



United States Senate Budget Committee

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President's Core Budget Claim False

President Obama has staked his entire fiscal reputation on the [claim](#) that he has “a balanced plan to reduce our deficit by \$4 trillion.” As [demonstrated recently](#), that \$4 trillion claim, and the [assertion](#) that it would help us “pay down our debt,” is scandalously false. But the heart of the “balanced” argument is that the purported deficit reduction in the President’s budget comes from a 2.5-to-1 ratio of spending cuts to tax increases. For example, White House Press Secretary Jay Carney recently asserted that “the President has put forward a plan that’s balanced and responsible... and includes \$2.50 in cuts for every \$1 in revenue.”^[1] As shown below, this calculation is as inaccurate and indefensible as the Administration’s other misrepresentations about the President’s budget plan.

On its face, the 2.5-to-1 claim is contradicted by the Administration’s July update of its 2013 budget. The Office of Management and Budget’s own numbers show total tax increases of \$1.8 trillion; if the 2.5-to-1 ratio existed, *the spending cuts alone* in the President’s budget would have to amount to \$4.5 trillion. Yet OMB shows a spending cut of just \$14 billion: \$46.232 trillion in total outlays from the President’s baseline is reduced to \$46.218 trillion in total outlays under the President’s budget.^[2] In fact, his budget plan contains virtually no deficit reduction, and what little it does achieve comes exclusively from tax increases.

The war savings gimmick is one of the largest gimmicks, and is responsible for \$834 billion of the President’s fake spending cut. Here’s how it works: the President’s budget assumes war spending will continue at inflated levels for the next decade and counts the difference between this phony figure and a more realistic estimate of war spending as “savings” that reduce the deficit. But the savings are imaginary because there is no cut to any currently planned expenditure—and no reduction in the government’s need to borrow.^[3]

The White House also uses a \$394 billion gimmick related to the Medicare physician reimbursement rate (the so-called “doc fix”). The Administration’s baseline shows the doc fix taking place, but does not show where the revenue to pay for it comes from; in other words, the higher spending is simply counted as a given.

Another big gimmick is counting reductions in interest payments stemming from higher taxes as a spending cut. Using this backwards reasoning, President Obama’s \$1.8 trillion tax hike automatically generates a \$327 billion spending cut. The President counts as a spending cut any alleged interest savings accruing from the war savings gimmick and other accounting tricks as well.

In truth, the President’s budget actually increases spending. The President repeals the \$1.2 trillion sequester spending cut entirely and largely replaces it with new spending provisions—but simply doesn’t count it as new spending. When the gimmicks are removed, and the new spending it taken into account, the President’s budget actually increases spending by \$1.5 trillion over the next ten years relative to current law.

In the end, there is a \$5.9 trillion disparity between how the President alleges to cut spending versus the reality. That’s not merely a mathematical error—it is one of the greatest financial misrepresentations in history.

^[1] [Press Briefing by Jay Carney](#), August 30, 2012

^[2] See tables S-1 and S-4. To put these figures in perspective, the House Republican budget proposes to spend \$40.135 trillion.

^[3] Concord Coalition director Robert Bixby called this “the mother of all accounting gimmicks.”