



United States Senate Budget Committee

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CBO Analysis Reveals President's Budget Leaves Dangerous Debt Path Unchanged

The Congressional Budget Office (CBO) today released its annual analysis of the president's budget proposal. CBO's analysis demonstrates that the president's budget achieves virtually no real net deficit reduction and leaves unchanged our dangerously unsustainable debt path. Although the president's plan contains a \$1.8 trillion tax hike, the vast share of that sum is used to pay for a sharp increase in new government above current growth levels. CBO also projects, in 2013, a record fifth straight deficit of a trillion dollars.

Deficits And Debt

CBO's analysis suggests that the president's budget was based on economic growth assumptions that are too rosy, which caused the administration to substantially overstate revenues. CBO also estimates that spending—particularly interest paid on the national debt—is lower than projected by the administration.

- The deficit for 2013 is estimated to be \$1 trillion, which is \$144 billion above current policy. Thus, under the president's budget, deficits would be \$1 trillion or more for five consecutive years (2009–2013). Deficits would reach a temporary low of \$488 billion in 2017, before beginning to climb to \$728 billion for 2022. Prior to 2009, the deficit never exceeded \$459 billion.
- The president's budget would cause deficits of \$7.6 trillion over 2012–2022 under CBO's estimates. This is \$368 billion below the Administration's estimates of deficits under the president's policies. Excluding differences in estimates of interest costs, CBO's deficit projections would be \$733 billion above the Administration's.
- The budget will only reduce deficits by \$823 billion relative to the Budget Control Act (BCA) agreement to reduce spending by \$2.1 trillion, current individual income tax policy, and the anticipated drawdown of troops in Afghanistan. Excluding the difference in interest estimates, deficits would be higher by \$116 billion.
- Federal debt, including amounts borrowed from government trust funds, will reach \$25.1 trillion by the end of 2022. This is an increase of \$10.4 trillion (70 percent) from the end of last year.

Taxes And Spending

CBO's re-estimate confirms that the president's budget surges spending and raises taxes to pay for it. Federal expenditures total \$45.4 trillion over the next 10 years, growing at an average annual rate of 4.4 percent—more than double the rate of inflation. Federal receipts total \$39 trillion over the next 10 years, increasing from \$2.4 trillion today to \$4.9 trillion in 2022.

- Taxes increase by \$1.8 trillion relative to amounts the government will receive under the provisions of the 2001 and 2003 tax relief acts, including indexation of the AMT. The tax hike principally comes from raising the top tax rate to 39.6 percent, eliminating a tax preference for dividend income, and limiting tax deductions and exclusions for both individuals and businesses.
 - The proposed tax increase is on top of tax increases and other revenues of \$1.2 trillion imposed over the current budget window to pay for the president's health care law.
- Spending increases by \$1.0 trillion over 2012–2022 relative to spending that would have been anticipated under the Budget Control Act. Spending largely increases from turning off automatic spending reductions under the BCA and additional stimulus and transportation funding.
 - The higher spending proposed by the president in this budget is on top of \$2.3 trillion in new spending required to implement his health care law over this budget window. (Over the first 10 years of full implementation, 2014–2024, new spending totals \$2.6 trillion.)
 - Other legislation enacted since President Obama has taken office has increased spending by \$750 billion.
- Interest spending on the nation's debt grows faster than any major spending component in the president's budget. Net interest more than triples—an annual increase of 13 percent—as deficit spending continues and interest rates increase from current low levels.

Health Care

CBO's analyses this week highlight the need to reform federal health care programs—and demonstrate that the 2010 health care law makes the situation worse:

- Medicare spending almost doubles over the next 10 years, increasing at an annual rate of 6 percent. Net Medicare spending will total \$6.6 trillion over the next 10 years, second only to Social Security as the largest federal spending program.
- Medicaid spending more than doubles, increasing at an average annual rate of 9 percent—driven in part by increased participation under the terms of the president's health care law.
- The gross cost of the coverage provisions in the 2010 health care law, alone, will exceed \$1.75 trillion over the 9-year period from 2014–2022. When fully implemented, total spending (including the spending not directly related to coverage) under the health care law over the true ten-year period (2014–2024) will amount to \$2.6 trillion as estimated by Senate Budget Committee staff based on the CBO score.
- The health care law's taxes and penalties paid by individuals and employers increased by \$99 billion (from \$315 to \$414 billion over the 2012–2021 window) compared with CBO's earlier projection.
- Roughly 11 million individuals will lose access to employer-sponsored coverage. In addition, 2 million individuals more than previously estimated are expected to be uninsured in 2016.