CRFB Reacts to the President's FY 2014 Budget
April 10, 2013

Today, President Obama released his FY 2014 budget proposal, which combines a version of his final deficit-reduction offer from the fiscal cliff negotiations with a number of new tax and spending initiatives.

The President's budget proposes roughly $1.8 trillion of savings in its deficit reduction package designed to replace the sequester and put the debt on a downward path relative to the economy. When combined with the President's new policy initiatives, the repeal of the sequester, and the President's proposed war drawdown, this plan adds up to $1.4 trillion in deficit reduction.

Encouragingly, the budget is projected to put the debt on a downward path relative to the economy. Public debt would fall from 77 percent of GDP in 2013 to 73 percent of GDP by 2023. Deficits in the budget would fall to below 2 percent of GDP by 2023. To achieve this, the President's budget includes about $400 billion of health savings, $400 billion of discretionary and mandatory spending cuts, $230 billion of savings from more accurately measuring inflation, and $580 billion of additional revenues. At the same time, the budget also repeals the $1.1 trillion sequester and includes a number of new spending initiatives paid for in part with new revenue.

"I am pleased to see the President's continued support of his deficit reduction plan from last December, which helps show he is still serious about fiscal reform," said Maya MacGuineas, president of the Committee for a Responsible Federal Budget. "The budget also helps demonstrate his openness to compromise by including ideas such as further means-testing of premiums and switching to the chained CPI -- both of which enjoy bipartisan support. Ideally, the President would have put forward a budget that achieved even lower levels of debt over the next ten years to get a running start on addressing even larger challenges over the long-term -- including reforms to control health care costs and shore up Social Security. But the President clearly supports steps for further deficit reduction."

"The President deserves additional credit for ensuring that his initiatives and priorities beyond deficit reduction are paid for," added MacGuineas. "That said, I worry that the President's many new expensive spending initiatives -- paid for in large part with additional tax increases -- could detract attention from the need to come up with a bipartisan solution to the nation's significant fiscal challenges. The President must use the bully pulpit as only he as the leader of the country can to keep attention on the issue of debt reduction."

"With the President's budget and both the Senate and House-passed budget resolutions all putting debt on a downward path as a share of the economy for the first time, I am hopeful that productive and bipartisan budget discussions can resume in earnest. Now is the time for lawmakers to put everything on the table, bridge their differences, and enact a plan that will finally put our fiscal house in order."

Fig. 1: President's FY2014 Budget Projections (Percent of GDP)

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Ten-Year*
Revenues	15.8%	16.7%	17.8%	18.6%	18.8%	18.8%	18.9%	19.2%	19.4%	19.6%	19.8%	20.0%	19.1%
Spending	22.8%	22.7%	22.2%	21.8%	21.6%	21.3%	21.2%	21.5%	21.6%	21.7%	21.9%	21.7%	21.6%
Deficits	7.0%	6.0%	4.4%	3.2%	2.8%	2.4%	2.3%	2.3%	2.2%	2.1%	2.1%	1.7%	2.5%
Debt	72.6%	76.6%	78.2%	78.2%	77.7%	76.8%	75.9%	75.3%	74.9%	74.4%	73.9%	73.0%	N/A

Source: OMB.
*Ten-year column reflects 2014-2023 for January baseline and 2013-2022 for August baseline.

Fig. 2: Public Debt under Various Budget Proposals (Percent of GDP)