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# Similarities Among Senate, House, and Trump Budget Plans Outweigh Their Differences

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In May, President Trump issued a detailed budget proposal for 2018 and the next decade; in July, the House Budget Committee issued its own plan and the House approved that plan on October 5; on the same day, the Senate Budget Committee voted to report its own version. Though differing in detail, the three plans are broadly similar.

Table 1 summarizes each plan's changes in projected federal spending, revenues, and deficits, both in the tenth year (2027) and cumulatively over the decade. For the Trump budget, we use the Congressional Budget Office (CBO) re-estimate issued on July 13. We show the three plans on an apples-to-apples-to-apples basis.[1] The three plans call for the following:

**Deep cuts in non-defense appropriations.** Annual "discretionary" appropriations make up one-third of federal spending. Non-defense discretionary programs — those outside defense and war costs — support K-12 education, infrastructure, medical and scientific research, environmental protection, border patrols, low-income housing, the weather service, national parks, food safety, the State and Treasury departments, and dozens of other activities.

The Senate budget plan would reduce spending on this area by $800 billion over the decade, the House plan by $1.4 trillion, and the Trump plan by $1.5 trillion. As is customary, there is little or no detail on where the cuts would occur after the first year. These cuts are *below* the very constrained path already imposed by the 2011 Budget Control Act (BCA) caps. Each plan (and the figures above) also includes cuts in infrastructure spending in highways and mass transit, which are not subject the BCA caps.

At the same time, the three budget plans would reduce expenditures for Overseas Contingency Operations (OCO), which cover Middle East war costs, within a few years to very low levels (zero in

[1] In this analysis, we measure each plan relative to CBO's most recent ten-year projection of federal spending and revenues, referred to as the "June baseline." The Senate used an adjusted version of the June baseline for measuring its plan. The House used earlier CBO estimates, from January 2017, with some adjustments. We measure the House appropriations *levels* and mandatory *cuts* from the House plan relative to CBO's June baseline. CBO re-estimated President Trump's entire budget consistent with its June assumptions, and we use those CBO figures.

the case of the congressional plans), cutting this projected war spending by about $800 billion. At the same time, the Trump budget would increase spending on ongoing, non-OCO defense activities by $400 billion and the House by $900 billion — while the Senate would keep defense on the current path set in the BCA.

***Very* deep cuts in health care.** The Senate plan would cut Medicaid, Medicare, the Affordable Care Act's (ACA) subsidies for health insurance, and related health programs by $1.8 trillion; the Trump and House plans would cut these programs by $1.9 trillion and $2.0 trillion, respectively. The House and Trump plans explicitly endorse the ACA repeal legislation that the House passed in May, which CBO estimates would cause more than 20 million people to lose health coverage and raise premiums, weaken coverage, or both for millions of others. The House and Trump plans also propose additional Medicaid cuts on top of those in the House-passed repeal bill.

**Deep cuts in other entitlement programs.** The three budget plans also would also deeply cut programs that assist low-income and middle-class families. The congressional plans, in particular, single out the Income Security portion of the budget for cuts. This budget area includes SNAP (formerly food stamps) and child nutrition, Supplemental Security Income for poor seniors and people with disabilities, the refundable portions of the Earned Income Tax Credit and Child Tax Credit, unemployment insurance, and Temporary Assistance for Needy Families, among others. The Senate would cut Income Security by $700 billion over ten years, the House by $900 billion, and Trump by $200 billion. In addition, all three plans call for deep cuts to education programs such as Pell Grants and student loans, ranging from $100 billion over ten years in the Trump plan to $200 billion in the congressional plans. In each plan, these cuts grower deeper as each year passes.

**Expensive tax cuts tilted heavily towards the rich.** The Trump plan calls for $900 billion in tax cuts over ten years; the House, $1.1 trillion; and the Senate, $1.6 trillion. The Trump and House plans endorse the tax cuts that the House approved in May as part of ACA repeal legislation. The Trump and House plans highlight tax cuts for high-income households and profitable corporations but assume, without providing any detail, that those tax cuts will be fully offset by closing unspecified tax preferences, exemptions, and deductions. The Senate takes a different tack: it assumes smaller revenue losses by not repealing some ACA taxes, and then calls for an additional $1.5 trillion in deficit-increasing tax cuts and creates a fast-track "reconciliation" process to facilitate their passage — the same process the Senate tried to use to repeal the ACA (see below for a discussion of reconciliation).

The tax framework that President Trump and the House and Senate Republican leadership unveiled September 27 suggests how tilted to the wealthy and corporations the ultimate tax bill will likely be. The Tax Policy Center estimates that in 2027 (when key provisions of the plan are in full effect), the top 1 percent of Americans would receive 80 percent of the tax cuts, while the bottom 80 percent of Americans would receive just 13 percent of the benefits.[2]

**Rosy economic assumptions.** Based on their proposed policy changes and associated changes in net interest costs, the House plan would lead to a deficit of $423 billion in 2027; the Senate plan, $485 billion; and the Trump plan, $720 billion. These deficits would equal 1.5 percent of gross

[2] Tax Policy Center, "A Preliminary Analysis of the Unified Framework," September 29, 2017, http://www.taxpolicycenter.org/publications/preliminary-analysis-unified-framework.

domestic product (GDP) in 2027 under the House plan, 1.7 percent under the Senate plan, and 2.6 percent under the Trump plan. A deficit at any of these levels would be sufficiently small to stabilize or reduce the ratio of debt to GDP in that year.

Each plan *also* claims additional deficit reduction due to rosier assumptions that CBO forecasts. Each claims an "economic feedback" bonus, based on the notion that its proposed tax cuts would largely, entirely, or more than entirely pay for themselves by generating extraordinarily rapid economic growth. The Senate plan claims a bonus of $1.4 trillion over ten years; the House plan, $1.5 trillion; and the Trump plan, $2.1 trillion. Careful empirical research finds that cutting taxes on high-income people's earnings or income from wealth (such as capital gains and dividends) doesn't substantially boost their work, saving, or investment — contrary to overstated "supply side" predictions. Whatever gains there might be would likely be small.

**"Reconciliation" instructions.** The House and Senate plans each include reconciliation instructions. The reconciliation process allows Congress to consider changes to tax and entitlement laws under a fast-track procedure, which precludes Senate filibusters and many types of Senate amendments. The Senate plan's primary reconciliation instruction is to the Finance Committee to *increase* deficits by $1.5 trillion over ten years to accommodate its planned tax cut. The Senate plan also instructs the Energy and Natural Resources Committee to *reduce* deficits by $1 billion.

The House plan's reconciliation instructions are to various committees to *reduce* deficits by a total of $203 billion over ten years, presumably by cutting entitlement spending. The plan instructs the Ways and Means Committee to reduce the deficit by $58 billion; the committee can use this instruction both for purposes of reducing the deficit, e.g., though entitlement cuts, and for legislating tax reform.

Both the House and Senate reconciliation instructions allow the committees with jurisdiction over taxes to offset the cost of tax cuts by cutting spending on programs under their jurisdiction. In the case of the Senate, this means the tax cut can *exceed* $1.5 trillion over ten years as long as the additional tax cuts are offset by entitlement cuts in that bill. In the House, the combination of tax and entitlement changes by the Ways and Means Committee must reduce the deficit by at least $58 billion.

TABLE 1

## House, Senate, and Trump Budget Plans: An Apples-to-Apples-to-Apples Display

In billions of dollars. Unified budget totals (includes Social Security)

| | Senate Plan | | House Plan | | Trump Plan | |
|---|---|---|---|---|---|---|
| | **in 2027** | **Ten-year Total** | **in 2027** | **Ten-year Total** | **in 2027** | **Ten-year Total** |
| **Projected deficits (+), CBO's June baseline** | **1,463** | **10,112** | **1,463** | **10,112** | **1,463** | **10,112** |
| Non-defense discretionary | -133 | -800 | -244 | -1,394 | -271 | -1,548 |
| Defense | 0 | 0 | 63 | 863 | 42 | 448 |
| Overseas Contingency Operations (i.e., war costs) | -122 | -853 | -122 | -792 | -110 | -752 |
| **Subtotal, discretionary spending** | **-256** | **-1,653** | **-303** | **-1,323** | **-340** | **-1,851** |
| | | | | | | |
| Health entitlements | -344 | -1,794 | -372 | -1,991 | -366 | -1,917 |
| Medicare | -104 | -473 | -122 | -487 | -22 | -47 |
| Medicaid, Affordable Care Act subsidies, other health | -240 | -1,321 | -250 | -1,504 | -343 | -1,870 |
| Income Security | -88 | -653 | -128 | -892 | -38 | -238 |
| Education, social services, etc. | -28 | -199 | -26 | -211 | -18 | -116 |
| "Allowances" or "government-wide savings" | -187 | -998 | -128 | -817 | -1 | -2 |
| Mandatory infrastructure initiative | 0 | 0 | 0 | 0 | 0 | 200 |
| All other mandatory programs | -92 | -481 | -83 | -530 | 5 | 40 |
| **Subtotal, mandatory spending** | **-738** | **-4,125** | **-737** | **-4,441** | **-417** | **-2,033** |
| *Reconciled portion of mandatory cuts* | *n.a.* | *-1* | *n.a.* | *-203* | *n.a.* | *n.a.* |
| | | | | | | |
| **Total, net program cuts** | **-994** | **-5,778** | **-1,040** | **-5,765** | **-757** | **-3,885** |
| | | | | | | |
| **Tax cuts** | **145** | **1,635** | **147** | **1,125** | **107** | **894** |
| *Reconciled portion of tax cuts* | *n.a.* | *1,500* | *0* | *0* | *n.a.* | *n.a.* |
| | | | | | | |
| Interest | -129 | -423 | -146 | -510 | -91 | -285 |
| **TOTAL changes to baseline deficit** | **-977** | **-4,566** | **-1,039** | **-5,149** | **-742** | **-3,276** |
| | | | | | | |
| **Resulting deficits, unified budget** | **485** | **5,546** | **423** | **4,963** | **720** | **6,836** |
| | | | | | | |
| Claimed economic feedback, below the line | -336 | -1,418 | -360 | -1,500 | -496 | -2,062 |
| **Resulting deficits if claimed feedback materializes** | **149** | **4,128** | **63** | **3,463** | **224** | **4,774** |

Sources: Congressional Budget Office; House and Senate Budget Committees.