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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 display both on-budget and off-budget spending and receipts unless otherwise noted.
3. Details in the tables and text may not add to totals because of rounding.

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EXECUTIVE SUMMARY

The Administration projects that the fiscal 1997 deficit will be just \$37 billion and that the budget will achieve a \$63 billion surplus in 2002—marking the Nation's first balanced budget in over a generation.

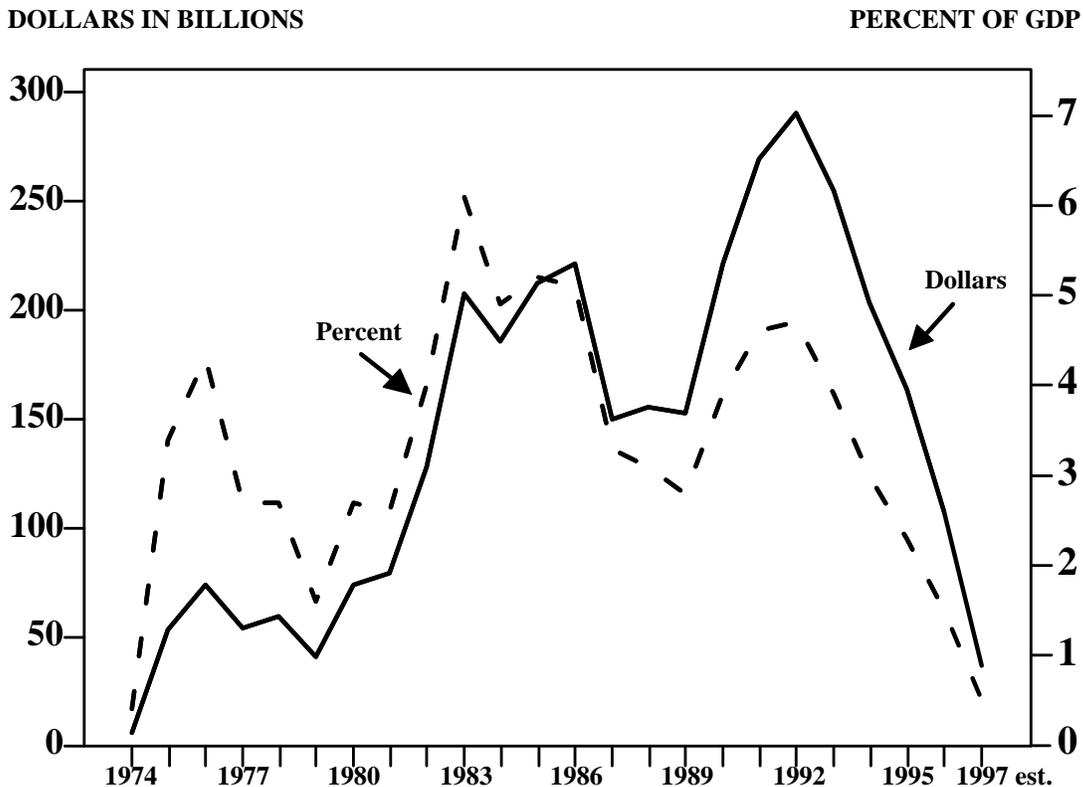
At \$37 billion, the 1997 deficit would be the smallest deficit since 1974, both in dollar terms and as a share of Gross Domestic Product (GDP) (see Chart 1). Already, the Nation has one of the smallest deficits as a share of GDP in the industrialized world.

The projected \$63 billion surplus in 2002—based largely on the balanced budget and tax bills that the President signed into law in early August—would represent the first

balanced budget since 1969, and only the ninth since World War II (see Chart 2).

But, as this report shows, the budget will not balance on its own. Without the President's historic balanced budget agreement with Congress, the deficit would begin to rise in 1998 and remain between \$50 billion and \$100 billion for the next five years. (See Table 1.) Simply put, the budget agreement will finish the job that the President began in 1993 in restoring the Nation's fiscal health by bringing the era of exploding deficits to an end.

Chart 1. THE SMALLEST DEFICIT SINCE 1974



**Chart 2. THE NATION'S FIRST BALANCED BUDGET
IN OVER A GENERATION**

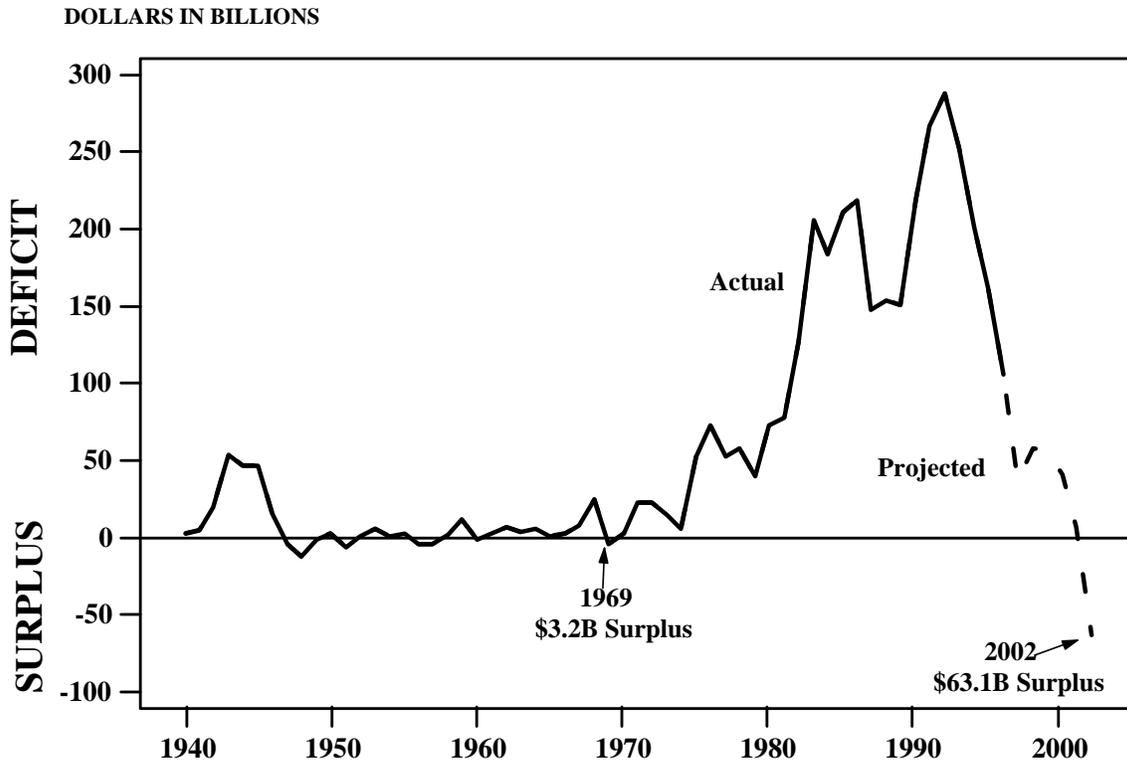


Table 1. BIPARTISAN BUDGET AGREEMENT: CHANGE FROM BASELINE

(In billions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 1998- 2002 | 1998- 2007 |
|----------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| February baseline deficit | 127.7 | 119.5 | 140.1 | 127.6 | 108.5 | 100.8 | 99.1 | 98.6 | 93.3 | 91.9 | 92.4 | | |
| Revised economic and technical assumptions and policy changes before August 1, 1997 | -91.7 | -66.1 | -53.9 | -40.6 | -36.1 | -39.4 | -43.2 | -46.5 | -51.2 | -56.1 | -66.4 | -236.2 | -499.5 |
| Revised baseline | 36.0 | 53.5 | 86.2 | 87.0 | 72.3 | 61.3 | 55.8 | 52.1 | 42.1 | 35.8 | 26.0 | | |
| Balanced Budget Act and Taxpayer Relief Act: | | | | | | | | | | | | | |
| Discretionary savings: | | | | | | | | | | | | | |
| Defense | — | 1.0 | -10.3 | -13.3 | -19.9 | -24.0 | -28.9 | -29.8 | -31.9 | -34.1 | -36.4 | -66.5 | -227.5 |
| Nondefense | — | -4.2 | -9.1 | -14.8 | -23.5 | -38.7 | -41.4 | -43.9 | -46.6 | -49.5 | -52.3 | -90.3 | -324.0 |
| Subtotal, discretionary savings | — | -3.2 | -19.4 | -28.1 | -43.4 | -62.8 | -70.3 | -73.7 | -78.5 | -83.6 | -88.7 | -156.8 | 551.5 |
| Mandatory savings | — | -9.9 | -23.8 | -43.3 | -44.8 | -74.8 | -61.5 | -69.3 | -77.6 | -86.6 | -95.8 | -196.6 | -587.5 |
| Debt service, net | * | 0.3 | -0.4 | -2.1 | -4.5 | -8.7 | -14.2 | -19.8 | -26.1 | -33.3 | -41.5 | -15.4 | -150.1 |
| Subtotal, savings proposals | * | -12.8 | -43.5 | -73.5 | -92.7 | -146.3 | -146.0 | -162.8 | -182.1 | -203.5 | -225.9 | -368.8 | -1,289.1 |
| Domestic initiatives | — | 8.5 | 9.3 | 9.0 | 8.8 | 7.7 | 7.8 | 7.9 | 9.2 | 9.2 | 10.1 | 43.3 | 87.4 |
| Net tax cut ¹ | 1.3 | 10.5 | 6.9 | 20.7 | 22.2 | 18.1 | 24.0 | 25.2 | 27.7 | 28.6 | 29.0 | 78.4 | 212.9 |
| Subtotal, reconciliation bills | 1.3 | 6.2 | -27.3 | -43.8 | -61.8 | -120.5 | -114.3 | -129.7 | -145.2 | -165.7 | -186.8 | -247.1 | -988.8 |
| Other policy proposals ² | — | -1.3 | -1.5 | -1.8 | -3.5 | -4.0 | -4.0 | -5.7 | -5.5 | -5.6 | -6.1 | -12.1 | -39.1 |
| Resulting deficit/surplus (-) | 37.3 | 58.3 | 57.4 | 41.4 | 7.0 | -63.1 | -62.4 | -83.3 | -108.7 | -135.6 | -166.8 | | |

* \$50 million or less.

¹ Includes outlay impact of tax credits in the Taxpayer Relief Act of 1997. Revenue changes relating to Federal employee retirement and the Universal Service Fund in the Balanced Budget Act of 1997 are shown in mandatory savings.² Includes related debt service. Programmatic detail is provided in Table 16.

When the President took office in January 1993, he inherited a budget that was clearly out of control. The deficit had hit a record \$290 billion in fiscal year 1992, the last full year before he arrived. Both OMB and the Congressional Budget Office (CBO) projected that, without action, it would go much higher—with OMB projecting a budget deficit of \$347 billion in 1997, rising to \$576 billion in 2002.

The spiraling deficits of the previous 12 years had seriously hampered the Nation's economic performance. They had not only quadrupled the national debt, but also had reduced national savings, choked off private investment, sent the trade deficit soaring, pushed up interest rates, blocked job creation, and hampered economic growth. Higher and higher future deficits would make matters worse.

The President took early, bold action to address the deficit problem. Working with the 103rd Congress, he put in place an economic program with three components that had never before been tried together.

First, the plan was designed to reduce the deficit substantially by cutting unnecessary and lower-priority spending while re-inventing the way Government works.

Second, it would invest in education and training, the environment, science and technology, law enforcement, and other priorities that will help raise living standards and the quality of life for average Americans, now and in the future.

Third, it would expand trade by opening markets overseas to enable American businesses to sell their goods, thus creating high-wage jobs at home.

Over the last four years, the plan has worked well. It has brought down interest rates, spurring strong growth with low inflation and low unemployment; boosted savings and investment; and helped to create 13 million new jobs. It has helped cut poverty, welfare, and crime. And, for the first time in decades, it has helped to reduce income inequality and raise living standards.

Because the economy has out-performed expectations, bringing in much more revenue

and limiting spending on unemployment and other benefits, the deficit has fallen far faster than anticipated. Upon enactment of the 1993 plan, OMB projected that it would cut the accumulated deficits from 1994 to 1998 by \$505 billion. Now, OMB projects the plan will cut the deficits in those years by nearly \$1.1 trillion.

The balanced budget legislation that the President signed on August 5—the product of strong bipartisan cooperation in Congress, and supported by overwhelming majorities in both parties—will finish the job. It achieves a projected \$247 billion in savings over the next five years and \$989 billion over 10 years—enough not only to generate a surplus by 2002 that grows for several years thereafter, but to invest in the education, health care, and futures of Americans and their families.

Among its highlights, the plan cuts taxes to help middle-income Americans raise their children, send them to college, and save for the future. It provides the largest investment in higher education since the G.I. Bill 50 years ago, and the largest expansion in health care for children since the creation of Medicaid in 1965. It extends the life of the Medicare Part A Trust Fund for a decade. And it helps our communities to rebuild, and to move a million more people from welfare to work.

As the President said in celebrating the bipartisan cooperation that made the legislation possible:

Because we have acted, millions of children all across this country will be able to get medicine, and have their sight and hearing tested, and see dentists and doctors for the first time. Millions of young Americans will be able to go on to college. Millions of Americans not so young will be able to go back to school to get the education and training they need to succeed in life. Millions of families will have more to spend on their own children's needs and upbringing. This budget is an investment in their future and in America's.

This historic legislation will help to prepare America for the 21st Century. By finishing the job of reaching balance, it will help to keep interest rates low, spur growth, create jobs, encourage savings and investment, and boost productivity and living standards. And by investing in education, health care, and other priorities, it will continue the

Administration's commitment to give Americans the tools they need to acquire good jobs and to live prosperous lives in the next century.

But the legislation should do even more. By reaching balance, it should help to restore public confidence in Government and lessen the cynicism that has gripped the Nation for over a decade. It should help to assure the American people that, in Washington as elsewhere, people of good will can make great progress when they put aside their partisan differences for the common good.

By reaching balance and helping to restore public confidence in Government, the budget agreement lays the foundation for progress on other important issues. The Administration is committed to working on a bipartisan basis with Congress on the issue of entitlement reform—specifically, on making the tough choices to strengthen and protect Medicare and Social Security over the long run. The balanced budget legislation that the President signed in early August set up a bipartisan commission to reform Medicare, and the President and Congress will appoint its members this fall.

This report uses the Administration's new economic and technical assumptions. Based on those assumptions, on the recent balanced budget and tax legislation, on other enacted laws, and on the President's use of the line-item veto, the report updates Administration estimates of the deficit, revenues, and spending for fiscal years 1997–2002 that it released in February in the President's 1998 budget.

Among the highlights of this report:

- ***Economic Assumptions.*** With faster-than-expected economic growth through the first half of 1997, the Administration has slightly eased its projection of growth through 2000 to reflect its prudent approach to forecasting long-term growth. But, because of improved measures that lower the Administration's estimates of inflation, we expect measures of real growth to be slightly faster for the period from mid-2000 through 2002.
- ***Receipts.*** The Administration has increased its estimates for receipts by sizable amounts for 1997 and 1998, and by smaller amounts in subsequent years. The increases are largely due to revised economic projections and unexpectedly high collections of individual income taxes.
- ***Spending.*** The Administration has lowered its estimate for outlays in 1997 largely due to revised technical assumptions, and in 1998 due to the balanced budget legislation and revised technical assumptions that more than offset increases due to revised economic assumptions.
- ***OMB Sequestration Update Report.*** The Administration projects that, based on congressional action to date, a very small "sequester" (an across-the-board reduction of non-exempt spending) would occur for the violent crime reduction discretionary spending level. No sequester would occur, however, for direct spending.

ECONOMIC ASSUMPTIONS

Introduction

The Nation's overall economic performance could hardly be better. Strong economic growth has pulled the unemployment rate down to its lowest level in nearly a quarter-century. Jobs abound, yet inflation shows no signs of picking up.

Optimism about the future is widespread. Consumer surveys reveal more confidence in the economy than in a generation. Businesses seem to share the view, as they continue to expand payrolls and invest heavily in new plant and equipment. Investors have been similarly sanguine, pushing the stock market to record levels.

Our excellent economic health and the widely held confidence that conditions will remain healthy are largely the results of sound fiscal and monetary policies. The deficit has fallen from a record \$290 billion in 1992 (4.7 percent of GDP) to a projected \$37 billion in 1997 (0.5 percent of GDP), and the balanced budget legislation that the President signed on August 5 will produce a projected surplus of \$63 billion in 2002.

During this expansion, monetary policy has kept inflation under control without sacrificing long-run growth. In 1994 and early 1995, the Federal Reserve tightened monetary policy to prevent a buildup of inflationary pressures. Later in 1995 and early 1996, when growth slowed and inflationary pressures subsided, the Federal Reserve relaxed monetary policy. Since January 1996, the Federal Reserve has hardly changed its monetary policy stance because inflation has remained subdued; it has raised the Federal funds rate only once, and by just one-quarter percentage point, to 5.5 percent, in March 1997.

Recent Developments

In the first quarter of the year, the economy grew at a rapid 4.9 percent annual rate. If that pace had continued during the following months, levels of resource utilization would have been so stretched that inflation surely would pick up. Temporary factors, however,

exaggerated underlying first quarter growth. In the second quarter of 1997, real GDP grew at a 3.6 percent annual rate.

In the second quarter, the unemployment rate averaged 4.9 percent, edging down to 4.8 percent in July—its lowest level since the end of 1973. Inflation, however, has remained remarkably stable. The underlying inflation rate, measured by the Consumer Price Index (CPI) excluding food and energy, was only 2.4 percent at an annual rate in the first seven months of 1997—slightly below the 1996 pace. Thanks to falling energy prices this year, the total CPI has risen at a mere 1.5 percent annual rate—nearly two percentage points slower than during 1996, when oil prices pushed the index up. Looking ahead, financial markets indicate a decline in inflation expectations, as signaled by the narrower spread since the spring between yields on conventional 10-year Treasury bonds and on bonds indexed for inflation.

In the first eight months of 1997, short-term interest rates remained stable. The 3-month Treasury bill rate remained close to 5 percent, about the same level as in 1996. Long-term rates moved up during the first four months of this year as the pace of activity increased, but moved down sharply thereafter as the economy decelerated and the President and Congress reached their bipartisan budget agreement in May. By August, the 10-year Treasury bond rate was 6.2 percent, about the same as in November 1996.

Revised Economic Assumptions

The economic projections for this report are based on the assumption that the budget will reach balance by 2002. A gradual elimination of the deficit, combined with a monetary policy that supports noninflationary growth, is expected to sustain the outstanding economic performance of recent years.

For this report, the Administration revised the economic assumptions underlying the President's 1998 budget to take into consider-

ation recent developments—including the higher-than-expected growth this year, the low levels of unemployment and inflation, the forthcoming changes in measuring the CPI, and the unexpectedly small deficit this year.

The Administration finalized its economic assumptions in early June.¹ For the next three years—from the second half of 1997 through the first half of 2000—projected real economic growth will average 2 percent at an annual rate, slightly below the Administration's estimate of the sustainable noninflationary growth rate of the economy. This moderate projection for economic growth reflects several considerations. At this stage of the expansion, pent-up demand for consumer durable goods stemming from the last recession has largely been exhausted and will not likely provide a significant stimulus to consumer spending. Residential investment also will likely grow at a more moderate pace, as housing starts return to levels consistent with long-run demographic trends. Finally, the Administration expects the recent rise in the dollar to restrain the growth of net exports for some time to come.

Real GDP growth at a 2 percent annual rate also would be consistent with a gradual rise in the unemployment rate. The Administration expects unemployment to reach 5.5 percent by the year 2000, the middle of its estimated range of the nonaccelerating inflation rate of unemployment (NAIRU)—the rate of unemployment at which there is no tendency for inflation either to rise or fall. Any estimate of NAIRU, however, involves considerable uncertainty. Unemployment has been below 5.5 percent for over a year, yet inflation shows no signs of increasing. The Administration's economic assumptions provide a conservative basis for budget planning, and the Administration is confident that, with continued sound fiscal and monetary policies, the economy could do even better.

¹ The assumptions, therefore, did not incorporate information released at the end of July for second quarter GDP growth and the benchmark revisions to the National Income and Product Accounts from the first quarter of 1993 through the first quarter of 1997. An adjusted set of assumptions for GDP and incomes that is consistent with the NIPA benchmark revisions appears as an addendum to Table 2.

The Administration projects that from mid-2000 through 2002, real economic growth will average 2.4 percent a year—the Administration's new estimate for the economy's long-run potential rate of growth. The 1998 budget assumed potential growth of 2.3 percent. The small upward revision primarily reflects the effects of better measurement of consumer price inflation. (To determine real economic growth, one adjusts changes in nominal spending for inflation. Thus, when nominal spending is unchanged, reductions in measured inflation raise measured real growth.)

The Bureau of Labor Statistics recently announced that it will introduce several improved procedures, including the use of geometric aggregations of some components of the CPI. The Administration estimates that these improvements will slow the measured growth of the CPI by 0.2 percentage point per year, compared to the inflation assumptions of the 1998 budget. As a result, this report projects that the CPI will rise 2.5 percent per year, rather than 2.7 percent. The Administration expects some of this reduction to pass through to the measures of inflation used to determine real GDP, thus accounting for the upward revision in the estimate of potential real growth.

The Administration has slightly increased its interest rate assumptions to reflect two unexpected developments. The first was the surge in economic activity earlier this year, which temporarily pushed long-term interest rates above the levels assumed in the budget. The second was the surprising drop in the deficit for 1997—a projected \$90 billion below the \$128 billion February baseline.

With a smaller deficit remaining to cut, the Administration expects the "fiscal dividend" that comes from eliminating that deficit to be correspondingly smaller. The fiscal dividend, which both OMB and CBO assume, is the decline in interest rates that comes from declining Federal borrowing needs; simply put, with a smaller deficit to eliminate, interest rates will fall less as a result of reaching balance. As a result, the Administration now projects that the 90-day Treasury bill rate will decline gradually to 4.4 percent, compared with 4.0 percent projected in the budget, and that the yield on the 10-year

Treasury note will fall to 5.4 percent, compared with 5.1 percent in the budget.

The Administration expects the projected decline in interest rates to keep the share of corporate profits in GDP near its recent

high level, while trimming the share of interest income of households. Overall, the share of taxable income in GDP is similar to that projected in the budget.

Table 2. ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

| | Actual 1996 | Projections | | | | | |
|----------------------------------------------------------|----------------|-------------|-------|-------|-------|-------|--------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Gross Domestic Product (GDP):¹ | | | | | | | |
| Levels, dollar amounts in billions: | | | | | | | |
| Current dollars | 7,576 | 7,996 | 8,354 | 8,733 | 9,133 | 9,578 | 10,046 |
| Real, chained (1992) dollars | 6,907 | 7,149 | 7,292 | 7,438 | 7,595 | 7,775 | 7,961 |
| Chained price index (1992 = 100), annual average | 109.9 | 112.4 | 115.2 | 118.0 | 120.9 | 123.9 | 126.9 |
| Percent change, fourth quarter over fourth quarter: | | | | | | | |
| Current dollars | 5.0 | 5.2 | 4.6 | 4.5 | 4.7 | 4.9 | 4.9 |
| Real, chained (1992) dollars | 3.1 | 3.0 | 2.0 | 2.0 | 2.2 | 2.4 | 2.4 |
| Chained price index (1992 = 100) | 2.1 | 2.4 | 2.5 | 2.4 | 2.4 | 2.4 | 2.4 |
| Percent change, year over year: | | | | | | | |
| Current dollars | 4.4 | 5.5 | 4.5 | 4.5 | 4.6 | 4.9 | 4.9 |
| Real, chained (1992) dollars | 2.4 | 3.5 | 2.0 | 2.0 | 2.1 | 2.4 | 2.4 |
| Chained price index (1992 = 100) | 2.1 | 2.3 | 2.5 | 2.5 | 2.4 | 2.4 | 2.4 |
| Incomes, billions of current dollars:¹ | | | | | | | |
| Corporate profits before tax | 640 | 691 | 716 | 736 | 757 | 795 | 842 |
| Wages and salaries | 3,630 | 3,859 | 4,027 | 4,210 | 4,402 | 4,606 | 4,816 |
| Other taxable income ² | 1,611 | 1,686 | 1,745 | 1,806 | 1,870 | 1,936 | 2,012 |
| Consumer Price Index (all urban):³ | | | | | | | |
| Level (1982-84 = 100), annual average | 157.0 | 161.2 | 165.2 | 169.4 | 173.6 | 178.0 | 182.4 |
| Percent change, fourth quarter over fourth quarter | 3.2 | 2.4 | 2.6 | 2.5 | 2.5 | 2.5 | 2.5 |
| Percent change, year over year | 2.9 | 2.7 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Unemployment rate, civilian, percent: | | | | | | | |
| Fourth quarter level | 5.3 | 4.9 | 5.3 | 5.4 | 5.5 | 5.5 | 5.5 |
| Annual average | 5.4 | 5.0 | 5.2 | 5.4 | 5.5 | 5.5 | 5.5 |
| Federal pay raises, January, percent: | | | | | | | |
| Military | 2.6 | 3.0 | 2.8 | 3.0 | 3.0 | 3.0 | 3.0 |
| Civilian ⁴ | 2.4 | 3.0 | 2.8 | N/A | N/A | N/A | N/A |
| Interest rates, percent: | | | | | | | |
| 91-day Treasury bills ⁵ | 5.0 | 5.2 | 5.1 | 4.9 | 4.6 | 4.4 | 4.4 |
| 10-year Treasury notes | 6.4 | 6.6 | 6.1 | 5.8 | 5.6 | 5.4 | 5.4 |
| ADDENDUM:⁶ | | | | | | | |
| Gross Domestic Product (GDP), revised: | | | | | | | |
| Levels, dollar amounts in billions: | | | | | | | |
| Current dollars | 7,636 | 8,063 | 8,424 | 8,805 | 9,210 | 9,658 | 10,130 |
| Real, chained (1992) dollars | 6,928 | 7,159 | 7,302 | 7,448 | 7,605 | 7,786 | 7,972 |
| Chained price index (1992 = 100), annual average | 110.2 | 112.8 | 115.5 | 118.4 | 121.3 | 124.2 | 127.3 |
| Percent change, fourth quarter over fourth quarter: | | | | | | | |
| Current dollars | 5.6 | 5.1 | 4.6 | 4.5 | 4.7 | 4.9 | 4.9 |
| Real, chained (1992) dollars | 3.2 | 2.8 | 2.0 | 2.0 | 2.2 | 2.4 | 2.4 |
| Chained price index (1992 = 100) | 2.3 | 2.3 | 2.5 | 2.4 | 2.4 | 2.4 | 2.4 |
| Percent change, year over year: | | | | | | | |
| Current dollars | 5.1 | 5.6 | 4.5 | 4.5 | 4.6 | 4.9 | 4.9 |

Table 2. ECONOMIC ASSUMPTIONS—Continued

(Calendar years; dollar amounts in billions)

| | Actual 1996 | Projections | | | | | |
|-------------------------------------------------------|----------------|-------------|-------|-------|-------|-------|-------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Real, chained (1992) dollars | 2.8 | 3.3 | 2.0 | 2.0 | 2.1 | 2.4 | 2.4 |
| Chained price index (1992 = 100) | 2.3 | 2.3 | 2.5 | 2.5 | 2.4 | 2.4 | 2.4 |
| Incomes, billions of current dollars, revised: | | | | | | | |
| Corporate profits before tax | 677 | 727 | 754 | 776 | 799 | 839 | 888 |
| Wages and salaries | 3,633 | 3,857 | 4,026 | 4,208 | 4,400 | 4,604 | 4,814 |
| Other taxable income ² | 1,693 | 1,777 | 1,840 | 1,905 | 1,973 | 2,044 | 2,126 |

N/A = Not Available.

¹ Based on information available as of June 1997. These assumptions, which are those used to prepare the Mid-Session estimates, do not reflect July 1997 NIPA revisions to GDP and incomes. An adjusted forecast consistent with the July revisions is shown in the addendum.

² Rent, interest, dividend and proprietor's components of personal income.

³ CPI for all urban consumers. Two versions of the CPI are published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets. Projections reflect scheduled changes in methodology.

⁴ Overall average increase, including locality pay adjustments. Percentages to be proposed for years after 1998 have not yet been determined.

⁵ Average rate (bank discount basis) on new issues within period.

⁶ Assumptions adjusted to reflect revised historical series for GDP and incomes released by the Bureau of Economic Analysis in July 1997.

RECEIPTS

The current estimates of receipts for 1997 and 1998 exceed the February budget baseline estimates by \$73.9 billion and \$57.7 billion, respectively. The Administration has revised the estimates for subsequent years upward by smaller amounts. These changes result from revised economic projections, technical reestimates, and enacted legislation.

Revised economic projections increase receipts by \$11.7 billion in 1997, \$16.1 billion in 1998, \$16.2 billion in 1999, and smaller amounts in each subsequent year. Higher levels of wages and salaries and other sources of personal income increase collections of individual income taxes and payroll taxes throughout the forecast period. Higher levels of corporate profits also contribute to the increase in receipts in 1997 and 1998. But for 1999–2002, lower shares of corporate profits in GDP partially offset the increases attributable to higher levels of personal income.

Higher-than-anticipated collections of individual income taxes account for most of the \$61.0 billion technical revision in 1997

receipts. About half of the increase in individual income taxes is higher-than-anticipated net final payments of 1996 liability; most of the rest represents higher-than-anticipated withheld and estimated payments of 1997 tax liability, which the Administration believes will lead to higher receipts throughout the forecast period. Also contributing to the technical increase in 1997 receipts are higher-than-anticipated collections of net final settlements of 1996 income tax liability by corporations and higher-than-anticipated estimated payments of 1997 liability by corporations.

Enacted legislation since February increases receipts in 1997, but reduces receipts in subsequent years. The temporary extension of airport and airway trust fund taxes through September 30, 1997, as provided in the Airport and Airway Trust Fund Tax Reinstatement Act of 1997, more than accounts for the \$1.2 billion increase in 1997 receipts. The subsequent reductions in receipts are due to the Taxpayer Relief Act of 1997 and the Balanced Budget Act of 1997. The reductions range from \$4.5 billion to \$22.2 billion a year.

Table 3. CHANGE IN RECEIPTS

(In billions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1998–2002 |
|------------------------------------------|---------|---------|---------|---------|---------|---------|-----------|
| February baseline estimate | 1,503.8 | 1,573.8 | 1,644.7 | 1,731.0 | 1,813.8 | 1,901.6 | |
| Change since February: | | | | | | | |
| Revised economic assumptions | 11.7 | 16.1 | 16.2 | 8.1 | 3.3 | 2.3 | 46.1 |
| Technical reestimates ¹ | 61.0 | 50.8 | 36.5 | 31.0 | 28.3 | 28.6 | 175.3 |
| Enacted legislation: | | | | | | | |
| Prior to reconciliation bills | 2.5 | * | — | — | — | — | * |
| Reconciliation bills** | -1.3 | -10.2 | -4.5 | -17.8 | -22.2 | -12.2 | -66.8 |
| Total enacted legislation | 1.2 | -10.2 | -4.5 | -17.8 | -22.2 | -12.2 | -66.8 |
| Proposed legislation ² | — | 0.9 | 1.5 | 1.5 | 1.5 | 1.6 | 7.0 |
| Total change | 73.9 | 57.7 | 49.7 | 22.9 | 11.0 | 20.3 | 161.6 |
| Mid-Session estimate | 1,577.7 | 1,631.6 | 1,694.3 | 1,753.9 | 1,824.8 | 1,921.9 | |
| **Memorandum: CBO Estimates | | | | | | | |
| CBO estimate of reconciliation bills .. | 0.1 | -9.1 | -6.9 | -23.0 | -26.7 | -14.6 | -80.4 |

* \$50 million or less.

¹ Data are not available to determine how much of these technical reestimates are actually due to stronger-than-expected economic performance.

² Includes impact of increased appropriations.

SPENDING

Outlays

The new estimate of total 1997 outlays is \$1,615.0 billion, \$16.5 billion lower than the February budget baseline estimate. The reduction arises largely from revised technical assumptions. The Administration now estimates total outlays for 1998 at \$1,689.9 billion, \$3.5 billion below the budget baseline estimate. Increases from changed economic assumptions are more than offset by reductions from implementation of the balanced budget legislation and revised technical assumptions.

Policy changes

Policy changes in 1997 are largely due to the Emergency Supplemental Appropriations and Rescissions Act of 1997. For 1998 and beyond, policy changes are largely driven by the Balanced Budget Act. Due to policy changes, estimated outlays for 1997 are \$2.1 billion higher than in the 1998 budget baseline, while outlays for 1998 are \$1.8 billion lower.

The 1997 supplemental appropriations bill provided discretionary funding for Bosnia peacekeeping and disaster relief (largely for floods in the Upper Midwest), and rescinded funds for numerous other discretionary programs. The bill increased net discretionary outlays for 1997 by \$1.8 billion. The Administration also adjusted projected discretionary outlays to reflect the new discretionary limits in the Balanced Budget Act. Discretionary outlays for 1998 are \$3.2 billion below the level required to continue programs at constant levels in real terms. For 1998 through 2002, the Balanced Budget Act requires reductions in discretionary programs of \$156.8 billion below this current services level.

Policy changes have reduced mandatory outlays by a net \$1.5 billion in 1998 and a net total of \$144.3 billion for 1998 through 2002. The Balanced Budget Act included cuts in Medicare spending (\$149.8 billion over 5 years), cuts in Medicaid spending (\$8.8 billion), additional receipts from the

auction of electromagnetic spectrum (\$24.7 billion) and \$12.7 billion in other savings over 5 years. These savings lead to a balanced budget in 2002 while allowing for tax cuts and important spending initiatives. Additional spending to address the harsh, unnecessary provisions of last year's welfare law that had nothing to do with the goal of moving people from welfare to work totals \$19.0 billion over 5 years. Spending to expand health care for children totals \$24.3 billion over five years. Outlays also increase as a result of the new child tax credit (\$10.9 billion).

Economic changes

Revisions in economic assumptions, discussed earlier in this report, raise estimated outlays by \$0.9 billion in 1997, \$3.4 billion in 1998, and a total of \$24.8 billion from 1998 to 2002. These increases largely result from slight upward revisions in interest rate assumptions.

Technical changes

For 1997, estimated outlays are \$19.4 billion lower than in the February budget baseline for technical reasons. For 1998, they are \$5.1 billion lower. The following changes in outlay projections all arise from technical factors.

Discretionary programs.—Estimated outlays for discretionary programs in 1997 are lower than the budget estimates by \$3.8 billion, reflecting lower-than-anticipated actual spending for the year to date. Outlays for discretionary programs are higher for 1998 through 2002 for technical reasons, primarily reflecting the impact of the 1997 supplemental bill on baseline spending levels.

Postal Service.—Revised estimates of the size and timing of the Postal Service's capital investment program and debt repayments have lowered 1997 and 1998 outlays by \$0.5 billion and \$0.8 billion, respectively, and raised outlays in 1999 through 2001.

Deposit insurance.—Estimated outlays for 1997 are \$1.7 billion lower than projected in the budget, reflecting lower projections of bank and thrift failures along with faster sales of, and higher recoveries from, assets held by the deposit insurance funds.

Education loan programs.—Estimated outlays for 1997 are \$2.8 billion higher than the budget projected, reflecting re-estimates of the length of time students stay in college and of default rates mainly for 1992 and 1993 (with significantly smaller effects in succeeding years). Estimated outlays for 1998 through 2002 are \$2.9 billion higher, mainly because the current projections assume that a larger share of total student loans will come from the guaranteed student loan program, and a smaller share from the direct student loan program, than the budget assumed.

Medicaid.—Current estimates of Medicaid outlays are lower than the budget estimates by \$1.0 billion in 1997 and \$0.5 billion in 1998 for technical reasons. Spending to date in 1997 and States' projections of near-term spending on medical assistance payments both indicate that the budget estimates were overstated. Although medical assistance payments have decreased, the projected growth over five years is the same as in the budget. The reduction in medical assistance payments is partially offset by an increase in estimated outlays for State and local administration.

Medicare.—Relative to the budget, estimated outlays for Medicare are now \$2.8 billion lower in 1997, \$3.1 billion lower in 1998, and \$4.9 billion lower in 2002. The decrease represents a moderate slow-down in the anticipated growth of outlays for Part B services, largely based on 1997 performance to date. The Administration projects that Medicare benefit outlays will grow at an 8.4 percent annual rate from 1997 to 2002.

Food stamps.—Estimated outlays for food stamps are lower than in the budget by \$1.0 billion in 1997 and \$1.8 billion in 1998. Based on actual outlays to date, the Administration has revised downward its estimate of participation levels by one million persons per month, and has reduced the projected average benefit levels by over \$1 per person per month.

Family support payments, temporary assistance for needy families (TANF), and child care.—Estimated outlays for family support payments, TANF, and child care programs are now \$3.2 billion lower in 1997 than in the budget. Actual family support payments to date have been lower than anticipated, and States have been slower than anticipated in drawing down TANF and child care funds as they begin to implement welfare reform programs.

Social security.—The revised estimates of Social Security are lower than the budget estimates by \$3.5 billion in 1997, reflecting experience to date, including fewer applications than anticipated. Estimates for 1998 and beyond are also lower, reflecting a fall in the number of projected beneficiaries.

FCC spectrum auctions.—Total receipts for auctions of spectrum held to date have exceeded projections in the budget. In addition, proceeds from D, E, and F block auctions—which the Administration had assumed would be received in 1998—are now expected in 1997. On net, projected receipts are now higher by \$2.8 billion in 1997. Since these receipts are recorded as negative outlays in the budget, outlays are lower by that amount. Auction receipts for 1998 are lower than projected in the budget—and, thus, outlays are higher—by \$4.5 billion due to lower-than-expected bids in the wireless communications services auction and the shift into 1997 cited above.

Table 4. CHANGE IN OUTLAYS

(In billions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1998- 2002 |
|-------------------------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|---------------|
| February baseline estimate | 1,631.5 | 1,693.4 | 1,784.8 | 1,858.6 | 1,922.3 | 2,002.3 | |
| Revisions due to: | | | | | | | |
| Policy changes: | | | | | | | |
| Balanced Budget and Taxpayer Relief Acts:* | | | | | | | |
| Medicare | — | -8.7 | -18.7 | -31.4 | -41.3 | -49.6 | -149.8 |
| Medicaid ¹ | — | 0.1 | -0.8 | -1.9 | -2.8 | -3.4 | -8.8 |
| Immigration, nutrition assistance, and work | — | 3.9 | 4.5 | 3.9 | 3.4 | 3.3 | 19.0 |
| Children's health | — | 4.6 | 4.8 | 5.1 | 5.4 | 4.4 | 24.3 |
| Impact of child tax credit | — | 0.3 | 2.3 | 2.7 | 2.8 | 2.8 | 10.9 |
| Spectrum auction receipts | — | — | -2.3 | -3.5 | -4.7 | -14.2 | -24.7 |
| Other | — | -1.3 | -1.9 | -6.2 | 1.2 | -4.4 | -12.7 |
| Subtotal, mandatory | — | -1.1 | -12.1 | -31.4 | -36.1 | -61.2 | -141.8 |
| Discretionary | — | -3.2 | -19.4 | -28.1 | -43.4 | -62.8 | -156.8 |
| 1997 Supplemental (discretionary) | 1.8 | 2.6 | 1.7 | 0.8 | 0.1 | * | 5.2 |
| Other | 0.3 | -0.4 | 0.6 | 0.4 | -1.1 | -2.0 | -2.5 |
| Debt service | * | 0.3 | -0.3 | -2.0 | -4.5 | -8.8 | -15.3 |
| Subtotal, policy changes | 2.1 | -1.8 | -29.4 | -60.3 | -84.9 | -134.8 | -311.2 |
| Economic assumptions: | | | | | | | |
| Mandatory programs | -0.3 | -1.5 | -1.0 | -1.4 | -3.8 | -5.6 | -13.4 |
| Net interest: | | | | | | | |
| Interest rates | 1.2 | 5.9 | 8.5 | 10.0 | 10.0 | 11.1 | 45.5 |
| Debt service | -0.1 | -1.0 | -1.5 | -1.7 | -1.6 | -1.5 | -7.3 |
| Subtotal, economic assumptions | 0.9 | 3.4 | 6.0 | 6.9 | 4.6 | 3.9 | 24.8 |
| Technical reestimates: | | | | | | | |
| Discretionary programs | -3.8 | 3.6 | 4.8 | 6.5 | 6.8 | 7.0 | 28.7 |
| Postal Service | -0.5 | -0.8 | 0.7 | 1.0 | 0.6 | -0.1 | 1.5 |
| Deposit insurance | -1.7 | -0.3 | 0.3 | -0.2 | 0.4 | 0.1 | 0.3 |
| Education loan programs | 2.8 | 0.4 | 0.5 | 0.6 | 0.7 | 0.7 | 2.9 |
| Medicaid | -1.0 | -0.5 | -1.0 | -0.8 | -0.7 | 0.1 | -2.9 |
| Medicare | -2.8 | -3.1 | -3.2 | -3.7 | -4.3 | -4.9 | -19.1 |
| Food stamps | -1.0 | -1.8 | -1.7 | -1.5 | -1.4 | -1.4 | -7.9 |
| Family support payments, temporary assistance for needy families, and child care | -3.2 | 0.4 | 0.8 | 1.0 | 1.1 | 0.2 | 3.5 |
| Social security | -3.5 | -2.9 | -3.1 | -3.9 | -4.2 | -4.2 | -18.4 |
| FCC spectrum auction | -2.8 | 4.5 | -0.4 | -0.3 | — | — | 3.9 |
| Net interest ² | -2.9 | -6.8 | -9.3 | -11.0 | -12.2 | -14.0 | -53.3 |
| Other | 0.9 | 2.1 | 1.8 | 2.5 | 3.0 | 3.8 | 13.2 |
| Subtotal, technical reestimates | -19.4 | -5.1 | -9.6 | -9.9 | -10.2 | -12.7 | -47.5 |
| Total, changes | -16.5 | -3.5 | -33.0 | -63.3 | -90.5 | -143.6 | -333.8 |
| Mid-Session estimate | 1,615.0 | 1,689.9 | 1,751.8 | 1,795.3 | 1,831.8 | 1,858.7 | |

*Memorandum: CBO Estimates

Policy changes:

Balanced Budget and Taxpayer Relief Acts:

| | | | | | | | |
|-----------------------------|---|------|-------|-------|-------|-------|--------|
| Medicare | — | -6.1 | -15.7 | -29.1 | -20.2 | -41.0 | -112.0 |
| Medicaid ¹ | — | -0.5 | -1.6 | -2.8 | -4.0 | -5.0 | -13.9 |
| All other mandatory | — | 7.1 | 7.6 | 1.8 | 8.6 | -6.2 | 19.0 |
| Total, mandatory | — | 0.5 | 9.6 | -30.0 | -15.6 | -52.2 | -106.9 |

The Administration and CBO have longstanding technical differences in estimating the costs and savings of legislation. Medicare estimates usually have been the largest source of the differences. The Administration has over the last several years estimated that the same policies would produce greater savings than CBO has estimated. As the above numbers show, the same was true this year when the Administration and CBO each estimated the costs of the balanced budget legislation. The President and Congress agreed to \$115 billion in net savings over five years in Medicare, as scored by CBO. Under CBO scoring, the savings come to \$112 billion. The differences between the Administration and CBO scoring are due to estimating methods, not to differences over policies.

¹ Excludes children's health, immigration, and the effects of veterans' proposals on Medicaid.² Largely debt service on technical changes in outlays and receipts.

OMB SEQUESTRATION UPDATE REPORT

Overview

The President and Congress enacted the Budget Enforcement Act of 1997 (BEA) as part of the Balanced Budget Act of 1997 (BBA) in order to extend expiring enforcement requirements. The BEA includes separate annual limits, or “caps,” on defense and non-defense discretionary spending through 1999, and on violent crime reduction through 2000; for 2001 and 2002, the law sets a single limit for all discretionary spending. It also continues the pay-as-you-go requirement that legislation affecting direct spending or receipts not increase the deficit. An across-the-board reduction of non-exempt spending, known as “sequestration,” enforces compliance with these constraints.

The BEA requires that, during the year, OMB issue reports about whether legislative action on discretionary spending and pay-as-you-go legislation would, at that point, trigger a sequester. This report provides OMB’s updated estimates, reflecting legislation that the President signed as of August 15, 1997. As the BEA requires, the estimates rely on the same economic and technical assumptions as in the President’s 1998 budget, which the Administration transmitted to Congress on February 6, 1997.

As explained later, action to date is as follows:

- The latest House and Senate action indicate that a very small sequester would occur for the violent crime reduction discretionary level.
- The Budget Enforcement Act of 1997 requires that the pay-as-you-go balances be removed from the scorecard. Legislation enacted after the Balanced Budget Act and Taxpayer Relief Act has had a minor impact on the deficit. The Administration does not project a sequester at this time.

Discretionary sequestration report

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act of 1990, as amended by the Omnibus Budget and Reconciliation Act of 1993 (OBRA), and by the Budget Enforcement Act of 1997, identify accounts with discretionary resources. The BEA of 1997 limits budget authority and outlays available for discretionary programs each year through 2002. OMB monitors compliance with the discretionary limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay caps trigger a sequester to eliminate that breach. The law, however, does not require that Congress appropriate the full amount available under the discretionary limits. Table 5 summarizes changes to the caps since 1990.

Table 5. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

| | | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-----------------------------------------------------------------------------------------------------|-----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| TOTAL DISCRETIONARY | | | | | | | | | | | | | |
| Statutory Caps as set in OBRA 1990 and OBRA 1993¹ | BA | 491.7 | 503.4 | 511.5 | 510.8 | 517.7 | 519.1 | 528.1 | 530.6 | N/A | N/A | N/A | N/A |
| | OL | 514.4 | 524.9 | 534.0 | 534.8 | 540.8 | 547.3 | 547.3 | 547.9 | N/A | N/A | N/A | N/A |
| Adjustments for changes in concepts and definitions | BA | ..... | 7.7 | 8.2 | 8.2 | 8.8 | -0.6 | -0.4 | 3.1 | N/A | N/A | N/A | N/A |
| | OL | ..... | 1.0 | 2.4 | 2.3 | 3.0 | -0.5 | -2.6 | -2.8 | N/A | N/A | N/A | N/A |
| Adjustments for changes in inflation | BA | ..... | -0.5 | -5.1 | -9.5 | -11.8 | 3.0 | 2.6 | ..... | N/A | N/A | N/A | N/A |
| | OL | ..... | -0.3 | -2.5 | -5.8 | -8.8 | 1.8 | 2.3 | 0.9 | N/A | N/A | N/A | N/A |
| Adjustments for credit reestimates, IRS funding, debt forgiveness, IMF, and CDRs | BA | 0.2 | 0.2 | 13.0 | 0.6 | 0.7 | 0.1 | 0.2 | 0.1 | N/A | N/A | N/A | N/A |
| | OL | 0.3 | 0.3 | 0.8 | 0.8 | 0.9 | 0.1 | 0.3 | 0.1 | N/A | N/A | N/A | N/A |
| Adjustments for emergency requirements | BA | 0.9 | 8.3 | 4.6 | 12.2 | 7.7 | 5.1 | 1.6 | ..... | N/A | N/A | N/A | N/A |
| | OL | 1.1 | 1.8 | 5.4 | 9.0 | 10.1 | 6.4 | 5.4 | 1.7 | N/A | N/A | N/A | N/A |
| Adjustment pursuant to Sec. 2003 of P.L. 104-19 ² | BA | ..... | ..... | ..... | ..... | -15.0 | -0.1 | -0.1 | ..... | N/A | N/A | N/A | N/A |
| | OL | ..... | ..... | ..... | ..... | -1.1 | -3.5 | -2.4 | -1.5 | N/A | N/A | N/A | N/A |
| Adjustments for special allowances: Discretionary new budget authority | BA | ..... | 3.5 | 2.9 | 2.9 | 2.9 | ..... | ..... | ..... | N/A | N/A | N/A | N/A |
| | OL | ..... | 1.4 | 2.2 | 2.6 | 2.7 | 1.1 | 0.5 | 0.1 | N/A | N/A | N/A | N/A |
| Outlay allowance | BA | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | N/A | N/A | N/A | N/A |
| | OL | 2.6 | 1.7 | 0.5 | 1.0 | ..... | ..... | ..... | ..... | N/A | N/A | N/A | N/A |
| Subtotal, adjustments excluding Desert Shield/Desert Storm | BA | 1.1 | 19.2 | 23.6 | 14.3 | -6.7 | 7.5 | 4.0 | 3.1 | N/A | N/A | N/A | N/A |
| | OL | 3.9 | 5.9 | 8.8 | 10.0 | 6.8 | 5.5 | 3.7 | -1.5 | N/A | N/A | N/A | N/A |
| Adjustments for Operation Desert Shield/Desert Storm | BA | 44.2 | 14.0 | 0.6 | * | * | ..... | ..... | ..... | N/A | N/A | N/A | N/A |
| | OL | 33.3 | 14.9 | 7.6 | 2.8 | 1.1 | ..... | ..... | ..... | N/A | N/A | N/A | N/A |
| Total adjustments | BA | 45.4 | 33.2 | 24.2 | 14.3 | -6.7 | 7.5 | 4.0 | 3.1 | N/A | N/A | N/A | N/A |
| | OL | 37.2 | 20.8 | 16.4 | 12.8 | 7.8 | 5.5 | 3.7 | -1.5 | N/A | N/A | N/A | N/A |
| Preview Report spending limits³ | BA | 537.1 | 536.6 | 535.7 | 525.1 | 511.0 | 526.7 | 532.0 | 533.8 | N/A | N/A | N/A | N/A |
| | OL | 551.6 | 545.7 | 550.4 | 547.6 | 548.6 | 552.7 | 551.0 | 546.4 | N/A | N/A | N/A | N/A |
| Adjustment to Reach Discretionary Spending Limits Included in the Balanced Budget Act of 1997 | BA | N/A | N/A | N/A | N/A | N/A | N/A | N/A | -6.9 | N/A | N/A | N/A | N/A |
| | OL | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 6.9 | N/A | N/A | N/A | N/A |
| Statutory Caps as set in the Balanced Budget Act of 1997⁴ | BA | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 526.9 | 533.0 | 537.2 | 542.0 | 551.1 |
| | OL | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 553.3 | 559.3 | 564.3 | 564.4 | 560.8 |
| Adjustments for emergency requirements | BA | N/A | N/A | N/A | N/A | N/A | N/A | 7.7 | 0.3 | ..... | ..... | ..... | ..... |
| | OL | N/A | N/A | N/A | N/A | N/A | N/A | 2.7 | 2.6 | 1.8 | 0.8 | 0.1 | * |
| Update Report spending limits⁴ | BA | 537.1 | 536.6 | 535.7 | 525.1 | 511.0 | 526.7 | 539.7 | 527.1 | 533.0 | 537.2 | 542.0 | 551.1 |
| | OL | 551.6 | 545.7 | 550.4 | 547.6 | 548.6 | 552.7 | 553.7 | 555.9 | 561.1 | 565.0 | 564.5 | 560.8 |

N/A = Not applicable.

* Less than \$50 million.

¹ The discretionary limit for 1990 was \$496.5 billion in budget authority and \$500.4 billion in outlays.² P.L. 104-19, Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-Terrorism Initiatives, for Assistance in the Recovery from the Tragedy that Occurred at Oklahoma City, and Rescissions Act, 1995, was signed into law on July 27, 1995. Section 2003 of that bill directed the Director of OMB to make a downward adjustment in the discretionary spending limits for 1995-1998 by the aggregate amount of the estimated reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergency appropriations.³ Reflects combined General Purpose Discretionary and Violent Crime Reduction Discretionary spending limits.⁴ Reflects combined Defense Discretionary, Non-Defense Discretionary (Excluding Crime), and Violent Crime Reduction Discretionary spending limits.

Adjustments to discretionary limits.—Table 6 shows how adjustments permitted under section 251(b) of the BEA affect the discretionary limits.

Before enactment of the BBA of 1997, section 251(b)(1) authorized adjustments for changes in inflation estimates from those in the House Conference Report on the 1994 Budget Resolution, and for changes in concepts and definitions. The Administration made both of these adjustments in the sequestration preview report in the President's budget, and included them in the preview report limits in Table 6. The BBA of 1997 no longer requires that an adjustment for inflation be made in the sequestration preview report, but the law retained the provision for an adjustment for changes in concepts and definitions.

Section 251(b)(2) authorizes certain adjustments after the enactment of appropriations. Table 6 includes those adjustments that can be made now due to legislation enacted to date. Table 6 also includes adjustments that would be made assuming enactment of the President's proposals. The Administration cannot determine the actual adjustments to be included in the final sequestration report at the end of this year's session of Congress until all appropriations are en-

acted. The section 251(b)(2) adjustments include:

Emergency Appropriations.—Funding for amounts that the President designates as "emergency requirements" and that Congress so designates in law. Since the President submitted the 1998 budget in February, Congress has enacted emergency supplemental appropriations requested to help the hundreds of thousands of people who have suffered terribly from flooding and other natural disasters that have ravaged the Midwest and other parts of the country. Congress has also enacted emergency supplemental appropriations that the President requested to replenish the Department of Defense accounts in connection with U.S. peacekeeping efforts in Bosnia and Southwest Asia, and to assure that the Department can maintain maximum readiness of the troops. Further, the President has authorized the release of additional emergency appropriations that were previously enacted, including those for the Department of Health and Human Services to support needs arising from the cold weather during the winter; for the Interior Department to address urgent needs arising from damage caused by natural disasters; and for the Treasury Department for its Atlanta bombing investigations and for anti-terrorist protection for the June 1997 Summit of Eight in Denver and the U.N. Environmental Summit in New York.

Table 6. UPDATE REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS
(In millions of dollars)

| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--------------------------------------------------------------------------------------------------------------------------|-----------|----------------|----------------|----------------|----------------|----------------|----------------|
| General Purpose Discretionary | | | | | | | |
| Total General Purpose Discretionary Spending Limits, February 6, 1997, Preview Report | BA | 527,036 | 528,280 | N/A | N/A | N/A | N/A |
| | OL | 547,060 | 541,501 | N/A | N/A | N/A | N/A |
| Changes Required to Set Discretionary Limits Equal to the Balanced Budget Act of 1997 | BA | N/A | -6,923 | N/A | N/A | N/A | N/A |
| | OL | N/A | 8,175 | N/A | N/A | N/A | N/A |
| Total General Purpose Discretionary Spending Limits Included in the Balanced Budget Act ¹ | BA | 527,036 | 521,357 | 527,199 | 532,693 | N/A | N/A |
| | OL | 547,060 | 549,676 | 554,368 | 558,711 | N/A | N/A |
| Violent Crime Reduction | | | | | | | |
| Total Violent Crime Reduction Discretionary Spending Limits, February 6, 1997, Preview Report | BA | 5,000 | 5,500 | N/A | N/A | N/A | N/A |
| | OL | 3,936 | 4,904 | N/A | N/A | N/A | N/A |
| Changes Required to Set Violent Crime Reduction Spending Limits Equal to the Balanced Budget Act of 1997 ... | BA | N/A | ..... | N/A | N/A | N/A | N/A |
| | OL | N/A | -1,312 | N/A | N/A | N/A | N/A |
| Total Violent Crime Reduction Discretionary Spending Limits Included in the Balanced Budget Act ¹ | BA | 5,000 | 5,500 | 5,800 | 4,500 | N/A | N/A |
| | OL | 3,936 | 3,592 | 4,953 | 5,554 | N/A | N/A |
| Total Discretionary | | | | | | | |
| Total Discretionary Spending Included in the Balanced Budget Act of 1997¹ | BA | 532,036 | 526,857 | 532,999 | 537,193 | 542,032 | 551,074 |
| | OL | 550,996 | 553,268 | 559,321 | 564,265 | 564,396 | 560,799 |
| Adjustments for the Update Report: | | | | | | | |
| Defense Discretionary | | | | | | | |
| Emergency Supplemental Appropriations (P.L. 105-18) ... | BA | 1,846 | ..... | ..... | ..... | ..... | ..... |
| | OL | 1,464 | 301 | 48 | 16 | 7 | ..... |
| Non-Defense Discretionary, Excluding Violent Crime Reduction | | | | | | | |
| Emergency Supplemental Appropriations (P.L. 105-18) ... | BA | 5,588 | 250 | ..... | ..... | ..... | ..... |
| | OL | 1,000 | 2,284 | 1,701 | 743 | 99 | 13 |
| Contingent Emergency Appropriations Released | BA | 265 | ..... | ..... | ..... | ..... | ..... |
| | OL | 235 | 21 | 9 | ..... | ..... | ..... |
| Subtotal, Adjustments to Non-Defense Discretionary, Excluding Violent Crime Reduction Limits for the Update Report | BA | 5,853 | 250 | ..... | ..... | ..... | ..... |
| | OL | 1,235 | 2,305 | 1,710 | 743 | 99 | 13 |
| Violent Crime Reduction | | | | | | | |
| No Adjustments. | | | | | | | |
| Subtotal, Adjustments for the Update Report | BA | 7,699 | 250 | ..... | ..... | ..... | ..... |
| | OL | 2,699 | 2,606 | 1,758 | 759 | 106 | 13 |
| Potential Further Adjustments for the End-Of-Session Sequestration Report: | | | | | | | |
| Defense Discretionary | | | | | | | |
| No further adjustments anticipated. | | | | | | | |
| Non-Defense Discretionary, Excluding Violent Crime Reduction | | | | | | | |
| Social Security Administration: Continuing Disability Reviews (CDRs) | BA | ..... | 290 | 355 | 520 | 520 | 520 |
| | OL | ..... | 267 | 350 | 507 | 520 | 520 |

Table 6. UPDATE REPORT ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| International Monetary Fund: New Arrangements to Borrow (NAB) | BA | | 3,521 | | | | |
| | OL | | | | | | |
| United Nations and Multilateral Development Bank (MDB) Arrearage Payments | BA | | 415 | 1,227 | 242 | | |
| | OL | | 120 | 969 | 98 | 117 | 139 |
| Earned Income Tax Credit (EITC) Compliance Initiative .. | BA | | 138 | 143 | 144 | 145 | 146 |
| | OL | | 131 | 143 | 144 | 145 | 146 |
| Subtotal, Adjustments to Non-Defense Discretionary, Excluding Violent Crime Reduction, Spending Limits for the End-of-Session Report (Estimated) | | | | | | | |
| | BA | | 4,364 | 1,725 | 906 | 665 | 666 |
| | OL | | 518 | 1,462 | 749 | 782 | 805 |
| Violent Crime Reduction | | | | | | | |
| Special Outlay Allowance | BA | | | | | | |
| | OL | | 1,243 | | | | |
| Subtotal, Adjustments to Violent Crime Reduction Spending Limits for the End-of-Session Report (Estimated) | | | | | | | |
| | BA | | | | | | |
| | OL | | 1,243 | | | | |
| Total Discretionary | | | | | | | |
| Total Discretionary Spending Limits for the Update Report | BA | 539,735 | 527,107 | 532,999 | 537,193 | 542,032 | 551,074 |
| | OL | 553,695 | 555,874 | 561,079 | 565,024 | 564,502 | 560,812 |
| Total Discretionary Spending Limits for the End-of-Session Sequestration Report (Estimated) | BA | 539,735 | 531,471 | 534,724 | 538,099 | 542,697 | 551,740 |
| | OL | 553,695 | 557,635 | 562,541 | 565,773 | 565,284 | 561,617 |

Note: Detail may not add to total due to rounding.

¹ FY 1998 Discretionary Spending included in the Balanced Budget Act of 1997 (BBA) would be allocated as follows: Non-Defense Discretionary, Excluding Violent Crime Reduction: \$252,357 million in budget authority and \$282,853 million in outlays; Violent Crime Reduction: \$5,500 million in budget authority and \$3,592 million in outlays; and Defense Discretionary: \$269,000 million in budget authority and \$266,823 million in outlays. Consistent with the BBA, FY 1999 Discretionary Spending Limits would be divided into the following categories: Defense Discretionary; Non-Defense Discretionary; Excluding Violent Crime Reduction; and Violent Crime Reduction. FY 2000 Discretionary Spending Limits would be divided between Discretionary, Excluding Violent Crime Reduction, and Violent Crime Reduction. FYs 2001 and 2002 Discretionary Spending Limits would be for Total Discretionary Spending.

Continuing Disability Reviews.—Funding for additional continuing disability reviews (CDRs) under the heading, “Limitation on Administrative Expenses” for the Social Security Administration. The law limits adjustments to the budget authority and outlay estimates authorized in P.L. 105–33, the Balanced Budget Act of 1997. CDRs are conducted to verify that recipients of Social Security disability insurance benefits and Supplemental Security Income benefits for persons with disabilities are still disabled.

Allowance for International Monetary Fund (IMF).—Funding for an increase in the United States quota as part of the IMF Eleventh General Review of Quotas. This allowance also covers any increase in the maximum amount available to the Secretary of the Treasury pursuant to section 17 of the Bretton Woods Agreement Act, which provides for loans to the IMF for emergency purposes under an international agreement, the New Arrangements to Borrow (NAB).

Allowance for International Arrearages funding.—Funding for arrearages for international organizations, international peacekeeping, and multilateral development banks. The amount of the cap adjustment is limited to \$1.884 billion for 1998 through 2000 in P.L. 105–33.

Earned Income Tax Credit (EITC) Compliance Initiative.—Funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility in order to reduce EITC overclaims. Adjustments are limited to the budget authority and outlay estimates authorized in P.L. 105–33.

Special Outlay Allowance.—An allowance, included in the BBA, to cover technical scoring differences that result when OMB scoring exceeds CBO scoring. If, in any fiscal year, outlays for a discretionary spending category exceed the spending limit for the category, but new budget authority does not exceed the limit for that category, the special outlay allowance may be used. The outlay adjustment is the amount of the excess spending over the limit. The adjustment cannot exceed 0.5 percent of the sum of the adjusted discretionary spending

limits on outlays for that fiscal year. Based on preliminary estimates, the use of about \$1.2 billion of the \$2.8 billion special outlay allowance available for 1998 would be necessary to avoid a sequester in the Violent Crime Reduction category.

Status of 1997 discretionary appropriations.—Table 7 summarizes the status of enacted 1997 discretionary appropriations, relative to the discretionary caps. Enacted budget authority and outlays are within the caps.

Status of 1998 discretionary appropriations.—Table 8 shows preliminary OMB scoring of the latest House and Senate action for 1998 appropriations bills. For both House and Senate action to date, budget authority exceeds the limit set for violent crime reduction spending by \$1 million. If the bills containing violent crime reduction funding were enacted as they are now scored, they would trigger a sequester of budget authority. Non-defense discretionary spending is within the budget authority and outlay limits set in the BBA for both House and Senate action to date.

Table 7. STATUS OF 1997 DISCRETIONARY APPROPRIATIONS

(In millions of dollars)

| | BA | Outlays |
|----------------------------------------------------|---------|---------|
| GENERAL PURPOSE DISCRETIONARY | | |
| Adjusted discretionary spending limits | 534,735 | 549,759 |
| Total enacted | 498,447 | 537,081 |
| VIOLENT CRIME REDUCTION | | |
| Adjusted discretionary spending limits | 5,000 | 3,936 |
| Total enacted | 4,683 | 3,697 |
| TOTAL DISCRETIONARY | | |
| Adjusted discretionary spending limits | 539,735 | 553,695 |
| Total enacted | 503,130 | 540,778 |
| Appropriations over/under(–) spending limits | –36,605 | –12,917 |

Table 8. SUMMARY OF 1998 APPROPRIATIONS ACTION

(In millions of dollars)

| | House | | | Senate | | |
|----------------------------------------------------------------------------------------------------------------------------|---------|---------|----------------|---------|---------|----------------|
| | BA | Outlays | | BA | Outlays | |
| DEFENSE DISCRETIONARY | | | | | | |
| Commerce, Justice, State and the Judiciary | 272 | 290 | C | 333 | 349 | F |
| Defense | 248,102 | 241,207 | F | 246,987 | 240,979 | F |
| Energy and Water Development | 10,993 | 10,871 | F | 11,803 | 11,242 | F |
| Military Construction | 9,183 | 9,523 | F | 9,188 | 9,591 | F |
| Transportation and Related Agencies | 300 | 299 | F | ..... | 59 | F |
| Veterans Affairs, HUD, Independent Agencies | 128 | 127 | F | 128 | 127 | F |
| 1998 effects of 1997 emergency supplemental appropriations and releases of contingent emergency funding ¹ ..... | ..... | 301 |  | ..... | 301 | |
| Total Defense Discretionary | 268,978 | 262,618 | | 268,439 | 262,648 | |
| Estimated End-of-Session Defense Discretionary Limits | 269,000 | 267,124 | | 269,000 | 267,124 | |
| CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS | -22 | -4,506 | | -561 | -4,476 | |
| NON-DEFENSE DISCRETIONARY, EXCLUDING VIOLENT CRIME REDUCTION | | | | | | |
| Agriculture, Rural Development | 13,490 | 13,707 | F | 13,643 | 13,814 | F |
| Commerce, Justice, State and the Judiciary | 25,714 | 25,527 | C ² | 25,577 | 25,428 | F ² |
| Defense | 27 | 24 | F | ..... | ..... | F |
| District of Columbia | N/A | N/A | | N/A | N/A | |
| Energy and Water Development | 8,993 | 8,758 | F | 8,951 | 8,860 | F |
| Foreign Operations | 12,267 | 13,029 | C | 16,816 | 13,083 | F ³ |
| Interior and Related Agencies | 12,939 | 13,337 | F | 13,695 | 13,643 | C |
| Labor, HHS, Education | 79,930 | 75,810 | C ⁴ | 79,613 | 75,765 | C ⁴ |
| Legislative Branch | 2,227 | 2,245 | F | 2,287 | 2,297 | F |
| Transportation and Related Agencies | 12,217 | 36,360 | F | 12,154 | 36,363 | F |
| Treasury, Postal Service and General Government | 12,419 | 12,134 | C | 12,479 | 12,222 | F |
| Veterans Affairs, HUD, Independent Agencies | 69,621 | 80,388 | F | 68,540 | 79,312 | F |
| 1998 effects of 1997 emergency supplemental appropriations and releases of contingent emergency funding ¹ | 250 | 2,305 | | 250 | 2,305 | |
| Total Non-Defense Discretionary, Excluding Violent Crime Reduction | 250,094 | 283,624 | | 254,005 | 283,092 | |
| Estimated End-of-Session Non-Defense Discretionary, Excluding Violent Crime Limits | 256,971 | 285,676 | | 256,971 | 285,676 | |
| CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS | -6,877 | -2,052 | | -2,966 | -2,584 | |
| VIOLENT CRIME REDUCTION | | | | | | |
| Commerce, Justice, State and the Judiciary | 5,260 | 4,643 | C | 5,226 | 4,648 | F |
| Labor, HHS, Education | 144 | 76 | C | 144 | 78 | C |
| Treasury, Postal Service and General Government | 97 | 91 | C | 131 | 109 | F |
| Total Violent Crime Reduction | 5,501 | 4,810 | | 5,501 | 4,835 | |
| Estimated End-of-Session Violent Crime Reduction Limits (Excluding Special Outlay Allowance) | 5,500 | 3,592 | | 5,500 | 3,592 | |
| CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS (Excluding Special Outlay Allowance) | 1 | 1,218 | | 1 | 1,243 | |
| Special Outlay Allowance Used ..... | ..... | 1,218 |  | ..... | 1,243 | |

Table 8. SUMMARY OF 1998 APPROPRIATIONS ACTION—Continued
(In millions of dollars)

| | House | | Senate | |
|-------------------------------------------------------------------------------------------------------|-------|---------|--------|---------|
| | BA | Outlays | BA | Outlays |
| Estimated End-of-Session Violent Crime Reduction Limits (Including Special Outlay Allowance) | 5,500 | 4,835 | 5,500 | 4,835 |
| CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS (Including Special Outlay Allowance) | 1 | 0 | 1 | ..... |

Key: N/A = No Action to Date; C = Bill Reported Out by Committee; F = Bill Passed by House or by Senate

¹Budget authority and outlays from emergency appropriations enacted or released since the February Budget would be included in OMB's final scoring of individual appropriations bills as follows:

| | BA | Outlays |
|-------------------------------------------------|-----|---------|
| Defense Discretionary: | | |
| Defense | | 301 |
| Total, Defense Discretionary | | 301 |
| Non-Defense Discretionary: | | |
| Agriculture | | 130 |
| Commerce, Justice, State and the Judiciary | | 32 |
| Energy and Water Development | | 229 |
| Interior | | 152 |
| Transportation and Related Agencies | | 349 |
| Treasury, Postal Service | | 1 |
| Veterans Affairs, HUD, Independent Agencies | 250 | 1,412 |
| Total, Non-Defense Discretionary | 250 | 2,305 |
| Total Discretionary | 250 | 2,606 |

² Estimates include funding of \$100 million in BA and \$100 million in outlays for international arrearage payments.

³ Estimates include funding of \$315 million in BA and \$20 million in outlays for international arrearage payments, and \$3,521 million in BA for International Monetary Fund New Arrangements to Borrow.

⁴ Estimates include funding of \$245 million in BA and \$232 million in outlays for funding for Continuing Disability Reviews (CDRs).

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires that this report explain the differences between OMB and CBO estimates for discretionary spending limits. Table 9 compares

OMB and CBO limits for 1997 through 2002. CBO uses the discretionary limits from OMB's preview report as a starting point for adjustments in its sequestration update report.

Table 9. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS
(In millions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------------------------------|------|---------|---------|------|------|------|
| Defense Discretionary ¹ | | | | | | |
| CBO Update Report limits: | | | | | | |
| BA | N/A | 269,000 | 271,500 | N/A | N/A | N/A |
| OL | N/A | 267,958 | 266,742 | N/A | N/A | N/A |
| OMB Update Report limits: | | | | | | |
| BA | N/A | 269,000 | 271,500 | N/A | N/A | N/A |
| OL | N/A | 267,124 | 266,566 | N/A | N/A | N/A |
| OMB less CBO: | | | | | | |
| BA | N/A | ..... | ..... | N/A | N/A | N/A |
| OL | N/A | -834 | -176 | N/A | N/A | N/A |

Table 9. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|----------------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|
| Non-Defense Discretionary, Excluding Violent Crime Reduction ¹ | | | | | | |
| CBO Update Report limits: | | | | | | |
| BA | N/A | 252,623 | 255,699 | N/A | N/A | N/A |
| OL | N/A | 284,038 | 289,365 | N/A | N/A | N/A |
| OMB Update Report limits: | | | | | | |
| BA | N/A | 252,607 | 255,699 | N/A | N/A | N/A |
| OL | N/A | 285,158 | 289,560 | N/A | N/A | N/A |
| OMB less CBO: | | | | | | |
| BA | N/A | -16 | ..... | N/A | N/A | N/A |
| OL | N/A | 1,120 | 195 | N/A | N/A | N/A |
| Violent Crime Reduction Discretionary ² | | | | | | |
| CBO Update Report limits: | | | | | | |
| BA | 5,000 | 5,500 | 5,800 | 4,500 | N/A | N/A |
| OL | 3,936 | 3,592 | 4,953 | 5,554 | N/A | N/A |
| OMB Update Report limits: | | | | | | |
| BA | 5,000 | 5,500 | 5,800 | 4,500 | N/A | N/A |
| OL | 3,936 | 3,592 | 4,953 | 5,554 | N/A | N/A |
| OMB less CBO: | | | | | | |
| BA ..... | ..... | ..... | ..... | ..... | N/A | N/A |
| OL ..... | ..... | ..... | ..... | ..... | N/A | N/A |
| General Purpose Discretionary | | | | | | |
| CBO Update Report limits: | | | | | | |
| BA | 534,765 | N/A | N/A | N/A | N/A | N/A |
| OL | 548,004 | N/A | N/A | N/A | N/A | N/A |
| OMB Update Report limits: | | | | | | |
| BA | 534,735 | N/A | N/A | N/A | N/A | N/A |
| OL | 549,759 | N/A | N/A | N/A | N/A | N/A |
| OMB less CBO: | | | | | | |
| BA | -30 | N/A | N/A | N/A | N/A | N/A |
| OL | 1,755 | N/A | N/A | N/A | N/A | N/A |
| Total Discretionary ^{1, 2} | | | | | | |
| CBO Update Report limits: | | | | | | |
| BA | N/A | N/A | N/A | 532,693 | 542,032 | 551,074 |
| OL | N/A | N/A | N/A | 560,018 | 565,339 | 561,326 |
| OMB Update Report limits: | | | | | | |
| BA | N/A | N/A | N/A | 532,693 | 542,032 | 551,074 |
| OL | N/A | N/A | N/A | 559,470 | 564,502 | 560,812 |
| OMB less CBO: | | | | | | |
| BA | N/A | N/A | N/A | ..... | ..... | ..... |
| OL | N/A | N/A | N/A | -548 | -837 | -514 |
| Discretionary Spending Limits | | | | | | |
| CBO Update Report limits: | | | | | | |
| BA | 539,765 | 527,123 | 532,999 | 537,193 | 542,032 | 551,074 |
| OL | 551,940 | 555,588 | 561,060 | 565,572 | 565,339 | 561,326 |
| OMB Update Report limits: | | | | | | |
| BA | 539,735 | 527,107 | 532,999 | 537,193 | 542,032 | 551,074 |
| OL | 553,695 | 555,874 | 561,079 | 565,024 | 564,502 | 560,812 |
| OMB less CBO: | | | | | | |
| BA | -30 | -16 | ..... | ..... | ..... | ..... |
| OL | 1,755 | 286 | 19 | -548 | -837 | -514 |

¹ Under the Balanced Budget Act of 1977 (BBA), Defense Discretionary Spending and Non-Defense Discretionary Spending (Excluding Violent Crime Reduction Spending) are incorporated into the Total Discretionary category after FY 1999.

² Under the BBA, Violent Crime Reduction Spending is incorporated into the Total Discretionary category after FY 2000.

OMB and CBO have a slightly different estimate of budget authority for emergency funding enacted since February. For budget authority in 1997, the difference reflects the fact that CBO scores budget authority for contingent emergency appropriations in the fiscal year in which it is appropriated; OMB, by contrast, scores budget authority only for those contingent appropriations officially released by the President and designated by the President as emergency requirements. P.L. 105-18, the FY 1997 Emergency Supplemental Appropriations and Rescissions Act, included a \$30 million contingent emergency appropriation for the National Park Service.

In 1998, the budget authority difference reflects the fact that CBO scored a reappropriation of funds for the U.S. Customs Service that were appropriated as emergency spending in fiscal 1997 in P.L. 105-18. OMB scored the reappropriation as regular discretionary spending because the discretionary spending caps had already been adjusted upward in the 1998 budget.

OMB and CBO also have different estimates of how emergency funding enacted since February will affect outlays. The largest difference is due to different assumptions about the outlays associated with the additional resources that P.L. 105-18 provides for the Federal Emergency Management Agency's Disaster Relief Fund. CBO did not score any outlays in 1998, while OMB scored \$1.3 billion in 1998 for outlays associated with the additional funding provided for 1997. Another large difference is due to different assumptions about the spend-out of Defense Department (DOD) resources provided in P.L. 105-18. CBO scored \$419 million and \$1.135 billion in 1997 and 1998, respectively, for emergency outlays for DOD-military activities, while OMB scored \$1.464 billion and \$301 million for 1997 and 1998, respectively.

Pay-as-you-go sequestration report

Pay-as-you-go enforcement covers all direct spending and receipts legislation. The BEA defines direct spending as entitlement authority, the food stamp program, and budget authority provided by law other than in

appropriations acts. The following are exempt from pay-as-you-go enforcement: Social Security, the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Federal Government's commitment to protect insured deposits.

The BEA requires that, in total, receipts and direct spending legislation not increase the deficit. If such legislation does increase the deficit, and if the President and Congress do not fully offset it by other legislative savings, the law requires that a sequester of direct spending programs offset the increase.

The BEA requires that, within seven days of the enactment of direct spending or receipts legislation, OMB submit a report to Congress that estimates the resulting change in outlays or receipts for the current year, the budget year, and the following four fiscal years. The estimates, which must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the pay-as-you-go requirement is met. The pay-as-you-go process requires that OMB maintain a "scorecard" that shows the cumulative deficit impact of such legislation.

Table 10 presents OMB estimates of pay-as-you-go legislation enacted as of August 15, 1997. At the end of this session of Congress, OMB will determine the need for sequestration. Prior to enactment of the reconciliation legislation, this session's enacted pay-as-you-go legislation had, in total, lowered the deficit by \$2.4 billion. The BEA of 1997, however, requires that the balances of the scorecard be reduced to zero. That Act also prohibits including the direct spending and receipts estimates of the Balanced Budget and Taxpayer Relief Acts on the scorecard. Absent this restriction, OMB would reflect these impacts in the scorecard balances, and would include net savings from mandatory programs and receipts of \$74.9 billion from the legislation from 1998 to 2002. Legislation enacted subsequent to the reconciliation bills has had a total deficit impact of less than \$500 thousand per year.

Table 10. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF AUGUST 15, 1997
(In millions of dollars)

| Report Number | Act Number | Act Title | Change in the fiscal year baseline deficit | | | | | | 1997-2002 |
|---------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------|--------------------------------------------|--------|---------|---------|---------|---------|-----------|
| | | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | |
| Legislation enacted prior to OBRA 1993: | | | | | | | | | |
| 1 to 158 | | Total impact of all bills: | | | | | | | |
| | | OMB estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Legislation enacted following OBRA 1993 to end of 2nd session, 103rd Congress: | | | | | | | | | |
| 159 to 281 | | Total impact of post OBRA bills to end of 2nd session : | | | | | | | |
| | | OMB estimate | -357 | -9 | 413 | 0 | 0 | 0 | 47 |
| | | CBO estimate | 591 | 869 | 2,190 | 0 | 0 | 0 | 3,651 |
| Legislation enacted in the 104th Congress: | | | | | | | | | |
| 282 to 391 | | Impact of bills enacted in 104th Congress: | | | | | | | |
| | | OMB estimate | -5,878 | -3,458 | -6,862 | -8,470 | -9,266 | -11,078 | -45,012 |
| | | CBO estimate | -2,077 | -8,734 | -11,999 | -13,506 | -14,343 | -16,794 | -67,452 |
| Legislation enacted in the 1st session of the 105th Congress: | | | | | | | | | |
| 392 | P.L. 105-2 | Airport and Airway Trust Fund Tax Reinstatement Act of 1997: | | | | | | | |
| | H.R. 668 | OMB estimate | -2,406 | -9 | 0 | 0 | 0 | 0 | -2,415 |
| | | CBO estimate | -2,730 | 54 | 0 | 0 | 0 | 0 | -2,676 |
| 393 | P.L. 105-9 | The Oroville-Tonasket Claims Settlement and Conveyance Act: | | | | | | | |
| | H.R. 412 | OMB estimate | * | * | * | * | * | * | * |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 394 | P.L. 105-14 | Congressional Gold Medal for Frank Sinatra: | | | | | | | |
| | S. 305 | OMB estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 395 | P.L. 105-16 | Congressional Gold Medal for Mother Teresa of Calcutta: | | | | | | | |
| | H.R. 1650 | OMB estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 396 | P.L. 105-27 | Donation of Surplus Federal Law Enforcement Canines: | | | | | | | |
| | H.R. 173 | OMB estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 397 | P.L. 105-30 | Federal Tort Claims Act Coverage for National Gambling Impact Study | | | | | | | |
| | H.R. 1901 | Commission: | | | | | | | |
| | | OMB estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 10. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF AUGUST 15, 1997—
Continued
(In millions of dollars)

| Report Number | Act Number | Act Title | Change in the fiscal year baseline deficit | | | | | | |
|---------------|---------------------------|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------|--------|---------|---------|---------|-----------|
| | | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1997–2002 |
| 398 | P.L. 105–31 H.R. 2018 | Medicaid Waiver for the Better Health Plan, Inc. of Amherst, New York: | | | | | | | |
| | | OMB estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | Subtotal, enacted this session prior to the Balanced Budget and Taxpayer Relief Acts: | | | | | | | |
| | | OMB estimate | -2,406 | -9 | 0 | 0 | 0 | 0 | -2,415 |
| | | CBO estimate | -2,730 | 54 | 0 | 0 | 0 | 0 | -2,676 |
| | | Balances prior to the Balanced Budget and Taxpayer Relief Acts: | | | | | | | |
| | | OMB estimate | -2,406 | -3,475 | -6,449 | -8,470 | -9,266 | -11,078 | -41,144 |
| | | CBO estimate | -2,730 | -7,811 | -9,808 | -13,506 | -14,343 | -16,794 | -64,992 |
| | | Adjustment required by Budget Enforcement Act of 1997:¹ | | | | | | | |
| | | OMB estimate | 2,406 | 3,475 | 6,449 | 8,470 | 9,266 | 11,078 | 41,144 |
| | | CBO estimate | 2,730 | 7,811 | 9,808 | 13,506 | 14,343 | 16,794 | 64,992 |
| | | New balances following enactment of Balanced Budget and Taxpayer Relief Acts:¹ | | | | | | | |
| | | OMB estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 399 | P.L. 105–35 H.R. 1225 | Taxpayer Browsing Protection Act: | | | | | | | |
| | | OMB estimate | 0 | * | * | * | * | * | * |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 400 | P.L. 105–38 S. 670 | Elimination of Special Citizenship Transition Rules Applicable to Certain Children Born Outside the United States: | | | | | | | |
| | | OMB estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 401 | Pvt. L. 105–2 H.R. 584 | Private Relief for John Wesley Davis: | | | | | | | |
| | | OMB estimate | * | 0 | 0 | 0 | 0 | 0 | * |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 402 | P.L. 105–40 H.R. 1944 | Warner Canyon Ski Hill Land Exchange Act of 1997: | | | | | | | |
| | | OMB estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 403 | P.L. 105–41 H.R. 1585 | Stamp Out Breast Cancer Act: | | | | | | | |
| | | OMB estimate | 0 | 0 | * | * | * | * | * |
| | | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 10. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF AUGUST 15, 1997—
Continued
(In millions of dollars)

| Report Number | Act Number | Act Title | Change in the fiscal year baseline deficit | | | | | | |
|--------------------|---------------------------------------|-------------------------------------------------|--------------------------------------------|------|------|------|------|------|-----------|
| | | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1997–2002 |
| 404 | P.L. 105–42 H.R. 408 | International Dolphin Conservation Program Act: | | | | | | | |
| | | OMB estimate | 0 | * | * | * | * | * | * |
| | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Total, current scorecard: | | | | | | | | |
| | OMB estimate | * | * | * | * | * | * | * | |
| | CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Current pay-as-you-go balance: | | | | | | | | |
| | OMB estimate | * | * | * | * | * | * | * | |
| CBO estimate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |

* \$500,000 or less.

¹ Section 10213 of the Budget Enforcement Act of 1997 included in the Balanced Budget Act requires that OMB reduce the balances on the pay-as-you-go scorecard to zero. That section also directs that OMB not include the deficit impact of the reconciliation bills on the scorecard.

Comparison with CBO estimates—The BEA requires that OMB explain differences with CBO estimates of enacted pay-as-you-go legislation. Before enactment of the reconciliation bills, CBO estimated that this year's pay-as-you-go legislation had reduced the combined deficits for 1997 and 1998 by \$2.6 billion, about \$200 million more than the OMB estimates. OMB and CBO have no significant differences in the estimates for legislation enacted subsequent to the reconciliation bills. Additional detail on estimating differences is available in the separate reports issued subsequent to enactment of each bill.

Deficit reduction fund

On August 4, 1993, the President issued Executive Order 12858 to guarantee that

the net deficit reduction that OBRA 1993 achieves is dedicated exclusively to reducing the deficit. The Order established the deficit reduction fund and required that amounts equal to the spending reductions and revenue increases resulting from OBRA 1993 be credited to the fund. Table 11 presents the amounts that will be credited to the fund each year from 1994 through 1998.

Each year, amounts are credited to the fund on a daily basis to meet the deficit reduction achieved by OBRA 1993. The Order requires that the fund balances be used exclusively to redeem maturing debt obligations of the Treasury held by foreign governments. Table 12 shows the status of the fund on June 30, 1997.

Table 11. REVENUE INCREASES AND SPENDING REDUCTIONS CREDITED TO THE DEFICIT REDUCTION FUND

(In millions of dollars)

| Year | Annual Amount | Cumulative Amount |
|------------|---------------|-------------------|
| 1994 | 46,752 | 46,752 |
| 1995 | 82,713 | 129,465 |
| 1996 | 100,554 | 230,019 |
| 1997 | 128,898 | 358,917 |
| 1998 | 145,846 | 504,763 |

Table 12. STATUS OF THE DEFICIT REDUCTION FUND

(In millions of dollars)

| Description | Amount |
|-----------------------------------------------------------------------------------------------------------|---------|
| Beginning balance | 0 |
| Deposits made between October 1, 1993, and June 30, 1997 | 326,435 |
| Redemptions of Treasury debt held by foreign governments between October 1, 1993, and June 30, 1997 | 325,404 |
| Fund balance as of June 30, 1997 | 1,031 |

SUMMARY TABLES

**Table 13. ESTIMATED SPENDING FROM 1998
BALANCES OF BUDGET AUTHORITY: DISCRETIONARY PROGRAMS ¹**

(In billions of dollars)

| | Total |
|----------------------------------------------|-------|
| Total balances, end of 1998 | 536.2 |
| Spending from 1998 balances in: | |
| 1999 | 230.0 |
| 2000 | 120.3 |
| 2001 | 75.5 |
| 2002 | 52.2 |
| Expiring balances, 1999 through 2002 | |
| Unexpended balances at the end of 2002 | 58.3 |

¹This table is required by section 221(b) of the Legislative Reorganization Act of 1970.

Table 14. OUTLAYS FOR MANDATORY PROGRAMS UNDER CURRENT LAW ¹

(In billions of dollars)

| | 1996 Actual | Estimate | | | | | |
|---------------------------------------------------------------|----------------|----------|-------|-------|---------|---------|---------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Human resources programs: | | | | | | | |
| Education, training, employment and social services ... | 13.9 | 13.6 | 13.9 | 14.9 | 14.7 | 14.4 | 13.9 |
| Health | 96.8 | 102.5 | 114.2 | 121.1 | 128.9 | 138.1 | 147.1 |
| Medicare | 171.3 | 188.7 | 196.7 | 206.0 | 213.0 | 224.5 | 239.2 |
| Income security | 188.0 | 192.1 | 202.8 | 214.8 | 224.0 | 231.3 | 237.9 |
| Social security | 347.1 | 362.7 | 379.7 | 396.6 | 414.3 | 433.4 | 454.3 |
| Veterans' benefits and services | 19.4 | 21.6 | 22.7 | 23.3 | 23.5 | 24.2 | 24.5 |
| Subtotal, human resources programs | 836.4 | 881.3 | 930.1 | 976.8 | 1,018.4 | 1,065.9 | 1,116.9 |
| Other mandatory programs: | | | | | | | |
| International affairs | -4.8 | -5.3 | -4.6 | -4.2 | -3.9 | -3.8 | -3.6 |
| Energy | -3.1 | -2.9 | -2.7 | -3.8 | -2.9 | -3.1 | -3.9 |
| Agriculture | 5.0 | 5.8 | 7.7 | 7.4 | 7.0 | 6.0 | 5.8 |
| Commerce and Housing Credit | -13.8 | -13.5 | -0.7 | 3.3 | 7.5 | 6.6 | 6.8 |
| Transportation | 2.5 | 2.5 | 2.4 | 2.3 | 2.1 | 2.0 | 1.4 |
| Undistributed offsetting receipts | -37.6 | -49.7 | -48.5 | -44.0 | -45.5 | -47.9 | -59.4 |
| Other functions | 0.9 | 2.0 | 1.8 | 1.4 | 1.6 | 1.5 | 1.3 |
| Subtotal, other mandatory functions | -51.0 | -61.1 | -44.6 | -37.6 | -34.2 | -38.8 | -51.7 |
| Total, outlays for mandatory programs under current law | 785.4 | 820.1 | 885.5 | 939.2 | 984.2 | 1,027.1 | 1,065.2 |

¹This table is required by Section 221(b) of the Legislative Reorganization Act of 1970.

Table 15. THE BALANCED BUDGET AND THE TAXPAYER RELIEF ACTS OF 1997

(Deficit impact, in billions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 1998– 2002 | 1998– 2007 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Outlay Changes: | | | | | | | | | | | | | |
| Discretionary changes: | | | | | | | | | | | | | |
| Defense | — | 1.0 | -10.3 | -13.3 | -19.9 | -24.0 | -28.9 | -29.8 | -31.9 | -34.1 | -36.4 | -66.5 | -227.5 |
| Non-defense | — | -4.2 | -9.1 | -14.8 | -23.5 | -38.7 | -41.4 | -43.9 | -46.6 | -49.5 | -52.3 | -90.3 | -324.0 |
| Subtotal, Discretionary changes | — | -3.2 | -19.4 | -28.1 | -43.4 | -62.8 | -70.3 | -73.7 | -78.5 | -83.6 | -88.7 | -156.8 | -551.5 |
| Entitlement changes in reconciliation: | | | | | | | | | | | | | |
| Medicare ¹ | — | -8.7 | -18.7 | -31.4 | -41.3 | -49.6 | -56.5 | -64.1 | -72.0 | -80.7 | -90.0 | -149.8 | -513.0 |
| Net Medicaid (excludes children's health and welfare reform) ² | — | 0.1 | -0.8 | -1.9 | -2.8 | -3.4 | -3.8 | -4.1 | -4.4 | -4.7 | -5.1 | -8.8 | -31.0 |
| Expand children's health coverage, (includes Medicaid and diabetes) | — | 4.6 | 4.8 | 5.1 | 5.4 | 4.4 | 4.5 | 4.6 | 5.6 | 5.7 | 6.8 | 24.3 | 51.5 |
| Immigration, nutrition assistance, and work: | | | | | | | | | | | | | |
| Increased flexibility and creation of additional work slots within the food stamp program | — | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 1.5 | 2.8 |
| Additional welfare to work grants to State and local governments Temporary Assistance to Needy Families program | — | 0.8 | 1.4 | 0.7 | 0.1 | — | — | — | — | — | — | 3.0 | 3.0 |
| Amend welfare reform provisions to exempt elderly and disabled immigrants from Supplemental Security Income (SSI) restrictions and extend eligibility for refugees and asylees (includes Medicaid) | — | 2.9 | 2.8 | 2.9 | 2.9 | 3.0 | 3.0 | 3.1 | 3.3 | 3.2 | 3.0 | 14.5 | 30.2 |
| Subtotal, immigration, nutrition assistance and work ... | — | 3.9 | 4.5 | 3.9 | 3.4 | 3.3 | 3.3 | 3.3 | 3.6 | 3.4 | 3.3 | 19.0 | 36.0 |
| Spectrum auction receipts | — | — | -2.3 | -3.5 | -4.7 | -14.2 | — | — | — | — | — | -24.7 | -24.7 |
| Provide \$500 tax credit for children (outlay impact) | — | 0.3 | 2.3 | 2.7 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.9 | 10.9 | 25.1 |
| Increase agency CSRS contributions and other federal retirement | — | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -0.1 | —* | —* | —* | —* | -3.1 | -3.3 |
| Extend veterans medical cost recovery, income verification, and home loan fees, and revise other veterans benefits ³ | — | -0.3 | -0.6 | -0.6 | -0.7 | -0.7 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -2.9 | -4.1 |

* \$50 million or less.

¹ The Administration and CBO have longstanding technical differences in estimating the costs and savings of legislation. Medicare estimates usually have been the largest source of the differences. The Administration has over the last several years estimated that the same policies would produce greater savings than CBO has estimated. As the above numbers show, the same was true this year when the Administration and CBO each estimated the costs of the balanced budget legislation. The President and Congress agreed to \$115 billion in net savings over five years in Medicare, as scored by CBO. Under CBO scoring, the savings come to \$112 billion. The differences between the Administration and CBO scoring are due to estimating methods, not to differences over policies.

² CBO scored these Medicaid provisions in the Balanced Budget Act with \$14 billion in savings from 1998 to 2002 and \$50 billion from 1998 to 2007 against its baseline.

³ Includes Medicaid interactions.

Table 15. THE BALANCED BUDGET AND THE TAXPAYER RELIEF ACTS OF 1997—Continued

(Deficit impact, in billions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 1998– 2002 | 1998– 2007 |
|--------------------------------------------------------------------------------------------------------------------------|------|------|-------|-------|-------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| Extend FHA assignment alternative and reduce annual adjustments for housing projects with rents higher than market | — | -0.3 | -0.3 | -0.4 | -0.5 | -0.5 | -0.5 | -0.5 | -0.5 | -0.5 | -0.5 | -1.9 | -4.2 |
| Reduce student loan administrative funds and return guaranty agency reserve funds to Treasury | — | -0.1 | -0.1 | -0.1 | -0.1 | -1.2 | -0.3 | -0.4 | -0.4 | -0.5 | -0.5 | -1.7 | -3.9 |
| Increase earned income tax credit compliance and implement other changes | — | * | -0.1 | -0.2 | -0.4 | -0.5 | -0.6 | -0.7 | -0.8 | -0.8 | -0.8 | -1.2 | -4.9 |
| Sale of Governor's Island and Union Station | — | — | — | — | — | -0.5 | — | — | — | — | — | -0.5 | -0.5 |
| SSI and Veterans payment timing shift | — | — | — | -3.9 | 3.9 | — | — | — | — | — | — | — | — |
| Federal payment to the District of Columbia | — | — | — | — | — | — | — | — | — | 0.1 | 0.7 | — | 0.7 |
| Other entitlement changes | — | * | -0.1 | -0.4 | -0.4 | -0.4 | * | * | * | * | -0.1 | -1.3 | -1.5 |
| Subtotal, entitlement changes in reconciliation | — | -1.1 | -12.1 | -31.4 | -36.1 | -61.2 | -51.4 | -59.3 | -66.3 | -75.4 | -83.6 | -141.8 | -477.8 |
| Debt service | * | 0.3 | -0.4 | -2.1 | -4.5 | -8.7 | -14.1 | -19.8 | -26.1 | -33.3 | -41.5 | -15.4 | -150.1 |
| Total outlay changes | * | -4.0 | -31.8 | -61.5 | -84.0 | -132.7 | -135.8 | -152.7 | -170.9 | -192.3 | -213.8 | -314.0 | -1,179.5 |
| Revenue changes: | | | | | | | | | | | | | |
| Provide tax relief and extend expiring provisions: | | | | | | | | | | | | | |
| Family tax relief: | | | | | | | | | | | | | |
| Provide \$500 tax credit for children | — | 3.5 | 17.4 | 17.1 | 16.8 | 16.4 | 16.0 | 15.5 | 14.9 | 14.1 | 13.2 | 71.2 | 144.9 |
| Education tax incentives: | | | | | | | | | | | | | |
| Create HOPE scholarship and lifetime learning tax credit | — | 0.5 | 6.2 | 7.4 | 8.1 | 8.7 | 8.2 | 10.0 | 10.9 | 11.2 | 11.3 | 30.8 | 82.3 |
| Allow deductibility of student loan interest | — | 0.1 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 | 1.3 | 4.0 |
| Extend exclusion for employer-provided educational assistance | * | 0.4 | 0.4 | 0.3 | * | — | — | — | — | — | — | 1.1 | 1.1 |
| Expand State pre-paid tuition plans | — | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.6 | 1.5 |
| Allow penalty-free IRA withdrawals for education expenses | — | — | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.9 | 2.2 |
| Establish education IRAs | — | * | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.9 | 1.0 | 1.0 | 4.7 |
| Other education tax incentives | — | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.7 | 1.8 |
| Savings and investment incentives: | | | | | | | | | | | | | |
| Reduce capital gains tax rate and provide capital gains exclusion on the sale of a principal residence | 0.1 | -1.1 | -4.9 | -1.0 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.7 | -6.2 | -3.5 |
| Expand Individual Retirement Accounts (IRAs) | — | -0.2 | -0.3 | 0.2 | 0.5 | 1.2 | 2.4 | 2.8 | 3.3 | 3.7 | 4.2 | 1.4 | 17.8 |
| Alternative minimum tax (AMT): | | | | | | | | | | | | | |
| Conform AMT depreciation lives to regular tax | — | — | 0.7 | 1.6 | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 | 2.0 | 6.3 | 16.5 |
| Exempt small businesses from the corporate AMT and other AMT relief | — | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.9 |
| Estate and gift tax relief: | | | | | | | | | | | | | |
| Increase estate and gift tax unified credit | — | — | 0.7 | 1.0 | 1.4 | 1.6 | 2.1 | 2.3 | 4.5 | 5.9 | 6.9 | 4.6 | 26.3 |
| Other estate and gift tax relief | — | * | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.7 | 1.9 |
| Expiring tax provisions: | | | | | | | | | | | | | |
| Extend research and experimentation tax credit | 0.2 | 1.1 | 0.6 | 0.3 | 0.1 | * | * | — | — | — | — | 2.1 | 2.1 |

Table 15. THE BALANCED BUDGET AND THE TAXPAYER RELIEF ACTS OF 1997—Continued

(Deficit impact, in billions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 1998– 2002 | 1998– 2007 |
|----------------------------------------------------------------------------------------------------------|------------|-------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Extend deduction for contributions of appreciated stock | — | * | — | — | — | — | — | — | — | — | — | * | * |
| Extend work opportunity tax credit | — | 0.1 | 0.1 | 0.1 | * | * | * | — | — | — | — | 0.4 | 0.4 |
| Extend orphan drug tax credit | * | * | * | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.3 | 0.7 |
| Extend Generalized System of Preferences (GSP) ⁴ | — | 0.5 | — | — | — | — | — | — | — | — | — | 0.5 | 0.5 |
| Establish District of Columbia (DC) tax incentive program | — | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.9 | 1.6 |
| Provide targeted welfare-to-work tax credit | — | * | * | * | * | * | * | * | * | * | * | 0.1 | 0.1 |
| Provide tax incentives for distressed areas | — | 0.3 | 0.3 | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 1.4 | 2.0 |
| Modify safe harbor provisions for upper income taxpayers | — | 5.1 | -2.6 | 0.1 | 0.1 | -3.9 | 1.2 | — | — | — | — | -1.2 | 0.0 |
| Modify deposit rules for gasoline and other fuel excise taxes | — | 6.5 | -6.5 | — | — | — | — | — | — | — | — | — | — |
| Other tax relief provisions ⁴ | * | 1.3 | 1.6 | 0.5 | 0.6 | 0.7 | 1.1 | 1.5 | 1.3 | 1.2 | 1.3 | 4.7 | 11.1 |
| Subtotal, provide tax relief and extend expiring provisions | 0.3 | 18.6 | 14.9 | 29.4 | 32.0 | 29.0 | 35.5 | 37.1 | 40.1 | 41.6 | 42.6 | 124.0 | 320.9 |
| Eliminate unwarranted benefits and adopt other revenue measures: | | | | | | | | | | | | | |
| Extend and modify airport and airway trust fund taxes ⁴ | 1.0 | -5.7 | -7.3 | -6.5 | -7.0 | -7.6 | -8.1 | -8.7 | -9.2 | -9.9 | -10.5 | -34.1 | -80.6 |
| Extend and modify unemployment insurance (FUTA) taxes ⁴ | — | — | -0.9 | -1.3 | -1.3 | -1.4 | -1.5 | -1.3 | -1.1 | -0.9 | -0.7 | -4.9 | -10.3 |
| Reinstate LUST excise tax ⁴ | — | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.6 | -1.4 |
| Increase taxes on tobacco products ⁴ | — | — | — | -1.4 | -1.8 | -2.1 | -2.3 | -2.4 | -2.4 | -2.3 | -2.3 | -5.3 | -17.0 |
| Modify other excise taxes ⁴ | — | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.8 | -1.8 |
| Increase employee contributions to CSRS and FERS | — | * | -0.2 | -0.4 | -0.6 | -0.6 | -0.2 | — | — | — | — | -1.9 | -2.0 |
| Increase EITC compliance and implement other changes | — | * | * | -0.1 | -0.1 | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.3 | -1.3 |
| Change treatment of certain financial products | — | -0.3 | -0.3 | -0.4 | -0.4 | -0.3 | -0.2 | -0.2 | -0.2 | -0.2 | -0.3 | -1.8 | -3.0 |
| Revise treatment of corporate organizations and reorganizations | — | -1.3 | -0.2 | -0.2 | -0.2 | -0.2 | -0.3 | -0.3 | -0.3 | -0.4 | -0.4 | -2.2 | -3.9 |
| Modify levy exemption and provide continuous levy | — | -0.4 | -0.3 | -0.3 | -0.3 | -0.3 | -0.2 | -0.2 | -0.1 | -0.1 | -0.1 | -1.6 | -2.2 |
| Modify carryback and carryforward provisions for net operating losses and general business credits | — | -0.2 | -0.4 | -0.4 | -0.3 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -1.5 | -2.5 |
| Provide for technical corrections and simplification ⁴ | * | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 1.3 | 3.4 |
| Other revenue measures ⁴ | — | -0.6 | -0.7 | -0.7 | -0.8 | -0.8 | -0.7 | -0.7 | -0.8 | -0.9 | -1.0 | -3.5 | -7.7 |
| Subtotal, eliminate unwarranted benefits and adopt other revenue measures | 1.0 | -8.5 | -10.4 | -11.6 | -12.8 | -13.8 | -13.9 | -14.1 | -14.5 | -15.0 | -15.6 | -57.1 | -130.3 |
| Shift timing of Universal Service Fund payments | — | — | — | — | 3.0 | -3.0 | — | — | — | — | — | — | — |
| Total revenue changes | 1.3 | 10.2 | 4.5 | 17.8 | 22.2 | 12.2 | 21.7 | 23.0 | 25.6 | 26.6 | 27.0 | 66.8 | 190.7 |
| Total entitlement changes in reconciliation and revenue changes | 1.3 | 9.1 | -7.6 | -13.6 | -13.9 | -49.0 | -29.8 | -36.2 | -40.7 | -48.9 | -56.6 | -74.9 | -287.2 |
| Total savings | 1.3 | 6.2 | -27.3 | -43.8 | -61.8 | -120.5 | -114.2 | -129.7 | -145.2 | -165.7 | -186.8 | -247.1 | -988.8 |

⁴ Net of income offsets.

Table 16. MANDATORY OUTLAY AND REVENUE PROPOSALS NOT INCLUDED IN THE BALANCED BUDGET AND THE TAXPAYER RELIEF ACTS OF 1997

(Deficit impact, in millions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 1998-2002 | 1998-2007 |
|------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|--------|--------|--------|--------|-----------|-----------|
| Mandatory outlays: | | | | | | | | | | | | | |
| Agriculture: | | | | | | | | | | | | | |
| Shift fund for Rural America from 2000 to 1998 to correct a drafting error | | 25 | 40 | -30 | -25 | -10 | | | | | | 10 | |
| Enhance the farm income safety net | | -21 | -2 | -2 | | | 1 | 1 | 1 | 1 | 1 | -25 | -20 |
| Energy: | | | | | | | | | | | | | |
| Sell or lease naval petroleum and oil and shale reserves | | | -10 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | -4 | 6 |
| Housing and Urban Development: | | | | | | | | | | | | | |
| FHA Mark-to-Market: | | | | | | | | | | | | | |
| Paygo | | -457 | -98 | -195 | -192 | -96 | -3 | 68 | 74 | 74 | 74 | -1,038 | -751 |
| Non-paygo | | 431 | 687 | 696 | -696 | -924 | -646 | -654 | -33 | 268 | 307 | 194 | -564 |
| Increase FHA loan limit | | -206 | -227 | -222 | -220 | -224 | -227 | -231 | -235 | -238 | -242 | -1,099 | -2,272 |
| FHA Mutual Mortgage Insurance (non-paygo) | | -52 | -97 | -137 | -180 | -228 | -278 | -332 | -393 | -455 | -524 | -694 | -2,676 |
| Labor: | | | | | | | | | | | | | |
| Pension: increase guaranty level for multiemployer plans | 1 | 2 | 3 | 3 | 3 | 5 | 6 | 6 | 6 | 5 | 4 | 16 | 43 |
| Extension of NAFTA/TAA | | | 41 | 53 | 58 | 60 | 62 | 65 | 67 | 69 | 72 | 212 | 547 |
| Special benefits: savings from increased compliance | | 1 | -7 | -14 | -15 | -11 | -7 | -2 | -2 | -1 | -2 | -46 | -60 |
| Unemployment benefits integrity (savings from increased appropriations) | | -118 | -158 | -160 | -162 | -165 | -169 | -174 | -179 | -184 | -189 | -763 | -1,658 |
| Social Security Administration: | | | | | | | | | | | | | |
| Disability insurance: return to work proposal | | | -5 | 1 | 7 | 13 | 19 | 19 | 19 | 18 | 18 | 16 | 109 |
| Transportation: | | | | | | | | | | | | | |
| Transfer St. Lawrence Seaway Development Corporation into Performance Based Organization | | 11 | 12 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 62 | 127 |
| Decrease Federal-aid highways minimum allocation | | 15 | 56 | 35 | -22 | -82 | -129 | -161 | -186 | -209 | -232 | 2 | -915 |
| Convert Boat Safety grant program to mandatory | | 15 | 35 | 50 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 210 | 485 |
| Treasury: | | | | | | | | | | | | | |
| Improved earned income tax credit compliance (savings from increased appropriations) | | -120 | -380 | -496 | -555 | -610 | -645 | -677 | -678 | -681 | -702 | -2,161 | -5,544 |
| Customs user fee extension | | | | | | | | -1,310 | -1,349 | -1,390 | -1,432 | | -5,481 |
| Environmental Protection Agency: | | | | | | | | | | | | | |
| Provide funding for Superfund orphan shares ¹ | | 142 | 162 | 184 | 192 | 200 | 220 | 230 | 230 | 240 | 200 | 880 | 2,000 |
| Morris K. Udall Foundation (impact of appropriation) | | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -10 | -20 |

Table 16. MANDATORY OUTLAY AND REVENUE PROPOSALS NOT INCLUDED IN THE BALANCED BUDGET AND THE TAXPAYER RELIEF ACTS OF 1997—Continued

(Deficit impact, in millions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 1998–2002 | 1998–2007 |
|--------------------------------------------------------------------------------------------|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| Railroad retirement board: | | | | | | | | | | | | | |
| Conform railroad benefits with social security | | 32 | 49 | 49 | 49 | 50 | 50 | 51 | 51 | 52 | 52 | 229 | 485 |
| Subtotal, mandatory outlays | 1 | -302 | 99 | -142 | -1,695 | -1,969 | -1,688 | -3,033 | -2,539 | -2,363 | -2,527 | -4,009 | -16,159 |
| Revenue changes: | | | | | | | | | | | | | |
| Extend Superfund taxes | | -908 | -1,364 | -1,376 | -1,395 | -1,432 | -1,473 | -1,517 | -1,565 | -1,608 | -1,653 | -6,475 | -14,291 |
| Improved earned income tax credit compliance (savings from increased appropriations) | | -30 | -95 | -124 | -139 | -152 | -161 | -169 | -169 | -170 | -176 | -540 | -1,385 |
| Subtotal, revenue changes | | -938 | -1,459 | -1,500 | -1,534 | -1,584 | -1,634 | -1,686 | -1,734 | -1,778 | -1,829 | -7,015 | -15,676 |
| Total, proposals | 1 | -1,240 | -1,360 | -1,642 | -3,229 | -3,553 | -3,322 | -4,719 | -4,273 | -4,141 | -4,356 | -11,024 | -31,835 |
| MEMORANDUM: | | | | | | | | | | | | | |
| Paygo | 1 | -1,350 | -1,303 | -1,406 | -1,487 | -1,474 | -1,433 | -2,728 | -2,836 | -2,934 | -3,086 | -7,020 | -20,037 |
| Non-paygo | | 110 | -57 | -236 | -1,742 | -2,079 | -1,889 | -1,991 | -1,437 | -1,207 | -1,270 | -4,004 | -11,798 |

¹ Bipartisan Budget Agreement provided \$200 million per year for 1998–2002 and \$2.028 billion over 10 years.

Table 17. BUDGET BY CATEGORY OF OUTLAYS AND RECEIPTS: MID-SESSION REVIEW VERSUS FEBRUARY BUDGET

(In billions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1998- 2002 |
|-----------------------------------------------|---------|---------|---------|---------|---------|---------|---------------|
| 1998 Budget Policy (February estimate) | | | | | | | |
| Outlays: | | | | | | | |
| Discretionary: | | | | | | | |
| Defense | 268.0 | 260.1 | 262.1 | 267.7 | 268.6 | 273.9 | |
| Nondefense | 282.1 | 287.3 | 295.4 | 296.2 | 292.5 | 293.3 | |
| Subtotal, discretionary | 550.0 | 547.5 | 557.5 | 563.9 | 561.0 | 567.2 | |
| Mandatory: | | | | | | | |
| Social security | 364.2 | 380.9 | 398.6 | 417.7 | 438.0 | 459.7 | |
| Medicare | 191.6 | 204.3 | 216.8 | 226.6 | 243.3 | 260.5 | |
| Medicaid | 98.5 | 105.9 | 111.6 | 118.2 | 125.2 | 133.4 | |
| Other | 179.3 | 199.0 | 224.3 | 239.8 | 232.0 | 220.2 | |
| Subtotal, mandatory | 833.6 | 890.2 | 951.3 | 1,002.3 | 1,038.5 | 1,073.8 | |
| Net interest | 247.4 | 249.9 | 251.8 | 248.2 | 245.0 | 238.8 | |
| Total outlays | 1,631.0 | 1,687.5 | 1,760.7 | 1,814.4 | 1,844.5 | 1,879.7 | |
| Receipts | 1,505.4 | 1,566.8 | 1,643.3 | 1,727.3 | 1,808.3 | 1,896.7 | |
| Surplus/deficit (-) | -125.6 | -120.6 | -117.4 | -87.1 | -36.1 | 17.0 | |
| (On-budget) | -199.5 | -197.0 | -204.7 | -183.3 | -139.2 | -92.5 | |
| (Off-budget) | 73.9 | 76.4 | 87.3 | 96.2 | 103.1 | 109.5 | |
| Mid-Session Review Policy | | | | | | | |
| Outlays: | | | | | | | |
| Discretionary: | | | | | | | |
| Defense | 269.2 | 267.1 | 266.6 | 269.0 | 270.7 | 273.1 | |
| Nondefense | 279.9 | 289.3 | 296.0 | 296.8 | 294.6 | 288.5 | |
| Subtotal, discretionary | 549.1 | 556.4 | 562.5 | 565.8 | 565.3 | 561.6 | |
| Mandatory: | | | | | | | |
| Social security | 362.7 | 379.7 | 396.6 | 414.3 | 433.4 | 454.3 | |
| Medicare | 188.7 | 196.7 | 206.0 | 213.0 | 224.5 | 239.2 | |
| Medicaid | 97.5 | 104.8 | 111.5 | 119.0 | 127.9 | 137.6 | |
| Other | 171.4 | 203.9 | 225.2 | 237.7 | 239.6 | 232.2 | |
| Subtotal, mandatory | 820.3 | 885.2 | 939.3 | 984.0 | 1,025.4 | 1,063.3 | |
| Net interest | 245.7 | 248.4 | 249.9 | 245.5 | 241.1 | 233.9 | |
| Total outlays | 1,615.0 | 1,689.9 | 1,751.8 | 1,795.3 | 1,831.8 | 1,858.7 | |
| Receipts | 1,577.7 | 1,631.6 | 1,694.3 | 1,753.9 | 1,824.8 | 1,921.9 | |
| Surplus/deficit (-) | -37.3 | -58.3 | -57.4 | -41.4 | -7.0 | 63.1 | |
| (On-budget) | -115.5 | -145.0 | -152.8 | -146.0 | -119.1 | -57.0 | |
| (Off-budget) | 78.1 | 86.6 | 95.4 | 104.6 | 112.1 | 120.1 | |

Table 17. BUDGET BY CATEGORY OF OUTLAYS AND RECEIPTS: MID-SESSION REVIEW VERSUS FEBRUARY BUDGET—Continued

(In billions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1998– 2002 |
|---------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | Change | | | | | | |
| Outlays: | | | | | | | |
| Discretionary: | | | | | | | |
| Defense | 1.2 | 7.0 | 4.5 | 1.3 | 2.1 | -0.8 | 14.0 |
| Nondefense | -2.2 | 1.9 | 0.6 | 0.6 | 2.1 | -4.8 | 0.5 |
| Subtotal, discretionary | -1.0 | 8.9 | 5.0 | 1.9 | 4.2 | -5.6 | 14.5 |
| Mandatory: | | | | | | | |
| Social security | -1.5 | -1.2 | -2.0 | -3.5 | -4.6 | -5.4 | -16.6 |
| Medicare | -2.8 | -7.6 | -10.8 | -13.6 | -18.8 | -21.3 | -72.1 |
| Medicaid | -1.0 | -1.0 | -0.2 | 0.9 | 2.7 | 4.2 | 6.6 |
| Other | -7.9 | 4.9 | 0.9 | -2.1 | 7.6 | 12.0 | 23.3 |
| Subtotal, mandatory | -13.3 | -5.0 | -12.0 | -18.3 | -13.1 | -10.5 | -58.9 |
| Net interest | -1.7 | -1.5 | -1.9 | -2.7 | -3.9 | -4.9 | -14.9 |
| Total outlays | -16.0 | 2.4 | -8.9 | -19.2 | -12.7 | -21.0 | -59.3 |
| Receipts (deficit impact) | -72.3 | -64.7 | -51.0 | -26.6 | -16.4 | -25.2 | -184.0 |
| Total change | -88.3 | -62.3 | -60.0 | -45.8 | -29.1 | -46.2 | -243.3 |
| (On-budget) | -84.0 | -52.0 | -51.9 | -37.4 | -20.1 | -35.6 | -197.0 |
| (Off-budget) | -4.2 | -10.3 | -8.0 | -8.4 | -9.0 | -10.6 | -46.3 |

Table 18. BUDGET BY CATEGORY OF OUTLAYS AND RECEIPTS: MID-SESSION REVIEW VERSUS PRE-RECONCILIATION BASELINE

(In billions of dollars)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1998–2002 |
|---------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Mid-Session Pre-Reconciliation Base- | | | | | | | |
| line | | | | | | | |
| Outlays: | | | | | | | |
| Discretionary: | | | | | | | |
| Defense | 269.2 | 266.1 | 276.8 | 282.3 | 290.6 | 297.1 | |
| Nondefense | 279.9 | 293.4 | 305.1 | 311.5 | 318.1 | 327.3 | |
| Subtotal, discretionary | 549.1 | 559.6 | 581.9 | 593.8 | 608.7 | 624.4 | |
| Mandatory: | | | | | | | |
| Social security | 362.7 | 379.7 | 396.6 | 414.3 | 433.4 | 454.3 | |
| Medicare | 188.7 | 205.4 | 224.7 | 244.5 | 265.8 | 288.8 | |
| Medicaid | 97.5 | 103.8 | 110.7 | 119.2 | 128.6 | 138.6 | |
| Other | 171.2 | 197.7 | 219.2 | 237.6 | 235.4 | 244.7 | |
| Subtotal, mandatory | 820.1 | 886.5 | 951.3 | 1,015.5 | 1,063.2 | 1,126.4 | |
| Net interest | 245.8 | 248.2 | 250.4 | 247.7 | 245.9 | 243.0 | |
| Total outlays | 1,615.0 | 1,694.3 | 1,783.6 | 1,857.1 | 1,917.8 | 1,993.9 | |
| Receipts | 1,579.0 | 1,640.8 | 1,697.4 | 1,770.2 | 1,845.4 | 1,932.5 | |
| Surplus/deficit (–) | –36.0 | –53.5 | –86.2 | –87.0 | –72.3 | –61.3 | |
| Mid-Session Policy | | | | | | | |
| Outlays: | | | | | | | |
| Discretionary: | | | | | | | |
| Defense | 269.2 | 267.1 | 266.6 | 269.0 | 270.7 | 273.1 | |
| Nondefense | 279.9 | 289.3 | 296.0 | 296.8 | 294.6 | 288.5 | |
| Subtotal, discretionary | 549.1 | 556.4 | 562.5 | 565.8 | 565.3 | 561.6 | |
| Mandatory: | | | | | | | |
| Social security | 362.7 | 379.7 | 396.6 | 414.3 | 433.4 | 454.3 | |
| Medicare | 188.7 | 196.7 | 206.0 | 213.0 | 224.5 | 239.2 | |
| Medicaid | 97.5 | 104.8 | 111.5 | 119.0 | 127.9 | 137.6 | |
| Other | 171.4 | 203.9 | 225.2 | 237.7 | 239.6 | 232.2 | |
| Subtotal, mandatory | 820.3 | 885.2 | 939.3 | 984.0 | 1,025.4 | 1,063.3 | |
| Net interest | 245.7 | 248.4 | 249.9 | 245.5 | 241.1 | 233.9 | |
| Total outlays | 1,615.0 | 1,689.9 | 1,751.8 | 1,795.3 | 1,831.8 | 1,858.7 | |
| Receipts | 1,577.7 | 1,631.6 | 1,694.3 | 1,753.9 | 1,824.8 | 1,921.9 | |
| Surplus/deficit (–) | –37.3 | –58.3 | –57.4 | –41.4 | –7.0 | 63.1 | |
| Savings | | | | | | | |
| Outlays: | | | | | | | |
| Discretionary: | | | | | | | |
| Defense | — | 1.0 | –10.3 | –13.3 | –19.9 | –24.0 | –66.5 |
| Nondefense | — | –4.2 | –9.1 | –14.8 | –23.5 | –38.7 | –90.3 |
| Subtotal, discretionary | — | –3.2 | –19.4 | –28.1 | –43.4 | –62.8 | 156.8 |
| Mandatory: | | | | | | | |
| Social security | — | — | —* | * | * | * | * |
| Medicare ¹ | — | –8.7 | –18.7 | –31.4 | –41.3 | –49.6 | –149.8 |
| Medicaid ² | — | 1.1 | 0.7 | –0.1 | –0.7 | –1.1 | —* |
| Other | 0.2 | 6.2 | 6.0 | 0.1 | 4.2 | –12.5 | 4.0 |
| Subtotal, mandatory | 0.2 | –1.4 | –12.0 | –31.5 | –37.8 | –63.2 | 145.8 |
| Net interest | –0.1 | 0.2 | –0.5 | –2.3 | –4.8 | –9.2 | –16.5 |
| Total outlays | * | –4.3 | –31.8 | –61.9 | –86.0 | 135.1 | 319.1 |
| Receipts (deficit impact) | 1.3 | 9.2 | 3.1 | 16.3 | 20.6 | 10.6 | 59.8 |
| Total savings | 1.3 | 4.9 | –28.8 | –45.6 | –65.3 | 124.5 | 259.3 |

¹ CBO scored the Medicare provisions in the Balanced Budget Act with \$112 billion in savings from 1998 to 2002 and \$385 billion from 1998 to 2007 against its baseline.

² CBO scored total Medicaid savings from the Balanced Budget Act with \$7 billion in savings from 1998 to 2002 and \$37 billion from 1998 to 2007 against its baseline.

Table 19. BUDGET AGGREGATES: 1997 TO 2007

(Dollar amounts in billions)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Receipts | 1,578 | 1,632 | 1,694 | 1,754 | 1,825 | 1,922 | 2,005 | 2,100 | 2,206 | 2,310 | 2,427 |
| Outlays | 1,615 | 1,690 | 1,752 | 1,795 | 1,832 | 1,859 | 1,943 | 2,016 | 2,098 | 2,174 | 2,260 |
| Surplus/deficit (-) | -37 | -58 | -57 | -41 | -7 | 63 | 62 | 83 | 109 | 136 | 167 |
| As a percent of GDP: | | | | | | | | | | | |
| Receipts | 20.0 | 19.8 | 19.6 | 19.4 | 19.3 | 19.4 | 19.3 | 19.2 | 19.3 | 19.2 | 19.2 |
| Outlays | 20.5 | 20.5 | 20.3 | 19.9 | 19.4 | 18.7 | 18.7 | 18.5 | 18.3 | 18.1 | 17.9 |
| Surplus/deficit (-) | -0.5 | -0.7 | -0.7 | -0.5 | -0.1 | 0.6 | 0.6 | 0.8 | 0.9 | 1.1 | 1.3 |

Table 20. RECEIPTS BY SOURCE

(In billions of dollars)

| | 1996 actual | February policy estimates | | | | | | Mid-Session policy estimates | | | | | |
|---------------------------------------------------|----------------|---------------------------|----------------|----------------|----------------|----------------|----------------|------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Individual income taxes | 656.4 | 672.7 | 691.2 | 721.6 | 755.6 | 795.2 | 839.8 | 732.9 | 748.6 | 761.5 | 782.9 | 816.9 | 862.3 |
| Corporation income taxes | 171.8 | 176.2 | 189.7 | 199.6 | 212.0 | 220.5 | 227.8 | 187.1 | 192.6 | 196.3 | 204.1 | 212.6 | 222.9 |
| Social insurance and retirement receipts | 509.4 | 535.8 | 557.8 | 585.2 | 614.4 | 642.2 | 673.1 | 538.5 | 564.8 | 590.4 | 618.2 | 644.1 | 672.9 |
| On-budget | (141.9) | (146.9) | (152.8) | (160.0) | (167.5) | (174.5) | (183.2) | (147.3) | (153.0) | (160.5) | (168.3) | (175.3) | (182.7) |
| Off-budget | (367.5) | (388.9) | (404.9) | (425.2) | (446.9) | (467.6) | (489.9) | (391.2) | (411.8) | (429.9) | (449.9) | (468.8) | (490.2) |
| Excise taxes | 54.0 | 57.2 | 61.2 | 64.5 | 64.9 | 66.2 | 67.4 | 55.9 | 55.3 | 71.4 | 66.6 | 68.7 | 70.9 |
| Estate and gift taxes | 17.2 | 17.6 | 18.8 | 20.0 | 21.4 | 22.9 | 24.6 | 19.3 | 19.7 | 20.3 | 21.3 | 22.4 | 23.8 |
| Customs duties | 18.7 | 17.3 | 18.3 | 18.5 | 19.6 | 20.5 | 22.0 | 18.0 | 18.7 | 19.1 | 20.3 | 21.3 | 22.9 |
| Miscellaneous receipts | 25.5 | 28.6 | 29.8 | 34.0 | 39.4 | 40.8 | 42.0 | 25.9 | 31.8 | 35.5 | 40.5 | 38.7 | 46.1 |
| Total | 1,453.1 | 1,505.4 | 1,566.8 | 1,643.3 | 1,727.3 | 1,808.3 | 1,896.7 | 1,577.7 | 1,631.6 | 1,694.3 | 1,753.9 | 1,824.8 | 1,921.9 |
| On-budget | (1,085.6) | (1,116.5) | (1,161.9) | (1,218.1) | (1,280.4) | (1,340.7) | (1,406.8) | (1,186.5) | (1,219.8) | (1,264.4) | (1,304.0) | (1,356.0) | (1,431.6) |
| Off-budget | (367.5) | (388.9) | (404.9) | (425.2) | (446.9) | (467.6) | (489.9) | (391.2) | (411.8) | (429.9) | (449.9) | (468.8) | (490.2) |

Table 21. OUTLAYS BY AGENCY

(In billions of dollars)

| | 1996 actual | February policy estimates | | | | | | Mid-Session policy estimates | | | | | |
|--------------------------------------------------------------------|----------------|---------------------------|----------------|----------------|----------------|----------------|----------------|------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Cabinet agencies: | | | | | | | | | | | | | |
| Agriculture | 54.3 | 57.0 | 58.8 | 58.0 | 59.7 | 59.7 | 61.6 | 55.4 | 55.4 | 54.7 | 57.2 | 57.0 | 58.6 |
| Commerce | 3.7 | 3.8 | 4.1 | 4.6 | 6.2 | 4.0 | 3.9 | 3.8 | 4.1 | 4.7 | 6.4 | 4.1 | 4.0 |
| Defense—Military | 253.3 | 254.3 | 247.5 | 249.3 | 255.2 | 256.2 | 261.4 | 255.7 | 254.3 | 253.9 | 256.4 | 258.3 | 260.7 |
| Education | 29.7 | 28.3 | 32.1 | 36.2 | 36.8 | 37.4 | 35.9 | 29.6 | 32.0 | 35.1 | 36.1 | 36.8 | 36.7 |
| Energy | 16.2 | 15.4 | 14.6 | 14.9 | 14.6 | 14.1 | 11.8 | 15.2 | 14.7 | 14.7 | 14.6 | 14.1 | 12.9 |
| Health and Human Services | 319.8 | 351.1 | 376.1 | 396.9 | 414.1 | 438.6 | 461.9 | 344.3 | 370.1 | 388.0 | 403.5 | 424.5 | 447.6 |
| Housing and Urban Development | 25.5 | 29.9 | 32.3 | 32.9 | 32.4 | 30.2 | 29.6 | 29.1 | 32.5 | 33.1 | 32.7 | 30.8 | 30.1 |
| Interior | 6.7 | 7.4 | 7.1 | 7.3 | 7.3 | 7.4 | 7.2 | 7.4 | 7.6 | 7.6 | 7.6 | 7.6 | 7.3 |
| Justice | 12.0 | 14.5 | 17.4 | 18.7 | 19.1 | 18.5 | 18.2 | 13.9 | 17.9 | 18.9 | 19.1 | 18.5 | 18.2 |
| Labor | 32.5 | 32.9 | 35.6 | 37.5 | 39.0 | 39.6 | 40.4 | 30.8 | 33.9 | 37.2 | 38.4 | 39.3 | 40.4 |
| State | 5.0 | 5.5 | 5.5 | 6.3 | 5.5 | 5.5 | 5.6 | 5.5 | 5.4 | 6.2 | 5.3 | 5.4 | 5.5 |
| Transportation | 38.8 | 38.4 | 38.5 | 38.5 | 38.4 | 38.4 | 38.2 | 38.6 | 39.4 | 40.1 | 40.3 | 40.5 | 40.4 |
| Treasury | 364.6 | 380.6 | 390.4 | 397.8 | 400.2 | 402.5 | 402.8 | 380.2 | 392.6 | 401.3 | 403.5 | 405.4 | 405.7 |
| Veterans Affairs | 36.9 | 39.6 | 40.9 | 41.9 | 43.8 | 41.1 | 43.3 | 40.1 | 41.2 | 42.2 | 42.0 | 42.6 | 42.9 |
| Major agencies: | | | | | | | | | | | | | |
| Corps of Engineers, military retirement and other defense | 32.5 | 33.9 | 34.8 | 35.8 | 36.9 | 38.0 | 39.0 | 34.3 | 35.1 | 35.8 | 36.8 | 37.8 | 38.7 |
| Environmental Protection Agency | 6.0 | 6.3 | 6.7 | 7.1 | 7.4 | 7.4 | 7.3 | 6.4 | 6.7 | 7.1 | 7.4 | 7.4 | 7.3 |
| Executive Office Of the President | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Funds Appropriated to the President | 9.7 | 9.7 | 10.2 | 10.4 | 10.6 | 10.5 | 10.6 | 9.4 | 10.2 | 10.3 | 10.6 | 10.5 | 10.6 |
| General Services Administration | 0.7 | 1.2 | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 1.3 | 0.7 | 0.3 | 0.2 | 0.1 | 0.1 |
| The Judiciary | 3.1 | 3.6 | 3.7 | 3.8 | 3.9 | 4.1 | 4.2 | 3.6 | 3.7 | 3.8 | 3.9 | 4.1 | 4.2 |
| Legislative Branch | 2.3 | 2.5 | 2.8 | 2.7 | 2.7 | 2.8 | 2.8 | 2.5 | 2.8 | 2.7 | 2.7 | 2.8 | 2.8 |
| National Aeronautics and Space Administration | 13.9 | 13.7 | 13.6 | 13.5 | 13.2 | 13.2 | 13.2 | 14.4 | 13.6 | 13.5 | 13.2 | 13.2 | 13.2 |
| Office of Personnel Management | 42.9 | 44.8 | 46.5 | 48.6 | 50.7 | 53.0 | 55.7 | 45.2 | 46.8 | 49.1 | 51.2 | 53.4 | 56.0 |
| Small Business Administration | 0.9 | 0.5 | 0.1 | 0.2 | 0.5 | 0.6 | 0.6 | 0.5 | 0.1 | 0.2 | 0.5 | 0.6 | 0.6 |
| Social Security Administration | 375.2 | 395.9 | 413.0 | 432.0 | 454.0 | 470.9 | 495.9 | 394.3 | 412.2 | 430.0 | 448.6 | 468.9 | 490.7 |
| All other agencies | 8.9 | 10.4 | 20.2 | 22.5 | 26.2 | 24.1 | 25.1 | 7.6 | 19.6 | 24.0 | 26.6 | 25.0 | 25.1 |
| Undistributed offsetting receipts | -135.0 | -150.5 | -165.7 | -157.4 | -164.6 | -173.8 | -197.0 | -154.3 | -161.6 | -161.0 | -167.7 | -176.3 | -194.3 |
| Allowances | | | | | | | | | -1.3 | -2.1 | -2.2 | -0.8 | -7.6 |
| Total | 1,560.3 | 1,631.0 | 1,687.5 | 1,760.7 | 1,814.4 | 1,844.5 | 1,879.7 | 1,615.0 | 1,689.9 | 1,751.8 | 1,795.3 | 1,831.8 | 1,858.7 |

Table 22. OUTLAYS BY FUNCTION

(In billions of dollars)

| | 1996 actual | February policy estimates | | | | | | Mid-Session policy estimates | | | | | |
|------------------------------------------------------------|----------------|---------------------------|----------------|----------------|----------------|----------------|----------------|------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| National defense | 265.7 | 267.2 | 259.4 | 261.4 | 267.2 | 268.0 | 273.2 | 268.4 | 266.4 | 265.9 | 268.5 | 270.1 | 272.6 |
| International affairs | 13.5 | 14.8 | 14.9 | 15.9 | 15.2 | 15.3 | 15.5 | 14.0 | 14.6 | 15.5 | 15.0 | 15.0 | 15.2 |
| General science, space, and technology | 16.7 | 16.6 | 16.5 | 16.4 | 16.2 | 16.1 | 16.1 | 17.1 | 16.5 | 16.4 | 16.2 | 16.1 | 16.1 |
| Energy | 2.8 | 2.1 | 2.3 | 1.3 | 2.0 | 1.6 | -0.4 | 2.0 | 2.3 | 1.2 | 2.0 | 1.6 | 0.7 |
| Natural resources and environment | 21.6 | 22.8 | 22.3 | 22.6 | 23.1 | 23.2 | 23.0 | 23.2 | 23.4 | 22.7 | 23.1 | 23.1 | 22.7 |
| Agriculture | 9.2 | 10.3 | 12.3 | 11.8 | 11.2 | 10.0 | 9.8 | 10.0 | 11.9 | 11.6 | 11.0 | 10.0 | 9.7 |
| Commerce and housing credit | -10.6 | -8.8 | 3.4 | 6.3 | 12.6 | 7.3 | 8.1 | -11.2 | 2.4 | 7.4 | 13.2 | 8.8 | 8.6 |
| Transportation | 39.6 | 39.3 | 39.3 | 39.4 | 39.3 | 39.4 | 39.2 | 39.7 | 40.2 | 41.0 | 41.2 | 41.5 | 41.4 |
| Community and regional development | 10.7 | 12.8 | 11.4 | 11.4 | 9.6 | 8.4 | 8.0 | 12.7 | 12.1 | 12.1 | 10.0 | 8.6 | 8.0 |
| Education, training, employment, and social services | 52.0 | 51.3 | 56.2 | 61.7 | 63.2 | 63.9 | 62.8 | 52.9 | 56.5 | 61.3 | 62.4 | 63.3 | 63.8 |
| Health | 119.4 | 127.6 | 138.2 | 145.1 | 152.0 | 159.6 | 165.3 | 126.4 | 139.2 | 146.2 | 154.1 | 163.3 | 172.2 |
| Medicare | 174.2 | 194.3 | 207.1 | 219.6 | 229.3 | 246.0 | 263.2 | 191.4 | 199.5 | 208.7 | 215.8 | 227.2 | 241.9 |
| Income security | 226.0 | 238.9 | 247.5 | 256.4 | 266.2 | 269.3 | 280.0 | 232.8 | 244.2 | 256.3 | 265.4 | 272.8 | 279.6 |
| Social Security | 349.7 | 367.7 | 384.3 | 402.0 | 421.1 | 441.2 | 463.0 | 366.2 | 383.1 | 400.0 | 417.6 | 436.7 | 457.6 |
| Veterans benefits and services | 37.0 | 39.6 | 41.0 | 41.9 | 43.9 | 41.2 | 43.4 | 40.2 | 41.3 | 42.3 | 42.1 | 42.7 | 43.0 |
| Administration of justice | 17.5 | 20.8 | 24.2 | 25.9 | 26.4 | 26.0 | 26.0 | 20.1 | 24.8 | 26.1 | 26.5 | 26.0 | 26.0 |
| General government | 11.9 | 13.1 | 12.9 | 13.2 | 13.6 | 13.0 | 13.0 | 13.2 | 13.2 | 13.3 | 13.6 | 12.9 | 12.8 |
| Net interest | 241.1 | 247.4 | 249.9 | 251.8 | 248.2 | 245.0 | 238.8 | 245.7 | 248.4 | 249.9 | 245.5 | 241.1 | 233.9 |
| Allowances | | | | | | | | | -1.3 | -2.1 | -2.2 | -0.8 | -7.6 |
| Undistributed offsetting receipts | -37.6 | -46.5 | -55.6 | -43.5 | -46.0 | -50.1 | -68.0 | -49.7 | -48.5 | -44.0 | -45.5 | -47.9 | -59.4 |
| Total | 1,560.3 | 1,631.0 | 1,687.5 | 1,760.7 | 1,814.4 | 1,844.5 | 1,879.7 | 1,615.0 | 1,689.9 | 1,751.8 | 1,795.3 | 1,831.8 | 1,858.7 |

Table 23. DISCRETIONARY BUDGET AUTHORITY BY AGENCY

(In billions of dollars)

| Agency | 1996 Actual | February policy estimates | | | | | | Mid-Session policy estimates | | | | | |
|--------------------------------------------------------------------|----------------|---------------------------|--------------|--------------|--------------|--------------|--------------|------------------------------|--------------|--------------|--------------|--------------|--------------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Cabinet agencies: | | | | | | | | | | | | | |
| Agriculture | 15.3 | 15.3 | 15.1 | 15.2 | 15.4 | 15.5 | 15.8 | 15.6 | 15.1 | 15.2 | 15.4 | 15.5 | 15.8 |
| Commerce | 3.7 | 3.8 | 4.2 | 4.9 | 6.1 | 4.0 | 4.0 | 3.8 | 4.2 | 4.9 | 6.1 | 4.0 | 4.0 |
| Defense—Military | 253.6 | 250.9 | 251.6 | 257.2 | 263.5 | 270.3 | 278.4 | 253.7 | 254.6 | 258.8 | 263.4 | 270.1 | 278.3 |
| Education | 21.4 | 26.2 | 29.1 | 29.8 | 30.5 | 31.1 | 31.5 | 26.3 | 29.4 | 30.1 | 30.8 | 31.5 | 31.9 |
| Energy | 16.4 | 16.5 | 19.2 | 17.6 | 16.7 | 16.3 | 15.8 | 16.4 | 19.2 | 17.6 | 16.7 | 16.3 | 15.8 |
| Health and Human Services | 33.2 | 34.1 | 36.3 | 36.6 | 36.8 | 37.1 | 37.4 | 34.4 | 36.3 | 36.6 | 36.8 | 37.1 | 37.4 |
| Housing and Urban Development | 21.7 | 19.3 | 24.8 | 28.4 | 30.3 | 31.7 | 33.0 | 16.1 | 25.5 | 28.2 | 29.4 | 30.9 | 32.3 |
| Interior | 7.1 | 6.9 | 7.4 | 7.4 | 7.6 | 7.5 | 7.5 | 7.3 | 8.1 | 7.5 | 7.6 | 7.5 | 7.5 |
| Justice | 14.6 | 16.3 | 17.1 | 17.8 | 16.8 | 17.0 | 17.5 | 16.3 | 17.1 | 17.8 | 16.8 | 17.0 | 17.5 |
| Labor | 9.4 | 10.2 | 10.8 | 10.6 | 10.6 | 10.7 | 10.9 | 10.2 | 10.8 | 10.6 | 10.6 | 10.7 | 10.9 |
| State | 4.7 | 4.8 | 5.1 | 5.8 | 4.9 | 5.0 | 5.0 | 4.8 | 4.9 | 5.7 | 4.8 | 4.8 | 4.9 |
| Transportation | 12.7 | 12.8 | 12.5 | 13.7 | 13.9 | 14.1 | 14.3 | 13.5 | 12.6 | 13.8 | 14.0 | 14.2 | 14.5 |
| Treasury | 10.4 | 10.6 | 11.8 | 11.8 | 11.4 | 11.6 | 11.8 | 10.6 | 12.0 | 11.9 | 11.6 | 11.7 | 12.0 |
| Veterans Affairs | 17.8 | 18.9 | 18.7 | 18.7 | 18.7 | 18.7 | 18.7 | 18.3 | 18.7 | 18.9 | 18.5 | 18.4 | 18.4 |
| Major agencies: | | | | | | | | | | | | | |
| Corps of Engineers, military retirement and other defense | 3.4 | 3.5 | 3.8 | 3.4 | 3.4 | 3.4 | 3.4 | 4.2 | 3.5 | 3.5 | 3.5 | 3.4 | 3.4 |
| Environmental Protection Agency | 6.5 | 6.8 | 7.6 | 7.7 | 7.1 | 7.2 | 7.3 | 6.8 | 7.6 | 7.7 | 7.1 | 7.2 | 7.3 |
| Executive Office Of the President | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Funds Appropriated to the President | 10.8 | 10.8 | 15.6 | 11.9 | 11.8 | 11.4 | 11.3 | 10.8 | 15.6 | 11.9 | 11.8 | 11.4 | 11.3 |
| General Services Administration | 0.2 | 0.6 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.6 | 0.4 | 0.1 | 0.1 | 0.1 | 0.1 |
| The Judiciary | 2.8 | 3.0 | 3.4 | 3.5 | 3.6 | 3.7 | 3.8 | 3.0 | 3.4 | 3.5 | 3.6 | 3.7 | 3.8 |
| Legislative Branch | 2.2 | 2.2 | 2.4 | 2.4 | 2.5 | 2.5 | 2.5 | 2.2 | 2.4 | 2.4 | 2.5 | 2.5 | 2.5 |
| National Aeronautics and Space Administration | 13.9 | 13.7 | 13.5 | 13.4 | 13.2 | 13.2 | 13.2 | 13.7 | 13.5 | 13.4 | 13.2 | 13.2 | 13.2 |
| Office of Personnel Management | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Small Business Administration | 0.8 | 0.9 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.9 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Social Security Administration | 5.0 | 5.6 | 5.6 | 5.5 | 5.5 | 5.5 | 5.5 | 5.6 | 5.6 | 5.5 | 5.5 | 5.5 | 5.5 |
| All other agencies | 14.0 | 11.7 | 13.6 | 10.8 | 10.9 | 10.7 | 10.7 | 15.0 | 11.2 | 10.8 | 10.9 | 10.7 | 10.7 |
| Allowances | | | | | | | | | -1.2 | -2.8 | -3.8 | -6.1 | -8.4 |
| Total | 501.9 | 505.8 | 530.5 | 535.4 | 542.5 | 549.4 | 560.6 | 510.7 | 531.5 | 534.7 | 538.1 | 542.7 | 551.7 |

Table 24. DISCRETIONARY BUDGET AUTHORITY BY FUNCTION

(In billions of dollars)

| | 1996 actual | February policy estimates | | | | | | Mid-Session policy estimates | | | | | |
|------------------------------------------------------------|----------------|---------------------------|--------------|--------------|--------------|--------------|--------------|------------------------------|--------------|--------------|--------------|--------------|--------------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| National defense | 265.0 | 263.1 | 266.0 | 269.8 | 275.5 | 282.0 | 289.8 | 265.8 | 269.0 | 271.5 | 275.4 | 281.8 | 289.6 |
| International affairs | 18.1 | 18.1 | 23.0 | 20.1 | 19.1 | 18.8 | 18.8 | 18.1 | 22.8 | 19.9 | 19.0 | 18.7 | 18.6 |
| General science, space, and technology | 16.7 | 16.6 | 16.4 | 16.4 | 16.2 | 16.2 | 16.2 | 16.6 | 16.4 | 16.4 | 16.2 | 16.2 | 16.2 |
| Energy | 4.9 | 4.3 | 4.7 | 4.9 | 4.6 | 4.5 | 4.4 | 4.2 | 4.7 | 4.9 | 4.6 | 4.5 | 4.4 |
| Natural resources and environment | 20.7 | 21.1 | 22.4 | 22.4 | 21.8 | 21.7 | 21.8 | 22.3 | 22.8 | 22.5 | 22.0 | 21.8 | 21.8 |
| Agriculture | 4.2 | 4.1 | 4.1 | 4.0 | 3.9 | 3.9 | 3.9 | 4.2 | 4.1 | 4.0 | 3.9 | 3.9 | 3.9 |
| Commerce and housing credit | 3.7 | 2.4 | 3.3 | 3.8 | 5.2 | 3.2 | 3.2 | 2.4 | 3.3 | 3.8 | 5.2 | 3.2 | 3.2 |
| Transportation | 13.6 | 13.8 | 13.5 | 14.6 | 14.7 | 15.0 | 15.2 | 14.5 | 13.6 | 14.7 | 14.8 | 15.1 | 15.4 |
| Community and regional development | 11.6 | 9.3 | 10.9 | 8.3 | 7.7 | 7.8 | 7.9 | 13.1 | 8.8 | 8.3 | 7.7 | 7.8 | 7.9 |
| Education, training, employment, and social services | 36.1 | 42.4 | 46.4 | 47.4 | 48.5 | 49.5 | 50.3 | 42.5 | 46.7 | 47.7 | 48.8 | 49.8 | 50.8 |
| Health | 23.3 | 25.0 | 25.1 | 25.1 | 25.1 | 25.2 | 25.2 | 25.1 | 25.1 | 25.1 | 25.1 | 25.2 | 25.2 |
| Medicare | 2.9 | 2.6 | 2.8 | 2.8 | 2.7 | 2.7 | 2.7 | 2.6 | 2.8 | 2.8 | 2.7 | 2.7 | 2.7 |
| Income security | 27.8 | 26.0 | 32.6 | 36.1 | 38.9 | 40.4 | 41.8 | 22.8 | 33.1 | 36.0 | 38.0 | 39.6 | 41.1 |
| Social Security | 3.1 | 3.5 | 3.3 | 3.3 | 3.2 | 3.2 | 3.3 | 3.5 | 3.3 | 3.3 | 3.2 | 3.2 | 3.3 |
| Veterans benefits and services | 17.8 | 18.9 | 18.8 | 18.7 | 18.7 | 18.7 | 18.7 | 18.4 | 18.8 | 18.9 | 18.5 | 18.5 | 18.4 |
| Administration of justice | 20.7 | 22.8 | 24.4 | 25.2 | 24.4 | 24.8 | 25.5 | 22.8 | 24.4 | 25.2 | 24.4 | 24.8 | 25.5 |
| General government | 11.5 | 11.8 | 12.8 | 12.5 | 12.1 | 11.8 | 11.8 | 11.9 | 13.1 | 12.7 | 12.2 | 11.9 | 12.0 |
| Allowances | | | | | | | | | -1.2 | -2.8 | -3.8 | -6.1 | -8.4 |
| Total | 501.9 | 505.8 | 530.5 | 535.4 | 542.5 | 549.4 | 560.6 | 510.7 | 531.5 | 534.7 | 538.1 | 542.7 | 551.7 |

Table 25. FEDERAL GOVERNMENT FINANCING AND DEBT ¹

(In billions of dollars)

| | 1996 Actual | Estimates | | | | | |
|----------------------------------------------------------------------|----------------|-----------|---------|---------|---------|---------|---------|
| | | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
| Financing: | | | | | | | |
| Surplus or deficit (-) | -107.3 | -37.3 | -58.3 | -57.4 | -41.4 | -7.0 | 63.1 |
| (On-budget) | -174.3 | -115.5 | -145.0 | -152.8 | -146.0 | -119.1 | -57.0 |
| (Off-budget) | 67.0 | 78.1 | 86.6 | 95.4 | 104.6 | 112.1 | 120.1 |
| Means of financing other than borrowing from the public: | | | | | | | |
| Changes in: ² | | | | | | | |
| Treasury operating cash balance | -6.3 | 4.2 | — | — | — | — | — |
| Checks outstanding, etc. ³ | -3.9 | -1.9 | -0.7 | — | — | — | — |
| Deposit fund balances | -1.0 | 0.1 | -1.6 | — | — | — | — |
| Seigniorage on coins | 0.6 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Less: Net financing disbursements: | | | | | | | |
| Direct loan financing accounts | -13.0 | -22.6 | -21.9 | -21.9 | -23.8 | -24.4 | -24.0 |
| Guaranteed loan financing accounts | 1.3 | -0.2 | 0.4 | 0.6 | 0.7 | 0.9 | 1.2 |
| Total, means of financing other than borrowing from the public | -22.3 | -20.0 | -23.3 | -20.8 | -22.6 | -23.0 | -22.2 |
| Total, requirement for borrowing from the public | -129.6 | -57.3 | -81.6 | -78.2 | -63.9 | -30.0 | 40.9 |
| Change in debt held by the public | 129.6 | 57.3 | 81.6 | 78.2 | 63.9 | 30.0 | -40.9 |
| Debt Outstanding, End of Year: | | | | | | | |
| Gross Federal debt: | | | | | | | |
| Debt issued by Treasury | 5,146.9 | 5,342.8 | 5,568.5 | 5,810.9 | 6,047.6 | 6,261.1 | 6,415.3 |
| Debt issued by other agencies | 35.1 | 33.3 | 29.7 | 29.5 | 29.0 | 28.6 | 28.2 |
| Total, gross Federal debt | 5,181.9 | 5,376.1 | 5,598.2 | 5,840.3 | 6,076.6 | 6,289.7 | 6,443.4 |
| Held by: | | | | | | | |
| Government accounts | 1,449.0 | 1,585.8 | 1,726.3 | 1,890.2 | 2,062.5 | 2,245.7 | 2,440.3 |
| The public | 3,733.0 | 3,790.3 | 3,871.9 | 3,950.1 | 4,014.0 | 4,044.0 | 4,003.1 |
| Federal Reserve Banks | 390.9 | | | | | | |
| Other | 3,342.0 | | | | | | |
| Debt Subject to Statutory Limitation, End of Year: | | | | | | | |
| Debt issued by Treasury | 5,146.9 | 5,342.8 | 5,568.5 | 5,810.9 | 6,047.6 | 6,261.1 | 6,415.3 |
| Less: Treasury debt not subject to limitation ⁴ | -15.5 | -15.5 | -15.5 | -15.5 | -15.5 | -15.5 | -15.5 |
| Agency debt subject to limitation | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Adjustment for discount and premium ⁵ | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 |
| Total, debt subject to statutory limitation ⁶ ... | 5,137.2 | 5,333.1 | 5,558.8 | 5,801.2 | 6,037.9 | 6,251.4 | 6,405.6 |

¹Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost entirely measured at sales price plus amortized discount or less amortized premium. Agency debt is almost entirely measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

²A decrease in the Treasury operating cash balance (which is an asset) is a means of financing the deficit and therefore has a positive sign. An increase in checks outstanding or deposit fund balances (which are liabilities) is also a means of financing the deficit and therefore also has a positive sign.

³Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

⁴Consists primarily of Federal Financing Bank debt.

⁵Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

⁶The statutory debt limit is \$5,950 billion.