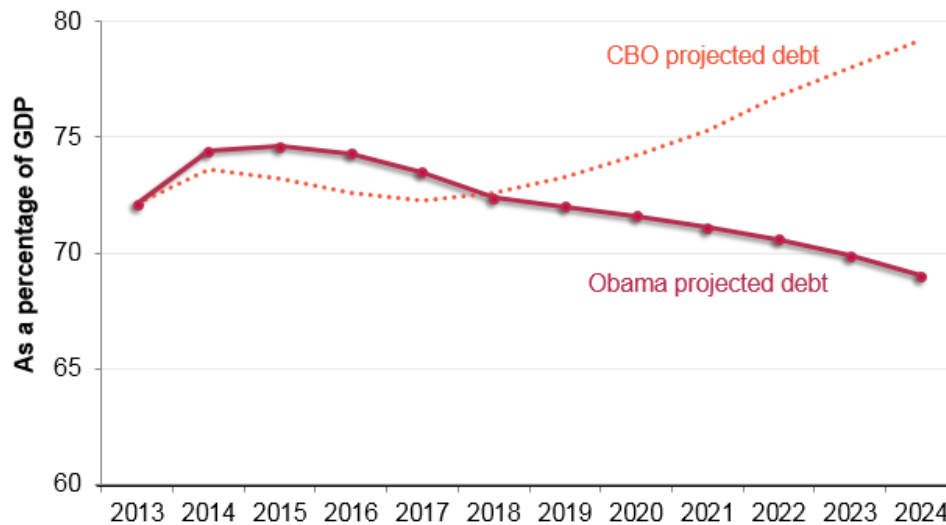


More Taxes and Spending in President Obama's FY 2015 Budget

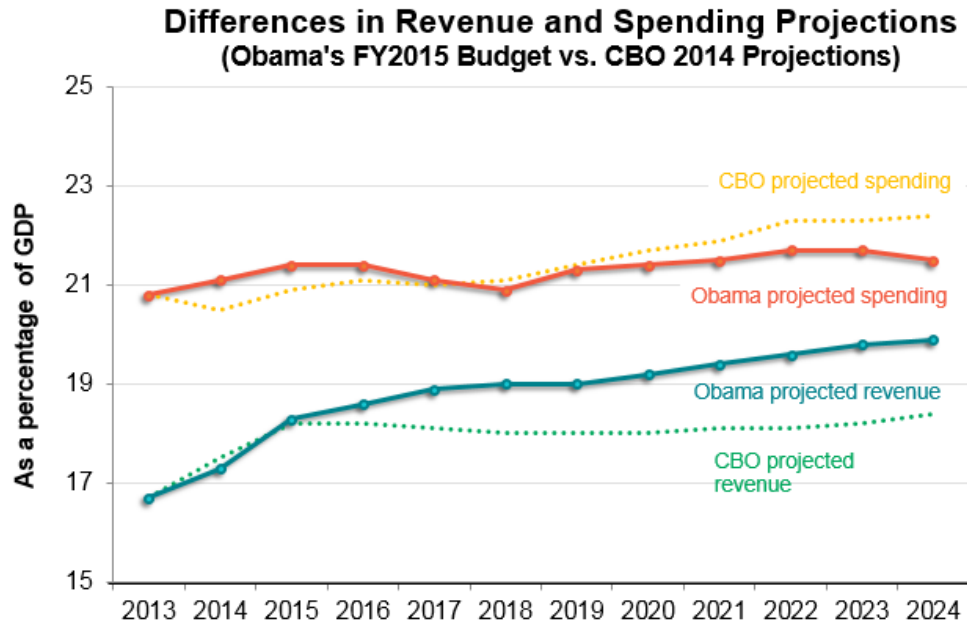
Differences in Debt Projections
(Obama's FY 2015 Budget vs. CBO 2014 Projections)



Source: "The Budget and Economic Outlook: 2014 to 2024," Congressional Budget Office; and "Fiscal Year 2015 Budget of the U.S. Government," Office of Management and Budget, accessed March 4, 2014.
Data note: Original inspiration of chart comes from The Washington Post.
Produced by Veronique de Rugy, Mercatus Center at George Mason University, March 4, 2014.

President Obama just released his [budget proposal](#) for FY 2015. This week's charts compare these new budget projections from the Office of Management and Budget (OMB) to the most [recent projections](#) from the Congressional Budget Office (CBO). President Obama's newest budget projections anticipate higher spending, higher revenues, and lower debt levels by 2024, relative to CBO projections.

The first chart compares the differences in debt projections between the FY 2015 budget and the CBO's Budget and Economic Outlook for 2014 through 2024. While the president's budget calls for higher debt levels as a percentage of GDP from 2013 to 2017 when compared to CBO current law numbers, the president's budget plan projects that debt will drop below current trajectories by 2018. By the end of the ten-year window there is a significant divergence between the two; by 2024, President Obama projects that his plan will leave us with a debt of 69 percent of GDP, compared to the CBO current law projection of 79.2 percent of GDP.

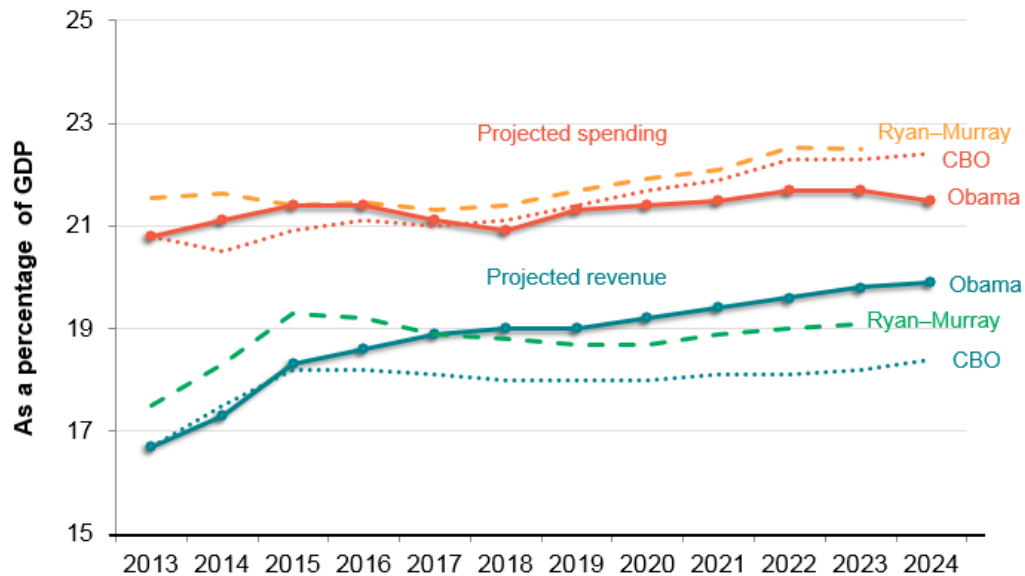


Source: "The Budget and Economic Outlook: 2014 to 2024," Congressional Budget Office; and "Fiscal Year 2015 Budget of the U.S. Government," Office of Management and Budget, accessed March 4, 2014.
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How will the president’s budget succeed in achieving this lower level of debt? The second chart displays revenue and spending projections for the FY 2015 budget and the CBO’s 2014 current law projections. The chart shows that President Obama’s FY 2015 budget projects considerably higher revenues over the next ten years than the CBO’s most recent projections. Tax revenues are expected to increase by \$1 trillion over the next ten years to finance new spending while restraining growth in public debt. Spending under the president’s proposed budget would moderately increase compared to current law until 2017, when it commences decreasing as a percentage of GDP, compared to current law.

President Obama’s budget deal will also revise last year’s budget compromise in which policymakers agreed to replace sequestration cuts for two years and pre-establish spending for federal agencies through 2015. This budget would allocate another \$56 billion over the established amounts to agencies, with only \$28 billion offset in tax hikes and alternative spending cuts.

Differences in Revenue and Spending Projections (Obama's FY2015 Budget vs. CBO 2014 Projections vs. Ryan-Murray)



Source: "The Budget and Economic Outlook: 2014 to 2024," Congressional Budget Office; and "Fiscal Year 2015 Budget of the U.S. Government," Office of Management and Budget, accessed March 4, 2014.
Data note: The Ryan-Murray plan projections start in 2013 and go out to 2023.
Produced by Veronique de Rugy, Mercatus Center at George Mason University, March 4, 2014.

President Obama's FY 2015 budget can also be compared to the [CBO cost estimate](#) of Rep. Paul Ryan and Sen. Patty Murray's proposed [Bipartisan Budget Act of 2013](#). The third chart includes CBO projections of revenues and spending for the Ryan-Murray budget proposal.

Much of the president's proposed budget's rosy projections will require considerable tax financing and political restraint to come to fruition. If revenues are lower than anticipated or spending is not restricted as planned, the ten-year debt picture will look quite different. I have [noted before](#) that President Obama's later mid-session review budget differed considerably from his early budget projections. Early revenue and outlay projections were higher than actual amounts, while deficit spending surged much higher than anticipated from 2010 to 2012. This budget will likely misproject critical variables as well. The rosier projections all too often turn out to be the most disappointing.