



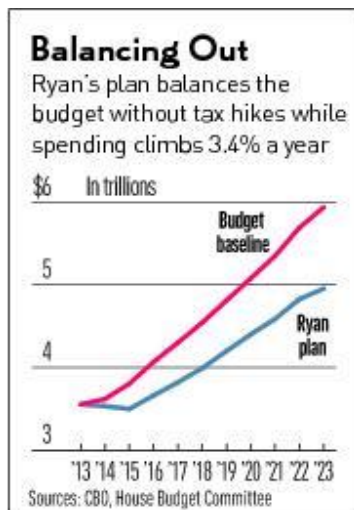
Construction Industry Round Table

Business News

A force for positive change in the design / construction industry

3/12/13 – Battle of the Budgets Begins

Today the House Republican majority released its blueprint for spending in a ten-year budget proposal that seeks to balance federal accounts by the year 2023 while increasing outlays at a 3.4% annual pace. The plan [referred to as the “Ryan Plan” after House Budget Chairman, Rep. Paul Ryan (R-WI)] would trim spending by \$4.6 trillion, in part by repealing the expensive “ObamaCare” legislation, while holding the line on current taxes (including retaining the recently enacted tax increases as part of the “fiscal cliff” bill). As a result, revenue is estimated to rise to 19.1% of GDP by 2023 (somewhat above the post-WWII average of about 18%), while non-interest related spending would be 16.7% of GDP (a figure well below recent levels that have run as high as 21.3% in 2012). The proposal does not tackle Social Security reform, but it does propose more state control over food stamps and Medicaid spending by using a “block grant” approach to the programs. Finally, the fact the budget would be in balance by 2023 means the growing interest payments on the federal debt would curve down so as to save approximately \$700 billion over the ten year period the budget covers. (Interest payments are projected to reach \$183 billion in 2023 *alone* if left unchecked or at the current borrowing levels).



The GOP plan has already met with harsh commentary from the White House, which has yet to produce its own budget (it is required by law to do so by the first week of February) and by the Senate Democrat leadership that has also failed to produce a spending blueprint in four years. [NOTE: the “fiscal cliff” legislation has a provision in it that will force the Senate to produce a budget, or the Senators will lose their pay]. Consequently, a Senate budget is expected later this week – the Democrat majority’s outline appears from early reports to be an increase of \$1.0 trillion dollars in additional taxes (above the \$600+ billion already obtained in January), no significant spending reductions, no entitlement reform, and deficits as far as the eye can see.

The dueling or battling budgets should make for interesting theater over the next month . . . but, within the theatrics is a much more important element – the governing philosophies of the two parties and their view as to free markets and where economic prosperity/growth comes from – the government or the private sector. Stay tuned.