



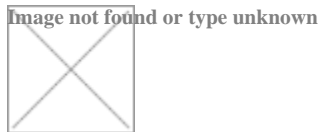
Insight

The CBO's Re-Estimate of the President's Budget in 3 Easy Charts

GORDON GRAY | MARCH 12, 2015

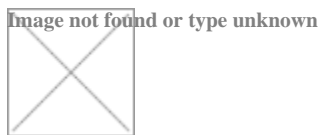
Today, the Congressional Budget Office released its “re-estimate” of the president’s FY2016 budget. It’s called the “re-estimate” because the initial estimate of the effect of the president’s proposed policies on the budget is performed by the administration, specifically, the Office of Management and Budget (OMB). These separate agencies employ different assumptions and methodologies in their estimation. According to today’s analysis by CBO, the president’s budget reflects a tax and spend agenda, with higher deficits than the administration projected, underpinned by rosier economic assumptions.

Figure 1: Tax and Spend



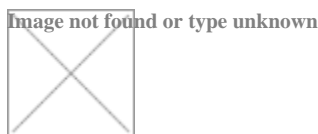
Compared to current law, the president’s budget expands the scope of government through nearly \$1.8 trillion in new taxes, and \$550 billion in new spending.

Figure 2: CBO Projects Higher Deficits than OMB



While CBO projects near-term deficit below those projected by OMB, over the 10-year budget window, CBO’s estimate reveals that OMB’s deficit projections are understated by \$303 billion, requiring additional borrowing from the public. This discrepancy could be explained in part by OMB’s rosier GDP assumptions.

Figure 3: OMB Projects Higher GDP



One of the most important distinctions between OMB’s and CBOs estimates of the president’s budget is the underlying economic projections used by the agencies. Real economic growth averages 0.2 percentage points

higher under OMB's assumptions than under CBO's, and a little growth goes a long way. According to the CBO, differences in economic assumptions can explain \$369 billion in deficit effects – essentially OMB's rosier economic assumptions banked \$369 billion in deficit savings