United States Senate Budget Committee

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CBO Analysis: The President's FY 2015 Budget

Tax-And-Spend Plan Would Raise Nation's Debt By $9.4 Trillion

The Congressional Budget Office (CBO) estimates that the President's budget would increase the 2015 deficit to $509 billion, up 3.5 percent from the $492 billion deficit CBO estimates for 2014. Over 10 years, CBO projects that the President's policies would result in deficits of $6.6 trillion and total federal debt of $26.1 trillion.

The President's budget would *increase* deficits by $117 billion over the first five years covered by the plan, and reduce deficits by just $261 billion over the full 11 years covered by the budget projections (after equalizing costs for overseas contingency operations). In fact, deficits will not be reduced below current policy projections until 2018—after President Obama leaves office. Fully 85 percent of the net reduction in deficits will occur in 2023 and 2024, the last two years of the budget window, making it less likely that those reductions in the deficit will come to pass.

Moreover, $158 billion of the net deficit reduction in the CBO's analysis of the President's budget comes from the assumption that Congress will enact an immigration bill similar to the legislation that passed the Senate last year, which the House of Representatives says it will not consider. Additionally, because that money results from pension payments, it should not be double-counted towards new spending—those who paid in will draw out that and more upon retirement. Removing that phantom deficit reduction from CBO's figures reveals that the President's taxing and spending policies reduce deficits by only $103 billion, with all of that amount coming from tax increases.

According to JCT and CBO, enacting the President's revenue policies would increase net taxes by almost $1 trillion ($934 billion) over the budget window, while net expenditures would be increased by $831 billion. The President's budget calls for a total 10-year spending increase of 67 percent from today's levels (from an annual budget of $3.5 trillion today to $5.9 trillion in 2024).

Tax increases stem primarily from proposals to limit the tax benefits of itemized deductions and exclusions ($498 billion), increases in estate and gift taxes ($96 billion), and higher taxes on tobacco products ($78 billion). Mandatory spending increases are primarily for continuing and increasing temporary refundable tax credits (accounted for as spending, $193 billion), ending current law across-the-board savings in certain mandatory programs ($121 billion, largely Medicare), and increased funding for education and job training ($119 billion).

CBO's report confirms that the President would increase FY 2015 discretionary (that is, annually appropriated) spending $56 billion above the Ryan-Murray spending caps, which he just signed into law in December. In addition, the budget would provide for higher spending above the caps of almost $2 billion through proposed cap adjustments for wildland fire management and IRS tax enforcement. The President proposes increasing base discretionary budget authority by $309 billion above the current-law caps over the next five years, and by $457 billion over the next 10 years.

The budget reduces net health care spending by $125 billion over the 10 years. Medicare is reduced by $373 billion, but $228 billion of the savings are restored ($124 billion for a permanent 'doc fix' plus $104 billion to turn off the Medicare sequester), for a net savings of $146 billion. That amount is further reduced by $21 billion in net mandatory spending increases proposed for Medicaid and other health programs.

Because the President's policies do little to change the nation's dangerous debt trajectory, interest costs climb and gross federal debt continues to soar. Interest costs exceed base defense spending in 2019, just five years from now. The annual carrying cost of the national debt reaches $838 billion in 2024, almost quadruple the $227 billion cost projected for this year in CBO's baseline. Debt reaches $26.1 trillion by the end of 2024, up $9.4 trillion from where it stood at the beginning of this budget year—and fundamentally unchanged from the $26.4 trillion it would reach in the absence of the President's budget.