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CBO Report Highlights Need for Action to Create Jobs

Today the Congressional Budget Office (CBO) released a report showing that although our economy is improving, too many people are still unable to find work. The facts in CBO's annual *Budget and Economic Outlook* highlight the need to take action now to help all Americans – to create jobs, help the long-term unemployed, make work pay by raising the minimum wage, and strengthen the nation through wise investments to put us on a fiscally sustainable path. Democrats will continue to push to address these needs.

CBO Baseline Deficits		
2013	2014	2015
$680 billion	$514 billion	$478 billion
4.1% of GDP	3.0% of GDP	2.6% of GDP

Jobs

The economy is continuing to recover from the Great Recession faster than the job market is rebounding. CBO reports that real Gross Domestic Product (GDP) grew at a rate of 2.1 percent in calendar year 2013 and estimates that the economy will grow by 3.1 percent in real terms in 2014, which is the largest growth in almost 10 years. However, the unemployment rate is projected to remain stubbornly high, above 6 percent until late 2016. While unemployment is down from a high of almost 10 percent in 2009, too many Americans are still unable to find work. Although more than 8.2 million jobs have been created over the last 46 months, there are still about three Americans searching for every one open job. Putting Americans back to work will help millions of families and boost our overall economy – and it is also the fastest and most effective way to reduce our deficit.

Create Infrastructure Jobs — The good news is that we know how to boost economic growth, jobs, and wages. Democrats in Congress and the President have called for a major investment in our national infrastructure – to modernize the backbone of our economy, to spur innovation, to keep America at the cutting edge of global competition, and to put more Americans back to work with good paying jobs. This upfront investment in jobs and the economy will pay dividends for years to come. Unfortunately, Republicans in Congress have repeatedly refused to even consider a plan to invest in job creation.

Renew Extended Unemployment Benefits — In addition to working on job growth, Congress must ensure that Americans who are out of work through no fault of their own are not left out in the cold. The long-term unemployment rate is higher than it has been at any past time when extended unemployment benefits were ended, and remains higher than at any point from 1948 through 2008, according to a separate CBO report also released today. Democrats support immediate action on renewing Emergency Unemployment Compensation benefits that expired at the end of December. Republicans and Democrats came together last month to support a budget plan that reduced the spending cuts under the sequester for both 2014 and 2015 – spending cuts that would have cost us even more jobs. However, we are abandoning long-term unemployed Americans. Nearly two million long-term unemployed Americans – who lost their jobs through no fault of their own and are continuing to search for work – have been cut off the unemployment rolls. Thousands more are joining them each week. If Congress fails to extend Emergency Unemployment Compensation, 4.9 million Americans will have lost their benefits over the course of this year. CBO has estimated that extending the unemployment benefits will not only help these struggling families, it will help the nation by adding 200,000 jobs to the economy.

Increase Minimum Wage — A third approach to boosting the economy is to raise the minimum wage. Increasing the minimum wage to $10.10 an hour would help over 28 million hard-working Americans and immediately start lifting 5 million people out of poverty. The current $7.25 minimum wage – lower, in real terms, than when Harry Truman was president more than 60 years ago – is so low that someone can work full-time, year-round but still fall below federal poverty line.

Investments

Make the Country Stronger — The CBO report makes clear that the economy has not fully recovered. Not until the second half of 2017 will the economy function at its expected potential. Until then, unemployment will remain high and participation in the labor market (which has been low as people were discouraged and stopped looking for work) will remain low. This is not the time to slash spending. Last fall, CBO had estimated that letting the full fiscal year 2014 sequester spending cuts take effect would cost us 800,000 jobs at a time when so many are already unable to find work. Instead, Congress should invest in national priorities that will make us stronger in the long term, ensuring that America remains the world's economic powerhouse. These investments include the jobs initiatives mentioned above that will put people back to work modernizing the roads, bridges, ports and other infrastructure that forms the backbone of our economy. Needed investments also include boosting support for education – including early childhood education – and job training. They include scientific research that will generate life-saving breakthroughs and energy efficient technologies.

Protect Health Care — CBO projects Medicare spending per beneficiary will grow at an inflation-adjusted average annual rate of 1.5 percent between 2014 and 2024 – a significant decline from the 4 percent average annual growth rate that occurred between 1985 and 2007.

Lower-than-expected growth in Medicare and Medicaid spending since 2010 has led CBO to reduce its projections of spending for these programs by roughly $1 trillion through 2020. In addition, based on a review of the competitive pricing of the plans being offered in the new health insurance Marketplaces, CBO lowered its estimate of average premiums for insurance coverage through those exchanges in 2014 by 15 percent. Congress can continue to build on the foundation laid by the Affordable Care Act to promote access to high-quality care while improving efficiency and reducing waste.

Affordable Care Act Gives Workers More Flexibility — The report estimates that the Affordable Care Act will reduce the total number of hours worked, on net, by about 1.5 percent to 2.0 percent from 2017 to 2024. This reduction is almost entirely because workers will choose to supply less labor, which translates to a reduction in full-time-equivalent employment of about 2.0 million in 2017, rising to about 2.5 million in 2024. This effect is not driven by a reduction in the demand for employees, but is the result of employees choosing to supply less labor because of the option to get affordable, quality health insurance through the new health insurance Marketplaces. The Affordable Care Act empowers individuals to make choices about their own lives and livelihoods, like retiring on time, choosing to spend more time with their families, or even opening their own businesses. Americans are no longer trapped in jobs just to provide coverage for their families. In fact, CBO notes that there is "no compelling evidence that part-time employment has increased as a result of the [Affordable Care Act]."

Deficit

The deficit is continuing to fall from its peak of $1.4 trillion in fiscal year 2009. The 2013 budget deficit was $630 billion, and CBO now projects a deficit of $514 billion in 2014 and of $478 billion in 2015. The deficit is also forecast to decline as a percentage of GDP, from 4.1 percent in 2013 to 2.6 percent in 2015, but then begins to grow. Compared with last year's estimates, the deficit is $1 trillion worse over the ten-year period (2014-2023). While projected spending has declined by $600 billion since last year, it is more than offset by a $1.6 trillion decline in revenue estimates, due primarily to revised estimates of inflation and GDP.

Revenue is projected to grow at roughly the rate of GDP but spending grows faster because of the aging population, health insurance subsidies and health care costs, and interest payments on the federal debt. However, CBO notes that spending outside those categories – that is, everything except for Social Security, Medicare and Medicaid, and net interest – will actually drop to its lowest levels as a percentage of GDP since 1940, when that data started being kept.

Debt Ceiling Must be Raised — On February 7, the nation's debt will be at its statutory limit, and Secretary Treasury Lew has indicated that Congress will need to act quickly to ensure that the nation can pay the bills it has already incurred. Congress must vote to raise the debt ceiling or jeopardize the full faith and credit of the United States, which will result in severe economic harm.

Spending Cuts Already Achieved — Over the last three years, Congress has already achieved significant deficit reduction, with much of the savings from spending cuts from living under low discretionary spending caps, sequestration, and other initiatives. Although the size of the sequester for fiscal years 2013 through 2015 was reduced from the levels originally set in the Budget Control Act, the discretionary spending caps remain very tight, and will remain flat for the next three years. By 2024, discretionary spending will account for only 5.2 percent of GDP – the lowest level in the 52 years that this data has been collected.

New Defense and Non-Defense Discretionary Caps
(in billions of dollars)

	FY: 2012	*2013*	*2014*	*2015*	*2016 est*
Defense		519	520	521	523
NDD		468	492	492	493
Total	*1043*	*986*	*1012*	*1014*	*1016*

Balanced Approach to Deficit Reduction — While the short-term budget and economic scenario calls for action to create jobs and support Americans still looking for work and working hard at minimum wage, in the long-term we need a balanced approach to deficit reduction that will put the budget on a more sustainable path. That balanced approach should include a mix of targeted spending cuts and cuts to special interests tax breaks and asking the wealthy to pay their fair share.