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An Apples-to-Apples Comparison of the Deficit-Reduction Figures in the House and Senate Budget Plans

by Richard Kogan

The House and Senate are scheduled to consider the budget resolutions that their respective budget committees approved last week. These two budgets — one drafted by House Budget Committee Chair Paul Ryan, the other by Senate Budget Committee Chair Patty Murray — offer sharply contrasting visions.[1] Yet they are not strictly comparable because they use different sets of starting assumptions (known as budget baselines) from which to measure their policy proposals. This analysis examines these two budgets relative to a *common* baseline, thereby allowing for apples-to-apples comparisons.

The Congressional Budget Office (CBO) projects budgets through 2023 based on current tax and spending law, including scheduled changes. Recognizing that "current law" is often not a useful starting point for analysis, CBO also publishes projections of possible policy adjustments so that analysts can construct alternative baselines. Chairman Ryan makes certain adjustments to the CBO baseline to produce his own baseline, from which he measures his remaining budget policies. Chairwoman Murray makes a different set of adjustments to the CBO baseline. Thus, both Chairs *reject* using the pure CBO current-law baseline as their starting point, so the deficit reduction figures set forth in the Ryan and Murray budget explanations are not comparable.

This analysis shows both the House and Senate plans relative to the "current-policy" baseline that we and the Committee for a Responsible Federal Budget (CRFB) jointly use (see Table 1). Both organizations view this current-policy baseline as a reasonable and convenient starting point for analysis. (The Appendix explains the various baselines.)

Table 2 summarizes the deficit reduction achieved since the fall of 2010, when Erskine Bowles and Alan Simpson, co-chairs of the presidential fiscal commission, and a Bipartisan Policy Center task force led by Alice Rivlin and Pete Domenici released their deficit-reduction plans. It then shows the new amount of deficit reduction in the House and Senate plans and compares the two alternative totals.

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[1] Robert Greenstein, "Commentary: Murray's More Evenhanded Approach to Deficit Reduction Contrasts Sharply with Ryan's," Center on Budget and Policy Priorities, March 14, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3921.

Table 1 **House-Reported and Senate-Reported Budget Plans, Measured Relative to CBPP/CRFB Current-Policy Baseline** (Cumulative 10-year totals, 2014-2023, in billions of dollars)	**House**	**Senate**
Program reductions:		
Medicare reductions	355	265
Medicaid and other mandatory health program reductions	2,595	10
All other mandatory program reductions	1,095	55 [a]
Subtotal, reductions in mandatory programs	**4,040**	**330**
Defense and war expenditure reductions	195	640
Non-defense discretionary expenditure reductions	970	15 [b]
Subtotal, discretionary (annually appropriated) program reductions	**1,165**	**650**
Total program reductions, mandatory and discretionary	**5,205**	**985**
Revenue increases	**45 [c]**	**970**
Total deficit-reduction policies	**5,255**	**1,955**
Resulting reduction payments of interest on the debt	980	310
Total deficit reduction	**6,240**	**2,265**

Note: This analysis takes the published House and Senate figures at face value. All figures are rounded to the nearest $5 billion, and may not add due to rounding.
[a] This figure apparently includes $80 billion in savings partially offset by an estimating difference of $25 billion.
[b] The Senate figure is the net of reductions over time and up-front jobs initiatives.
[c] The House plan calls for no revenue increase relative to current law. However, as explained in the Appendix, the CBPP/CRFB baseline assumes that the improvements in refundable tax credits enacted in 2009 and extended twice since will also be extended when they are due to expire in 2017. For this reason, the House revenue totals are slightly above the CBPP/CRFB current policy revenue totals.

Key Findings

Except where noted, figures below are relative to the CBPP/CRFB current-policy baseline.

- **Amount of new deficit reduction.** The Senate plan calls for almost $2.3 trillion in additional deficit reduction over 2014-2023 (compared with its published figure of $1.85 trillion). This is just short of the $2.4 trillion that Erskine Bowles and Alan Simpson recently proposed in their new plan.[2] It is noticeably more than the $1.5 trillion that CBPP calculates would be sufficient to stabilize the debt at 73 percent of gross domestic product (GDP).[3] As a result, the Murray plan puts the debt as a share of the economy on a downward trajectory, reducing it to about 70 percent of GDP by 2023.

[2] Robert Greenstein and Joel Friedman, "Commentary: A Look at the New Simpson-Bowles Plan," Center on Budget and Policy Priorities, February 23, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3906.

[3] Richard Kogan, Robert Greenstein, and Joel Friedman, "$1.5 Trillion in Deficit Savings Would Stabilize the Debt Over the Coming Decade," Center on Budget and Policy Priorities, February 11, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3900.

Table 2 **Existing Deficit Reduction Plus Effects of House- and Senate-Reported Budgets** (Cumulative 10-year totals, 2014-2023, in trillions of dollars)				
	Program cuts	**Revenue increases**	**Interest savings**	**TOTAL**
Already enacted				
Discretionary programs, relative to 2010 baseline	1.6	0	0.3	1.9
ATRA ("fiscal cliff" bill, January 2013)	*	0.7	0.1	0.8
Total deficit reduction to date	1.6	0.7	0.5	2.8
Proposed by House Budget Committee (see Table 1)	5.2	*	1.0	6.2
Total, enacted and proposed	6.8	0.7	1.4	9.0
Distribution of total policy changes (excluding interest savings)	90%	10%		
Proposed by Senate Budget Committee (see Table 1)	1.0	1.0	0.3	2.3
Total, enacted and proposed	2.6	1.7	0.8	5.0
Distribution of total policy changes (excluding interest savings)	61%	39%		

Note: Figures may not add due to rounding.
* Signifies less than $50 billion

The House plan calls for a much larger amount of deficit reduction: $6.2 trillion (compared with its published figure of $4.6 trillion). The House plan reduces the debt to about 55 percent of GDP after ten years.

- **Mix of spending cuts and revenue increases.** Leaving aside interest savings, the Senate plan is balanced 50-50 between revenue increases and program cuts. In contrast, the House plan obtains essentially 100 percent of its deficit reduction from budget cuts. Its total program cuts are more than 5 times as big as the Senate's, and its non-defense program cuts are almost 15 times as big as the Senate's.

- **Total deficit reduction, counting measures already enacted.** When combined with already enacted deficit reduction, the Senate plan would result in total deficit reduction of $5.0 trillion, of which 61 percent would be from program cuts (see Table 2). This total is somewhat less than the original Simpson-Bowles plan of December 2010 called for. But the original Simpson-Bowles plan called for noticeably more total *revenue increases* than would occur under the Senate plan (when combined with already enacted measures), and it was more evenly balanced between revenue increases and program cuts than the overall deficit reduction that would occur under the Senate plan.[4]

  In contrast, the House plan would result in $9.0 trillion in total deficit reduction, of which 90 percent would be program cuts.

[4] Richard Kogan, "What Was Actually in Bowles-Simpson — And How Can We Compare it With Other Plans?" Center on Budget and Policy Priorities, October 2, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3844.

- **Medicare.** The Senate plan calls for $265 billion in Medicare reductions. The House includes $355 billion in savings through 2023. (The House budget also includes significant Medicare proposals that start in 2024, such as replacing Medicare's guarantee of health coverage with a premium-support voucher and raising the age of eligibility for Medicare from 65 to 67.[5])

- **Health insurance for poor and moderate-income people.** Other than the Medicare cuts described above, the House plan calls for almost $2.6 trillion in cuts from Medicaid and other mandatory health care programs, which would likely deny health insurance to tens of millions of people.[6] The Senate plan has no such cuts.

- **Total cuts in mandatory programs.** Looking at all mandatory programs, the House would cut more than $4.0 trillion; the cuts would be 12 times as deep as those under the Senate plan, which total $330 billion. This $4.0 trillion in cuts is about $3 trillion larger than Speaker Boehner strove to achieve in these programs in his negotiations with President Obama in December.

- **Total cuts in discretionary programs**. The House plan calls for $1.2 trillion of discretionary spending cuts, of which nearly $1 trillion are in non-defense programs.[7] The Senate plans calls for roughly half that amount of discretionary spending cuts, with nearly all of the cuts occurring in defense.[8]

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[5] Paul N. Van de Water, "Medicare in Ryan's 2014 Budget," Center on Budget and Policy Priorities, March 15, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3922.

[6] See Edwin Park, "Ryan Budget Again Includes a Medicaid Block Grant That Would Add Millions to the Ranks of the Uninsured and Underinsured," *Off the Charts* blog, March 15, 2013, http://www.offthechartsblog.org/ryan-budget-again-includes-a-medicaid-block-grant-that-would-add-millions-to-the-ranks-of-uninsured-and-underinsured/.

[7] The House defense reductions would be achieved largely or entirely through reduced war spending. See Richard Kogan, "Ryan Budget Understates Defense Spending by $100 Billion," Center on Budget and Policy Priorities, March 19, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3931.

[8] See Joel Friedman, "Ryan Budget Hits Non-Defense Discretionary Funding Far More Than Sequestration Does," *Off the Charts* blog, March 14, 2013, http://www.offthechartsblog.org/ryan-budget-hits-non-defense-discretionary-funding-far-more-than-sequestration-does/.

Appendix
Comparing the Ryan, Murray, and CBPP/CRFB Baselines

Chairman Ryan says his plan reduces projected deficits by $4.6 trillion over the ten-year period 2014-2023. Our analysis shows $6.2 trillion. The difference occurs entirely because we use different starting points or *baselines*. For the purpose of this analysis, we accept the numbers he specifies as his ending points (even though they are achieved in great part by unspecified policy changes).

CBPP and the Committee for a Responsible Federal (CRFB) use the same baseline because we both find it analytically sound. Specifically, the CBPP/CRFB baseline uses CBO's estimates of revenues and spending under current law and then makes the following adjustments:[9]

1. Future emergency funding will be at its historical average, as allowed by the Budget Control Act of 2011 (BCA), rather than continue each year at the 2013 levels associated with Hurricane Sandy.

2. War funding will fall to about one-third its present level by 2015, but will not fall further, in accordance with an alternative outlined separately by CBO.

3. The sequestration will be cancelled but discretionary funding will continue to be constrained by the funding caps established by the BCA.

4. Relief from the deep cuts in physician payments required by Medicare's Sustainable Growth Rate (SGR) formula will be granted.

5. The American Opportunity Tax Credit and the improvements in the Child Tax Credit and the Earned Income Tax Credit, enacted in 2009, extended in 2010, and extended again this year through 2017, will be continued thereafter, but other expiring tax provisions will expire on schedule.

In contrast to the CBPP/CRFB approach described above, Chairman Ryan's starting point includes the first adjustment; goes even farther in assuming a war drawdown than CBO's alternative (the second adjustment), and does not include the last three adjustments. As a result, Chairman Ryan assumes $1.6 trillion of savings in his baseline that we and CRFB treat as deficit reduction relative to our baseline. This is why our estimate of the deficit reduction in the Ryan budget is $1.6 trillion greater than the estimate Chairman Ryan uses.

Senator Murray's starting point is more similar to the CBPP/CRFB approach. It includes the first, third, fourth, and fifth adjustments listed above, although the estimate for the fifth items differs from ours by about $25 billion. Senator Murray's baseline goes further than the CBPP/CRFB adjustment (or than Chairman Ryan's) in assuming a war drawdown. As a result, Chairwoman Murray puts in her baseline $415 billion of savings that we and CRFB treat as deficit reduction relative to our baseline.

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[9] We published our baseline assumptions in Appendix I of Richard Kogan, Robert Greenstein, and Joel Friedman, "$1.5 Trillion in Deficit Savings Would Stabilize the Debt over the Coming Decade," Center on Budget and Policy Priorities, February 11, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3900. CRFB published the same baseline assumptions in "CRFB's Realistic Baseline," at http://crfb.org/crfbs-realistic-baseline.