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Fake Math in the President's 2018 Budget

The President's budget for 2018 will leave millions of Americans behind. It makes dramatic cuts to programs that support families struggling to make ends meet, and it cuts investments critical for a strong economic future. While the threat this budget poses to American families and our economy is clear, the rest of it is not so defined. This budget relies on absurd economic growth projections, double-counts savings, hides anticipated new costs, and fails to provide any details on massive funding reductions and tax cuts. It is an alarming document and it is one that is built on fantasy and fakery.

Relies on phony economic assumptions — The budget relies on absurd economic assumptions. It assumes that the economy will grow at a 3.0 percent real annual rate beginning in 2021, compared with the Congressional Budget Office's 1.9 percent projection and the 2.0 percent projection in the "Blue Chip" forecast. No credible economist would validate a 3.0 percent growth rate as a basis for budgeting. The budget fails to provide detail on policies that promote growth, but does provide detail on policies that contradict that goal.

Double-counts economic growth effects — In a hearing before the House Budget Committee, the Office of Management and Budget (OMB) Director claimed that dollars from economic growth are used for deficit reduction, thereby allowing the budget to balance over ten years. However, the Treasury Secretary claimed that economic growth pays for the budget's tax plan. The Administration cannot have it both ways – either the growth pays for the tax cuts or it pays for deficit reduction, otherwise the budget is double-counting economic growth effects. Plus, these economic growth effects are based on pie-in-the-sky assumptions – it is unrealistic to count on these savings once, let alone twice.

Won't come clean on Medicaid Cuts —The budget clearly cuts Medicaid by more than $1 trillion, reflecting the House Republican American Health Care Act (which imposes deep cuts to Medicaid) and an additional $610 billion cut beyond that. In a hearing before the House Budget Committee, the OMB Director cited the $1.3 trillion figure, but also stated that there is some double-counting in this number. Before the Senate Budget Committee, the OMB Director again admitted that there is some double-counting of Medicaid savings. The Administration has yet to provide a straight answer on how much of the $1.3 trillion represents double-counting.

No details on tax plan — The budget provides a vague outline for purportedly revenue-neutral tax reform similar to President Trump's one-page tax-reform proposal released in early May. There is nothing else in the budget on taxes. In past years, along with its budget, the Treasury Department released a several-hundred page detailed "green book" that explained the Administration's revenue proposals. The Administration failed to provide a green book this year. This unusual lack of detail makes it impossible to determine how the budget affects total tax revenues or what the Administration's tax policy actually includes.

Excludes Administration's anticipated defense buildup — The budget assumes a specific outyear path for both defense base funding and Overseas Contingency Operations, which together account for more than half of overall discretionary spending. Defense base funding in the budget grows every year by about 2.1 percent after 2018. The budget is clear that these outyear paths are notional, pending a review by the Department of Defense. However, Administration officials have said that defense levels above the 2.1 percent growth each year are needed. This means that the Administration is likely to call for defense funding levels significantly higher than the budget provides. This also means that every defense total after 2018 is a placeholder, one that is deliberately low-balled.

Unspecified deep cuts to non-defense programs — The budget includes unspecified cuts to non-defense discretionary (NDD) programs totaling $775 billion over ten years. The NDD portion of the budget includes investments critical for boosting jobs and innovation, revitalizing communities, and ensuring public health and safety, among other important services. The budget already deeply underfunds many agencies, but that was not enough for the Administration. The $775 billion cut is included in a line in the budget called "allowances," which is simply a placeholder. The fact that the Administration could not bring itself to detail these cuts in specific agencies, services, or programs shows how deeply damaging they will be.

Unlikely savings from improper payments — The budget counts on $142 billion in savings from improper payments, but only $3 billion of these savings are linked to specific policies. The budget provides no details on how to achieve the remaining $139 billion in savings. Given that the budget cuts or freezes the operating budgets of the agencies charged with fixing improper payments, it is unlikely that these agencies will have the resources necessary to make these savings a reality.

Relies on savings from unspecified "financial bailout" policy — The budget includes $35 billion in savings from "no more financial bailouts" but it is not clear what this means or how this was calculated.

Hides costs by shifting them to states and localities — In many areas across the budget, specifically in programs that largely benefit the working poor, the budget assumes that states and localities will find room in their already constrained budgets to replace current federal funding. For example, the budget assumes that states will contribute 25 percent of the cost of Supplemental Nutrition Assistance Program benefits by 2023. Shifting costs from the federal budget to state and local budgets is an accounting maneuver that will put untenable burdens on states. Plus, the budget does not lay out any plan to ensure that states will actually make these levels of contributions. This means that when states are unable or unwilling to pick up the tab, the inevitable result will be severe cuts to these programs, leaving struggling families behind.