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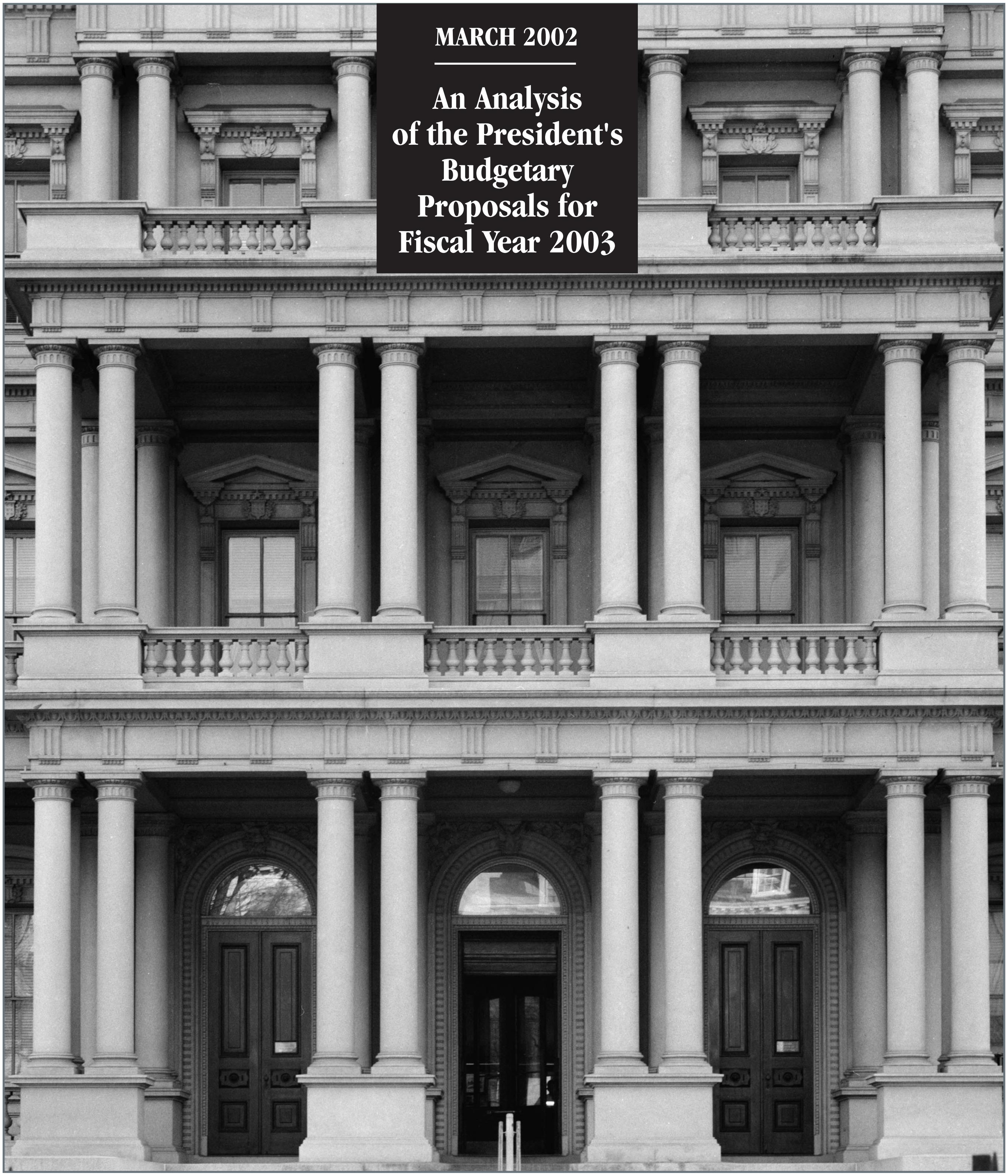

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An Analysis of the President's Budgetary Proposals for Fiscal Year 2003

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The Congress of the United States
Congressional Budget Office

NOTES

Except for those in Box 1, all of the numbers in this report are as of March 6, 2002, and thus exclude the effects of the economic stimulus law enacted on March 9.

Unless otherwise indicated, the years referred to in this report are fiscal years.

Numbers in the text and tables may not add up to totals because of rounding.

Cover photo of the Old Executive Office Building appears courtesy of the Library of Congress, Prints and Photographs Division, Historic American Buildings Survey, HABS, DC, WASH, 521-6 (photographer: Ronald Comedy).

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At the request of the Senate Committee on Appropriations, the Congressional Budget Office (CBO), with assistance from the Joint Committee on Taxation (JCT), has estimated the effects of the President's budgetary proposals for fiscal year 2003 using its own economic and technical estimating assumptions. Several main points emerge from that analysis.

- CBO estimates that under the Administration's proposals, the budget would record a deficit of $121 billion in 2003 and $51 billion in 2004 but revert to annual surpluses thereafter. Over the five-year period from 2003 through 2007, the budget would run a cumulative deficit of $33 billion; over the 10-year period from 2003 through 2012, it would record a cumulative surplus of $681 billion (see Table 1 on page 13). The on-budget accounts, which exclude the spending and revenues of Social Security and the Postal Service, would remain in deficit throughout the 10-year period.[1]

- In conjunction with its analysis of the President's budget, CBO has updated the baseline projections that it published in January.[2] (Those projections estimate the future path of spending and revenues if current laws and policies do not change.) The update incorporates new technical assumptions and a slight revision of CBO's economic forecast. It also encompasses legislative action through March 6, 2002. (The economic stimulus package, which was enacted after that date, is discussed in Box 1.) CBO currently projects that under the assumptions of the baseline, the federal government would run a surplus of $5 billion this year and $6 billion next year. Surpluses would total $489 billion over the 2003-2007 period and $2.4 trillion over the 2003-2012 period. That 10-year total is $0.1 trillion higher than the figure CBO published in January.

- Relative to that updated baseline, the President's budget would reduce projected surpluses in each year through 2012, CBO estimates. Over 10 years, that reduction would total $1.7 trillion; excluding debt service, 55 percent of the reduction would result from increases in spending and 45 percent from decreases in revenues.

- On the spending side of the budget, the President proposes to raise discretionary outlays by $295 billion above baseline levels between 2003 and 2012—comprising an increase of $483 billion in defense spending offset by a reduction of $188 billion in nondefense spending. Outlays for mandatory programs would exceed baseline levels by another $436 billion over the 10-year period, CBO estimates, mainly because of proposals to restructure and expand Medicare; assist people who lack health insurance; change the funding mechanism for the health benefits of military retirees under age 65; and increase spending on agriculture,

1. Those estimates are preliminary because when they were made, JCT had not yet completed its analysis of the Administration's tax proposals.

2. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2003-2012* (January 2002).

Box 1.
Effects of the Economic Stimulus Package

On March 9, the President signed into law the Job Creation and Worker Assistance Act of 2002 (Public Law 107-147), commonly known as the economic stimulus package. The major provisions of that law provide tax relief for businesses and extend unemployment benefits. The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimate that the law (along with associated debt-service costs) will reduce the surplus by $51 billion in 2002 and by $46 billion in 2003 (see the table below). The law is expected to increase surpluses in some later years, however, by boosting revenues. As a result, its net effect over the 2003-2012 period is estimated to be a $48 billion decline in the cumulative surplus.

Most of the revenue provisions become effective immediately or are backdated to 2001; most expire within the next three years. As a result, CBO and JCT estimate that the bulk of the reduction in revenues will occur by 2004. Increases in revenues will occur in later years largely because of a shift of income from the depreciation provision discussed below. In total, the package will reduce revenues by an estimated $30 billion over 11 years—that figure comprises a $43 bil-

Effects of the Economic Stimulus Package on CBO's Baseline Projection of the Surplus
(In billions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
Total Surplus as Projected on March 6, 2002	5	6	61	111	135	175	213	263	309	454	653	489	2,380
Impact of the Stimulus Package													
Revenues	-43	-39	-29	-4	16	17	16	14	10	7	5	-39	13
Outlays	8	4	*	*	*	*	*	*	*	*	*	4	3
Net interest (Debt service)	1	3	6	7	7	7	6	6	5	5	5	30	58
Total Impact on Surplus	-51	-46	-35	-11	9	10	10	8	5	2	*	-72	-48
Total Surplus or Deficit (-) as Projected on March 18, 2002	-46	-40	26	100	144	185	223	271	313	456	653	417	2,332

SOURCES: Congressional Budget Office; Joint Committee on Taxation.

NOTES: The economic stimulus package was enacted on March 9 as the Job Creation and Worker Assistance Act of 2002 (Public Law 107-147).

* = between -$500 million and $500 million.

food, and nutrition programs. (Those figures exclude the Administration's proposal that federal agencies pay the full cost of benefits for their employees as such benefits accrue.)

- On the revenue side of the budget, the President proposes to reduce receipts by $602 billion between 2003 and 2012, according to estimates by JCT and CBO. More than 60 percent of that reduction, or $379 billion, would occur in the last two years of the period, largely as a result of extending the tax cuts enacted last June that are scheduled to expire at the end of 2010. The President's budget would lower revenues in 2003 by

Box 1.
Continued

lion reduction in 2002 offset by a net revenue gain of $13 billion from 2003 through 2012.

The main provision of the stimulus package allows businesses to take an additional first-year depreciation deduction of 30 percent of the adjusted basis of qualified property purchased between September 11, 2001, and September 11, 2004. (Qualified property generally includes business equipment and improvements made to leased premises but excludes structures.) That change allows businesses to accelerate depreciation into the year the property is placed in service and then take smaller depreciation deductions in later years. To qualify, property must be placed in service before January 1, 2005 (with some exceptions). The provision is estimated to reduce revenues by $35 billion in 2002, $32 billion in 2003, and $29 billion in 2004. The lower depreciation amounts in later years will offset some of that loss of revenues; as a result, revenues are projected to increase by $81 billion from 2005 through 2012 because of the provision.

A second provision in the new law temporarily expands the ability of unprofitable corporations to receive refunds of taxes they paid in the past. Firms with current losses will be able to get refunds of taxes they paid as many as five years earlier, rather than the two years earlier (in most cases) under prior law. However, that provision applies only to losses in tax years 2001 and 2002. Businesses that take advantage of this opportunity will be unable to carry those losses forward; therefore, the initial drop in revenues will be offset in later years. As a result, JCT estimates that the provision will reduce revenues by $8 billion in 2002 but increase revenues by a total of $6 billion over the 2003-2012 period.

The remaining tax provisions, taken together, will have a relatively small effect on revenues in 2002 and 2003. Those measures include extending some expiring tax provisions, making technical corrections to previous legislation, targeting tax benefits toward the area of New York City damaged in the terrorist attacks, and boosting revenues related to providing additional unemployment benefits. The estimated reduction in revenues over the 2003-2012 period from those measures would total approximately $13 billion.

Besides offering temporary tax relief to businesses, the stimulus package will provide temporary emergency assistance to unemployed people whose regular unemployment compensation has run out. The long-term unemployed will receive up to 13 weeks of emergency compensation regardless of their state's unemployment rate. In addition, in states where the insured unemployment rate (the ratio of people receiving regular benefits to workers covered under the unemployment payroll tax) exceeds 4 percent, beneficiaries can receive another 13 weeks of benefits. CBO estimates that those provisions will increase outlays by $8 billion in 2002 and $3 billion in 2003.

The extended benefits will be paid from federal unemployment accounts. States are scheduled to have excess reserves in the federal accounts transferred to them, so the payment of additional benefits from those accounts will reduce the funds available for future transfers to states. Consequently, to maintain desired balances in their own unemployment accounts, states will have to increase payroll taxes (or not reduce taxes as much as they would have), which will add nearly $9 billion to federal revenues over the 2003-2012 period, CBO estimates. (Income from such taxes is recorded as revenue in the federal budget.)

$73 billion; $65 billion of that reduction comes from the Economic Security Plan, an unspecified proposal to stimulate the economy through tax cuts and additional spending.

- Overall, the Administration proposes to spend about $2.1 trillion—or 19.5 percent of the nation's gross domestic product (GDP)—in 2003 (see Table 2). Total spending would rise to an estimated $3.1 trillion by 2012, but because the economy is expected to grow, federal spending as a share of GDP would drop to 17.8 percent. Revenues under the President's budget would increase from 18.4 percent of GDP in 2003 to 19.1 percent in 2012, despite the anticipated growth of the economy.

CBO's Economic Projections

In the light of economic data released over the past three months—particularly the Bureau of Economic Analysis's (BEA's) preliminary estimates for the fourth quarter of 2001—CBO has modified its economic outlook for calendar years 2002 and 2003. Compared with the forecast that it published in January, CBO's current forecast anticipates faster growth of real and nominal GDP during 2002 and larger corporate profits in 2001 through 2003 (see Table 3). Projected levels of GDP and other major economic variables in 2004 through 2012 remain unchanged.

Changes to CBO's Economic Forecast

The economy is currently rebounding in a remarkable fashion, and many forecasters agree with Federal Reserve Board Chairman Alan Greenspan that a recovery is well under way. When CBO and the Administration prepared their forecasts in December, most economists thought that the economy was headed downward in the fourth quarter of 2001, reflecting both the need to correct an excess of corporate investment in recent years and the trauma of the September 11 attacks. However, the economy has done much better than forecast. It grew at an annual rate of 1.4 percent in the fourth quarter, according to the BEA's recent estimates, and more than made up its losses from the brief downturn of the previous quarter. Moreover, although CBO (like many forecasters) anticipated a mild upturn in the first or second quarter of 2002, recent data suggest that the economy is surging ahead. Private-sector forecasts of real growth in the first quarter range from less than 1 percent to more than 4 percent at an annual rate.

The surprises in recent data involve both consumer and business spending. Consumption has been extremely strong since September, contradicting expectations about the effects of post-September 11 weakness in the stock market, job losses, and consumers' concerns about security. Some of the strength in the fourth quarter was attributable to sales incentives for cars, although other consumption remained robust. More surprising, consumption spending has been higher than expected in the first two months of 2002.

Evidence of a rebound in business investment in the first quarter of 2002 is more tentative, but it points in the same direction. Orders and shipments of capital goods suggest some upturn in that sector. News stories about commercial construction have been less positive, but after sharp declines since March 2001, the January data for industrial, commercial, and other nonresidential construction showed an encouraging increase. The largest contribution of the business sector—and the most uncertain—is inventory accumulation. In the fourth quarter of 2001, inventories dropped by $120 billion (at an annual rate, in 1996 dollars). New data for January show that the decline in inventories may be at an end. That would add several percentage points to GDP growth (at an annual rate) in the first quarter.

The economy's greater-than-anticipated output in recent months appears to reflect unexpected productivity growth. The unemployment rate fell in February and may have peaked sooner than expected. But hours worked and employment are still broadly in line with the previous forecasts. Labor productivity grew at a revised annual rate of 5.2 percent in the fourth quarter, and some forecasters now expect similar growth in the first quarter. The income generated through that higher productivity seems likely to accrue to owners of capital. Consequently, CBO has raised its projections of corporate profits through the end of 2003. By contrast, tax receipts suggest that the near-term outlook for wages and salaries has not changed, despite the apparent recovery of spending and output.

On the basis of recent data, CBO has raised its estimate of the real growth of GDP to 1.7 percent for calendar year 2002. It has also increased its forecast for the level of corporate profits in 2002 by 16 percent from the forecast published in January. CBO's revised outlook is similar to that in the March *Blue Chip* survey of some 50 economic forecasters (see Table 4). Near-term forecasts have changed rapidly since mid-February. The March *Blue Chip* survey raised the consensus forecast for real growth in 2002 to 2.0 percent from the 1.5 percent forecast in February. The very strong data published at the turn of the month may not be fully reflected in the March *Blue Chip*, so the consensus forecast may rise further.

The outlook for growth in coming months, however, is extremely uncertain, as it usually is around turning points in the business cycle. Several factors may be adding to the current uncertainty. First, this winter has been unusually warm, which may be distorting a number of economic indicators. Second, forecasters who expect relatively strong growth anticipate a rapid return to inventory building, but that is among the hardest elements of the economy to predict. Third, other sectors that usually contribute vigorously to growth during cyclical recoveries—especially autos and housing—are unlikely to play the same role this time. It remains unclear to what extent the auto sales of the past few months have simply borrowed from future sales. Moreover, investment in housing remained strong throughout the recession and probably cannot contribute much more to growth than it is already doing. Fourth, important sectors of the economy may continue to suffer from overcapacity, which would tend to dampen any increase in capital spending. That problem is perhaps most evident for telecommunications and, in some markets, for commercial office space. Last, the strength of foreign demand is uncertain because many other countries' economies are also close to turning points.

Comparison with the Administration's Assumptions

CBO's and the Administration's economic assumptions are fairly similar in their implications for budget projections. For 2002, the Administration's forecast of GDP growth is lower than CBO's, though the difference is made up in 2003 and subsequent years. Beyond 2002, the Administration assumes slightly lower inflation, as measured by the GDP price index, so its projection of nominal GDP remains below CBO's throughout the projection period (see Table 4). However, the Administration assumes that the major tax bases—wages and salaries, and corporate profits—will constitute a larger share of GDP than CBO does, and as a result, its projections of those tax bases are slightly above CBO's for much of the projection period. In addition to lower inflation, the Administration expects substantially lower interest rates and a lower unemployment rate than CBO does. All of those factors contribute to making the Administration's projections of outlays lower than CBO's over the 2003-2012 period.

CBO's and the Administration's Baseline Estimates

In general, both CBO's and the Administration's baselines are calculated according to statutory rules and guidelines in the 1985 Balanced Budget and Emergency Deficit Control Act and the 1974 Congressional Budget and Impoundment Control Act. The baseline serves as a policy-neutral benchmark that lawmakers can use to gauge the effects of new spending or revenue proposals, such as those in the President's 2003 budget.

Revisions to CBO's Baseline

In preparing its annual analysis of the President's budgetary proposals, CBO typically updates its baseline projections to take into account new information from the budget and other sources. CBO's current outlook for the budget is slightly more favorable than the one it published in January.[3] In the absence of additional tax or spending legislation, the budget would show small surpluses in 2002 and 2003 ($5 billion and $6 billion, respectively) instead of the modest deficits projected previously (see Table 5). Under that assumption, the surplus would total $489 billion over five years, CBO estimates, and $2.4 trillion over 10 years, up from the previous projections of $437 billion and $2.3 trillion, respectively. Debt held by the public at the end of 2012 would total $1.1 trillion (see Table 6).

CBO has increased its baseline projections of revenues by $23 billion for 2002 and $15 billion for 2003 because of its upward reestimates for GDP and corporate profits in the near term (see Table 7). For years after 2003, increases to baseline revenue projections are relatively small, averaging just over a billion dollars per year. Most of the increases stem from receipts of the Universal Service Fund, which would be offset by additional spending of similar amounts.

3. As stated earlier, that outlook is based on legislative activity through March 6 and thus excludes the recent economic stimulus law, the effects of which are shown in Box 1.

Among the few pieces of legislation enacted between the January baseline and March 6 is Public Law 107-139, which amends the Higher Education Act of 1965 to establish fixed interest rates for student and parent borrowers and extends certain special allowances for lenders that would have expired for loans issued after June 2003. CBO estimates that the extension of the yield guarantee for private lenders and changes in interest rates charged for direct loans—as well as an increase in the volume of borrowers—will increase outlays by $9.5 billion over the 2003-2012 period.

Reductions in projected Medicare spending account for most of the changes to CBO's baseline since January. A variety of technical factors caused CBO to lower its projections of Medicare outlays over 10 years by nearly $80 billion.

- About $30 billion of the reduction stems from an analysis of newly published information on the rates to be paid to Medicare+Choice plans (health maintenance organization plans in Medicare) in 2003 and later years.

- About $35 billion of the decrease reflects the Administration's announcement of an effective date for a final rule concerning "pass-through" payments for hospital outpatient services and an analysis of new data on the cost of "buying down" (contributing more to) coinsurance paid by beneficiaries for hospital outpatient services.

- Another $15 billion of the reduction reflects an updated analysis of the effect on spending of the changing age distribution of the Medicare population, an improved method of constructing price indexes for projecting updates to Medicare's payment rates, and the effects of revised projections of outlays on premiums paid by beneficiaries.

Conversely, CBO increased its baseline projections of Medicaid spending for the 2003-2012 period by $21 billion. Much of that increase resulted from higher projections of enrollment and new waivers permitting Medicaid programs to offer prescription drug benefits to low-income Medicare beneficiaries. CBO also incorporated the savings generated by a recent regulation that limits the amount by which Medicaid's payments to hospitals may exceed payments based on Medicare's rules (the so-called upper payment limit).

Differences from the Administration's Current-Services Baseline

Both CBO and the Administration estimate that the budget will essentially be in balance this year under current laws and policies (see Table 8). CBO now projects a small surplus ($5 billion), and the Administration anticipates a small deficit ($9 billion). The difference between those figures mainly arises because CBO is forecasting lower short-term interest rates and projecting lower payments for Social Security benefits and the refundable portions of the earned income and child tax credits. Furthermore, CBO's estimate includes recoveries of overpayments in the Supplemental Security Income (SSI) program to reflect greater participation by SSI beneficiaries in Social Security's Disability Insurance (DI) program.[4]

In both baselines, surpluses grow after this year, albeit at a slower pace in CBO's projections. For 2003, CBO's projects a baseline surplus of $6 billion—about the same level as it estimates for this year—whereas the Administration, expecting higher revenues, projects a baseline surplus of $41 billion. For the next five years, CBO's cumulative baseline surplus ($489 billion) is $180 billion smaller than the Administration's ($669 billion). That gap widens for the 2003-2012 period: CBO's projected cumulative surplus (nearly $2.4 trillion) is $305 billion less than the Administration's (almost $2.7 trillion).

Revenue Differences. CBO's baseline projection of revenues over the next 10 years is nearly identical to that of the Administration—lower by only $15 billion, or less than 0.1 percent. In some years, however, the projections differ noticeably. For 2003, CBO's revenue projection is $35 billion lower than

4. The Social Security Administration has determined that roughly 200,000 disabled SSI recipients should have been receiving DI benefits. Those individuals gained insured status for DI as a result of wages earned after becoming entitled to SSI benefits. Consequently, the Social Security Administration will pay those beneficiaries retroactive benefits under DI, but a large portion of the payments will be recaptured by the government as recoveries of overpayments in the SSI program. The President's budget does not include those recoveries, which CBO estimates would total about $2.4 billion in 2002 and $1.3 billion in 2003.

the Administration's, and for both 2004 and 2005, it is about $25 billion lower.

Different expectations for corporate income tax receipts account for the lion's share of those differences. CBO projects a lower average tax rate on corporate profits, especially in 2003 and 2004. The Administration assumes that certain factors pushed down corporate tax liabilities in tax year 2001 and that those factors will continue to affect receipts to some degree in 2002 because of lags in payments and the difference between the tax year and the fiscal year. However, the Administration does not expect those factors to continue affecting receipts beyond 2002. The assumption that those factors will be temporary pushes up the Administration's projected average tax rate on corporate profits beyond 2002. CBO does not feel it has sufficient information to identify any temporary factors (except those related to the economic forecast) that affect the projected average tax rate on profits.

For 2006 through 2010, CBO's and the Administration's projections of revenues are similar. After that, the picture changes. CBO projects larger tax receipts in 2011 and 2012 than the Administration does, partly because it makes different assumptions about what will happen when last June's tax cuts expire at the end of 2010 and partly because its projections of income are higher than the Administration's for those years.

Outlay Differences. On the spending side, CBO's baseline estimate of outlays over 10 years exceeds the Administration's by $291 billion, or about 1 percent. That difference reflects higher projections of mandatory outlays (by $138 billion), discretionary outlays (by $90 billion), and net interest costs (by $62 billion).

The main difference between CBO and the Administration in projecting mandatory outlays involves Medicare spending. For 2003 through 2007, CBO's baseline projections for Medicare exceed the Administration's by $55 billion (about 4 percent). Over the 2003-2012 period, that difference broadens to about $226 billion (7 percent).

CBO's higher Medicare estimates stem from its different economic projections and technical assumptions. About $40 billion of the 10-year difference is attributable to economic projections and arises because CBO projects that updates to Medicare payment rates, which reflect changes in prices, will be 0.1 or 0.2 percentage points higher than the Administration projects. Another $10 billion to $20 billion of the 10-year difference stems from possible administrative actions that the Administration's baseline assumes but that CBO's does not. The remaining difference, $175 billion over 10 years, reflects different technical assumptions about participation in Medicare+Choice plans and about spending for services provided in the fee-for-service sector.[5]

The biggest discrepancies between CBO's and the Administration's estimates of increases in spending in the fee-for-service sector involve skilled nursing services, hospital outpatient services, and home health services. The payment systems for all three types of services have been altered substantially in the past few years, and the extent to which the volume and mix of services will change under the new systems is uncertain. Both CBO and the Administration assume that increases in the volume and mix of those services will contribute less to growth in spending under current law than they did under the payment systems that existed before the Balanced Budget Act of 1997. In general, however, CBO assumes less of a reduction from those earlier rates of growth than the Administration does. For home health services, however, the Administration seems to assume more rapid increases in the volume and mix of services through 2005 or 2006 and a more rapid decline in the rate of growth of those factors in later years.

CBO's baseline projections for some other mandatory spending programs are lower than the Administration's. For example, Medicaid spending in CBO's baseline is about $42 billion lower over the 2003-2012 period than the Administration estimates, mainly because CBO anticipates lower enrollment rates for the program. CBO's 10-year projections are also lower for Civil Service retirement benefits (by about $25 billion) and for the refundable portions of the earned income tax credit (by $41 billion) and the child care tax credit (by $21 billion).

5. See statement of Dan L. Crippen, Director, Congressional Budget Office, *Projections of Medicare Spending Under Current Law*, before the House Committee on the Budget, February 28, 2002.

For discretionary outlays, CBO's baseline exceeds the Administration's for two principal reasons. First, the inflation rate that CBO uses to project discretionary budget authority in future years is slightly higher than the Administration's. Second, the spending rates that CBO assumes for defense appropriation accounts are generally higher than those used by the Administration. However, for 2002 through 2004, CBO estimates that nondefense discretionary outlays will be slightly lower than the Administration expects because CBO anticipates that nondefense agencies will generally spend balances of prior-year obligations more slowly than the Administration assumes.

CBO's estimates of net interest are lower than the Administration's for 2002 and 2003 and higher thereafter. CBO's lower estimates in the near term are largely driven by technical factors, such as differences in assumptions about the mix of securities issued by the Treasury. Starting in 2004, however, those technical factors are offset by economic factors, as CBO's projections of interest rates rise significantly above the Administration's, resulting in higher net interest estimates for the remainder of the projection period.

The President's Budgetary Policies

Overall, CBO's and the Administration's estimates of the President's budget are similar. Under both sets of estimates, deficits end after 2004 and give way to growing surpluses (see Table 9). However, within that broadly similar pattern, some differences exist. For most years after 2002, CBO estimates that deficits would be larger, and surpluses smaller, than the Administration expects by $30 billion to $40 billion.

CBO estimates that deficits under the President's budget would peak in 2003 (at $121 billion) before beginning to fall. The Administration estimates that deficits would reach their high this year (at $106 billion) and begin declining in 2003. For the 2003-2007 period, CBO projects a total deficit of $33 billion under the President's budget; the Administration estimates a total surplus of $157 billion. For the 2003-2012 period, both CBO and the Administration estimate that the President's budgetary policies would produce cumulative surpluses—$681 billion in CBO's estimates and $1,002 billion in the Administration's. In both sets of estimates, the bulk of those surpluses accumulates in the later years of the projection period.

Policy Proposals Affecting Discretionary Spending

The President's budget would boost new discretionary budget authority for 2003 to $759 billion, CBO estimates, 6.9 percent more than the $710 billion enacted thus far for 2002 (see Tables 10 and 11).[6] That increase would be similar to the 7.2 percent jump in discretionary budget authority that occurred between 2001 and 2002.

The increase in discretionary budget authority proposed for 2003 would also approach the annual rate of growth experienced during the 1998-2002 period, which averaged 7.6 percent. However, it would be significantly higher than the average growth rate from 1994 through 1998: 0.8 percent. For the 2003-2012 period, the President proposes to hold the growth rate of discretionary budget authority to 2.8 percent. In CBO's baseline, which assumes that discretionary spending grows at the rate of inflation, budget authority rises at an average annual rate of 2.6 percent.

Discretionary outlays will total $731 billion this year, CBO anticipates, if no further legislation is enacted that affects 2002. Under the President's budget, discretionary outlays would rise to $784 billion next year.

National Defense. The largest proposed increase for 2003 is for defense. The President's budget would add $45 billion in discretionary budget authority for defense programs, or 13 percent—the fastest growth since the defense buildup of the early 1980s. It would bring defense outlays up to 3.5 percent of GDP in 2003, the highest level since 1995. (During

6. All amounts discussed in this section exclude the Administration's proposal that federal agencies pay the full cost of civilian employees' pensions and annuitants' health benefits as such benefits accrue. That proposal is discussed below.

the 1980s, defense spending averaged close to 6 percent of GDP.) Included in that request is $10 billion designated as a "wartime contingency" for combating terrorism in Afghanistan or other, as-yet-unspecified locations; that amount is not requested for later years. After 2003, the President's budget envisions much slower growth of budget authority for defense—an average annual rate of 3.2 percent through 2012.

Nondefense Programs. The President is proposing a much smaller increase—about 1 percent—in appropriations for nondefense activities in 2003. Excluding funds for homeland security (as classified by the Administration), such spending would decline by approximately 1 percent under the President's budget. To accomplish that, the President proposes reducing programs related to community and regional development, the administration of justice, natural resources and the environment, agriculture, and commerce. Appropriations for other budget functions, such as energy and general government, would not keep pace with inflation.

The President recommends increasing discretionary spending for some budget functions in 2003. For example, budget authority for veterans benefits and services would grow by about 7 percent, with most of that going for medical care. Budget authority for transportation programs would rise by about 8 percent, primarily for the Coast Guard and the new Transportation Security Administration.

The total budgetary resources available for transportation programs, however, would decline under the President's budget. Obligation limitations, which are not counted as budget authority, control the majority of transportation spending. Consistent with the current authorizing law, those limitations would decline by 21 percent in 2003 in the President's budget (the first decrease since the mid-1990s).[7] The President proposes to curb transportation spending to the point that by 2012, obligation limitations would be lower, in nominal terms, than the level enacted for 2002.

7. The current surface transportation authorizing law, the Transportation Equity Act for the 21st Century, specifies that adjustments to obligation limitations for highway spending should be made to reflect changes in the estimates of highway tax revenues. (The law resulted in a large increase in such spending authority for 2002 but calls for a large decrease in 2003.)

Homeland Security. Since September 11, the President and the Congress have provided additional budgetary resources for homeland security. The Administration estimates that nearly $27 billion in discretionary budget authority will be devoted to homeland security in 2002—$18 billion from the 13 regular appropriation acts and another $8 billion from the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002 (P.L. 107-117).[8]

For 2003, the President proposes $36 billion in discretionary budget authority for homeland security, $10 billion of which would go to defense agencies. Among nondefense departments and agencies, the President's budget proposes funding for homeland security of almost $8 billion for the Department of Transportation, more than $7 billion for the Department of Justice, more than $4 billion for the Department of Health and Human Services, and $3.5 billion for the Federal Emergency Management Agency.

Funding for homeland security is spread among roughly 40 budget subfunctions and at least 100 appropriation accounts. Because most of that spending is included within larger accounts, it is difficult to estimate the effects of increased homeland security funding in the absence of more-detailed information from the Administration.

Accrual Accounting for Federal Employees' Benefits. Another request in the President's budget that would affect discretionary spending is the proposal that federal agencies pay the full cost of their employees' retirement and retiree health benefits as such benefits accrue. Currently, the government's costs of retirement benefits for military personnel and for civilian employees covered by the Federal Employees Retirement System are financed through accrual charges paid from the appropriations of the employing agency. However, the costs of other retirement programs are covered through a combination of

8. For 2002, the Administration also estimates mandatory spending for homeland security at $1 billion (for total budget authority of $28 billion, including discretionary appropriations); in the President's budget, such mandatory spending increases to $2 billion for 2003 (for a total of $38 billion). Some of the spending for homeland security is offset by fees, which amount to $3 billion in 2002 and $5 billion in 2003.

agency payments and appropriations. Similarly, although next year the military will begin paying the full accrual costs of its health benefits for future retirees age 65 or older, civilian annuitants' health benefits are financed through mandatory spending.

This proposal would not change the promised benefits to retirees or the contributions made by employees and annuitants, so it would not have any net effect on the budget. However, it would raise discretionary spending by roughly $9 billion in 2003, with an equal amount of offsetting receipts recorded on the mandatory side of the budget, if agency appropriations are increased to accommodate the new accrual charges.

Policy Proposals Affecting Mandatory Spending

The President's proposals would add $436 billion to mandatory spending over the 2003-2012 period, CBO estimates (excluding the proposal that federal agencies pay the full cost of their employees' benefits as such benefits accrue). Policy initiatives involving Medicare, refundable tax credits, and agriculture account for about 69 percent of that increase (see Table 12).

Medicare. The President's budget includes several major proposals that would increase outlays for Medicare by nearly $170 billion over 10 years. The bulk of that spending comes from a Medicare modernization initiative intended to restructure aspects of the program and provide coverage of outpatient prescription drugs beginning in 2006. The Administration estimates that the initiative would cost a total of $116 billion through 2012; however, the budget does not provide enough details of the proposal for CBO to make its own estimate.

Another proposal involves allowing states to provide prescription drug benefits to qualifying Medicare beneficiaries through their Medicaid programs. The federal portion of Medicaid would reimburse the states for the cost of the program, and Medicare would reimburse Medicaid. CBO estimates that the benefit would cost $57 billion between 2003 and 2012.[9] The Administration has also proposed boosting payments to Medicare+Choice plans and encouraging participation by alternative managed care arrangements. Those proposals would cost $3 billion over the 2003-2012 period, CBO estimates.

The President's budget also contains several proposals that would reduce Medicare spending during the next 10 years. They include creating a nationwide competitive-bidding system that would encourage companies to sell durable medical equipment at lower prices than Medicare currently pays, adding two high-deductible supplemental insurance (medigap) plans to provide a catastrophic coverage option for Medicare beneficiaries, and requiring that insurers and group health plans periodically report to Medicare those beneficiaries for whom Medicare could be the secondary payer. In total, those initiatives would save about $7 billion over the 2003-2012 period, CBO estimates.

Other Health-Related Proposals. Under the President's budget, a new refundable tax credit for the purchase of health insurance would be available to certain people under age 65 who are not covered by their employer or a public program. The credit would subsidize part of their health insurance premiums, up to a specified ceiling. The Administration estimates that the credit would result in $60 billion in outlays (and a reduction of $29 billion in revenues) from 2003 through 2012. JCT has not completed its analysis of the proposal, so the budget projections in this report include the Administration's estimate.

The President has also proposed shifting the costs associated with providing health care for uniformed retirees and their dependents under age 65 to the same trust fund that, starting next year, will cover health care costs for retirees 65 and older. Currently, costs for both of those groups are paid from annual appropriations, which are discretionary. The net effect of this proposal on total outlays would be minimal.

Other Initiatives. The Administration's budget would increase spending for agriculture, food, and

9. Because the budget and other information from the Administration provide only the broad outlines of the proposal, CBO's estimate is necessarily preliminary and may change depending on how important details are clarified.

nutrition programs by $72 billion over the next decade. However, with the exception of proposals that affect the Food Stamp program, the budget offers little detail of the proposed changes. As a result, CBO used the Administration's estimates for all but the Food Stamp portion of those changes.

The President's budget also includes an economic stimulus plan that the Administration says would boost outlays by $27 billion in 2002 and a total of $9.5 billion in the following two years. In addition, the plan would decrease revenues through the middle of the decade and produce increases thereafter. Again, CBO and JCT did not have enough specific information about the plan to produce an independent estimate of its effects on outlays and revenues.[10]

The President has proposed restructuring unemployment compensation so that states would be responsible for their administrative costs. Currently, the Congress appropriates money from the unemployment insurance trust fund to cover those costs, which are recorded on the discretionary side of the budget. Under this proposal, states would pay those costs directly from their state benefit accounts in the federal unemployment trust fund and would be responsible for generating enough revenues from state unemployment taxes to cover those costs. The income and outlays related to the proposal would appear in the federal budget. CBO estimates that the change would increase mandatory outlays by $19 billion over the next 10 years and reduce discretionary spending by a corresponding amount below what it otherwise would be. (The policy would also reduce revenues.) In addition, the President has proposed making it easier for states to extend unemployment benefits during an economic downturn, which would cost $0.3 billion over the 2003-2012 period, CBO estimates.

A proposal that would not substantially increase outlays above baseline levels, but is nevertheless significant budgetarily, is the extension of the Temporary Assistance for Needy Families (TANF) program. As it must by law, CBO's baseline assumes that TANF will continue when its authorization expires at the end of this year. The President's budget explicitly requests reauthorization of the program, with funding at $16.5 billion per year. In addition, the budget proposes changes to TANF—including reauthorizing two elements of the program that expired in 2001—that would add about $350 million in new spending each year.

Policy Proposals Affecting Revenues

The President proposes a number of changes to tax law that would reduce revenues. Those changes involve extensions of certain tax cuts that are scheduled to expire within the next 10 years as well as new revenue-reducing provisions. CBO and JCT estimate that the proposals would lower revenues by a total of $602 billion over the 2003-2012 period and increase outlays by $80 billion (by increasing refundable tax credits). Over 60 percent of the reduction in revenues would occur in the last two years, 2011 and 2012, largely from the proposed extension of the tax cuts enacted last June that are now scheduled to expire at the end of 2010.

The President's proposal to provide economic stimulus through unspecified policies would decrease revenues by $62 billion in 2002 and $65 billion in 2003, according to the Administration. (As noted earlier, CBO and JCT were unable to independently estimate that proposal because no details were provided in the budget.) Over the 10-year period, the proposal is assumed to lead to a net reduction in revenues of $44 billion.

The President has also proposed providing a refundable tax credit for certain health insurance premiums; permanently extending the research and experimentation credit, which is set to expire in 2004; allowing taxpayers who do not itemize their deductions to deduct a certain amount of charitable contributions from their taxable income; and providing an enhanced deduction for some long-term care insurance (see Table 12). Other proposals that would reduce revenues include providing a tax credit for developers of affordable single-family housing, altering the way in which the unemployment insurance program is financed, and allowing unused amounts in flexible spending arrangements for health care to be carried forward in some circumstances.

10. For details of the economic stimulus package that was actually enacted, see Box 1 on page 2.

Differences Between CBO's and the Administration's Estimates of Policy Proposals

For the President's revenue proposals, CBO's and the Administration's estimates are quite similar. CBO estimates that those proposals would lower revenues by $602 billion over the 2003-2012 period—only $11 billion more than the Administration projects. The difference in estimates does not exceed $2 billion for any year except 2011. For that year, the estimates differ by $7 billion, an insignificant amount given the large changes in tax law and taxpayers' behavior that are expected to result from extending the tax-cut provisions that expire at the end of 2010.

On the outlay side, there are also few major differences between CBO and the Administration. In the case of some of the President's new policies for mandatory spending—such as proposals for economic stimulus, modernization of Medicare, refundable tax credits for health insurance, and farm programs—the budget lacks sufficient information for CBO to estimate their costs. In such cases, CBO used the Administration's estimates.

When proposals for savings lacked enough specificity for an independent estimate, CBO did not include their potential budgetary impact, although it did so for proposals that involve new spending. The President's budget includes savings of $18 billion over the 2003-2012 period from a proposal that would change the measure of drug prices used to calculate the rebate that drug manufacturers pay under Medicaid. However, the proposal is unclear about how it would treat generic drugs and how it would change the portion of the rebate program that holds the growth of prices for brand-name drugs to the rate of inflation. Without such details, CBO had insufficient basis for estimating savings from the proposal.

Table 1.
Projected Surpluses in CBO's Baseline and in Its Estimate of the President's Budget for 2003
(In billions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
CBO's Estimate of the President's Budget													
On-Budget Surplus or Deficit (-)	-248	-297	-245	-187	-178	-173	-171	-152	-145	-154	-100	-1,079	-1,801
Off-Budget Surplus	157	176	194	211	225	240	256	271	287	304	318	1,046	2,482
Total Surplus or Deficit (-)	-90	-121	-51	24	48	68	85	119	142	150	218	-33	681
CBO's Baseline													
On-Budget Surplus or Deficit (-)	-152	-170	-133	-100	-90	-65	-43	-8	21	150	335	-558	-102
Off-Budget Surplus	157	176	194	211	226	241	256	271	287	304	318	1,047	2,483
Total Surplus	5	6	61	111	135	175	213	263	309	454	653	489	2,380
Difference (President's budget minus baseline)													
On-Budget Surplus or Deficit	-96	-127	-112	-87	-88	-107	-128	-144	-166	-304	-435	-521	-1,699
Off-Budget Surplus	*	*	*	*	*	*	*	*	*	*	*	-1	-1
Total Surplus or Deficit	-96	-128	-112	-87	-88	-107	-128	-144	-166	-304	-435	-522	-1,699

SOURCE: Congressional Budget Office using its March 6, 2002, baseline.

NOTE: * = between -$500 million and $500 million.

Table 2.
CBO's Estimate of the President's Budget for 2003

	Actual 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
In Billions of Dollars														
Revenues														
On-budget	1,484	1,424	1,467	1,576	1,712	1,811	1,899	2,003	2,115	2,224	2,340	2,465	8,466	19,613
Off-budget	508	518	545	574	602	631	661	693	727	764	803	842	3,014	6,842
Total	1,991	1,942	2,013	2,150	2,314	2,442	2,560	2,695	2,842	2,988	3,143	3,307	11,479	26,455
Outlays														
Discretionary spending	649	739	793	816	839	860	883	915	941	970	997	1,015	4,191	9,028
Mandatory spending	1,008	1,125	1,161	1,186	1,250	1,334	1,413	1,501	1,593	1,694	1,822	1,909	6,343	14,862
Net interest	206	169	180	199	202	200	197	195	189	182	174	166	978	1,884
Total	1,864	2,033	2,134	2,201	2,291	2,394	2,493	2,610	2,723	2,846	2,993	3,089	11,512	25,774
On-budget	1,517	1,672	1,764	1,821	1,899	1,989	2,072	2,174	2,267	2,369	2,494	2,564	9,545	21,414
Off-budget	347	361	370	380	392	406	421	436	456	477	499	525	1,967	4,360
Surplus or Deficit														
On-budget	-34	-248	-297	-245	-187	-178	-173	-171	-152	-145	-154	-100	-1,079	-1,801
Off-budget	161	157	176	194	211	225	240	256	271	287	304	318	1,046	2,482
Total	127	-90	-121	-51	24	48	68	85	119	142	150	218	-33	681
Debt Held by the Public	3,320	3,453	3,587	3,650	3,641	3,608	3,552	3,479	3,370	3,238	3,096	2,885	n.a.	n.a.
Memorandum:														
Gross Domestic Product	10,149	10,406	10,940	11,556	12,168	12,803	13,468	14,166	14,897	15,664	16,469	17,314	60,935	139,445
As a Percentage of GDP														
Revenues														
On-budget	14.6	13.7	13.4	13.6	14.1	14.1	14.1	14.1	14.2	14.2	14.2	14.2	13.9	14.1
Off-budget	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Total	19.6	18.7	18.4	18.6	19.0	19.1	19.0	19.0	19.1	19.1	19.1	19.1	18.8	19.0
Outlays														
Discretionary spending	6.4	7.1	7.3	7.1	6.9	6.7	6.6	6.5	6.3	6.2	6.1	5.9	6.9	6.5
Mandatory spending	9.9	10.8	10.6	10.3	10.3	10.4	10.5	10.6	10.7	10.8	11.1	11.0	10.4	10.7
Net interest	2.0	1.6	1.6	1.7	1.7	1.6	1.5	1.4	1.3	1.2	1.1	1.0	1.6	1.4
Total	18.4	19.5	19.5	19.0	18.8	18.7	18.5	18.4	18.3	18.2	18.2	17.8	18.9	18.5
On-budget	14.9	16.1	16.1	15.8	15.6	15.5	15.4	15.3	15.2	15.1	15.1	14.8	15.7	15.4
Off-budget	3.4	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	3.2	3.1
Surplus or Deficit														
On-budget	-0.3	-2.4	-2.7	-2.1	-1.5	-1.4	-1.3	-1.2	-1.0	-0.9	-0.9	-0.6	-1.8	-1.3
Off-budget	1.6	1.5	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Total	1.3	-0.9	-1.1	-0.4	0.2	0.4	0.5	0.6	0.8	0.9	0.9	1.3	-0.1	0.5
Debt Held by the Public	32.7	33.2	32.8	31.6	29.9	28.2	26.4	24.6	22.6	20.7	18.8	16.7	n.a.	n.a.

SOURCE: Congressional Budget Office (March 6, 2002).

NOTE: n.a. = not applicable.

Table 3.
Changes Since January in CBO's Economic Forecast for Calendar Years 2001 Through 2003

	Estimate 2001	Forecast 2002	Forecast 2003
Nominal GDP (Billions of dollars)			
CBO January	10,193	10,422	11,063
CBO March	10,206	10,521	11,092
Nominal GDP (Percentage change)			
CBO January	3.2	2.2	6.1
CBO March	3.4	3.1	5.4
Real GDP (Percentage change)			
CBO January	1.0	0.8	4.1
CBO March	1.2	1.7	3.4
Tax Bases (Percentage of GDP)			
Corporate book profits			
CBO January	6.9	6.1	7.0
CBO March	7.1	6.9	7.2
Wages and salaries			
CBO January	50.0	50.3	50.1
CBO March	50.0	49.8	49.9
Tax Bases (Billions of dollars)			
Corporate book profits			
CBO January	705	631	774
CBO March	720	730	803
Wages and salaries			
CBO January	5,097	5,243	5,538
CBO March	5,098	5,243	5,538

SOURCES: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis.

NOTE: Percentage changes are year over year.

Table 4.
Comparison of CBO's, the Administration's, and Private-Sector Economic Projections for Calendar Years 2001 Through 2012

	Estimate	Forecast		Projected Annual Average	
	2001	2002	2003	2004-2007	2008-2012
Nominal GDP (Billions of dollars)					
CBO	10,206	10,521	11,092	13,639[a]	17,532[b]
Administration	10,197	10,481	11,073	13,614[a]	17,404[b]
Nominal GDP (Percentage change)					
CBO	3.4	3.1	5.4	5.3	5.1
Administration	3.3	2.8	5.6	5.3	5.0
March *Blue Chip*	n.a.	3.4	5.4	5.5[c]	5.3[d]
Real GDP (Percentage change)					
CBO	1.2	1.7	3.4	3.2	3.1
Administration	1.0	0.7	3.8	3.4	3.1
March *Blue Chip*	n.a.	2.0	3.6	3.2[c]	3.1[d]
GDP Price Index (Percentage change)					
CBO	2.2	1.4	2.0	2.0	2.0
Administration	2.3	2.0	1.8	1.8	1.9
March *Blue Chip*	n.a.	1.3	1.8	2.2[c]	2.2[d]
Consumer Price Index[e] (Percentage change)					
CBO	2.9	1.8	2.5	2.5	2.5
Administration	2.9	1.8	2.2	2.4	2.3
March *Blue Chip*	n.a.	1.4	2.4	2.7[c]	2.8[d]
Unemployment Rate (Percent)					
CBO	4.8	6.1	5.9	5.2	5.2
Administration	4.8	5.9	5.5	5.0	4.9
March *Blue Chip*	n.a.	5.9	5.5	5.0[c]	4.9[d]
Three-Month Treasury Bill Rate (Percent)					
CBO	3.4	2.2	4.5	4.9	4.9
Administration	3.4	2.2	3.5	4.2	4.3
March *Blue Chip*	n.a.	2.1	3.4	4.6[c]	4.6[d]
Ten-Year Treasury Note Rate (Percent)					
CBO	5.0	5.0	5.5	5.8	5.8
Administration	5.0	5.1	5.1	5.2	5.3
March *Blue Chip*	n.a.	5.2	5.6	5.9[c]	5.9[d]

(Continued)

Table 4.
Continued

	Estimate 2001	Forecast 2002	Forecast 2003	Projected Annual Average 2004-2007	Projected Annual Average 2008-2012
Tax Bases (Percentage of GDP)					
Corporate book profits					
CBO	7.1	6.9	7.2	7.9	8.1
Administration	6.9	7.0	7.7	8.3	8.3
Wages and salaries					
CBO	50.0	49.8	49.9	49.3	48.9
Administration	50.0	50.1	49.8	49.6	49.2
Tax Bases (Billions of dollars)					
Corporate book profits					
CBO	720	730	803	1,101[a]	1,425[b]
Administration	706	733	848	1,136[a]	1,419[b]
Wages and salaries					
CBO	5,098	5,243	5,538	6,695[a]	8,565[b]
Administration	5,100	5,246	5,519	6,730[a]	8,549[b]
Corporate Economic Profits[f] (Percentage change)					
CBO	-14.9	2.0	9.0	8.4	5.2
March *Blue Chip*	n.a.	4.1	9.7	7.1[c]	6.3[d]

SOURCES: Congressional Budget Office; Office of Management and Budget; Aspen Publishers, Inc., *Blue Chip Economic Indicators* (March 10, 2002); Department of Commerce, Bureau of Economic Analysis; Federal Reserve Board; Department of Labor, Bureau of Labor Statistics.

NOTES: Percentage changes are year over year.

n.a. = not applicable.

a. Level in 2007.

b. Level in 2012.

c. Annual average projected for 2004 to 2008.

d. Annual average projected for 2009 to 2013.

e. The consumer price index for all urban consumers.

f. Book profits and economic profits account for inventories and depreciation of capital in different ways. Book profits are the relevant measure for tax purposes, but economic profits are a better measure of profits from current production.

Table 5.
CBO's Baseline Budget Projections

	Actual 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007[a]	Total, 2003-2012[a]
							In Billions of Dollars							
Revenues														
Individual income taxes	994	952	1,001	1,059	1,114	1,162	1,228	1,305	1,387	1,477	1,673	1,841	5,565	13,248
Corporate income taxes	151	197	187	202	235	246	260	275	289	303	319	335	1,130	2,650
Social insurance taxes	694	710	748	789	831	869	908	948	995	1,046	1,098	1,152	4,145	9,383
Other	152	147	150	159	162	171	173	179	187	183	189	224	814	1,776
Total	1,991	2,006	2,086	2,209	2,342	2,448	2,569	2,707	2,858	3,009	3,279	3,551	11,654	27,057
On-budget	1,484	1,488	1,540	1,636	1,740	1,817	1,908	2,015	2,131	2,245	2,476	2,708	8,640	20,214
Off-budget	508	518	545	574	602	631	661	693	727	764	803	842	3,014	6,842
Outlays														
Discretionary spending	649	731	761	784	806	822	840	864	886	908	935	951	4,013	8,557
Mandatory spending	1,102	1,194	1,251	1,292	1,359	1,426	1,505	1,598	1,696	1,803	1,927	2,019	6,833	15,876
Offsetting receipts	-93	-91	-102	-112	-118	-114	-120	-127	-133	-141	-149	-157	-567	-1,274
Net interest	206	167	170	184	183	178	170	159	146	131	112	85	884	1,517
Total	1,864	2,001	2,080	2,148	2,231	2,312	2,394	2,494	2,594	2,701	2,825	2,898	11,164	24,677
On-budget	1,517	1,640	1,710	1,769	1,839	1,907	1,973	2,058	2,139	2,223	2,326	2,373	9,198	20,317
Off-budget	347	361	370	379	391	406	420	436	456	477	499	525	1,966	4,360
Surplus or Deficit (-)	127	5	6	61	111	135	175	213	263	309	454	653	489	2,380
On-budget	-34	-152	-170	-133	-100	-90	-65	-43	-8	21	150	335	-558	-102
Off-budget	161	157	176	194	211	226	241	256	271	287	304	318	1,047	2,483
Debt Held by the Public	3,320	3,355	3,361	3,314	3,219	3,099	2,938	2,739	2,489	2,193	1,750	1,107	n.a.	n.a.
Memorandum:														
Gross Domestic Product	10,149	10,406	10,940	11,556	12,168	12,803	13,468	14,166	14,897	15,664	16,469	17,314	60,935	139,445
							As a Percentage of GDP							
Revenues														
Individual income taxes	9.8	9.2	9.2	9.2	9.2	9.1	9.1	9.2	9.3	9.4	10.2	10.6	9.1	9.5
Corporate income taxes	1.5	1.9	1.7	1.7	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Social insurance taxes	6.8	6.8	6.8	6.8	6.8	6.8	6.7	6.7	6.7	6.7	6.7	6.7	6.8	6.7
Other	1.5	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.2	1.1	1.3	1.3	1.3
Total	19.6	19.3	19.1	19.1	19.2	19.1	19.1	19.1	19.2	19.2	19.9	20.5	19.1	19.4
On-budget	14.6	14.3	14.1	14.2	14.3	14.2	14.2	14.2	14.3	14.3	15.0	15.6	14.2	14.5
Off-budget	5.0	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Outlays														
Discretionary spending	6.4	7.0	7.0	6.8	6.6	6.4	6.2	6.1	5.9	5.8	5.7	5.5	6.6	6.1
Mandatory spending	10.9	11.5	11.4	11.2	11.2	11.1	11.2	11.3	11.4	11.5	11.7	11.7	11.2	11.4
Offsetting receipts	-0.9	-0.9	-0.9	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Net interest	2.0	1.6	1.6	1.6	1.5	1.4	1.3	1.1	1.0	0.8	0.7	0.5	1.5	1.1
Total	18.4	19.2	19.0	18.6	18.3	18.1	17.8	17.6	17.4	17.2	17.2	16.7	18.3	17.7
On-budget	14.9	15.8	15.6	15.3	15.1	14.9	14.7	14.5	14.4	14.2	14.1	13.7	15.1	14.6
Off-budget	3.4	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.1	3.0	3.0	3.0	3.2	3.1
Surplus or Deficit (-)	1.3	*	0.1	0.5	0.9	1.1	1.3	1.5	1.8	2.0	2.8	3.8	0.8	1.7
On-budget	-0.3	-1.5	-1.5	-1.2	-0.8	-0.7	-0.5	-0.3	-0.1	0.1	0.9	1.9	-0.9	-0.1
Off-budget	1.6	1.5	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Debt Held by the Public	32.7	32.2	30.7	28.7	26.5	24.2	21.8	19.3	16.7	14.0	10.6	6.4	n.a.	n.a.

SOURCE: Congressional Budget Office (March 6, 2002).

NOTE: n.a. = not applicable; * = between zero and 0.05 percent.

a. Numbers in the second half of the table are shown as a percentage of total GDP for this period.

Table 6.
CBO's Baseline Projections of Federal Interest Outlays and Federal Debt (In billions of dollars)

	Actual 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
Federal Interest Outlays														
Interest on the Public Debt (Gross interest)[a]	360	330	336	364	381	393	404	414	423	430	435	433	1,878	4,012
Interest Received by Trust Funds														
Social Security	-69	-77	-84	-93	-104	-116	-129	-143	-158	-174	-191	-209	-527	-1,402
Other trust funds[b]	-75	-74	-71	-74	-78	-82	-87	-91	-95	-99	-104	-109	-393	-891
Subtotal	-144	-152	-155	-167	-182	-199	-216	-234	-253	-274	-295	-317	-920	-2,293
Other Interest[c]	-9	-10	-9	-12	-14	-16	-18	-20	-22	-25	-27	-30	-70	-194
Investment Income[d]	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-8
Total (Net interest)	206	167	170	184	183	178	170	159	146	131	112	85	884	1,517
Federal Debt, End of Year														
Debt Held by the Public	3,320	3,355	3,361	3,314	3,219	3,099	2,938	2,739	2,489	2,193	1,750	1,107	n.a.	n.a.
Debt Held by Government Accounts														
Social Security	1,170	1,330	1,507	1,701	1,911	2,137	2,378	2,634	2,905	3,192	3,496	3,813	n.a.	n.a.
Other accounts[b]	1,280	1,337	1,424	1,545	1,681	1,825	1,974	2,126	2,285	2,451	2,625	2,808	n.a.	n.a.
Total	2,450	2,668	2,931	3,246	3,592	3,962	4,351	4,760	5,190	5,643	6,120	6,621	n.a.	n.a.
Gross Federal Debt	5,770	6,023	6,292	6,560	6,812	7,061	7,290	7,499	7,679	7,836	7,870	7,729	n.a.	n.a.
Debt Subject to Limit[e]	5,733	5,985	6,259	6,533	6,789	7,040	7,269	7,478	7,659	7,816	7,851	7,709	n.a.	n.a.
Memorandum:														
Debt Held by the Public as a Percentage of GDP	32.7	32.2	30.7	28.7	26.5	24.2	21.8	19.3	16.7	14.0	10.6	6.4	n.a.	n.a.

SOURCE: Congressional Budget Office (March 6, 2002).

NOTE: n.a. = not applicable.

a. Excludes interest costs of debt issued by agencies other than the Treasury (primarily the Tennessee Valley Authority).

b. Principally the Civil Service Retirement, Military Retirement, Medicare, and Unemployment Insurance Trust Funds.

c. Primarily interest on loans to the public.

d. Earnings on private investments by the National Railroad Retirement Investment Trust.

e. Differs from gross federal debt primarily because it excludes most debt issued by agencies other than the Treasury. The current debt limit is $5,950 billion.

Table 7.
Changes in CBO's Baseline Projections of the Surplus Since January 2002 (In billions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
Total Surplus or Deficit (-) as Projected in January 2002	-21	-14	54	103	128	166	202	250	294	439	641	437	2,263
Changes to Revenue Projections													
Legislative	0	0	0	0	0	0	0	0	0	0	0	0	0
Economic	23	15	3	0	0	0	0	0	0	0	0	18	18
Technical	*	*	*	*	*	1	1	1	1	2	2	2	9
Total Revenue Changes	23	15	3	*	*	1	1	1	1	2	2	20	27
Changes to Outlay Projections													
Legislative													
Discretionary	0	0	0	0	0	0	0	0	0	0	0	0	0
Mandatory	*	*	1	1	1	1	1	1	1	1	1	4	10
Debt service	*	*	*	*	*	*	*	*	*	1	1	*	3
Subtotal, legislative	*	*	1	1	1	1	1	1	2	2	2	5	12
Economic (Debt service)	*	-1	-2	-2	-2	-3	-3	-3	-3	-3	-3	-11	-26
Technical													
Discretionary	-2	-3	*	-1	-2	-2	-2	-2	-2	-2	-2	-8	-18
Mandatory													
Medicare	-1	-2	-3	-6	-6	-7	-9	-10	-12	-12	-10	-25	-78
Medicaid	3	2	2	2	2	2	2	2	2	2	2	10	21
Debt service	*	*	-1	-1	-1	-2	-2	-3	-4	-5	-5	-5	-25
Other	-3	-2	-1	*	2	2	3	3	4	5	6	2	24
Subtotal, mandatory	*	-2	-3	-5	-4	-5	-6	-8	-10	-10	-7	-18	-59
Subtotal, technical	-2	-4	-3	-6	-6	-7	-8	-10	-12	-12	-9	-26	-76
Total Outlay Changes	-3	-5	-4	-7	-7	-8	-9	-12	-13	-13	-10	-32	-90
Total Impact on the Surplus	26	20	8	8	8	9	10	13	15	15	12	52	117
Total Surplus as Projected on March 6, 2002	5	6	61	111	135	175	213	263	309	454	653	489	2,380
Memorandum:													
Total Legislative Changes	*	*	-1	-1	-1	-1	-1	-1	-2	-2	-2	-5	-12
Total Economic Changes	23	16	5	2	2	3	3	3	3	3	3	29	44
Total Technical Changes	2	5	4	6	6	8	9	11	13	13	10	28	85

SOURCE: Congressional Budget Office.

NOTE: * = between -$500 million and $500 million.

Table 8.
Comparison of CBO's March 2002 Baseline and OMB's February 2002 Current-Services Baseline
(In billions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
CBO's March 2002 Baseline[a]													
Revenues	2,006	2,086	2,209	2,342	2,448	2,569	2,707	2,858	3,009	3,279	3,551	11,654	27,057
On-budget	1,488	1,540	1,636	1,740	1,817	1,908	2,015	2,131	2,245	2,476	2,708	8,640	20,214
Off-budget	518	545	574	602	631	661	693	727	764	803	842	3,014	6,842
Outlays													
Discretionary	731	761	784	806	822	840	864	886	908	935	951	4,013	8,557
Mandatory	1,103	1,148	1,180	1,241	1,312	1,385	1,471	1,562	1,662	1,778	1,862	6,267	14,602
Net interest	167	170	184	183	178	170	159	146	131	112	85	884	1,517
Total	2,001	2,080	2,148	2,231	2,312	2,394	2,494	2,594	2,701	2,825	2,898	11,164	24,677
On-budget	1,640	1,710	1,769	1,839	1,907	1,973	2,058	2,139	2,223	2,326	2,373	9,198	20,317
Off-budget	361	370	379	391	406	420	436	456	477	499	525	1,966	4,360
Surplus	5	6	61	111	135	175	213	263	309	454	653	489	2,380
On-budget	-152	-170	-133	-100	-90	-65	-43	-8	21	150	335	-558	-102
Off-budget	157	176	194	211	226	241	256	271	287	304	318	1,047	2,483
OMB's February 2002 Current-Services Baseline													
Revenues	2,011	2,121	2,234	2,366	2,461	2,581	2,710	2,847	3,008	3,240	3,502	11,764	27,072
On-budget	1,495	1,574	1,662	1,758	1,827	1,915	2,013	2,119	2,241	2,434	2,659	8,735	20,201
Off-budget	515	547	573	608	635	666	697	728	767	806	843	3,029	6,871
Outlays													
Discretionary	732	759	782	801	816	832	853	874	895	920	935	3,991	8,467
Mandatory	1,111	1,145	1,182	1,242	1,305	1,374	1,458	1,546	1,641	1,751	1,818	6,249	14,464
Net interest	177	175	178	174	168	160	150	138	124	106	82	855	1,455
Total	2,020	2,080	2,142	2,218	2,289	2,366	2,462	2,558	2,659	2,777	2,835	11,095	24,386
On-budget	1,660	1,712	1,764	1,826	1,883	1,944	2,022	2,097	2,173	2,267	2,298	9,129	19,985
Off-budget	360	368	378	391	406	422	440	462	486	510	538	1,965	4,401
Surplus	-9	41	92	148	172	215	247	289	350	464	667	669	2,686
On-budget	-165	-138	-103	-69	-56	-29	-9	22	69	167	361	-394	216
Off-budget	156	179	195	217	228	244	257	266	281	297	306	1,063	2,470

(Continued)

Table 8.
Continued

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
						Difference (CBO minus OMB)							
Revenues	-5	-35	-25	-24	-14	-12	-2	10	1	38	49	-110	-15
On-budget	-8	-34	-26	-18	-10	-7	2	12	4	42	50	-95	14
Off-budget	3	-1	1	-6	-4	-5	-4	-1	-3	-4	-1	-15	-28
Outlays													
Discretionary	-1	2	2	5	7	8	11	12	14	15	16	23	90
Mandatory	-8	3	-2	-1	7	10	13	16	21	27	44	17	138
Net interest	-10	-5	6	9	10	9	9	8	7	6	3	29	62
Total	-19	*	6	13	23	27	32	36	42	48	63	70	291
On-budget	-20	-2	4	13	24	29	36	42	51	59	75	68	332
Off-budget	1	2	2	*	-1	-2	-4	-6	-9	-11	-13	1	-41
Surplus	14	-35	-31	-37	-37	-39	-35	-26	-41	-10	-14	-180	-305
On-budget	13	-32	-30	-31	-34	-36	-34	-30	-47	-17	-26	-164	-318
Off-budget	2	-3	-1	-6	-3	-3	-1	5	6	7	12	-16	13

SOURCES: Congressional Budget Office; Office of Management and Budget.

NOTE: * = between -$500 million and $500 million.

a. As of March 6, 2002.

Table 9.
Sources of Differences Between CBO's and the Administration's Estimates of the President's Budget (In billions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
Administration's Estimate													
Surplus or Deficit (-) Under the President's Budget	-106	-80	-14	61	86	104	113	142	181	178	231	157	1,002
Sources of Differences Between CBO and the Administration													
Revenue Differences													
Baseline	-5	-35	-25	-24	-14	-12	-2	10	1	38	49	-110	-15
Policy	1	*	*	1	*	1	-1	-2	-1	-7	-2	1	-11
Total	-4	-35	-26	-24	-13	-11	-3	8	-1	32	47	-109	-26
Outlay Differences													
Discretionary	-1	4	1	1	3	3	-2	-1	1	7	1	11	16
Mandatory													
Baseline	-8	3	-2	-1	7	10	13	16	21	27	44	17	138
Policy	-1	*	3	2	4	*	*	1	2	11	1	9	24
Subtotal, mandatory	-9	2	1	1	11	10	13	17	23	38	45	26	162
Net interest	-10	-1	10	11	12	12	14	15	15	15	14	44	117
Total	-20	6	12	14	25	25	25	31	38	60	60	81	296
All Differences	16	-41	-37	-37	-39	-36	-28	-23	-39	-28	-13	-190	-321
CBO's Estimate													
Surplus or Deficit (-) Under the President's Budget	-90	-121	-51	24	48	68	85	119	142	150	218	-33	681
Memorandum:													
Economic Differences													
Revenues	*	-4	-6	-15	-19	-13	-5	1	7	15	21	-58	-19
Outlays	-1	15	22	23	28	33	41	46	49	53	57	121	367
Total	2	-19	-28	-38	-47	-46	-46	-45	-42	-39	-35	-179	-386
Technical Differences													
Revenues	-4	-31	-19	-8	6	2	2	7	-8	17	26	-51	-6
Outlays	-18	-9	-11	-10	-3	-8	-15	-14	-11	6	3	-40	-71
Total	14	-22	-9	1	9	10	17	22	3	11	23	-11	65

SOURCE: Congressional Budget Office (March 6, 2002).

NOTE: * = between -$500 million and $500 million.

Table 10.
Discretionary Spending Under the President's Budget and CBO's Baseline Projections
(In billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
CBO's Estimate of Total Discretionary Spending Under the President's Budget														
Including Discretionary Accrual Payments[a]														
Budget Authority														
Defense	332	351	396	405	426	447	470	482	495	509	523	537	2,144	4,691
Nondefense	332	369	372	385	391	398	407	417	428	443	448	458	1,952	4,146
Total	664	720	768	790	818	845	877	900	924	951	970	995	4,097	8,837
Outlays														
Defense	306	351	384	398	417	432	446	468	483	498	517	524	2,076	4,567
Nondefense	343	388	410	417	423	429	437	447	457	472	480	490	2,115	4,461
Total	649	739	793	816	839	860	883	915	941	970	997	1,015	4,191	9,028
Excluding Discretionary Accrual Payments[a]														
Budget Authority														
Defense	332	348	393	395	416	436	458	470	482	495	508	521	2,097	4,573
Nondefense	332	364	366	379	385	392	401	412	422	437	442	452	1,923	4,088
Total	664	712	759	774	801	828	859	881	904	932	950	974	4,021	8,661
Outlays														
Defense	306	348	380	388	406	420	434	455	470	484	502	509	2,029	4,449
Nondefense	343	383	404	411	417	423	431	441	452	466	474	485	2,086	4,403
Total	649	731	784	800	823	843	865	896	922	950	976	993	4,115	8,852
CBO's Baseline for Discretionary Spending[b]														
Budget Authority														
Defense	332	348	357	366	376	385	395	406	416	427	438	449	1,879	4,015
Nondefense	332	363	375	385	395	404	415	425	436	448	459	471	1,974	4,213
Total	664	710	732	751	770	790	810	831	853	875	897	920	3,853	8,229
Outlays														
Defense	306	348	354	363	375	380	387	400	411	421	436	439	1,859	3,966
Nondefense	343	383	407	421	432	442	453	464	475	487	499	512	2,154	4,591
Total	649	731	761	784	806	822	840	864	886	908	935	951	4,013	8,557

(Continued)

Table 10.
Continued

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
Memorandum:														
Administration's Estimates of Discretionary Accrual Payments[a]														
Budget authority														
Defense	n.a.	3	3	10	11	11	12	13	13	14	15	16	47	118
Nondefense	n.a.	5	6	6	6	6	6	6	6	6	6	6	29	58
Total	n.a.	9	9	16	17	17	18	18	19	20	21	22	76	176
Outlays														
Defense	n.a.	3	3	10	11	11	12	13	13	14	15	16	47	118
Nondefense	n.a.	5	6	6	6	6	6	6	6	6	6	6	29	58
Total	n.a.	9	9	16	17	17	18	18	19	20	21	22	76	176

SOURCE: Congressional Budget Office.

NOTE: Discretionary outlays are usually higher than budget authority because of spending from the Highway Trust Fund and the Airport and Airways Trust Fund, which is subject to obligation limitations set in appropriation acts. The budget authority for such programs is provided in authorizing legislation and is not considered discretionary.

a. "Discretionary accrual payments" refers to the discretionary spending that would result from the Administration's proposal that federal agencies pay the full cost of employees' pensions and annuitants' health benefits as such benefits accrue.

b. As of March 6, 2002.

Table 11.
Comparison of Discretionary Budget Authority Enacted for 2002 and the President's Request for 2003, by Budget Function (In billions of dollars)

Budget Function	2002 Enacted	2003 Request	Increase or Decrease (-) Billions of Dollars	Percent
Defense Discretionary	347.6	392.8	45.2	13.0
Nondefense Discretionary				
International affairs	24.0	25.3	1.3	5.4
General science, space, and technology	21.9	22.4	0.5	2.2
Energy	3.3	3.3	*	1.2
Natural resources and environment	29.0	27.6	-1.4	-4.9
Agriculture	5.6	5.1	-0.5	-8.5
Commerce and housing credit[a]	0.9	-0.1	-0.9	-106.9
Transportation	18.9	20.4	1.5	8.1
Community and regional development	18.4	15.1	-3.2	-17.6
Education, training, employment, and social services	70.3	72.1	1.8	2.5
Health	45.9	48.4	2.5	5.4
Medicare (Administrative costs)	3.6	3.6	*	-0.8
Income security	43.3	45.3	2.0	4.6
Social Security (Administrative costs)	3.5	3.9	0.3	9.4
Veterans benefits and services	23.9	25.6	1.7	7.1
Administration of justice	34.6	32.6	-1.9	-5.6
General government	15.6	15.6	*	0.3
Total, nondefense discretionary	362.7	366.3	3.7	1.0
Total Discretionary	710.3	759.1	48.8	6.9
Memorandum:				
Administration's Estimates				
Accrual payments	8.5	9.0	0.5	5.3
Homeland security	26.5	36.1	9.6	36.4
Transportation obligation limitations	41.1	32.4	-8.7	-21.2

SOURCES: Congressional Budget Office; Office of Management of Budget.

NOTES: The numbers in the main section of the table exclude the Administration's proposal that federal agencies pay the full cost of employees' pensions and annuitants' health benefits as such benefits accrue. The costs of that proposal appear in the memorandum section of the table.

* = between -$50 million and $50 million.

a. Includes certain receipts, such as those from loan guarantees made under the Federal Housing Administration's Mutual Mortgage Insurance Program, and other collections, such as those from the Securities and Exchange Commission, which are recorded as negative budget authority and outlays.

Table 12.
CBO's Estimate of the Effect of the President's Budgetary Proposals (In billions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
CBO's Baseline Projection of the Surplus as of March 6, 2002	5	6	61	111	135	175	213	263	309	454	653	489	2,380
Effect of the President's Proposals													
Revenues													
Extension of provisions expiring in 2010	0	-1	-1	-2	-2	-3	-3	-3	-4	-115	-219	-9	-353
Extension of research and experimentation tax credit	0	0	-1	-4	-5	-6	-7	-7	-8	-8	-9	-15	-54
Economic stimulus[a]	-62	-65	-48	-10	17	18	15	12	9	6	3	-87	-44
Charitable deductions for non-itemizers	*	-1	-1	-2	-3	-3	-3	-3	-3	-4	-5	-11	-29
Health care tax credit[b]	0	*	-2	-3	-3	-3	-3	-3	-4	-4	-4	-10	-29
Enhanced deduction for long-term care insurance	0	0	*	-1	-1	-2	-3	-3	-3	-4	-4	-4	-20
Other[b]	-2	-5	-7	-7	-8	-10	-8	-7	-7	-7	-6	-37	-73
Subtotal, revenues	-64	-73	-59	-27	-6	-8	-12	-16	-21	-136	-243	-174	-602
Outlays													
Discretionary													
Defense	0	26	25	32	40	47	55	59	63	67	69	170	483
Nondefense	0	-3	-9	-15	-19	-22	-23	-24	-21	-25	-27	-68	-188
Subtotal, discretionary	0	23	16	17	21	25	32	36	42	41	42	102	295
Accruals	9	9	16	17	17	18	18	19	20	21	22	76	176
Subtotal, discretionary with accruals	9	32	32	33	38	43	51	55	62	62	64	178	471
Mandatory													
Medicare[c]	0	2	3	4	16	20	22	23	25	26	28	45	169
Health care tax credit[b]	0	1	5	6	7	6	7	7	7	7	7	25	60
Defense retiree health benefits	0	0	6	6	7	7	8	8	9	9	9	26	69
Farm payments[d]	4	7	7	7	7	7	7	7	7	7	7	36	72
Economic stimulus[a]	27	8	2	0	0	0	0	0	0	0	0	10	10
Unemployment insurance	0	0	0	*	2	3	3	3	3	3	3	5	20
Extension of provisions expiring in 2010	0	0	0	0	0	0	0	0	0	10	10	0	20
Other	*	4	-1	1	*	2	2	2	2	2	2	6	17
Subtotal, mandatory	31	22	22	25	39	46	48	50	53	65	68	153	436
Accruals	-9	-9	-16	-17	-17	-18	-18	-19	-20	-21	-22	-76	-176
Subtotal, mandatory with accruals	22	13	6	9	22	28	29	31	33	44	47	77	260
Net interest	1	10	15	18	22	28	36	43	51	62	81	93	366
Subtotal, outlays	32	55	53	60	82	99	116	129	146	168	191	348	1,098
Total Effect on the Surplus	-96	-128	-112	-87	-88	-107	-128	-144	-166	-304	-435	-522	-1,699
Surplus or Deficit (-) Under the President's Proposals	-90	-121	-51	24	48	68	85	119	142	150	218	-33	681

(Continued)

Table 12.
Continued

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003-2007	Total, 2003-2012
Memorandum:													
CBO's Estimate of the Surplus or Deficit (-) Under the President's Budget Excluding Economic Stimulus	*	-43	8	46	43	62	83	120	146	157	229	116	850

SOURCES: Congressional Budget Office; Joint Committee on Taxation.

NOTES: Estimates of most of the revenue proposals were provided by the Joint Committee on Taxation and are preliminary.

* = between -$500 million and $500 million.

a. Neither CBO nor JCT had sufficient detail to make an independent estimate of this proposal. The estimate shown in the table is the one contained in the President's budget.

b. JCT has not completed its analysis of the proposals for a health care tax credit and for administrative reforms to the Internal Revenue Service. Instead, CBO used the Administration's estimates.

c. CBO did not have enough detail to make an independent estimate of the allowance for modernizing Medicare. Instead, it used the estimate contained in the President's budget. Sufficient information was available for CBO to estimate the remaining Medicare proposals.

d. The only proposal with enough detail for CBO to make an independent estimate involved the Food Stamp program. For the remaining proposals in this category, CBO used the Administration's estimates.

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