



United States Senate Budget Committee

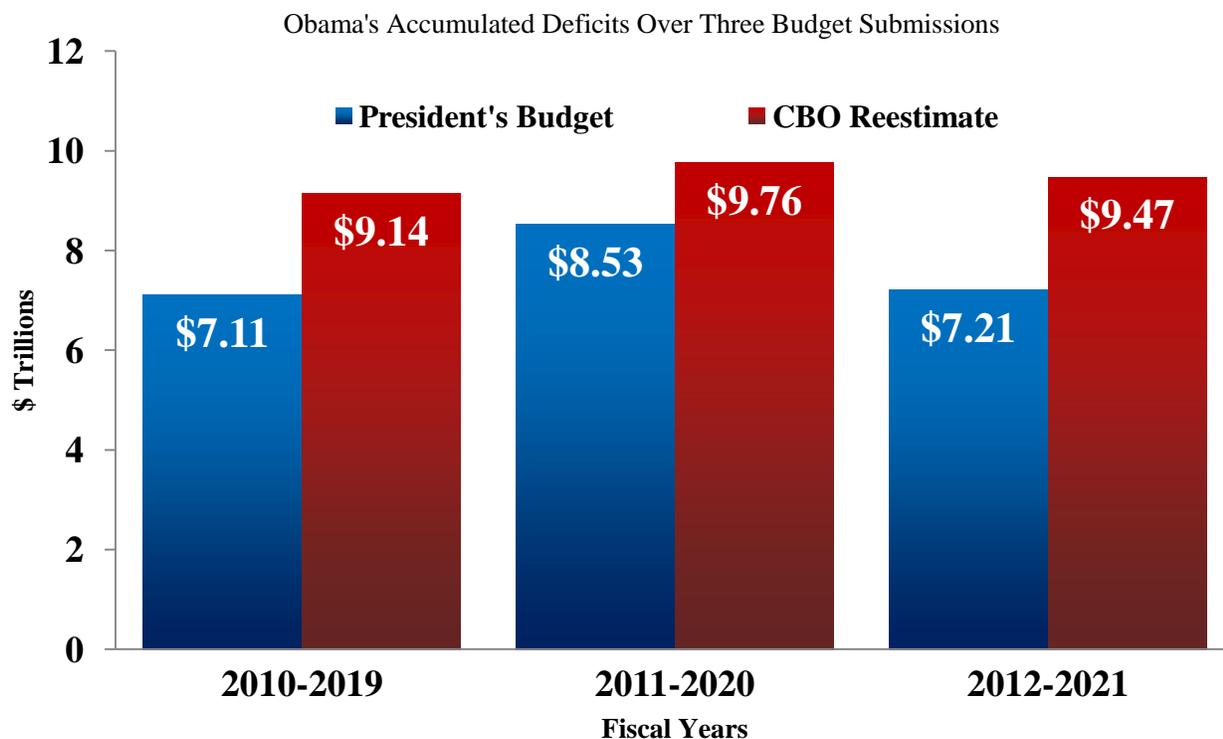
JEFF SESSIONS | Ranking Member

Obama's Budget Gimmicks Produce Phony Deficit Claims

20 Percent Gap Between White House Estimate And CBO Reestimate

President Obama has submitted three annual budgets. The reestimates of those budgets by the Congressional Budget Office (CBO) demonstrate they were based on unrealistic baselines and faulty estimates of budgetary effects of the president's proposed policies. In fact, CBO's analyses show that the president has, on average, understated his 10-year deficits by almost 20 percent.

President Underestimates Deficits On Average By 20 Percent



The Administration's repeated under-estimation of the president's budget deficits can be attributed to three factors: unrealistic economic outlooks, inaccurate technical assumptions, and taking credit for non-existent budget policies (see below). The president will submit his FY 2013 budget next week. If previous budgets are any indication, his budget will significantly underestimate the nation's deficit path under the president's policies.

Factors Leading To Understated Deficits In President Obama's Budgets

- 1. Unrealistic Economic Outlooks**—By using rosy economic assumptions that were more optimistic than CBO, President Obama was able to produce budgets with 10-year deficits that each time were an average of \$1 trillion lower than CBO's reestimate. OMB's rosy economic assumptions, in particular growth in nominal GDP, produced revenue estimates that were \$1.7 trillion higher over each of the 10-year periods, and spending that was \$700 billion lower. Overly optimistic economic assumptions account for more than half (55 percent) of the total difference between estimates of the president's Office of Management and Budget (OMB) and CBO.
- 2. Inaccurate Technical Assumptions**—CBO found that OMB also relied on technical factors that resulted in higher estimated tax collections for a given set of economic assumptions. Those decisions boosted income tax revenue estimates by an average of \$344 billion for each budget the president submitted. Other technical assumptions led OMB to understate spending (largely for the costs of servicing the nation's debt) by an average of \$154 billion in each budget. Much of this lower estimate of outlays results from the fact that OMB estimates lower deficits than CBO does for each package of the president's budget proposals—meaning lower debt and therefore lower interest payments to service the debt. Combined, these technical differences allowed OMB to present budgets that were **\$500 billion** lower than CBO's estimates of the president's budgets.
- 3. Taking Credit For Non-Existent Budget Policies**—For the FY 2012 budget, the Administration took the unconventional tack of assuming savings for ideas that were not supported by specific policies. While OMB attributed budgetary savings to those placeholders, CBO did not. For example, OMB counted \$328 billion in savings for an unspecified revenue proposal to pay for the reauthorization of surface transportation programs, and assumed \$315 billion for another unspecified proposal to offset the cost of freezing Medicare's physician payment rates. Averaged over the three budgets, OMB's optimistic estimates of the budgetary effects of the Administration's policies allowed the president to report budget deficits that were **\$332 billion** lower than estimated by CBO.