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CBO Projects Continued Obama Budget Pain

Today, the Congressional Budget Office released its 2012 [Budget and Economic Outlook](#) with a new budget baseline and economic forecasts. The U.S. will record a deficit of more than \$1 trillion for every year of Obama's first term.

Budget Baseline Projects Continued Trillion Dollar Deficits

CBO projects that the FY12 deficit will be **\$1.079 trillion**.

- This is the **fourth year in a row** with deficits over a trillion dollars.
 1. FY09 – \$1.4 trillion
 2. FY10 – \$1.3 trillion
 3. FY11 – \$1.3 trillion
 4. FY12 – \$1.079 trillion

Unrealistic Assumptions Mean It Could Be Even Worse

- When including several policies that are not expected to expire, the baseline projects an FY13 deficit of \$981 billion (compared to a baseline deficit of \$585 billion). Total deficits during FY13-FY22 of **\$10.981 trillion** (compared to the baseline of \$3.072 trillion). However, this scenario also assumes that Congress acts to cancel the Budget Control Act's enforcement procedures, CBO projects. This would make America's debt more than \$27 trillion by 2022.
- The current-law baseline provided by CBO is **unrealistic** since it assumes that all of the 2001/2003 tax rates, estate taxes, child tax credits, and other provisions expire. This unrealistic baseline projects an FY13 deficit of \$585 billion and an increase of \$3.072 trillion in the national debt from FY13-FY22.

The Obama Legacy Is Higher Debt and Unrestrained Government Spending

By the end of his first term, President Obama will have **increased the national debt by over \$5.4 trillion, more than any other president**.

Spending will reach 22.4% of GDP by 2022.

- FY 2008 [spending](#) was 20.6% of GDP (the last full fiscal year before the Obama stimulus).

- The 40-year historical average spending is 20.8% of GDP.
- Under President Obama:
 - FY 2009 [spending](#) was 25% of GDP.
 - FY 2010 and 2011 [spending](#) were both 24% of GDP.
 - Spending in Obama's budget request last year would have locked in this high spending – his [budget](#) never lowered spending below 23% of GDP.
- Interests cost increase to \$624 billion (or 2.5% of GDP) by 2022.
- This permanently higher spending underscores the need for fundamental entitlement reform, something President Obama has not seriously embraced.
 - CBO projects the Medicare hospital insurance trust fund will be exhausted in 2022.
 - Federal spending on Medicare, Medicaid, and other healthcare programs will climb **90 percent** to \$1.8 trillion, or about 7% of the entire economy, by 2022. This assumes unrealistic Medicare cuts (SGR).

The Economy Keeps Lagging, and Unemployment Stays High

CBO data shows **tax increases will put the brakes on economic growth.**

- CBO projects that real **GDP will grow by 2.0% in 2012**, barely above 2011's 1.7%.
- In 2013, real GDP growth is expected to be 1.1%. This incredibly low growth rate is a consequence of higher taxes assumed in 2013.
- These projections may even be overly optimistic – last January's report projected 2012 GDP growth of 2.7%, above the actual 1.7%.

Unemployment actually gets worse.

- **Unemployment is projected to increase to 8.9 %** in the fourth quarter of 2012; 9.2% in the fourth quarter of 2013.
- Unemployment is expected to remain above 8% until the year 2015. Last January's report had the unemployment rate remaining above 8% until 2013, and the August update pushed this back to 2014. Now it has been pushed back yet again.
- We do not return to "normal" unemployment levels until the rate gets to 5.5% in 2018.

Overseas Military Operations Still Included in CBO Baseline

The CBO baseline includes funding across the budget window for the Global War on Terror/Overseas Contingency Operations, including \$40 billion annually from FY16-FY22. Any funding after 2014 appears to conflict directly with President Obama's [announcement](#) that "there are no Americans fighting in Iraq" and his [policy](#) that the "transition" of U.S. troops out of Afghanistan will be "complete" by 2014.

The U.S. economy has struggled under the policies of President Obama. CBO predicts that the federal budget will continue to be in deficit, our debt will continue to soar, and our economy will continue to struggle for years to come.