



## **National Taxpayers Union Foundation's Cost Analysis of the President's 2009 State of the Union Address**

- **Health Care:** The President announced his budget would make a “down payment” on universal access to health care. It is unclear what this will mean in terms of policy and cost, but the National Bureau of Economic Research’s analysis of Obama’s health care plan during the presidential campaign put the price tag at \$509.5 billion over five years. The campaign itself estimated its plan would cost \$325 billion over five years, this assumes a generous accounting of savings that might not be realized.
- **Education:** The President promised to “ensure that every child has access to a complete and competitive education -- from the day they are born to the day they begin a career.” During the campaign, Obama outlined an ambitious education reform plan that would cost \$18 billion a year (this includes the incentives for teachers also mentioned during the address.) He also promised to expand our commitment to charter schools, based on his campaign promise, this could cost an additional \$200 million.
- **Banking:** Obama called for a new lending fund “to help provide auto loans, college loans, and small business loans.” According to the Associated Press, this may be a reference to a Federal Reserve program “established in the Bush administration but never activated.” He also promised to support the financial system which could possibly lead to a sequel to last year’s \$700 billion TARP bailout.
- **Housing:** He repeated his call for a \$75 billion mortgage assistance effort. This would be carved out of existing TARP funds.
- **Environment:** Obama urged Congress to send him legislation with a market-based cap on carbon emissions. This plan would create a cap-and-trade system of emission allowances. The proceeds of the auction for the allowances will be used to administer the program, as well as provide funding for various new energy programs. In the 110<sup>th</sup> Congress, the Congressional Budget Office (CBO) estimated it would cost over \$56 billion a year.
- **National Service:** Obama called for passage of the Kennedy-Hatch “Serve America Act” (S. 277). The text of the bill authorizes \$210 million annually.
- **Budget Savings:** In his address, Obama vowed to eliminate education programs that do not work and to end direct payments to certain agribusinesses. During the campaign, Obama singled out the Reading First program for elimination (\$464 million), it is unknown what additional programs would face the axe. Based on previous Bush Administration estimates, eliminating payments to wealthy farmers



could save \$169 million. He also vowed to root out waste and fraud in Medicare, this might actually require an increase in spending before savings are realized. A CBO estimate

- **Universal Savings Account:** This was the major new proposal of the evening and revives a plan from the administration of Bill Clinton and the presidential campaign of Hillary Clinton. The plan would use refundable credits to encourage increased savings. Secretary Clinton said her American Retirement Accounts Plan would cost \$20-\$25 billion a year, but a breakdown of the revenue and spending effects is not available. A withdrawal of forces from Iraq could also lead to significant savings. In September, 2008, CBO projected an estimate for a scenario under which the number of troops deployed for military operations in Iraq and Afghanistan and other activities related to the War on Terrorism are reduced to 30,000 by the beginning of 2011 for a savings of over \$90 billion a year. Actual savings will depend on the timeline for removal from Iraq, and the number of forces that are redeployed to Afghanistan.
- **Defense:** Obama vowed to increase the number of soldiers and marines. During the campaign, he called for an expansion of our ground forces by adding 65,000 soldiers to the Army and 27,000 Marines. Based on Defense Department information, this could cost \$6.6 billion annually.