



Construction Industry Round Table

Business News

A force for positive change in the design / construction industry

3/15/13 – Budget Battles II [UPDATE]

As expected the long-awaited Senate Democrat budget proposal was finally unveiled this week with a trillion dollar tax increase and no real specifics as to spending reductions, while *still* projecting \$400-500 billion dollar deficits per year. Interestingly, the Democrat's proposal views the current tax code as "*wasteful spending*" when it contends their budget: "*Achieves \$975 billion in deficit reduction by closing loopholes and eliminating wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations.*" [Emphasis added]. But, it doesn't specify which loopholes will be closed so as to be able to measure where the supposed "savings" of \$975 billion will come from – and who will really have to pay the tab. As for hard choices when it comes to spending cuts, the document offers no specific reform to entitlement programs and makes general statements like "responsible savings across domestic spending" and trimming Medicare by "further realigning incentives throughout the system, cutting waste and fraud, and seeking greater engagement across the health care system." How this translates into hundreds of billions of dollars in savings is unclear (especially when the sequestration's smaller amounts have created such anguish within the Democrat ranks that their budget will replace all the required cuts already in the law and adds another \$100 billion stimulus plan).

Those analyzing the Democrat proposal find some gaps in the budget to the extent that the Senate version uses a different baseline for current expenditures to amass a \$47.2 trillion level of spending over 10-years, while the House baseline puts it at a lower figure of \$46.1 (based on the recent sequestration cuts, etc.) . As a result, the Senate's proposed budget of \$46.4 trillion (over 10-years) claims a savings; when in reality, if the current law really places the baseline at \$46.1 trillion, the Senate budget is actually an *increase* in overall spending! It is probably magnanimous to say: the Senate proposal is more a political than a financial document.