United States Senate Budget Committee

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President's Mid-Session Review Of The FY 2015 Budget

President Obama's Office of Management and Budget (OMB) now projects that the deficit for Fiscal Year 2014 (which ends September 30) will be $583 billion. This is $66 billion lower than the $649 billion 2014 deficit projected by OMB in March of this year, and $91 billion higher than the $492 billion 2014 deficit projected by the Congressional Budget Office (CBO) in April.

OMB further projects that the enactment of the President's policies would result in a deficit of $525 billion next year (FY 2015). While that amount is slightly lower than the deficit projected for 2014, it is $56 billion above the CBO's baseline deficit projection. This primarily results because the President continues to request an additional $56 billion in discretionary spending for 2015 above the amount in the Ryan-Murray spending agreement he signed last year.

Over the next 10 years, the President's budget would produce cumulative deficits of $5.5 trillion, which is a reduction of $1.4 trillion over amounts that would occur under OMB's baseline, adjusted to set Overseas Contingency Operations funding at requested levels.

The President's policies would result in a gross debt of $25.5 trillion at the end of fiscal year 2024, an increase of $8.8 trillion (53 percent) from the $16.7 trillion where it stood at the end of last year. This is little changed from the debt of $26.9 trillion that would occur in the absence of the President's policies.

The modest reduction in deficits and debt claimed in the budget are accompanied by significant increases in federal spending. Annual federal expenditures over the decade will rise from $3.6 trillion today to $5.9 trillion 10 years from now. Spending on entitlements would grow by 76 percent, and spending on interest on the debt would almost quadruple, rising from $224 billion today to $804 billion in 2024. Over the 10 years taken as a whole, spending under the President's policies are $436 billion above the adjusted baseline.

Tax increases of $1.8 trillion over 10 years are even greater than the $436 billion spending increase. Consequently, all of the deficit reduction claimed by the President is therefore the direct result of tax increases rather than spending restraint.

The tax, spend, and borrow policies in the President's plan are asserted to result in real economic growth, as measured by Gross Domestic Product (GDP), averaging 2.6 percent per year. However, for the current calendar year, OMB has reduced its growth forecast to 2.4 percent from the 3.1 percent projected just 4 months ago. Inflation is expected to be benign throughout the forecast period (as it was in the submitted budget), rising from 1.8 percent today to 2.3 percent in 2018, and staying at that rate afterwards. Interest rate forecasts are generally lower than they were in March: the 10-year note was expected to reach 5.1 percent in the submitted budget, but now the rate on the 10-year note is only expected to reach 4.8 percent by 2021.