What Obama Got Wrong in 2017 Budget

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President Barack Obama released his 2017 Fiscal Year Budget to Congress. Here is what Heritage Foundation researchers had to say about the president's budget:

- Energy
- Education
- Health Care
- Regulation and Spending
- Defense

Energy

Obama's 'Oil Fee' is a Regressive Gas Tax

President Obama's budget calls for a $10-per-barrel tax on oil, to pay for mass transit, high-speed rail, self-driving cars, and other infrastructure projects he believes will reduce America's carbon footprint.

Make no mistake, this is a 22 cent per gallon gas tax, a diesel tax, a home heating oil tax, a jet fuel tax, and a plastic tax (petroleum liquids), among other things. The costs will be passed down to consumers in the form of higher prices, disproportionately impacting low-income families that spend a higher portion of their budget on energy costs.

Obama said of the plan: "It's right to do it now, when gas prices are really low. And they will be low for quite some time to come, so it's not going to be a disruptive factor in terms of the economy."

There are several problems with the president's thinking. First, while it certainly appears as though oil prices could be low for the foreseeable future, many of those same experts predicted that oil would never fall below $100 per barrel. Gas prices could increase in the future, as they have in the past, and quite quickly.

Secondly, the steep tax would transfer large sums of savings from cheap gas prices to the federal government's coffers for green pet projects. The current national average for the price of gasoline is $1.73. AAA estimates that consumers saved $115 billion in 2015 compared to 2014, $550 for each licensed driver. The savings could be even higher. Americans already ship too much of their money to the federal government. A more than doubling of the federal gas tax would only make it worse.

– Nick Loris, Herbert and Joyce Morgan Fellow

Green Climate Fund is a Wealth Transfer

The Green Climate Fund is nothing more than a taxpayer-funded wealth transfer from developed countries to developing ones.

For many countries attending the United Nations climate summit in Paris last December, the figure they were looking for was not how much emissions would be cut and not what temperature thresholds should be kept, but how much money could they get.

Climate negotiations leading up to the Paris conference called for a Green Climate Fund that would collect $100 billion per year by 2020. The goal of this fund: to subsidize green energy and pay for other climate adaptation and mitigation programs in poorer nations—and to get buy-in (literally) from those poorer nations for the final Paris agreement. U.S. taxpayers would pay the lion's share of this fund and President Obama made it clear in his budget request that he wants to shell out the cash:

In support of the president's Climate Action Plan, the Budget provides $1.3 billion to advance the goals of the Global Climate Change Initiative (GCCI) through important multilateral and bilateral engagement with major and emerging economies. This amount includes $750 million in U.S. funding for the Green Climate Fund (GCF), which will help developing countries leverage public and private financing to invest in reducing carbon pollution and strengthening resilience to climate change.

The Green Climate Fund would do little if anything to combat climate change (to the extent that it is a problem). But it would do quite a lot to waste taxpayer dollars, likely filling up the coffers of crony companies and corrupt governments.

– Nick Loris, Herbert and Joyce Morgan Fellow

Obama's Energy Plan: Regulate the Affordable, Subsidize the Uneconomical

The president is calling for a doubling of clean energy "research" by 2021 to combat climate change. The proposal would increase funding from $6.4 billion to $12.8 billion. But this is not your basic research and development. The federal government is spending billions of taxpayer dollars trying to commercialize energy technologies. This is no proper role for the federal government, nor are they very good at it.

Energy is one of the last sectors of the economy that needs help from the federal government. America has an abundance of resources and diverse suppliers producing energy from a mix of sources. Competition will provide dependable electricity and transportation fuel much better than any government program can. Obama is calling this proposal "Mission Innovation." The profit incentive that already exists in the marketplace will reward innovative ideas and promising new technologies much more effectively.

When announcing this proposal in his weekly radio address, Obama remarked, "As I said in my State of the Union address, rather than subsidize the past, we should invest in the future."

We shouldn't subsidize any energy source of technology. But that's not what the Obama administration is doing. Instead, the federal government is proposing and implementing plans that would regulate coal out the market through regulations on new power plants and the Clean Power Plan.

Further, they continue to subsidize intermittent, expensive energy sources that have trouble surviving without the government's help. That's a losing formula for Americans – both as energy consumers and as taxpayers.

– Nick Loris, Herbert and Joyce Morgan Fellow

Consolation Prize for Coal Communities Ignores Real Problem: Excessive Regulation

The Obama administration is treating America's coal community as if they're losers on The Price is Right. What Obama is effectively telling the coal community through his budget is: Thanks for playing. Here's a nice parting-gift.

The president's budget "provides $20 million specifically to support workers dislocated from the coal economy. Along with funding already provided through the National Reserve, this will allow states and local areas to provide reemployment, training, and supportive services to these transitioning coal economy workers to help them get back to work in good jobs and careers." Further, the budget would provide "$120 million for the ARC, $50 million of which will be directed specifically to those Appalachian communities most affected by coal economy transition."

Rather than providing a transitional handout, the administration should back off the burdensome regulations that are crushing coal communities, increasing energy prices and driving people out of work – all for little to no environmental or climate benefit. The climate regulations on new and existing power plants will inflict substantial costs, drive down existing coal generation and have little to no climate benefit. A host of other regulations with equally dubious environmental benefits have already driven coal-fired power plants to close or schedule early retirements.

In addition, coal mining faces increasingly unattainable regulations that remove decision-making from miners and empower Washington to take responsibility. The administration recently placed a moratorium on new coal leases of federal lands until the Department of Interior's Bureau of Land Management conducts a more comprehensive environmental review that includes effects on climate. Without reversing course, it is hard to see how coal, which now accounts for 40 percent of our electricity, survives this onslaught.

Remember, it was Obama's former climate advisor Daniel Schrag who said that"a war on coal is exactly what's needed." There are going to be a lot of economic casualties from the administration's war on coal and Obama's budget is tossing the coal community a few band-aids.

– Nick Loris, Herbert and Joyce Morgan Fellow

Education

Picking Winners and Losers Does Not Help Students

This president's budget involves massive spending increases aimed towards growing access to higher education. However, such increases in spending will not solve the student debt problem, but rather creates a system of winners and losers.

Once again, the president asks for $61 billion to help states create a free community college system. With little evidence that increased access to community college will meaningfully benefit the economy and the earning potential of students, this proposal will amount to little more than a subsidy for schools that underperform. As the Cato Institute's Neal McCluskey points out,

"a mere 19.5 percent of first-time, full-time community college students complete their programs within 150 percent of the time they are supposed to take. So less than 20 percent finish a two-year degree within three years, or a 10-month certificate program within 15 months."

The budget would also serve to further inflate college costs, making the problem worse for students and taxpayers. The president's plan to expand Pell Grants by $2 billion ignores the overwhelming evidence that increased access to unrestricted federal aid fuels tuition hikes.

In fact, as a recent study by economists David Lucca, Taylor Nadauld, and Karen Shen found, for every dollar that federal Pell Grants increase, college tuition increases 55 cents. Those increases have enabled universities to spend profligately, contributing to administrative bloat. As the Goldwater Institute found, "in 2007, it took 13.1 more employees to educate the same number of students than it did in 1993." The reality is that at American universities faculty make up less than half of all employees.

In order to make college affordable without passing off the ever-increasing tab to tax payers, the administration should consider meaningful reform to the higher education system. This includes restoring lending practices in the market place that reflect the market value of education, while promoting new and innovative education models that provide high quality at low cost to consumers. Both are hampered under the president's plan to further subsidize increases in costs, which does nothing to curb future inflation in the higher education space.

– Mary Clare Reim, research associate

An Eye-Popping Education Budget

Taxpayers have funded a more than doubling of federal Department of Education expenditures since 1980, adjusting for inflation, and neither they nor students have much if anything to show for it. The Department of Education budget had grown from $11.5 billion in 1980 to $67 billion by 2015. Obama's proposed budget would continue the federal education spending spree on the many ineffective and duplicative programs at the bloated federal agency, growing the department's discretionary budget by another $1.3 billion (2 percent) to $69.4 billion.

The budget would secure funding for the many programs reauthorized through the Every Student Succeeds Act, the successor the No Child Left Behind, passed by Congress this past December.

The Every Student Succeeds Act was a major missed opportunity to restore state and local control of education, which the budget underscores by highlighting that the Every Student Succeeds Act "requires States to set high standards for all students that prepare them for college and careers" and "recognizes the importance of expanding high-quality preschool."

Specifically, the budget would increase Title I spending (funding for low-income school districts) by $450 million to reach $15.4 billion. Title I has come under increasing scrutiny for failing to improve education outcomes for poor children – it's intended purpose. The Brookings Institution notes there is little evidence the program is effective, with funds largely going toward spending on ineffective teacher professional development, after school programs, class size reduction, and supplemental services.

Congress punted on the opportunity to reform Title I by allowing states to make Title I dollars portable, following children to schools of choice, when it rewrote No Child Left Behind late last year, and now the president's budget would lock-in this inflexible and ineffective funding stream at near-historically high levels.

The budget would also establish spending on what Politico calls "legacy-building" proposals for the Obama administration, including a $4 billion federal computer science initiative and a $1 billion program to encourage teachers to teach in struggling schools.

– Lindsey Burke, Will Skillman Fellow in Education

Breaking the Bank on Preschool

Preschool spending would reach astronomical levels with the president's budget. The president proposes spending a new $82 billion on child care over the next ten years, part of which would be used to establish "more adequate compensation of child care workers." It would establish another $75 billion for universal preschool at the federal level for all four-year-old children over the next 10 years.

That funding is supplemented by another $350 million in universal preschool development grants for Health and Human Services. It would also increase the budget for the failed Head Start program by $434 million to an all-time high of $9.6 billion. According to the Department of Health and Human Services, Head Start has failed to improve outcomes for participants, failing to improve their cognitive abilities, social emotional well-being, and participants' parenting practices, among other shortcomings. The president's budget would continue to grow federal meddling in the care of the youngest Americans by proposing a $100 million increase in Pre-K Development Grants. That's a proposed $157billion in the president's budget for federal preschool over the next decade.

– Lindsey Burke, Will Skillman Fellow in Education

Perkins Loans Are Back From the Dead, and No One Likes Zombies

Obama's budget brings back to life the outdated Perkins Loan program, which has not been funded since 2004. The administration claims that an $8.5 billion increase in funds available to students by July will save taxpayers about $4.1 billion over ten years, calling Perkins loans an investment in America's future. However, this proposal ignores the looming reality that outstanding student loan debt now exceeds credit card debt at $1.3 trillion.

Treating subsidized student loans as an investment opportunity to save taxpayers money simply ignores the economic reality that college graduates face today. Before asking taxpayers to make such a costly investment, the president should focus on policies that eradicate the dysfunction in the university system so that students have an easier time paying off their loans before proposing policies that add more debt to the economy.

– Mary Clare Reim, research associate

Eliminating School Choice in the Nation's Capital

The president did find one place to cut – the D.C. Opportunity Scholarship Program.

President Obama's budget managed to find billions for programs that are duplicative and ineffective, yet cut funding for the highly effective (and constitutionally appropriate) D.C. Opportunity Scholarship Program, which provides vouchers to children from low-income families living in D.C. to attend a private school of choice, down to just 3.2 million. The scholarships are currently funded at $20 million.

D.C. Opportunity Scholarships are worth a fraction of D.C. public schools' per-pupil revenue, which exceeds $29,400 annually (the highest in the nation).

D.C. Opportunity Scholarships, at $8,256 and $12,385 for K-8 and high school students respectively, are less than half of D.C. public schools per-pupil revenue, yet are producing life-changing results for participants. A congressionally mandated evaluation found that students using a scholarship to attend a private school of choice in D.C. had a 91 percent graduation rate, compared to a rate of 70 percent for the control group of students who were awarded but did not use a scholarship.

The budget is another break-the-bank proposal that supports the failed status quo in federal education policy while devastating funding for the constitutionally appropriate and highly effective school choice options in the Nation's Capital.

– Lindsey Burke, Will Skillman Fellow in Education

Health Care

Cadillac Tax Proposal Adds More Complexity to an Already Clumsy and Disruptive Tax

The administration's 2017 Fiscal Year budget proposes to amend the "Excise Tax on High Cost Employer-Sponsored Health Coverage," (commonly called the "Cadillac tax") to increase the dollar thresholds at which it applies in states with higher health care spending.

- The Cadillac tax imposes a 40 percent excise tax on the portion of employer-sponsored health benefits that exceed statutory levels (about $27,500 for family coverage and about $10,200 for individual coverage).
- Under this tax, employers are forced to alter their health plans to bring costs down to levels where they avoid paying the tax.
- The president's budget proposes that in any state where the average premium for "Gold" level individual exchange coverage is higher than the statutory thresholds for the Cadillac tax, then the thresholds for the Cadillac tax would be increased to match the average Gold plan premium.
- The Affordable Car Act Cadillac tax is clumsy and disruptive and the president's proposal would just add more complexity.
- Congress should instead adopt the less disruptive policy of simply amending the tax code to set statutory limits on the amount of pre-tax spending on health benefits, and repeal the Cadillac tax entirely. That way, employers would not be forced to change their plans, and workers could still get more health insurance, but above the limit they would have to pay for it with after-tax dollars. Setting statutory limits on the amount of pre-tax spending on health benefits is an important and sensible policy that would be consistent with the long-standing limits on pre-tax funding of other employer-sponsored benefits, such as life insurance, retirement savings, and dependent care accounts.

– Edmund Haislmaier, senior research fellow, health policy studies

Obama's Medicaid Proposal Is a Last Ditch Effort to Coerce State to Expand

The president's 2017 Fiscal Year Budget proposes giving states three years of full federal Medicaid funding to those states still wishing to expand their Medicaid program in accordance with the Affordable Care Act.

Under the Affordable Care Act, the federal government provides a higher reimbursement rate (for newly eligible individuals only) to those states that expand Medicaid coverage to all Americans under 138 percent. From 2014 to 2016, the federal government assumes 100 percent of the cost of this newly designated population. From 2016 to 2020, the federal share will gradually decline to 90 percent.

The president's proposal would grant those states that have not expanded their Medicaid program along the lines of the Affordable Care Act to receive the same three years of full federal funding before gradually reducing it to 90 percent.

It is a last ditch effort to lure states into expansion. The administration's goal is to use federal funding to coerce the remaining states to take on the Obamacare Medicaid expansion. But, a sober analysis will show that Medicaid is already straining federal and state budgets, and any short term cost benefits will soon be outpaced by more spending.

The underlying story behind this proposal is an attempt by the administration to salvage its law. Almost six years since enactment and the highly touted Obamacare exchanges have been underwhelming with most of the net gain in coverage resulting from states accepting the expansion, even though they are struggling to keep up with its current obligations.

It will add to the already growing cost of Obamacare. At passage, proponents of the law argued that new spending would stay under $1 trillion. This of course was a gimmick by front loading the taxes and back loading the costly spending, it only appeared to stay under the trillion dollar mark. Now, this administration is adding even more spending to Obamacare without any legitimate means to pay for this proposal or arguable its original promises.

It does nothing to address underlying challenges facing Medicaid. The administration's proposal continues to ignore the underlying problems that plague the Medicaid program. The program faces demographic, structural and fiscal challenges that money only papers over and in the long run makes the program and those dependent on 0it more vulnerable.

Congress should end the enhanced match rate not extend it. Obamacare put in place a higher match rate for the newly eligible group than compared to the traditional populations Medicaid was intend to serve. This creates new distortions and inequities that move the program away from its original intent.

– Nina Owcharenko, director of the center for health policy studies and Preston A. Wells, Jr. Fellow

Regulation and Spending

Higher Spending, Higher Taxes, And a Budget that Never Balances

America is quickly headed toward a budget crisis. In a time when Congress should be making tough decisions to reverse the path that the nation is on, the president clearly has other ideas. While Obama may claim to cut the deficit in his latest budget, it still rises from $616 billion in 2016 to $793 billion over the course of the next decade.

Much of this so called "cut" is due to increased revenue from an additional $2.6 trillion in taxes on businesses, financial institutions, crude oil, and the so-called wealthy, among other tax increases. Even with these massive tax increases, the result is the same as all of the president's previous budgets; it never balances.

Under President Obama's plan, spending will grow from the 2016 fiscal year level of $3.9 trillion, as reported in the Congressional Budget Office's (CBO)latest budget and economic projections, to $6.5 trillion in 2026 (22.8 percent of GDP). That's almost $2.6 trillion in additional spending in 2026 than what was spent last year.

The president would like the American public to believe that spending more will improve the economy and make the country stronger, while the reality is that too much spending is the problem. If the government keeps spending at the rates suggested in this latest Obama budget, we are headed for a fiscal disaster that could take years to recover from.

Also concerning is the president's continued dismissal of the bipartisan Budget Control Act caps enacted in 2011. The proposal abides by the 2017 fiscal year revised cap, which Obama and former Speaker of the House, John Boehner negotiated last fall, but would then break through the caps throughout the rest of their lifespan. These caps were supposed to be a means by which to control discretionary spending as well as deficits and debts. Obama and Congress should live by the law and identify spending priorities, instead of repeatedly raising the caps.

Under the president's budget, over the next decade debt held by the public rises from $14.1 trillion to a troubling $21.3 trillion in 2026, an increase of $7.2 trillion.

In January, the Congressional Budget Office said that "high and rising debt relative to the size of the economy would dampen economic growth and thus reduce people's income" and characterized it as "a trend that would be ultimately unsustainable." Over the same period of time, net interest on the debt rises from $240 billion per year to $787 billion per year. If steps aren't taken to reverse the effects of rising debt now, then the nation could be faced with large tax increases and drastic reductions in benefit programs, or potentially a fiscal crisis of unprecedented magnitude.

Instead, Congress should pursue a conservative budget now.

Justin Bogie, senior policy analyst in fiscal affairs

Small Manufacturers Need Regulatory Relief, Not More Federal Spending On 'Technology and Expertise'

The president is proposing to "invest" in manufacturing research and development "to help America's small manufacturers access the technology and expertise they need to expand." But small businesses do not lack access to technology or expertise.

Their inability to expand is largely a consequence of crippling regulatory burdens that shift their limited resources away from investment and innovation and into regulatory compliance. In fact, the Obama administration has increased annual regulator costs by more than $90 billion, with more rules in the pipeline.

Obamacare, Dodd-Frank, the so-called Clean Power Plan and other massive regulatory schemes have a disproportionate effect on small businesses that lack the capacity to employ the compliance and legal personnel that corporations maintain. If the president is sincere about helping small manufacturers, he would do better to rein in his regulatory impulses.

– Diane Katz, senior research fellow in regulatory policy

Responsibility for Water Supplies Should Shift to the States

The president wants to "boost water sustainability and … increase the resilience of our Nation's water supplies."

Unfortunately, the existing regulatory regime is dysfunctional as evidenced by the Flint and Animas River disasters. Meanwhile, water regulation is (mis)managed by an incoherent jumble of government agencies, with tremendous overlap among them. No definitive accounting exists of the billions of dollars allocated among these various entities over the years. Responsibility for most lakes, rivers and streams should be shifted to the states, which are far better equipped to customize policies for local conditions. A state-based regime would also mean more direct accountability—taxpayers would have an easier time identifying the officials responsible for environmental policies, and the people making those regulatory decisions would have to live with the consequences.

– Diane Katz, Senior Research Fellow in Regulatory Policy

Wage Insurance Won't Work

Obama's last budget included nationwide "wage insurance." The administration wants the government to partially replace the wages of laid off workers who take a new job that pays less than their old one. Obama would have taxpayers cover 50 percent of that difference in pay, up to a maximum of $10,000 over two years. The administration argues this would "provide workers an incentive to return to work, even if they must take a pay cut relative to their former employment."

Wage insurance won't accomplish this, and would instead have negative, unintended consequences.

We know this because Canada experimented with wage insurance in the 1990s. The Canadian program was even more generous than the administration's proposal – Canadian taxpayers covered 75 percent of the difference in pay for laid off workers who took lower paying jobs. Canada also evaluated the program with randomized controlled trials. The evaluation revealed the program had little effect. As the evaluators concluded the wage subsidy had "a small (4.4 percentage points at peak) and short-lived impact on the re-employment of displaced workers." Wage insurance hardly affects work rates.

Furthermore wage insurance would depress pay. Under wage insurance employers know the government subsidizes laid off workers' pay. So they would offer lower starting wages to begin with, understanding the government will replace part of the difference. A policy intended to help workers would actually cut their pay. Much of the taxpayer spending on the program would subsidize businesses, not their employees.

– James Sherk, research fellow, labor economics

Transportation 'Innovation' is Actually Just More Taxpayer Money Thrown at Broken System

Unsurprisingly, Obama's budget reaffirms the president's preferred solution to almost any policy issue: throw more taxpayer money at the problem. This holds especially true for transportation infrastructure, which the president intends to make a hallmark of his budget.

His new transportation plan would increase infrastructure spending by $320 billion over 10 years. This new spending would be paid for by more tax increases on the American people, including a regressive $10 per barrel oil tax(which would hike gas prices by 22 cents) and a harmful one-time business taxon companies' overseas earnings.

This approach doubles down on the broken, tax-and-spend infrastructure funding system that has become a hallmark of the Obama era. The Highway Trust Fund, which funds highway and transit programs, has run chronic deficitsbecause of overspending and has required $140 billion in bailouts since 2008 even though it is supposed to be self-funded through the gas tax. This overspending has been exacerbated by the recent Fixing America's Surface Transportation

(FAST) Act, which increased spending out of the fund for the next 5 years and approved a $70 billion trust fund bailout.

The president's plan would further wreak havoc on the Highway Trust Fund's finances. His $320 billion in new spending would put the trust fund an additional $119 billion in the hole over the next 10 years (requiring a corresponding bailout), while increasing funding for non-federal priorities like mass transit. That the trust fund will require even larger bailouts in the future is apparently of little concern. Also problematically, the president continues his push to reclassify transportation programs as mandatory spending, thereby reducing congressional oversight by moving them completely out of the annual budget process.

Overall, the President's vision exacerbates the current big government approach to funding infrastructure. It continues to expand the federal government's role and misallocates even more taxpayer money to local matters and pipe-dreams like high speed rail. Instead of continuing this fiscally irresponsible top-down approach to transportation funding, the federal government should limit its role to national priorities while empowering states and localities—who are more accountable to taxpayers—to invest in the infrastructure that best fits their unique needs.

Michael Sargent, Research Associate

Federal Lands Should Be Returned to the States

The proposed budget includes "robust funding to support public lands." However, the federal government's land holdings already are greater than the areas of France, Spain, Germany, Poland, Italy, the United Kingdom, Austria, Switzerland, the Netherlands, and Belgium combined—approaching a third of the U.S. land mass (including Alaska and Hawaii. Federal land management agencies spend billions of taxpayer dollars each year on programs to improve the condition of federal lands, but many of these dollars never deliver tangible benefits. Land conservation should be devolved to the states, and no further appropriations should be made to the Land and Water Conservation Fund.

– Diane Katz, senior research fellow in regulatory policy

Unemployment Insurance Expansion for Job Training Would Hurt Workers' Wages

The administration's budget proposes a $5 billion unemployment insurance "modernization fund" to encourage states to expand their unemployment insurance programs. Among other reforms, the administration wants states to let workers collect unemployment insurance benefits while enrolled in government job training programs. This program would badly hurt most workers who participated in it.

The federal government provides similar benefits for workers who lose their jobs due to trade. Under "Trade Adjustment Assistance" these workers can collect unemployment insurance benefits and healthcare subsidies for up to a year and a half, as long as they also enroll in federally approved job training. The government wants to cushion the blow of job loss and help them retrain. Unfortunately the program has the opposite effect.

Mathematica evaluated how Trade Adjustment Assistance affects workers. They concluded it reduces their income by tens of thousands of dollars. The program encourages workers to spend years in job training programs. While enrolled they are neither working nor looking for work. But the training does not actually make participants more employable or raise their wages.

So when workers leave the program they never recover their forgone earnings. The unemployment insurance payments only make up a portion of those financial loses. Trade Adjustment Assistance participants would have been much better off outside the program and looking for work the whole time.

Government job training programs have a record of failure. If the administration wants to help workers it would not encourage them to waste time going through them.

– James Sherk, research fellow, labor economics

Obama Silent on Social Security

Back in 2013, the president offered a constructive solution to partially solve Social Security's shortfalls by using a more accurate measure of inflation—the Chained Consumer Price Index (CPI). Since backtracking on that proposal the very next year, the administration has offered no real solutions for Social Security's massive shortfalls.

With each year of inaction, reforming Social Security becomes more expensive. Since President Obama was elected, Social Security's shortfall (for the retirement, or OASI, program only) has almost doubled; from $6.6 trillion in 2008 to $12.2 trillion in 2014 (these figures include the 75-year unfunded obligation plus IOUs in the trust fund).

Not only has the president ignored Social Security's shortfalls – he made them worse by taking $150 billion from the Social Security Trust Fund to bail out the Disability Insurance program (the president actually wanted to take $330 billion, but Congress passed a $150 billion "reallocation"). Using Social Security money to pay for disability benefits weakens, instead of strengthens, Social Security for future beneficiaries who are on track to see automatic benefit cuts of 23 percent by 2034.

Social Security should be returned to its original purpose of preventing poverty among elderly individuals who are unable to work. Some ways to do that include: using the more accurate chained CPI for cost-of-living adjustments; raising the early and full retirement ages gradually and predictably; phasing in a flat benefit targeted to those most in need; and enabling greater private savings.

– Rachel Greszler, senior policy analyst, economics and entitlements

Defense

Once Again, National Defense is not a Budget Priority for Obama

Once again national defense is not a priority for Obama's budget.

But before we get to the numbers, let's remember what is going on in the world. North Korea just launched a rocket that is essentially an intercontinental ballistic missile (ICBM). They also just tested a nuclear weapon. Russia continues to occupy Crimea and is fighting a proxy war in eastern Ukraine. China is building illegal islands in the South China Sea while also vacuuming up America’s secrets via cyber-attacks. Iran continues to support terrorism and is seeking to build a nuclear weapons capability. And terrorism still poses a grave threat to the United States and our allies.

In this context, increasing U.S. spending on national defense should be a no brainer. Instead, the Obama administration wants to increase spending on everything else.

For fiscal year 2017, the Obama administration has proposed a base national defense budget of $551 billion. Let’s put that in perspective:

- The last bipartisan defense budget is from Secretary of Defense Robert Gates. For 2017, he proposed $649 billion.
- Last year’s Congressional budget proposed $574 billion for defense for 2017.
- Last year’s budget from the Obama administration proposed $573 billion for defense for 2017.
- And now, Obama is proposing $551 billion for defense for 2017.

In short, the defense budget is well below recent proposals and well below what the United States needs. But let’s look back further. For 2017, the national defense budget will be about 14.4 percent of total federal spending and about 3.1 percent of GDP.

- President Bill Clinton spent an average of 17 percent of the federal budget on national defense during his two terms. That is equivalent to spending $720 billion on defense for 2017.
- President Reagan spent an average of 26.7 percent of the federal budget on defense. In 2017 that would equal $1,131 billion (aka $1.1 trillion)!
- President Carter spent 23 percent of the federal budget on defense. That would be $974 billion in 2017.

All these comparisons show the relative priority that national defense receives today, regardless of world events and threats facing the United States. But to be clear, our nation’s investment in national defense should not be based simply on historical comparisons. Instead, it should be based on a clear-eyed analysis of interests, threats, and necessary capabilities. The 2016 Index of Military Strength found that the U.S. military is slipping, while threats are growing. Unfortunately, Obama’s 2017 defense budget will simply continue the decline in America’s military.