the budget back on a fiscally sustainable path once the economy recovers – a commitment underscored at this week’s fiscal responsibility summit at the White House. Today’s budget proposes to cut the budget deficit in half by 2013; reducing the deficit will also help slow the increase in the nation’s debt. The smaller deficits result in part from reduced war costs over time and not extending tax cuts for people with incomes above \$250,000. In addition, the President’s budget proposes to restore statutory Pay-As-You-Go rules, which were critical to turning the budget around in the 1990s. Finally, the budget includes about \$50 billion in savings by expanding oversight activities in large benefit programs and increasing tax compliance and enforcement activities to ensure taxpayer dollars are spent wisely. It begins the process of reducing unwarranted spending in other areas, identifying a number of specific savings today and initiating an ongoing process that will produce more program cuts to be announced this Spring when the Administration submits its full budget.

<b>Budget Totals in Billions of Dollars</b>											
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Receipts</b>	2,186	2,381	2,713	3,081	3,323	3,500	3,675	3,856	4,042	4,234	4,446
<b>Outlays</b>	3,938	3,552	3,625	3,662	3,856	4,069	4,258	4,493	4,678	4,868	5,158
<b>Deficit</b>	1,752	1,171	912	581	533	570	583	637	636	634	712
<i>% of GDP</i>	12.3	8.0	5.9	3.5	3.0	3.1	3.0	3.2	3.0	2.9	3.1

## Other Features of the Budget

**Provides Tax Relief to Middle-Income Families** — The President’s budget extends middle-income tax cuts scheduled to expire on December 31, 2010, including the 10, 15, 25, and 28 percent brackets, the child tax credit, and marriage penalty relief. The budget also includes a permanent fix to the Alternative Minimum Tax (AMT), rather than merely patching it one year at a time while assuming that the AMT will continue to bring in hundreds of billions in revenue in future years. In addition, the budget extends the Making Work Pay credit of \$400 (\$800 for couples) that was created by the recovery package. The budget includes increased tax revenue from permitting the expiration of current tax cuts for the top 2 percent of Americans (those earning above \$250,000 per year) and closing tax loopholes. It also reflects auction receipts from the Administration’s implementation of a market-based cap on greenhouse gas emissions.

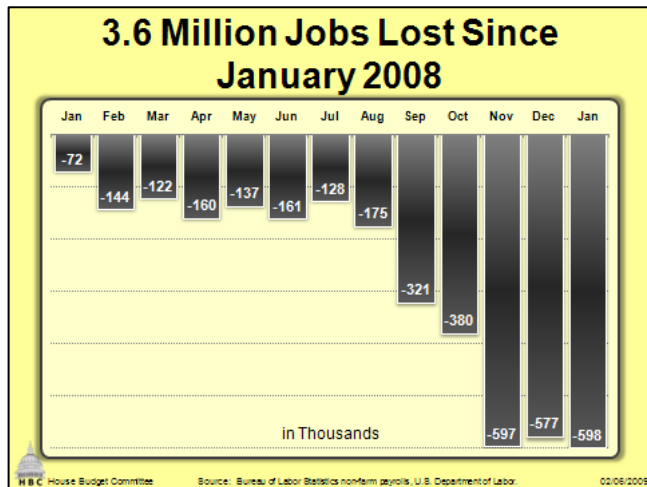
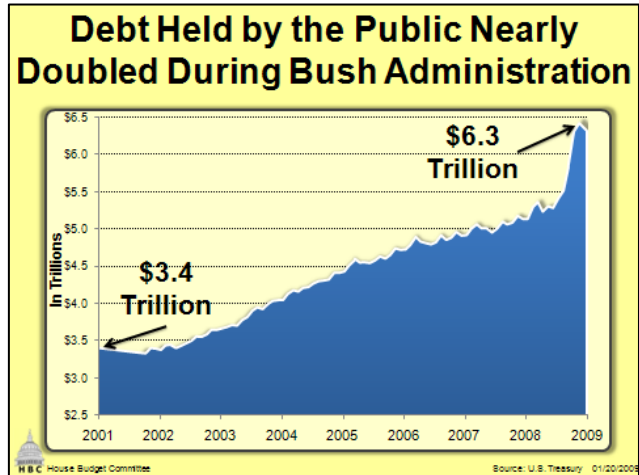
**Addresses National Security Needs** -- After years of large annual increases in the base defense budget and runaway cost growth in major weapons programs, the President’s budget slows the rate of growth in defense funding to track with inflation and calls for sweeping acquisition reform at the Department of Defense. For overseas contingency operations, the budget includes \$130 billion for 2010 and placeholder estimates of \$50 billion per year thereafter through the ten-year budget window. This marks the first time the budget includes both a full-year estimate for overseas operations for the budget year and placeholder estimates for future costs, thus providing a more realistic look at the likely costs and their effect on the budget’s bottom line. The budget also honors our veterans by providing a \$4.9 billion (10.3 percent) increase above the 2009 level for health care and other services.

**Includes Estimates of Future Costs** — Unlike the budgets from the previous Administration, the President’s budget includes funding for ongoing military operations for the entire 10-year budget window. The budget also includes an estimate of possible disaster relief – spending that regularly occurs but was not accounted for in past Administration budgets. In addition, the budget reflects the cost of extending middle-income tax relief and does not rely on the assumption that the Alternative Minimum Tax will be allowed to hit millions of middle-income families never intended to be subject to the tax.

## Turning Around Bush’s Budget Legacy of Deficits, Debt, and Economic Decline

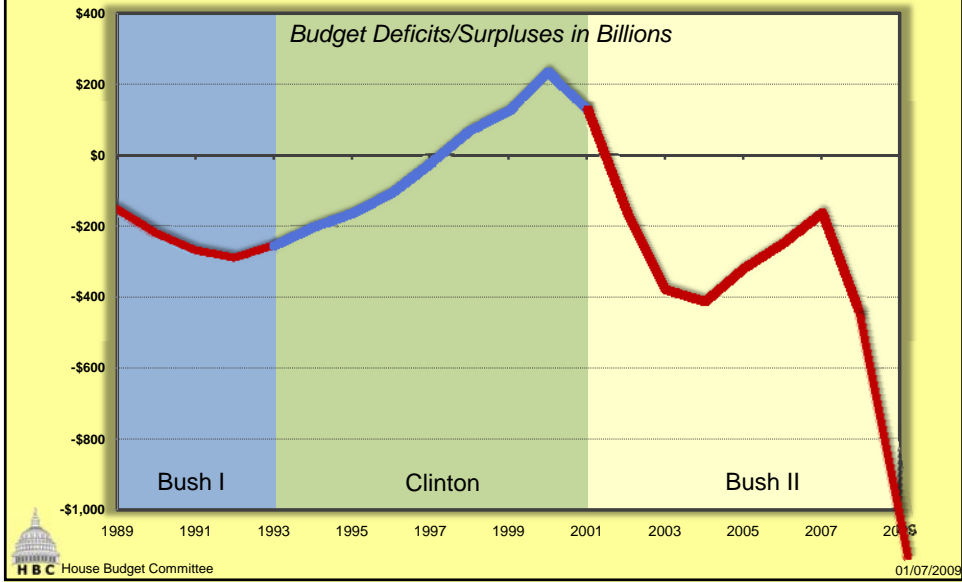
**Inherits Deep Deficits** — When President Bush took office in 2001, he inherited a ten-year budget surplus projected to be \$5.6 trillion. That surplus represented an historic opportunity to address some of the major issues facing our country, including preparing for the needs of the retiring baby-boom generation. But that opportunity was squandered over the last eight years, leaving the new Administration with the worst budget deficit in history for 2009.

**Inherits Mounting Debt** — Debt held by the public nearly doubled under the previous Administration, rising from \$3.4 trillion in 2001 to \$6.3 trillion on January 20, 2009. As a result of that huge increase in debt, the country’s interest payments also shot up. Last year, the government paid \$253 billion in net interest, the highest annual interest payment in history. This wasted cost dwarfs spending on most national priorities including homeland security, education, and veterans’ health care, and will continue to crowd out investments in high priority services until budget deficits are brought under control.



**Inherits an Economy in Decline** — In addition to a record budget deficit, this Administration also has inherited an economy skidding downward, with spiking unemployment and job losses – the country lost almost 3.6 million jobs in the last 13 months, with 598,000 jobs lost in January alone – the largest quarterly declines in consumer spending since 1980, and 24 straight months of declining home prices. During the last eight years, inflation-adjusted income for a typical family actually fell, and more families are now living in poverty.

# Record Deterioration on the Budget Under Republican Administrations



# Deficits in the Obama Budget as a Percentage of GDP

