



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

January 9, 2017

The Honorable John A. Yarmuth
Ranking Member
House Budget Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard E. Neal
Ranking Member
House Ways and Means Committee
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Yarmuth and Congressman Neal:

I am writing in response to your letter requesting OMB's analysis of the Republican budget resolution and its impact on the budget outlook.

On January 3, 2017, Republicans in the Senate Budget Committee introduced an FY 2017 budget resolution. Based on the numbers provided in the resolution, the Republican budget includes virtually no deficit reduction and would allow debt held by the public to increase by roughly \$9.5 trillion, from \$14.2 trillion in 2016 to \$23.7 trillion in 2026. After a sustained period of historically fast deficit reduction under the President's leadership, the Republican budget would allow for a relatively steady increase in annual deficits, with the annual on-budget deficit increasing to over \$1 trillion by 2026.

Assuming that Republicans will not make cuts to off-budget programs like Social Security, unified annual deficits will be even larger: growing to over \$1 trillion by 2022 and reaching more than \$1.3 trillion by 2026.

Comparisons of debt and deficit totals over time are best viewed as a share of the economy. Based on the Congressional Budget Office's most recent economic projections, it is clear that the Republican budget would fail the key fiscal test of stabilizing debt as a share of the economy.

**Republican Budget Resolution and CBO Estimates¹ of the President's 2017 Budget
(On-Budget Deficits, Unified Budget Deficits, and Debt-Held by the Public, Billions of Dollars)**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<u>On-Budget Deficits</u>										
Resolution	-\$583	-\$542	-\$674	-\$729	-\$785	-\$897	-\$893	-\$863	-\$946	-\$1,009
PB17	-\$447	-\$386	-\$500	-\$536	-\$566	-\$671	-\$665	-\$614	-\$669	-\$675
<u>Unified Budget Deficits</u>										
Resolution	-\$571	-\$548	-\$710	-\$798	-\$891	-\$1,043	-\$1,080	-\$1,094	-\$1,226	-\$1,341
PB17	-\$433	-\$383	-\$518	-\$585	-\$651	-\$791	-\$826	-\$813	-\$917	-\$972
<u>Debt Held by the Public</u>										
Resolution	\$14,593	\$15,199	\$15,955	\$16,792	\$17,714	\$18,787	\$19,901	\$21,033	\$22,302	\$23,692
PB17	\$14,454	\$14,906	\$15,484	\$16,121	\$16,818	\$17,656	\$18,532	\$19,402	\$20,379	\$21,417
Difference										\$2,275

Sources: <http://www.budget.senate.gov/imo/media/doc/S.Con.Res.RepealResolution.pdf>, pp. 5-6;
<https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51383-APB.pdf>, Table 2; Resolution unified deficits derived using off-budget deficits from <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51384-marchbaseline.pdf>, table 1

Compared to the President's Budget, which drives down deficits as a share of the economy and maintains our fiscal progress through smart savings from health care, immigration, and tax reforms while making critical investments in economic growth and opportunity, the Republican Budget would lead to significantly larger deficits in each year and add more than \$2 trillion in debt over the next decade.

Notably, the budget resolution also contains exceptions to existing Congressional budget rules that seem targeted towards making it easier to pass legislation that would further increase deficits.

Sincerely,



Shaun Donovan
Director

¹ For comparability with the Republican budget resolution, figures shown for PB17 are based on CBO's re-estimate of the President's 2017 Budget, released in March 2016. For figures consistent with the Administration's estimating assumptions from the 2017 Budget, see Summary Tables S-1 and S-4 from the President's 2017 Budget, released in February 2016.