



APPROPRIATIONS COMMITTEE DEMOCRATS

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THE FACTS ABOUT FEDERAL SPENDING

In the Wednesday, March 9 edition of The Hill newspaper, House Budget Committee Republican conservatives cited an “explosion of federal spending” in demanding budget enforcement rules that would offset new spending, but not new tax cuts. Their arguments bear no resemblance to reality. Consider these facts:

SPENDING

- **SPENDING BELOW 30-YEAR AVERAGE.** In 2004, Federal spending totaled 19.8 percent of GDP and OMB projects that it will amount to 19.9 percent of GDP next year under the President’s budget. Both figures are *below* the average of 21.0 percent of GDP recorded during the 30-year period from FY 1970 through FY 1999.
- **SPENDING LOWER THAN REAGAN, BUSH I.** Federal Spending last year and that projected by OMB for this year are significantly *less* than the average for the Reagan Administration (22.3 percent of GDP) or the first Bush Administration (21.9 percent of GDP).
- **NON-DEFENSE SPENDING BELOW 30-YEAR AVERAGE, EVEN INCLUDING HOMELAND.** Non-defense appropriations – the principal target of Republican budget cutting efforts – amounted to 3.8 percent of GDP in 2004, and OMB estimates that they will equal 3.7 percent of GDP in 2006 under the President’s budget. That is slightly below the average of 4.0 percent of GDP for the 30 years from 1970 through 1999, even though the current figure includes substantial increases for homeland security.
- **ONLY 15 PERCENT OF POST-2001 LEGISLATION COST DUE TO DOMESTIC SPENDING.** Legislation enacted since January 2001 increased the deficit by \$539 billion in FY 2005. Of that total, only 15 percent came from higher spending for domestic programs (both appropriated programs and entitlements, including homeland security).

TAXES

- **REVENUE LOWEST SINCE EISENHOWER. EXCLUDING SS, LOWEST SINCE FDR.** In 2004, federal revenues stood at 16.3 percent of GDP – *a rate last seen in 1959, when Medicare and Medicaid did not exist and the interstate highway system was in its infancy.* If Social Security is excluded from the budget, the decline in revenue is even more striking. Last year, non-Social-Security revenues equaled 11.6 percent of GDP – *the lowest level since 1942*
- **ALMOST HALF OF DEFICIT DUE TO REVENUE LOSSES.** Legislation enacted since January 2001 increased the deficit by \$539 billion in 2005. Of that total, 48 percent is from tax cutting legislation.

CONCLUSION: Clearly, the arguments of House conservatives do not hold water. There has been no “explosion of Federal spending.” The historic fiscal reversal of the last four years is due almost entirely to reductions in Federal revenue. Of that part of the deficit attributable to tax or spending policy decisions made by the Federal government, 48 percent is due to tax legislation, 37 percent to defense, homeland security and international spending, while only 15 is due to domestic programs, both discretionary and entitlements.

Note: All years are fiscal years.