FISCAL YEAR 2009

Mid-Session Review

Budget of the U.S. Government

OFFICE OF MANAGEMENT AND BUDGET

MID-SESSION REVIEW

BUDGET OF THE UNITED STATES GOVERNMENT

FISCAL YEAR 2009

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

THE DIRECTOR

July 28, 2008

The Honorable Nancy Pelosi
Speaker of the House
of Representatives
Washington, DC 20510

Dear Madame Speaker:

Section 1106 of Title 31, United States Code, requests that the President transmit to the Congress a supplemental update of the Budget that was transmitted to the Congress earlier in the year. This supplemental update of the Budget, commonly known as the Mid-Session Review, contains revised estimates of receipts, outlays, budget authority, and the budget deficit or surplus for fiscal years 2008 through 2013.

Sincerely,

Jim Nussle
Director

Enclosure

Identical Letter Sent to the President of the Senate

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. All totals in the text and tables include both on-budget and off-budget spending and receipts unless otherwise noted.
3. Details in the tables and text may not add to totals due to rounding.
4. Web address: *http://www.budget.gov/budget*

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SUMMARY

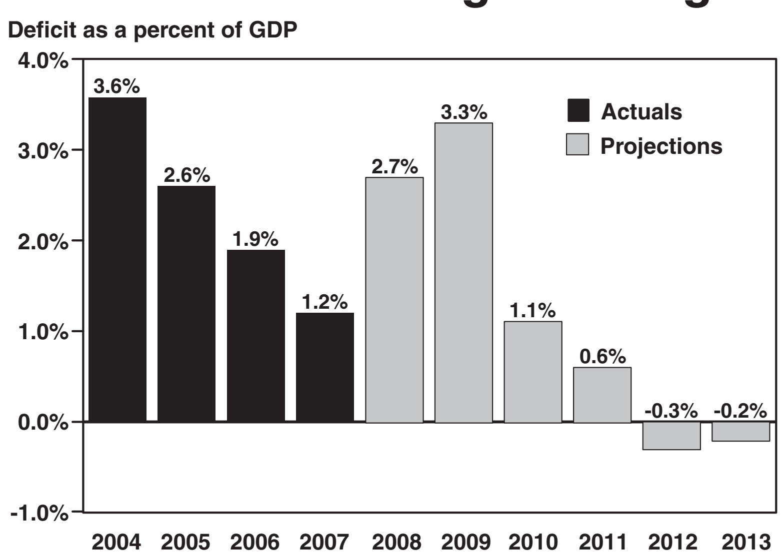
The Mid-Session Review updates the Administration's estimates of Government receipts, outlays, and deficits or surpluses to reflect economic, legislative, and other changes since the President's Budget was released in February. For 2008, the budget deficit is now estimated to be $389 billion, $21 billion lower than estimated in February. At 2.7 percent of gross domestic product (GDP), the 2008 deficit is projected to be only slightly above the average of the past 40 years, 2.4 percent of GDP. Excluding the tax rebates and other provisions in the enacted bipartisan economic stimulus package, the 2008 deficit would be only 1.9 percent of GDP. Although projected to rise to $482 billion or 3.3 percent of GDP in 2009, the deficit is still projected to be below the recent peak of 3.6 percent of GDP in 2004. The deficit is projected to fall sharply after 2009, with the deficits in 2010 and 2011 only slightly higher than projected in February. These projected deficits are both manageable and temporary if spending is kept in check, the tax burden remains low, and the economy continues to grow. Last year, the President announced a goal of balancing the budget by 2012; and, with the President's pro-growth economic policies and commitment to fiscal restraint, the budget remains on track to attain balance by 2012.

PROMOTING ECONOMIC GROWTH

Since he took office, the President has worked to promote economic growth and provide opportunity to all Americans. Beginning with his first tax relief package enacted in 2001 and continuing through six additional significant tax relief packages enacted during his terms in office, the President has successfully promoted low-tax, pro-growth economic policies. Recently, the President worked with Congress to enact legislation that provides one-time tax rebate payments to households and temporary investment tax incentives to businesses in an effort to help ensure the recent economic slowdown is both mild and short-lived. This bipartisan legislation, the Economic Stimulus Act of 2008, provides an immediate stimulus to the Nation's economy of over $150 billion, or more than one percent of GDP.

Despite the recent slower economic growth associated with the declines in housing markets, disruptions in credit markets, and in-

Chart 1. Balancing the Budget



creases in food and energy prices, the Nation's economy has continued to expand and remains fundamentally resilient. The U.S. economy is the largest and most diverse national economy in the world and has been bolstered by a low-tax environment, liberalized international trade and growing exports, a relatively low rate of underlying inflation, and sustained growth in labor productivity.

Exports of goods and services have accounted for more than 40 percent of the Nation's economic growth over the past year, growing more than 9 percent in real, inflation-adjusted terms over the four quarters ending in March of this year. Representing over 12.5 percent of GDP, exports now account for a greater share of the Nation's output than at any time in history. The contribution from the improving U.S. international trade position has offset much of the negative effects on growth from declines in residential investment.

Although food and energy prices have increased significantly over the past year, the underlying rate of inflation has been relatively low by historical standards. Excluding volatile food and energy prices, the consumer price index increased a modest 2.4 percent over the 12-month period ending in June. Including food and energy, the overall price index rose 5.0 percent. Although higher for this year than anticipated in February, the overall rate of inflation is expected to return to lower rates in later years as projected in the February Budget.

The Nation's labor productivity growth remains relatively strong by historical standards despite the recent economic slowdown and the changes in the near-term economic outlook. Ongoing improvements in labor productivity, which reflect efficiency gains of the labor force, are fundamental to long-term economic growth and sustained increases in the Nation's standard of living. Since the President took office, productivity growth has averaged 2.6 percent per year, which is greater than the averages for each of the past three decades.

Even with its fundamental flexibility and resilience, the Nation's economy is not immune to adverse shocks; economic performance clearly has been negatively affected by recent challenges. Nonetheless, the tax rebate payments and business investment tax incentives of the stimulus legislation are expected to help support economic performance this year, and the economy is expected to return to stronger growth in coming years.

PROVIDING TAX RELIEF FOR ALL AMERICANS

The President's major tax relief proposals enacted during his terms in office reflect a commitment to rewarding hard work and prudent risk-taking. These provisions have allowed Americans to keep more of their hard-earned money and encouraged businesses to make additional investments. Because of the President's efforts, workers and businesses saved $1.3 trillion in taxes by the end of calendar year 2007. The enacted tax relief has led to reductions in every marginal income tax rate, the marriage tax penalty, and the capital gains and dividend tax rates; the creation of a new low ten percent income tax bracket; a doubling of the child tax credit; reductions in and the eventual elimination of the death tax; and increases in small business investment incentives. More than six million individuals and families will see their income tax liabilities completely eliminated this year.

The President's tax relief has been good for individual Americans and good for the economy. However, it is set to expire at the end of 2010. If Congress does not extend these tax relief provisions, Americans can expect to pay an additional $280 billion per year in taxes. One hundred sixteen million taxpayers will face an increase in their taxes if Congress does not act, with the average increase expected to be $1,800. Nearly 50 million married couples will see a tax increase of more than $3,000, on average, if the marriage penalty is reinstated. Forty-three million families with children will face tax increases averaging $2,300. Seniors and single women will also be forced to pay higher taxes, with 18 million seniors and 12 million single women facing increases averaging $2,200 and $1,100, respectively.

The President's tax relief has benefitted businesses as well as individuals. If the tax relief provisions are not extended, approximately 27 million small business owners will face an average $4,000 tax increase. Lower capital gains and dividend tax rates and incentives for small business investment are necessary to strengthen the economy. The President urges the Congress to extend permanently all of his tax relief proposals. The sooner these provisions are extended, the sooner the uncertainty will be eliminated for financial markets and the sooner small businesses and families will be able to plan with confidence for the future.

In passing the Economic Stimulus Act of 2008, the Administration and Congress worked together in a bipartisan manner to achieve results for the American people. The bipartisan growth package delivered stimulus payments directly to individuals, averaging more than $800 per payment and providing Americans with additional money for their families. In addition, the growth package provides temporary tax incentives for investment, reducing the cost for businesses to increase their production capacity. This package should bolster the economy in the short run, helping to reduce the adverse effects of the recent economic slowdown.

ENSURING FISCAL DISCIPLINE

The President's fiscal policy approach has focused on pro-growth economic policies and fiscal restraint. As noted above, the President's tax relief policies have promoted economic growth and rewarded hard-working Americans. The President's policies of spending restraint have held down the growth in spending in the face of significant fiscal pressures on the Government over the past seven and a half years as a result of the September 11th terrorist attacks, the ensuing Global War on Terror, Hurricane Katrina, and increasing entitlement costs. These challenges came on top of significant underfunding in national security, an inherited recession, and an economy built on a high-tech bubble. The President's tax relief and other pro-growth policies worked to strengthen the economy, and the resulting revenue growth helped drive down the deficit substantially over the last three years. Yet, as a result of the recent slowdown in economic activity and the subsequent bipartisan economic growth package, deficits for this year and next year are projected to increase. Despite myriad fiscal pressures, the President is committed to policies that restrain Federal spending and balance the budget by 2012.

In February, the President proposed to impose strict constraints on non-security discretionary spending and address the rapid rate of growth in entitlement spending. Specifically, the President proposed to eliminate or reduce 151 unnecessary or duplicative programs totaling $18 billion and to hold the growth in non-security spending to below one percent for 2009. This reduction in non-security discretionary spending is especially dramatic given that this category of spending was growing at an annual rate of 16.6 percent during the final year of the Clinton Administration. In addition, the President proposed reasonable reforms to entitlement spending, including Medicare, Medicaid, the Pension Benefit Guaranty Corporation, Social Services Block Grants, the Perkins loan program, and the Disability Insurance program. During his tenure, the President has repeatedly offered sensible proposals to reduce growth in the automatic spending that now accounts for almost two-thirds of the budget and continues to grow faster than the economy and faster than the Nation's ability to pay for it.

The 2008 Supplemental Appropriations Act, signed by the President on June 30, provides U.S. troops in Iraq and Afghanistan with the resources they need to fight the Global War on Terror. In addition, it enhances the educational benefits available to service members by permitting members to transfer unused benefits to spouses and children, as proposed by the President. The Supplemental Appropriations Act also provides funding to replenish disaster relief accounts that were used to fund relief from flooding in the Midwest. Most importantly, the supplemental appropriations stayed within the President's discretionary spending thresholds.

While the Congress has successfully completed action on an economic growth package and supplemental appropriations, its action in other areas of fiscal policy is discouraging. The Congressional Budget Resolution adopted by the Congress for the next fiscal year would increase appropriations made in 2009 by $25 billion and allow an increase of $209 billion over five years above the President's Budget. In addition, the Resolution fails to address the unsustainable growth in entitlement programs. The President urges Congress to adopt the proposals he made in February that begin to address the large and growing entitlement challenge.

MID-SESSION UPDATE

The most significant changes to the Government receipt, outlay, and deficit estimates for this Mid-Session Review are the result of the recent economic slowdown and changes in the economic outlook since the Budget was released. The estimates have been revised to reflect, among other things, the economic stimulus package and other legislation enacted since February, higher inflation, and more modest expectations regarding economic growth.

Changes in Receipts

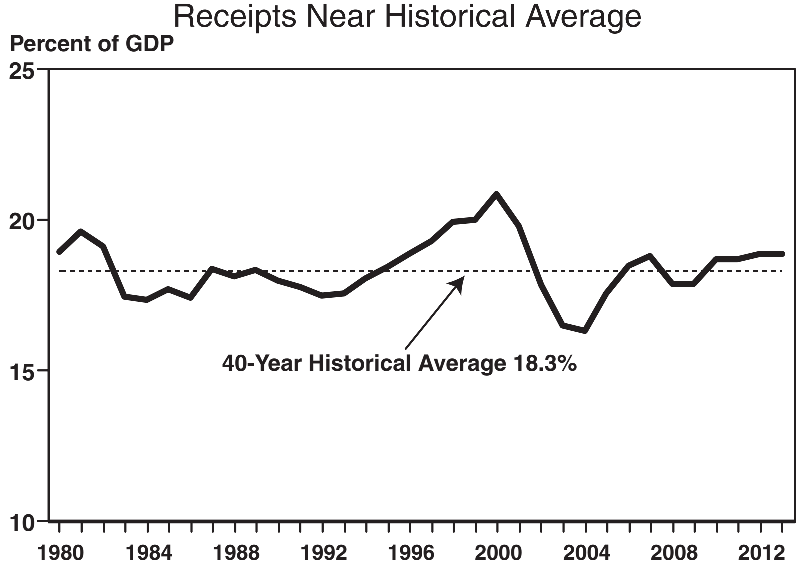
Receipts for 2008 are now projected to be \$2.553 trillion, \$32 billion higher than projected in February and close to the strong receipt showing witnessed in 2007. At 18.8 percent of GDP, 2007 receipts were above the 40-year historical average of 18.3 percent. Last fiscal year marked the third year in a row in which receipts grew faster than GDP. It followed two years of double-digit growth in receipts in 2005 and 2006: 14.5 percent in 2005 and 11.8 percent in 2006.

For the first nine months of the current fiscal year, receipts were about the same as they were during the first nine months of last fiscal year. Individual income tax receipts came in slightly lower than last year, including the effect of the refunds provided in the stimulus act, and corporate income tax receipts came in lower as well. For the fiscal year as a whole, receipts are now estimated to be slightly lower than last year. As a result, 2008 receipts are projected to be 17.9 percent of GDP, slightly less than the 40-year historical average.

Receipts for 2008 are projected to exceed the February estimate primarily because of the budgetary treatment of the economic stimulus package. The President's Budget contained an allowance for the stimulus package, which was shown as a reduction in receipts of \$125 billion in 2008 and \$20 billion in 2009. The stimulus legislation that was enacted in February affects both receipts and outlays, reducing receipts by \$83 billion in 2008 and \$32 billion in 2009, and increasing outlays by \$33 billion in 2008 and \$6 billion in 2009. The enacted stimulus package has almost the same effect on the deficit

Chart 2. Americans are Not Under-Taxed

Receipts Near Historical Average



as the President's allowance, but the effect on receipts in 2008 is lower than what was shown in the Budget, resulting in an upward revision in the 2008 receipts projection.

Receipts for 2009 are projected to be $49 billion lower than estimated in February because of the stimulus package and because of revised economic assumptions. The Mid-Session Review assumes more modest near-term economic growth than was assumed in the President's Budget. The effect of more modest growth also appears in 2010, when receipts are projected to be $16 billion lower than projected in February. Even though the annual levels of nominal GDP are projected to remain lower in 2011 through 2013 than the levels assumed in February, reducing growth in receipts, these reductions are expected to be more than offset by projected increases in receipts resulting from other factors. As a result, receipts for the 2011-2013 period are projected to be slightly higher than projected in February.

On average over the five-year budget window of 2009 through 2013, receipts are now projected to be 18.6 percent of GDP, slightly above the 40-year historical average of 18.3 percent.

Changes in Outlays

Outlays for 2008 are projected to be $2.942 trillion, $11 billion higher than projected in February. Legislative action increases outlays by $39 billion, due to the outlay effect of the rebate payments from the stimulus act, as discussed above, and to the cost of the extended unemployment insurance benefits enacted in the Supplemental Appropriations Act. Revisions in estimates for economic and technical factors reduce 2008 outlays by $28 billion. The largest reductions are for interest outlays on debt held by the public, reflecting lower-than-expected interest rates, and slower rates of spending from discretionary appropriations. Equal to 20.7 percent of GDP, 2008 outlays are projected to be close to the 40-year historical average of 20.6 percent.

Outlays for 2009 are projected to be $26 billion higher than projected in February. Outlays for 2010 are projected to be about the same as projected in February, but outlays in 2011 through 2013 are projected to be from $8 billion to $16 billion higher in each year than projected in February. The outlay increases in the outyears result primarily from the enhanced veterans' education benefits in the 2008 Supplemental Appropriations Act and higher-than-expected annual

Chart 3. Federal Outlays in 2008

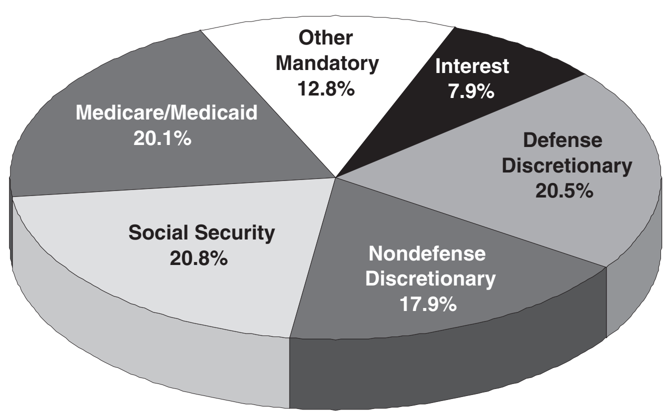
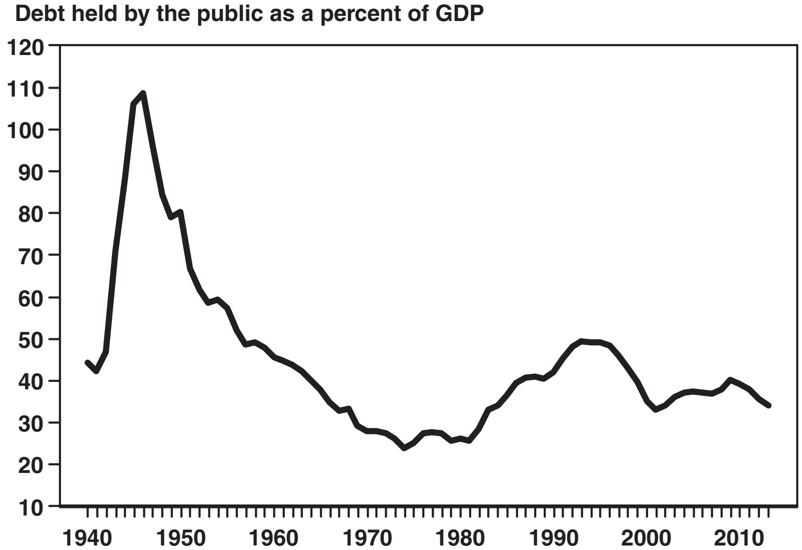


Chart 4. Declining Federal Debt



cost-of-living adjustments for Social Security and other benefit programs.

The Deficit Outlook

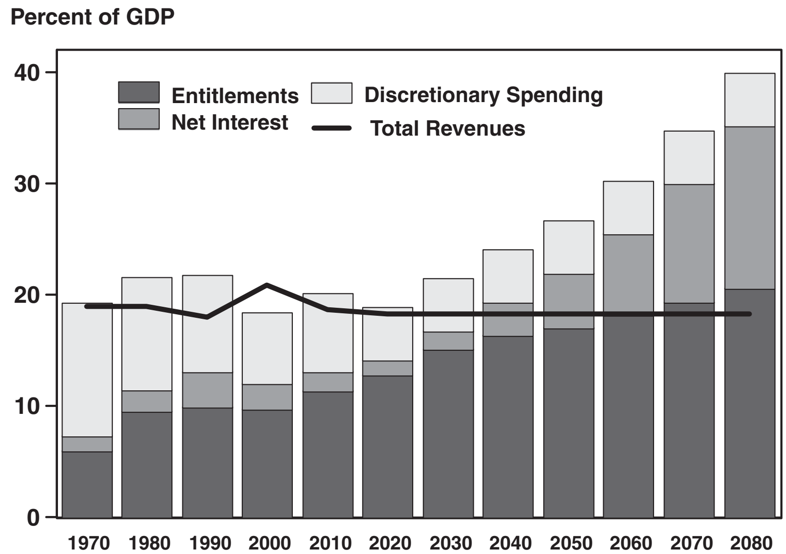
For 2008, the deficit is projected to be $389 billion, $21 billion lower than projected in February. The revised deficit estimate results primarily from changes in economic and technical assumptions. This estimate includes $117 billion from individual rebates and other effects of the enacted economic stimulus legislation, without which the deficit would have been $272 billion. As a percent of GDP, the 2008 deficit is projected to be 2.7 percent, slightly above the 40-year historical average of 2.4 percent of GDP. Without the effects of the economic stimulus package, the deficit for 2008 would have been lower than the historical average, at 1.9 percent of GDP.

For 2009 through 2011, the deficits are projected to be higher than projected in February—$74 billion higher in 2009, $18 billion higher in 2010, and $9 billion higher in 2011. These increases are due largely to revised economic and technical assumptions, and, in particular, more modest economic growth and higher cost-of-living adjustments. In addition to revised assumptions, the economic stimulus package and the Supplemental Appropriations Act are projected to have a negative impact on the 2009 deficit estimate.

As a percent of GDP, the 2009 deficit is projected to be 3.3 percent. The deficit is projected to fall to 1.1 percent of GDP in 2010, to continue falling to 0.6 percent of GDP in 2011, and to reach balance in 2012. With the adoption of the President's proposed policies and assuming the economic slowdown is both mild and temporary, the budget is projected to generate surpluses equal to 0.3 and 0.2 percent of GDP in 2012 and 2013, respectively.

Over the past 20 years, debt held by the public has ranged from 33 to 49 percent of GDP, and over the past 40 years, it has averaged 35.6 percent. At the end of 2007, debt held by the public was $5.0 trillion, or 36.8 percent of GDP, down from 37.1 percent in 2006. The deficits for 2008 and 2009 are expected to increase the debt, as a share of GDP, to 38.0 percent and 40.2 percent, respectively. After 2009, falling deficits and a return to surplus will reduce the debt as a share of GDP, with the debt in 2013 projected to be 34.0 percent of GDP.

Chart 5. Unsustainable Growth in Entitlements



ADDRESSING FUTURE FISCAL CHALLENGES

While the projected near-term budget deficits are temporary and manageable, longer-term projections of the budget under current law show rising Federal budget deficits that are not sustainable. This year, the first of the Nation's 78 million baby boomers became eligible for early retirement benefits under Social Security. In three years, these same individuals will become eligible for Medicare. As the baby boomers begin to retire *en masse*, the cost of Social Security, Medicare, and Medicaid will increase sharply. In addition, today's retired Americans are living longer than previous generations of retirees, putting additional cost pressures on these three programs. Furthermore, if health care costs continue to grow at a rate that exceeds the rate of growth in the economy, as they have since 1960, the costs for Medicare and Medicaid will become unsustainable.

As the share of the population that is working declines relative to the share of the population that is retired, these increased entitlement costs will have to be borne by a relatively smaller working population. Without meaningful changes to Social Security, Medicare, and Medicaid, these three programs are likely to exert unsustainable pressure on Federal spending over the next several decades and leave policymakers with bad choices: higher taxes, benefit cuts, or increased debt.

Long-term projections of spending on all Government programs and interest on Government debt show that by 2080, the budget deficit could reach 22 percent of GDP if taxes are assumed to remain at their 40-year historical average of 18.3 percent of GDP and entitlement spending remains as specified under current law. In addition, such deficits could lead to unsustainable levels of Government borrowing with debt held by the public projected to reach nearly 300 percent of GDP by 2080. This would be greater than any level of borrowing on record in the Nation's history, even after World War II, when borrowing reached nearly 110 percent of GDP. Before any such unprecedented level of borrowing were to occur, there would likely be a crisis of confidence among potential U.S. creditors and a significant reduction in the amount of credit available to the Government. The President urges Congress to act on the reasonable proposals he made in February to begin the much-needed process of reforming these important entitlement programs.

Table 1. CHANGES FROM THE FEBRUARY BUDGET

(In billions of dollars)

	2008	2009	2010	2011	2012	2013	2009-2013
2009 February Budget deficit	–410	–407	–160	–95	48	29	
Percent of GDP	–2.9%	–2.7%	–1.0%	–0.6%	0.3%	0.2%	
Enacted legislation and policy changes:							
Economic Stimulus Act	8	–18	3	–*	–1	–*	–15
2008 Supplemental Appropriations Act	–7	–18	2	–7	–8	–8	–37
Farm bill	*	*	–2	–2	6	–9	–6
Other legislation and policy changes[1]	1	–*	–*	–1	–2	–3	–6
Subtotal, policy changes	2	–36	3	–9	–4	–19	–65
Economic and technical reestimates:							
Receipts	–10	–38	–20	6	13	16	–22
Discretionary programs	9	–6	1	–3	–1	–2	–11
Mandatory:							
Social Security and other indexed benefit programs	–*	–13	–17	–17	–17	–17	–80
Medicare and Medicaid	3	1	2	5	3	5	16
Unemployment compensation	–5	–8	–6	–3	–2	–1	–21
Deposit insurance	–4	–12	–5	1	5	6	–5
OCS receipts	7	5	7	8	7	7	34
Other	7	–1	–5	–6	–2	–1	–15
Total mandatory	7	–28	–23	–12	–6	–1	–71
Net interest[2]	12	33	21	10	8	6	78
Subtotal, economic and technical reestimates	19	–39	–21	1	14	19	–26
Total, changes	21	–74	–18	–9	10	–*	–91
Mid-Session Review deficit	–389	–482	–178	–103	58	29	
Percent of GDP	–2.7%	–3.3%	–1.1%	–0.6%	0.3%	0.2%	

* $500 million or less.

[1] Includes debt service on all policy changes.

[2] Includes debt service on all reestimates.

ECONOMIC ASSUMPTIONS

At mid-year 2008 the U.S. economy has continued to expand, but growth has slowed as a result of the sharp housing decline, disruptions in financial markets, and high energy prices.[1] Nonetheless, the ongoing growth in the face of these shocks continues to testify to the fundamental resilience of the U.S. economy. In addition, Federal Reserve monetary policy actions and the timely passage of the Economic Stimulus Act of 2008 are helping to give the economy a needed boost. The Administration's pro-growth policies—including maintained tax relief, the promotion of innovative technologies, and pursuit of liberalized international trade—help to establish a sound foundation for a return to faster growth in the future.

The Administration expects that the rebound to stronger growth over the next five years will provide a basis for sustained increases in tax receipts. In recent years, the expansion of the economy helped generate dramatic increases in Federal receipts and lower Federal budget deficits. Estimates for 2008 suggest, however, that receipts are likely to decline slightly this year because of the combined effects of the slowdown in the economy and the income tax rebates provided by the Economic Stimulus Act. Returning the budget to a sustainable path toward balance by 2012 will require solid economic growth and continued spending restraint.

ECONOMIC PROJECTIONS

The Administration's economic projections are based on information available as of early June 2008. The projections are summarized in Table 2, and a comparison with the Blue Chip consensus (an average of about 50 private sector forecasts) is shown in Table 3. For 2008, the projected 1.6 percent rate of real GDP growth matches that of Blue Chip, but the Administration envisions a stronger rebound in 2009–2011 than the Blue Chip shows.

Real Gross Domestic Product (GDP) and the Unemployment Rate: Because of the slower rate of growth in recent quarters, real GDP is expected to increase only 1.6 percent this year, but it is projected to rise by 2.2 percent in 2009 and to reach a strong 3.4 percent growth rate in 2010–2011. Beyond the next three years, real GDP growth is projected to moderate, declining gradually to a 3.1 percent rate in 2012 and 2.9 percent in 2013 as labor force growth slows with the aging of the work force.

Because of the recent slower economic growth, the labor market is likely to remain sluggish for a period of time before returning to better performance. The unemployment rate is projected to average 5.6 percent in 2009, up from 5.3 percent in 2008 and 4.6 percent in 2007. With a return to stronger growth, the unemployment rate is expected to decline to an annual average of 4.8 percent by 2012.

Inflation: Inflation has increased in recent years, in large part because of surging food and energy prices, and continued rapid increases in these prices contributed to 5 percent inflation in the first half of 2008. If food and energy prices stabilize as expected, the inflation rate should decline. Core inflation, excluding food and energy prices, has remained relatively stable at around 2.3 percent per year, and higher unemployment will put downward pressure on inflation in 2009. On a year-over-year basis, the consumer price index (CPI) is projected to increase 3.8 percent this year and then to rise by 2.3 percent in 2009 and 2.2 percent in 2010 before settling in on a 2.3 percent growth rate in 2011–2013. Growth in the GDP price index is projected to be 2.2 percent in 2008 and 2009, 2.1 percent in 2010, and 2.0 percent in 2011 and beyond. These projections are consistent with well-contained inflation expectations and the Federal Reserve's stated intention to keep inflation under control.

Interest Rates: The Administration's projections for interest rates are based largely on financial market data and private market expectations at the time that the forecast was developed in early June. The 3-month Treasury bill rate is expected to average 1.9 percent in 2008 and then to rise to 4.1 percent by 2011. The yield on the 10-year Treasury note is projected to average 4.0 percent in 2008

[1] Economic performance is discussed in terms of calendar years. Budget figures are in terms of fiscal years.

and then to rise to 5.3 percent by 2012. At that point, projected real interest rates would be close to their historical averages given the projected rate of inflation.

Incomes and Income Shares: Labor compensation—consisting of wages and salaries and employee fringe benefits such as employer-provided insurance and pensions—is projected to rise relative to the size of the economy,

Table 2. ECONOMIC ASSUMPTIONS[1]

(Calendar years; dollar amounts in billions)

	2007 Actual	Projections					
		2008	2009	2010	2011	2012	2013
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars	13,841	14,370	15,007	15,850	16,730	17,585	18,457
Real, chained (2000) dollars	11,567	11,751	12,010	12,423	12,849	13,241	13,624
Chained price index (2000 = 100), annual average	119.7	122.3	125.0	127.6	130.2	132.8	135.5
Percent change, fourth quarter over fourth quarter:							
Current dollars	5.1	3.5	5.1	5.7	5.4	5.1	4.9
Real, chained (2000) dollars	2.5	1.2	2.9	3.5	3.3	3.0	2.8
Chained price index (2000 = 100)	2.6	2.3	2.1	2.1	2.0	2.0	2.0
Percent change, year over year:							
Current dollars	4.9	3.8	4.4	5.6	5.5	5.1	5.0
Real, chained (2000) dollars	2.2	1.6	2.2	3.4	3.4	3.1	2.9
Chained price index (2000 = 100)	2.7	2.2	2.2	2.1	2.0	2.0	2.0
Incomes, billions of current dollars:							
Corporate profits before tax	1,877	1,694	1,890	1,950	1,958	1,971	2,019
Wages and salaries	6,366	6,643	6,979	7,369	7,791	8,187	8,585
Other taxable income[2]	3,055	3,199	3,329	3,499	3,636	3,766	3,937
Consumer Price Index (all urban):[3]							
Level (1982-84 = 100), annual average	207.3	215.2	220.2	225.0	230.1	235.4	240.8
Percent change, fourth quarter over fourth quarter	4.0	3.1	2.2	2.2	2.3	2.3	2.3
Percent change, year over year	2.9	3.8	2.3	2.2	2.3	2.3	2.3
Unemployment rate, civilian, percent:							
Fourth quarter level	4.8	5.5	5.5	5.1	4.9	4.8	4.8
Annual average	4.6	5.3	5.6	5.3	5.0	4.8	4.8
Federal pay raises, January, percent:							
Military[4]	2.7	3.5	3.4	NA	NA	NA	NA
Civilian[5]	2.2	3.5	2.9	NA	NA	NA	NA
Interest rates, percent:							
91-day Treasury bills[6]	4.4	1.9	2.8	3.9	4.1	4.1	4.1
10-year Treasury notes	4.6	4.0	4.6	4.9	5.2	5.3	5.3

NA = Not Available

[1] Based on information available as of early June 2008.

[2] Rent, interest, dividend, and proprietors' income components of personal income.

[3] Seasonally adjusted CPI for all urban consumers.

[4] Percentages apply to basic pay only; percentages to be proposed for years after 2009 have not yet been determined.

[5] Overall average increase, including locality pay adjustments. Percentages to be proposed for years after 2009 have not yet been determined.

[6] Average rate, secondary market (bank discount basis).

while the share of corporate profits declines. Profits have been unusually high in recent years, and the share of compensation has been below its long-run average. During the projection period, labor compensation is expected to catch up with the rising productivity trend and return to its historical average relative to GDP. The wage share in GDP is also expected to rise from its recent low level, but less than for total compensation because the share of employee benefits in total compensation is expected to increase further, holding down the expected rise in wages and salaries.

FORECAST COMPARISONS

Table 3 compares the Mid-Session Review (MSR) economic assumptions with those from the 2009 Budget and from the July Blue Chip consensus. While the Administration forecast generally assumes that the President's budget policies will be enacted as proposed, private forecasters use their own assumptions about fiscal policy.

In the medium term, the Administration's economic forecast for the MSR is similar to the forecast in the 2009 Budget published in Feb-

Table 3. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar Years)

	Projections					
	2008	2009	2010	2011	2012	2013
Nominal GDP (in billions of dollars):						
MSR	14,370	15,007	15,850	16,730	17,585	18,457
2009 Budget	14,480	15,215	15,987	16,782	17,603	18,462
Blue Chip Consensus	14,391	14,979	15,742	16,545	17,371	18,222
Real GDP:[1]						
MSR	1.6	2.2	3.4	3.4	3.1	2.9
2009 Budget	2.7	3.0	3.0	2.9	2.8	2.8
Blue Chip Consensus	1.6	1.7	2.9	2.9	2.8	2.7
Consumer Price Index:[1]						
MSR	3.8	2.3	2.2	2.3	2.3	2.3
2009 Budget	2.7	2.1	2.3	2.3	2.3	2.3
Blue Chip Consensus	4.2	2.9	2.3	2.3	2.3	2.3
Unemployment Rate:[2]						
MSR	5.3	5.6	5.3	5.0	4.8	4.8
2009 Budget	4.9	4.9	4.8	4.8	4.8	4.8
Blue Chip Consensus	5.4	5.9	5.1	5.0	4.9	4.8
Interest Rates:[2]						
91-Day Treasury Bills:						
MSR	1.9	2.8	3.9	4.1	4.1	4.1
2009 Budget	3.7	3.8	4.0	4.1	4.1	4.1
Blue Chip Consensus	1.9	2.5	4.3	4.3	4.4	4.4
10-Year Treasury Notes:						
MSR	4.0	4.6	4.9	5.2	5.3	5.3
2009 Budget	4.6	4.9	5.1	5.2	5.3	5.3
Blue Chip Consensus	3.9	4.4	5.1	5.1	5.2	5.2

MSR = Mid-Session Review

Sources: Chapter 12, "Economic Assumptions" of *Analytical Perspectives*, FY 2009 Budget; July 2008 Blue Chip Economic Indicators, Aspen Publishers, Inc. for 2008 and 2009; March 2008 Blue Chip Economic Indicators for 2010–2013.

[1] Year-over-year percent change.

[2] Annual averages, percent.

ruary. The most significant difference is that real GDP growth for 2008 is now expected to be 1.6 percent on a year-over-year basis compared to 2.7 percent in the Budget. In 2009, real growth is also lowered to 2.2 percent compared with 3.0 percent in the 2009 Budget. The lower growth forecast results in higher unemployment than previously projected. Following this period of slow growth, a catch-up is projected for 2010–2011 which exceeds the growth rates for those years in the 2009 Budget. The unemployment rate is higher in the current projections compared with the Budget for the next few years, but it returns to the same 4.8 percent average in the long run. Also of note, inflation is higher for 2008, but the long-run projections are the same. The interest rate projections are lower in the near term but also return to the same long-run levels as in the Budget.

SUMMARY

The economic news since the Budget was issued has been mixed. Economic growth slowed late last year and remains subdued so far in 2008. The housing slump, tighter conditions in credit markets, and continuing energy price shocks have cut into the expected growth rate. Even though inflation has been boosted by higher energy prices, the long-run inflation outlook remains favorable if energy prices stabilize. The Mid-Session Review economic forecast projects a return to stronger economic growth and to low and stable inflation in 2009 and subsequent years. With these changes, interest rates on Treasury securities are likely to rise somewhat, and healthy job creation and real wage growth are expected to resume.

RECEIPTS

The current estimate of receipts for 2008 exceeds the February Budget estimate by $32 billion. The current estimates for 2009 and 2010 are below the February Budget estimates by $49 billion and $16 billion, respectively, and the current estimates for 2011 through 2013 exceed the February Budget estimates, resulting in receipts that are $28 billion lower than the February Budget estimates over the five-year period, 2009 through 2013. These changes are the net effect of revised economic assumptions, technical reestimates, enacted legislation, and revisions in the Administration's proposals.

Revised economic assumptions and technical reestimates reduce receipts by $21 to $25 billion in 2008 through 2010, reduce receipts modestly in 2011, and increase receipts in 2012 and 2013. Lower-than-expected collections of corporation income taxes are primarily responsible for the net decrease in 2008 receipts. This reduction in corporation income taxes is in large part attributable to lower-than-expected corporation income tax liability in 2007 and 2008, as reflected in collection experience since February. The downward revisions for 2009 through 2011 reflect increases in individual income taxes that are more than offset by reductions in all other sources of receipts, primarily corporation income taxes and social insurance and retirement receipts. For 2012 and 2013, increases in both individual income taxes and corporation income taxes more than offset the reductions in all other sources of receipts, resulting in an upward revision in receipts. The increases in individual income taxes in each year are pri-

Table 4. CHANGE IN RECEIPTS

(in billions of dollars)

	2008	2009	2010	2011	2012	2013	2009–2013
February estimate	2,521.2	2,699.9	2,931.3	3,076.4	3,269.9	3,428.2	
Changes due to:							
Economic assumptions and technical reestimates:							
Individual income taxes	9.0	21.5	7.3	15.0	16.0	16.0	75.8
Corporation income taxes	–27.0	–19.8	–10.8	–5.3	0.6	4.5	–30.8
Social insurance and retirement receipts	–9.0	–16.8	–10.3	–6.5	–6.3	–6.7	–46.6
Other sources of receipts	2.4	–7.8	–7.3	–6.2	–5.9	–5.8	–32.9
Subtotal, economic assumptions and technical reestimates	–24.6	–22.9	–21.1	–3.0	4.3	8.1	–34.5
Policy:							
Economic stimulus:							
Economic Stimulus Act	–83.4	–32.0	13.0	7.9	5.4	4.0	–1.6
Less February allowance for economic growth package	125.0	20.0	–10.0	–8.0	–6.0	–4.0	–8.0
Net effect of Economic Stimulus Act	41.7	–12.0	3.0	–0.1	–0.6	–0.0	–9.6
Other enacted legislation	–0.3	1.0	1.7	1.3	5.1	–4.7	4.4
Economic and technical revisions in proposals	15.0	–14.7	0.8	9.4	9.1	7.4	12.0
Subtotal, policy	56.3	–25.7	5.6	10.7	13.6	2.7	6.9
Total change	31.8	–48.6	–15.5	7.7	17.9	10.8	–27.7
Mid-session estimate	2,552.9	2,651.4	2,915.8	3,084.1	3,287.8	3,439.0	

marily the net effect of increases attributable to revisions in estimating models to reflect current collection experience that are partially offset by downward revisions in wages and salaries and proprietors' income. Downward revisions in wages and salaries and proprietors' income—the tax base for Social Security and Medicare payroll taxes—are in large part responsible for the reductions in social insurance and retirement receipts in each year. The reductions in corporation income taxes in 2009 through 2011 are the combined effect of downward revisions in taxable profits and downward revisions attributable to new tax and collections data used in the estimating models that were not available at the time the budget estimates were made. In 2012 and 2013, upward revisions in taxable profits more than offset the reductions attributable to revisions in the estimating models, resulting in a net increase in corporation income taxes.

Policy changes since February, which include legislated tax changes and revisions in the Administration's proposals, increase receipts by $56 billion in 2008, reduce receipts by $26 billion in 2009, and increase receipts by $3 to $14 billion in 2010 through 2013. The February Budget included an allowance for a proposed economic growth package that provided $125 billion in tax relief in 2008, $20 billion in tax relief in 2009, and tax increases of $4 to $10 billion in 2010 through 2013. Congress acted quickly in a bipartisan manner, and the Economic Stimulus Act of 2008 was signed by President Bush on February 13, 2008. The stimulus provided by the enacted legislation was similar in size to the President's proposal, but a portion of the stimulus—payments to U.S. territories and payments in excess of tax liability—was provided as outlays rather than refunds of receipts. The tax rebates to certain individuals and incentives for business investment in this act reduce receipts by $83 billion in 2008, reduce receipts by $32 billion in 2009, and increase receipts by $4 to $13 billion in 2010 through 2013. Relative to the economic growth package proposed in the February Budget, this act increases receipts by $42 billion in 2008, reduces receipts by $12 billion in 2009, and reduces receipts by a net $10 billion over the five-year period, 2009 through 2013. Other legislation enacted since February that affects receipts includes the Andean Trade Preference Extension Act of 2008, the Heroes Earnings Assistance and Relief Tax Act of 2008, the 2008 Supplemental Appropriations Act, and the Food, Conservation, and Energy Act of 2008. Together, these legislated tax changes reduce receipts by less than $1 billion in 2008 and increase receipts by a net $4 billion over the five years, 2009 through 2013, relative to similar proposals in the February Budget.

Revisions in the estimates of the February Budget proposals that have not been enacted increase receipts by $15 billion in 2008, reduce receipts by $15 billion in 2009, and increase receipts by $12 billion over the five years, 2009 through 2013. The changes in 2008 and 2009 are in large part attributable to delay in enactment of the Administration's proposal to prevent the number of Alternative Minimum Tax (AMT) taxpayers for tax year 2008 from increasing sharply, which reduces the receipt loss in 2008 and increases the loss in 2009. The increases in 2010 through 2013 are in large part attributable to changes in the estimated cost of extending the 2001 and 2003 tax cuts.

SPENDING

Total outlays for 2008 are now estimated to be $2,942 billion, an increase of $11 billion from the February estimate. For 2009, the estimate of total outlays has increased by $26 billion relative to February, to $3,133 billion. These increases are largely due to legislation enacted since February.

POLICY CHANGES

In total, policy changes increase outlays by $39 billion in 2008 and $25 billion in 2009. Over the five-year period 2009 through 2013, policy changes increase outlays by $60 billion. Since the transmittal of the Budget, the Congress has enacted the Economic Stimulus Act of 2008, the Food, Conservation, and Energy Act of 2008 (the "Farm Bill"), and the 2008 Supplemental Appropriations Act.

Economic Stimulus Act.—The recovery rebates provided to individuals by the stimulus act are recorded as outlays in cases where the rebates exceed an individual's income tax liability. (The estimates for stimulus in the February Budget were entirely receipts.) In addition, the act provided stimulus payments to U.S. territories in lieu of individual rebates. These provisions increase outlays relative to the February Budget by $33 billion in 2008 and $6 billion in 2009.

2008 Supplemental Appropriations Act.—The Supplemental Appropriations Act provided discretionary appropriations for the Global War on Terror, largely as proposed in the February Budget, along with additional emergency funding related to the Midwest floods, Hurricane Katrina recovery, and other items. It also included a 13-week extension of unemployment benefits and enhancements to educational benefits for service members, including transferability to spouses and dependents. Relative to the February Budget, the act increases outlays by $7 billion in 2008, $18 billion in 2009, and $38 billion over 2009 through 2013.

2008 Farm Bill.—The Farm Bill decreased outlays relative to the February Budget by $1 billion in 2008 and had a minimal effect on 2009. Over the five-year period 2009 through 2013, the bill increases outlays by $7 billion.

ESTIMATING CHANGES

Estimating changes arise from non-policy related factors including changes in economic assumptions, discussed earlier in this Review, and changes in technical factors. For 2008 and 2009, estimated outlays are $28 billion lower and $1 billion higher, respectively, than in February for non-policy related reasons. Over the period 2009 through 2013, outlays are $4 billion above February for non-policy related reasons.

Discretionary appropriations.—Outlays for discretionary appropriations decrease by $9 billion in 2008 and increase by $6 billion in 2009 relative to the February Budget as a result of estimating changes. These changes reflect slower spending of regular and emergency appropriations in the Department of Homeland Security, the Department of Housing and Urban Development, the Corps of Engineers, and other agencies. Outlays for the highway trust fund for 2008 are now estimated at $1.6 billion less than originally projected. In addition, receipts for the highway account portion of the trust fund are now projected to decline by $1.5 billion for the remainder of the authorization period. As a result of these adjustments, the 2009 end-of-year balance for the highway account is estimated to be –$3.1 billion as of the Mid-Session Review, compared with –$3.2 billion in the 2009 Budget.

Social Security.—Estimating changes increase outlays for Social Security by $47 billion over the next five years. The increase largely results from higher projections for Cost of Living Adjustments (COLA) as well as recent program experience and updated demographic assumptions in the 2008 Trustees' Report resulting in higher average benefit amounts.

Outer Continental Shelf (OCS) receipts.—OCS receipts, which are recorded as offsets to outlays, are estimated to increase by $7 billion in 2008 and $34 billion over the next five years. The increase results from higher forecasts for oil and natural gas prices and changes in estimates of OCS oil and natural gas production.

Medicare.—Estimates of Medicare outlays are approximately $4 billion lower for 2008 and $22 billion lower over the 2009 through 2013 period. The lower outlays are driven by reduced estimated Hospital Insurance outlays, which mainly result from revised estimates of an accounting error.

Unemployment compensation.—Estimating changes increase outlays for unemployment benefits by $21 billion over five years, independent of the extension of benefits enacted in the Supplemental Appropriations Act. This increase largely results from technical changes that adjusted current insured employee rate levels and average weekly benefits, and economic changes from higher-than-expected current and projected unemployment rates.

Food Stamps.—Outlays for Food Stamps are estimated to increase by $20 billion over the next five years due to economic and technical factors. The increase is largely due to changes in the latest Thrifty Food Plan, which is used to index Food Stamp benefit levels,

Table 5. CHANGE IN OUTLAYS

(In billions of dollars)

	2008	2009	2010	2011	2012	2013	2009-13
February estimate	2,931.2	3,107.4	3,091.3	3,171.2	3,221.8	3,398.9	
Changes due to policy:							
Economic Stimulus Act	33.3	5.6	*	*	*	–*	5.6
2008 Supplemental Appropriations Act	7.3	17.8	–2.2	6.9	7.8	8.0	38.2
Farm Bill	–0.8	0.2	2.5	2.0	–1.6	3.8	6.8
Other legislation and policy changes[1]	–0.6	0.9	1.3	1.8	2.2	2.8	9.0
Subtotal, policy	39.3	24.5	1.5	10.7	8.4	14.6	59.7
Changes due to reestimates:							
Discretionary appropriations	–8.6	6.0	–0.5	3.2	1.0	1.5	11.2
Social Security	0.6	6.8	9.6	9.6	10.0	11.0	46.9
OCS receipts	–7.0	–5.2	–6.9	–7.8	–7.2	–7.1	–34.2
Medicare	–3.8	–1.5	–3.6	–6.4	–4.0	–6.3	–21.8
Unemployment compensation	4.5	8.0	6.1	3.4	1.9	1.5	20.8
Food Stamps	0.5	3.6	4.2	4.1	3.7	3.8	19.5
Federal retirement	0.2	1.6	2.0	1.9	1.9	2.0	9.4
Foreign Military Sales trust fund	–3.3	–0.7	2.3	1.9	1.5	1.1	6.1
Medicaid	0.9	0.8	1.1	1.2	1.4	1.0	5.4
Deposit insurance	4.3	12.1	4.7	–0.8	–4.6	–6.1	5.3
Digital television auction receipts	–5.1	....	....	....	....	....	....
Other programs	0.9	2.4	3.2	5.2	1.9	0.5	13.3
Net interest[2]	–12.2	–32.7	–21.5	–10.0	–7.6	–6.2	–78.0
Subtotal, reestimates	–28.1	1.3	0.7	5.5	–0.2	–3.3	3.9
Total, changes	11.2	25.8	2.2	16.2	8.1	11.2	63.6
Mid-Session estimate	2,942.4	3,133.2	3,093.5	3,187.5	3,229.9	3,410.1	

* $50 million or less

[1] Includes debt service on all policy changes.

[2] Includes debt service on all reestimates.

and changes in participation rates due to increases in actual unemployment.

Federal retirement.—Over the next five years, estimating changes increase outlays by $9 billion. These increases are almost entirely due to the effect of revised COLA projections for the civilian and military retirement programs.

Foreign Military sales.—Outlays in the Foreign Military Sales trust fund net of advance payments on new orders are expected to fall by $3 billion in 2008 and $1 billion in 2009, due to higher projections of new supply orders supporting Afghan and Iraqi security forces as well as increasing military sales to the Middle East. Over the next five years, net outlays increase by $6 billion due to the fulfillment of these new orders along with revised projections for the delivery of new orders.

Medicaid.—The projection of Federal Medicaid outlays has increased slightly, with a total increase of about $5 billion over the next five years, primarily due to revised State estimates of program spending.

Deposit insurance.—Over the next five years, net outlays for the Federal Deposit Insurance Corporation are expected to increase by $5 billion. Net outlays increase by $4 billion in 2008 and $12 billion in 2009 due to higher projections of net payments for deposit insurance losses over the next few years. Starting in 2011, net outlays are lower than in the February estimate because of higher projected premiums necessary to restore funding ratios in the Deposit Insurance Fund.

Digital television auction receipts—Receipts in the Digital Television Transition and Public Safety Fund are expected to increase by $5 billion in 2008 due to higher-than-anticipated bids in the recently completed spectrum auction.

Net interest.—Excluding the debt service associated with policy changes, outlays for net interest are projected to decrease by $78 billion over five years. This reduction largely reflects lower interest rates and lower debt service costs related to estimating changes in receipts and outlays.

SUMMARY TABLES

Table S–1. BUDGET TOTALS

(In billions of dollars)

	2007	2008	2009	2010	2011	2012	2013
Budget Totals:							
Receipts	2,568	2,553	2,651	2,916	3,084	3,288	3,439
Outlays	2,730	2,942	3,133	3,094	3,187	3,230	3,410
Deficit(–)/Surplus	**–162**	**–389**	**–482**	**–178**	**–103**	**58**	**29**
Gross Domestic Product (GDP)	13,671	14,248	14,822	15,632	16,513	17,369	18,239
Budget Totals as a Percent of GDP:							
Receipts	18.8%	17.9%	17.9%	18.7%	18.7%	18.9%	18.9%
Outlays	20.0%	20.7%	21.1%	19.8%	19.3%	18.6%	18.7%
Deficit(–)/Surplus	**–1.2%**	**–2.7%**	**–3.3%**	**–1.1%**	**–0.6%**	**0.3%**	**0.2%**

Table S–2. DISCRETIONARY FUNDING BY CATEGORY

(Net budget authority; in billions of dollars)

	2007 Actual	2008 Enacted	2009 Request	Change from 2008	
				Amount	Percent
Base Discretionary:					
Security Funding [1]	498.0	549.6	594.5	+44.9	+8.2%
Non-Security Funding	382.0	391.3	393.3	+2.0	+0.5%
Total, Discretionary	**880.0**	**940.9**	**987.8**	**+46.9**	**+5.0%**
Enacted Supplemental and Emergency Funding:					
Global War on Terror	173.6	192.5	68.4		
Gulf Coast/Hurricane Recovery	7.7	5.9	5.8		
Veterans Affairs	1.8	4.2	....		
Border Security and Other	9.3	12.8	1.7		
Total, Enacted	**192.3**	**215.3**	**75.8**		
Project BioShield	**.........**	**.........**	**2.2**		

Discretionary Outyears

	2010	2011	2012	2013
Base Discretionary:				
Security Funding [2]	605.0	613.5	624.5	636.1
Non-Security Funding [3]	393.3	393.3	393.3	393.3
Total, Discretionary	998.2	1,006.7	1,017.7	1,029.3

[1] This category is comprised of funding for the Department of Defense, Homeland Security activities Government-wide (see Table S-4), and funding for International Affairs (Function 150).

[2] Department of Defense levels are consistent with the Future Years Defense Plan and the Homeland Security levels are consistent with the Future Years Homeland Security Plan.

[3] These amounts exclude the budgetary effects of the Administration's reauthorization proposal of the Federal Aviation Administration (FAA). The proposal would transform the current tax-financing system for FAA to a cost-based user-fee system. For more information, see the Transportation chapter in the main volume of the 2009 Budget and other related sections in the *Appendix* and *Analytical Perspectives* volumes. If this proposal were enacted, the Administration would adjust its discretionary cap proposal downward in these years to reflect the offsetting collections that would result from this user-based fee system.

Table S–3. DISCRETIONARY FUNDING BY MAJOR AGENCY

(Net budget authority; in billions of dollars)

Agency	2001 Actual	2008 Enacted	2009 Request	Change: 2008-2009 Dollar	Change: 2008-2009 Percent	Change: 2001-2009 Average	Change: 2001-2009 Cumulative
Agriculture	19.2	22.1	20.7	–1.4	–6.5%	+0.9%	+7.4%
Commerce	5.1	7.1	8.6	+1.5	+21.7%	+6.8%	+69.0%
Defense	302.5	479.5	515.4	+35.9	+7.5%	+6.9%	+70.4%
Education	40.1	57.2	59.2	+2.0	+3.5%	+5.0%	+47.6%
Energy	20.0	23.9	25.0	+1.1	+4.7%	+2.8%	+24.9%
Health and Human Services	54.0	71.9	70.4	–1.5	–2.1%	+3.4%	+30.3%
Homeland Security	14.0	34.9	37.6	+2.7	+7.7%	+13.2%	+168.7%
Housing and Urban Development	28.4	37.1	38.5	+1.4	+3.8%	+3.9%	+35.7%
Interior	10.3	11.2	10.4	–0.8	–6.8%	+0.2%	+1.8%
Justice	18.4	22.7	20.3	–2.4	–10.7%	+1.2%	+10.4%
Labor	11.9	11.5	10.6	–0.8	–7.4%	–1.4%	–10.9%
State and Other International Programs	21.7	32.9	38.3	+5.4	+16.5%	+7.3%	+76.2%
Transportation	14.6	15.5	11.5	–4.0	–25.7%	–2.9%	–20.9%
Treasury	10.3	12.0	12.4	+0.4	+3.6%	+2.3%	+20.3%
Veterans Affairs	22.4	39.4	44.8	+5.3	+13.5%	+9.1%	+100.1%
Corps of Engineers	4.7	4.8	4.7	–0.1	–1.9%	+0.1%	+1.2%
Environmental Protection Agency	7.8	7.5	7.1	–0.3	–4.4%	–1.2%	–8.8%
Executive Office of the President	0.3	0.3	0.4	+0.0	+5.6%	+3.9%	+35.9%
Judicial Branch	4.0	5.8	6.3	+0.5	+8.1%	+5.9%	+58.6%
Legislative Branch	2.8	4.0	4.7	+0.7	+17.7%	+7.0%	+71.6%
National Aeronautics and Space Administration	14.3	17.1	17.6	+0.5	+2.9%	+2.7%	+23.6%
National Science Foundation	4.4	6.0	6.9	+0.8	+13.6%	+5.6%	+54.7%
Small Business Administration	0.9	0.6	0.7	+0.1	+15.5%	–3.9%	–27.0%
Social Security Administration	6.0	8.0	8.4	+0.4	+4.9%	+4.3%	+40.0%
Other Agencies	5.8	8.0	7.2	–0.7	–9.0%	+2.8%	+25.0%
Total, Discretionary Funding	**643.8**	**940.9**	**987.8**	**+46.9**	**+5.0%**	**+5.5%**	**+53.4%**

Note: Supplemental and emergency funding is excluded.

Table S–4. HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority in millions of dollars)

Agency[1]	2007		2008		2009	
	Actual	Supplemental/ Emergency	Enacted	Supplemental/ Emergency	Request	Supplemental/ Emergency
Agriculture	541	....	571	....	691	....
Commerce	1,204	....	207	....	264	....
Defense (DOD)	16,538	....	17,375	....	17,647	....
Energy	1,719	....	1,830	....	1,944	....
Health and Human Services	4,328	....	4,300	....	4,458	....
Homeland Security	26,856	2,695	30,093	2,641	35,017	112
Justice	3,309	210	3,273	174	3,794	....
State	1,241	....	1,720	....	2,465	....
Transportation	206	....	206	....	221	....
Treasury	128	....	117	....	126	....
Veterans Affairs	260	....	271	....	348	....
Environmental Protection Agency	167	....	138	....	171	....
General Services Administration	168	....	143	225	119	....
National Aeronautics and Space Administration	199	....	205	....	204	....
National Science Foundation	386	....	374	....	379	....
Social Security Administration	194	....	212	....	221	....
Intelligence Community Management	56	....	122	....	13	....
Nuclear Regulatory Commission	72	....	72	....	73	....
Smithsonian Institution	81	....	93	....	97	....
Other Agencies	266	....	236	....	253	....
Total, Homeland Security Funding	57,919	2,905	61,558	3,040	68,505	112
Less, Defense (DOD)	–16,538	....	–17,375	....	–17,647	....
Less, Mandatory Homeland Security Funding[2]	–3,436	....	–2,871	....	–3,225	....
Less, Funding for Project BioShield	....	....	....	....	–2,175	....
Less, Discretionary Fee-Funded Activities	–4,519	....	–5,096	....	–5,368	....
Net Non-DOD Discretionary Homeland Security	33,426	2,905	36,216	3,040	40,090	112

[1] For more detail on Homeland Security funding, consult the Homeland Security Funding Analysis Chapter in the *Analytical Perspectives* volume of the 2009 Budget. Dollar amounts in this table are rounded to the nearest million at the account level, which accounts for any discrepancies with the *Analytical Perspectives* chapter.

[2] 2007 mandatory homeland security programs include $1 billion from anticipated spectrum auction receipts appropriated in the Deficit Reduction Act of 2005 for the Department of Commerce to make grants to public safety agencies for communications interoperability purposes.

Table S–5. MANDATORY PROPOSALS

(In millions of dollars)

	2008	2009	2010	2011	2012	2013	2009–13	2009–18
Mandatory Proposals, including Savings and Augmentations:								
Agriculture:								
Improve program integrity within Food and Nutrition Programs	....	–73	–152	–186	–189	–194	–794	–1,832
Charge Food Safety and Inspection Service user fees [1]	....	–96	–98	–100	–102	–104	–500	–1,053
Charge Grain Inspection, Packers and Stockyards Administration user fees [1]	....	–27	–30	–30	–31	–32	–150	–318
Charge crop insurance user fees [1]	....	....	–15	–15	–15	–15	–60	–135
Charge Animal Welfare Act user fees [1]	....	–20	–27	–27	–28	–29	–131	–290
Implement country of origin labeling audit program:								
Receipts	....	–10	–10	–10	–10	–10	–50	–100
Spending	....	10	10	10	10	10	50	100
Net effect	....	....	....	....	....	....	....	....
Extend Forest County Safety Net Payments	....	....	100	60	40	....	200	200
Total, Agriculture	....	–216	–222	–298	–325	–374	–1,435	–3,428
Education:								
Reform the Federal student aid programs:								
Restrict loans eligible for public sector loan forgiveness	....	–1,387	–29	–21	–16	–11	–1,464	–1,485
Eliminate the interest subsidy on loans eligible for income-based repayment	....	–260	–47	–45	–48	–56	–457	–788
Recall Perkins Loan balances	....	–1,116	–698	–735	–821	–792	–4,162	–7,220
Total, Education	....	–2,763	–775	–801	–885	–859	–6,083	–9,493
Energy:								
Repeal oil and gas research and development program	....	–20	–40	–50	–50	–50	–210	–300
Health and Human Services:								
Reform Medicare	....	–11,084	–26,677	–40,197	–46,163	–53,579	–177,700	–557,403
Reform Medicaid	140	–1,695	–2,740	–3,515	–3,915	–4,260	–16,125	–42,125
Reauthorize State Children's Health Insurance Program (SCHIP) [2]	....	2,335	2,865	3,825	4,680	5,280	18,985	49,955
Fund high-risk health insurance pools	....	50	75	25	....	....	150	150
Eliminate Social Services Block Grant (SSBG)	....	....	–1,445	–1,683	–1,700	–1,700	–6,528	–15,028
Provide Temporary Assistance for Needy Families (TANF) supplemental grants and contingency fund for child welfare option	....	236	299	317	323	326	1,501	3,102
Improve child support enforcement collection tools	....	6	9	6	1	–1	21	4
Extend Abstinence Education program	5	25	43	48	49	50	215	465
Introduce Foster Care child welfare program option	....	8	6	21	–8	–25	2	–1

Table S–5. MANDATORY PROPOSALS—Continued

(In millions of dollars)

	2008	2009	2010	2011	2012	2013	2009–13	2009–18
Modify Foster Care District of Columbia Federal Medical Assistance Percentage (FMAP) rate	....	6	6	7	6	7	32	69
Charge Food and Drug Administration re-inspection and export certification fees[1]	....	–27	–28	–28	–29	–30	–142	–302
Total, Health and Human Services	145	–10,140	–27,587	–41,174	–46,756	–53,932	–179,589	–561,114
Homeland Security:								
Propose a surcharge on the passenger security fee to fund baggage screening systems	....	–106	–21	–8	1	107	–29	....
Housing and Urban Development:								
Charge Government-Sponsored Enterprises oversight fee	....	–6	–6	–6	–6	–6	–30	–60
Interior:								
Match National Park Centennial Challenge Fund gift receipts	....	20	55	80	100	100	355	855
Authorize Arctic National Wildlife Refuge leasing:								
State of Alaska's share:								
Receipts	....	....	–3,502	–2	–503	–3	–4,010	–4,025
Expenditures	....	....	3,502	2	503	3	4,010	4,025
Federal share:								
Receipts	....	....	–3,502	–2	–503	–3	–4,010	–4,025
Require up-front payment of coal bonus bids	....	–385	–676	48	506	225	–282	–8
Return to net receipts sharing for energy minerals	....	–65	–72	–56	–52	–57	–302	–618
Repeal Energy Policy Act fee prohibition and mandatory permit funds	....	–35	–36	–30	–30	–30	–161	–239
Amend Bureau of Land Management (BLM) Federal land sale authority	....	–2	–20	–61	–41	–37	–161	–322
Terminate BLM Range Improvement Fund	....	–6	–9	–10	–10	–10	–45	–95
Increase fees for Migratory Bird Hunting and Conservation Stamps[3]	....	10	14	14	14	14	66	136
Recover Pick-Sloan project costs	....	–23	–23	–23	–23	–23	–115	–230
Implement a settlement to restore the San Joaquin River	....	14	–177	19	19	29	–96	17
Total, Interior	....	–472	–4,446	–21	–20	208	–4,751	–4,529
Labor:								
Reform Pension Benefit Guaranty Corporation premiums	....	–381	–1,615	–1,542	–1,572	–1,530	–6,640	–14,024
Recover Unemployment Insurance overpayment	....	....	–612	–553	–375	–376	–1,916	–3,904
Implement foreign labor certification user fees:								
Receipts	....	–95	–95	–95	–95	–95	–475	–950
Spending	....	95	95	95	95	95	475	950
Net effect	....	....	....	....	....	....	....	....

Table S–5. MANDATORY PROPOSALS—Continued

(In millions of dollars)

	2008	2009	2010	2011	2012	2013	2009–13	2009–18
Reform Federal Employees Compensation Act	....	–10	–14	–21	–15	–12	–72	–288
Refinance the Black Lung Disability Trust Fund:								
Black Lung Disability Trust Fund	....	2,156	–410	–395	–386	–387	578	–1,322
Interest payments on repayable advances	....	–2,156	410	395	386	387	–578	1,322
Net effect	....	....	....	....	....	....	....	....
Reform Trade Adjustment Assistance	....	6	3	8	1	–3	15	–81
Total, Labor	....	–385	–2,238	–2,108	–1,961	–1,921	–8,613	–18,297
Transportation:								
Modify financing of the Airport and Airway Trust Fund	....	....	....	....	....	....	....	–608
Treasury:								
Modernize cash investment practices	....	–10	–10	–10	–10	–10	–50	–100
Extend the rum carryover for Puerto Rico	75	102	25	....	....	....	127	127
Total, Treasury	75	92	15	–10	–10	–10	77	27
Veterans Affairs:								
Eliminate third-party insurance co-payment offset [1]	....	–44	–44	–44	–43	–43	–218	–420
Charge medical care enrollment fees for non-disabled higher-income veterans and increase pharmacy co-payments to align with other health care plans [1]	....	–335	–421	–414	–464	–483	–2,117	–4,796
Total, Veterans Affairs	....	–379	–465	–458	–507	–526	–2,335	–5,216
Army Corps of Engineers:								
Collect additional recreation user fees, lease receipts, and contributions:								
Receipts	....	–9	–17	–17	–17	–17	–77	–162
Spending	....	....	8	17	17	17	59	144
Net effect	....	–9	–9	....	....	....	–18	–18
Commodity Futures Trading Commission:								
Charge user fees [1]	....	–96	–100	–103	–107	–111	–517	–1,130
Environmental Protection Agency:								
Increase or reinstate pesticide user fees and lift cap on pre-manufacture notice fee [1]	....	–52	–56	–55	–55	–45	–263	–502
Federal Communications Commission (FCC):								
Provide spectrum license fee authority	–50	–150	–300	–300	–400	–450	–1,600	–4,081
Charge Ancillary Terrestrial Component spectrum fee	–30	–60	–100	–125	–125	–125	–535	–1,160
Extend spectrum auction authority	....	....	....	....	–200	–200	–400	–1,400
Auction domestic satellite spectrum	....	–350	–100	–75	–20	–15	–560	–593
Eliminate Telecommunications Development Fund	–5	–6	–7	–7	–7	–7	–34	–69
Total, FCC	–85	–566	–507	–507	–752	–797	–3,129	–7,303

Table S–5. MANDATORY PROPOSALS—Continued

(In millions of dollars)

	2008	2009	2010	2011	2012	2013	2009–13	2009–18
Office of Personnel Management (OPM):								
Amend Federal Employee Health Benefits Program statute	....	–40	–147	–248	–327	–403	–1,165	–3,675
Improve equity and administration of the Federal retirement system	....	2	3	4	6	7	22	74
Replace non-foreign cost of living adjustment with locality pay[3]	....	....	....	....	....	....	....	....
Total, OPM	....	–38	–144	–244	–321	–396	–1,143	–3,601
Social Security Administration (SSA):								
Extend temporarily length of time-limited Supplemental Security Income eligibility for refugees and asylees	....	53	47	49	....	....	149	149
Total, Mandatory Proposals including Savings and Augmentations	**135**	**–15,103**	**–36,553**	**–45,795**	**–51,755**	**–58,712**	**–207,919**	**–615,423**
Establish Social Security Personal Accounts (Off-Budget)	**.........**	**.........**	**.........**	**.........**	**.........**	**30,479**	**30,479**	**644,635**
Outlay Effects of Tax Proposals[3]:								
Earned Income Tax Credit (EITC):								
Clarify uniform definition of a child	....	6	–182	–168	–168	–183	–695	–1,838
Simplify EITC eligibility requirement regarding filing status, presence of children, and work and immigration status	....	....	30	26	24	23	103	218
Provide a new standard deduction for health insurance ($15,000 for family coverage and $7,500 for individual coverage)	....	160	3,168	2,494	1,817	1,073	8,712	1,934
Child Tax Credit:								
Clarify uniform definition of a child	....	3	–78	–72	–72	–78	–297	–787
Reduce computational complexity of refundable child tax credit	....	....	–388	–396	–401	–404	–1,589	–3,681
Total, Outlay Effects of Tax Proposals	....	169	2,550	1,884	1,200	431	6,234	–4,154
Other Proposals and Indirect Effects:								
Provide six months of retroactivity for disability applications (off-budget)	....	–71	–530	–828	–936	–1,046	–3,411	–9,732
Combine retroactive Old-Age, Survivors, and Disability Insurance benefits with monthly benefit payment (off-budget)	....	–850	–29	–51	–62	–69	–1,061	–1,357
Require full-time school attendance for child's Social Security benefits at age 16 (off-budget)	....	–10	–88	–161	–167	–172	–598	–1,566
Simplify the benefit offset for combined beneficiaries of Disability Insurance and Workers Compensation (off-budget)	....	–4	–35	–84	–152	–240	–515	–1,100
Improve enforcement of Windfall Elimination Provision/Government Pension Offset (off-budget)	....	....	....	....	–144	–316	–460	–2,533

Table S–5. MANDATORY PROPOSALS—Continued

(In millions of dollars)

	2008	2009	2010	2011	2012	2013	2009–13	2009–18
Eliminate Commodity Supplemental Food Program:								
Food Stamp impact (third scorecard)	....	54	65	57	52	48	276	471
Reduce SSBG in 2009: TANF impact (third scorecard)	....	28	5	–28	–5	....	....	....
Eliminate SSBG as of 2010: TANF, Child Care, and Foster Care impact (third scorecard)	....	....	–49	120	147	181	399	804
Increase program integrity efforts:								
Supplemental Security Income impact (third scorecard)	....	–119	–892	–1,627	–1,525	–750	–4,913	–6,480
Disability Insurance impact (third scorecard)	....	–4	–58	–242	–457	–517	–1,278	–3,527
Recover Unemployment Insurance overpayments	....	....	–73	–148	–151	–156	–528	–1,405
Match National Park Centennial Challenge Fund gift receipts (third scorecard)	....	20	55	80	100	100	355	855
Transfer royalty oil to the Strategic Petroleum Reserve (third scorecard)	....	....	....	....	1,235	....	1,235	28,370
Amend Federal Employee Health Benefits Program statute (third scorecard)	....	81	173	239	289	333	1,115	3,214
Replace non-foreign cost of living adjustment with locality pay (third scorecard)	....	–2	–8	–15	–23	–31	–79	–361
Morris K. Udall Scholarship Fund (third scorecard)	....	4	4	4	4	4	20	45
Total, Other Proposals and Indirect Effects	....	–873	–1,460	–2,684	–1,795	–2,631	–9,443	5,698
Grand Total	**135**	**–15,810**	**–35,465**	**–46,589**	**–52,346**	**–30,431**	**–180,641**	**30,768**
***Memorandum*:**								
Outlay Effects of Tax Extensions Assumed in Baseline[3]:								
Child Tax Credit extension	....	....	....	34	13,779	13,785	27,598	97,683
Earned Income Tax Credit: marriage penalty relief	....	....	....	–108	–19	–24	–151	–270
Total	....	....	....	–74	13,760	13,761	27,447	97,413

[1] If enacted, the Administration would work to classify the receipts as discretionary offsets beginning in 2010.

[2] Represents total cost of SCHIP reauthorization, including SCHIP and Medicaid costs as well as spending resulting from outreach grants.

[3] Affects both receipts and outlays. Only the outlay effect is shown here. For receipt effects, see Table S–6.

Table S–6. RECEIPTS PROPOSALS

(In millions of dollars)

	2008	2009	2010	2011	2012	2013	2009–13	2009–18
Make Permanent Certain Tax Relief Enacted in 2001 and 2003 (assumed in the baseline):								
Dividends tax rate structure	....	425	–4,903	–21,647	–4,064	–12,675	–42,864	–185,999
Capital gains tax rate structure	....	....	–4,402	–17,748	–3,118	–8,520	–33,788	–100,897
Expensing for small businesses	....	....	....	–3,431	–4,839	–3,728	–11,998	–24,364
Marginal individual income tax rate reductions	....	....	....	–72,274	–114,578	–118,642	–305,494	–968,854
Child tax credit [1]	....	....	....	–5,028	–20,241	–20,732	–46,001	–155,465
Marriage penalty relief [1]	....	....	....	–4,514	–9,587	–9,218	–23,319	–62,348
Education incentives	....	....	....	–738	–1,339	–1,414	–3,491	–11,547
Repeal of estate and generation-skipping transfer taxes, and modification of gift taxes	–422	–3,025	–4,202	–25,666	–56,053	–58,152	–147,098	–510,922
Other incentives for families and children	....	....	6	–353	–650	–652	–1,649	–4,980
Total, make permanent certain tax relief enacted in 2001 and 2003	–422	–2,600	–13,501	–151,399	–214,469	–233,733	–615,702	–2,025,376
Tax Incentives:								
Simplify and encourage saving:								
Expand tax-free savings opportunities	....	1,527	3,545	3,023	1,075	–1,314	7,856	–592
Consolidate employer-based savings accounts	....	–80	–120	–132	–141	–150	–623	–1,484
Total, simplify and encourage saving	....	1,447	3,425	2,891	934	–1,464	7,233	–2,076
Encourage entrepreneurship and investment:								
Increase expensing for small businesses	....	–1,085	–1,501	–1,035	–770	–634	–5,025	–7,550
Invest in health care:								
Provide a new standard deduction for health insurance ($15,000 for family coverage and $7,500 for individual coverage) [1]	....	–22,155	–27,790	–20,968	–13,233	–3,692	–87,838	37,444
Expand and make health savings accounts (HSAs) more flexible	....	–420	–779	–931	–1,031	–1,123	–4,284	–11,511
Allow the orphan drug tax credit for certain pre-designation expenses [2]	....	....	....	....	....	....	....	....
Total, invest in health care	....	–22,575	–28,569	–21,899	–14,264	–4,815	–92,122	25,933
Provide incentives for charitable giving:								
Permanently extend tax-free withdrawals from IRAs for charitable contributions	....	–300	–551	–434	–284	–211	–1,780	–3,321
Permanently extend the enhanced charitable deduction for contributions of food inventory	....	–66	–115	–124	–134	–144	–583	–1,495
Permanently extend the deduction for corporate donations of computer equipment for educational purposes	....	–116	–147	–154	–162	–170	–749	–1,736
Permanently extend increased limits on contributions of partial interests in real property for conservation purposes	....	–17	–41	–28	–21	–21	–128	–250
Permanently extend basis adjustment to stock of S corporations contributing appreciated property	....	–12	–21	–25	–28	–32	–118	–351

Table S–6. RECEIPTS PROPOSALS—Continued

(In millions of dollars)

	2008	2009	2010	2011	2012	2013	2009–13	2009–18
Reform excise tax based on investment income of private foundations	....	–113	–163	–164	–165	–165	–770	–1,617
Total, provide incentives for charitable giving	....	–624	–1,038	–929	–794	–743	–4,128	–8,770
Strengthen education:								
Permanently extend the above-the-line deduction for qualified out-of-pocket classroom expenses	....	–198	–183	–185	–188	–191	–945	–1,945
Allow the saver's credit for contributions to qualified tuition programs	....	–88	–183	–198	–213	–227	–909	–2,259
Total, strengthen education	....	–286	–366	–383	–401	–418	–1,854	–4,204
Strengthen housing:								
Expand tax-exempt qualified mortgage bond program to assist subprime borrowers	....	–86	–191	–280	–303	–304	–1,164	–2,433
Protect the environment:								
Permanently extend expensing of brownfields remediation costs	–38	–649	–359	–346	–330	–287	–1,971	–3,037
Eliminate the volume cap for private activity bonds for water infrastructure	....	....	–2	–6	–10	–15	–33	–205
Total, protect the environment	–38	–649	–361	–352	–340	–302	–2,004	–3,242
Restructure assistance to New York City for continued recovery from the attacks of September 11th:								
Provide tax incentives for transportation infrastructure	....	–200	–200	–200	–200	–200	–1,000	–2,000
Total, tax incentives	–38	–24,058	–28,801	–22,187	–16,138	–8,880	–100,064	–4,342
Simplify the Tax Laws for Families:								
Clarify uniform definition of a child[1]	....	6	30	38	17	23	114	275
Simplify EITC eligibility requirement regarding filing status, presence of children, and work and immigrant status[1]	....	....	–42	–17	–15	–13	–87	–99
Reduce computational complexity of refundable child tax credit[1]	....	....	....	....	....	....	....	....
Total, simplify the tax laws for families	....	6	–12	21	2	10	27	176
Improve Tax Compliance:[3]								
Expand information reporting	....	302	1,333	2,227	2,961	3,654	10,477	35,763
Improve compliance by businesses	....	3	5	5	5	6	24	57
Strengthen tax administration	....	....	....	3	6	8	17	72
Expand penalties	....	....	....	....	....	1	1	6
Total, improve tax compliance	....	305	1,338	2,235	2,972	3,669	10,519	35,898
Improve Tax Administration and Other Miscellaneous Proposals:								
Implement IRS administrative reforms and extend IRS authority to fund undercover operations[2]	....	....	....	....	....	....	....	....
Increase transparancy of the cost of employer-provided health insurance[2]	....	....	....	....	....	....	....	....
Equalize penalty standards between preparers and taxpayers	....	....	–1	–2	–2	–2	–7	–17

Table S–6. RECEIPTS PROPOSALS—Continued

(In millions of dollars)

	2008	2009	2010	2011	2012	2013	2009–13	2009–18
Eliminate the special exclusion from unrelated business taxable income for gain or loss on the sale or exchange of certain brownfields	....	2	13	16	13	11	55	66
Limit related party interest deductions	....	64	109	115	120	126	534	1,267
Repeal excise tax on local telephone service[4]	....	–156	–172	–122	–86	–81	–617	–1,017
Modify financing of the Airport and Airway Trust Fund[4]	....	....	–6,566	–6,962	–7,373	–7,715	–28,616	–73,207
Improve financing of the Inland Waterways Trust Fund[4]	....	110	116	128	152	127	633	1,011
Anticipated receipt of donations to the National Park Service through the National Park Centennial Challenge Fund	....	100	100	100	100	100	500	1,000
Increase fees for Migratory Bird Hunting and Conservation Stamps	....	14	14	14	14	14	70	140
Transition from the non-foreign cost-of-living adjustment (COLA) to locality pay for employees in non-foreign areas	....	1	2	3	4	5	15	50
Total, improve tax administration and other miscellaneous proposals[4]	....	135	–6,385	–6,710	–7,058	–7,415	–27,433	–70,707
Improve Unemployment Insurance:								
Strengthen the financial integrity of the unemployment insurance system by reducing improper benefit payments and tax avoidance[4]	....	....	37	25	–293	–573	–804	–3,754
Extend unemployment insurance surtax[4]	....	1,065	442	....	....	....	1,507	499
Total, improve unemployment insurance[4]	....	1,065	479	25	–293	–573	703	–3,255
Modify Energy Provisions:								
Repeal reduced recovery period for natural gas distribution lines	....	42	72	77	70	57	318	580
Modify amortization for certain geological and geophysical expenditures	....	24	86	134	129	100	473	630
Total, modify energy provisions	....	66	158	211	199	157	791	1,210
Promote Trade:								
Implement free trade agreements and modify other trade-related provisions[4]	....	–930	–1,489	–1,773	–2,034	–2,269	–8,495	–16,172
Extend Expiring Provisions:								
Minimum tax relief for individuals	....	–73,072	14,503	....	....	....	–58,569	–58,569
Research and experimentation (R&E) tax credit	–322	–9,970	–9,145	–10,601	–11,799	–12,833	–54,348	–135,949
First-time homebuyer credit for the District of Columbia	....	–21	–19	....	....	....	–40	–40
Deferral of gains from sales of electric transmission property	–10	–86	–61	–10	31	40	–86	10
New Markets tax credit	....	–132	–194	–191	–217	–231	–965	–1,287
Subpart F "active financing" exception	....	–1,598	–1,065	....	....	....	–2,663	–2,663
Subpart F "look-through" exception	....	–347	–231	....	....	....	–578	–578
Disclosure of tax return information related to terrorist activity[2]	....	....	....	....	....	....	....	....
Excise tax on coal[4]	....	....	....	....	....	....	....	1,348
Total, extend expiring provisions[4]	–332	–85,226	3,788	–10,802	–11,985	–13,024	–117,249	–197,728

Table S–6. RECEIPTS PROPOSALS—Continued

(In millions of dollars)

	2008	2009	2010	2011	2012	2013	2009–13	2009–18
Total budget proposals, including proposals assumed in the baseline[4]	**–792**	**–111,237**	**–44,425**	**–190,379**	**–248,804**	**–262,058**	**–856,903**	**–2,280,296**
Total budget proposals, excluding proposals assumed in the baseline[4]	**–370**	**–108,637**	**–30,924**	**–38,980**	**–34,335**	**–28,325**	**–241,201**	**–254,920**

[1] Affects both receipts and outlays. Only the receipt effect is shown here. For the outlay effect, see Table S-5.

[2] No net budgetary impact.

[3] "Tax gap"-related proposals.

[4] Net of income offsets.

Table S–7. BUDGET SUMMARY BY CATEGORY

(In billions of dollars)

	2007	2008	2009	2010	2011	2012	2013
Outlays:							
Discretionary:							
Security	594	654	738	636	620	624	632
Non-security	448	476	488	456	442	433	431
Total, discretionary	1,042	1,130	1,226	1,092	1,062	1,057	1,064
Mandatory:							
Social Security:							
Current program	581	611	651	691	730	773	823
Personal accounts	....	....	....	....	....	....	30
Medicare	371	387	406	419	449	445	493
Medicaid & SCHIP	197	212	226	240	258	277	298
Other	302	370	396	392	404	383	403
Total, mandatory	1,451	1,580	1,679	1,742	1,840	1,879	2,048
Net interest	237	232	228	260	285	294	299
Total outlays	2,730	2,942	3,133	3,094	3,187	3,230	3,410
Receipts	2,568	2,553	2,651	2,916	3,084	3,288	3,439
Deficit(–)/surplus	–162	–389	–482	–178	–103	58	29
On-budget deficit	–343	–574	–663	–378	–321	–168	–172
Off-budget surplus	181	184	181	201	218	226	201

Table S–8. RECEIPTS BY SOURCE

(In billions of dollars)

	2007 Actual	Estimate					
		2008	2009	2010	2011	2012	2013
February estimates:							
Individual income taxes	1,163.5	1,219.7	1,259.0	1,417.3	1,499.0	1,599.9	1,709.1
Corporation income taxes	370.2	345.3	339.2	338.9	356.8	391.3	379.8
Social insurance and retirement receipts	869.6	910.1	949.4	1,004.0	1,059.7	1,111.4	1,168.5
Excise taxes	65.1	68.8	68.9	60.7	65.9	68.5	69.7
Estate and gift taxes	26.0	26.8	26.3	19.5	1.5	0.4	0.5
Customs duties	26.0	29.2	29.1	30.8	32.5	35.0	37.0
Miscellaneous receipts	47.8	46.3	47.9	50.0	53.2	57.4	59.5
Allowance for economic growth package	....	–125.0	–20.0	10.0	8.0	6.0	4.0
Total	**2,568.2**	**2,521.2**	**2,699.9**	**2,931.3**	**3,076.4**	**3,269.9**	**3,428.2**
Mid-Session estimates:							
Individual income taxes	1,163.5	1,169.0	1,250.4	1,432.5	1,526.7	1,626.8	1,734.4
Corporation income taxes	370.2	309.3	304.1	335.3	355.8	399.9	381.8
Social insurance and retirement receipts	869.6	901.2	931.5	991.9	1,051.9	1,103.5	1,159.9
Excise taxes	65.1	68.1	67.8	59.7	63.9	65.5	66.2
Estate and gift taxes	26.0	28.4	26.1	18.8	1.4	0.4	0.5
Customs duties	26.0	27.7	28.3	30.7	33.3	35.7	37.7
Miscellaneous receipts	47.8	49.3	43.3	46.8	51.0	56.0	58.6
Allowance for economic growth package	....	....	....	....	....	....	....
Total	**2,568.2**	**2,552.9**	**2,651.4**	**2,915.8**	**3,084.1**	**3,287.8**	**3,439.0**
Difference:							
Individual income taxes	....	–50.7	–8.7	15.2	27.7	27.0	25.3
Corporation income taxes	....	–36.1	–35.2	–3.6	–1.0	8.6	2.0
Social insurance and retirement receipts	....	–9.0	–17.9	–12.1	–7.8	–7.9	–8.6
Excise taxes	....	–0.7	–1.1	–1.0	–2.0	–3.1	–3.6
Estate and gift taxes	....	1.7	–0.2	–0.8	–0.0	0.0	0.0
Customs duties	....	–1.5	–0.8	–0.1	0.8	0.7	0.7
Miscellaneous receipts	....	3.1	–4.6	–3.1	–2.1	–1.3	–1.0
Allowance for economic growth package	....	125.0	20.0	–10.0	–8.0	–6.0	–4.0
Total	**.........**	**31.8**	**–48.6**	**–15.5**	**7.7**	**17.9**	**10.8**

Table S–9. OUTLAYS BY AGENCY

(In billions of dollars)

	2007 Actual	February estimates		Mid-Session estimates	
		2008	2009	2008	2009
Legislative Branch	4.3	4.6	5.0	4.6	5.0
Judicial Branch	6.0	6.2	7.0	6.2	7.0
Agriculture	84.4	94.8	94.8	93.4	100.5
Commerce	6.5	8.2	9.2	8.3	9.8
Defense—Military	529.9	583.1	651.2	582.2	656.7
Education	66.4	68.0	63.5	67.6	64.6
Energy	20.1	23.2	23.3	21.5	24.4
Health and Human Services	672.0	709.4	738.6	706.4	739.2
Homeland Security	39.2	42.3	44.3	39.5	46.1
Housing and Urban Development	45.6	52.3	45.6	50.5	45.5
Interior	10.5	11.1	10.2	10.9	9.8
Justice	23.3	25.0	26.5	25.9	26.8
Labor	47.5	49.7	54.2	61.3	69.0
State	13.7	18.9	22.1	19.1	22.9
Transportation	61.7	68.7	71.1	67.7	70.5
Treasury	490.6	520.2	547.8	536.6	515.1
Veterans Affairs	72.8	86.6	91.8	85.8	94.1
Corps of Engineers-Civil Works	3.9	7.2	8.8	6.6	10.3
Other Defense Civil Programs	47.1	49.1	51.2	49.0	52.2
Environmental Protection Agency	8.3	7.5	8.0	7.5	8.0
Executive Office of the President	3.0	2.1	0.5	1.8	0.7
General Services Administration	*	0.4	0.7	0.4	0.7
International Assistance Programs	12.8	15.2	16.5	12.4	16.8
National Aeronautics and Space Administration	15.9	17.3	18.1	17.3	18.2
National Science Foundation	5.5	6.3	6.4	6.3	6.4
Office of Personnel Management	58.4	64.2	67.2	64.6	68.5
Small Business Administration	1.2	0.5	0.8	0.7	0.9
Social Security Administration	621.8	656.6	692.8	657.1	700.0
Other Independent Agencies	18.0	18.4	19.9	25.7	31.9
Allowances	......	......	– 0.5	......	– 0.5
Undistributed Offsetting Receipts	– 260.2	– 285.6	– 289.4	– 294.6	– 287.9
Total	**2,730.2**	**2,931.2**	**3,107.4**	**2,942.4**	**3,133.2**

* $50 million or less.

Table S–10. OUTLAYS BY FUNCTION

(In billions of dollars)

	2007 Actual	February estimates		Mid–Session estimates	
		2008	2009	2008	2009
National defense	552.6	607.3	675.1	605.7	682.1
International affairs	28.5	34.8	38.0	32.4	39.9
General science, space, and technology	25.6	27.6	29.2	27.6	29.1
Energy	–0.9	3.0	3.1	1.3	3.4
Natural resources and environment	31.8	35.5	35.5	34.3	35.8
Agriculture	17.7	21.0	19.1	19.4	20.9
Commerce and housing credit	0.5	7.4	4.2	12.0	16.0
Transportation	72.9	80.3	83.9	78.9	83.6
Community and regional development	29.6	27.6	23.3	25.5	23.9
Education, training, employment, and social services	91.7	93.4	88.3	93.2	89.3
Health	266.4	284.5	299.4	284.9	301.4
Medicare	375.4	396.3	413.3	392.5	411.9
Income security	366.0	388.4	401.7	435.7	431.3
Social Security	586.2	615.3	649.3	615.8	656.1
Veterans benefits and services	72.8	86.6	91.9	85.8	94.1
Administration of justice	41.2	46.2	51.1	45.8	51.2
General government	17.5	19.8	21.5	20.0	22.0
Net interest	237.1	243.9	260.2	231.8	228.0
Allowances	....	....	–0.5	....	–0.5
Undistributed offsetting receipts	–82.2	–87.7	–80.4	–100.2	–86.2
Total	**2,730.2**	**2,931.2**	**3,107.4**	**2,942.4**	**3,133.2**

Table S–11. CURRENT SERVICES BASELINE CATEGORY TOTALS

(In billions of dollars)

	2007	2008	2009	2010	2011	2012	2013
Outlays:							
Discretionary:							
Security	594	654	718	612	597	605	617
Non-security	448	476	486	480	485	489	500
Total, discretionary	1,042	1,130	1,203	1,092	1,082	1,094	1,117
Mandatory:							
Social Security	581	611	652	692	731	775	825
Medicare	371	387	417	445	489	491	547
Medicaid & SCHIP	197	212	225	240	258	277	297
Other	302	370	401	400	409	389	410
Total, mandatory	1,451	1,580	1,695	1,777	1,887	1,932	2,079
Net interest	237	232	226	255	280	291	297
Total outlays	2,730	2,942	3,125	3,125	3,249	3,316	3,493
Receipts	2,568	2,553	2,760	2,947	3,123	3,322	3,467
Deficit(–)/surplus	–162	–389	–365	–178	–126	6	–26
On-budget deficit	–343	–573	–547	–378	–343	–218	–255
Off-budget surplus	181	184	182	201	217	223	229

Table S–12. OUTLAYS FOR MANDATORY PROGRAMS UNDER CURRENT LAW[1]

(In billions of dollars)

	2007 Actual	Estimate					
		2008	2009	2010	2011	2012	2013
Human resources programs:							
Education, training, employment and social services	12	11	9	11	12	12	12
Health	214	231	245	262	280	301	323
Medicare	371	387	417	445	489	491	547
Income security	310	376	372	373	385	380	393
Social Security	581	611	652	692	731	775	825
Veterans' benefits and services	38	44	50	57	65	62	70
Subtotal, human resources programs	1,525	1,660	1,746	1,840	1,963	2,021	2,171
Other mandatory programs:							
National defense	3	4	4	4	5	5	5
International affairs	–6	–7	–3	*	–*	–1	–1
Energy	–4	–3	–2	–2	–2	–2	–3
Agriculture	12	11	15	16	15	10	15
Commerce and housing credit	–1	9	12	3	–3	–7	–9
Transportation	2	2	3	2	2	2	3
Community and regional development	–*	–*	–*	*	*	*	*
Justice	1	3	3	3	2	1	1
General government	2	2	3	3	3	4	4
Undistributed offsetting receipts	–82	–100	–86	–91	–97	–102	–107
Other functions	1	*	–*	*	–*	*	1
Subtotal, other mandatory programs	–74	–80	–51	–63	–76	–89	–92
Total, outlays for mandatory programs under current law	1,451	1,580	1,695	1,777	1,887	1,932	2,079

* $500 million or less.

[1] This table meets the requirements of Section 221(b) of the Legislative Reorganization Act of 1970.

Table S–13. FEDERAL GOVERNMENT FINANCING AND DEBT

(In billions of dollars)

	2007 Actual	Estimate					
		2008	2009	2010	2011	2012	2013
Financing:							
Unified budget deficit (–)/surplus (+)	–162	–389	–482	–178	–103	58	29
Financing other than borrowing from the public:							
Changes in:[1]							
Treasury operating cash balance (–)	–23	25	....	....	....	....	....
Checks outstanding, etc.[2]	–2	....	....	....	....	....	....
Seigniorage on coins	1	1	1	1	1	1	1
Credit net financing disbursements (–):							
Direct loan financing accounts	–8	–22	–54	–3	–15	–15	–15
Guaranteed loan financing accounts	–9	–1	–3	1	2	–2	–2
Net purchases of non-Federal securities by the National Railroad Retirement Investment Trust (–)	–3	1	*	*	1	*	1
Total, financing other than borrowing from the public	–44	4	–56	–1	–11	–15	–15
Total, requirement to borrow from the public	–206	–385	–538	–178	–114	43	14
Change in debt held by the public	206	385	538	178	114	–43	–14
Changes in Debt Subject to Statutory Limitation:							
Change in debt held by the public	206	385	538	178	114	–43	–14
Change in debt held by Government accounts	293	287	277	326	368	417	394
Less: change in debt not subject to limit and other adjustments	2	*	2	1	2	2	2
Total, change in debt subject to statutory limitation	501	673	817	506	484	376	382
Debt Subject to Statutory Limitation, End of Year:							
Debt issued by Treasury	8,926	9,598	10,413	10,917	11,400	11,774	12,155
Adjustment for discount, premium, and coverage[3]	–4	–4	–2	–*	1	3	4
Total, debt subject to statutory limitation[4]	8,921	9,594	10,411	10,917	11,401	11,777	12,159
Debt Outstanding, End of Year:							
Gross Federal debt:[5]							
Debt issued by Treasury	8,926	9,598	10,413	10,917	11,400	11,774	12,155
Debt issued by other agencies	25	25	25	26	26	25	25
Total, gross Federal debt	8,951	9,623	10,438	10,943	11,425	11,800	12,180
Held by:							
Debt held by Government accounts	3,916	4,203	4,480	4,806	5,175	5,592	5,986
Debt held by the public	5,035	5,421	5,958	6,137	6,251	6,208	6,194
As a percent of GDP	36.8%	38.0%	40.2%	39.3%	37.9%	35.7%	34.0%

* $500 million or less.

[1] A decrease in the Treasury operating cash balance (which is an asset) is a means of financing a deficit and therefore has a positive sign. An increase in checks outstanding (which is a liability) is also a means of financing a deficit and therefore also has a positive sign.

[2] Besides checks outstanding, includes accrued interest payable on Treasury debt, uninvested deposit fund balances, allocations of special drawing rights, and other liability accounts; and, as an offset, cash and monetary assets (other than the Treasury operating cash balance), other asset accounts, and profit on sale of gold.

[3] Consists mainly of Federal Financing Bank debt (which is not subject to limit), the unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds), and the unrealized discount on Government account series securities.

[4] The statutory debt limit is $9,815 billion, enacted on September 29, 2007.

[5] Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost all measured at sales price plus amortized discount or less amortized premium. Agency debt securities are almost all measured at face value. Treasury securities in the Government account series are otherwise measured at face value less unrealized discount (if any).

GLOSSARY

Appropriation.—An appropriation provides legal authority for Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. Appropriations bills, such as the Department of Homeland Security or the Departments of Labor, Health and Human Services, and Education bills, are considered every year by the Congress and supplemental appropriations bills are considered from time to time.

Authorization.—An authorization is an act of the Congress that establishes or continues a Federal program or agency and sets forth the guidelines to which it must adhere.

Budget Authority.—Budget authority is the authority provided by law to incur financial obligations that will result in outlays.

Budget Resolution.—The budget resolution is the Congress' annual framework that sets targets for total budget authority, total outlays, total revenues, and the deficit (on-budget), as well as discretionary and mandatory allocations within the spending targets. These targets guide the committees' deliberations. A budget resolution does not become law and is not binding on the Executive Branch.

Cap.—A "cap" is a legal limit on annual discretionary spending.

Deficit.—A deficit is the amount by which outlays exceed receipts in a fiscal year.

Discretionary Spending.—Discretionary spending is spending that the President and the Congress control through annual appropriations bills. Examples include spending for such activities as the FBI, the Coast Guard, education, space exploration, highway construction, defense, and foreign aid.

Entitlement.—An entitlement program is one in which the Federal Government is legally obligated to make payments or provide aid to any person who meets the legal criteria for eligibility. Examples include Social Security, Medicare, Medicaid, and Food Stamps.

Fiscal Year.—The fiscal year is the Federal Government's accounting period. It begins on October 1st and ends on September 30th. For example, fiscal year 2009 begins on October 1, 2008, and ends on September 30, 2009.

Gross Domestic Product (GDP).—GDP is a measure of the market value of goods and services produced within the United States. It is the standard measure of the size of the economy.

Mandatory Spending.—Mandatory spending is controlled by permanent law rather than annual appropriations. Examples are Social Security and the Student Loan Program. The President and the Congress can change the law with respect to the eligibility criteria or the payment formula, and thus change the level of spending on mandatory programs, but annual action is not necessary to ensure the continuation of spending. In addition, budget authority provided in annual appropriations acts for certain programs is treated as mandatory because the authorizing legislation entitles beneficiaries to receive payment or otherwise obligates the Government to make payment.

Obligations.—Obligations are binding agreements that result in outlays, immediately or in the future.

Outlays.—Outlays are the primary measure of Government spending. Outlays are payments to liquidate obligations, largely measured on a cash basis. Total Federal outlays are a net figure, consisting of gross payments minus the amount of business-like collections and intragovernmental transactions, in a given fiscal year.

Receipts.—Governmental receipts (sometimes called receipts or revenues) are the collections of money that primarily result from taxes and similar Government powers to compel payment. Examples of governmental receipts include income taxes, payroll taxes, excise taxes, and customs duties. They do not include offsetting receipts or collections from the Federal Government's business-like activities, such as the entrance fees at national parks, or collections by one Government account from another.

Surplus.—A surplus is the amount by which receipts exceed outlays in a fiscal year.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

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