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President Obama Proposes 2015 Budget

New budget includes \$56 billion in additional spending, relieving sequestration for fiscal 2015.

By Jasmine Tucker

Today President Obama released his sixth budget proposal, requesting \$3.9 trillion in fiscal year 2015. His proposal would relieve sequestration cuts by adding back \$56 billion in discretionary spending next year in an “Opportunity, Growth, and Security Initiative.”

The new spending would be evenly split between military and domestic discretionary programs, and the additional funding will come from cuts to federal crop insurance, changes to TSA passenger fees, by closing some individual and corporate tax loopholes.

President Obama’s budget arrived over a month after the legal deadline of the first Monday in February. Here are highlights of what the new budget contains:

Spending and Cuts

In addition to the spending levels set out in the [Bipartisan Budget Act of 2013](#), President Obama proposes a total of \$56 billion in new spending in fiscal 2015 for a total of \$1.19 trillion in discretionary spending, an increase of about 1 percent relative to 2014 enacted levels.

The budget includes \$28 billion in additional military spending and \$28 billion in new spending for energy efficiency programs in the states, job training, expanded Head Start, and universal pre-kindergarten.

The president also proposes \$302 billion in additional infrastructure spending over the next four years, which would improve roads and bridges as well as fund transit projects. Yet he proposes to pay for this new spending with a one-time opportunity for corporations to bring money stashed overseas back into the U.S., and is tantamount to a corporate tax break.

Nearly eight in 10 American voters (79 percent) want to close tax loopholes that ensure corporations pay as much on foreign profits as they do on domestic profits.ⁱ

Budget Deficit

The president's budget proposal would run a deficit of \$561 billion in 2015. That's equivalent to 3.1 percent of the U.S. economy, down from a high of 10 percent in 2009 following the Great Recession. Over the past 50 years, budget deficits have averaged around 2.8 percent of the economy.

Sixty-three percent say reducing the budget deficit should be a top priority for Congress and the president this year, down from 72 percent who thought so last year.ⁱⁱ

Deficit reduction has dropped as a top priority for Americans in 2014.

Taxes and Revenue

The president projects \$3.34 trillion in tax revenue in fiscal 2015, an increase of 11 percent relative to 2014.

The president would close the "carried interest" loophole, which is known for benefiting hedge-fund and private-equity managers to raise \$14 billion over 10 years, and he would limit the ability for corporations to deduct interest expenses for their overseas operations, which would raise \$43 billion over a decade.

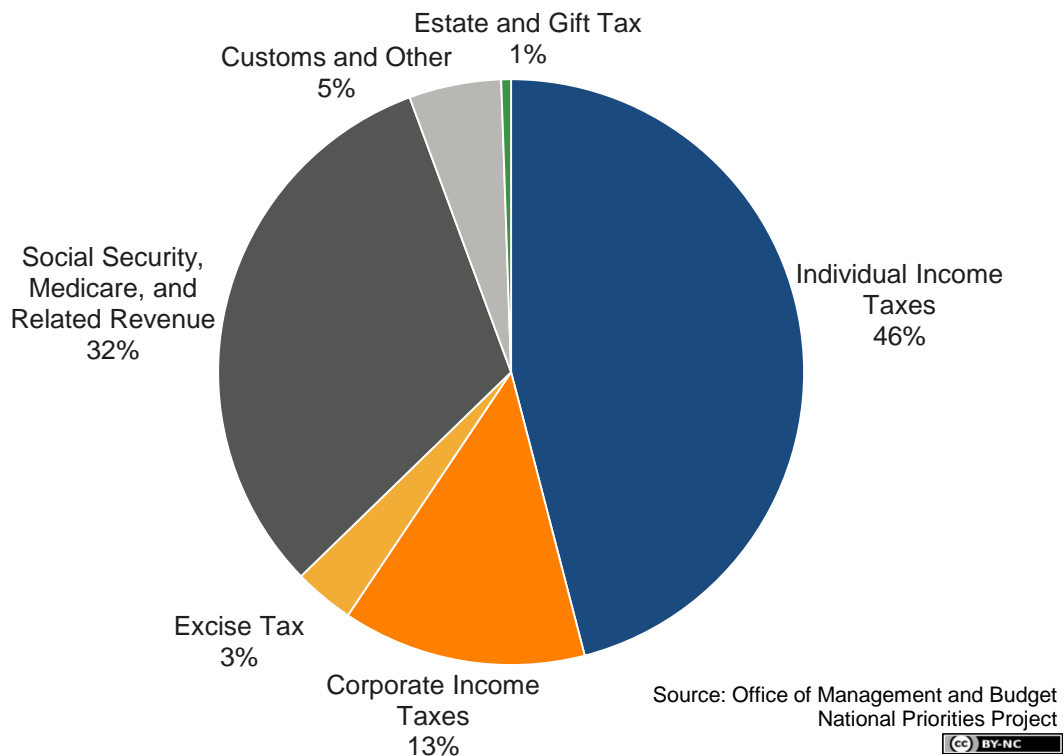
A recent survey shows two-thirds of American voters support a budget plan that would close corporate tax loopholes and limit tax breaks for the wealthy.ⁱⁱⁱ

In total, the president's proposals to limit tax deductions and loopholes for top income earners would raise \$651 billion over 10 years, including \$37 billion in 2015.

The budget would expand the Earned Income Tax Credit (EITC), a successful anti-poverty program, for low-income childless workers. The change would benefit an estimated 13.5 million additional Americans and cost \$60 billion over 10 years.

Here's where \$3.34 trillion in federal tax revenue would come from in fiscal 2015:

Revenue Sources in the President's Budget (FY2015)



Military

Excluding war costs, the budget contains \$549 billion for military programs, a more than 5 percent increase relative to 2014. That includes \$28 billion for the “Opportunity, Growth, and Security Initiative.” The president said this fund would allow the Pentagon to “accelerate the schedules for developing and buying new or upgraded systems.”

The new budget notes that fiscal 2013 brought funding cutbacks that “degraded readiness” in the military. Yet NPP’s analysis shows that sequestration cuts reduced the 2013 budget by 5.6 percent, relative to a previously projected \$550 billion non-war military spending, and by less than 1 percent in 2014. Furthermore, the Pentagon receives an additional budget for war operations, also known as “Overseas Contingency Operations” (OCO), which is not subject to caps or cuts. In 2014, Congress provided \$85 billion for OCO, even as troop levels in Afghanistan are declining. Billions of dollars in the war budget has been [widely referred to as a “slush fund”](#).

The budget makes changes to some weapons programs. It eliminates the Air Force A-10 attack jet and the U-2 spy plane fleet and reduces the number of Navy littoral combat ships from 52 to

32. No changes are proposed to the F-35 Joint Strike Fighter, the most expensive system in military history that has yet to be used in any military operation.

Fifty-eight percent of Americans would support substantial reductions in military spending, according to research and polling.^{iv}

Relative to domestic programs like education and environmental protection, the Pentagon is in a better position to absorb budget cuts. In the decade following Sept. 11, 2001, military spending grew by 35 percent, while domestic discretionary spending grew by 12 percent.

Medicare

The president proposes to reduce payments to private health insurance companies that participate in Medicare Advantage, the program that allows Medicare beneficiaries to receive their insurance coverage through a private health insurer.

The budget also maintains a past proposal from the president to ask wealthy seniors to pay more for their Medicare coverage.

Six in 10 Americans say making the Medicare system sound should be a top priority for Congress this year.^v

Social Security

In 2015, the president opted to exclude a proposal included in his fiscal 2014 budget that would measure cost-of-living adjustments (COLAs) differently.

In 2014, President Obama proposed measuring COLAs through the chained consumer price index (CPI), which is an alternate measure of inflation that would result in lower annual cost of living adjustments and, in turn, would reduce Social Security benefits. While some economists argue that the chained CPI is a more accurate overall measure of inflation, some research suggests that elderly Americans – who make up the majority of Social Security beneficiaries – experience a faster rate of inflation because more of their income goes to medical care and housing, and prices in health care and housing have risen faster than prices for other goods.

Two-thirds of Americans say making the Social Security system sound is a top policy priority this year.^{vi}

Many options exist to raise new or additional tax revenue to support Social Security, a program that enjoys broad public support. The president's budget did not include any measures to raise new or additional tax revenue to support Social Security, even though Americans have said they are willing to both increase the amount of tax they and their

employers pay into the system and increase the taxable wage cap, the amount of earnings subject to the Social Security tax. Currently, Social Security tax applies only to an individual's first \$117,000 in wage income.

The president's budget proposal would also prevent individuals from collecting Social Security Disability Insurance and Unemployment Insurance during the same period of time. This is projected to save \$3.2 billion over 10 years.

Education

The president's "Opportunity, Growth, and Security Initiative" includes funding for job training programs that would pair a college education with apprenticeships, as well as the president's signature proposal to provide pre-kindergarten to every student and expand the existing Head Start program, which provides early childhood education to low-income families.

The president's budget requests \$66 billion over 10 years to expand pre-kindergarten education under his Preschool for All Initiative. This initiative would be paid for by raising the cigarette tax from \$1.01 per pack to \$1.95.

What Is the President's Budget Request?

Federal law requires that the president submit a budget proposal to Congress every February. That proposal begins the annual federal budget process that creates the budget for the coming fiscal year, which begins on Oct. 1. For more on who decides the federal budget, see [Federal Budget 101](#).

Why Does the President's Budget Matter?

Though the budget ultimately enacted by Congress may look very different from the budget request released by the president, the president's budget is important. It's the president's vision for the country in 2015 and beyond, and it reflects input from every federal agency. At a time of conflict over federal spending, the president's budget is largely a political document – but an important one, because it shows the president's priorities in detail. It also serves as a benchmark against which all subsequent spending legislation will be measured.

ⁱ Americans for Tax Fairness/Hart Research Associates [poll](#), conducted Oct. 25-30, 2013.

ⁱⁱ Pew Research Center [poll](#), conducted Jan. 15-19, 2014.

ⁱⁱⁱ Americans for Tax Fairness/Hart Research Associates [poll](#), conducted Oct. 25-30, 2013.

^{iv} Program for Public Consultation [poll](#), conducted Apr. 12-18, 2012.

^v Pew Research Center [poll](#), conducted Jan. 15-19, 2014.

^{vi} Pew Research Center [poll](#), conducted Jan. 15-19, 2014.