



# BUDGET BULLETIN

SENATE COMMITTEE ON THE BUDGET  
CHAIRMAN MIKE ENZI | @BUDGETBULLETIN

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## The President’s Fiscal Year 2017 Budget Proposal

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by Senate Budget Committee Republican Staff

**EDITOR’S NOTE: All Years Are Fiscal Years Unless Otherwise Stated.**

### Overview: Higher Spending, More Overspending

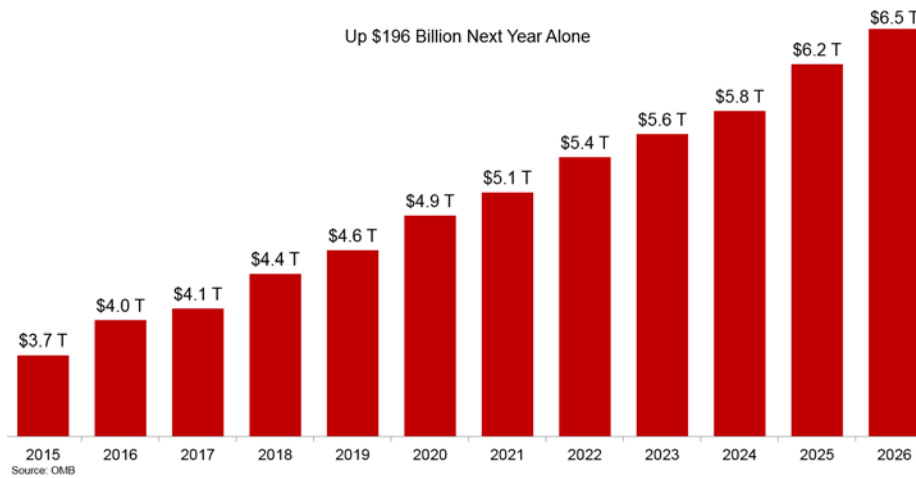
President Barack Obama’s 2017 budget spends \$52.6 trillion over the budget window and would increase annual spending by \$2.5 trillion in 10 years. His plan collects \$46.5 trillion in taxes over the budget window, which includes \$3.4 trillion in new tax increases; annual tax collections would increase by \$2.3 trillion in 10 years. The \$3.4 trillion revenue increase is used to both increase spending on the administration’s

priorities and reduce overspending from baseline levels by \$2.9 trillion.<sup>1</sup> New non-interest spending of \$850 billion is partly offset by net interest savings of \$378 billion because tax hikes exceed spending increases.

**Overspending in the President’s Budget**



### President's Budget Increases Spending 64 Percent Over Next Decade



Under the Administration's own accounting, this plan will result in cumulative overspending of \$6.1 trillion. Spending increases every year under the president's budget. According to the president's plan, federal spending in 2017

will total \$4.1 trillion, an increase of \$195.9 billion, or 5 percent, from last year. The president's plan increases total spending by 64 percent (\$2.5 trillion) between 2016 and 2026. Spending rises from \$4.0 trillion this year to \$6.5 trillion in 2026.

### Appropriations for 2017 and Beyond

President Obama claims his budget decreases annually provided agency spending for 2017 by \$15 billion (or -1.4 percent) relative to 2016 levels. In fact, the president requests appropriations that would provide budgetary resources to agencies that are \$24.2 billion above the amounts implied by adherence to the statutory spending limits of \$1.070 trillion (\$551 billion for defense spending and \$519 billion for non-defense spending).

Budgetary resources for 2017 are boosted through the use of \$21.4 billion in changes in mandatory program spending (CHIMPS), \$1.8 billion in new fees to offset the costs of federal programs, and \$1 billion in rescissions of previously-enacted appropriations. These techniques hold down the cost of appropriated spending in 2017 when the bills are evaluated for compliance with the spending caps, but effectively increase agency spending relative to current law. If these CHIMPS, fees and rescissions were excluded, total resources available to agencies would increase to \$1.094 trillion, \$9.3 billion (or 0.9 percent) above 2016 levels (see Table 1); all of the increase is for agencies other than the Department of Defense.

**Funding Levels for Appropriated ("Discretionary") Programs by Agency**  
(Budget authority, fiscal year, in billions of dollars)

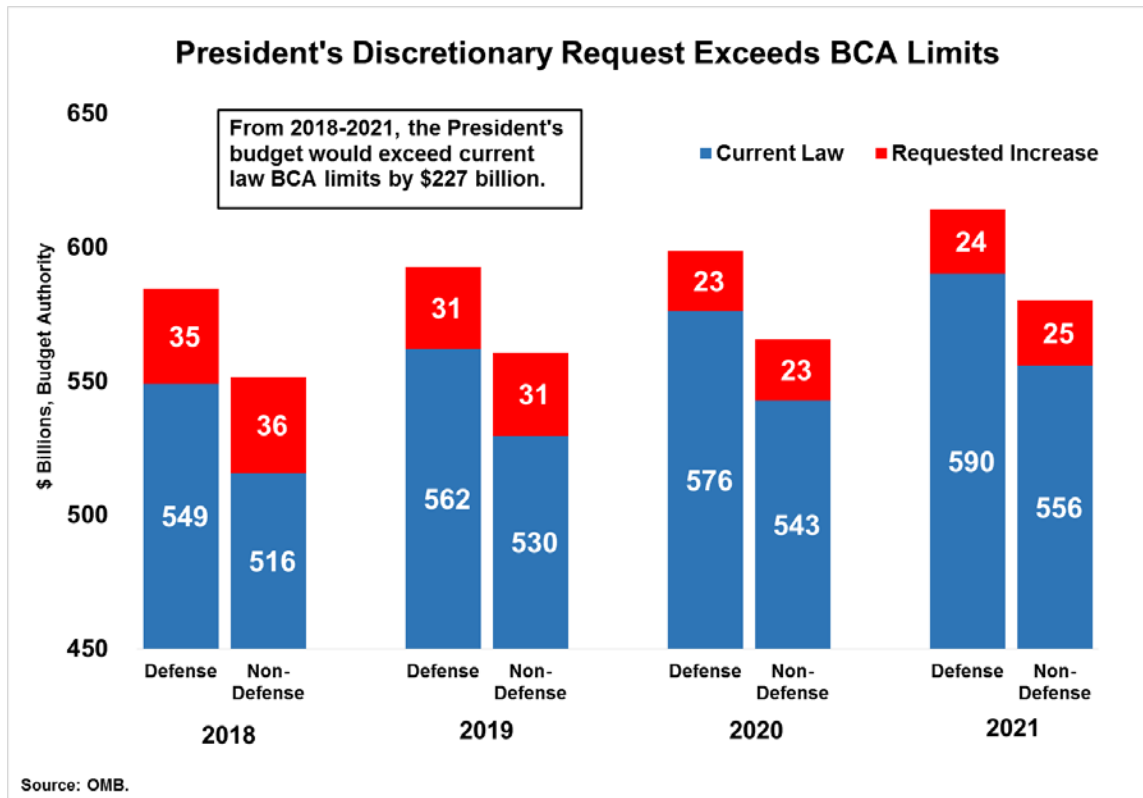
	2015	2016	2017	Increase '17 over '16	
				\$	%
<b>Base Discretionary Funding by Agency 1/:</b>					
Agriculture.....	24.9	25.2	24.0	-1.2	-4.6%
Commerce.....	8.6	9.4	9.9	0.5	4.9%
<i>Census Bureau.....</i>	<i>1.1</i>	<i>1.4</i>	<i>1.6</i>	<i>0.2</i>	<i>16.4%</i>
Defense.....	496.1	521.7	523.9	2.2	0.4%
Education.....	66.9	68.3	69.4	1.1	1.6%
Energy.....	27.4	29.6	30.3	0.7	2.4%
<i>National Nuclear Security Administration.....</i>	<i>11.4</i>	<i>12.5</i>	<i>12.9</i>	<i>0.4</i>	<i>3.5%</i>
Health & Human Services 2/.....	80.3	84.6	84.6	-0.0	0.0%
Homeland Security.....	39.9	41.1	41.9	0.8	2.0%
Housing and Urban Development.....	30.4	37.5	38.1	0.6	1.6%
Interior.....	12.2	13.2	13.1	-0.1	-1.1%
Justice.....	26.3	28.7	29.6	0.9	3.0%
Labor.....	11.9	12.2	12.8	0.6	4.6%
State and Other International Programs.....	40.9	37.9	38.3	0.4	1.0%
Transportation.....	17.9	18.6	18.8	0.2	1.1%
Treasury.....	12.2	12.6	13.3	0.7	5.5%
Veterans Affairs.....	65.1	71.6	75.1	3.5	5.0%
Corps of Engineers.....	5.6	6.0	4.6	-1.4	-23.1%
Environmental Protection Agency.....	8.1	8.1	8.3	0.2	2.0%
General Services Administration.....	-0.4	0.6	0.4	-0.2	-39.8%
National Aeronautics & Space Administration.....	18.0	19.3	18.3	-1.0	-5.4%
National Science Foundation.....	7.3	7.5	7.6	0.1	0.8%
Small Business Administration.....	0.9	0.9	0.7	-0.2	-20.1%
Social Security Administration 2/.....	9.0	9.3	9.6	0.3	2.8%
Corp. for National & Community Service.....	1.1	1.1	1.1	-0.0	-0.3%
Other Agencies.....	18.9	19.5	20.4	0.9	4.4%
<b>Subtotal, Base Discretionary Funding.....</b>	<b>1,029.5</b>	<b>1,084.5</b>	<b>1,093.8</b>	<b>9.3</b>	<b>0.9%</b>
<b>Discretionary Cap Adjustments and Other Funding (not included above):</b>					
Overseas Contingency Operations.....	73.5	73.7	73.7	-0.0	0.0%
Program Integrity.....	1.5	1.5	2.5	1.0	67.3%
Disaster Relief.....	6.5	7.1	6.9	-0.2	-3.3%
Wildfire Suppression.....	---	---	1.2	1.2	nc
Other Emergency Funding.....	5.4	0.4	---	-0.4	-100.0%
<b>Grand Total, Discretionary Funding.....</b>	<b>1,114.3</b>	<b>1,163.0</b>	<b>1,178.0</b>	<b>15.0</b>	<b>1.3%</b>

nc - not computable

1/ Amounts for all years exclude changes in mandatory programs and the president's proposed reclassification of some surface transportation spending. Amounts for 2017 also exclude new fees and rescissions.

2/ Funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for administrative expenses incurred by the Social Security Administration that support the Medicare program are included in the Health and Human Services total and not in the Social Security Administration total.

For years after 2017, the president calls for increasing the Budget Control Act (BCA) spending limits, which expire in 2021. Over the 2018-2021 period, the president's budget increases regular discretionary budget authority by \$227 billion, reversing much of the discretionary spending restraint imposed by the BCA.

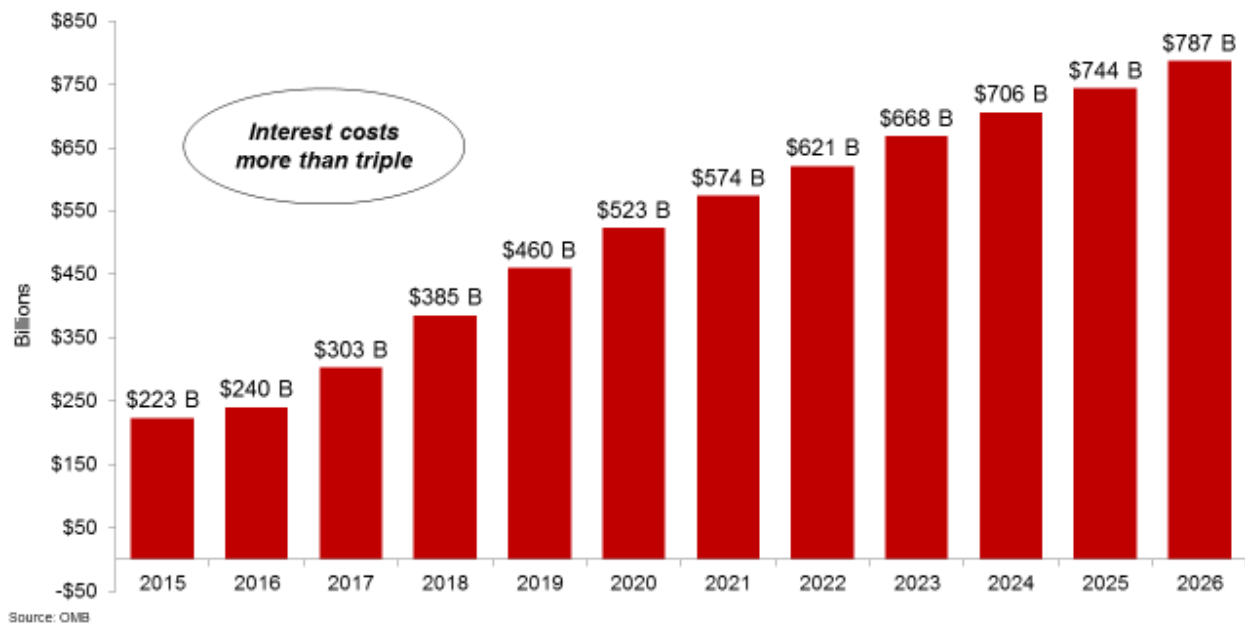


In addition to the regular discretionary budget authority requested, the budget asks for \$84.2 billion in BCA cap adjustments for 2017. These adjustments include: \$73.7 billion for overseas contingency operations (\$58.8 billion for the Defense Department and \$14.9 billion for the State Department and other International Affairs spending), \$6.9 billion for disaster relief, \$2.5 billion for program integrity initiatives, and \$1.2 billion for wildfire suppression. When combined with the \$1.094 trillion in regular appropriations, these cap adjustments allow for a total of \$1.178 trillion in discretionary budget authority for 2017.

## Interest and Other Mandatory Spending

President Obama's plan more than triples interest costs, which remain the fastest growing item in the budget. The President estimates that net interest outlays will grow from \$240 billion in 2016 to \$787 billion in 2026, or a growth of 228 percent over the 10-year period. Under the president's plan, interest costs would be larger than appropriations for the Department of Defense by 2022.

### Interest Costs in the President's Budget



The president's budget increases non-interest mandatory spending by \$682 billion over 10 years, relative to the administration's baseline, the net result of \$1,342 billion in spending increases, partially offset by \$660 billion in spending decreases. The largest increases result from shifting transportation funding from discretionary to mandatory; additional funding for education and training; Medicaid for Puerto Rico; child care; unemployment insurance; Earned Income Tax Credit; and increased program eligibility due to immigration reform. The largest savings result from changes in student loans, Medicaid, and Medicare.

## Rising Debt

Federal debt held by the public will increase by \$7.173 trillion from the end of 2016 through the end of 2026, or a growth of 51 percent in 10 years. Publicly held debt will start the budget period at 76.5 percent the size of the U.S. economy. If all of the President's policies are adopted, it will end the budget window at 75.3 percent of GDP in 2026.

Gross federal debt, or debt held by the public plus debt obligations of the Treasury to other federal agencies, will grow from \$19.4 trillion at the end of 2016 to \$27.4 trillion at the end of 2026, for an increase of \$8 trillion. Gross federal debt as a percent of nominal GDP will begin the budget window at 105.2 percent (2016) and will slowly fall to 96.9 percent of GDP by 2026, assuming the President's policies are all adopted. Total debt per person, however, will increase from \$56,384 at the end of last year to \$78,399 at the end of the budget window.

Table 2.  
**Debt Under the President's Proposals**  
(By fiscal year, in millions of dollars)

Financial Concept	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Debt Held by the Public	13,117	14,129	14,763	15,324	15,982	16,615	17,264	18,016	18,793	19,548	20,396	21,302
Percent of Nominal GDP	73.7%	76.5%	76.5%	76.1%	76.1%	75.8%	75.5%	75.5%	75.4%	75.2%	75.2%	75.3%
Debt Held by Government Account	5,003	5,305	5,386	5,561	5,713	5,832	5,935	5,983	6,039	6,123	6,136	6,124
Percent of Nominal GDP	28.1%	28.7%	27.9%	27.6%	27.2%	26.6%	25.9%	25.1%	24.2%	23.6%	22.6%	21.6%
Total Debt of the United States	18,120	19,433	20,149	20,884	21,695	22,447	23,199	23,999	24,832	25,671	26,531	27,426
Percent of Nominal GDP	101.8%	105.2%	104.4%	103.7%	103.2%	102.4%	101.4%	100.5%	99.7%	98.8%	97.8%	96.9%
Total Debt Per Capita	56,384	59,980	61,690	63,429	65,371	67,105	68,816	70,649	72,553	74,448	76,385	78,399

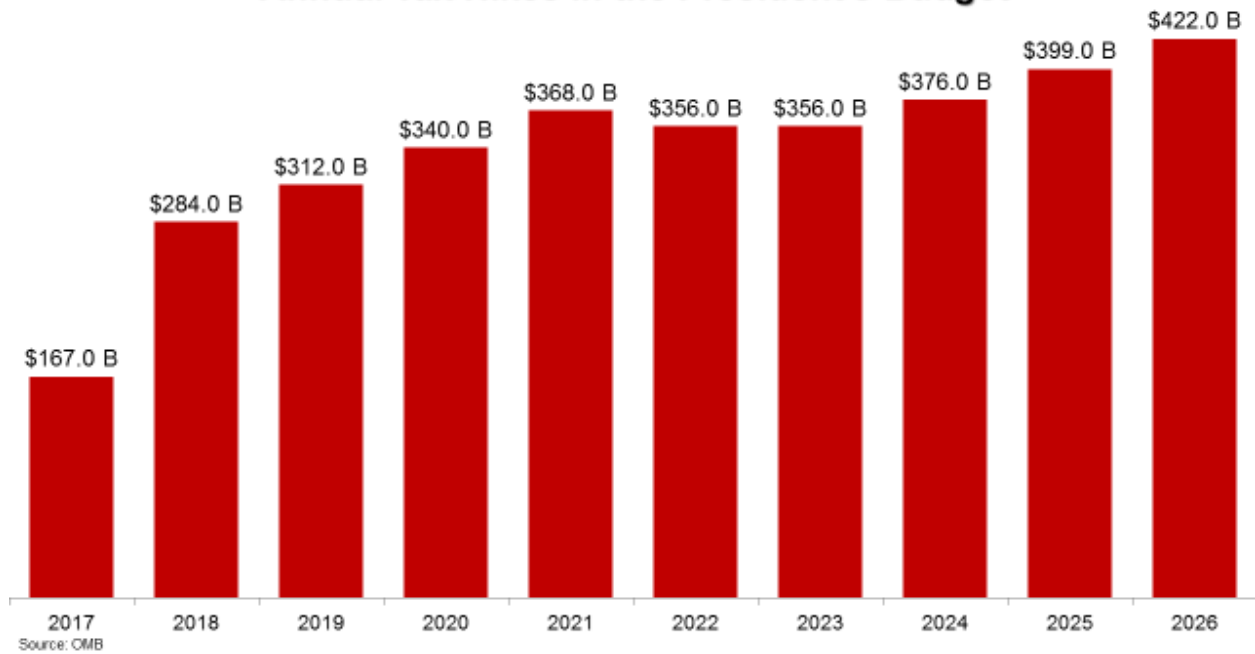
Source: Office of Management and Budget; per capita computations by Senate Budget Committee Republican staff using U.S. Census National Population Projections.

## Revenue Policy Changes

President Obama's plan includes \$3.4 trillion in new tax increases; annual tax collections would increase by \$2.3 trillion in 10 years. Receipts in 2017 would be 18.9 percent of GDP and increase to 20 percent by the end of the 10-year budget window. New tax proposals include a phased-in per barrel oil fee, a community college partnership tax credit, changes to the excise tax on high-cost employer-sponsored health care, rationalizing Net Investment Income and Self-Employment Contributions Act taxes, allowing unaffiliated employers to maintain a single multi-employer defined contribution plan, and improving disclosure for child-support enforcement.

Federal revenues are comprised of taxes and other collections from the public that result from the government's sovereign powers to impose levies under Article I, section 8, clause I of the U.S. Constitution. Federal revenues include individual and corporate incomes taxes, social insurance taxes, excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts.

## Annual Tax Hikes in the President's Budget



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<sup>1</sup> The Obama administration's budget materials claim that the plan reduces baseline overspending by \$3.6 trillion, but in fact the administration uses a baseline that is adjusted to make it appear as if the budget does more to lower overspending than it really does. The most obvious example is that the administration counts lower requirements for overseas contingency operations (OCO) as budgetary savings, even though those costs have declined in recent years. The lower OCO levels and their associated interest savings contribute \$732 billion to the president's claimed overspending reduction.