



KEY FACTS

on the Budget Update by the Congressional Budget Office

28 August 2001

Overview

- P The \$153-billion surplus this year (2001) is *the second largest in history*. The largest surplus (\$236 billion) was recorded in 2000.
- P Under Republican leadership, Congress has led the charge in paying back \$478 billion in Federal debt, according to the Congressional Budget Office [CBO].
 - We will have \$153 billion available for debt reduction this year.
 - We are still on track to pay back *all of the debt that is possible to pay back* without a penalty over the next 10 years.

Social Security and Medicare

- P Every penny of Medicare is going to Medicare; every penny of Social Security is going to Social Security. In fact, spending on both programs is growing. According to CBO:
 - Spending on Social Security benefits was \$406 billion in 2000; is \$429 billion this year; and will be \$453 billion next year.
 - Net spending for Medicare benefits was \$216 billion in 2000; is \$238 billion this year; and will be \$253 billion next year.
 - But the program overall (both Part A and Part B) is in deficit. Total Medicare outlays in 2001 are \$242 billion, while dedicated revenues (payroll, premiums, and interest) are only \$192 billion. The \$50-billion shortfall is made up through general tax revenues. (The administration projects slightly higher Medicare income, and estimates this year's shortfall at \$45 billion.)

(over, please)

Revenues

- P Revenues are at historic highs both in absolute and relative terms.
- Federal revenues for 2001 will exceed \$2 trillion dollars, with individuals' and families' income taxes bringing in more than \$1 trillion of that total.
 - CBO is projecting total Federal revenue to be more than \$26 trillion over the next 10 years, *even after the effects of tax relief are factored in.*
- P Revenues *continue to grow following tax cuts.*
- Revenue grew by \$170 billion between 1981 and 1986, following President Reagan's tax cuts.
 - Revenue grew by \$725 billion between the Tax Reform Act of 1986 and the Balanced Budget Act tax cuts of 1997.
 - Revenue grew another \$446 billion from 1997 through 2000 following the Balanced Budget Act tax cuts.

Spending

- P Budget problems don't come from too few revenues. *Problems come from too much spending.*
- Government has grown on average 5.1 percent over the past 3 years – significantly more than inflation.
 - Nondefense discretionary spending grew by 14 percent last year alone.
 - Last year's spending bills were raised by \$17 billion more than the House or Senate passed levels to accommodate the previous administration's insatiable desire for more spending.
 - That \$17 billion was not a one-time cost. That spending lowered budget surpluses by more than \$250 billion over the next 10 years.
- P Large budget surpluses lead to larger government! Discretionary spending will exceed levels set in the 1997 budget agreement by \$334 billion over the life of the Balanced Budget Act.