CBO TESTIMONY

Statement of
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Director
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on
the Mid-Session Review
of the Fiscal Year 2000 Budget

before the
Committee on the Budget
United States Senate

July 21, 1999

NOTICE

This statement is not available for public release until it is delivered at 10:00 a.m. (EDT), Wednesday, July 21, 1999.

CONGRESSIONAL BUDGET OFFICE
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WASHINGTON, D.C. 20515

Mr. Chairman, I am pleased to be here this morning to provide an updated analysis of the President's budgetary proposals for fiscal year 2000. Three recent developments have altered the picture that I presented when I appeared before your committee in March to discuss the President's budget.

- On June 28, the Administration released its Mid-Session Review of the Budget. In addition to revising its economic assumptions, the Administration has modified some of the key proposals in its original budget request and has made some new ones.

- On July 1, as called for in the Congressional budget resolution, the Congressional Budget Office (CBO) issued its updated economic and budget projections for the next 10 years. In our new projections, the cumulative total budget surplus over the 2000-2009 period is almost $300 billion higher and the on-budget surplus more than $170 billion higher than we projected in March. Most of the changes can be attributed to CBO's revised economic forecast.

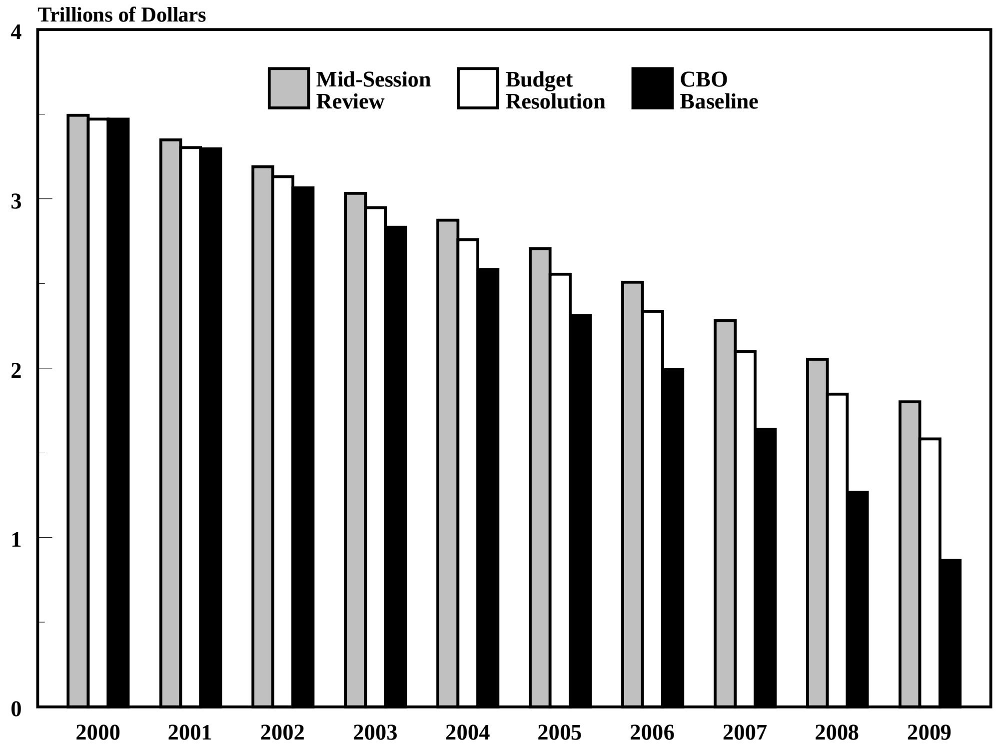
- On July 2, the Administration provided a detailed description of the President's plan for Medicare. Although some elements of the proposal remain unclear, the Administration has furnished enough information for CBO to prepare a preliminary assessment of its budgetary effects.

CBO assesses the impact of the President's policies by comparing them with our budget baseline, which assumes that current laws and policies continue unchanged. The baseline assumes that discretionary spending adheres to the statutory caps through 2002 and grows at the rate of inflation thereafter. Under CBO's July baseline, the total federal surplus will grow from $120 billion in 1999 to $413 billion in 2009. Cumulative on-budget surpluses total nearly $1 trillion between 2000 and 2009, and Social Security's off-budget surpluses total almost $2 trillion. If those surpluses are realized, past borrowing from the public will be substantially repaid, and debt held by the public will fall from $3.7 trillion at the end of 1998 to $0.9 trillion, or 6 percent of gross domestic product (GDP), at the end of 2009 (see Figure 1).

The President proposes to leave the off-budget surpluses untouched; he would spend most of the projected on-budget surpluses on discretionary programs, Universal Savings Accounts (USA accounts), and a prescription drug benefit under Medicare. By CBO's reckoning, the President's budgetary policies would result in small on-budget deficits in some years and cumulative on-budget surpluses of about $50 billion over the 2000-2009 period. Debt held by the public would decline to $1.8 trillion, or 13 percent of GDP, by the end of the period.

The Congressional budget resolution reflects a different set of fiscal priorities. Like the President's proposal, it would preserve the off-budget surpluses, but it

FIGURE 1. DEBT HELD BY THE PUBLIC, FISCAL YEARS 2000-2009



SOURCE: Congressional Budget Office.

would allow for a tax cut of at least $778 billion over the 2000-2009 period while holding discretionary spending below baseline levels after 2004. Under CBO's updated economic and other estimating assumptions, the budget resolution would lead to on-budget surpluses of $277 billion over the next 10 years. Debt held by the public would drop to $1.6 trillion, or 12 percent of GDP, by 2009.

THE MID-SESSION REVIEW OF THE BUDGET

Like the Administration's February budget submission, the Mid-Session Review divides the President's proposals into two parts:

- A group of basic policies (including recommended levels of discretionary appropriations for 2000) that are to be enacted whether or not agreement is reached on reforming Social Security and Medicare; and

- Proposals that are contingent on adopting the President's framework for Social Security and Medicare reform.

The Administration has made few changes in its basic budgetary policies. On the outlay side, it has incorporated the effects of the Emergency Supplemental

Appropriations Act of 1999, the release of previously enacted contingent emergency appropriations, and a recently transmitted request for additional funding for the 2000 census. On the revenue side, it has added proposals to modify the safe-harbor thresholds in the individual income tax and the carryover rules for the foreign tax credit.

The changes in the framework for Social Security and Medicare reform are more substantial:

- The Administration has spelled out its earlier proposal for a Medicare prescription drug benefit and provided substantial details of other proposals to reform the Medicare program. Those include extending some cost-saving policies in the Balanced Budget Act of 1997 (BBA), mitigating the impact of some reductions in provider payments contained in the BBA, modifying cost-sharing requirements imposed on beneficiaries, and converting Medicare+Choice into a competitive defined benefit program.

- The start of the USA accounts has been delayed by three years—from 2000 to 2003—and the proposed grants have been made more generous. Those changes increase the annual cost of the program in the long run but have little effect on the 10-year total.

- The amount of additional discretionary spending (beyond that contained in the basic budgetary policies) has been increased by a total of $10 billion.

- The transfers from the general fund to Social Security have been deferred by a decade—from 2000 to 2011. All of the transferred amounts would be used to purchase corporate equities until equity holdings reached a limited share of the trust funds. (Under the February budget, one-fifth of the transfers would have been used to buy equities.)

- The proposed transfers from the general fund to Medicare have been reduced in the 2000-2004 period and increased in 2005 to 2009. In addition to transferring funds to Medicare's Hospital Insurance Trust Fund, as proposed in February, the Administration would now make transfers to the Supplementary Medical Insurance Trust Fund as well to help pay for the prescription drug benefit.

- The off-budget surpluses would be reserved for Social Security through an unspecified lock-box mechanism. A second, equally unspecified lock box would be used to reserve a portion of the on-budget surpluses for Medicare.

Comparison of CBO and Administration Baseline Projections

At this point, CBO and the Administration have similar economic assumptions and baseline budget projections. Through 2005, CBO's economic forecast and technical estimating assumptions lead to slightly higher projected surpluses than the Administration's; thereafter, the Administration projects somewhat larger surpluses. Over the entire 1999-2009 period, the two projections of baseline surpluses are within $20 billion of each other.

In their short-term economic forecasts, both CBO and the Administration anticipate real growth (adjusted for inflation) of about 4 percent this year and 2½ percent in 2000, with the consumer price index increasing 2.2 percent in 1999 and about 2½ percent in 2000 (see Table 1). CBO, however, assumes that interest rates will edge up over the next six months from 4.6 percent currently for three-month Treasury bills and 5.6 percent for 10-year Treasury notes to 5.0 percent and 5.9 percent, respectively. In contrast, the Administration's projections assume that interest rates will average slightly below current levels over the next few years. CBO also assumes slightly stronger growth in 2001.

Compared with the Administration's, CBO's economic forecast implies slightly higher revenues and surpluses in the near term. Nominal GDP is slightly higher in the CBO forecast through 2002, as on average are the GDP shares of

TABLE 1. COMPARISON OF CBO AND ADMINISTRATION ECONOMIC PROJECTIONS, CALENDAR YEARS 1999-2009

	Actual	Forecast		Projected								
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal GDP (Billions of dollars)												
CBO	8,511	8,964	9,351	9,751	10,159	10,583	11,027	11,508	12,017	12,554	13,113	13,695
Administration	8,511	8,953	9,333	9,724	10,154	10,639	11,145	11,680	12,243	12,824	13,434	14,068
Nominal GDP (Percentage change)												
CBO	4.9	5.3	4.3	4.3	4.2	4.2	4.2	4.4	4.4	4.5	4.5	4.4
Administration	4.9	5.2	4.2	4.2	4.4	4.8	4.8	4.8	4.8	4.7	4.8	4.7
Real GDP (Percentage change)												
CBO	3.9	4.0	2.4	2.4	2.3	2.3	2.3	2.5	2.5	2.5	2.5	2.5
Administration	3.9	3.9	2.4	2.1	2.2	2.5	2.5	2.6	2.6	2.5	2.5	2.4
GDP Price Index (Percentage change)												
CBO	1.0	1.3	1.8	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9
Administration	1.0	1.3	1.8	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Consumer Price Index[a] (Percentage change)												
CBO	1.6	2.2	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Administration	1.6	2.2	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Unemployment Rate (Percent)												
CBO	4.5	4.2	4.3	4.6	4.9	5.1	5.3	5.4	5.5	5.5	5.5	5.5
Administration	4.5	4.3	4.5	4.9	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Three-Month Treasury Bill Rate (Percent)												
CBO	4.8	4.6	5.0	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Administration	4.8	4.5	4.5	4.5	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Ten-Year Treasury Note Rate (Percent)												
CBO	5.3	5.6	5.9	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Administration	5.3	5.4	5.5	5.5	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Tax Bases (Percentage of GDP)												
Corporate profits[b]												
CBO	8.4	8.1	7.3	7.4	7.5	7.4	7.4	7.3	7.3	7.3	7.2	7.2
Administration	8.4	8.4	7.7	7.6	7.5	7.5	7.4	7.4	7.4	7.3	7.3	7.2
Wages and salaries												
CBO	48.8	49.2	49.5	49.3	49.2	49.2	49.2	49.3	49.3	49.3	49.3	49.3
Administration	48.8	49.0	49.1	49.0	48.9	48.9	48.9	48.9	48.9	48.9	48.9	48.9

SOURCES: Congressional Budget Office; Office of Management and Budget; Department of Commerce, Bureau of Economic Analysis; Federal Reserve Board; Department of Labor, Bureau of Labor Statistics.

NOTE: Percentage change is year over year.

a. The consumer price index for all urban consumers.

b. Corporate profits are book profits.

categories of income that are taxed at relatively high effective rates—wage and salary income and book profits. After 2002, however, the Administration's assumption of faster growth in the GDP price index results in a level of nominal GDP that is higher than CBO's. Although that difference is partially offset by smaller GDP shares of taxable income, the Administration projects higher baseline revenues in 2005 and thereafter.

CBO Estimate of the Mid-Session Review

CBO estimates that the proposals in the Mid-Session Review would reduce projected surpluses by $21 billion in 2000 and $937 billion through 2009 compared with the CBO baseline (see Table 2). Under the President's basic policies, as proposed in February, the Administration would increase discretionary spending above the levels allowed by the current statutory caps on such spending and would pay for part of that increase by raising revenues. The basic budget shows little net change in noninterest mandatory spending. Over the 2000-2009 period, the Administration's basic policies would reduce projected surpluses by a total of $111 billion. That figure is larger than our March estimate of $91 billion, even though the Administration's basic policies have not changed very much, because CBO has reduced its baseline projections of

TABLE 2. CBO ESTIMATE OF THE MID-SESSION REVIEW OF THE BUDGET FOR FISCAL YEAR 2000
(By fiscal year, in billions of dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009
Baseline Surplus or Deficit (-)												
On-Budget	-4	14	38	82	75	85	92	129	146	157	178	996
Off-Budget	125	147	155	164	172	181	195	205	217	228	235	1,901
Total	120	161	193	246	247	266	286	334	364	385	413	2,896
Effect of the Mid-Session Review's Policies												
Policies Pending Social Security and Medicare Reform												
Revenues	a	13	11	9	10	10	10	7	7	9	10	95
Outlays												
Discretionary	a	35	17	21	24	22	15	7	6	13	14	173
Mandatory	a	-2	-1	1	1	-1	-1	-1	-1	-1	-1	-5
Net interest	a	1	2	2	3	4	5	5	5	6	6	39
Subtotal[b]	a	34	18	23	28	25	19	12	10	18	19	207
Total[c]	a	-21	-7	-15	-18	-16	-9	-5	-3	-9	-9	-111
Framework for Social Security and Medicare Reform												
Medicare reform[b]	0	a	2	8	10	13	14	15	15	16	17	111
Universal Savings Accounts[d]	0	0	1	1	4	21	32	42	45	49	52	245
Additional discretionary spending[b]	0	0	21	46	36	34	38	41	39	38	35	328
Net interest[b]	0	a	1	3	5	9	13	18	24	31	38	142
Total[c]	0	a	-24	-57	-56	-77	-96	-116	-124	-134	-142	-826
All Proposed Policies[c]	a	-21	-32	-72	-73	-92	-105	-120	-127	-143	-151	-937
Surplus or Deficit (-) Under the Mid-Session Review's Policies as Estimated by CBO												
On-Budget	-5	-7	6	10	1	-8	-14	8	19	13	26	54
Off-Budget	125	147	155	164	173	182	195	206	218	229	236	1,904
Total	120	140	161	174	174	174	181	214	237	242	262	1,959
Memorandum:												
Debt Held by the Public												
Baseline	3,618	3,473	3,297	3,066	2,835	2,584	2,312	1,992	1,640	1,267	865	n.a.
Mid-Session Review as estimated by CBO	3,619	3,495	3,350	3,191	3,034	2,875	2,708	2,508	2,283	2,053	1,802	n.a.

SOURCE: Congressional Budget Office.

NOTE: n.a. = not applicable.

a. Less than $500 million.

b. Effect on outlays.

c. Effect on the surplus.

d. CBO has not determined how these amounts should be divided between a reduction in receipts and an increase in outlays.

discretionary spending after 2002 to reflect lower projected inflation. Otherwise, CBO's previous analysis of the President's basic policies still applies.[1]

The proposals in the President's framework for Social Security and Medicare reform would reduce the surplus over the next 10 years by $826 billion as follows:

- $111 billion for Medicare—an increase of $168 billion for a prescription drug benefit less offsetting savings of $57 billion from other proposals;

- $245 billion to provide seed money, matching funds, and administrative expenses for USA accounts;

- $328 billion for additional discretionary spending—$127 billion for defense and $201 billion for nondefense programs; and

- $142 billion in resulting debt-service costs.

1. Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2000* (April 1999).

The transfers from the general fund to Medicare would affect neither the total surplus nor its on- and off-budget components. The transfers to Social Security now fall beyond CBO's 10-year projections horizon.

CBO's estimate of the cost of the proposed Medicare reforms is more than twice that of the Administration. In estimating the cost of the proposed prescription drug benefit, CBO has incorporated new, higher projections of drug spending from the Health Care Financing Administration, included spending for drugs used by the institutionalized population, and taken account of the proposal's effect on participation in the Medicaid program. As a result, our estimate of the cost of the drug benefit is about 40 percent (or about $50 billion) higher than the Administration's over 10 years. CBO's estimate of the proposed savings in fee-for-service Medicare is 25 percent (or $16 billion) lower than the Administration's. Although the President's proposal would create new, competitive options for paying providers in traditional Medicare, the new techniques would not be mandatory, and beneficiaries would have little financial incentive to use them. CBO's estimates of the proposed adjustments to provider payments and beneficiary cost sharing are similar to those of the Administration. We have not yet completed our estimate of the proposal for a competitive defined benefit in Medicare.

Since the President's budget was released in February, the Administration has provided further details of its proposed USA accounts. According to the Department of the Treasury, the automatic grants would be phased in over four years, with the maximum automatic grant increasing from $250 in 2003 to $400 in 2006 and thereafter. Matching grants would not begin until 2005. The maximum annual amount that could be deposited in a USA account from all sources would be $1,000 in 2005 through 2007 and $1,500 in 2008 and thereafter. The Joint Committee on Taxation and CBO estimate that over the 2000-2009 period, USA accounts would cost $245 billion, which includes federal administrative expenses. (The Administration's estimate is similar.) Without legislative language, CBO cannot finally determine how that amount should be divided between a reduction in receipts and an increase in outlays. Based on the available information, however, the proposal is likely to increase outlays without reducing receipts.

As part of his framework for Social Security and Medicare reform, the President has proposed increasing both defense and nondefense discretionary spending above the levels in his basic policies. In the Mid-Session Review, the President now divides those increases into three parts: $127 billion over 10 years for military readiness, another $127 billion for domestic programs, and $74 billion for a new trust fund for children and education. In the absence of any details, CBO's estimate adopts those outlay figures.

In mid-April, the Congress adopted the Concurrent Resolution on the Budget for Fiscal Year 2000 (H. Con. Res. 68). CBO has reestimated the resolution, like the Mid-Session Review, using our latest economic and technical estimating assumptions. As a result, the projected surpluses under the policies of the budget resolution are larger than those envisioned in April.

Compared with CBO's July baseline, implementing the policies of the budget resolution would reduce the surplus by a total of $719 billion over the 2000-2009 period (see Table 3). As adopted, the budget resolution provides for a tax cut of $778 billion over 10 years. Although the resolution allows the chairmen of the budget committees to adjust the amount of the tax cut to reflect CBO's updated estimate of the on-budget surplus for fiscal year 2000, our analysis uses the unadjusted numbers.

The budget resolution, like CBO's baseline, assumes that discretionary spending is held to the levels of the statutory caps on such spending through 2002. After 2002, the baseline assumes that discretionary spending grows at the same rate as inflation. In the budget resolution, discretionary spending is higher than the baseline in 2003 and 2004 and lower than the baseline in 2005 to 2009. Over the

TABLE 3. CBO ESTIMATE OF THE CONGRESSIONAL BUDGET RESOLUTION FOR FISCAL YEAR 2000

(By fiscal year, in billions of dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009
Baseline Surplus or Deficit (-)												
On-Budget	-4	14	38	82	75	85	92	129	146	157	178	996
Off-Budget	125	147	155	164	172	181	195	205	217	228	235	1,901
Total	120	161	193	246	247	266	286	334	364	385	413	2,896
Effect of the Budget Resolution's Policies												
Revenues	0	0	-8	-54	-32	-49	-63	-109	-136	-151	-177	-778
Outlays												
Discretionary[a]	0	0	0	0	10	6	-6	-24	-42	-55	-70	-180
Mandatory	0	b	1	1	1	1	1	b	b	-1	-1	4
Net interest	0	b	b	2	4	7	10	15	20	26	32	117
Subtotal[c]	0	b	1	3	16	14	5	-9	-22	-29	-38	-59
Total[d]	0	b	-9	-57	-48	-63	-68	-100	-114	-121	-139	-719
Surplus or Deficit (-) Under the Budget Resolution's Policies as Estimated by CBO												
On-Budget	-4	14	29	26	27	21	24	29	32	36	39	277
Off-Budget	125	147	155	164	172	181	195	205	217	228	235	1,901
Total	120	161	184	190	199	203	219	234	250	263	275	2,178
Memorandum:												
Debt Held by the Public												
Baseline	3,618	3,473	3,297	3,066	2,835	2,584	2,312	1,992	1,640	1,267	865	n.a.
Budget resolution as estimated by CBO	3,618	3,473	3,305	3,132	2,949	2,761	2,557	2,336	2,099	1,847	1,584	n.a.

SOURCE: Congressional Budget Office.

NOTE: n.a. = not applicable.

a. The effect of the 1999 supplemental appropriations bill (P.L. 106-31), which was enacted after the resolution was passed, has been added to the resolution totals. Also, the projections include spending from contingent emergencies.

b. Less than $500 million.

c. Effect on outlays.

d. Effect on the surplus.

entire 10-year period, discretionary spending under the budget resolution falls $180 billion below baseline levels.

Mandatory spending under the resolution differs little from current law. Over the next 10 years, the budget resolution allows for an additional $4 billion in noninterest mandatory spending, primarily for crop insurance. It also establishes reserve funds for retirement security, Medicare, and agricultural programs, but those reserves are not reflected in our estimates because we cannot predict the extent to which they will be used. To the extent that they are used, the projected surpluses would be smaller.

CONCLUSION

Although CBO's baseline projections indicate that on-budget surpluses could total $1 trillion over the next 10 years, decisionmakers should view that estimate with considerable caution for several reasons.

First, 10-year budget projections are highly uncertain. In the space of only six months, CBO's estimate of the cumulative surplus has increased by nearly $300 billion. Further changes of that or a greater magnitude are likely—in either direction—as a result of economic fluctuations, administrative and judicial actions, and other developments. For example, in recent weeks the Administration has announced plans to lower origination fees for direct student loans and allow states to waive the limitation on the vehicle allowance for some working families receiving food stamps. The changes in those two programs alone will raise annual spending by $100 million to $200 million above the levels projected by CBO just a few weeks ago. Moreover, although we believe that our economic assumptions are reasonable and take account of the possibility of recession sometime during the forecasting period, economic forecasting remains an art that no one has truly mastered.

Second, some commentators believe that it will be difficult to meet the caps on discretionary spending that were established two years ago. Since 1990, discretionary spending has grown by an average of about 1½ percent a year, and domestic discretionary spending has increased by about 5 percent a year. To adhere to the caps, discretionary appropriations in 2002 must be held 10 percent below the level needed to maintain the same purchasing power provided by the 1999 appropriations, excluding emergencies. The evaluations required by the Government Performance and Results Act may assist the Congress in identifying ineffective, inefficient programs that might be cut in order to achieve such reductions. Agencies are required to submit those evaluations to the Congress by March 31, 2000.

Making other assumptions about discretionary spending could substantially alter the budget outlook (see Table 4). If the Congress provided just $15.8 billion in

TABLE 4. ALTERNATIVE BASELINES (By fiscal year, in billions of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009
Alternative Levels of Discretionary Spending											
Capped Baseline	580	575	569	583	598	613	628	644	660	677	6,127
Capped Baseline Plus $15.8 Billion a Year in Emergency Spending	586	584	582	598	613	628	644	660	676	692	6,262
Inflated Baseline											
With emergencies not projected	605	614	630	645	660	680	694	710	732	752	6,722
With emergencies projected	612	626	645	661	677	697	712	728	751	771	6,881
Resulting Baseline Surplus or Deficit (-)											
Capped Baseline	14	38	82	75	85	92	129	146	157	178	996
Capped Baseline Plus $15.8 Billion a Year in Emergency Spending	9	27	69	59	67	72	109	125	135	154	825
Inflated Baseline											
With emergencies not projected	-12	-4	16	5	10	9	43	56	56	68	247
With emergencies projected	-19	-17	1	-13	-10	-13	19	31	29	39	46

SOURCE: Congressional Budget Office.

additional discretionary emergency funding each year (the amount contained in the Omnibus Consolidated and Emergency Supplemental Appropriations Act for 1999), the cumulative on-budget surpluses would drop by $170 billion. If discretionary spending grew 3 percent a year in nominal terms, the projected on-budget surpluses would all but disappear.

Third and finally, the budgetary pressures stemming from an aging population loom just beyond the 2009 horizon. Budget surpluses allow the government to reduce the amount of debt held by the public and thereby increase national saving. Increased saving will promote economic growth, which will make future obligations easier to meet.

Summary Information
on the Mid-Session Review
of the Fiscal Year 2000 Budget

presented by
Dan L. Crippen
Director
Congressional Budget Office
to the
Committee on the Budget
United States Senate

July 21, 1999

PROPOSED USES OF PROJECTED SURPLUSES THROUGH 2009

(In billions of dollars)

	Mid-Session Review	Budget Resolution
Tax Cuts	-95	778
Outlays		
Discretionary	501	-180
Mandatory	351	4
Net interest	180	117
Pay Down Debt	1,959	2,178
Total Projected Surpluses	2,896	2,896

TEN-YEAR ESTIMATES OF THE PRESIDENT'S MEDICARE PROPOSALS
(In billions of dollars)

	Administration	CBO
Benefit Payments		
Prescription drug benefit [a]	119	168
Changes to fee-for-service Medicare	-64	-48
Competitive defined benefit	-9	-9
Subtotal	46	111
Transfers from the General Fund	328	328
Total	373	439

a. Includes effect on Medicaid.

TOTAL SURPLUSES

(In billions of dollars)

	2000	2009	2000-2009
CBO Baseline	161	413	2,896
CBO Estimate of Mid-Session Review	140	262	1,959
CBO Estimate of Budget Resolution	161	275	2,178

ON-BUDGET SURPLUSES

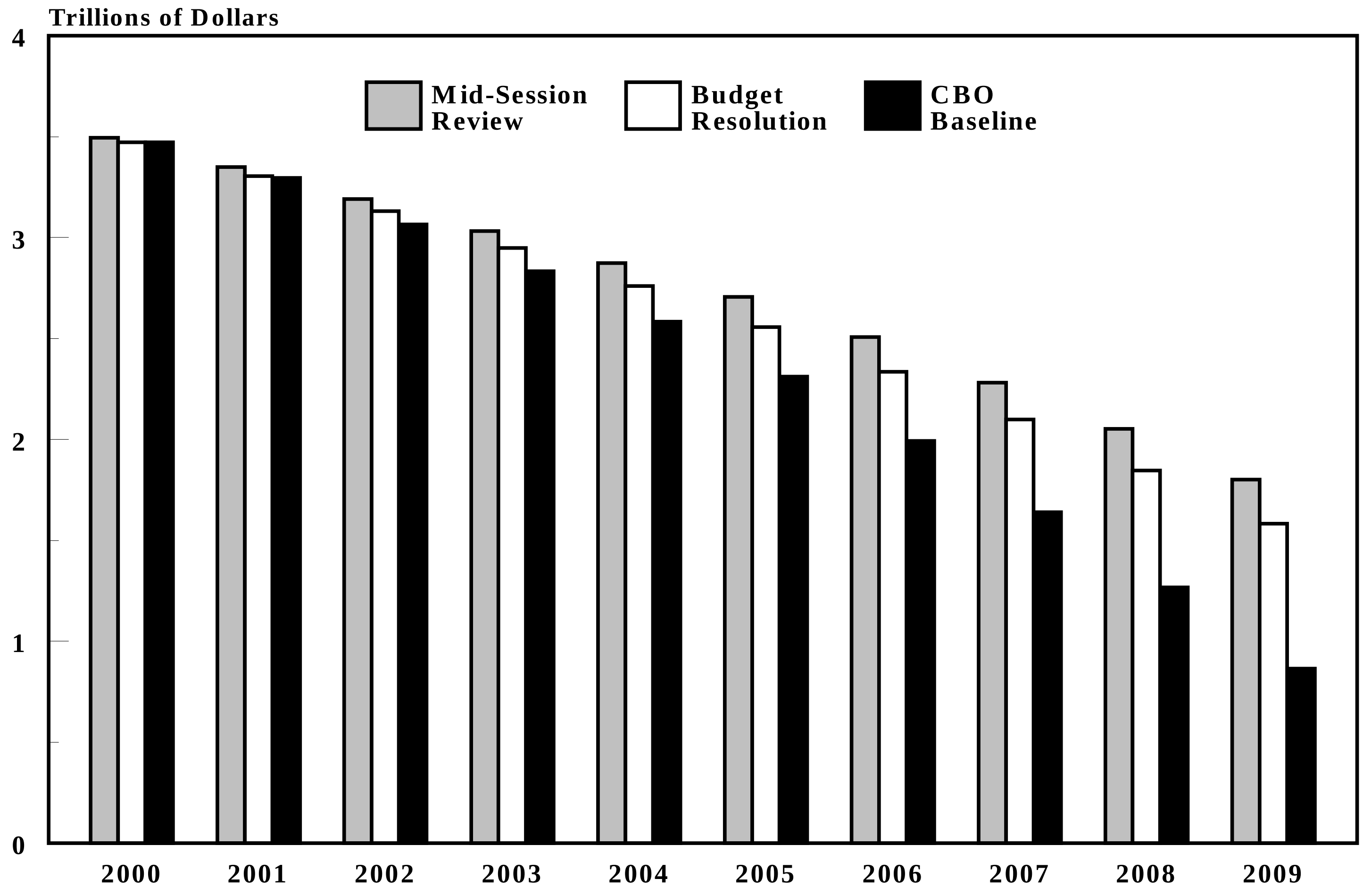
(In billions of dollars)

	2000	2009	2000-2009
CBO Baseline	14	178	996
CBO Estimate of Mid-Session Review	-7	26	54
CBO Estimate of Budget Resolution	14	39	277

DEBT HELD BY THE PUBLIC
(In billions of dollars)

	2000	2004	2009
CBO Baseline	3,473	2,584	865
CBO Estimate of Mid-Session Review	3,495	2,875	1,802
CBO Estimate of Budget Resolution	3,473	2,761	1,584

DEBT HELD BY THE PUBLIC, FISCAL YEARS 2000-2009



PRESIDENT'S PROPOSED USES OF PROJECTED SURPLUSES THROUGH 2009

(In billions of dollars)

	Administration	CBO
Tax Cuts	-87	-95
Outlays		
Discretionary	470	501
Mandatory	233	351
Net interest	129	180
Pay Down Debt	2,171	1,959
Total Projected Surpluses	2,916	2,896