

The Size of the Available Budget Surplus – A Fact Sheet

June 26, 2001

There are several ways to calculate the size of the “available” budget surplus, which is defined here as the surplus excluding the Social Security and Medicare Hospital Insurance trust funds. One approach estimates where we stand today based on CBO’s latest projections of the baseline plus the tax bill. A second approach measures where we will stand at the end of this fiscal year assuming enactment of all other policies in the FY 2002 Republican Budget Resolution. A third approach adds the recently announced defense request for 2002 from President Bush and a fourth adds amounts for education. A final option factors in possible economic revisions that could occur in August. The Senate Budget Committee will update these estimates throughout the year in order to inform the Congress on the status of the trust funds.

1. Baseline Surplus + Tax bill

CBO’s most recent budget baseline projected that the “available” surplus would total \$92 billion in 2001, \$95 billion in 2002, and \$2.7 trillion over the ten-year period 2002-11. The recently enacted tax bill lowered these amounts to \$16 billion in 2001, \$52 billion in 2002 and \$1.1 trillion over ten years.

2. Baseline Surplus + Tax Bill + Other Budget Resolution Policies

Policies assumed in the budget resolution have a claim on the available surplus since they are protected from budget act points of order in the Senate. Adding the cost of these policies to the estimates of the baseline (plus enacted legislation) reduces the available surplus to \$6 billion in 2001 and \$25 billion in 2002. This estimate lowers the ten-year surplus from \$504 billion in the original budget resolution to \$471 billion. The HI trust fund is raided to the tune of \$5 billion in 2003 and \$4 billion in 2004.

3. Baseline Surplus + Tax Bill + Other Budget Policies + Defense

In late June, Secretary Rumsfeld requested an additional \$18.4 billion in budget authority above the President’s defense request for fiscal year 2002. This third measure of the surplus factors in this request (adding the same increment in subsequent years, adjusted for inflation). The overall surplus declines to \$193 billion over ten years and the raid on the HI trust fund totals \$88 billion between 2003-07.

4. Baseline Surplus + Tax Bill + Other Budget Policies + Defense and Education

The budget resolution fails to provide any new resources for education and the Congress is expected to address this deficiency this year. Estimates of possible additional expenditures for education reduce the available surplus by \$154 billion. Under this scenario, the “available” surplus declines to \$6 billion in 2001, \$9 billion in 2002, and \$3 billion over the ten years.

5. Baseline Surplus + Tax Bill + Budget Policies + Defense and Education + Economic Revisions

An economy that is slightly weaker than CBO has forecast could further reduce the size of the available surplus by \$165 billion or more over the next ten years (SBC estimate). Under this scenario, the raids on the Medicare and Social Security trust funds total \$257 billion and \$41 billion respectively. The raids would be even larger if gimmicks in the tax bill (including the sunset) were removed.

Measures of the "Available Surplus"

(Total budget surplus excluding the Social Security and Medicare Trust funds; \$ billions)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	10-yr
CBO May Baseline Estimates of the "Available Surplus"											
92	95	125	155	173	225	279	324	385	459	525	2,745
1. Baseline Surplus + Tax Bill											
16	52	26	33	46	62	90	116	157	198	308	1,088
2. Baseline Surplus + Tax Bill + Other Budget Resolution Policies											
6	25	-5	-4	1	11	21	39	72	104	206	471
3. Baseline Surplus + Tax Bill + Other Budget Resolution Policies+ Defense											
6	12	-22	-23	-21	-15	-7	7	37	65	160	193
4. Baseline Surplus + Tax Bill + Other Budget Resolution Policies + Defense and Education											
6	9	-29	-35	-36	-33	-29	-17	10	35	128	3
5. Baseline Surplus + Tax Bill + Budget Policies + Defense and Education + Economic Revisions											
-2	-11	-51	-56	-55	-49	-44	-30	-3	22	115	-162

Available Surplus Assuming Bush Tax Cut, Defense Request and Other Budget Policies

(Total budget surplus excluding the Social Security and Medicare Trust funds)

(\$ billions)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	10-yr
CBO May surplus	92	95	125	155	173	225	279	324	385	459	525	2,745
Tax bill and other enacted	74	38	90	107	107	135	151	160	167	187	129	1,272
Other budget resolution policies	10	27	29	32	38	42	56	60	64	69	72	488
Bush defense request 1/	<u>-1</u>	<u>12</u>	<u>16</u>	<u>18</u>	<u>20</u>	<u>21</u>	<u>23</u>	<u>24</u>	<u>26</u>	<u>28</u>	<u>33</u>	<u>220</u>
Subtotal	83	76	135	157	164	198	230	244	257	283	234	1,980
Interest	2	6	12	21	30	42	56	73	91	110	131	572
Total	85	82	147	178	195	240	286	317	347	394	365	2,551
Remaining surplus	6	12	-22	-23	-21	-15	-7	7	37	65	160	193

1/ Assumes \$18.4 billion add above Bush April budget request adjusted for inflation in all subsequent years.

Available Surplus Assuming Resolution Policies, Defense and Education Adds, and Possible Economic Revisions
(Surplus excluding the Social Security and Medicare HI Trust Funds)

(\$ billions)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	10-yr
May resolution surplus	6	25	-5	-4	1	11	21	39	72	104	206	471
Bush Defense request 1/	1	-12	-16	-18	-20	-21	-23	-24	-26	-28	-33	-220
Possible IDEA funding	0	-3	-7	-10	-13	-15	-18	-20	-21	-22	-23	-154
Possible economic revisions 2/	-8	-20	-22	-22	-19	-16	-15	-13	-12	-14	-13	-165
Interest	0	-0	-1	-3	-5	-7	-9	-12	-15	-19	-23	-94
Revised resolution surplus/deficit	-2	-11	-51	-56	-55	-49	-44	-30	-3	22	115	-162
Raid on Medicare	-2	-11	-41	-43	-42	-45	-43	-30	-3	0	0	-257
Raid on Social Security	0	0	-10	-14	-13	-4	-1	0	0	0	0	-41

1/ Assumes Bush defense request in FY 2002 budget, plus \$18.4 billion in 2002 and all subsequent years (adjusted for inflation).
2/ SBC estimates of possible economic revisions.