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THE 'BETTER OFF BUDGET'

Analysis of the Congressional Progressive Caucus budget for fiscal year 2015

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Executive summary

The Congressional Progressive Caucus (CPC) has unveiled its fiscal year 2015 (FY2015) budget, titled the "Better Off Budget." It builds on recent CPC budget alternatives in prioritizing near-term job creation, financing public investments, strengthening the middle and working classes, raising adequate revenue to meet budgetary needs while restoring fairness to the tax code, protecting social insurance programs, and ensuring fiscal sustainability.

The Better Off Budget aims to improve the economic well-being of the working and middle classes by focusing on ending the ongoing jobs crisis, and it provides substantial upfront economic stimulus for that purpose. This paper details the budget baseline assumptions, policy changes, and budgetary modeling used in developing and scoring the Better Off Budget, and it analyzes the budget's cumulative fiscal and economic impacts, notably its near-term impacts on economic recovery and employment.[1]

We find that the Better Off Budget would have significant, positive impacts. Specifically, it would:

- **Accelerate the economic recovery**. The Better Off Budget would sharply accelerate economic and employment growth; it would boost gross domestic product (GDP) by 3.8 percent and employment by 4.6 million jobs at its peak level of effectiveness (within one year of implementation), while ensuring that fiscal support lasts long enough to avoid future fiscal cliffs that could throw recovery into reverse.[2]
- **Promote job growth and achieve full employment**. The budget's near-term economic stimulus measures would rapidly restore the unemployment rate near to prerecession levels of 5 percent. The unemployment rate would be expected to range between 4.9 and 5.3 percent when these provisions are fully implemented, in line with what the Congressional Budget Office (CBO) regards as full employment (CBO 2014c).
- **Close the economic "output gap."** U.S. economic output is currently $790 billion (4.6 percent) below potential (CBO 2014a), and the economy is projected to remain at least 3.3 percent below potential throughout 2014 under current law. The Better Off Budget would effectively use fiscal stimulus to restore actual GDP to potential GDP—a necessary condition for achieving full employment in the economy.
- **Make necessary public investments**. The budget finances roughly $485 billion in job creation and public investment measures in calendar year 2014 alone and roughly $1.35 trillion over calendar years 2014–2016.[3] This fiscal expansion is consistent with the amount of fiscal support needed to rapidly shrink the "output gap" and restore the economy to full health.
- **Facilitate economic opportunity for all**. By expanding tax credits and other programs for middle- and working-class workers, boosting public employment, and incentivizing employers to create new jobs, the Better Off Budget aims to boost economic opportunity for all segments of the population.
- **Strengthen social insurance**. The Better Off Budget strengthens the social safety net and proposes no benefit reductions to social insurance programs—in other words, it does not rely on simple cost-shifting to reduce the budgetary strain of health programs. Instead, it uses government purchasing power to lower health care costs (health care costs are the largest threat to long-term fiscal sustainability) and builds upon efficiency savings from the Affordable Care Act. The budget also expands and extends emergency unemployment benefits and increases funding for

education, training, employment, and social services as well as income security programs in the discretionary budget.[4]

- **Smartly cut spending**. The budget focuses on modern security needs by repealing sequestration cuts and spending caps that affect the Defense Department but replacing them with similarly sized funding reductions. It ends emergency overseas contingency operation spending in FY2015 and beyond, and ensures a slow rate of spending growth for the Defense Department for the remainder of the decade.
- **Ask everyone to contribute his or her fair share**. The budget restores adequate revenue and pushes back against income inequality by adding higher marginal tax rates for millionaires and billionaires, equalizing the tax treatment of capital income and labor income, restoring a more progressive estate tax, eliminating inefficient corporate tax loopholes, levying a tax on systemically important financial institutions, and enacting a financial transactions tax, among other tax policies.
- **Reduce the deficit in the medium term**. The budget increases near-term deficits to boost job creation, but reduces the deficit in FY2016 and beyond relative to CBO's current law baseline. The budget would achieve primary budget balance (excluding net interest) and sustainable budget deficits below 2 percent of GDP in FY2017 and beyond. The deficit would gradually fall to 1.4 percent of GDP by FY2024.
- **Target a sustainable debt level**. After increasing near-term borrowing to restore full employment, the budget gradually reduces the debt-to-GDP ratio to a fully sustainable 65.5 percent of GDP by FY2024. Relative to current law, the budget would reduce public debt by $3.6 trillion (13.8 percent of GDP).

For the fourth year in a row, the Congressional Progressive Caucus solicited the assistance of the Economic Policy Institute Policy Center (EPIPC) in analyzing and scoring the specific policy proposals in its alternative budget and in modeling the cumulative impact of the proposals on the federal budget over the next decade. The policies in CPC's fiscal year 2015 budget reflect the decisions of the CPC leadership and staff, not those of EPIPC (although many of the policies included in the budget overlap with policies in *Investing in America's Economy: A Budget Blueprint for Economic Recovery and Fiscal Reasonability*, a progressive budget plan released by Our Fiscal Security, a partnership of The Century Foundation, Demos, and the Economic Policy Institute (see Fieldhouse and Thiess 2010)). Upon CPC's request, the nonpartisan Citizens for Tax Justice (CTJ) independently scored the major individual income tax reforms proposed in the CPC budget. All other policy proposals have been independently analyzed and scored by EPIPC based on a variety of other sources, notably data from Congressional Budget Office (CBO), the Joint Committee on Taxation (JCT), the Office of Management and Budget (OMB), and the Tax Policy Center (TPC).

Joshua Smith, the author of this year's analysis, would like to acknowledge former EPI Policy Center staff members Andrew Fieldhouse and Rebecca Thiess, whose 2013 analysis of CPC's fiscal 2014 CPC budget served as the template for this report.

I. Introduction

The primary objective of the Better Off Budget is consistent with the Congressional Progressive Caucus's FY14 budget alternative: Use expansionary fiscal policy to directly address the nation's most pressing economic challenges and target a rapid return to full employment. The budget was developed from the evidence-based conclusion that the present economic challenge of joblessness results from a large demand shortfall—the result of the Great Recession and its aftermath—and that the depressed state of economic activity is largely responsible for increased budget deficits and the recent rise in public debt. High unemployment in turn is exacerbating the decade-long trend of falling working-age household income and the three-decades-long trend of markedly increasing income inequality.

Moreover, since mid-2010, contractionary fiscal policy has greatly contributed to the still-elevated unemployment rate and the reduction in the labor force participation rate. At the official end of the Great Recession in June 2009, GDP was 7.5 percent less than its potential (maximum sustainable) level; by the end of 2013, less than half of that gap had closed. The slack in the labor market that can be seen in both the unemployment rate and labor force participation rate "mirrors the gap between actual and potential GDP" (CBO 2014d). Reverting to a full-employment economy will thus require closing this output gap. In our demand-starved economy, expansionary fiscal policy is currently the most effective policy lever for boosting employment (Bivens 2011a).

Accelerating and sustaining economic growth, promoting economic opportunity, and pushing back against the sharp rise in income inequality remain the most pressing economic challenges confronting policymakers. To directly address these issues, the Better Off Budget invests heavily in front-loaded job creation measures aimed not only at putting people back to work, but also at addressing the deficit in physical infrastructure and human capital investments. In stark contrast to the current austerity trajectory for fiscal policy—notably the expiration of emergency unemployment insurance, cuts to the Supplemental Nutrition Assistance Program (food stamps), and the continuation of discretionary spending caps and sequestration spending cuts—the Better Off Budget substantially increases near-term budget deficits to finance targeted stimulus, including infrastructure investment, aid to state and local governments, targeted tax credits, and public works programs. These types of investments would yield enormous returns—particularly by reducing long-run economic scarring that is resulting from underutilization of productive resources—and, as the name "Better Off Budget" implies, raise national income and living standards.

Beyond improving middle-class living standards, using expansionary fiscal policy to ensure a rapid return to full employment is fiscally responsible. Much of the sticker price of fiscal stimulus will be recouped through higher tax collections and lower spending on automatic stabilizers, such as unemployment insurance. Higher levels of economic activity will also decrease near-term budget deficits and public debt as a share of GDP. While future budget deficits may decrease *future* living standards, the much more immediate problems of high joblessness and depressed levels of economic activity are decreasing both *present* and *future* living standards alike. Ensuring a rapid return to full employment hedges against many downside fiscal risks, notably slower-than-projected economic recovery, larger-than-projected cyclical budget deficits, and decreased long-run potential GDP due to economic scarring. The Better Off Budget would further promote fiscal responsibility and a sustainable public debt trajectory by raising revenues progressively, exploiting health care efficiency savings, and maintaining the reduced spending trajectory of the Department of Defense (DOD).

After increasing near-term borrowing to restore full employment, the budget gradually reduces the debt-to-GDP ratio to a fully sustainable 65.5 percent of GDP by FY2024. Relative to current law, the budget would reduce public debt by $3.6 trillion (13.8 percent of GDP).

II. Economic context for the Better Off Budget

The most pressing objective for macroeconomic policy, particularly fiscal policy, is rapidly restoring the economy to full health. More than six years have passed since the onset of the Great Recession in December 2007, but growth in the 4.5 years since the recession's official end has been too sluggish to restore full employment. Unemployment as of February 2014 stands at 6.7 percent, the lowest rate seen since 2008 but still two percentage points higher than the annual rate in 2007, when the recession hit, and higher than any previous rate since 1993. Further, the unemployment rate actually understates how sluggish labor market recovery has been. The share of adults age 25–54 with a job—which fell an unprecedented 5.5 percentage points (from 80.3 percent to 74.8 percent) from its peak to trough due to the Great Recession—is now still just at 76.5 percent.

As of January 2014, the "jobs gap"—the number of jobs needed to restore the labor market to prerecession health—remained a staggering 7.5 million jobs (Economic Policy Institute 2014b).[5] Moreover, there were only two job openings for every five job seekers (Shierholz 2014c). The jobs gap is especially acute—and repairable—in the public sector. There are 728,000 fewer public-sector jobs now than when the recovery began in June 2009; if the number of such jobs had merely kept up with population growth, there would be 750,000 *more* than in June 2009—the losses create a public-sector jobs gap of nearly 1.5 million (Shierholz 2014b).

Despite sustained growth since mid-2009, economic output remains depressed as well. The output gap—the difference between actual economic activity and what the economy could be producing with higher, yet sustainable and noninflationary, levels of employment and industrial capacity utilization—was $790 billion (4.6 percent of potential output) in the fourth quarter of 2013 (CBO 2014a). And this measure of the output gap might actually be too cautious, as improvement in recent years has mostly reflected the CBO marking down its estimate of potential output, rather than reflecting an acceleration of actual growth (Bivens 2014).

Depressed levels of output and employment are a direct consequence of the bursting of the housing bubble, which erased trillions of dollars of wealth from household balance sheets. The effects rippled through the economy as consumers pulled back their spending, construction spending cratered, businesses stopped investing and expanding, financial intermediation broke down, and state and local governments cut spending as tax receipts fell. In short, households, businesses, and governments stopped spending enough to keep their workers and resources employed.

The pace of economic growth since the economy emerged from recession in July 2009 has been too sluggish to restore the economy to full health, and fiscal policy has slowed growth rates below what is needed to close this demand shortfall. The American Recovery and Reinvestment Act (ARRA) arrested the economy's sharp decline and spurred reasonably robust growth during the first year of the recovery, but economic performance has since deteriorated as fiscal policy became increasingly contractionary. Annualized real GDP growth decelerated from 2.7 percent in the last six months of 2009 to 2.5 percent in 2010, and 1.9 percent in 2013.[6] Similarly, the pace of employment growth since the labor market turned around in February 2010 has been too slow to restore full employment. While the national unemployment rate fell from 10 percent in October 2010 to 6.7 percent in February 2014, much of this decline reflects workers dropping out of the labor force due to the unavailability of jobs. If these workers were still in the labor force and unemployed, the unemployment rate would be a full 10 percent (Economic Policy Institute 2014a). Additionally, if the average monthly job gains seen in 2013 persisted, it would take five years to close the jobs gap (Shierholz 2014b).

While policymakers should be pursuing renewed fiscal expansion to accelerate the inadequate pace of economic and employment growth, Congress has instead enacted austerity measures—largely ignoring the economic and budgetary damage wrought by austerity budgets in the United Kingdom and other developed countries. This turn toward fiscal contraction has been largely driven by the enactment of the Budget Control Act (BCA) of 2011, which cut and capped discretionary spending and established the automatic "sequestration" spending cuts that took effect March 1, 2013. Discretionary spending cuts aside from the BCA—January 2013's expiration of the payroll tax cut, December 2013's expiration of federal emergency unemployment benefits, and two rounds of benefit cuts in the Supplemental Nutrition Assistance Program—have also intensified fiscal drags. Regrettably, the budget deal passed by the lame-duck Congress in January 2013 (the American Taxpayers Relief Act, or ATRA) failed to address the fundamental challenge posed by the "fiscal cliff" of legislated spending cuts and tax increases and instead accelerated the pace of deficit reduction relative to then-current policy (Fieldhouse 2013a). The Bipartisan Budget Act of 2013, signed into law in December, unwound some of the defense and nondefense discretionary sequester cuts over FY2014–2015, but at $63 billion of increased budget authority over two years, did little to increase aggregate demand.

The contraction of government spending in the wake of the Great Recession is unprecedented. If public spending in the current recovery simply matched the growth trajectory of that of the early 1980s recession and recovery, spending would be $800 billion higher now. When multiplier effects are taken into account, this level of spending would already have induced a full recovery (Bivens 2014). By prematurely pulling away from fiscal support, policymakers are condemning the economy of the future to depressed output, anemic growth, high unemployment rates, and large cyclical budget deficits (Bivens, Fieldhouse, and Shierholz 2013). Instead of prioritizing recovery, the Washington budget debate remains entirely focused on the one policy intrinsically at odds with spurring near-term economic growth—reducing budget deficits—and deficits will remain high as long as the economy is depressed.

Using fiscal policy to boost aggregate demand remains the key to restoring full employment, and will actually prove largely self-financing in dollar terms and improve key metrics of fiscal health (notably the public debt-to-GDP ratio) in the near term, as long as interest rates remain historically low. Conversely, budget austerity—particularly cutting spending—is so economically damaging that it actually becomes fiscally counterproductive in current conditions, with the sequestration spending cuts actually projected to *increase* the debt-to-GDP ratio (Fieldhouse 2013b). The risks of austerity were also highlighted by concerns over the fiscal cliff in late 2012; if no congressional action were taken, budget deficits would have closed too quickly (meaning debt would not be allowed to rise fast enough) and the economy would have been pushed into an austerity-induced recession (CBO 2012a).

Having avoided the crippling austerity that has driven much of Europe back into recession, the United States is now embarking on the austerity path despite a wide consensus among economic experts that austerity wreaks havoc on depressed economies (Blanchard and Leigh 2013). Instead of austerity, what is truly necessary to ensure a rapid return to full employment is *larger* near-term budget deficits, which are a natural byproduct of government correctly acting to close the shortfall in aggregate demand through public investment, safety net spending, and federal support to state and local governments.

While policymakers' obsession with debt and deficits seems to have abated somewhat in light of December 2013's Bipartisan Budget Act (the deal made by House Budget Committee Chair Paul Ryan and Senate Budget Committee Chair Patty Murray) and a congressional détente over the debt ceiling, Congress remains far from embracing necessary expansionary fiscal policies. The Better Off Budget takes a strong stand for such policies by unequivocally affirming the goal of closing the output gap and returning the economy to full employment, all while ensuring sustainable projected deficit and debt levels.

The following sections describe first the spending proposals and then the revenue policies in the Better Off Budget (see Table 1). The budget is modeled and all policies are scored relative to CBO's February 2013 current law baseline (CBO 2014b). Individual policies and net budgetary impacts, including projected deficits (see Figure A), the debt-to-GDP ratio (see Figure B), and nondefense discretionary budget authority (see Figure C) are compared with CBO's current law baseline, as well as President Obama's FY2015 budget request. (Tables and figures can be found at the end of this report.)

III. Outlays in the Better Off Budget

The Better Off Budget makes targeted investments in job creation and infrastructure spending aimed at rapidly restoring full employment and supporting sustained recovery, while also making targeted cuts to reflect national priorities and improve efficiency in the budget. Although outlays would rise to 23.4 percent of GDP in FY2015, as the budget pursues expansionary fiscal policy, outlays would fall and average 22.8 percent of GDP over the last five years of the budget window (FY2020–2024), only 0.7 percentage points higher than the average under current law (see Tables S-2 and S-4).

The Better Off Budget ramps up spending in the near term in order to support economic recovery and pursue full employment. Investments over the 10-year window are thus front-loaded to address current economic needs; 63 percent of total job creation measures within the 11-year FY2014–2024 window are allocated over FY2014–2017, corresponding with the calendar years 2014–2016, when the Better Off Budget most heavily invests in stimulus measures and when economic support is most needed (see Table 2).[7] In later years, increased spending largely consists of additional infrastructure spending to help meet estimated needs, as well as sustained increases in nondefense discretionary (NDD) spending to keep it roughly in line with historical averages instead of letting it fall to a 60-year low of 2.3 percent in FY2024, as is currently projected under current law (see Figure C).

Renewed fiscal expansion to restore full employment

As shown in Table 2, the Better Off Budget finances $1.6 trillion in direct job creation measures over FY2014–2024 ($1.3 trillion over FY2015–2024). Sixty-three percent of these investments are made between now and the end of calendar year 2016 in order to target full employment; the remainder of the spending consists of sustained investments in infrastructure, green manufacturing, and research and development. Specifically, the Better Off Budget invests $820 billion in infrastructure over FY2014–2024, which approaches the level the American Society of Civil Engineers calls for to close the nation's investment shortfall while offering a sustained, continuing dedicated source of funding specifically for infrastructure investments (ASCE 2013). Other direct investments in job creation include $678 billion over FY2014–2017, with nearly half allocated among investing in teachers and K-12 schools ($100 billion); providing block grants to aid states in rehiring first responders, funding safety net programs, and funding Medicaid ($95 billion); and funding public works jobs programs to boost employment, with particular emphasis on aiding distressed communities ($116 billion). The package of public works jobs programs fully finances initiatives proposed by Rep. Jan Schakowsky's (D-Ill.) in her Emergency Jobs to Restore the American Dream Act of 2011.[8]

To provide both an economic boost as well as individual assistance to the near-record numbers of long-term unemployed workers, the Better Off Budget restores the emergency unemployment compensation (EUC) program to support up to 99 weeks of benefits in calendar years 2014–2016. The ATRA financed a $30 billion extension of the EUC program through 2013; however, the maximum duration of benefits was reduced to 73 weeks starting in August 2012. Subsequently, despite an acute long-term unemployment crisis—federal extended unemployment benefits have never been cut with a long-term unemployment rate as elevated as it is now (Shierholz 2014a)—Congress allowed the EUC program to lapse completely in December 2013. This budgetary provision restores benefits retroactively to their expiration in December, for a total investment of $78 billion from FY2014–2024.[9]

To ensure federal civilian and veteran retirees are not experiencing a decline in their purchasing power, the Better Off Budget indexes their retirement benefits to the Bureau of Labor Statistics' experimental consumer price index, or CPI-E, which more accurately reflects the buying patterns of American senior citizens. The change will result in additional outlays of $15 billion over FY15-24 (see Table 1).

As shown in Table 2, the Better Off Budget also funds a number of job creation tax measures. It introduces the Hard Work Tax Credit, an expanded version of the now-expired Making Work Pay tax credit, for calendar years 2014–2016. In its first two years, the Hard Work Tax Credit will be 150 percent of the old Making Work Pay credit, before phasing out in the third calendar year.[10] The budget also expands the earned income tax credit to greatly increase the credit's generosity to childless workers, and thus increasing the program's work incentive for this group. The $60 billion expansion was highlighted in President Obama's FY15 budget (OMB 2014). Moreover, the Better Off Budget finances $126 billion in tax credits for businesses over FY2015–2024, including continuation of the research and experimentation credit as well as green manufacturing incentives.

In addition to these targeted job creation measures, infrastructure investments, and tax credits, the Better Off Budget invests heavily in the nondefense discretionary (NDD) budget, which houses a range of critical public investments in areas such as education, energy, basic scientific research, workforce training, and health. The Budget Control Act (BCA) enacted deep cuts to the NDD budget; repealing these cuts starting in FY15 will result in an additional $480 billion over FY2015–2024 in needed NDD investments, and the Better Off Budget would repeal these cuts, along with the entirety of the discretionary and mandatory BCA spending caps and sequester cuts.[11] Beyond this repeal, the budget would finance a $1.7 trillion increase in NDD budget authority over FY2014–2024 (this translates to a nearly $1.6 trillion increase in NDD outlays over this period).[12] Sustaining these investments is critical for building the country's stock of public and human capital, a key driver of long-run productivity growth (Bivens 2012a). This increase in NDD spending also covers a 4 percent raise in 2014 for federal civilian employees.

Investments and job creation measures in the budget total $1.6 trillion over FY2014–2017 (see Table 2), which, when combined with the other spending and revenue provisions within the Better Off Budget is in line with the level of fiscal support needed to close the output gap. These NDD investments bring total job creation and public investments in the Better Off Budget to $3.7 trillion above the current law baseline over FY2014–2024 (see Table 2).[13] Critically, NDD budget authority would average 3.4 percent of GDP over FY2014–2024, as opposed to averages of 2.5 percent under current law under or under the president's FY15 budget request.[14] By FY2024, NDD budget authority under the Better Off Budget is projected to be 3.16 percent of GDP, compared with 2.30 percent under current law and 2.26 in the president's budget (see Figure C). This classification of federal spending is especially vital because much of it is needed public investment—purchases the government can make now that will boost employment in the short run but provide lasting benefits, such as infrastructure and education. Under current law, such investment will soon reach its historical low as a share of GDP and continue to decline thereafter (Smith 2014).

Targeted spending cuts and health efficiency savings

The Better Off Budget also proposes realigning defense priorities and finding other targeted and efficient savings in the budget. The CBO 2014 current law baseline includes a $200 billion *increase* in DOD outlays from the first BCA phase of discretionary spending caps and a $494 billion reduction in DOD outlays from the second phase of sequestration cuts, both over FY2015–2024. The Better Off Budget repeals these cuts and replaces them with similarly sized cuts. The budget provides $92 billion in budget authority for overseas contingency operations (OCO) budget authority for FY2014—enough to fund full and safe withdrawal from Afghanistan—after which all OCO funding is ended. Responsibly reducing OCO spending would save $949 billion over FY2015–2024 relative to current law (see Table 1). By remaining on this spending trajectory, the Better Off Budget authorizes non-emergency DOD funding at about $940 billion less than CBO projected such spending would be in the FY2015–2024 window in 2011—the final budget projections prior to the passage of the Budget Control Act (CBO 2011).

The Better Off Budget achieves savings outside of the Defense Department as well, many of which would build on the efficiency reforms already enacted in the Affordable Care Act. The budget implements the following policies: the addition of a public insurance option to Affordable Care Act health insurance exchanges, negotiation of Medicare Part D pharmaceutical drug prices with pharmaceutical companies (similar to current negotiation of drug prices through Medicaid), reform of pharmaceutical drug development and patent rules, payment and administrative cost reforms, and efforts to reduce fraud and abuse in Medicaid. In total, implementing these policies would decrease budget deficits by an estimated $384 billion over FY2014–2024 (see Table 1), much more than offsetting the $138 billion FY2014–2024 cost of permanently eliminating the Medicare Sustainable Growth Rate formula (otherwise known as implementing the "doc fix"), the scheduled cuts in Medicare providers' pay that Congress has routinely papered over on a temporary basis since 2003. Along with health savings, the Better Off Budget would adopt a proposal in the president's FY2015 budget to cut $14 billion from crop insurance subsidies—a proposal made necessary by the expansion of the subsidy program in the Agriculture Act of 2014.

IV. Revenue in the Better Off Budget

The U.S. tax code is failing in a number of dimensions. Tax receipts have been deliberately driven down to levels that cannot support current national priorities (let alone commitments to an aging population), tax policy has increasingly exacerbated income inequality, and complexity within the tax code means that an individual's or corporation's tax bill can too easily depend on the abilities of one's accountant. The Better Off Budget would reform the tax code by enacting policies that would restore lost progressivity (so that effective tax rates rise with income), push back against rising income inequality, raise sufficient revenue, and close inefficient or economically harmful loopholes. Although tax increases are contractionary in current conditions, the economic impact of a dollar of government spending (as shown by the fiscal multiplier) is about four to seven times higher than the economic impact of a dollar of revenue (Bivens and Fieldhouse 2012). Since much of the revenue would be raised from upper-income households and businesses (which have relatively low marginal propensities to consume and thus particularly low fiscal multipliers even among tax changes) and used to finance high bang-per-buck job creation measures, the relatively small fiscal drag from raising revenue would be more than mitigated by the other budget policies.

The Better Off Budget increases revenues as a share of GDP by 3 percent over FY2015–24, from 18.1 percent under current law to 21.1 percent. Though higher relative to GDP than the previous postwar high point of 19.9 percent in 2000 (OMB n.d.), this percentage remains small relative to that of other developed economies. Moreover, aside from the United States, the great majority of advanced economies have increased their revenue-to-GDP ratios in recent decades (OECD n.d.), a logical extension of greater national wealth and aging populations.

Individual income tax reforms

The Better Off Budget raises individual income tax revenue relative to current law by enacting what was referred to as "Obama policy" prior to enactment of the ATRA; that is, it allows Bush-era tax rates to expire for tax filers with adjusted gross income (AGI) above $200,000 ($250,000 for joint filers).[15] Though tax rates were scheduled to revert to Clinton-era levels at midnight on December 31, 2012, the ATRA extended the income tax cuts for those with AGI under $400,000 ($450,000 for married couples), making permanent the reduction in the 25, 28, and 33 percent brackets and creating a new 35 percent bracket for taxable income up to a $400,000 threshold.[16] Under the Better Off Budget the 33 percent bracket would revert to 36 percent and the 35 percent bracket would revert to 39.6 percent. The AGI threshold at which the personal exemption phase-out and limitation on itemized deductions are triggered would be lowered from $300,000 ($350,000 for joint filers) to $200,000 ($250,000 for joint filers). The Better Off Budget would also permanently extend the ARRA expansion of refundable tax credits—the earned income tax credit, the child tax credit, and the tuition tax credit—beyond their scheduled expiration on December 31, 2017, at a cost of $108 billion over FY2018–2024.

The Better Off Budget would increase progressivity of the individual income tax code by adding the five higher marginal tax rates at higher income thresholds from Rep. Schakowsky's Fairness in Taxation Act of 2011, effective January 1, 2014: a 45 percent bracket starting at taxable income above $1 million; a 46 percent bracket at taxable income above $10 million; a 47 percent bracket at taxable income above $20 million; a 48 percent bracket at taxable income above $100 million; and a 49 percent bracket at taxable income above $1 billion.[17] Across this modified rate structure, the budget would also tax all capital gains and dividends as ordinary income. The collective impact of these policies—raising taxes on households with AGI above $200,000 ($250,000 for joint filers), extending refundable credits, adding five additional high-income brackets, and equalizing treatment of investment and labor income—would generate almost $1.4 trillion over FY2015–2024 relative to current law.[18]

As Table 1 shows, the Better Off Budget makes a number of additional policy changes to the individual income tax code. The budget repeals the step-up basis for capital gains at death ($352 billion in new revenue over FY2015–2024); increases progressivity in the tax code by capping the value of itemized deductions at 28 percent ($531 billion); denies the home mortgage interest deduction for yachts and vacation homes ($14 billion); and ends the exclusion of foreign earned income ($78 billion). The budget subjects S corporations to the self-employment tax ($38 billion in revenue over FY2015–2024). Finally, the Better Off Budget would enact comprehensive immigration reform that includes a path to citizenship, resulting in more taxpayers paying income and payroll taxes, and it would qualify these residents for refundable tax credits (on net saving $215 billion over FY2014–2024).

Corporate income tax loophole closers

On the corporate side, the Better Off Budget eliminates some of the most egregious loopholes and enacts other progressive reforms. The budget repeals voluntary deferral of taxes owed on U.S.-controlled foreign companies' source income, ends the Subpart F active financing exception, and reforms treatment of the foreign tax credit, for savings of $620 billion over FY2015–2024 (CTJ 2013). It curbs corporate deductions for stock options (saving $26 billion), limits the deductibility of bonus pay ($51 billion), eliminates corporate jet provisions ($3 billion), and reduces the level of deductibility of corporate meals and entertainment $70 billion) over FY2015–2024. It saves $119 billion over FY2015–2024 by eliminating fossil fuel preferences through enactment of the End Polluter Welfare Act (EPWA) sponsored by Sen. Bernard Sanders (I-Vt.) and Rep. Keith Ellison (D-Minn.). The budget also ends tax deductions for the direct advertising of certain unhealthy foods to children ($15 billion over FY2015–2024).

Taxes on economic 'bads' and other tax reforms

Besides increasing progressivity in the individual and corporate income tax codes, the Better Off Budget reflects the belief that government should levy Pigovian taxes so that the consumption of certain goods reflects their true societal costs. The Better Off Budget imposes a financial transactions tax (FTT) in order to raise significant revenue while dampening speculative trading and encouraging more productive investment. By adhering to the same tax base and rates as the FTT proposed in the Back to Work budget, the FTT in the Better Off Budget would raise $908 billion over FY2015–2024 (Fieldhouse and Thiess 2013). The budget would also enact an idea proposed by House Ways and Means Committee Chairman Dave Camp (R-Mich.) by imposing a 0.35 percent tax on "systemically important financial institutions," assessed quarterly, to address the issue of "too big to fail"($100 billion raised over FY2015–2024) (JCT 2014).

To reduce the emission of greenhouse gases and yield significant revenue on an annual basis, the budget would price carbon emissions starting at $25 per metric ton in 2015 and indexed at a 5.6 annual rate. Because pricing carbon has the potential to be regressive, the Better Off Budget, like the Back to Work budget before it, would rebate 25 percent of the revenue from carbon abatement as refundable credits to low- and middle-income households. Net of this rebate, carbon pricing would raise $1.2 trillion in revenue over FY2015–2024. On a much smaller scale, the Better Off Budget increases the federal excise tax on cigarettes by $0.50 per pack, raising $38 billion over FY2015-24.

Finally, the budget restores the progressive taxation of inherited wealth by instituting a progressive estate tax ($178 billion over FY2015–2024). It enacts Sen. Sanders's Responsible Estate Tax Act of 2010, which sets an exemption level of $3.5 million and a graduated rate that rises to 55 percent for estates valued at over $50 million. The bill would levy a 10 percent surtax on estates valued at over $500 million.

In total, the Better Off Budget raises $6.6 trillion in additional revenue relative to current law (see Table S-3). Revenue levels in the budget average 21.1 percent of GDP over FY2015–2024 (see Table S-2).

V. Economic impacts of the Better Off Budget

Near-term impact on jobs and growth

Closing the output gap between actual economic output and potential, noninflationary levels of output is a key barometer for restoring full employment, and the Better Off Budget would finance enough in job creation measures and public investments to roughly close the projected output gaps in calendar years 2014–2016. The U.S. economy would experience a sustained return to full employment under the Better Off Budget, with unemployment falling to roughly prerecession unemployment of about 5 percent.

If the full amount of increased outlays and other job creation measures in the Better Off Budget were passed and implemented in calendar year 2014, we project that on net GDP would grow by an additional $673 billion (3.8 percent) and nonfarm payroll employment by 4.6 million jobs relative to CBO's current law baseline at the budget's peak level of effectiveness (within one year of implementation). Similarly, we project that the Better Off Budget would lower the unemployment rate to between 4.9 percent and 5.3 percent by the end of 2014, down from the 6.8 percent projected under current law. Given that calendar year 2014 is nearly a quarter gone, and given as well that some spending might create jobs only after an additional lag, the job creation numbers for 2014 might come in below these projections, but this means that our estimates for 2015 would rise as activity and job creation spilled over into that year. Our baseline forecast for 2015 without additional lag considerations is 2.9 million jobs created by the Better Off Budget by the end of the year. Similarly, the projected range of 4.9 percent to 5.3 percent unemployment by the end of 2014 might instead materialize in the first quarter of 2015, but we would nonetheless expect the unemployment rate to fall within a similar range throughout 2015–2016. (Discounting time lags, the unemployment rate would be expected to range between 5.3 and 5.5 percent by the end of 2015.) In this analysis, we ignore these issues of potential lags and assume that the economic impact of the Better Off Budget's changes in outlays and revenues are reflected in the calendar year that these budget changes are made. Again, the only real concern this raises is that some of the impacts will be pushed from the end of 2014 and into early 2015. Either way, the Better Off Budget will both enshrine and accelerate an economic recovery that at the moment is coming too slowly, and too many policymakers are assuming to be inevitable and imminent.

Specifically, the Better Off Budget would increase spending on job creation and public investment measures by $485 billion in calendar year 2014, $463 billion in 2015, and $398 billion in 2016, relative to CBO's current law baseline.[19] This net increase in primary spending—totaling $1.35 trillion over three years—is consistent with what it would take to close the output gap and return the economy to full employment. The associated boost to aggregate demand would be enough to close the output gap, taking into consideration lesser economic headwinds from raising additional revenue (which has a countervailing contractionary effect, albeit relatively small per dollar). The Better Off Budget would increase revenue by roughly $56 billion in calendar year 2014, $300 billion in 2015, and $564 billion in 2016, relative to current law.[20]

On net, the Better Off Budget would boost GDP by $673 billion (3.8 percent) in calendar year 2014, $438 billion (2.4 percent) in calendar year 2015, and $218 billion (1.1 percent) in calendar year 2016, relative to CBO's current law baseline. Sustaining stimulus for several years would be necessary to avoid creating a fiscal cliff demand shock (i.e., budget deficits closing too quickly to sustain growth) before the Federal Reserve began raising interest rates to cool demand-side inflationary pressure. (The U.S. economy's eventual emergence from the liquidity trap and return to full health will be signaled by the Federal Reserve's raising of short-term interest rates.) Note also that, while the economic boost relative to CBO's current law baseline decreases with time, CBO's economic forecast assumes an acceleration of growth starting in 2015, thus shrinking the output gap and need for stimulus relative to current law; while CBO's forecasts have routinely and prematurely shown a burst of growth restoring the economy to full health four to five years from its forecasts' issuance, this would be a more reasonable assumption if fiscal policy is accommodative rather than contractionary (Bivens, Fieldhouse, and Shierholz 2013). Consequently, the projected output gap under CBO's current law baseline decreases from 3.7 percent of potential in 2014 to 2.3 percent in 2015, and the $435 billion boost in 2015 is enough to reduce the projected output gap to zero percent of potential GDP by year's end.

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Appendix

Budgetary scoring and modeling

The Economic Policy Institute Policy Center has scored the policies proposed by the Better Off Budget and modeled their cumulative impact relative to CBO's February 2014 baseline (CBO 2014b). Table 1 at the end of the paper stacks the major policy alterations to the February 2014 baseline and broadly separates policy proposals into two categories: revenue policies and spending policies. All policies are depicted as the net impact on the primary budget deficit (excluding net interest) rather than the impact on receipts and outlays. Note that many revenue policies in Table 1 include related outlay effects (i.e., refundable portions of tax credits), and some policies in the spending adjustments include revenue effects. Spending changes in Table 1 reflect outlays rather than budget authority. Debt service is calculated from the net fiscal impulse to the primary budget deficit, and the unified budget deficit is adjusted accordingly.[21] The net impact of these policy changes on the budget, as well as relative to CBO's current law baseline, can be found in Summary Tables S1 to S4.

In some instances it is necessary to extrapolate from existing official or trusted scores (e.g., those from the Congressional Budget Office, Citizens for Tax Justice, Joint Committee on Taxation, and Office of Management and Budget) to adjust from a previous budget window to the current budget window. In these instances, the out-year scores are adjusted as a rolling average of the change in revenue or outlays for the last three years of an official score. Where available, revenue and outlay effects, as well as on- and off-budget effects, are extrapolated separately. All policy changes affecting Social Security are modeled as off-budget revenue and outlay effects and are reflected in the summary tables as such.

Unless otherwise specified, all tax policies are assumed to be implemented on January 1, 2015. Tax policies modeled from scores starting before FY2014 assume 75 percent of the revenue score for that year (the three quarters of FY2014 in calendar year 2014). More broadly, fiscal year scores are calculated as 25/75 weighted average calendar year scores where necessary.

Finally, it should be noted that not all possible interaction effects between tax policies are taken into consideration in this budget model; stacking and running all of the tax policies through a microsimulation model was beyond the scope of our technical support for budget modeling. Many of the individual income tax proposals, however, were collectively modeled by the CTJ using the Institute on Taxation and Economic Policy (ITEP) microsimulation and accordingly account for interaction effects, including those with the alternative minimum tax and refundable tax credits.

Economic analysis

All economic impacts are estimated relative to CBO's current law baseline.

A fiscal multiplier of 1.4 has been assigned to government spending provisions, and a fiscal multiplier of 0.5 has been assigned to tax provisions. Moody's Analytics Chief Economist Mark Zandi's most recent publicly available estimate of the government spending multiplier is 1.4 (Zandi 2011), and this is robust to estimates by the International Monetary Fund, CBO, and the Council of Economic Advisers, among other forecasters (Bivens 2012b; CBO 2012b; CEA 2011; IMF 2012). Best estimates for tax provisions' multipliers demonstrate greater variance, depending on how they are targeted to households or businesses more or less likely to spend an extra dollar of disposable income. Multiplier estimates of increased taxes on upper-income households (following Obama policy) and corporations are lower, at 0.25 and 0.32, respectively, and almost all of the Better Off Budget revenue policies fall into one of these two categories. The multiplier for pricing carbon would be somewhat higher, even taking into consideration the refundable rebate, and 0.5 is assigned as a conservative estimate for all tax changes.

Policy adjustments for 2014 are calculated as 100 percent of FY2014 and 25 percent of FY2015 budgetary costs. All current policy adjustments for calendar year 2015 adopt a 75/25 fiscal year/calendar year split. Following the methodology in Bivens and Fieldhouse (2012), a multiplier of 1.4 is assigned to removing sequestration.

The impact on the unemployment rate is calculated as a range of estimates using Okun's rule of thumb. Specifically, the change in unemployment is projected by the percentage-point change in the relative output gap (actual output divided by potential output) divided by 2.5 for the low-end estimate and 2.0 for the high-end estimate. Estimates for the change in nonfarm payroll employment are based on the percent change in GDP, using the methodology outlined in Bivens (2011b).

Endnotes

1. Where policies in the Better Off Budget have been carried over from previous CPC budgets, this paper draws accordingly from *The People's Budget: A Technical Analysis* (Fieldhouse 2011), *The Budget for All: A Technical Report on the Congressional Progressive*

Caucus Budget for Fiscal Year 2013 (Fieldhouse and Thiess 2012), and *The Back to Work Budget: Analysis of the Congressional Progressive Caucus Budget for Fiscal Year 2014*, EPIPC's analyses of CPC's fiscal 2012, 2013, and 2014 budget alternatives.

2. These estimates are measured relative to CBO's current law baseline. In our estimates the peak macroeconomic effect occurs at the end of 2014. Given that nearly a quarter of 2014 has already gone by and given various lags in enacting policy, as well as lags in policy affecting the economy, it's likely that this peak level of effectiveness could be reached in early 2015 instead. Regardless, if the job creation measures in the Better Off Budget were passed in coming months, there would be substantial near-term improvement in economic activity and jobs.

3. These estimates are measured relative to CBO's current law baseline. This includes job creation measures, nondefense discretionary spending increases, and repeal of Budget Control Act discretionary spending caps (see Table 2).

4. The Better Off Budget apportions increases to the nondefense discretionary budget functions as follows: 10 percent for International Affairs (Function 150); 5 percent for General Science, Space, and Technology (F250); 10 percent for Energy (F270); 5 percent for Natural Resources and Environment (F300); 5 percent for Commerce and Housing Credit (F370); 5 percent for Community and Regional Development (F450); 15 percent for Education, Training, Employment, and Social Services (F500); 10 percent for Health (F550); 20 percent for Income Security (F600); 10 percent for Veterans Benefits and Services (F700); and 5 percent for Administration of Justice (F750).

5. This includes both the jobs lost and the jobs that should have been created during this time to absorb new labor market entrants, which requires roughly 100,000 jobs per month.

6. Real GDP growth should be between 2.0 and 2.5 percent to keep the labor market holding steady; thus, growth above this level should be targeted in efforts to ameliorate a jobs crisis.

7. This includes undoing nondefense discretionary spending cuts included in the Budget Control Act.

8. The Emergency Jobs to Restore the American Dream Act of 2011 was included in the Budget for All, the Congressional Progressive Caucus's FY2013 budget alternative. The jobs creation package invests $113.5 billion in each of two years, and was estimated by Rep. Schakowsky's staff to support the creation of two million jobs (Fieldhouse and Thiess 2012).

9. Emergency unemployment benefits have a relatively large economic impact per dollar. Mark Zandi of Moody's Analytics has estimated this policy to have an estimated $1.52 impact per dollar spent (Zandi 2011).

10. The initial benefit would be one-and-a-half times that of the expired Making Work Pay tax credit, bringing the maximum benefit to $600 for an individual and $1,200 for joint filers for the first two years, before reverting to the original level during the third year. During these first two years, the phase-out rate would be increased to keep the cost of the expanded tax credit at twice the budgetary cost of the lapsed credit.

11. The $480 billion is the additional NDD outlays that result from repealing both the BCA NDD caps and the BCA NDD sequester over FY2015–2024.

12. Similar to the Back to Work budget, NDD budget authority is increased by $75 billion for the remainder of FY2014, $150 billion for FY2015, $200 billion for FY2016, and sustained for the rest of the budget window. The associated budgetary outlays can be seen in Table 2.

13. This includes undoing both phases of NDD cuts in the BCA.

14. The Better Off Budget would reclassify surface transportation outlays (currently discretionary spending) as mandatory, but this policy change has been excluded from NDD outlays in Figure C for an apples-to-apples comparison with historical and projected spending levels.

15. These AGI cutoffs are measured in 2009 dollars and were subsequently indexed to inflation in the administration's budget requests.

16. These rates were scheduled to revert to 28, 31, 36, and 39.6 percent. ATRA levied a 39.6 percent rate only on income over $400,000 ($450,000 for married couples).

17. The taxable income thresholds for these rates are applicable to individual, head of household, and married filing jointly tax returns by filing status. The taxable income thresholds for these rates are halved for married couples filing separately.

18. The collective budgetary impact of these policy modifications to the individual income tax were scored by Citizens for Tax Justice using the Institute on Taxation and Economic Policy (ITEP) microsimulation model, which is similar to models used by official scorekeepers at the Treasury Department and the Joint Committee on Taxation. The score of taxing capital gains as ordinary income takes into account behavioral responses of capital gains realizations to higher tax rates.

19. These calendar year increases are based on additional outlays of $365 billion in FY2014, $479 billion in FY2015, $417 billion in FY2016, and $340 billion in FY2017, relative to CBO's current law baseline (see Table 2).

20. These calendar year increases are based on net decreases in revenue of $300 billion in FY2015, $548 billion in FY2016, and $615 billion in FY2017 relative to CBO's current law baseline (see Table S-3).

21. Debt service is calculated by the CBO's debt service matrix for the February 2014 baseline.

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Tables and Figures

Table 1. Policy modifications of CPC FY15 budget alternative (billions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total 2015 –2019	Total 2015 –2024	Total 2014 –2024
Total deficit under CBO February 2014 current law baseline	-514	-478	-539	-581	-655	-752	-836	-912	-1,031	-1,047	-1,074	-3,005	-7,904	-8,418
Additional revenue policy adjustments (impact on primary budget deficit, billions of dollars)														
Immediately revert to 36% and 39.6% rates for those above $250k/$200k. Leave in place other Bush tax cuts permanently. Enact Fairness in Taxation Act, equalization & Obama policy refundable tax credits.	0	48	121	127	132	124	127	135	142	150	160	552	1,268	1,268
Repeal the step-up basis for capital gains at death	0	21	30	31	33	35	36	38	40	42	44	150	352	352
Cap the value of itemized deductions at 28%	0	16	42	46	50	54	57	61	65	68	72	208	531	531
End exclusion of foreign-earned income	0	5	7	7	7	8	8	8	9	9	10	34	78	78
Deny the home mortgage interest deduction for yachts and vacation homes	0	1	1	1	1	1	2	2	2	2	2	6	14	14
Close S corporation loophole	0	2	3	3	3	4	4	4	5	5	5	16	38	38
End deferral and reform foreign tax credit	0	37	72	70	68	67	65	63	61	59	58	315	620	620
Curb corporate deductions for stock options	0	2	2	2	3	3	3	3	3	3	3	12	26	26
Limit deductibility of executive bonus pay	4	6	6	6	6	5	5	5	4	4	4	29	51	54
Eliminate corporate jet provisions	0	0	0	0	0	1	1	0	0	0	0	2	3	3
Reduce the deductibility of corporate meals & entertainment (25%)	0	5	7	7	7	7	7	7	8	8	8	32	70	70
End direct advertising of certain foods	0	1	1	1	2	2	2	2	2	2	2	7	15	15
Increase the excise tax on cigarettes by 50 cents per pack	0	4	4	4	4	4	4	4	4	4	4	19	38	38
Eliminate fossil fuel preferences (EPWA)	0	14	17	14	11	10	10	10	11	11	11	67	119	119
Price carbon at $25 (refunding 25%)	0	73	102	107	112	118	125	131	138	145	153	513	1,205	1,205
Reinstate superfund taxes	0	1	2	2	2	2	2	2	2	2	2	9	20	20
Unemployment Insurance Solvency Act	0	-3	-3	9	11	7	7	2	7	8	7	21	52	52
Financial transactions tax (FTT)	0	59	82	86	88	91	94	97	100	103	106	407	908	908
Excise tax on systemically important financial institutions	0	3	8	9	10	10	11	11	12	13	13	40	100	100
Progressive estate tax reform	0	7	12	14	15	17	19	21	23	25	27	65	178	178
Comprehensive immigration reform (total budgetary effect)	-5	2	12	17	18	19	21	26	31	34	40	68	220	215

Table 1, continued

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total 2015 –2019	Total 2015 –2024	Total 2014 –2024
Additional spending policy adjustments (impact on primary budget deficit, billions of dollars)														
Repeal BCA mandatory and discretionary cuts (both phases)	-8	-38	-61	-74	-82	-90	-97	-104	-109	-116	-104	-345	-875	-883
Infrastructure investments	-75	-115	-85	-85	-75	-70	-60	-61	-63	-64	-66	-430	-745	-820
Additional job creation credits and provisions	-249	-243	-141	-44	-18	-19	-19	-21	-21	-23	-24	-465	-573	-822
Investments (NDD increases over removing BCA)	-41	-103	-160	-171	-159	-153	-151	-149	-152	-158	-165	-746	-1,521	-1,562
Restore SNAP benefit levels	-5	-5	-2	-1	-1	-1	-1	-1	-1	-1	-1	-11	-15	-21
Overseas contingency operations wind-down (050 and 150)	0	56	80	90	95	99	101	103	106	108	110	421	949	949
Base DOD adjustments (to remain at current law funding levels)	0	6	16	20	23	26	29	31	33	35	36	91	255	255
Repeal Medicare SGR	-5	-11	-11	-11	-11	-12	-13	-15	-17	-17	-16	-55	-133	-138
Negotiate Rx payments for Medicare	0	0	3	8	10	11	13	15	16	19	23	31	117	117
Public option	0	0	2	12	18	21	24	25	28	29	31	53	190	190
Reform rules for Rx development/release	0	1	1	1	1	1	2	2	2	2	2	5	15	15
Reduce fraud, waste, and abuse in Medicaid	0	0	0	0	0	0	0	0	0	0	1	2	4	4
Payment and administrative cost improvements	0	0	0	1	3	5	8	9	10	10	11	10	58	58
Replace growth rate of civilian and veteran retirement programs with CPI-E	0	0	0	-1	-1	-1	-1	-2	-2	-3	-4	-3	-15	-15
Reduce agriculture subsidies	0	1	1	1	1	2	2	2	2	2	2	6	14	14
Public financing of campaigns	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-11	-12
Net policy adjustments (primary)	**-386**	**-147**	**169**	**312**	**389**	**408**	**442**	**466**	**497**	**518**	**565**	**1,131**	**3,619**	**3,234**
Debt service impact of policy adjustments	-2	-6	-6	-2	10	27	43	63	86	111	138	-4	464	461
Net impact of policy adjustments	-389	-152	163	310	400	435	485	529	583	628	703	1,128	4,083	3,695
CPC FY14 deficit	**-903**	**-631**	**-376**	**-271**	**-255**	**-317**	**-351**	**-383**	**-449**	**-418**	**-370**	**-1,877**	**-3,821**	**-4,723**
Memorandum:														
CPC defense discretionary outlays relative to current law defense discretionary outlays, less 050 OCO wind-down		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
CPC defense discretionary budget authority relative to President's FY15 budget's proposed discretionary BA (excluding OCO)		*-28*	*-38*	*-33*	*-29*	*-24*	*-19*	*-14*	*-9*	*-8*	*-9*	*-151*	*-209*	*-209*

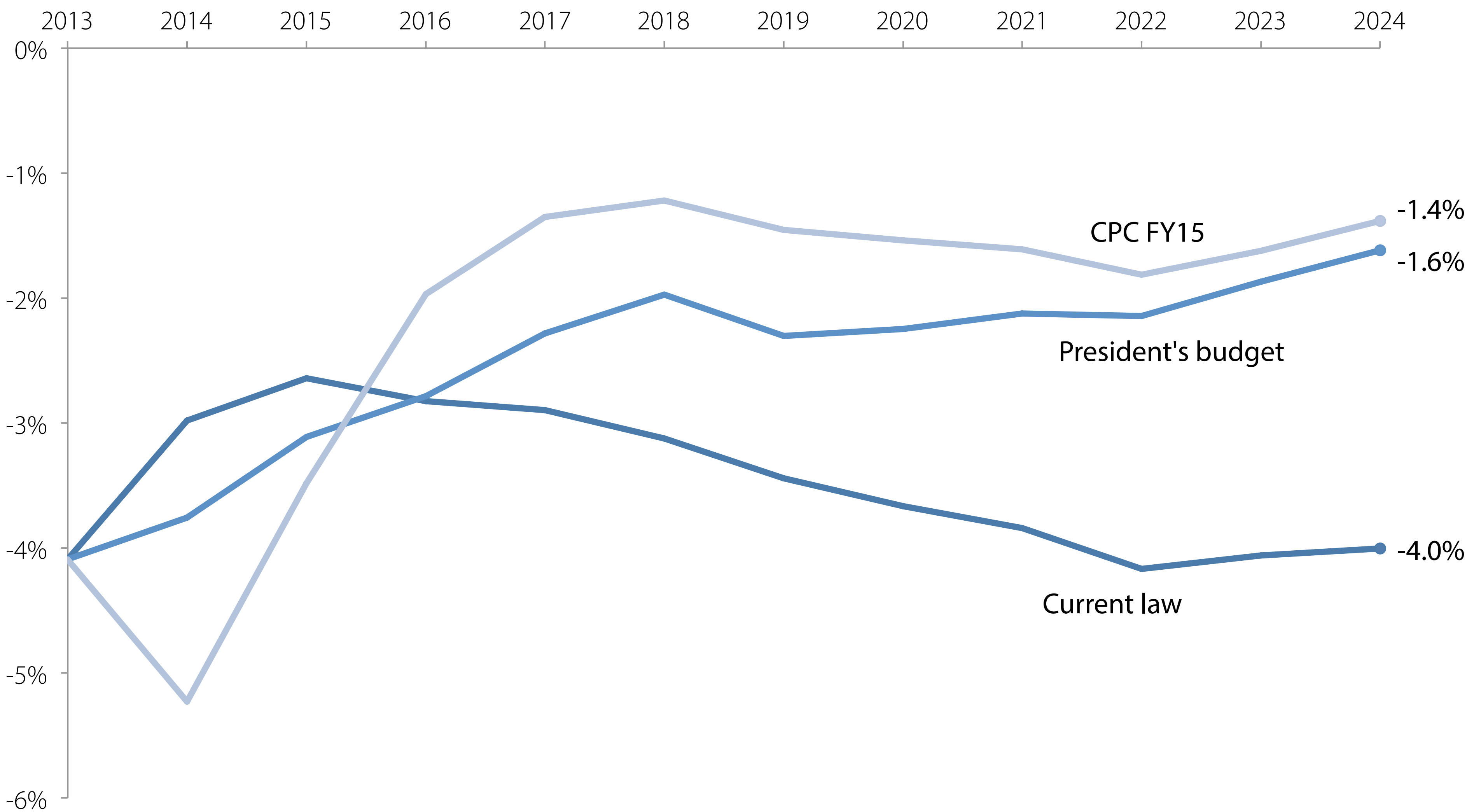
Note: Years are fiscal years. Numbers may not add up to totals due to rounding.

Table 2. Public investments and job creation (billions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total 2015–2019	Total 2015–2024	Total 2014–2024
Job creation measures														
Sustained infrastructure program	75	115	85	85	75	70	60	61	63	64	66	430	745	820
Restore EUC to 99 weeks (CY2014–2016)	19	26	26	7	0	0	0	0	0	0	0	59	59	78
Hard Work Tax Credit (CY2013–2015)	71	96	65	16	0	0	0	0	0	0	0	178	178	248
Public works jobs program and aid to distressed communities	65	41	9	0	0	0	0	0	0	0	0	50	50	116
Invest in teachers and K-12 schools	52	31	12	4	0	0	0	0	0	0	0	47	47	100
Block grants to states (first responders, Medicaid, safety net, etc.)	42	42	11	0	0	0	0	0	0	0	0	53	53	95
Job creation credits (R&E, green manufacturing)	0	7	10	11	12	12	13	14	15	16	17	52	126	126
Expand EITC for childless workers	0	0	6	6	6	6	7	7	7	7	7	26	60	60
Subtotal, job creation measures	*324*	*358*	*226*	*129*	*93*	*89*	*79*	*82*	*84*	*87*	*90*	*895*	*1,318*	*1,642*
Additional nondefense discretionary (NDD) public investments														
Repeal BCA NDD cuts, both phases	0	17	31	40	45	49	54	57	60	62	64	183	480	480
Investments (NDD increases over removing BCA)	41	103	160	171	159	153	151	149	152	158	165	746	1,521	1,562
Subtotal, additional NDD increases relative to current law	**41**	**120**	**191**	**211**	**204**	**202**	**204**	**206**	**212**	**221**	**229**	**929**	**2,002**	**2,042**
Total, job creation measures and public investments	**365**	**479**	**417**	**340**	**297**	**291**	**284**	**288**	**297**	**308**	**318**	**1,824**	**3,319**	**3,684**

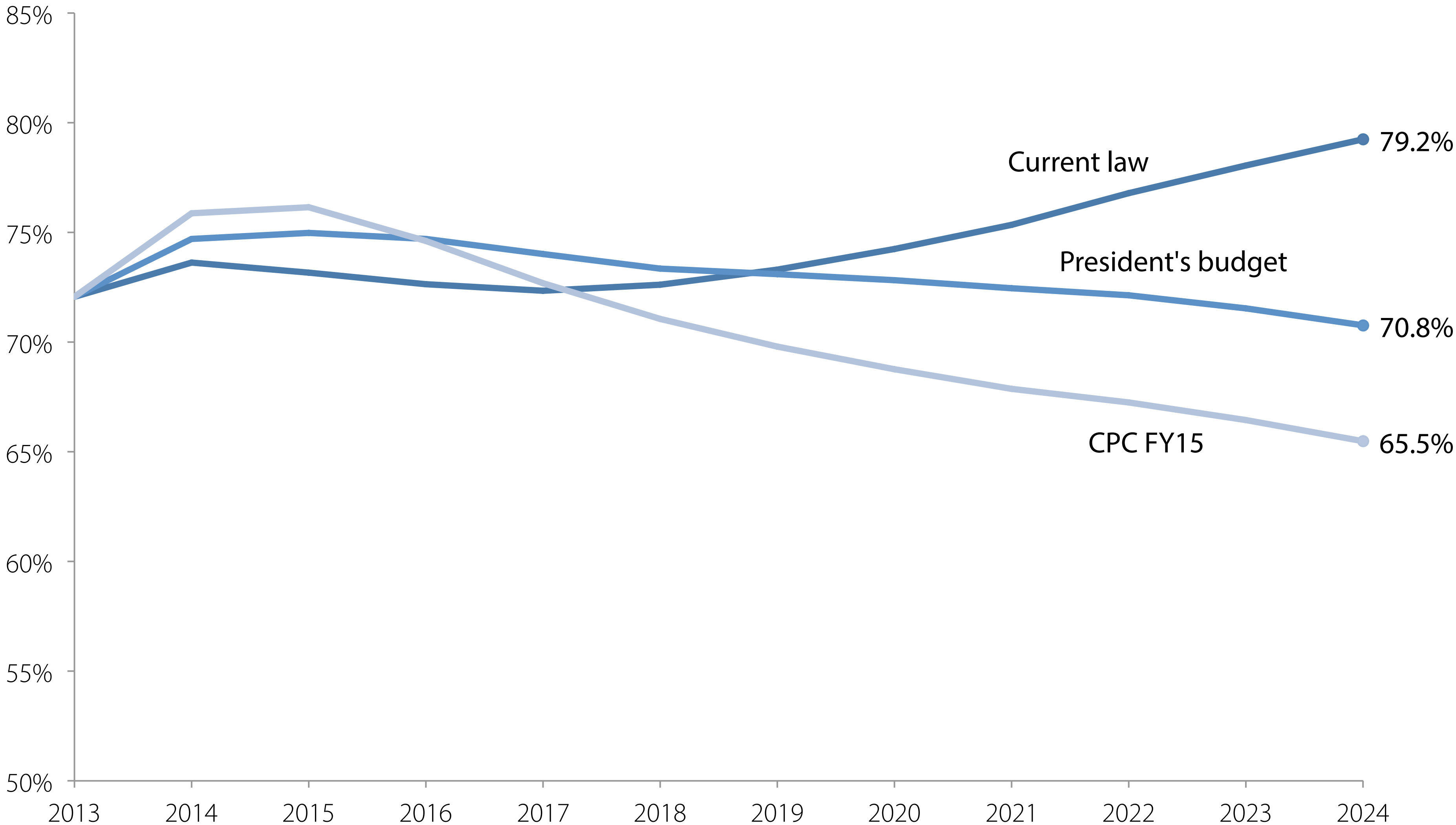
Note: Years are fiscal years. Numbers may not add up to totals due to rounding.

Figure A. Projected deficit as share of GDP, FY2013–FY2024



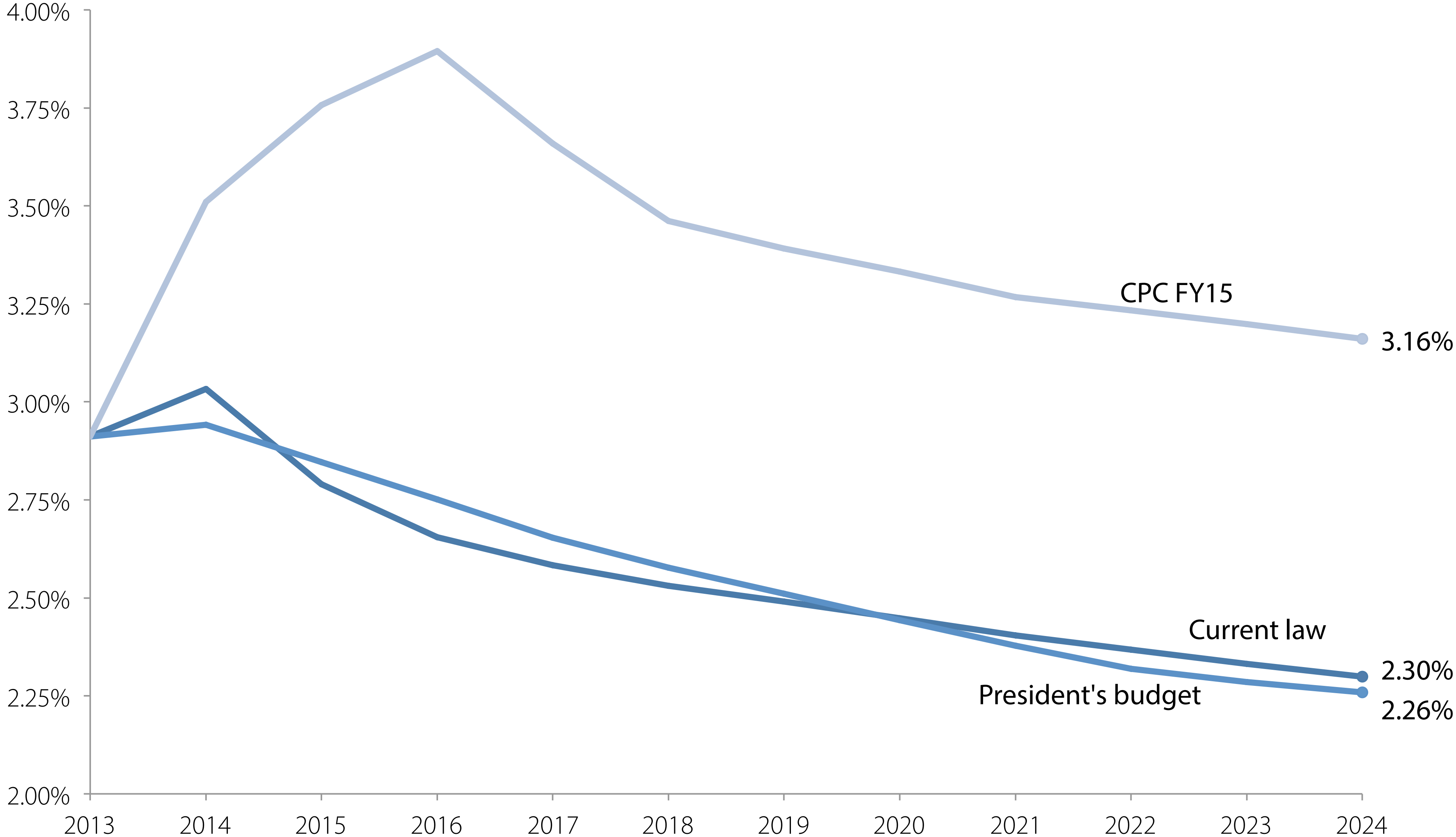
Note: For the President's budget, this figure uses CBO's projections of GDP. Data for 2013 represent actual spending.
Source: Economic Policy Institute Policy Center analysis of Congressional Budget Office, Citizens for Tax Justice, Joint Committee on Taxation, Office of Management and Budget, and Tax Policy Center data.

Figure B. Projected public debt as share of GDP, FY2013–FY2024



Note: For the President's budget, this figure uses CBO's projections of GDP. Data for 2013 represent actual spending.
Source: Economic Policy Institute Policy Center analysis of Congressional Budget Office, Citizens for Tax Justice, Joint Committee on Taxation, Office of Management and Budget, and Tax Policy Center data.

Figure C. Projected nondefense discretionary budget authority as share of GDP, FY2013–FY2024



Note: For President's budget, this figure uses CBO's projections of GDP. Data for 2013 represent actual spending.
Source: Economic Policy Institute Policy Center analysis of Congressional Budget Office and Office of Management and Budget data.

Summary Tables

Table S-1. Budget totals (in billions of dollars)

	Actual, 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total 2015 –2019	Total 2015 –2024
Revenues														
Individual income taxes	1,316	1,359	1,610	1,844	1,990	2,114	2,211	2,330	2,462	2,603	2,748	2,906	9,768	22,817
Social insurance taxes	948	1,033	1,072	1,126	1,193	1,248	1,297	1,350	1,404	1,474	1,540	1,609	5,936	13,313
Corporate income taxes	274	355	460	535	550	542	532	529	531	536	546	555	2,620	5,317
Other	236	263	463	523	513	516	550	581	610	641	670	703	2,565	5,769
Total	**2,774**	**3,011**	**3,605**	**4,029**	**4,246**	**4,420**	**4,590**	**4,791**	**5,007**	**5,253**	**5,503**	**5,773**	**20,889**	**47,216**
On-budget	2,101	2,267	2,832	3,212	3,375	3,507	3,642	3,802	3,982	4,178	4,382	4,604	16,567	37,515
Off-budget	673	744	773	816	871	913	949	989	1,025	1,076	1,122	1,169	4,322	9,701
Outlays														
Mandatory	2,032	2,499	2,763	2,827	2,854	2,930	3,083	3,240	3,421	3,656	3,805	3,961	14,457	32,540
Discretionary	1,201	1,179	1,199	1,246	1,257	1,262	1,284	1,310	1,337	1,376	1,408	1,440	6,247	13,119
Net interest	221	235	274	332	406	483	542	592	631	670	708	742	2,063	5,379
Total	**3,454**	**3,914**	**4,236**	**4,404**	**4,517**	**4,675**	**4,908**	**5,141**	**5,389**	**5,702**	**5,921**	**6,143**	**22,767**	**51,038**
On-budget	2,821	3,209	3,490	3,615	3,677	3,781	3,957	4,126	4,305	4,544	4,686	4,822	18,549	41,004
Off-budget	634	705	745	789	840	894	951	1,016	1,085	1,158	1,236	1,322	4,219	10,034
Deficit (-) or surplus	**-680**	**-903**	**-631**	**-376**	**-271**	**-255**	**-318**	**-351**	**-383**	**-449**	**-418**	**-370**	**-1,878**	**-3,822**
On-budget	-720	-942	-659	-403	-302	-275	-315	-324	-323	-366	-304	-217	-1,981	-3,488
Off-budget	40	38	28	28	31	19	-3	-27	-60	-83	-114	-153	103	-333
Debt held by the public	**11,982**	**13,106**	**13,804**	**14,239**	**14,575**	**14,887**	**15,263**	**15,674**	**16,119**	**16,639**	**17,124**	**17,567**	**n.a.**	**n.a.**
Memorandum:														
Gross domestic product	16,627	17,273	18,126	19,083	20,052	20,954	21,867	22,799	23,755	24,746	25,774	26,830	100,082	223,984

Note: Years are fiscal years.

Table S-2. Budget totals (as percentage of GDP)

	Actual, 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total 2015 –2019	Total 2015 –2024
Revenues														
Individual income taxes	7.9%	7.9%	8.9%	9.7%	9.9%	10.1%	10.1%	10.2%	10.4%	10.5%	10.7%	10.8%	9.8%	10.2%
Social insurance taxes	5.7%	6.0%	5.9%	5.9%	5.9%	6.0%	5.9%	5.9%	5.9%	6.0%	6.0%	6.0%	5.9%	5.9%
Corporate income taxes	1.6%	2.1%	2.5%	2.8%	2.7%	2.6%	2.4%	2.3%	2.2%	2.2%	2.1%	2.1%	2.6%	2.4%
Other	1.4%	1.5%	2.6%	2.7%	2.6%	2.5%	2.5%	2.5%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Total	**16.7%**	**17.4%**	**19.9%**	**21.1%**	**21.2%**	**21.1%**	**21.0%**	**21.0%**	**21.1%**	**21.2%**	**21.4%**	**21.5%**	**20.9%**	**21.1%**
On-budget	12.6%	13.1%	15.6%	16.8%	16.8%	16.7%	16.7%	16.7%	16.8%	16.9%	17.0%	17.2%	16.6%	16.7%
Off-budget	4.0%	4.3%	4.3%	4.3%	4.3%	4.4%	4.3%	4.3%	4.3%	4.3%	4.4%	4.4%	4.3%	4.3%
Outlays														
Mandatory	12.2%	14.5%	15.2%	14.8%	14.2%	14.0%	14.1%	14.2%	14.4%	14.8%	14.8%	14.8%	14.4%	14.5%
Discretionary	7.2%	6.8%	6.6%	6.5%	6.3%	6.0%	5.9%	5.7%	5.6%	5.6%	5.5%	5.4%	6.2%	5.9%
Net interest	1.3%	1.4%	1.5%	1.7%	2.0%	2.3%	2.5%	2.6%	2.7%	2.7%	2.7%	2.8%	2.1%	2.4%
Total	**20.8%**	**22.7%**	**23.4%**	**23.1%**	**22.5%**	**22.3%**	**22.4%**	**22.6%**	**22.7%**	**23.0%**	**23.0%**	**22.9%**	**22.7%**	**22.8%**
On-budget	17.0%	18.6%	19.3%	18.9%	18.3%	18.0%	18.1%	18.1%	18.1%	18.4%	18.2%	18.0%	18.5%	18.3%
Off-budget	3.8%	4.1%	4.1%	4.1%	4.2%	4.3%	4.3%	4.5%	4.6%	4.7%	4.8%	4.9%	4.2%	4.5%
Deficit (-) or surplus	**-4.1%**	**-5.2%**	**-3.5%**	**-2.0%**	**-1.4%**	**-1.2%**	**-1.5%**	**-1.5%**	**-1.6%**	**-1.8%**	**-1.6%**	**-1.4%**	**-1.9%**	**-1.7%**
On-budget	-4.3%	-5.5%	-3.6%	-2.1%	-1.5%	-1.3%	-1.4%	-1.4%	-1.4%	-1.5%	-1.2%	-0.8%	-2.0%	-1.6%
Off-budget	0.2%	0.2%	0.2%	0.1%	0.2%	0.1%	0.0%	-0.1%	-0.3%	-0.3%	-0.4%	-0.6%	0.1%	-0.1%
Debt held by the public	**72.1%**	**75.9%**	**76.2%**	**74.6%**	**72.7%**	**71.0%**	**69.8%**	**68.8%**	**67.9%**	**67.2%**	**66.4%**	**65.5%**	**n.a.**	**n.a.**

Note: Years are fiscal years.

Table S-3. CPC FY15 budget vs. current law (billions of dollars)

												Total	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015 –2019	2015 –2024
Revenues													
Individual income taxes	-22	67	197	238	262	263	279	301	324	345	373	1,027	2,649
Social insurance taxes	0	2	11	29	33	31	33	31	42	46	50	106	309
Corporate income taxes	4	58	96	91	85	82	79	76	73	71	68	412	778
Other	0	173	243	257	269	282	296	310	324	340	356	1,224	2,850
Total	**-18**	**300**	**548**	**615**	**650**	**658**	**687**	**718**	**763**	**801**	**847**	**2,769**	**6,586**
On-budget	-18	298	536	586	616	627	654	687	722	755	797	2,663	6,277
Off-budget	0	2	11	29	33	31	33	31	42	46	50	106	309
Outlays													
Mandatory	383	439	325	240	208	206	201	208	219	232	224	1,418	2,503
Discretionary	-15	8	54	63	52	45	44	44	47	52	57	221	465
Net interest	2	6	6	2	-10	-27	-43	-63	-86	-111	-138	4	-464
Total	**371**	**452**	**384**	**305**	**250**	**224**	**202**	**189**	**181**	**173**	**144**	**1,643**	**2,504**
On-budget	371	452	384	305	250	224	202	189	181	173	144	1,643	2,504
Off-budget	0	0	0	0	0	0	0	0	0	0	0	0	0
Primary policy impact	**-386**	**-147**	**169**	**312**	**389**	**407**	**442**	**466**	**497**	**518**	**565**	**1,130**	**3,618**
Deficit (-) or surplus	**-389**	**-152**	**163**	**310**	**399**	**434**	**485**	**529**	**583**	**628**	**703**	**1,126**	**4,082**
On-budget	-389	-154	152	281	366	403	451	498	541	582	653	1,020	3,773
Off-budget	0	2	11	29	33	31	33	31	42	46	50	106	309
Debt held by the public	12,717	13,263	13,861	14,507	15,218	16,028	16,925	17,899	19,001	20,115	21,260	n.a.	n.a.
Cumulative impact on the debt	**-389**	**-541**	**-378**	**-68**	**331**	**765**	**1,250**	**1,779**	**2,362**	**2,990**	**3,693**	n.a.	n.a.

Note: Years are fiscal years.

Table S-4. CPC FY15 budget vs. current law (as percentage of GDP)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total 2015 –2019	Total 2015 –2024
Revenues													
Individual income taxes	-0.13%	0.37%	1.03%	1.19%	1.25%	1.20%	1.22%	1.27%	1.31%	1.34%	1.39%	1.03%	1.18%
Social insurance taxes	0.00%	0.01%	0.06%	0.14%	0.16%	0.14%	0.15%	0.13%	0.17%	0.18%	0.19%	0.11%	0.14%
Corporate income taxes	0.02%	0.32%	0.50%	0.45%	0.41%	0.37%	0.34%	0.32%	0.30%	0.27%	0.25%	0.41%	0.35%
Other	0.00%	0.95%	1.28%	1.28%	1.29%	1.29%	1.30%	1.31%	1.31%	1.32%	1.33%	1.22%	1.27%
Total	**-0.10%**	**1.65%**	**2.87%**	**3.06%**	**3.10%**	**3.01%**	**3.01%**	**3.02%**	**3.08%**	**3.11%**	**3.16%**	**2.77%**	**2.94%**
On-budget	-0.11%	1.64%	2.81%	2.92%	2.94%	2.87%	2.87%	2.89%	2.92%	2.93%	2.97%	2.66%	2.80%
Off-budget	0.00%	0.01%	0.06%	0.14%	0.16%	0.14%	0.15%	0.13%	0.17%	0.18%	0.19%	0.11%	0.14%
Outlays													
Mandatory	2.22%	2.42%	1.70%	1.20%	0.99%	0.94%	0.88%	0.88%	0.89%	0.90%	0.84%	1.42%	1.12%
Discretionary	-0.09%	0.04%	0.28%	0.31%	0.25%	0.21%	0.19%	0.19%	0.19%	0.20%	0.21%	0.22%	0.21%
Net interest	0.01%	0.03%	0.03%	0.01%	-0.05%	-0.12%	-0.19%	-0.27%	-0.35%	-0.43%	-0.51%	0.00%	-0.21%
Total	**2.15%**	**2.50%**	**2.01%**	**1.52%**	**1.19%**	**1.02%**	**0.89%**	**0.80%**	**0.73%**	**0.67%**	**0.53%**	**1.64%**	**1.12%**
On-budget	2.15%	2.50%	2.01%	1.52%	1.19%	1.02%	0.89%	0.80%	0.73%	0.67%	0.53%	1.64%	1.12%
Off-budget	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Primary policy impact	-2.24%	-0.81%	0.89%	1.56%	1.86%	1.86%	1.94%	1.96%	2.01%	2.01%	2.11%	1.13%	1.62%
Deficit (-) or surplus	**-2.25%**	**-0.84%**	**0.86%**	**1.54%**	**1.91%**	**1.99%**	**2.13%**	**2.23%**	**2.35%**	**2.44%**	**2.62%**	**1.13%**	**1.82%**
On-budget	-2.25%	-0.85%	0.80%	1.40%	1.75%	1.84%	1.98%	2.10%	2.19%	2.26%	2.43%	1.02%	1.68%
Off-budget	0.00%	0.01%	0.06%	0.14%	0.16%	0.14%	0.15%	0.13%	0.17%	0.18%	0.19%	0.11%	0.14%
Debt held by the public	73.63%	73.17%	72.64%	72.35%	72.62%	73.30%	74.24%	75.35%	76.79%	78.04%	79.24%	n.a.	n.a.
Cumulative impact on the debt	**-2.25%**	**-2.99%**	**-1.98%**	**-0.34%**	**1.58%**	**3.50%**	**5.48%**	**7.49%**	**9.55%**	**11.60%**	**13.77%**	**n.a.**	**n.a.**

Note: Years are fiscal years.