

---

April 7, 2016

## The House Republican Budget: A Closer Look at the Numbers

By Richard Kogan

The table below shows the ten-year savings in the House Budget Committee plan — as the committee approved it on March 16 — in different budget categories and program areas. The savings are shown relative to three different benchmarks or baselines: the one we use in this analysis (Center on Budget and Policy Priorities, or CBPP); the one the Congressional Budget Office (CBO) published in January 2016; and the one the House Budget Committee (HBC) used. Both the CBPP and HBC baselines begin with the CBO baseline and then make certain adjustments, which yield different estimates of “projected deficits under current policies.”<sup>1</sup> (The notes at the end of the table provide additional explanation, and this table in spreadsheet form and an additional spreadsheet with the underlying year-by-year data can be found [here](#).)

---

<sup>1</sup> The specific adjustments in the CBPP baseline are discussed in the Technical Note at the end of “Low-Income Programs Not Driving Nation’s Long-Term Fiscal Problem, updated February 24, 2016, <http://www.cbpp.org/research/long-term-fiscal-challenges/low-income-programs-not-driving-nations-long-term-fiscal>.

TABLE 1

## Projected Deficits and How the House Budget Plan Would Change Them

Cumulative ten-year totals of outlays, revenues, and deficits, 2017-2026, in billions of dollars (reducing the deficit is shown as a negative (-); increasing the deficit is shown as a positive (+))

	CBPP baseline and estimates	CBO baseline and estimates	HBC baseline and estimates
<b>Projected deficits under current polices (“baseline”)</b>	<b>9,159</b>	<b>9,378</b>	<b>8,478</b>
<b>Proposed changes to baseline deficits:</b>			
<b>Revenue<sup>a</sup></b>	<b>-375</b>	<b>-375</b>	<b>-225</b>
<b>Defense</b>	<b>+183</b>	<b>+251</b>	<b>+251</b>
<b>Overseas Contingency Operations<sup>b</sup></b>	<b>-170</b>	<b>-579</b>	<b>0</b>
<b>Non-defense “discretionary” cuts<sup>c</sup></b>	<b>-1,004</b>	<b>-941</b>	<b>-941</b>
<b>Entitlement and other mandatory cuts:</b>			
Social Security	-14	-14	-14
Medicare, Medicaid, health reform subsidies, and other health	-3,490	-3,490	-3,490
Income security	-783	-783	-783
Education, job training, social services	-202	-202	-202
Commerce and housing credit	-141	-141	-141
All other specified areas	-214	-214	-214
Unspecified “government-wide savings”	<u>-166</u>	<u>-166</u>	<u>-122</u>
<b>Subtotal, entitlement and mandatory cuts</b>	<b>-5,009</b>	<b>-5,009</b>	<b>-4,965</b>
Net interest on the debt, reduced costs	-939	-975	-856
Removal of any allowance for future emergencies <sup>d</sup>	-103	-8	0
<b>Total, net reductions in deficits</b>	<b>-7,417</b>	<b>-7,636</b>	<b>-6,736</b>
<b>Resulting deficits under the House budget</b>	<b>1,742</b>	<b>1,742</b>	<b>1,742</b>
Adjustment for the macroeconomic effects of deficit reduction <sup>e</sup>	-241	-241	-241
<b>Resulting deficits, with macroeconomic effects</b>	<b>1,501</b>	<b>1,501</b>	<b>1,501</b>

<sup>a</sup> The revenue increases shown on this row do not reflect tax increases, because the HBC plan does not assume any new *net* tax increases or tax cuts. Rather, the increased revenues reflect CBO dynamic estimates of the macroeconomic effects on the economy of two policies. 1) HBC’s assumed repeal of health reform would, according to CBO, prevent more people from voluntarily leaving the workforce and so produce \$225 billion in higher revenues relative to the CBO and CBPP baseline; and 2) although CBO reflected the revenue losses from last December’s tax deal in its January 2016 baseline (so those revenue losses are built into the CBPP and HBC baselines as well), CBO did not have time to reflect its dynamic estimates of the macroeconomic effects of that legislation in its January baseline — \$150 billion in higher revenue. These two dynamic effects comprise the \$375 billion revenue increase shown above, relative to the CBO and CBPP baselines. The HBC, in contrast, builds the \$150 billion dynamic effect of the tax deal into its starting baseline (hence a lower baseline deficit for HBC) and so shows only the \$225 billion in higher revenues from the dynamic effect of its assumed health reform repeal as a change to its baseline deficit.

<sup>b</sup> The House plan did not distinguish between the defense and non-defense portions of Overseas Contingency Operations (OCO), originally designed to cover the extra costs tied to operations in Afghanistan, Iraq, and other trouble spots. For this reason, we also present the defense and non-defense portions of any changes in OCO policy in a single line in the table. Relative to the CBO and CBPP baselines, the House OCO policy represents a reduction in funding. The CBO baseline mechanically assumes that OCO funding will remain at today’s levels, adjusted for inflation, for each of the next ten years. The CBPP baseline assumes a phasedown in OCO funding starting in 2018. The House Budget Committee set its baseline equal to its policy for OCO, which is another reason that HBC assumes lower starting

---

baseline deficits than do CBO and CBPP.

<sup>c</sup> The non-defense discretionary category includes amounts subject to the statutory caps enacted in the Budget Control Act of 2011, as later reduced by “sequestration” associated with that Act, and as later modified through 2017 by other legislation. Beyond that, the category also includes amounts for specified program integrity activities to curb fraud and abuse, for disasters, and for the Highway Trust Fund expenditures, which are outside the caps but which the House budget plan also cuts.

<sup>d</sup> Emergencies are costs that are above and beyond the disaster adjustment established by the Budget Control Act of 2011. The CBO baseline generally uses the current-year funding level as the basis of its projections for this spending, regardless of whether that funding level is high or low by historical standards. (Funding for 2016 is well below average.) The CBPP baseline assumes that emergency funding will reflect its average level for the last five years (2012-2016), which in this case is well above the small amount built into CBO’s baseline. The House Budget Committee assumed no emergency funding in its baseline — and no emergency funding in its budget, as well.

<sup>e</sup> This \$241 billion adjustment reflects a CBO estimate of the macroeconomic effects of the total deficit reduction specified in the House Budget Committee plan if it were enacted into law; it is separate from the direct budgetary effect of the proposed spending cuts and also above and beyond the macroeconomic adjustments discussed in Note A above. The House Budget Committee did not include these effects in the budget plan’s official totals, but rather added them as a separate item. Without these additional effects, the budget plan would not balance in 2026.