

# The President's FY 2017 Budget

February 2016

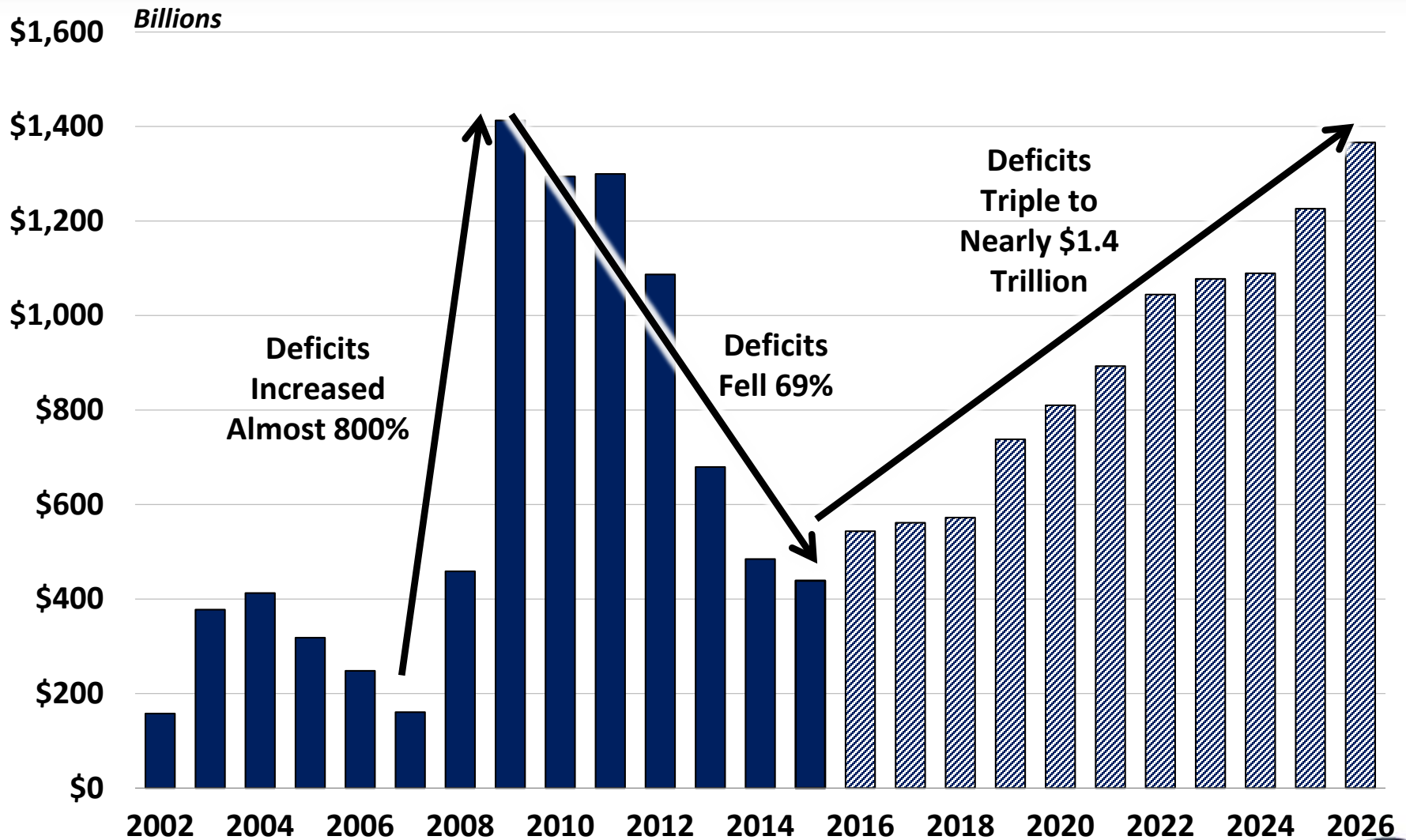


**COMMITTEE FOR A  
RESPONSIBLE FEDERAL BUDGET**

*CRFB.org*

# CBO's January Baseline Sets the Stage

# Trillion-Dollar Deficits Are Returning

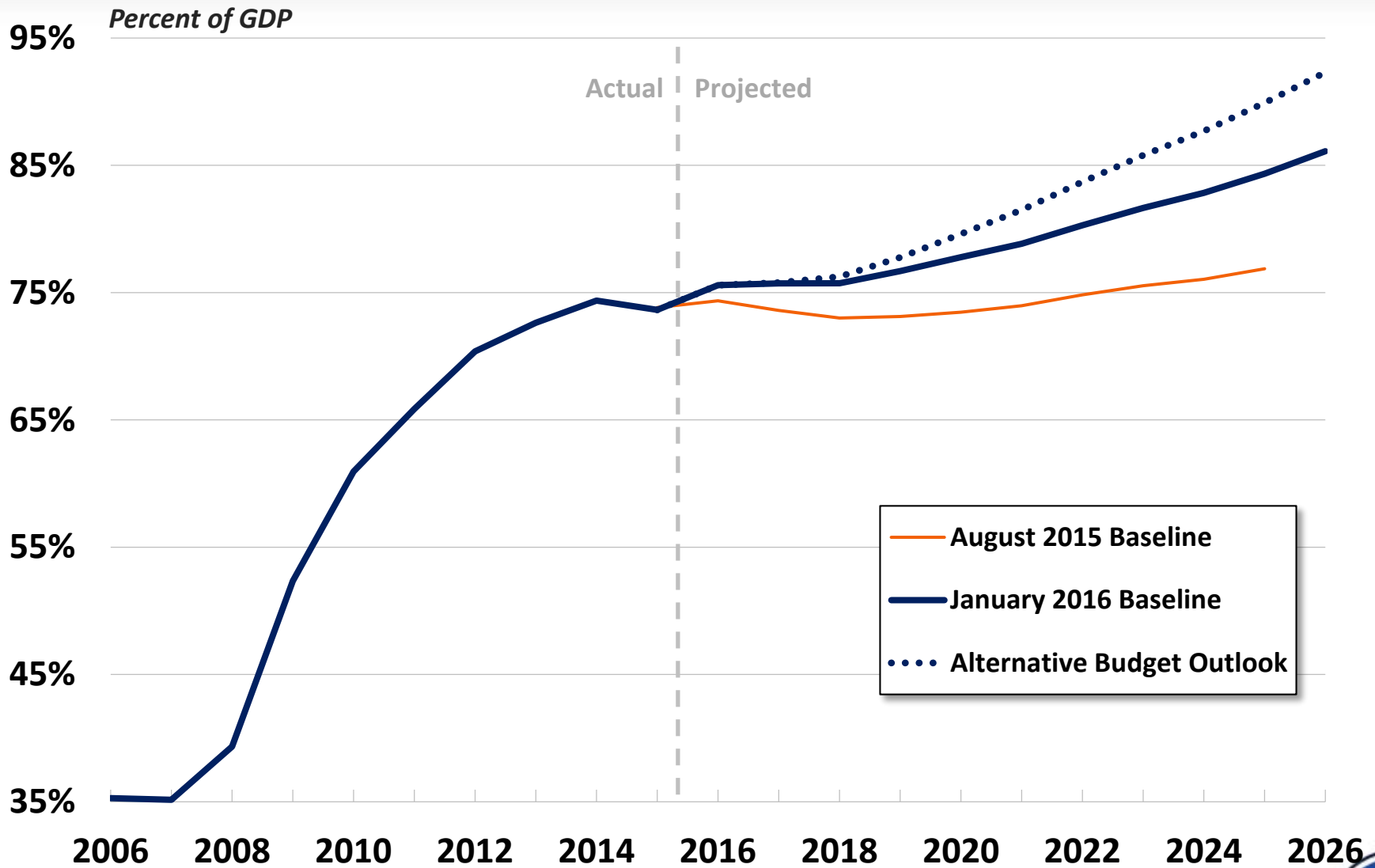


Sources: CBO, CRFB Calculations

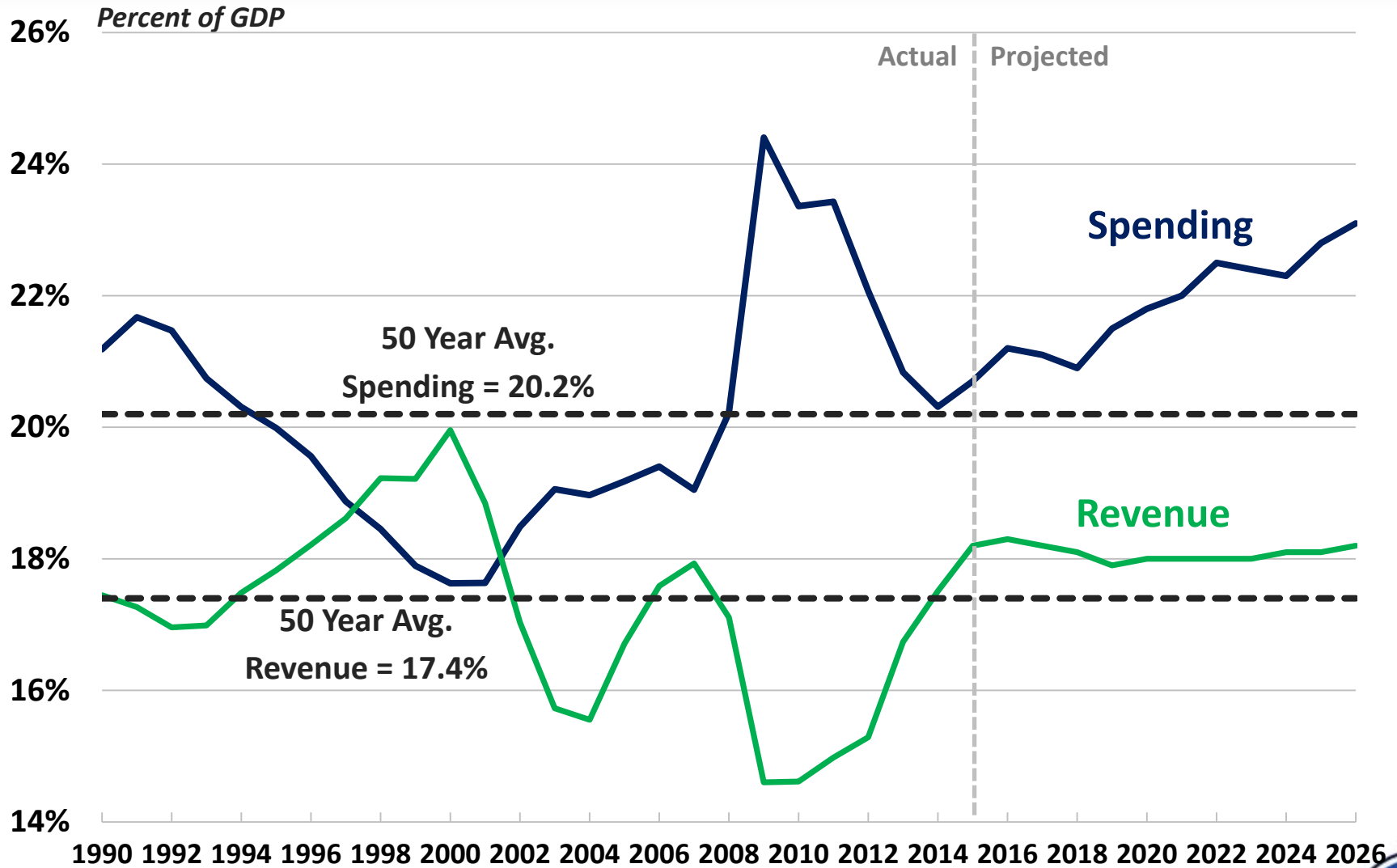
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# The National Debt is Rising



# The Gap Between Revenue and Spending is Growing



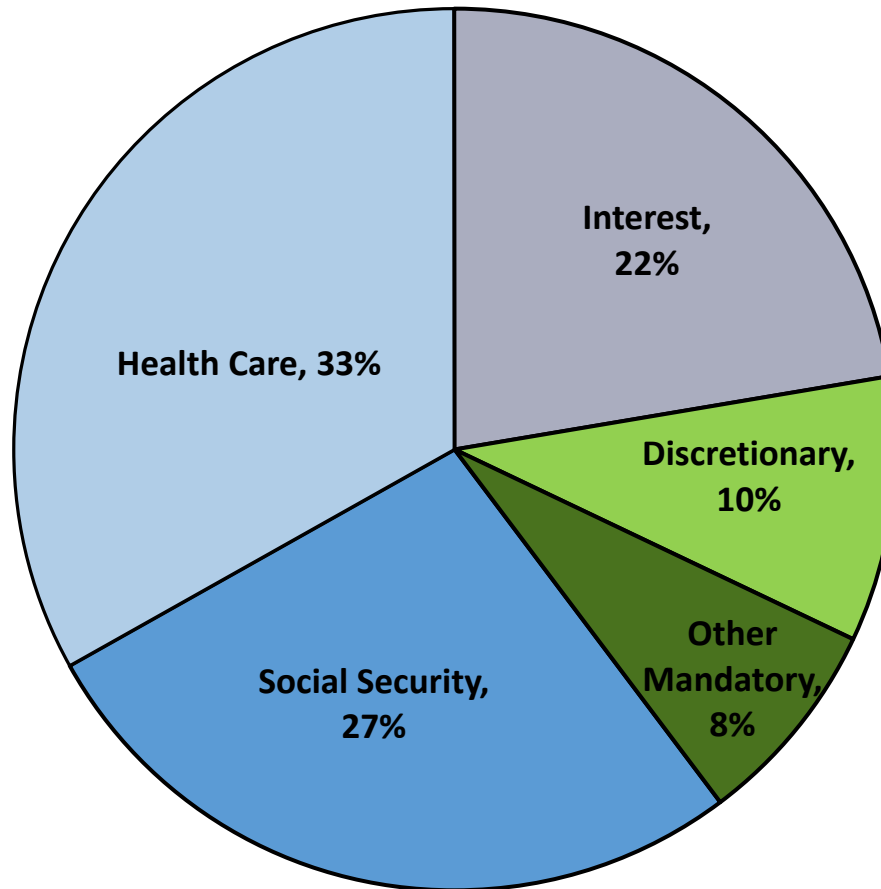
Sources: CBO, CRFB Calculations

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# Social Security, Health, and Interest Explain the Growth

These 3 areas account for 83% of the \$2.7 trillion in nominal growth from 2015 to 2026

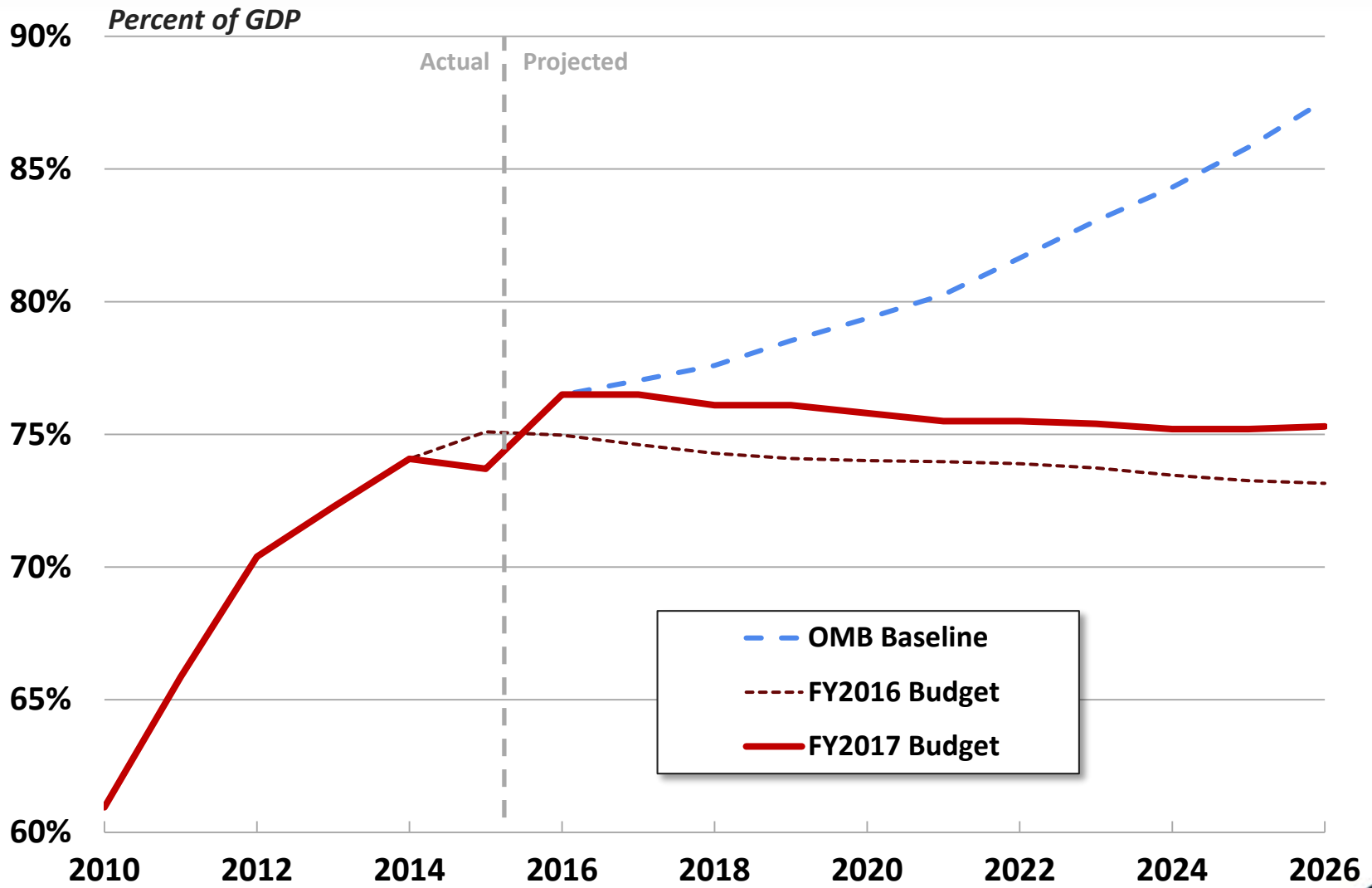


Sources: CBO January 2016 Baseline, CRFB Calculations.

5 Numbers may not add due to rounding

# The President's FY 2017 Budget

# The President's Budget Stabilizes the Debt



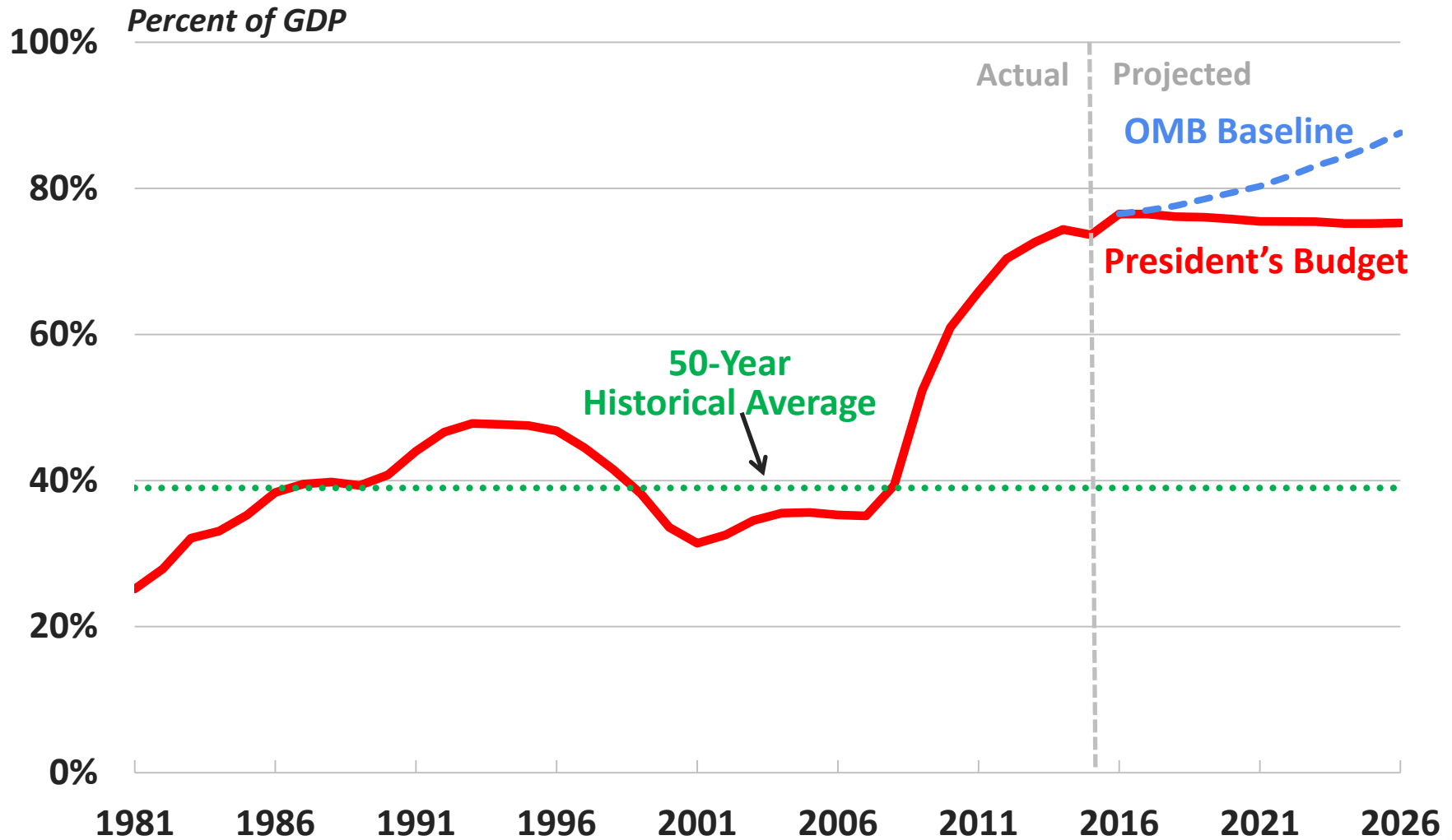
Sources: OMB, CRFB Calculations

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# ...But at Record-High Levels



Sources: OMB, CBO, CRFB calculations

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# Budget Projections in the President's Budget

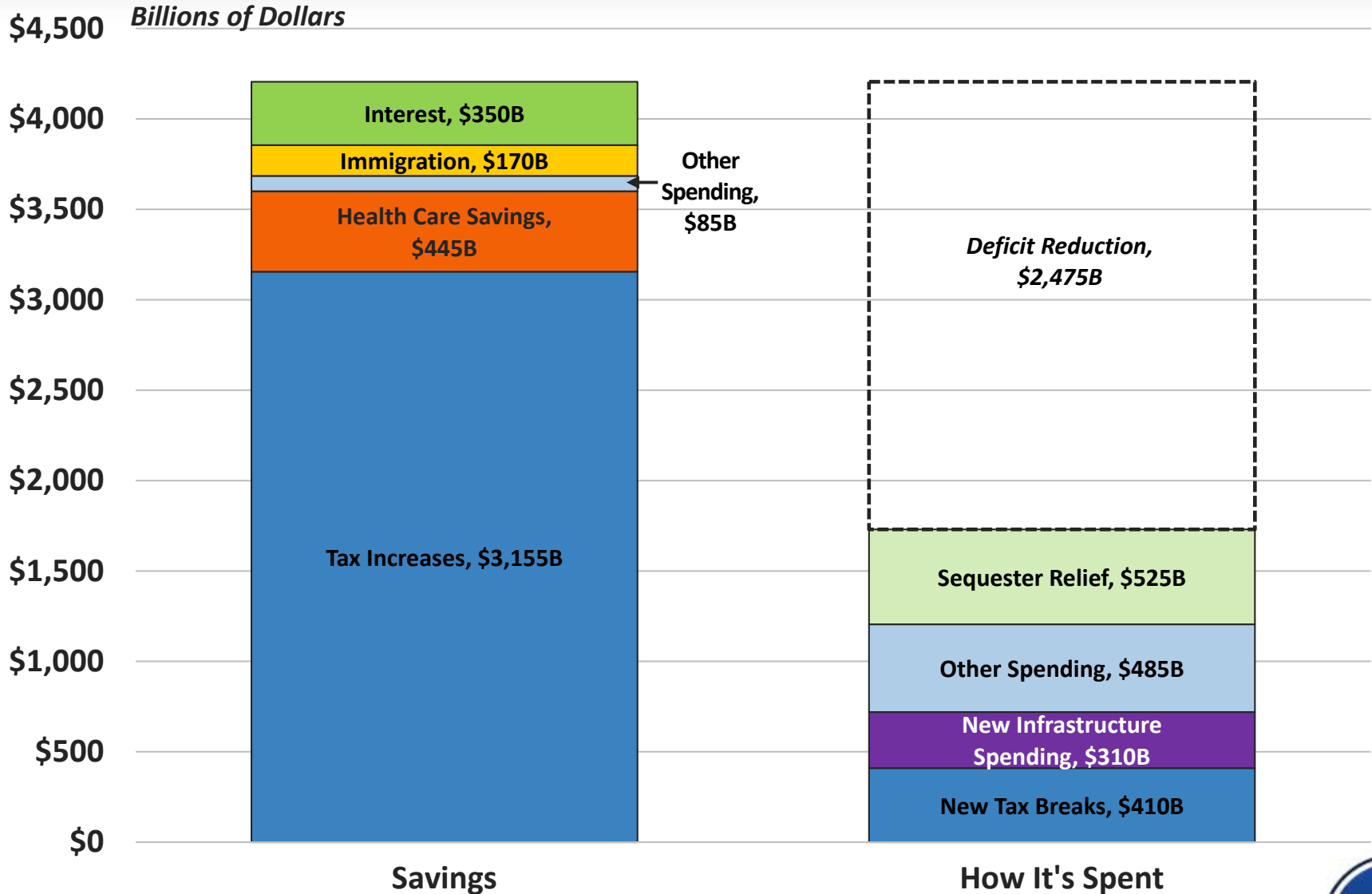
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Ten-Year <sup>^</sup>
<b>REVENUES</b>													
<b>FY 2017 Budget</b>	18.3%	18.1%	18.9%	19.4%	19.5%	19.8%	20.0%	19.9%	19.9%	19.9%	20.0%	20.0%	19.7%
<b>OMB Baseline</b>	18.3%	18.1%	18.0%	18.0%	18.0%	18.3%	18.4%	18.4%	18.4%	18.5%	18.5%	18.5%	18.3%
<b>PAYGO Baseline*</b>	18.3%	18.1%	18.0%	18.0%	18.0%	18.3%	18.4%	18.4%	18.4%	18.5%	18.5%	18.5%	18.3%
<b>CBO Baseline</b>	18.2%	18.3%	18.2%	18.1%	17.9%	18.0%	18.0%	18.0%	18.0%	18.1%	18.1%	18.2%	18.1%
<b>FY 2016 Budget</b>	17.7%	18.7%	19.1%	19.1%	19.2%	19.3%	19.3%	19.4%	19.5%	19.6%	19.7%	N/A	19.3%
<b>OUTLAYS</b>													
<b>FY 2017 Budget</b>	20.7%	21.4%	21.5%	21.6%	22.1%	22.3%	22.4%	22.7%	22.6%	22.4%	22.7%	22.8%	22.3%
<b>OMB Baseline</b>	20.7%	21.4%	21.2%	21.2%	21.7%	22.0%	22.2%	22.9%	22.9%	22.9%	23.2%	23.5%	22.5%
<b>PAYGO Baseline*</b>	20.7%	21.4%	21.2%	21.0%	21.5%	21.7%	21.9%	22.3%	22.2%	22.1%	22.4%	22.7%	22.0%
<b>CBO Baseline</b>	20.7%	21.2%	21.1%	20.9%	21.5%	21.8%	22.0%	22.5%	22.4%	22.3%	22.8%	23.1%	22.1%
<b>FY 2016 Budget</b>	20.9%	21.3%	21.4%	21.5%	21.6%	21.7%	21.9%	21.9%	22.0%	22.0%	22.2%	N/A	21.7%
<b>DEFICITS</b>													
<b>FY 2017 Budget</b>	2.5%	3.3%	2.6%	2.3%	2.6%	2.4%	2.4%	2.8%	2.7%	2.5%	2.7%	2.8%	2.6%
<b>OMB Baseline</b>	2.5%	3.3%	3.2%	3.3%	3.7%	3.7%	3.9%	4.4%	4.5%	4.4%	4.7%	5.0%	4.1%
<b>PAYGO Baseline*</b>	2.5%	3.3%	3.1%	3.0%	3.5%	3.4%	3.5%	3.8%	3.8%	3.6%	3.9%	4.2%	3.6%
<b>CBO Baseline</b>	2.5%	2.9%	2.9%	2.8%	3.5%	3.7%	4.0%	4.4%	4.4%	4.3%	4.6%	4.9%	4.0%
<b>FY 2016 Budget</b>	3.2%	2.5%	2.3%	2.3%	2.4%	2.5%	2.6%	2.6%	2.5%	2.4%	2.5%	N/A	2.5%
<b>DEBT</b>													
<b>FY 2017 Budget</b>	73.7%	76.5%	76.5%	76.1%	76.1%	75.8%	75.5%	75.5%	75.4%	75.2%	75.2%	75.3%	N/A
<b>OMB Baseline</b>	73.7%	76.5%	77.0%	77.6%	78.5%	79.4%	80.3%	81.6%	83.1%	84.3%	85.8%	87.6%	N/A
<b>PAYGO Baseline*</b>	73.7%	76.5%	77.0%	77.4%	78.0%	78.6%	79.2%	80.0%	80.8%	81.4%	82.3%	83.4%	N/A
<b>CBO Baseline</b>	73.6%	75.6%	75.7%	75.7%	76.7%	77.8%	78.8%	80.3%	81.7%	82.8%	84.3%	86.1%	N/A
<b>FY 2016 Budget</b>	75.1%	75.0%	74.6%	74.3%	74.1%	74.0%	74.0%	73.9%	73.7%	73.5%	73.3%	N/A	N/A

<sup>^</sup> Ten-year figures refer to 2017-2026 for all categories except FY 2016 Budget, which is 2016-2025.

\* CRFB's "PAYGO Baseline" adjusts OMB's baseline to remove claimed savings from a drawdown of Overseas Contingency Operations (OCO) and to treat the so-called "sequester" under CBO's conventions by assuming discretionary levels continue at sequester-levels, adjusted for inflation, beyond 2021.



# Where Does the Money Come From? Where Does It Go?



Sources: Office of Management and Budget, CRFB Calculations

Measured against a PAYGO baseline which assumes continuation of current law, including inflation adjustments of the 2021 post-sequester discretionary levels, along with a drawdown in war spending as in the President's budget.



# New Spending and Sequester Relief in the President's Budget

	Costs
<b>New Spending Initiatives</b>	<b>\$1,250 billion</b>
Provide Mandatory and Discretionary Sequester Relief	<b>\$525 billion</b> <i>(\$125b from OMB baseline)</i>
Increase Transportation and Clean Energy Infrastructure	<b>\$310 billion</b>
Expand Access to Child Care	<b>\$80 billion</b>
Offer Universal Pre-K and Expand Home Visiting	<b>\$75 billion</b>
Expand College Grants	<b>\$60 billion</b>
Increase Clean Energy R&D Spending (Mission Innovation)	<b>\$30 billion</b>
Reform Unemployment Insurance Benefits and Establish Wage Insurance	<b>\$60 billion</b>
Other Spending Increases (net of certain savings)	<b>\$105 billion</b>

*Note: All numbers rounded to the nearest \$5 billion and estimated roughly by CRFB staff. Numbers may not add due to rounding.*

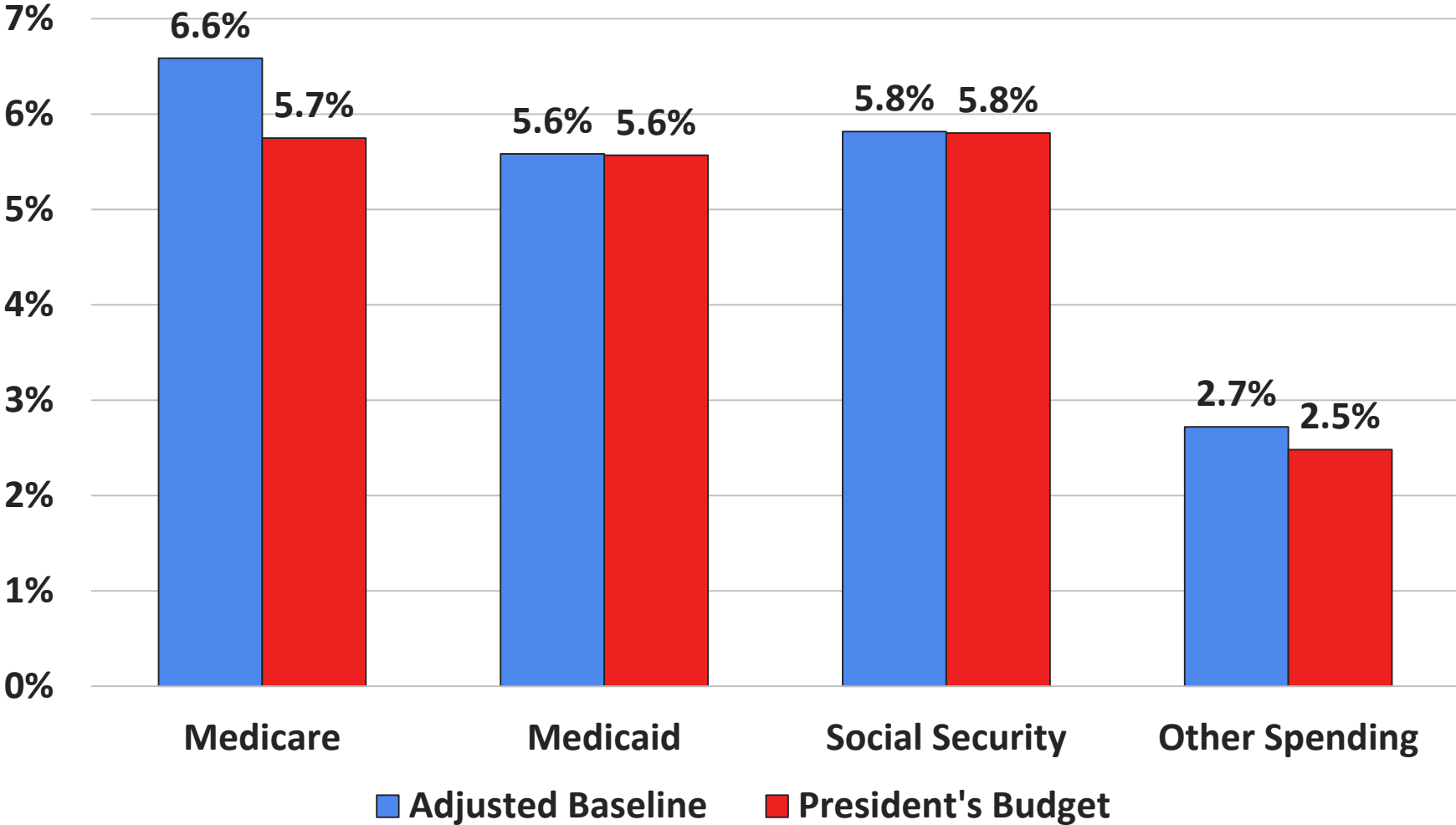


# Mandatory and Health Savings in the President's Budget

	<i>Savings</i>
<b>Other Mandatory Savings</b>	<b>-\$85 billion</b>
Reduce Farm Subsidies	-\$20 billion
Increase PBGC premiums	-\$15 billion
Enact Postal Reform	-\$40 billion
Reduce Social Security and SSI costs	-\$10 billion
<b>Health Care Savings (net)</b>	<b>-\$380 billion</b>
Reduce Spending on Prescription Drugs	-\$170 billion
Reduce Spending on Post-Acute Care	-\$95 billion
Increase Income-Based Premiums and Expand Cost-Sharing	-\$55 billion
Reduce Medicare Advantage Payments	-\$75 billion
Reduce Other Medicaid Costs	-\$30 billion
Other Savings & Interactions	-\$15 billion
<i>Medicaid and CHIP Spending</i>	<b>\$70 billion</b>

*Note: All numbers rounded to the nearest \$5 billion and estimated roughly by CRFB staff. Numbers may not add due to rounding.*

# 2016-2026 Annual Growth Rates by Spending Category



Sources: OMB, CRFB Calculations  
Note: Other Spending is non-interest

# Revenue Provisions in the President's Budget

	<b>Savings/Costs</b>
<b>Revenue Increases</b>	<b>-\$3,155 billion</b>
Limit Value of Tax Preferences for High Earners, Enact "Buffett rule"	<b>-\$685 billion</b>
Tax Capital Gains and Dividends at Top Rate of 28 percent and Repeal Step-Up Basis	<b>-\$235 billion</b>
Rationalize Net Investment Income and SECA Taxes	<b>-\$270 billion</b>
Restore Estate Tax to 2009 Levels and Close Loopholes	<b>-\$225 billion</b>
Impose a Financial Fee	<b>-\$110 billion</b>
Increase Tobacco Tax	<b>-\$115 billion</b>
Repeal or Reform Various Corporate Tax Expenditures and Loopholes	<b>-\$225 billion</b>
Reform the International Tax System, including with a minimum tax	<b>-\$485 billion</b>
Enact One-Time "Deemed Repatriation" Tax on Income Held Overseas	<b>-\$300 billion</b>
Enact \$10-per-barrel Oil Tax	<b>-\$320 billion</b>
Other Revenue	<b>-\$180 billion</b>
<b>New Tax Breaks</b>	<b>\$410 billion</b>
Expand the Earned Income Tax Credit (EITC)	<b>\$65 billion</b>
Provide Second Earner Tax Credit	<b>\$85 billion</b>
Expand Tax Breaks for Child Care, Education, and Other Purposes	<b>\$90 billion</b>
Expand Business Tax Breaks, especially for Research, Energy, and Infrastructure	<b>\$160 billion</b>

Note: All numbers rounded to the nearest \$5 billion and estimated roughly by CRFB staff. Numbers may not add due to rounding.



# What We Like in the President's Budget

- **Abides by PAYGO by paying for all new initiatives**
- **Stabilizes the debt-to-GDP ratio**
- **Calls for business tax reform and Medicare reform**
- **Emphasizes pro-growth investments and includes policies to promote labor force participation**



# Our Concerns with the President's Budget

- **Leaves debt levels at post-WWII record high levels**
- **Fails to put debt on a clear downward path relative to GDP**
- **Includes practically no reforms to Social Security, and insufficient health care savings**
- **Puts too little focus on long-term fiscal sustainability**

**For More Information,  
Contact Us at  
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