United States Senate Budget Committee

JEFF SESSIONS | Ranking Member

Budget Update Confirms: President's Plan Makes No Alteration To Our Disastrous Debt Course

President Obama today released an update to his fiscal year 2013 budget. Federal law requires the President to update his February budget submission by July 16 each year to account for revised estimates that may be necessary because of changes in the economy and actual spending patterns observed over the intervening months. The update provides Congress the latest information on the nation's fiscal condition as the legislature begins wrapping up its work on spending measures for the new fiscal year, which begins on October 1.

Today's update confirms that the President's 2013 budget makes no alteration to the nation's disastrous debt course:

- Federal debt will increase to $25.4 trillion by the end of 2022, an increase of $10.6 trillion (72 percent) under the President's budget policies.

- Federal debt at the end of the current fiscal year will stand at $16.2 trillion—$6.2 trillion above where it stood 4 years earlier.

- In the past 4 years, the debt increased by more than it did in the previous 17 years.

Tax increases in the President's budget total $1.8 trillion over the next 10 years relative to his adjusted baseline. These increases will diminish economic opportunity through massive tax hikes that depress wages and stifle job creation at a time when millions of Americans remain out of work. The top marginal tax rate on work would rise to 39.6 percent; taxes on dividends would nearly triple from 15 percent to 43.4 percent; and the death tax would rise to a confiscatory 45.0 percent rate.

The President's plan increases spending by $1.4 trillion above the levels agreed to in the debt deal last August. Overall, spending will grow by 57 percent in 10 years, an annual increase of 4.6 percent—or more than twice the rate of inflation (2.1 percent). The higher spending in the President's budget largely stems from the elimination of spending cuts that were agreed to last year in the Budget Control Act ($1 trillion) and the continuation of current physician reimbursement rates ($400 billion). The President's budget does nothing to rein in the cost of the major entitlement programs, and even reneges on the modest spending reductions that the President and Congress agreed to in exchange for an increase in nation's debt limit.

Moreover, the tax increases in the President's budget do not serve to reduce the debt in any meaningful way, but rather only pay for current bloated levels of federal spending. While the President's rhetoric on the campaign trail states that he is "asking the wealthy to pay a little more so we can pay down the debt in a balanced way," his own budget shows that the tax increases finance new spending.

- Prepared by Senate Budget Committee Republican staff, July 27, 2012 -