The President’s Budget: What’s Next?
June 2017
An Unprecedented Fiscal Situation
Debt is At Record-High Levels

Percent of GDP

Sources: Congressional Budget Office, Office of Management and Budget, and the Committee for a Responsible Federal Budget
Debt Is Rising Unsustainably

Sources: CBO, CRFB Calculations
Trillion Dollar Deficits Will Return by 2023

Sources: CBO August Baseline, CRFB Calculations
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Bush</th>
<th>Obama</th>
<th>Trump</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In First Year Entering Office</strong></td>
<td></td>
<td></td>
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<tr>
<td>Debt Held By the Public (% of GDP)*</td>
<td>33%</td>
<td>44%</td>
<td>77%</td>
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<tr>
<td>Budget Surplus/Deficit (% of GDP)</td>
<td>+2.7%</td>
<td>-8.3%</td>
<td>-2.9%</td>
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<tr>
<td>Unemployment Rate*</td>
<td>4.2%</td>
<td>7.8%</td>
<td>4.8%</td>
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<tr>
<td>GDP Growth from Previous Year^</td>
<td>2.4%</td>
<td>-2.2%</td>
<td>2.3%</td>
</tr>
<tr>
<td>GDP (Output) Gap^</td>
<td>-0.5%</td>
<td>-5.7%</td>
<td>-0.7%</td>
</tr>
<tr>
<td><strong>Projected Over 8-Year Term</strong></td>
<td></td>
<td></td>
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<tr>
<td>Average Surplus/Deficit (% of GDP)</td>
<td>4.2%</td>
<td>-2.5%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Average Outlays (% of GDP)</td>
<td>16.7%</td>
<td>21.7%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Average Revenue (% of GDP)</td>
<td>20.3%</td>
<td>19.2%</td>
<td>18.1%</td>
</tr>
<tr>
<td>Projected Debt in Final Year (% of GDP)</td>
<td>0%~</td>
<td>45%</td>
<td>85%</td>
</tr>
<tr>
<td><strong>Number of Major Trust Fund Depletions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fastest Growing Part of the Budget</td>
<td>Zero</td>
<td>Two</td>
<td>Three</td>
</tr>
<tr>
<td>Average Percent of Budget on Autopilot*</td>
<td>65%</td>
<td>67%</td>
<td>73%</td>
</tr>
</tbody>
</table>
| **Source:** Congressional Budget Office (CBO) *Upon entering office; ^For first full calendar year (2017, 2009, 2001); `CBO current law projections from fiscal year entering office through fiscal year leaving after two hypothetical terms, thus nine fiscal years; † Includes mandatory spending and interest. ~Reflects the fact that the federal government's surplus funds would have been greater than the amount of remaining public debt.
What’s In the President’s Budget?
Major Policies In the President’s Budget

- Increase defense spending
- Enact new spending on infrastructure, veterans, and paid family leave
- Repeal and replace Obamacare
- Cap or block grant Medicaid
- Require states to pay $ of food stamps
- Reform SSDI, student loans, farm subsidies, energy, etc
- Cut non-defense discretionary spending 10% in 2018, and 2% more each year through a decade
- Calls for tax reform and regulatory reform
Projected Debt Under the President’s Budget

Percent of GDP

- CBO Baseline
- OMB Baseline w/ Current Law Economy
- OMB Baseline
- FY 2018 Budget


CRFB.org
Distribution of Budget Cuts Compared to Program Size

*Share of Ten-Year Budget*
- Other Spending 40%
- Social Security 28%
- Medicare 18%
- Defense 14%

*Share of Ten-Year Spending Cuts*
- Social Security, Medicare, Defense 1%
- Other Spending 99%

Source: Office of Management and Budget
The Budget Relies on Fantasy Growth Projections

Fig. 4: Real GDP Projections (percent growth)

WSJ = a survey compiled by the Wall Street Journal; Professional Forecasters Survey (PF Survey) = compiled by the Federal Reserve Bank of Philadelphia; EIU = The Economist Intelligence Unit; OMB = Office of Management & Budget (President’s Budget); CBO = Congressional Budget Office; OECD = Organisation for Economic Co-operation and Development; IMF = International Monetary Fund; UN = United Nations
ACTUAL Projected Debt Under the President’s Budget

Sources: CBO, OMB, CRFB calculations.
What Will Congress (Try To) Do?

- Enact “Repeal and Replace”
- Pass a Budget
- Enact comprehensive tax reform
  - Revenue neutral? Permanent? What baseline?
- Enact mandatory spending cuts
- Pass appropriations bills
  - Continuing resolution? Omnibus? What about sequester?
- Raise the debt limit