



United States Senate Budget Committee

JEFF SESSIONS | Ranking Member

Chairman Conrad's Budget Proposal: More Taxes Than President's Budget, No Spending Cuts, No Structural Reform

All of the deficit reduction in Senator Conrad's budget comes from tax increases. The proposal will increase taxes by \$2.6 trillion and provides no net change in spending relative to the current policy baseline after enactment of the Budget Control Act. Taxes in 2022 would be double the 2012 level. Over the 10-year period, the tax increases in the Chairman's proposal exceed those proposed by the President by \$600 billion.

The Chairman misses the opportunity to reduce spending. Over the 10 years covered by his proposal, net spending is unchanged. Any spending reductions, such as claimed savings from health care, are used to pay for spending increases elsewhere. While this is better than the budget proposed by the President—who calls for spending increases of \$1.4 trillion relative to the baseline—it is far worse than the budget passed by the House, which cuts spending by \$3.9 trillion over 10 years. Spending will grow twice as fast as the rate of inflation. Spending in 2022 will be 49 percent higher than in 2012, while inflation over that period is expected to be only 22 percent.

Relative to the Fiscal Commission plan rejected by the House on a 38–382 vote, Chairman Conrad's proposal spends \$700 billion more and increases taxes by an additional \$900 billion.

Chairman Conrad's Budget Plan

(2013–2022 total, in trillions)

	<u>Chairman's</u> <u>Mark</u>	<u>Change from</u> <u>Current Policy</u>	<u>% Change</u> <u>2012–2022</u>
Taxes	\$39.6	+\$2.6	106%
Spending	\$44.0	\$0.0	49%
Gross Debt, End of 2022	\$22.9	-\$2.6	43%
Interest Expense	\$4.5	-\$0.3	196%

Gross federal debt under the Chairman's budget will reach almost \$23 trillion at the end of 2022. That is an increase of \$8.2 trillion from the level at the close of the last fiscal year. Debt in 2022 will be 43 percent higher than the end of this fiscal year.

The increase in debt drives large increases in the government's net interest expense. Interest costs in 2022 of \$662 billion will be three times what they are today—and will more than exceed the base cost of the national defense in that year. In fact, interest costs will exceed the cost of defense in 2020, and remain there throughout the projection period.

Chairman Conrad's Budget Plan

(2013–2022 total, in trillions)

	<u>Chairman's Mark</u>	<u>Change from Current Policy</u>	<u>% Change 2012–2022</u>
Medicare (Function 570)	\$6.6	\$0.0	80%
Other Health (Function 550)	\$6.3	-\$0.1	139%
Education (Function 500)	\$1.0	\$0.0	19%

While the Chairman's proposal vitiates the Budget Control Act fallback sequester mechanism, it retains the defense cuts (\$300 billion) in the sequester (which are in addition to defense cuts in the BCA caps). Defense spending in 2022 would be 9 percent higher than 2012, or about 13 percent less than would be needed to keep pace with inflation.

Mandatory spending grows at three times the rate of inflation under the Chairman's proposal. Net Medicare spending is virtually unchanged (-\$31 billion) relative to current law. The Medicare physician pay freeze assumed in the proposal is offset by other changes in the program. Other health spending shows a slight decrease, but is largely unchanged. In particular, the health insurance subsidies and Medicaid expansions of the president's health law are preserved, resulting in spending for the health function that more than doubles between 2012 and 2022. While those unfunded obligations are set in place, there is no structural reform to prevent existing entitlements from insolvency.

Education spending is largely unchanged. The Chairman proposes to eliminate subsidized student loans for undergraduates, which provides \$45 billion in savings over 10 years. Education spending will continue to grow at roughly the rate of inflation.