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TOOMEY BUDGET EVEN MORE RADICAL, AND POTENTIALLY MORE DAMAGING, THAN RYAN BUDGET

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The Senate will likely consider this week a budget proposal for fiscal year 2012 from Senator Patrick J. Toomey that, in several ways, is even more radical than the House-passed plan of House Budget Committee Chairman Paul Ryan.[1]

At first blush, the Toomey plan may seem more moderate than the Ryan budget, which the Senate also will likely consider this week. That's because the Toomey plan does not include Chairman Ryan's controversial proposal to replace guaranteed Medicare benefits with vouchers that would cover part of the cost of purchasing private health insurance — a provision that would raise total health care spending attributable to Medicare beneficiaries and more than double out-of-pocket costs for a typical 65-year-old beneficiary in 2022. (Neither plan proposes savings in Social Security.)

But, in several ways, the Toomey budget is more radical than the Ryan plan. While it essentially mirrors the Ryan plan in proposing deep cuts in nondefense discretionary programs, it proposes much deeper cuts in entitlement programs other than Medicare — and relies on a rosy economic scenario and fanciful assumptions about tax collections — to claim it produces modest surpluses in 2020 and 2021 instead of the approximately $400 billion deficits in each of those years under the Ryan plan.

The Toomey plan:

- Cuts funding for nondefense discretionary programs by nearly $1.5 trillion over the next ten years below the level recently enacted for the current year (fiscal year 2011), adjusted for inflation. In 2021, it would impose a 30 percent cut in this category — which includes transportation and infrastructure, the FBI, most of homeland security activities (a small part of which falls in the defense category), elementary and secondary education, National Institutes of Health cancer and other health research, environmental protection, and a vast array of other significant programs. These proposed cuts are very similar to those in the Ryan budget.

[1] This analysis is based on "Restoring Balance: A budget proposal for fiscal year 2012 that balances the budget and encourages economic growth" (http://www.scribd.com/doc/55116239/Restoring-Balance-Final), referenced in a May 10 press release from Senator Toomey (http://toomey.senate.gov/record.cfm?id=332782).

- Assumes a $275 billion cut in defense below what the Ryan plan proposes (and a slightly bigger cut compared to what President Obama requested in the 2012 budget that he sent to Congress in February), largely by assuming full U.S. withdrawals from Iraq and Afghanistan by 2018.

- Cuts mandatory programs other than Social Security and Medicare (or interest payments on the debt) by nearly $3.8 trillion below the baseline projections of the Congressional Budget Office (CBO) over ten years, and by $615 billion — more than half — in 2021 alone. Of the $3.8 trillion:

  - About $1.4 trillion would come from repealing the parts of health reform (i.e., the Affordable Care Act) that expanded health coverage. (The plan apparently intends to maintain the Medicare cuts that were included in health reform to partially offset the cost of expanding coverage, but it repeals the revenue increases that helped pay for the expansion.)

  - About $1.1 trillion would come from Senator Toomey's proposal to turn Medicaid into a block grant and cut federal funding for the program by half by 2021 (separate and apart from the $627 billion cut in health reform-related Medicaid costs). This would shift huge costs to the states and force cuts in the number of poor elderly, disabled, and children served and the services they receive. Senator Toomey's Medicaid cuts, not counting those related to health reform, are $326 billion larger than the proposed $771 billion cut over ten years in the Ryan plan.

  - Nearly $900 billion would be cut from social safety net programs (budget function 600) — which include programs such as SNAP (food stamps), Supplemental Security Income, and unemployment insurance. By 2021, funding for this category would shrink by more than one-fifth. Toomey's cuts in this category are more than twice as large as the $380 billion cut over ten years in the Ryan plan.

  - A little more than $400 billion would come from cuts in various other categories of mandatory spending, including a nearly $150 billion reduction in the education, training, employment, and social services category (budget function 500). Senator Toomey's plan does not contain any specific proposals to achieve these savings. Toomey's cuts in this category are $80 billion higher than the $326 billion over ten years in the Ryan plan.

- Achieves no actual deficit reduction from revenues. The plan assumes that its proposed "tax changes will be revenue neutral when scored statically…" compared to the revenues that the federal government would collect under current policies (that is, if all expiring tax cuts, including President Bush's tax cuts that benefit high-income taxpayers, are made permanent). But Senator Toomey claims that eliminating loopholes, collapsing the current personal income tax rate structure into three brackets with lower rates, and cutting the corporate income tax rate from 35 percent to 25 percent "will generate strong economic growth, which will in turn yield surging tax revenues." Based on this rosy economic scenario, which is more optimistic than the CBO projections that the Ryan plan employed, and on seemingly fanciful estimates of the taxes that the government will collect relative to the assumed size of the economy,[2] the Toomey plan

[2] According to Congressional Budget Office data, revenues would equal 18.4 percent of GDP in 2021 if current policies are continued — that is, if all expiring tax cuts (except for clearly temporary provisions enacted as part of stimulus

claims revenues will be $1.4 trillion higher over ten years than what the Ryan plan assumes with similar tax policies.

Senator Toomey mistakenly claims that the economic assumptions behind his budget are less optimistic than those of the Ryan plan. But, while Chairman Ryan asserts that his tax plan would boost economic growth, the revenues (and spending, deficits, and debt) shown in his plan are based on CBO's baseline economic projections — not on the more optimistic economic path he believes would result from his plan's enactment.

Senator Toomey's decision not to include Chairman Ryan's Medicare voucher proposal is a step in the right direction, but his even more severe cuts in Medicaid and other programs aimed at helping the most vulnerable Americans mean that his plan overall would be even more damaging than the Ryan plan.

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efforts) and relief from the alternative minimum tax are extended and no other changes are made in tax laws. This is essentially the level of revenues in 2021 in the Ryan plan. Although Senator Toomey states that his tax proposals would be revenue neutral on a static basis (i.e., not taking into account the revenue impact of the increase in economic growth that he claims that his proposals would generate), the revenues in his plan equal 18.7 percent of his claimed higher level of GDP in 2021 (and 19.2 percent of the GDP projected for 2021 by CBO). Thus, the higher level of revenues claimed by Senator Toomey (relative to a continuation of current policies or the Ryan plan) reflect both his assumption that GDP will be higher *and* that revenues will equal a somewhat higher share of GDP.