

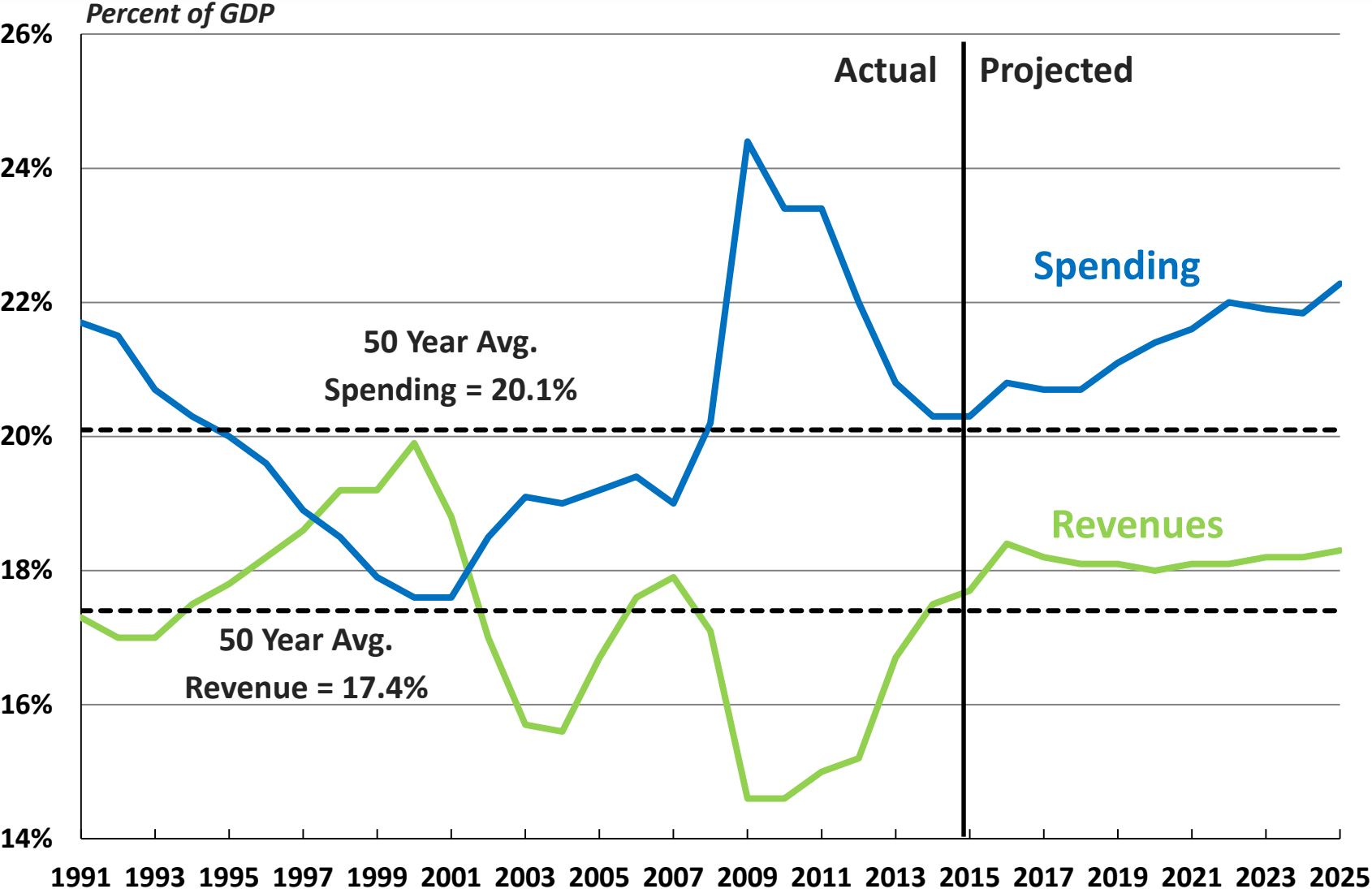
# The President's FY 2016 Budget



**THE COMMITTEE FOR A  
RESPONSIBLE FEDERAL BUDGET**

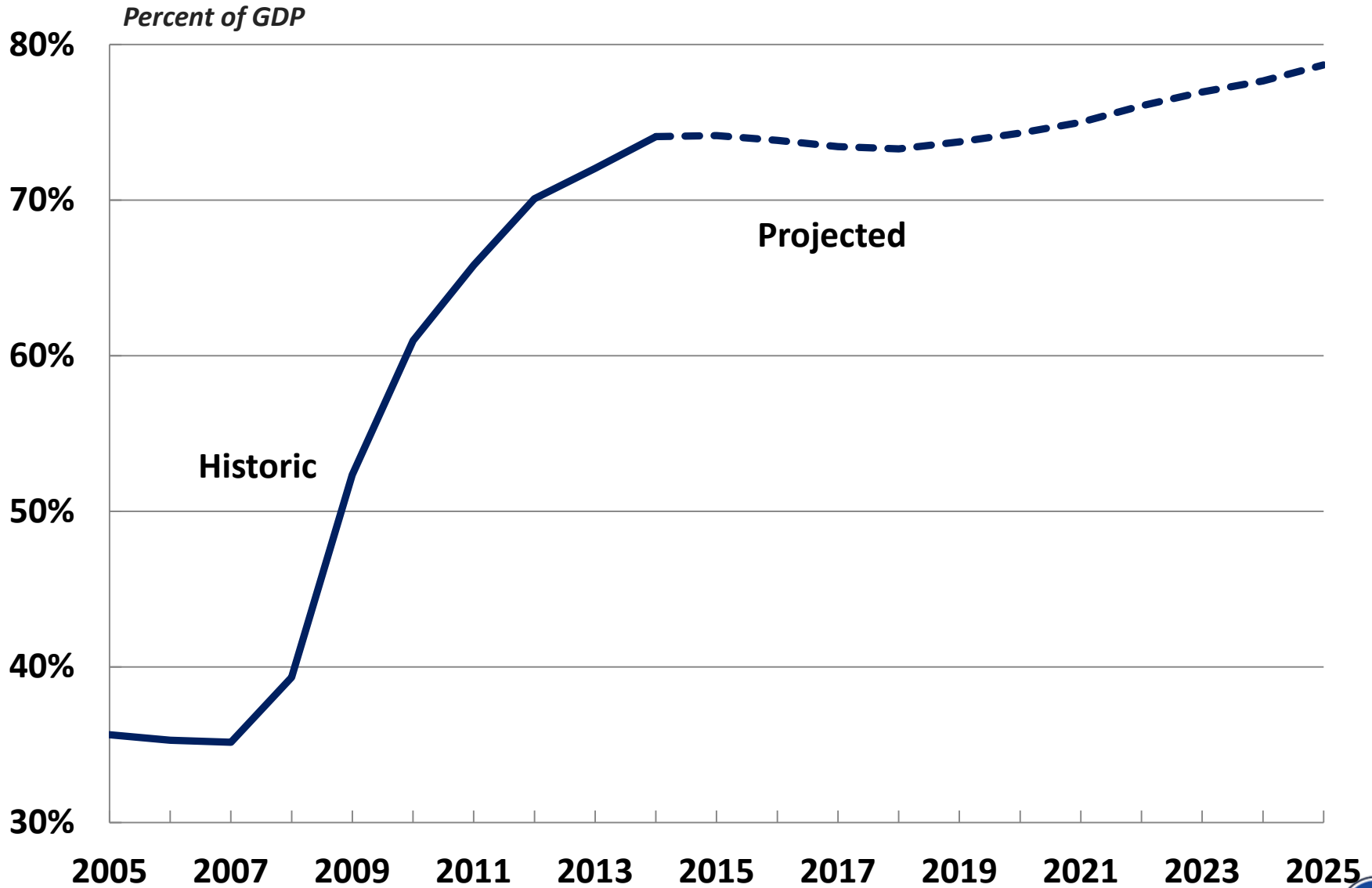
*CRFB.org*

# Gap Between Revenue and Spending Under the CBO Baseline



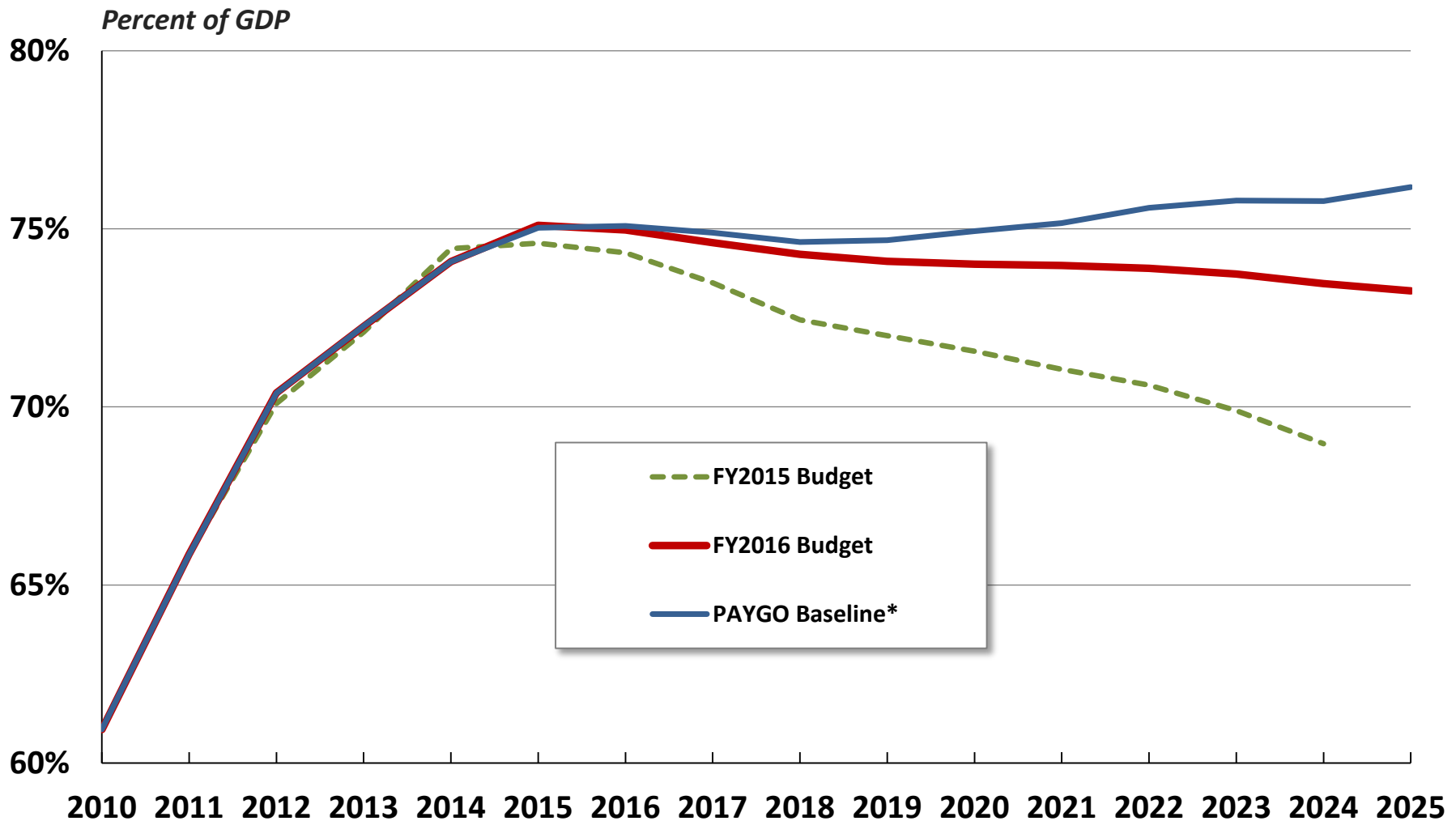
Source: CBO

# Debt Under the CBO Baseline



Source: CBO

# The President's Budget Projects Debt on a Stable 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.

# Budget Projections in the President's Budget

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ten-Year
<b>REVENUES</b>													
<b>FY2016 Budget</b>	17.5%	17.7%	18.7%	19.1%	19.1%	19.2%	19.3%	19.3%	19.4%	19.5%	19.6%	19.7%	19.3%
<b>OMB Baseline</b>	17.5%	17.7%	18.2%	18.2%	18.2%	18.2%	18.2%	18.4%	18.5%	18.6%	18.7%	18.7%	18.4%
<b>PAYGO Baseline*</b>	17.5%	17.7%	18.2%	18.1%	18.2%	18.1%	18.2%	18.3%	18.5%	18.6%	18.7%	18.7%	18.4%
<b>CBO Baseline</b>	17.5%	17.7%	18.4%	18.2%	18.1%	18.1%	18.0%	18.1%	18.1%	18.2%	18.2%	18.3%	18.2%
<b>OUTLAYS</b>													
<b>FY2016 Budget</b>	20.3%	20.9%	21.3%	21.4%	21.5%	21.6%	21.7%	21.9%	21.9%	22.0%	22.0%	22.2%	21.7%
<b>OMB Baseline</b>	20.3%	20.9%	21.1%	20.9%	20.9%	21.2%	21.5%	21.7%	22.4%	22.4%	22.4%	22.9%	21.7%
<b>PAYGO Baseline*</b>	20.3%	20.8%	20.9%	20.7%	20.6%	20.9%	21.1%	21.3%	21.7%	21.6%	21.5%	22.0%	21.3%
<b>CBO Baseline</b>	20.3%	20.3%	20.8%	20.7%	20.7%	21.1%	21.4%	21.6%	22.0%	21.9%	21.8%	22.3%	21.5%
<b>DEFICITS</b>													
<b>FY2016 Budget</b>	2.8%	3.2%	2.5%	2.3%	2.3%	2.4%	2.5%	2.6%	2.6%	2.5%	2.4%	2.5%	2.5%
<b>OMB Baseline</b>	2.8%	3.2%	2.8%	2.8%	2.7%	3.1%	3.3%	3.3%	3.9%	3.8%	3.7%	4.1%	3.4%
<b>PAYGO Baseline*</b>	2.8%	3.2%	2.7%	2.6%	2.5%	2.8%	2.9%	3.0%	3.2%	3.0%	2.8%	3.3%	2.9%
<b>CBO Baseline</b>	2.8%	2.6%	2.5%	2.5%	2.6%	3.0%	3.3%	3.5%	3.9%	3.8%	3.6%	4.0%	3.3%
<b>DEBT</b>													
<b>FY2016 Budget</b>	74.1%	75.1%	75.0%	74.6%	74.3%	74.1%	74.0%	74.0%	73.9%	73.7%	73.5%	73.3%	N/A
<b>OMB Baseline</b>	74.1%	75.1%	75.2%	75.2%	75.2%	75.6%	76.2%	76.8%	77.9%	78.9%	79.6%	80.8%	N/A
<b>PAYGO Baseline*</b>	74.1%	75.0%	75.1%	74.9%	74.6%	74.7%	74.9%	75.2%	75.6%	75.8%	75.8%	76.2%	N/A
<b>CBO Baseline</b>	74.1%	74.2%	73.8%	73.4%	73.3%	73.7%	74.3%	75.0%	76.1%	76.9%	77.7%	78.7%	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.

# Savings and Spending/Tax Cuts in the President's Budget

	<i>OMB Baseline</i>	<b>PAYGO Baseline</b>
<b>Gross Spending Cuts</b>	<i>-\$620 billion</i>	<b>-\$620 billion</b>
<b>Gross Tax Increases</b>	<i>-\$1,845 billion</i>	<b>-\$1,845 billion</b>
<b>Deficit Reducing Policies</b>	<i>-\$2,465 billion</i>	<b>-\$2,465 billion</b>
<b>Gross Spending Increases</b>	<i>\$955 billion</i>	<b>\$1,335 billion</b>
<b>Gross Tax Cuts</b>	<i>\$310 billion</i>	<b>\$475 billion</b>
<b>Deficit Increasing Policies</b>	<i>\$1,035 billion</i>	<b>\$1,810 billion</b>
<b>Immigration Reform</b>	<i>-\$160 billion</i>	<b>-\$160 billion</b>
<b>Net Interest</b>	<i>-\$220 billion</i>	<b>-\$120 billion</b>
<b>Total Change in Deficit</b>	<b><i>-\$1,810 billion</i></b>	<b>-\$930 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.

# President's Claimed Debt Reduction: \$ 1,800 Billion

Repeal across the board mandatory sequester cuts	— \$185 billion
Extend expiring refundable credit expansions	— \$165 billion
Freeze Medicare physician payments to avoid a 21 % cut	— \$115 billion
Increase discretionary spending after 2021	— \$310 billion
Interest cost from above policies	— \$105 billion

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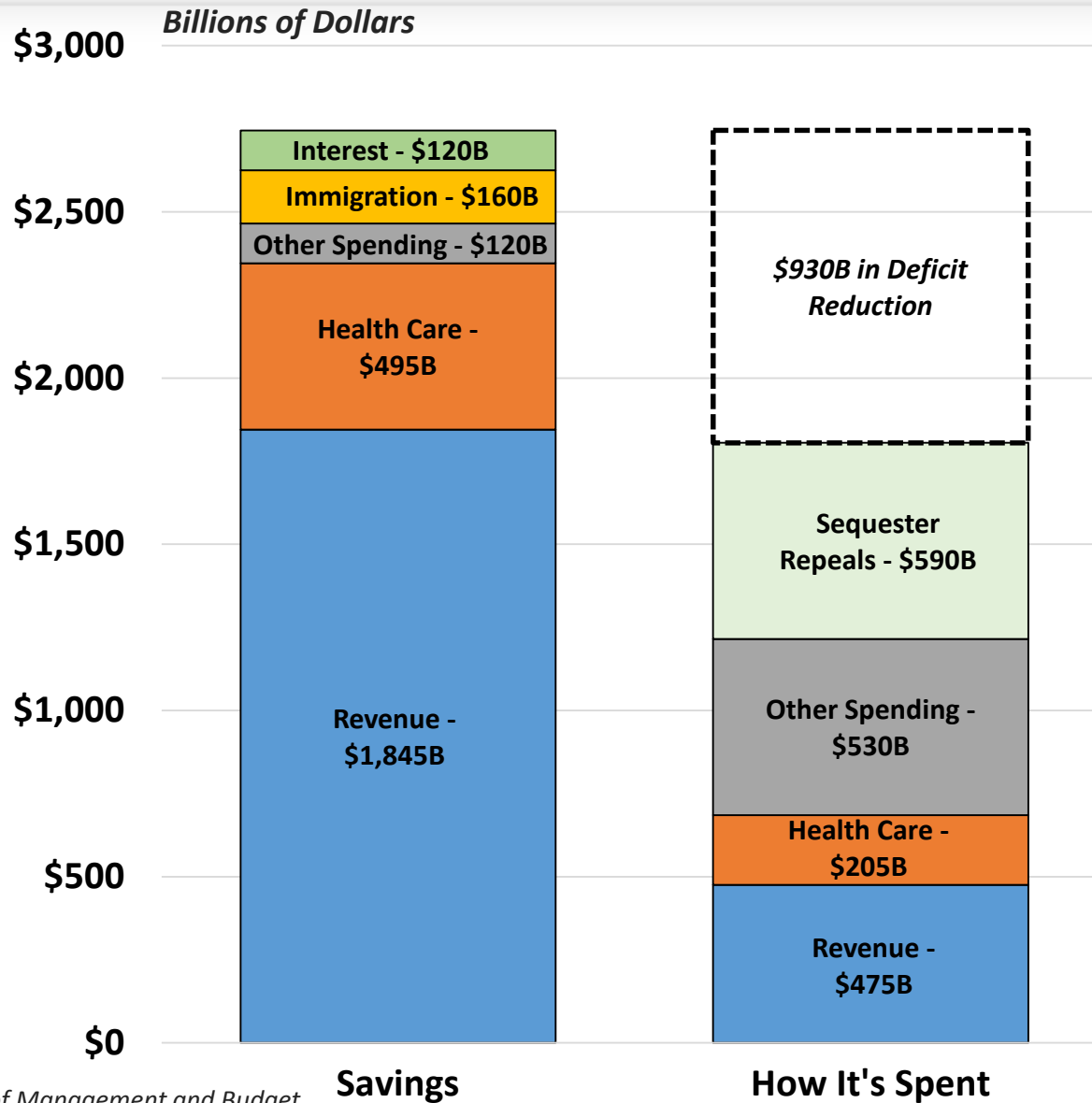
Actual Debt Reduction **\$930 billion**

Actual Compared to Stated: 51 %





# Savings and Costs in the President's Budget



Source: Office of Management and Budget

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.





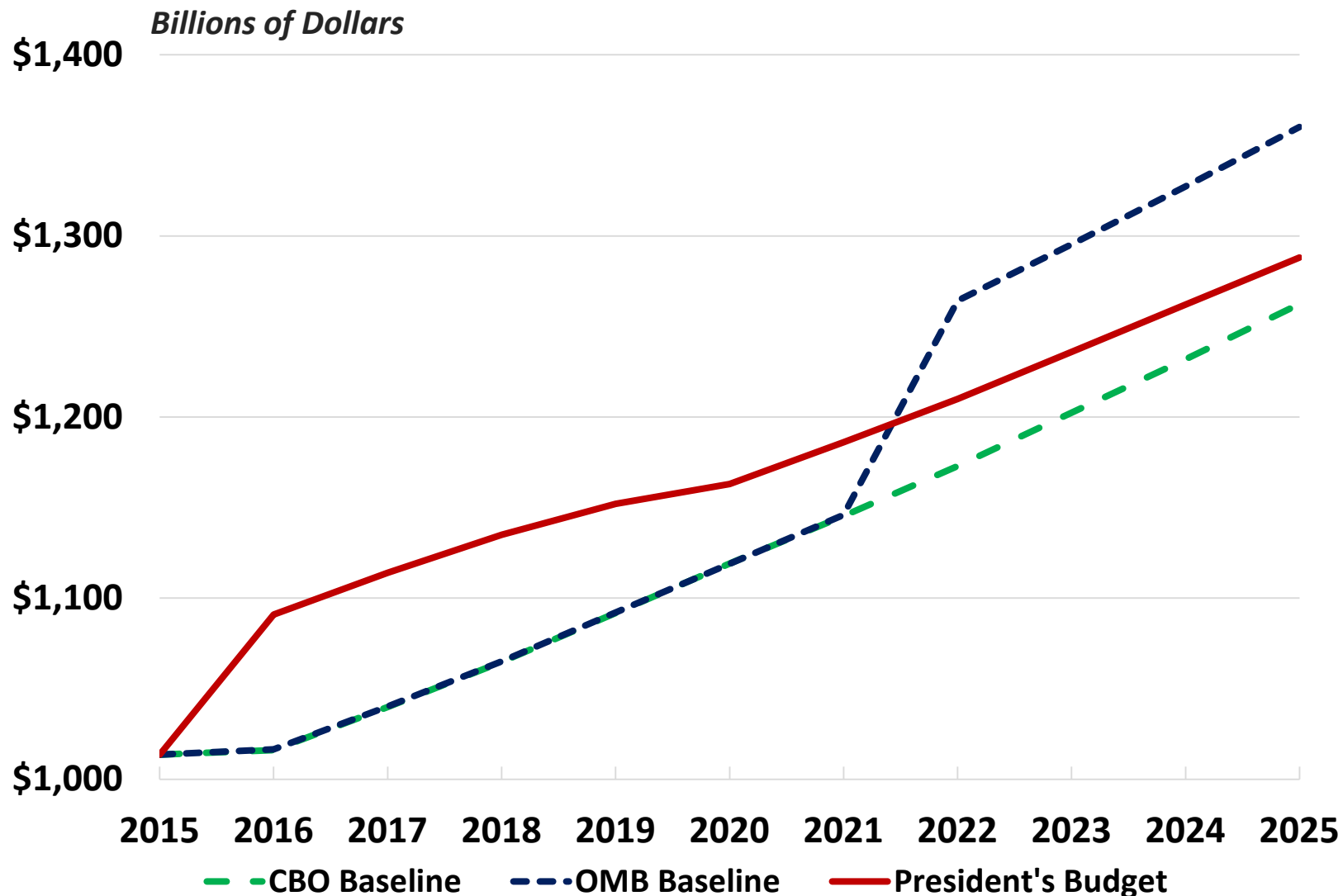
# New Spending and Sequester Relief in the President's Budget

	<i>OMB Baseline</i>	<b>PAYGO Baseline</b>
<b>New Spending Initiatives</b>	<i>\$530 billion</i>	<b>\$530 billion</b>
Fund Universal Pre-K, Other Children's Initiatives	<i>\$90 billion</i>	<b>\$90 billion</b>
Expand Access to Child Care	<i>\$80 billion</i>	<b>\$80 billion</b>
Offer Free Community College, Increase Higher Ed Spending	<i>\$100 billion</i>	<b>\$100 billion</b>
Increase Surface Transportation Spending	<i>\$115 billion</i>	<b>\$115 billion</b>
Reform Unemployment Benefits	<i>\$55 billion</i>	<b>\$55 billion</b>
Other Spending Increases	<i>\$90 billion</i>	<b>\$90 billion</b>
<b>Sequester Relief</b>	<i>\$280 billion</i>	<b>\$590 billion</b>
Reduce Discretionary Sequestration Cuts	<i>\$325 billion</i>	<b>\$325 billion</b>
Grow Discretionary Spending by ~2% After 2021	<i>-\$230 billion</i>	<b>\$80 billion</b>
Repeal Mandatory Spending Sequester	<i>\$185 billion</i>	<b>\$185 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.*

# Differences Between CBO and OMB Sequester Baselines



Source: CBO, OMB

# Tax Breaks in the President's Budget

	<i>OMB Baseline</i>	<b>PAYGO Baseline</b>
<b>New Tax Breaks</b>	<i>\$310 billion</i>	<b>\$475 billion</b>
Extend Expiring Child Tax Credit Expansion	<i>\$0 billion</i>	<b>\$70 billion</b>
Extend and Expand EITC	<i>\$65 billion</i>	<b>\$90 billion</b>
Reform, Extend, and Expand Education Tax Breaks	<i>\$45 billion</i>	<b>\$120 billion</b>
Expand Child Care Incentives, Provide Second-Earner Credit	<i>\$140 billion</i>	<b>\$140 billion</b>
Enact Other Tax Breaks	<i>\$60 billion</i>	<b>\$60 billion</b>

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# Health Care Proposals in the President's Budget

	<i>OMB Baseline</i>	<b>PAYGO Baseline</b>
<b>Health Care Spending</b>	<i>\$95 billion</i>	<b>\$205 billion</b>
Reform Sustainable Growth Rate (SGR)	<i>\$45 billion</i>	<b>\$155 billion</b>
Workforce Investments	<i>\$15 billion</i>	<b>\$15 billion</b>
Long-Term Care State Plan Pilot	<i>\$5 billion</i>	<b>\$5 billion</b>
Other New Initiatives	<i>\$30 billion</i>	<b>\$30 billion</b>
<b>Health Care Savings</b>	<i>-\$495 billion</i>	<b>-\$495 billion</b>
Reduce Spending on Prescription Drugs	<i>-\$155 billion</i>	<b>-\$155 billion</b>
Reduce Spending on Post-Acute Care	<i>-\$105 billion</i>	<b>-\$105 billion</b>
Increase Means-Testing of Medicare Premiums	<i>-\$65 billion</i>	<b>-\$65 billion</b>
Increase Cost-Sharing in Medicare	<i>-\$10 billion</i>	<b>-\$10 billion</b>
Enact Delivery System Reforms, Strengthen IPAB	<i>-\$75 billion</i>	<b>-\$75 billion</b>
Reduce Medicaid Costs	<i>-\$10 billion</i>	<b>-\$10 billion</b>
Hospital and Other Savings & Interactions	<i>-\$75 billion</i>	<b>-\$75 billion</b>

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# Additional Deficit Reduction in the President's Budget

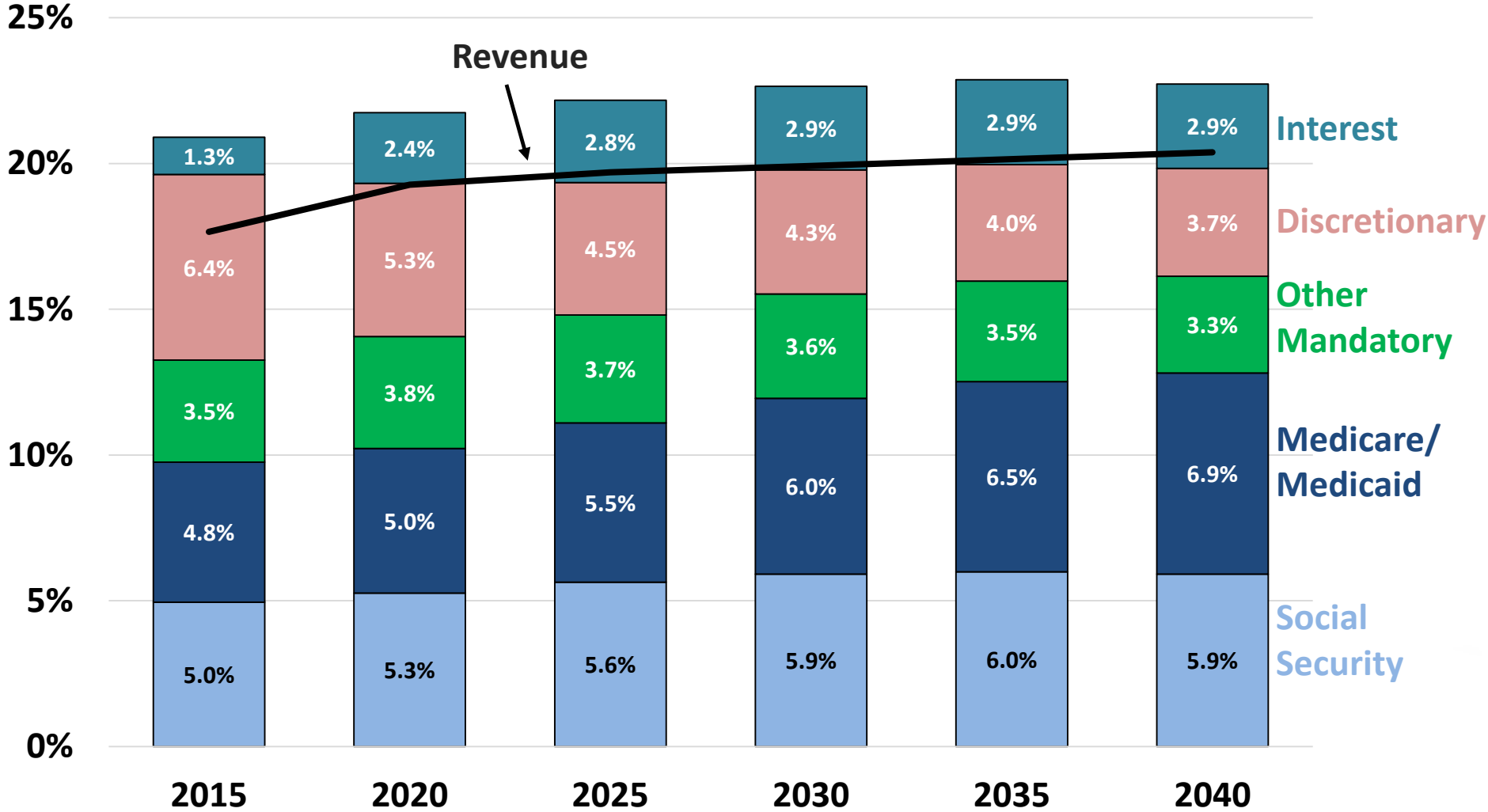
	OMB Baseline	PAYGO Baseline
<b>Other Mandatory Savings</b>	<b>-\$120 billion</b>	<b>-\$120 billion</b>
Reduce Farm Subsidies	-\$15 billion	-\$15 billion
Increase PBGC premiums	-\$20 billion	-\$20 billion
Improve Program Integrity	-\$35 billion	-\$35 billion
Other Savings	-\$45 billion	-\$45 billion
<b>Revenue Increases</b>	<b>-\$1,845 billion</b>	<b>-\$1,845 billion</b>
Limit Value of Tax Preferences for High Earners	-\$640 billion	-\$640 billion
Use One-Time Tax on Foreign Income for Highway Shortfall	-\$270 billion	-\$270 billion
Reform and Increase Estate Tax	-\$215 billion	-\$215 billion
Increase and Reform Capital Gains Taxes	-\$210 billion	-\$210 billion
Impose a Financial Fee	-\$110 billion	-\$110 billion
Reduce the Tax Gap	-\$85 billion	-\$85 billion
Reform and Increase Unemployment Taxes	-\$60 billion	-\$60 billion
Increase Tobacco Taxes and Index to Inflation	-\$95 billion	-\$95 billion
Other Revenue	-\$160 billion	-\$160 billion

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# Spending Shifts Toward Social Security and Health Care

Percent of GDP



Source: OMB, CRFB calculations

# What We Like in the President's Budget

- Abides by PAYGO by paying for all new initiatives
- Keeps debt-to-GDP on a stable and slightly declining path
- Calls for business tax reform and Medicare reform
- Emphasizes pro-growth investments

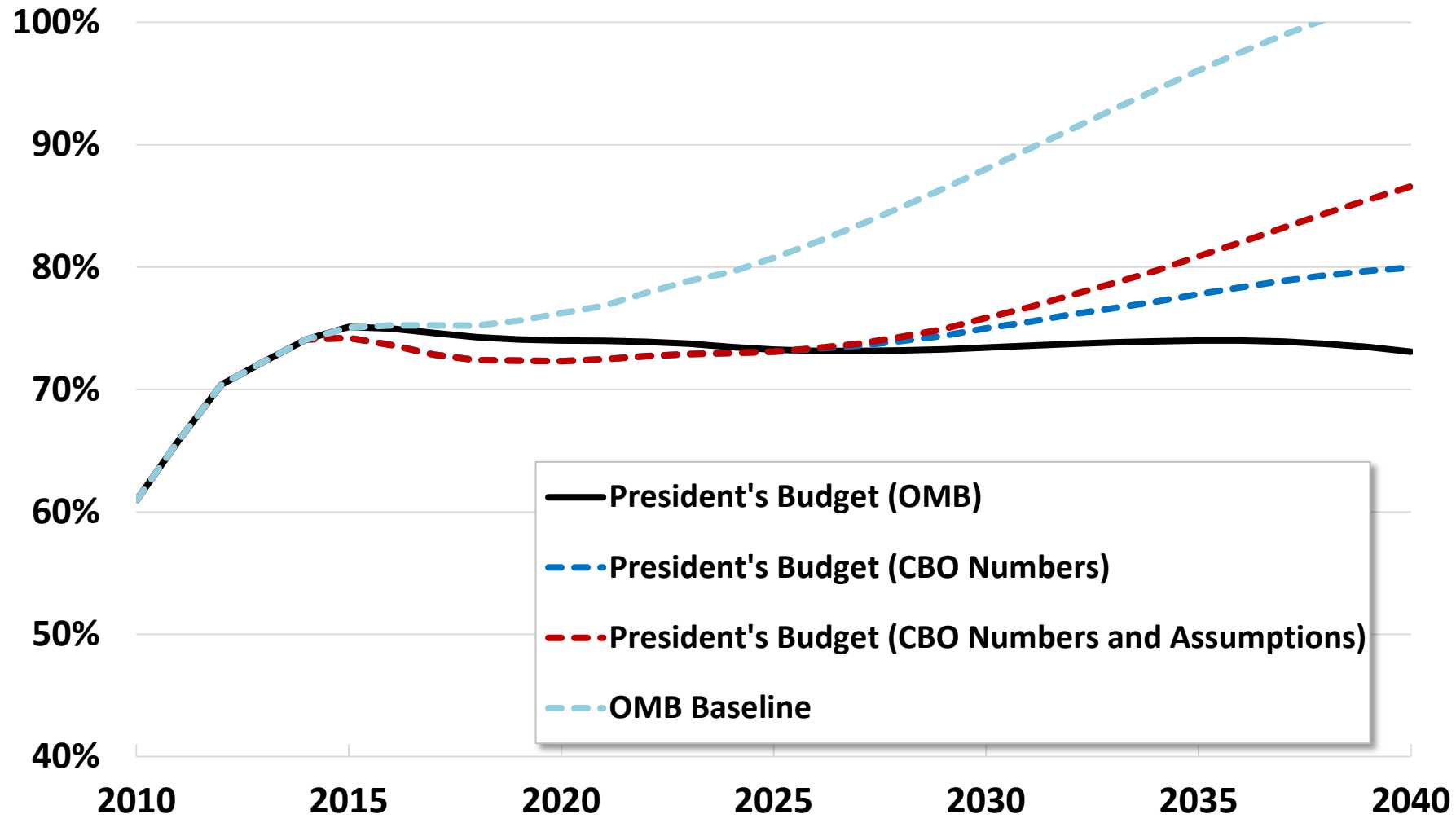


# Our Concerns with the President's Budget

- 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

# The President's Budget in The Long Term

Percent of GDP



Source: OMB, CRFB calculations, CBO

**For More Information,  
Contact Us at  
[info@crfb.org](mailto:info@crfb.org)**



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