

# The President's FY 2015 Budget

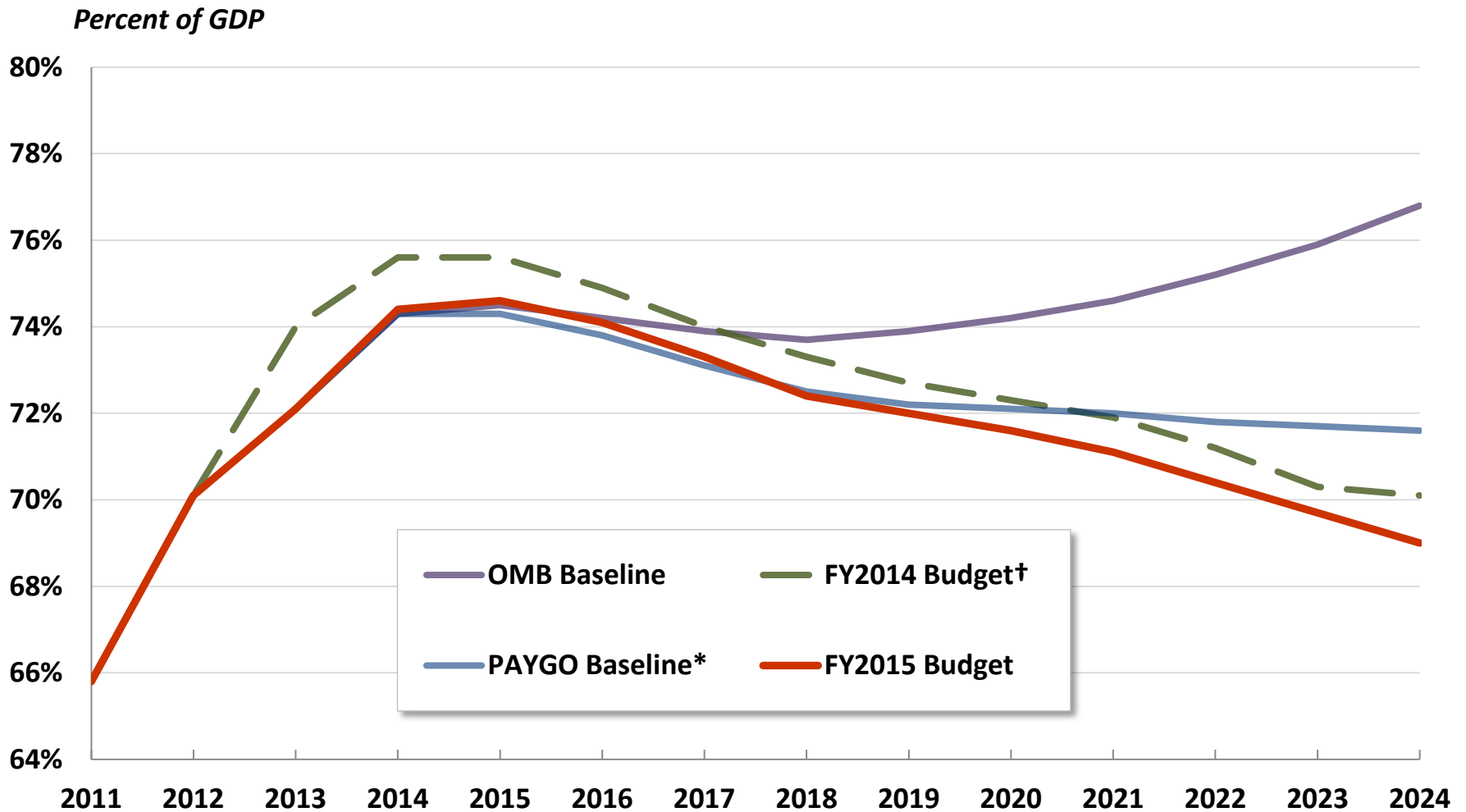
March 2014



**THE COMMITTEE FOR A  
RESPONSIBLE FEDERAL BUDGET**

*CRFB.org*

# The President's Budget Projects Debt on a Downward Path



Source: Office of Management and Budget

\*PAYGO baseline 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.

†Adjusted by CRFB to account for new BEA method for measuring GDP.

# Budget Projections in the President's Budget

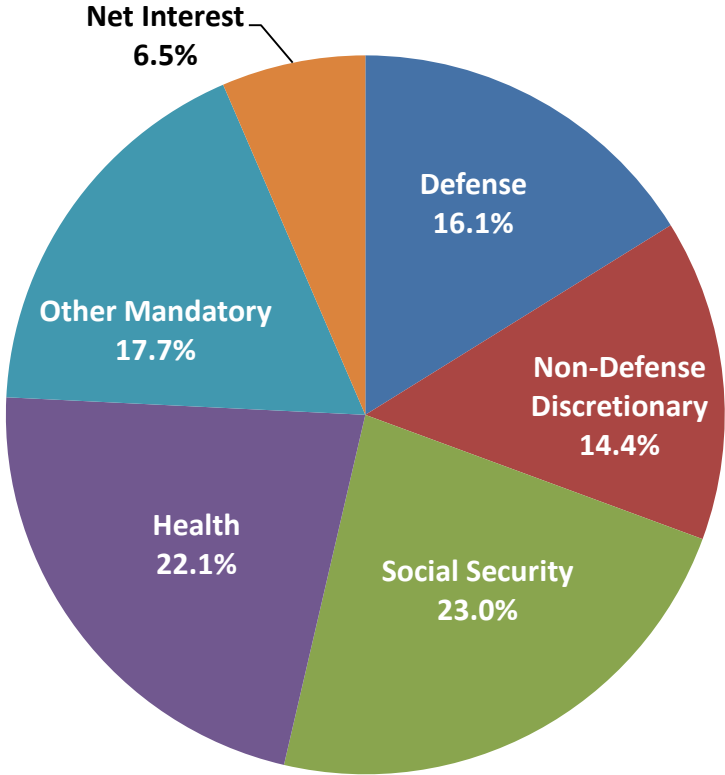
Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ten-Year*
<b>REVENUES</b>													
<b>FY2015 Budget</b>	16.7%	17.3%	18.3%	18.6%	18.9%	19.0%	19.0%	19.2%	19.4%	19.6%	19.8%	19.9%	19.2%
<b>OMB Baseline</b>	16.7%	17.3%	17.8%	18.0%	18.1%	18.2%	18.3%	18.4%	18.6%	18.7%	18.8%	19.0%	18.4%
<b>PAYGO Baseline*</b>	16.7%	17.3%	17.8%	18.0%	18.1%	18.2%	18.3%	18.4%	18.6%	18.7%	18.8%	19.0%	18.4%
<b>OUTLAYS</b>													
<b>FY2015 Budget</b>	20.8%	21.1%	21.4%	21.2%	21.1%	21.1%	21.3%	21.4%	21.5%	21.5%	21.6%	21.7%	21.4%
<b>OMB Baseline</b>	20.8%	21.0%	20.9%	20.8%	20.9%	21.0%	21.2%	21.5%	21.7%	22.0%	22.3%	22.6%	21.6%
<b>PAYGO Baseline*</b>	20.8%	20.9%	20.8%	20.5%	20.5%	20.6%	20.7%	20.9%	21.1%	21.2%	21.3%	21.5%	20.9%
<b>DEFICITS</b>													
<b>FY2015 Budget</b>	4.1%	3.7%	3.1%	2.6%	2.3%	2.1%	2.3%	2.2%	2.1%	1.9%	1.8%	1.8%	2.2%
<b>OMB Baseline</b>	4.1%	3.6%	3.1%	2.8%	2.8%	2.8%	3.0%	3.0%	3.1%	3.3%	3.4%	3.6%	3.1%
<b>PAYGO Baseline*</b>	4.1%	3.6%	2.9%	2.5%	2.4%	2.4%	2.4%	2.5%	2.5%	2.4%	2.4%	2.5%	2.5%
<b>DEBT</b>													
<b>FY2015 Budget</b>	72.1%	74.4%	74.6%	74.1%	73.3%	72.4%	72.0%	71.6%	71.1%	70.4%	69.7%	69.0%	N/A
<b>OMB Baseline</b>	72.1%	74.3%	74.5%	74.2%	73.9%	73.7%	73.9%	74.2%	74.6%	75.2%	75.9%	76.8%	N/A
<b>PAYGO Baseline*</b>	72.1%	74.3%	74.3%	73.8%	73.1%	72.5%	72.2%	72.1%	72.0%	71.8%	71.7%	71.6%	N/A

*Note: All estimates adjusted for timing shifts.*

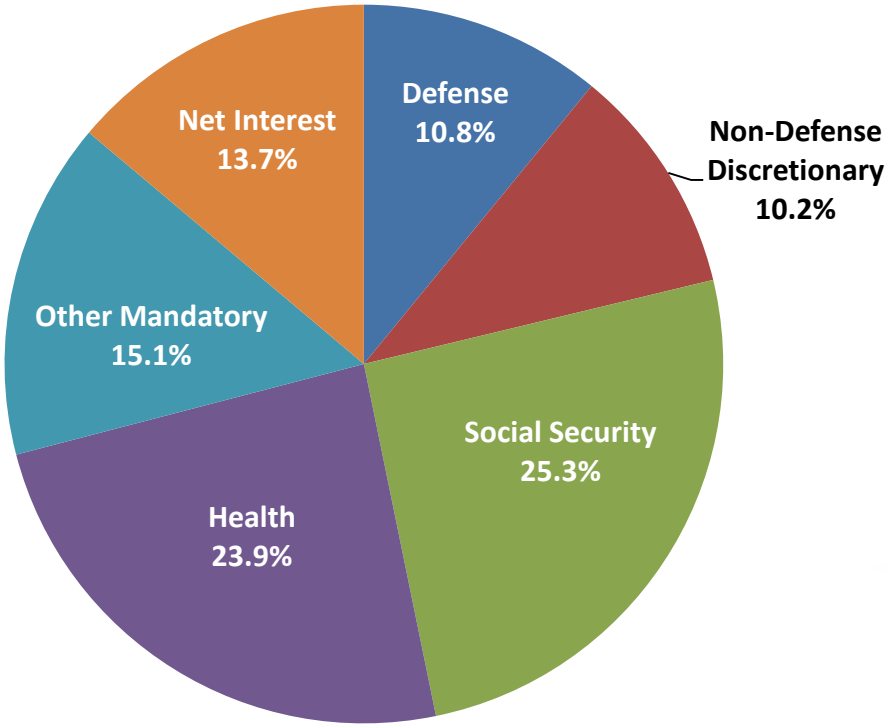
*\* PAYGO baseline assumes continuation of current law, including inflation adjustments of the 2021 post-sequester discretionary levels, along with a drawdown in war spending as in the President's budget.*

# Composition of Budget in President's Proposal

**2015**



**2024**



# Spending and Revenue Changes in the President's Budget

	OMB Baseline	PAYGO Baseline
Gross Spending Increases	\$665 billion	\$1,010 billion
Gross Spending Cuts	-\$1,240 billion	-\$515 billion
Net Changes in Spending	-\$825 billion	\$495 billion
Gross Tax Cuts	-\$145 billion	-\$300 billion
Gross Tax Increases	\$1,345 billion	\$1,345 billion
Total Changes in Revenue	\$1,200 billion	\$1,045 billion
Immigration Reform	-\$160 billion	-\$160 billion
Net Interest	-\$240 billion	-\$40 billion
<b>Total Change in Deficit</b>	<b>-\$2,150 billion</b>	<b>-\$730 billion</b>

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

	OMB Baseline	PAYGO Baseline <sup>a</sup>
<b>Investments and Other Initiatives w/ Dedicated Offsets</b>	<b>-\$80 billion</b>	<b>-\$80 billion</b>
Fund and Increase Highway and Related Spending <sup>*</sup>	\$70 billion	\$70 billion
Raise Transition Revenue from Tax Reform	-\$150 billion	-\$150 billion
Fund Universal Pre-School and Related Spending	\$75 billion	\$75 billion
Increase and Index Cigarette Tax	-\$80 billion	-\$80 billion
Expand Earned Income Tax Credit	\$60 billion	\$60 billion
Conform SECA Taxes, Reduce Carried Interest Loophole, and Other Tax Changes	-\$60 billion	-\$60 billion
<b>Sequester Relief w/ Dedicated Offsets</b>	<b>\$310 billion</b>	<b>\$545 billion</b>
Increase FY2015 Discretionary Spending	\$55 billion	\$55 billion
Reduce Farm Subsidies, Limit Retirement Accounts, Etc	-\$55 billion	-\$55 billion
Reduce FY2016-FY2021 Sequestration Cuts	\$315 billion	\$315 billion
Modify FY2022-FY2024 Discretionary Spending Levels	-\$175 billion	\$50 billion
Repeal Mandatory Sequester Cuts	\$170 billion	\$180 billion
<b>Health Care Reforms</b>	<b>-\$400 billion</b>	<b>-\$285 billion</b>
Reform the Sustainable Growth Rate ("Doc Fixes")	\$0 billion	\$115 billion
Reduce Spending on Prescription Drugs	-\$155 billion	-\$155 billion
Reduce Spending on Post-Acute Care	-\$110 billion	-\$110 billion
Increase Means-testing of Medicare Premiums	-\$55 billion	-\$55 billion
Increase Cost Sharing in Medicare	-\$15 billion	-\$15 billion
Reduce Other Health Care Spending	-\$65 billion	-\$65 billion
<b>Other Spending Changes</b>	<b>\$80 billion</b>	<b>\$80 billion</b>
Increase Spending on Education and Infrastructure	\$50 billion	\$50 billion
Extend Unemployment Benefits and Promote Jobs	\$50 billion	\$50 billion
Increase Other Spending	\$55 billion	\$55 billion
Reduce Social Security Fraud	-\$30 billion	-\$30 billion
Increase PBGC Premiums	-\$20 billion	-\$20 billion
Other Spending Reductions and User Fees	-\$30 billion	-\$30 billion
<b>Revenue Changes</b>	<b>-\$935 billion</b>	<b>-\$780 billion</b>
Extend Expiring Refundable Tax Credits	\$0 billion	\$155 billion
Enact Tax Breaks for Families, Jobs, and Infrastructure	\$85 billion	\$85 billion
Limit Value of Tax Preferences to 28%	-\$600 billion	-\$600 billion
Enact "Buffett Rule" to Set Minimum Tax	-\$55 billion	-\$55 billion
Reform and Increase Estate Tax	-\$130 billion	-\$130 billion
Reduce the Tax Gap	-\$70 billion	-\$70 billion
Impose Financial Responsibility Tax	-\$55 billion	-\$55 billion
Reform Unemployment Insurance Financing	-\$60 billion	-\$60 billion
Enact Other Revenue Raisers	-\$55 billion	-\$55 billion
<b>Additional Cuts and Reforms</b>	<b>-\$885 billion</b>	<b>-\$160 billion</b>
Enact Immigration Reform	-\$160 billion	-\$160 billion
Reduce Overseas Contingency Spending from Baseline	-\$695 billion	\$0 billion
Other Adjustments	-\$35 billion	-\$5 billion
<b>Net Interest</b>	<b>-\$240 billion</b>	<b>-\$40 billion</b>
<b>Total Change in Deficit</b>	<b>-\$2,150 billion</b>	<b>-\$730 billion</b>

Note: Numbers rounded to the nearest \$5 billion and may not add due to rounding. Negative numbers reduce the deficit. Estimates by CRFB staff.

<sup>a</sup> PAYGO baseline 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. \* The budget also dedicates nearly \$80 billion toward funding current transportation spending.

# Fiscal Impact of Proposals in the President's Budget (2014-2024)

# Investments and Sequester Relief in the President's Budget

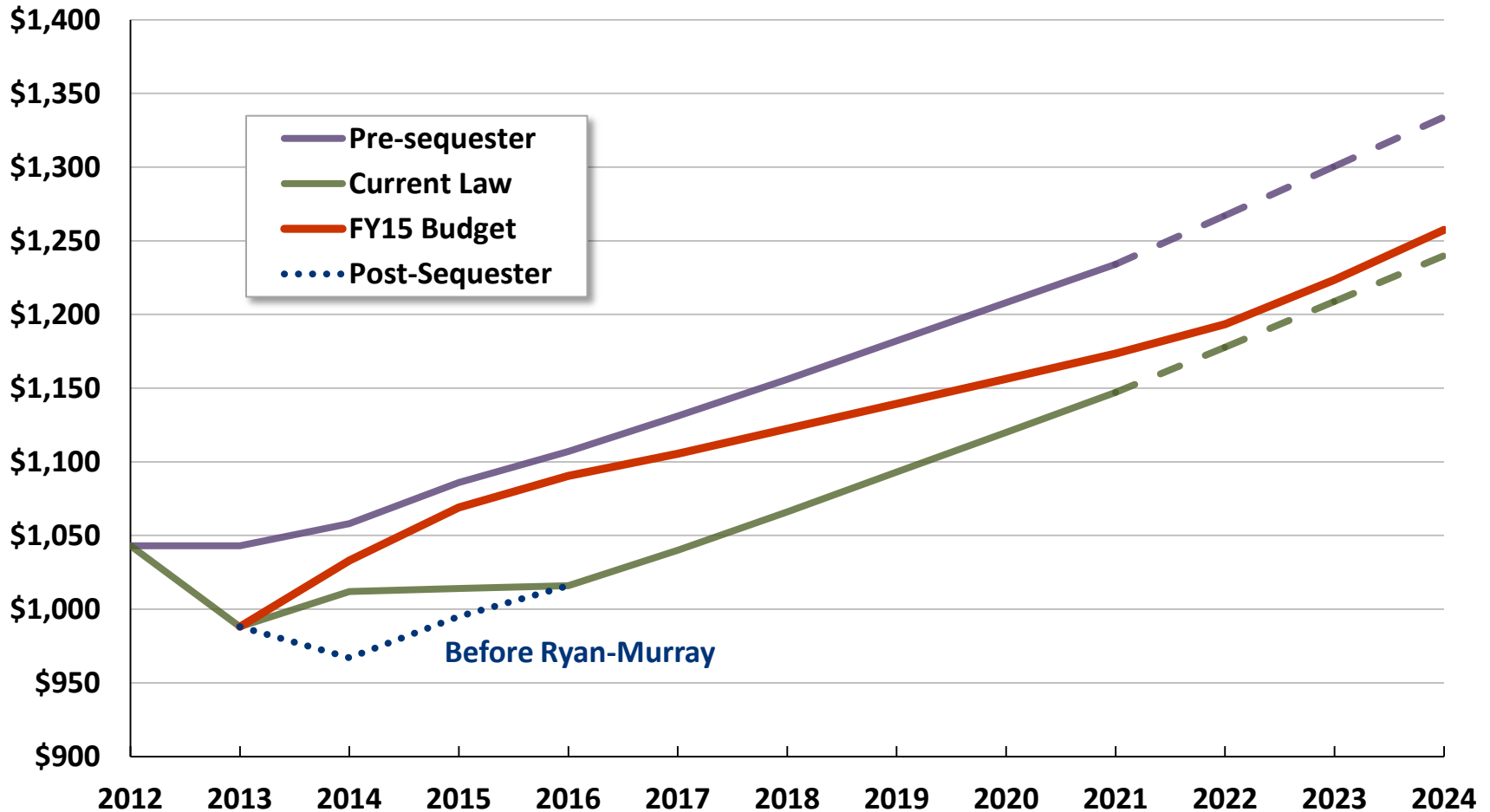
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<i>Fund and Increase Highway and Related Spending*</i>	\$70 billion	\$70 billion
<i>Raise Transition Revenue from Tax Reform</i>	-\$150 billion	-\$150 billion
<i>Fund Universal Pre-School and Related Spending</i>	\$75 billion	\$75 billion
<i>Increase and Index Cigarette Tax</i>	-\$80 billion	-\$80 billion
<i>Expand Earned Income Tax Credit</i>	\$60 billion	\$60 billion
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<i>Increase FY2015 Discretionary Spending</i>	\$55 billion	\$55 billion
<i>Reduce Farm Subsidies, Limit Retirement Accounts, Etc</i>	-\$55 billion	-\$55 billion
<i>Reduce FY2016-FY2021 Sequestration Cuts</i>	\$315 billion	\$315 billion
<i>Modify FY2022-FY2024 Discretionary Spending Levels</i>	-\$175 billion	\$50 billion
<i>Repeal Mandatory Sequester Cuts</i>	\$170 billion	\$180 billion

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

"PAYGO baseline" 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.

# Discretionary Spending Under the President's Budget

Billions of budget authority



# Health Care Proposals in the President's Budget

	OMB Baseline	PAYGO Baseline
<b>Health Care Reforms</b>	<b>-\$400 billion</b>	<b>-\$285 billion</b>
<i>Reform the Sustainable Growth Rate ("Doc Fixes")</i>	<i>\$0 billion</i>	<i>\$115 billion</i>
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<i>Reduce Spending on Post-Acute Care</i>	<i>-\$110 billion</i>	<i>-\$110 billion</i>
<i>Increase Means-testing of Medicare Premiums</i>	<i>-\$55 billion</i>	<i>-\$55 billion</i>
<i>Increase Cost Sharing in Medicare</i>	<i>-\$15 billion</i>	<i>-\$15 billion</i>
<i>Reduce Other Health Care Spending</i>	<i>-\$65 billion</i>	<i>-\$65 billion</i>

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# Revenue Changes in the President's Budget

	OMB Baseline	PAYGO Baseline
<b>Revenue Changes</b>	<b>-\$935 billion</b>	<b>-\$780 billion</b>
<i>Extend Expiring Refundable Tax Credits</i>	\$0 billion	\$155 billion
<i>Enact Tax Breaks for Families, Jobs, and Infrastructure</i>	\$85 billion	\$85 billion
<i>Limit Value of Tax Preferences to 28%</i>	-\$600 billion	-\$600 billion
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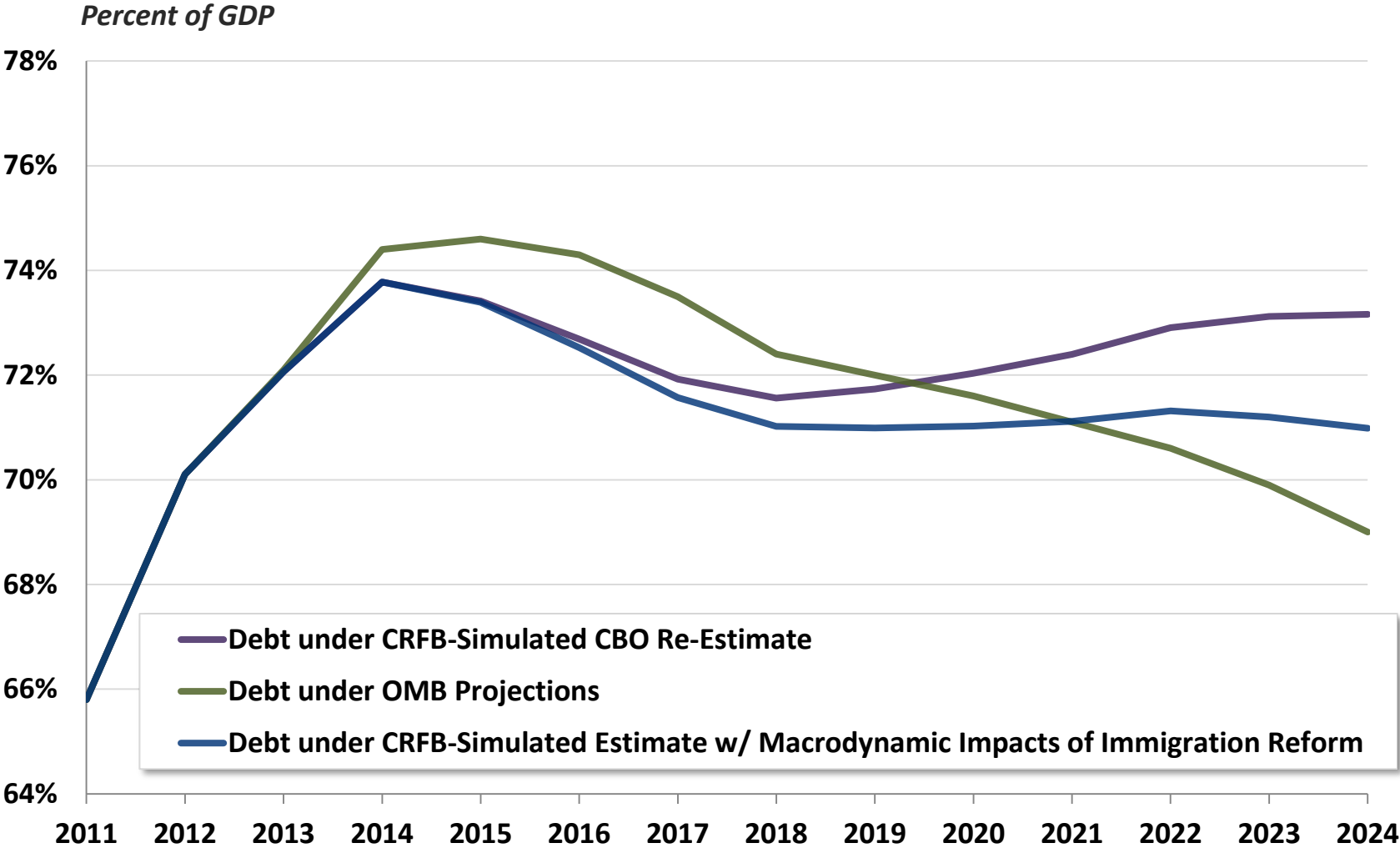
# What we Like in the President's Budget

- Abides by PAYGO with specific offsets
- Includes responsible tax and health reforms
- Sets sustainable and affordable discretionary levels
- Puts debt on a downward path

# Our Concerns with the President's Budget

- Moves in the wrong direction on entitlements – removing rather than adding needed reforms
- Leaves debt levels too high
- Claims phony “war savings” that may also be unrealistically ambitious
- May rely on overly optimistic projections to put debt on a downward path

# CRFB Simulated “CBO” Re-Estimate of the President’s Budget



Source: CRFB calculations based on CBO and OMB data.

**For More Information,  
Contact Lydia Austin at  
[austinl@crfb.org](mailto:austinl@crfb.org) or 202-596-3597**



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