



FISCAL YEAR 2012

MID-SESSION REVIEW

BUDGET OF THE U.S. GOVERNMENT

OFFICE OF MANAGEMENT AND BUDGET

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THE DIRECTOR

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

September 1, 2011

The Honorable John A. Boehner
Speaker of the House of Representatives
Washington, DC 20510

Dear Mr. Speaker:

Section 1106 of Title 31, United States Code, requests that the President send to the Congress a supplemental update of the Budget that was transmitted to the Congress earlier in the year. This supplemental update of the Budget, commonly known as the Mid-Session Review, contains revised estimates of receipts, outlays, budget authority, and the budget deficit for fiscal years 2011 through 2021.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew".

Jacob J. Lew
Director

Enclosure

Identical Letter Sent to the President of the Senate

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GENERAL NOTES

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

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SUMMARY

This Mid-Session Review (MSR) updates the Administration's estimates for outlays, receipts, and the deficit for economic, legislative, and other changes that have occurred since the President's 2012 Budget was released in February. The 2011 deficit is now projected to be \$1.316 trillion, \$329 billion or 20 percent lower than the \$1.645 trillion deficit projected in February, due to a combination of higher-than-expected receipts and lower-than-expected outlays. As a percentage of gross domestic product (GDP), the deficit is now projected to equal 8.8 percent, down from 10.9 percent projected in February. The deficits for each of the following 10 years are also projected to be lower than previously projected, with a total reduction of \$1.45 trillion over the 10-year period. This reduction results primarily from the terms of the Budget Control Act of 2011, which the President signed on August 2. The Budget Control Act lowers future deficits by establishing caps on annually appropriated ("discretionary") spending each year from 2012 through 2021. It also established a process for achieving further deficit reduction with the creation of a bipartisan, bicameral congressional committee (the Joint Select Committee on Deficit Reduction) tasked with recommending spending and revenue proposals that yield \$1.5 trillion in deficit reduction over the 10-year period, about \$500 billion in deficit reduction beyond the proposals laid out in the President's Budget.

As described more fully below, the work of the Joint Committee is critical to achieving fiscal sustainability. What is more, the Committee's already difficult task will be made even more challenging by the fact that its recommendations will need to take into consideration the current economic climate. On the one hand, due to extraordinary policy efforts, the economy already has made substantial progress recovering ground lost during the financial crisis and subsequent 18-month recession. Between the middle of 2009 and the end of 2010, the economy grew for six consecutive quarters, with real GDP rising at an average annual rate of 3 percent; after shedding 8.8 million jobs over the previous two years, the private sector created 1.3 million new jobs in 2010; the financial system

is no longer in crisis; credit and capital markets have returned to normal levels; and the cost of stabilizing the financial and automobile sectors has amounted to a fraction of initial estimates. On the other hand, the recession was deeper than originally reported, and the headwinds the economy has encountered are stronger than anticipated. First, revised estimates showed that the recession included the worst six-month period of contraction since quarterly data has been collected, falling at an average annualized rate of 7.8 percent in the fourth quarter of 2008 and the first quarter of 2009.

Second, 2011 has seen drags on the economy in the form of a sharp rise in oil prices, the disruption to global supply chains as a result of the earthquake in Japan, a slowdown of growth in Europe, a sluggish rebound in the housing market, and uncertainty surrounding congressional action on the debt ceiling, all of which have delayed the recovery further. In sum, economic growth and job creation, while positive, have not been strong enough to bring down the unemployment rate to an acceptable level.

That is why, in addition to the actions that were taken at the depth of the financial crisis, the Administration has taken significant steps to strengthen the recovery. On December 17, 2010, the President signed into the law the bipartisan Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act, which prevented a tax increase on middle-class Americans, cut payroll taxes for 159 million workers, extended unemployment benefits for 7 million unemployed Americans, and provided a series of tax incentives to businesses to spur growth. These measures have helped buffer the economy against recent headwinds—for example, by providing households with a significant boost to their income that has helped to offset the increase in gasoline prices. Moreover, in constructing the 2012 Budget, the President laid out a plan for significant deficit reduction even while ensuring that these efforts did not threaten the recovery and maintaining investments in the elements critical to long-term economic growth: clean energy, innovation, education, and in-

frastructure. In the long run, only by living within our means will we be able to make the investments necessary to win the future in a competitive global economy.

THE 2012 BUDGET AND SUBSEQUENT DEVELOPMENTS

Accordingly, in February, the President's 2012 Budget provided a significant down payment on the deficit reduction that we need to take, including proposing \$1 trillion in deficit reduction over the next 10 years on top of the \$2 trillion in projected savings from winding down operations in Afghanistan and Iraq and the expiration of the high-income tax cuts passed in 2001 and 2003. That Budget would have reduced the deficit to 3 percent of GDP by the middle of the decade and sustained that level for many years thereafter. By reducing the deficit to this size in relation to the economy, we no longer would be adding to the Government's debt burden through additional Federal spending, but would instead be achieving what economists call "primary balance." At the same time, the 2012 Budget included investments in areas critical to winning the future: education, innovation, clean energy, and infrastructure.

Since the 2012 Budget was released, there have been three significant developments that affect both the budget itself and fiscal policy generally. First, on April 15, 2011, the President signed into law the Department of Defense and Full-Year Continuing Appropriations Act, 2011, to provide for appropriations for the rest of fiscal year 2011. This legislation cut discretionary spending by roughly \$80 billion relative to the President's 2011 Budget request. In nominal terms, these were the largest one-year cuts in history. Cuts of this magnitude entailed not only eliminating wasteful and duplicative programs, but also making cuts to programs that the Administration supports and would not have made if not for the fiscal situation. For instance, the new funding levels set in this agreement mean delaying the goal of doubling funding for key research and development (R&D) agencies along with ambitious goals set for the Nation in the President's Budget in the areas of global health and international development. At the same time, this legislation allowed for continued investments in education, inno-

vation, and critical health programs and did not include many extraneous, ideological provisions that many in Congress desired that would have, for example, damaged important efforts to reform our financial system and improve the quality and accessibility of affordable health care.

Second, after the 2011 appropriations were finally completed, the President looked again to the future and presented a revised fiscal framework, building on the Budget request, that laid out a comprehensive and balanced strategy to cut spending, bring down Government debt, increase confidence in our Nation's fiscal strength, and support our economic recovery while making the investments we need to win the future. Altogether, the plan would have reduced the deficit by \$4 trillion over 12 years. The framework would have saved approximately \$770 billion over 12 years in non-security discretionary spending and sought to save \$400 billion in security discretionary spending after a comprehensive review of our military's role, missions, and capabilities. In health care—a key driver of our long-term deficits—the framework identified changes to Medicare and Medicaid that would build on the efficiencies in the Affordable Care Act (ACA), saving \$340 billion by 2021 and at least \$1 trillion in the subsequent decade, while strengthening these programs for future generations. The framework also included a target of \$360 billion in other mandatory savings by 2023. With respect to taxes, the plan called for cutting tax expenditures in order to lower tax rates while still reducing the deficit. The framework also reiterated the President's position that the 2001 and 2003 tax cuts for those in the top 2 percent of earners should expire. Finally, the President called for a "debt failsafe" trigger to ensure a decline in Government debt as a share of the economy. Specifically, the President proposed a trigger that would require, by the second half of the decade, our Nation's debt to be on a declining path as a share of our economy. If that target were not met by 2014, there would be automatic spending cuts (both in direct spending and spending through the tax code) as insurance against inaction.

The President's fiscal framework set the stage for the third significant development that has occurred since the release of the 2012 Budget, negotiations this summer between

the Administration and Congress on deficit reduction and raising the statutory debt limit. Considering that both parties had agreed on the size of the deficit reduction necessary—\$4 trillion over the next decade—there was hope that a balanced package of that size, which included both spending cuts and revenue measures, could be agreed to. In pursuit of this goal, the President called for an agreement on a bold plan that would have included many significant compromises for him and his party. Unfortunately, congressional Republicans would not agree to a package that included revenue increases. Agreement on a smaller package limited to spending cuts was finally reached over the last weekend in July, just before the Government exhausted its options for continuing to finance obligations under the existing debt limit.

The President signed the resulting agreement, the Budget Control Act of 2011, into law on August 2. According to the Congressional Budget Office, the provisions of the Act would reduce the deficit by at least \$2.1 trillion over the next decade. The first step toward this goal consists of approximately \$900 billion in deficit reduction achieved through tight caps on discretionary spending. These caps will bring discretionary spending to its lowest level as a share of the economy since Dwight D. Eisenhower was President. The caps were designed to ensure that spending cuts were balanced between security and non-security programs by setting specific targets for each category during the first two years. Assuming that the reductions continue to be shared across security and non-security programs over the remainder of the 10-year period, the caps would generate \$420 billion savings on security programs, an amount that includes a projected \$350 billion in defense savings.

The second step toward the \$2.1 trillion in deficit reduction is the establishment of the bipartisan, bicameral Joint Select Committee charged with finding \$1.5 trillion in additional deficit reduction by the end of November 2011. Under the Act, if the Joint Committee is unsuccessful or if Congress fails to pass the Joint Committee's plan, then a sequester would be triggered that would cut \$1.2 trillion in spending over 10 years, split evenly between defense and non-defense programs. This trigger is modeled on those devised for the Gramm-Rudman-Hollings legislation in

the 1980s—legislation that created automatic consequences based on congressional action or inaction that led to a period of significant deficit reduction. In addition to the deficit reduction included in the Budget Control Act, further deficit reduction can be achieved if the 2001 and 2003 tax cuts for the wealthiest Americans are allowed to expire at the end of calendar year 2012. The President has consistently said that he will refuse to let these tax cuts be extended. Allowing these tax cuts to expire as scheduled and returning the estate tax to its 2009 levels will increase revenue by \$866 billion over the next 10 years. Moreover, by reducing the amount that the Government needs to borrow, this additional revenue will lead to \$160 billion in lower interest costs, bringing total deficit reduction from this change in the tax code to more than \$1 trillion over the next 10 years.

Depending on whether the Joint Committee succeeds or the fallback spending trigger is activated, the Budget Control Act of 2011 will reduce deficits by \$2.1 to \$2.4 trillion over the coming 10 years. Allowing the 2001 and 2003 tax cuts for the wealthiest Americans to expire further increases the total deficit reduction to \$3.1 to \$3.4 trillion, equivalent to about 1.5 percent of 10-year GDP.

As shown in this Mid-Session Review, the deficit reduction from the new discretionary caps, the pending recommendations of the Joint Committee, and the expiration of the upper-income tax cuts, combined with winding down operations in Afghanistan and Iraq, will bring deficits down to approximately 2.2 percent of GDP toward the end of the 10-year budget window. These policy changes would be sufficient to put the debt on a declining path as a share of the economy and would therefore place the budget in a fiscally sustainable position. The recommendations of the Joint Committee are the key to achieving this, which is why the President will recommend an ambitious, comprehensive, and balanced deficit reduction plan to Congress in September that would place the country on firm fiscal footing by the middle of this decade.

At the same time, Congress must appreciate that the economy is still wrestling with the after-effects of a very severe recession. Thus, in addition to focusing on long-term deficit reduction, the President will introduce after

Labor Day a package of meaningful, new initiatives to promote economic growth and create jobs. These will build on the actions the President has been urging Congress to complete that will strengthen the economy and create jobs, but also include new measures that will accelerate job growth in the short term. These could include a mix of tax cuts to create jobs and provide economic security to the middle class, innovative infrastructure ideas to put people back to work, and some measures specifically targeted at the long-term unemployed and other specific sectors of the economy that are in particular need.

MID-SESSION UPDATE

The Mid-Session Review updates estimates of Federal receipts, outlays, and the deficit for legislation enacted through August 3, 2011—principally the Budget Control Act of 2011—and for a revised economic forecast, technical re-estimates, and other policy changes that have occurred since the February Budget was released. The economic forecast, like the one in the Congressional Budget Office's August update, is based on economic data available through late June. In addition, reflecting the substantial data revisions since that date, the Mid-Session Review presents an alternative economic forecast using the latest available data along with estimates of the associated budgetary consequences of this forecast revision. As shown in Table 4, the budgetary effects of the latest economic data are generally similar to the forecast based on data from late June.

Revised Deficit and Debt Outlook

The deficit for 2011 is now expected to be \$1.316 trillion, down \$329 billion from the deficit of \$1.645 trillion deficit estimated in February. As a percentage of GDP, the 2011 deficit is projected to be 8.8 percent of GDP, as compared to 10.9 percent of GDP projected in February. This latest projection also represents a slight decline in the deficit as a percent of GDP from 9.0 percent in 2010. A little less than half of the reduction in the estimated 2011 deficit from February is due to higher receipts. The remainder is due to a combination of lower discretionary appropriations for 2011 than in the February Budget, as provided in the full-year continuing appropriations enacted in April, and slower-than-

expected spending across a range of Federal programs, including defense discretionary spending, purchases of GSE preferred stock, and unemployment benefits. The lower projected deficit this year means that the Federal Government's borrowing needs should be lower as well.

Relative to the February estimate, deficits are also expected to be lower in 2012 and in each subsequent year of the 10-year budget window, amounting to a total reduction of \$1.450 trillion over 2012 through 2021. In 2012, deficits are expected to be \$145 billion lower as a result of a combination of enacted legislation and policy changes (\$91 billion) and economic and technical re-estimates (\$54 billion, chiefly from higher receipts). Over the 10-year horizon, the total of \$1.450 trillion deficit reduction from February is more than accounted for by the effect of enacted legislation and policy changes (\$1.490 trillion). The revised Mid-Session Review economic forecast, discussed in detail in the next section, increases deficits by \$696 billion over the 10-year period while technical revisions to revenue and spending estimates reduce deficits by a nearly offsetting amount. Taken together, the combined effect of the revisions to the economic projections and the technical re-estimation produces a deficit increase of \$40 billion over the 10-year horizon. Using the alternative economic forecast that reflects data through late August, the economic and technical re-estimate would produce a \$220 billion increase in the deficit over the next decade.

Federal Government debt held by the public can be viewed as the sum of all prior deficits less prior surpluses and is an important indicator of the extent to which Government activity affects the financial markets. Debt held by the public is projected to be \$10.264 trillion at the end of 2011, or 68.6 percent of GDP, lower than the 72.0 percent of GDP projected in February. Some debt held by the public was used to issue direct loans or to purchase financial assets as part of the Troubled Asset Relief Program (TARP). Debt held by the public excluding these and other financial assets is projected to be \$9.194 trillion at the end of 2011, or 61.4 percent of GDP, down from February's estimate of 63.0 percent of GDP.

For 2012, debt held by the public is projected to increase to \$11.307 trillion, or 72.1 percent of GDP, and to increase further to 73.5 percent of GDP in 2013. After 2013, however, the deficit is projected to decline to levels that result in a declining debt-to-GDP ratio, with debt reaching 70.5 percent of GDP by the end of the 10-year budget window. Debt net of financial assets is also projected to increase in 2012 and 2013, but then to begin declining, reaching 61.3 percent of GDP in 2021.

Enacted Legislation

Full-year appropriations. The full-year appropriations act, enacted on April 15, extended continuing appropriations at a level that was roughly \$80 billion below the level proposed in the February Budget. The act also made changes to the Pell Grant program and repealed the Free Choice Voucher program originally enacted under the Affordable Care Act. Relative to the February Budget, the full-year appropriations act reduces the deficit by \$51 billion in 2011 and by \$49 billion over the subsequent 10 years, 2012 through 2021.

Budget Control Act. The Budget Control Act of 2011, enacted on August 2, authorized increases in the debt ceiling and included a number of provisions that reduce budget deficits over the next 10 years. Incorporating the caps on discretionary budget authority enacted in the Act in the Mid-Session Review reduces spending relative to the February Budget by \$740 billion over the next 10 years. Additional provisions in the Act that relate to program integrity initiatives and higher education financial assistance bring the reduction in spending to a total of \$753 billion. This total does not include the effects of future deficit reduction recommended by the Joint Committee, as discussed below.

Other enacted legislation and debt service. Other enacted legislation, including the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, has a minimal effect on the deficit. Debt service on the effects of enacted legislation brings the total deficit reduction due to enacted legislation to \$989 billion over 10 years.

Estimating Changes

New estimates of receipts and outlays due to revisions to the economic forecast and technical revisions reduce the deficit significantly in 2011. These changes reduce the deficit by a smaller amount in 2012 and raise the deficit slightly over the 10-year period as a whole.

In 2011, revisions to the economic projection and technical changes reduce the deficit by \$261 billion, largely because of updated information about actual tax collections since February and actual spending trends. Higher receipts account for \$141 billion of this improvement, with lower current-year spending accounting for the remainder. The reduction in spending is split roughly evenly between discretionary programs (largely slower-than-anticipated spending for defense programs) and mandatory programs (including lower payments for GSE preferred stock purchases and lower spending for unemployment and veterans benefits).

Over the 10-year period, revisions to the economic projection and technical re-estimates increase the deficit by \$40 billion. Receipts are reduced by \$46 billion, as lower tax collections due to revisions in the economic forecast, chiefly lower near-term GDP growth and lower projected wage and salary income, are partially offset by increases due to technical factors, such as new data available from 2010 tax returns. Increases in outlays due to the new economic forecast, mostly the result of higher cost-of-living adjustments and debt service on all economic changes, are very nearly offset by reductions in outlays due to technical changes. More detail about changes in receipt and outlay projections can be found in the receipt and spending sections of the Mid-Session Review.

Deficit Reduction Allowance

The Joint Select Committee on Deficit Reduction established by the Budget Control Act is tasked with developing legislative proposals for reducing the deficit, with a target of \$1.5 trillion in deficit reduction. The Administration will be recommending a balanced array of options for reducing the deficit that encompasses the entire budget including spending and revenue measures. In light of the ongoing Joint Committee process, the Mid-Session Review includes a deficit reduc-

tion allowance of \$1.5 trillion over 10 years. The February Budget included specific mandatory and receipt proposals that reduce the deficit by \$1.0 trillion. The deficit allowance in the Mid-Session Review substitutes for the specific mandatory and receipt proposals detailed in the February Budget, and is not meant to prejudge any specific spending or receipt proposals to be recommended

by the Administration and considered by the Committee. The Administration will release its recommendations for proposals to be considered by the Joint Committee in September. Relative to the policies already proposed in February, the Mid-Session Review's allowance for Joint Committee deficit reduction reduces the deficit by \$501 billion over 10 years, including debt service.

Table 1. CHANGES IN DEFICITS FROM THE FEBRUARY BUDGET

(In billions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021
February Budget deficit	1,645	1,101	768	645	607	649	627	619	681	735	774		
Percent of GDP	10.9%	7.0%	4.6%	3.6%	3.2%	3.3%	3.0%	2.9%	3.0%	3.1%	3.1%		
Enacted legislation:													
Budget Control Act of 2011	—*	–32	–51	–72	–75	–79	–82	–87	–89	–95	–90	–309	–753
2011 full-year appropriations	–51	–21	–6	–3	–2	–2	–2	–2	–3	–4	–4	–35	–49
Other legislation	1	–1	1	1	1	*	*	*	*	*	*	2	3
Debt service	—*	—*	–2	–6	–11	–16	–21	–26	–31	–36	–42	–35	–190
Subtotal, enacted legislation	–50	–54	–58	–80	–88	–97	–105	–115	–123	–135	–135	–376	–989
Economic and technical re-estimates:													
Receipts	–141	–65	–7	11	22	20	17	17	14	10	7	–19	46
Discretionary programs	–58	13	22	9	–1	–5	–6	–8	–6	–6	–6	37	6
Mandatory:													
Refundable tax credits	8	6	7	10	14	16	16	15	16	16	17	53	133
Unemployment compensation	–11	–17	–14	–11	–10	–10	–10	–11	–11	–11	–12	–62	–117
Social Security	–1	9	11	12	13	13	13	12	11	10	8	59	112
Medicaid	–3	–3	–3	–6	–8	–10	–10	–12	–13	–14	–19	–29	–98
Supplemental Nutrition Assistance Program	*	5	3	4	7	8	8	8	7	5	7	28	62
Foreign Military Sales Trust Fund	—*	–1	1	1	*	–1	–4	–4	–4	–4	–5	*	–20
Purchases of GSE preferred stock	–25												
Veterans benefits	–10	3	2	2	2	2	2	2	3	3	2	11	24
Civilian and military retirement	—*	2	2	2	2	2	2	2	2	2	2	10	21
Medicare	–4	–8	–6	–5	–4	–3	2	3	4	4	8	–25	–4
Other	–24	10	7	2	3	1	*	—*	—*	–2	*	23	21
Total mandatory	–70	6	11	12	18	19	19	17	14	8	9	67	134
Net interest ¹	10	–5	–23	–29	–13	–11	–8	–9	–12	–13	–16	–81	–140
Allowances for costs of future emergencies	–2	–3	–1	—*	—*	—*	—*					–6	–6
Subtotal, economic and technical re-estimates	–261	–54	2	3	25	22	21	16	11	–1	–6	–1	40
Change due to moving the February Budget proposals to the deficit reduction allowance ²	–19	–37	–63	–95	–23	8	–43	–53	–71	–60	–64	–211	–501
Total, changes	–329	–145	–120	–171	–86	–66	–126	–152	–183	–195	–205	–588	–1,450
Mid-Session Review deficit	1,316	956	648	473	521	583	501	467	498	540	568		
Percent of GDP	8.8%	6.1%	3.9%	2.7%	2.8%	3.0%	2.4%	2.2%	2.2%	2.3%	2.3%		

Note: positive figures represent higher outlays or lower receipts.

*\$500 million or less.

¹ Includes debt service on all re-estimates.

² Includes debt service.

ECONOMIC ASSUMPTIONS

This Mid-Session Review (MSR) updates the economic forecast that was completed last November and released with the 2012 Budget in early February. The 2012 Budget forecast projected that the economic recovery which began in 2009 would continue and that unemployment would fall gradually from its elevated levels. As the economy recovered, the 2012 Budget forecast inflation to remain moderate, and interest rates to rise gradually. In general terms, the forecast for the MSR maintains these assumptions but with modifications to take account of information on changing conditions available at the time of the completion of the MSR forecast, in late June. In addition, to reflect the substantial amount of economic turbulence over the past two months, the MSR includes an alternative economic forecast that incorporates the latest data through the end of August along with a presentation of its associated budgetary effects.

Real GDP has risen for eight straight quarters since economic growth resumed in mid-2009. Revisions to GDP growth published in late July, after the MSR forecast was completed, showed growth slowing sharply in the first half of 2011. The unemployment rate has declined from its peak above 10 percent in October 2009 to 9.1 percent in July 2011. Following the resumption of real GDP growth, the economy began adding jobs, and private sector employment has increased in each of the past 17 months. The labor market recovery, however, is occurring only gradually. It will take several years of healthy job growth to offset the nearly 9 million jobs that were lost between January 2008 and February 2010.

Administration policies, as well as the automatic fiscal stabilizers such as the unemployment insurance system, contributed to the turnaround in 2009. The American Recovery and Reinvestment Act (Recovery Act) was passed soon after the President took office at a time when jobs were declining by 700,000 per month. Recent revisions showed GDP falling at that time at a rate even faster than previously estimated when the President took office, declining at an average annualized rate of 7.8 percent in the fourth quarter of 2008 and the first quarter of 2009, the worst six-

month period since quarterly data has been collected. The Administration's prompt action helped to reverse this precipitous decline, and the turnaround in real GDP growth, and later in jobs, opened the way to an economic recovery. Further actions by the Administration and Congress, culminating in the passage of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act in December 2010, have helped sustain demand and foster growth as the Recovery Act has phased out and as the economy has faced further, unanticipated challenges.

For example, the steep decline in the housing market ended in 2009, but the housing sector has struggled to recover from the recession. Almost 3 million homes have been repossessed since 2006, but even so, at the beginning of 2011, there were estimated to be 5 million seriously delinquent mortgage loans, many of which will eventually result in foreclosure. Government programs and the private sector HOPE Now alliance have helped nearly 5 million affected homeowners with their mortgages, either by helping negotiate new terms for their loans or by reducing outstanding balances, but the remaining problems are still significant. Until more loans are resolved, house prices are not likely to recover, and housing investment will probably remain sluggish. Likewise, spreads between private debt, such as commercial paper, and Treasury securities have returned to pre-crisis levels, but commercial banks and other private lenders have tightened credit standards and many credit-worthy borrowers continue to have difficulty accessing credit, making it difficult for businesses to expand, entrepreneurs to launch ventures, and families to borrow to buy a new home or send a child to college. This is a common experience following a financial crisis in which banks and other credit market institutions have suffered severe losses. If past experience is a guide, credit will eventually become more available, but that will take more time.

A second drag on the recovery has been fiscal consolidation at the State and local government level. Driven by balanced budget requirements and decreased tax revenue, this fiscal

tightening has reduced aggregate demand and slowed growth nationally. Over the last 12 months, employment in State and local government has declined by 340,000 jobs.

Third, globally, a combination of events has weighed on economic growth. Political uncertainty in the Middle East caused world oil markets to tighten, especially for the high-quality crude oil that is most useful in refining gasoline. The price of oil rose by 16 percent between September and December 2010 and then rose another 20 percent in March and April of this year, placing a burden on American consumers. Although the U.S. economy is less sensitive to oil price shocks than it was in the 1970s, higher fuel prices still exact a toll, and this was one of the main factors in holding growth below expectations in the first half of 2011. Also, on March 11, a severe earthquake followed by a tsunami seriously damaged the coastal regions of northeastern Japan. These natural disasters have had a worldwide impact because they curtailed production of parts needed for Japanese automobiles manufactured both in Japan and abroad. In the United States, for example, production of motor vehicles fell 6.3 percent (0.53 million units at an annual rate) in the second quarter, with most of the decline occurring at the American facilities of Japanese automakers.

Moreover, the sovereign debt crisis that began in 2010 in Europe has intensified in recent weeks, causing a selloff in global equity markets that threatens to place a new drag on consumer confidence and the global recovery. Last year, several European countries encountered difficulty in obtaining credit, and financial markets around the world responded negatively to these developments spreading the effects of the crisis to the United States and elsewhere. The European Union acted forcefully to confront these issues when they first emerged, and the affected governments have attempted to restrain their budget deficits. Even with these actions, however, the European recovery remains at risk because of increased uncertainty and because the measures taken to address the fiscal crisis have had the effect in some cases of limiting demand and hampering recovery. Concerns over sovereign debt returned in recent weeks and spread to larger countries in the European Union, creating volatility in global financial markets.

Although the effects of these events are expected to be temporary in most cases and the Administration remains confident about medium-term prospects for growth in the United States, the unexpected slowdown in 2011 led the Administration to reduce projections in its MSR forecast for near-term growth in 2011 and 2012. Meanwhile, new data released since those projections were locked in late June, including significant revisions to previously released GDP data, together with other analysis have led both private and public forecasters to reduce their projections for growth and employment even further over the past two months. To present a fuller picture, this section also includes an alternative forecast in Table 4 below that reflects the latest economic data and outlook. While the effects of the economic turbulence are great on individuals, the cumulative impact on the fiscal condition of the country is relatively minor over the course of the budget window.

Despite recent setbacks, the Administration expects the economy to grow at increasing rates in the months and years to come. One reason for this is that the U.S. economy is operating well below its capacity, with higher levels of unemployment and more unused resources than at any time in over a quarter century. The potential for a sharp recovery is present in this low level of resource utilization. The normal limits to growth are not binding when there is so much unused capacity available. With rapid growth projected in 2013-2017, the unemployment rate is projected to decline and real GDP is projected to return to its potential level. Beyond 2017, the Administration's forecast is based on the long-run trends expected for real GDP growth, price inflation, and interest rates. Projected real GDP growth in the long run is somewhat below the historical average for the United States because of an expected slowdown in the growth of the labor force as the population ages. Economic growth is expected to average 2.5 percent in the long run, which is unchanged from previous forecasts.

ECONOMIC PROJECTIONS

Given the substantial amount of economic turbulence that the country experienced since the MSR economic projections were finalized in June, this section also includes an alternative projection that takes into ac-

count more recent data. These more recent data include both revised historical data for the National Income and Product Accounts (NIPA) released in July, and updated data on current economic conditions and the outlook that were not available in June. Table 2 presents a summary of the original projection in June and, in the Addendum, the adjustments to that original projection related to the NIPA revision. These adjustments generally maintain the same quarterly growth rates for GDP and incomes as the original forecast but start from the revised historical levels in 2011 Q1. In other words, they adjust the MSR forecast for the revisions to historical data, but do not reflect how the outlook might have changed as a result of the revisions or other more recent data.

The alternative forecast, shown in Table 4, is an update of the projection based on information available through late August. Since June, there have been significant changes to the economic outlook, including the annual revision of the NIPA which showed a large downward adjustment in growth in the first quarter, a subsequent downward revision of growth in the second quarter, and other economic indicators suggesting slower growth than originally projected in the second half. In addition, the Federal Open Market

Committee (FOMC) statement in August suggested that interest rates will remain at their current low level for longer than had previously been anticipated.

Real Gross Domestic Product (GDP) and the Unemployment Rate: Real GDP is expected to rise by 2.8 percent during the four quarters of 2011 (2.4 percent in the adjusted forecast) and to increase 3.2 percent in the four quarters of 2012. The growth rate is projected to rise to 4.0 percent in 2013 and 2014. Beyond 2014, real GDP growth is projected to moderate as the level of real GDP approaches its potential. The growth rate is steady at 2.5 percent per year in 2018-2021.

The unemployment rate is projected to average 8.8 percent in 2011, slightly below its level in July. Unemployment is projected to decline slowly because of the moderate pace of expected real GDP growth and because, as labor market conditions improve, discouraged workers rejoin the labor force, adding temporarily to unemployment. With continued growth, the unemployment rate is projected to fall, but it is not projected to fall below 6.0 percent until 2016. These projections reflect the close relationship that has prevailed historically between changes in real GDP and unemployment.

Table 2. ECONOMIC ASSUMPTIONS¹

(Calendar years; dollar amounts in billions)

	Actual				Projections								
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross Domestic Product (GDP):													
Levels, dollar amounts in billions:													
Current dollars	14,119	14,660	15,281	16,019	16,889	17,851	18,863	19,893	20,906	21,852	22,807	23,798	24,830
Constant (2005) dollars	12,881	13,248	13,586	14,030	14,549	15,131	15,717	16,294	16,820	17,272	17,703	18,146	18,600
Price index (2005 = 100)	109.6	110.7	112.5	114.2	116.1	118.0	120.0	122.1	124.3	126.5	128.8	131.1	133.5
Percent change, Q4/Q4:													
Current dollars	0.6	4.2	4.6	4.8	5.7	5.8	5.6	5.4	4.8	4.4	4.4	4.3	4.3
Constant (2005) dollars	0.2	2.8	2.8	3.2	4.0	4.0	3.8	3.6	3.0	2.5	2.5	2.5	2.5
Price index (2005 = 100)	0.5	1.3	1.8	1.6	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8
Percent change, year over year:													
Current dollars	-1.7	3.8	4.2	4.8	5.4	5.7	5.7	5.5	5.1	4.5	4.4	4.3	4.3
Constant (2005) dollars	-2.6	2.9	2.6	3.3	3.7	4.0	3.9	3.7	3.2	2.7	2.5	2.5	2.5
Price index (2005 = 100)	0.9	1.0	1.6	1.5	1.7	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.8
Incomes, billions of current dollars:													

Table 2. ECONOMIC ASSUMPTIONS¹—Continued

(Calendar years; dollar amounts in billions)

	Actual					Projections							
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Domestic corporate profits ...	906	1,241	1,322	1,505	1,575	1,622	1,681	1,723	1,759	1,700	1,647	1,627	1,632
Employee compensation	7,812	7,985	8,264	8,625	9,112	9,669	10,270	10,902	11,528	12,127	12,731	13,338	13,935
Wages and salaries	6,274	6,399	6,624	6,931	7,352	7,804	8,296	8,817	9,348	9,847	10,353	10,848	11,327
Other taxable income ²	3,206	3,264	3,427	3,563	3,753	3,973	4,187	4,423	4,673	4,898	5,108	5,305	5,496
Consumer Price Index (all urban):³													
Level (1982–84 = 100)	214.5	218.1	224.3	228.4	232.8	237.4	242.2	247.2	252.5	257.7	263.2	268.7	274.4
Percent change, Q4/Q4	1.4	1.2	2.8	1.9	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Percent change, year/year	-0.3	1.6	2.8	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Unemployment rate, civilian, percent:													
Fourth quarter level	10.0	9.6	8.6	8.2	7.4	6.7	6.0	5.5	5.2	5.2	5.2	5.2	5.2
Annual average	9.3	9.6	8.8	8.3	7.7	6.9	6.3	5.7	5.3	5.2	5.2	5.2	5.2
Federal pay raises, January, percent:													
Military ⁴	3.9	3.4	1.4	1.6	NA	NA	NA	NA	NA	NA	NA	NA	NA
Civilian ⁵	3.9	2.0	0.0	0.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
Interest rates, percent:													
91-day Treasury bills ⁶	0.2	0.1	0.1	0.5	1.8	3.2	3.8	4.0	4.1	4.1	4.1	4.1	4.1
10-year Treasury notes	3.3	3.2	3.4	3.8	4.3	4.7	5.0	5.2	5.3	5.3	5.3	5.3	5.3
ADDENDUM:⁷													
Gross Domestic Product (GDP), revised:													
Levels, dollar amounts in billions:													
Current dollars	13,939	14,527	15,128	15,859	16,720	17,672	18,674	19,694	20,697	21,633	22,578	23,559	24,582
Constant (2005) dollars	12,703	13,088	13,368	13,804	14,314	14,887	15,464	16,032	16,549	16,993	17,418	17,854	18,300
Price index (2005 = 100)	109.7	111.0	113.2	114.9	116.8	118.7	120.7	122.8	125.0	127.3	129.6	131.9	134.3
Percent change, Q4/Q4:													
Current dollars	0.0	4.7	4.4	4.8	5.7	5.8	5.6	5.4	4.8	4.4	4.4	4.3	4.3
Constant (2005) dollars	-0.5	3.1	2.4	3.2	4.0	4.0	3.8	3.6	3.0	2.5	2.5	2.5	2.5
Price index (2005 = 100)	0.7	1.6	1.9	1.6	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8
Percent change, year over year:													
Current dollars	-2.5	4.2	4.1	4.8	5.4	5.7	5.7	5.5	5.1	4.5	4.4	4.3	4.3
Constant (2005) dollars	-3.5	3.0	2.1	3.3	3.7	4.0	3.9	3.7	3.2	2.7	2.5	2.5	2.5
Price index (2005 = 100)	1.1	1.2	1.9	1.5	1.7	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.8
Incomes, billions of current dollars, revised:													
Domestic corporate profits ...	1,002	1,418	1,511	1,719	1,800	1,853	1,921	1,969	2,010	1,942	1,882	1,859	1,865
Employee compensation	7,806	7,971	8,251	8,611	9,097	9,653	10,253	10,884	11,509	12,107	12,710	13,316	13,913
Wages and salaries	6,270	6,408	6,634	6,940	7,362	7,815	8,308	8,830	9,361	9,862	10,368	10,863	11,343
Other taxable income ²	2,955	3,108	3,266	3,396	3,573	3,777	3,980	4,201	4,432	4,638	4,828	5,008	5,182

NA = Not Available; Q4/Q4 = fourth quarter over fourth quarter

¹ Based on information available as of June 2011.² Rent, interest, dividend, and proprietors' income components of personal income.³ Seasonally adjusted CPI for all urban consumers.⁴ Percentages apply to basic pay only; percentages to be proposed for years after 2012 have not yet been determined.⁵ Overall average increase, including locality pay adjustments. Percentages to be proposed for years after 2012 have not yet been determined.⁶ Average rate, secondary market (bank discount basis).⁷ June assumptions adjusted for July 29, 2011 revisions to the National Income and Product Accounts.

Inflation: Consumer price inflation rose in late 2010 and in the earlier part of this year mainly because of a sharp rise in world oil prices. Rising food prices also contributed to the increase. Inflation has moderated since then as oil prices have declined. Core inflation, which excludes food and energy prices, also rose, but much less dramatically than the top-line measure. As measured by the CPI, core inflation was 1.8 percent between July 2010 and July 2011; it had been only 0.9 percent over the preceding 12 months. Looking ahead, core inflation is expected to edge up somewhat as the economy recovers and unemployment declines. In the long run, the CPI inflation rate is projected to be 2.1 percent per year. The other main measure of inflation is the chained price index for Gross Domestic Product. Year-over-year inflation by this measure is projected at 1.6 percent in 2011 (1.9 percent adjusted), 1.5 percent in 2012, and ultimately 1.8 percent in 2017-2021.

Interest Rates: The projections for interest rates are based on financial market data as of June, including market expectations at that time. Consequently, the forecast does not incorporate the latest market data, the Federal Reserve's statement in August that short-term rates would remain at their current low levels through mid-2013, or the dramatic reduction in long-term Treasury rates that occurred in early August as a result of the "flight to quality" caused by the crisis in Europe. The MSR forecast projects the three-month Treasury bill rate to average 0.1 percent in 2011, which is still likely to be true, but to begin rising in 2012 and to reach 4.1 percent by 2017. In light of the Federal Reserve's statement, the rise in rates in 2012 now seems unlikely. Similar caveats hold for the projection of long-term interest rates. The yield on the 10-year Treasury note is projected to average 3.4 percent in 2011 and to rise to 5.3 percent by 2017. Now that long-term yields have fallen well below their June values, the forecast for 2011 appears to be too high. In the later years of the forecast, however, when interest rates are expected to be close to their historical averages in real terms given the projected rate of inflation there is no reason to believe the forecast would change based on recent data.

Incomes and Income Shares: Corporate profits have rebounded more quickly than

labor compensation (which consists of wages and salaries and employee fringe benefits). As a result, corporate profits have risen as a share of the economy over the past 12 quarters, while labor compensation as a share of the economy has fallen below its long-run average. As the economy recovers, this situation is expected to reverse. Labor compensation is projected to rise somewhat relative to the size of the economy, while the share of corporate profits is projected to fall. The wage share, excluding fringe benefits, is also expected to recover from its recent low level in step with the increase in compensation.

FORECAST COMPARISONS

A comparison with the most recent Congressional Budget Office (CBO), Blue Chip, and FOMC forecasts is shown below in Table 3. For 2011, the projected rate of real GDP growth is above that of the Blue Chip Consensus (an average of about 50 private-sector forecasts) although when the MSR forecast was determined in June, the difference was smaller. The CBO forecast, which was completed around the same time as the Administration's projections, is similar for real GDP in 2011. The FOMC forecast, which also dates from June, is slightly higher, mainly because the Administration updated its 2011 forecast for the revisions to the historical data for GDP released in late July by the Bureau of Economic Analysis. Neither the FOMC nor the CBO forecasts were adjusted for these new data, which showed lower growth in the first half of 2011. The consensus forecast has shifted down in the last two months.

In 2012, real GDP growth (fourth quarter over fourth quarter) is expected to be 3.2 percent, which is just below the June FOMC central tendency of 3.3 to 3.7 percent, but it is well above the latest Blue Chip consensus of 2.7 percent, which is the same growth rate that CBO projects for 2012. In 2013, CBO expects a relatively sharp slowdown in the growth rate, because its current-law policy assumptions imply that all of the 2001-2003 tax cuts will expire at the end of 2012. In turn, CBO expects a relatively rapid growth rate in 2014-2015.

Looking further into the future, the Administration expects the economy eventually to recover much of the ground lost to

the 2008-2009 recession. This will require a phase of relatively rapid growth, which in the current forecast is projected to occur in 2013-2016. The FOMC anticipates a similar catch-up. While CBO also expects a catch-up during this time frame, it is not as much as the Administration or the FOMC is project-

ing. Meanwhile, the Blue Chip consensus expects to make up relatively little of this lost output. This is a major difference in the forecasts for real GDP. All the forecasters have a similar expectation for the long-run growth rate, which is expected to be around 2-1/2 percent per year.

Table 3. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nominal GDP:												
MSR	14,527	15,128	15,859	16,720	17,672	18,674	19,694	20,697	21,633	22,578	23,559	24,582
Budget	14,651	15,240	16,032	17,006	18,043	19,052	20,037	20,986	21,910	22,866	23,860	24,896
CBO	14,660	15,238	15,817	16,301	17,261	18,406	19,333	20,260	21,183	22,140	23,096	24,082
Blue Chip	14,527	15,079	15,727	16,560	17,438	18,327	19,225	20,148	21,095	22,087	23,125	24,212
	<i>Percent change, fourth quarter over fourth quarter</i>											
Real GDP:												
MSR	3.1	2.4	3.2	4.0	4.0	3.8	3.6	3.0	2.5	2.5	2.5	2.5
Budget	2.5	3.1	4.0	4.5	4.2	3.6	3.2	2.7	2.5	2.5	2.5	2.5
CBO	2.8	2.3	2.7	2013-2016 Average: 3.6				2017-2021 Average: 2.4				
Blue Chip	3.1	1.6	2.7									
FOMC Central Tendency	2.8	2.7-2.9	3.3-3.7	3.5-4.2				Longer Run Average: 2.5-2.8				
	<i>Percent change, year over year</i>											
Real GDP:												
MSR	3.0	2.1	3.3	3.7	4.0	3.9	3.7	3.2	2.7	2.5	2.5	2.5
Budget	2.7	2.7	3.6	4.4	4.3	3.8	3.3	2.9	2.6	2.5	2.5	2.5
CBO	2.9	2.4	2.6	1.7	4.4	5.0	3.2	2.8	2.5	2.5	2.3	2.3
Blue Chip	3.0	1.8	2.5	3.2	3.1	2.9	2.8	2.7	2.6	2.6	2.6	2.6
GDP price index:												
MSR	1.2	1.9	1.5	1.7	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.8
Budget	1.0	1.3	1.5	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8
CBO	1.0	1.5	1.2	1.4	1.4	1.6	1.8	1.9	2.0	2.0	2.0	2.0
Blue Chip	1.2	2.1	1.9	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Consumer Price Index (CPI-U):												
MSR	1.6	2.8	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Budget	1.6	1.3	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
CBO	1.6	2.9	1.5	1.3	1.3	1.8	2.1	2.3	2.3	2.3	2.3	2.3
Blue Chip	1.6	3.0	2.2	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
	<i>Annual average in percent</i>											
Unemployment rate:												
MSR	9.6	8.8	8.3	7.7	6.9	6.3	5.7	5.3	5.2	5.2	5.2	5.2
Budget	9.6	9.3	8.6	7.5	6.6	5.9	5.5	5.3	5.3	5.3	5.3	5.3
CBO	9.6	9.4	8.4	7.6	6.8	5.9	5.3	5.3	5.2	5.2	5.2	5.2
Blue Chip	9.6	9.0	8.7	7.5	6.8	6.3	6.0	5.8	5.6	5.6	5.6	5.6
FOMC Central Tendency ¹	9.6	8.6-8.9	7.8-8.2	7.0-7.5				Longer Run Average: 5.2-5.6				
91-day Treasury bills:												
MSR	0.1	0.1	0.5	1.8	3.2	3.8	4.0	4.1	4.1	4.1	4.1	4.1
Budget	0.1	0.2	0.9	2.6	3.7	4.0	4.1	4.1	4.1	4.1	4.1	4.1
CBO	0.1	0.1	0.1	0.2	0.8	1.9	3.2	4.0	4.0	4.0	4.0	4.0
Blue Chip	0.1	0.1	0.5	2.9	3.6	3.8	3.9	4.0	3.9	3.9	3.9	3.9
10-year Treasury notes:												
MSR	3.2	3.4	3.8	4.3	4.7	5.0	5.2	5.3	5.3	5.3	5.3	5.3

Table 3. COMPARISON OF ECONOMIC ASSUMPTIONS—Continued

(Calendar years; dollar amounts in billions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Budget	3.2	3.0	3.6	4.2	4.6	4.9	5.2	5.3	5.3	5.3	5.3	5.3
CBO	3.2	3.3	3.2	3.3	3.8	4.3	4.9	5.3	5.3	5.3	5.3	5.3
Blue Chip	3.2	3.2	3.6	4.9	5.2	5.4	5.4	5.4	5.4	5.4	5.4	5.4

MSR = Mid-Session Review (forecast date June 2011 adjusted for July 2011 National Income and Product Account revisions)

Budget = 2012 Budget (forecast date November 2010)

CBO = Congressional Budget Office (forecast date July 2011)

FOMC = Federal Reserve Open Market Committee (forecast central tendency, date June 2011)

Blue Chip = August 2011 Blue Chip Consensus Forecast extended with March 2011 Blue Chip long-run survey

Sources: Administration; CBO, The Budget and Economic Outlook: an Update, August 2011

FOMC, Minutes of the Federal Open Market Committee, June 21–22, 2011; Blue Chip Economic Indicators, March and August 2011, Aspen Publishers.

¹ Fourth quarter levels of unemployment rate.

The Administration projects that unemployment will average 8.8 percent in 2011, 8.3 percent in 2012, and 7.7 percent in 2013. CBO expects unemployment to remain high for a longer period. It projects an unemployment rate of 8.9 percent in 2011 and 8.7 percent in 2012-2013. The latest Blue Chip consensus is: 9.0 percent in 2011 and 8.7 percent in 2012. The semiannual long-run extension of the Blue Chip forecast was released in March 2011, and the next extension will not be available until October. In March, the Blue Chip had expected a larger decline in the unemployment rate, which can be seen in Table 3 in the values shown for 2013 through 2021. The June FOMC projections also show unemployment falling by more than the latest consen-

sus projections. In the long run, all of the forecasts expect the unemployment rate to reach a level of between 5 and 6 percent.

The forecasts are similar for inflation and interest rates. All of the forecasters shown in Table 3 expect inflation to rise to around 2 percent per year, which is close to the average inflation rate of the past several years. The unusually low level of Federal interest rates that has prevailed since the financial crisis is also expected to end as real interest rates return to near their historical averages but only gradually over the next few years. The recent consensus expects a slower rise in interest rates than was assumed a few months ago.

Table 4. ALTERNATIVE ECONOMIC FORECAST**Economic Assumptions**

(Calendar years)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nominal GDP:												
% Change, 4th/4th:												
MSR		4.7	4.4	4.8	5.7	5.8	5.6	5.4	4.8	4.4	4.4	4.3
Alternative		4.7	3.6	4.5	5.5	5.8	6.0	5.8	5.4	4.3	4.3	4.3
% Change, Year/Year:												
MSR		4.2	4.1	4.8	5.4	5.7	5.7	5.5	5.1	4.5	4.4	4.3
Alternative		4.2	3.7	4.1	5.3	5.6	5.9	5.9	5.6	4.7	4.3	4.3
Real GDP:												
% Change, 4th/4th:												
MSR		3.1	2.4	3.2	4.0	4.0	3.8	3.6	3.0	2.5	2.5	2.5
Alternative		3.1	1.6	2.9	3.8	4.0	4.2	4.0	3.6	2.5	2.5	2.5
% Change, Year/Year:												
MSR		3.0	2.1	3.3	3.7	4.0	3.9	3.7	3.2	2.7	2.5	2.5
Alternative		3.0	1.7	2.6	3.5	3.9	4.1	4.1	3.7	2.9	2.5	2.5

Table 4. ALTERNATIVE ECONOMIC FORECAST—Continued**Economic Assumptions**

(Calendar years)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Unemployment Rate:												
MSR	9.6	8.8	8.3	7.7	6.9	6.3	5.7	5.3	5.2	5.2	5.2	5.2
Alternative	9.6	9.1	9.0	8.5	7.8	7.0	6.1	5.5	5.2	5.2	5.2	5.2
Interest Rates:												
91-Day Treasury Bills:												
MSR	0.1	0.1	0.5	1.8	3.2	3.9	4.0	4.1	4.1	4.1	4.1	4.1
Alternative	0.1	0.1	0.1	0.4	2.3	3.8	4.0	4.1	4.1	4.1	4.1	4.1
10-Year Treasury Notes:												
MSR	3.2	3.4	3.8	4.3	4.7	5.0	5.2	5.3	5.3	5.3	5.3	5.3
Alternative	3.2	3.0	3.3	3.9	4.6	5.0	5.2	5.3	5.3	5.3	5.3	5.3

Budget Effects of Alternative Forecast Relative to MSR

(Fiscal years; in billions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021
Receipt changes	-9	-30	-55	-60	-50	-34	-14	-2	-2	-2	-2	-229	-250
Outlay changes:													
Unemployment	2	12	17	22	23	19	12	2	*	*	*	93	108
Net interest (rates)	2	-14	-43	-54	-38	-26	-23	-20	-18	-17	-16	-175	-270
All other, including debt service	*	-1	*	4	9	12	14	14	13	13	13	24	91
Total outlay changes	4	-2	-27	-28	-7	5	2	-4	-5	-3	-3	-58	-71
Deficit increase (-)	-13	-28	-28	-32	-43	-39	-17	2	3	1	1	-170	-180

* \$500 million or less.

RECEIPTS

The Mid-Session Review (MSR) estimates of receipts exceed the February Budget estimates by \$141 billion in 2011 and by \$46 billion in 2012. In each subsequent year, the MSR estimates of receipts are below the February Budget estimates, resulting in a net decrease in receipts of \$882 billion over the 10-year budget horizon (2012 through 2021). The net increase in 2011 receipts is in large part attributable to the effect of technical revisions based on new tax reporting data, collections to date, and other information as well as to revised economic assumptions. The net increase in 2012 receipts is primarily attributable to technical revisions and revisions in the estimates of expiring provisions extended in the adjusted baseline, which increase receipts by \$51 billion and \$16 billion, respectively. These increases are partially offset by a \$19 billion reduction in receipts attributable to moving the February Budget proposals to the MSR's deficit reduction allowance. The net reduction in receipts of \$882 billion over the 10-year budget horizon is primarily due to a receipt loss of \$828 billion that results from moving the February Budget proposals to the deficit reduction allowance. The remainder of the decrease is due largely to a receipt loss of \$394 billion attributable to revisions in the economic forecast, partially offset by a receipt increase of \$283 billion attributable to technical revisions. Over the 10-year budget horizon, enacted legislation and administrative actions reduce receipts by \$8 billion and revisions in the estimates of expiring provisions extended in the February adjusted baseline increase receipts by \$64 billion.

ENACTED LEGISLATION AND ADMINISTRATIVE ACTIONS

Changes that have resulted from enacted legislation and administrative actions reduce receipts from the February Budget by \$1 billion in 2011, have a negligible effect in 2012, and reduce receipts by \$8 billion over the 10-year budget horizon. The bulk of this reduction in receipts is due to the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011, which repealed certain information reporting requirements for tax purposes and modified

the limitation on repayment of advance premium assistance credits for coverage under a qualified health plan. Other legislated tax changes and administrative actions included repeal of the Free Choice Voucher program in the Department of Defense and Full-Year Continuing Appropriations Act, and a three-month extension of the due date for filing the Federal highway use tax return.

REVISIONS IN EXPIRING PROVISIONS EXTENDED IN THE ADJUSTED BASELINE

The February adjusted baseline permanently continued the 2001 and 2003 tax cuts for middle-income taxpayers; permanently continued estate, gift, and generation-skipping transfer taxes at 2009 parameters; and reflected permanent extension of relief from the AMT. A reduction in the estimated cost of extending these expiring provisions increases receipts by \$16 billion in 2012 and \$64 billion over 10 years.¹ The lower cost of extending these provisions is due in large part to reductions in the economic forecast for wages and salaries and revisions to models of receipts, which were re-estimated using current collection experience and updated tax data for prior years.

ECONOMIC CHANGES

Revisions to the economic forecast increase receipts by \$19 billion in 2011, reduce receipts by \$2 billion in 2012, and reduce receipts in each subsequent year, for a total reduction of \$394 billion over the 10 years beginning in 2012 and running through 2021. In 2011, revisions to the economic forecast have the greatest effect on individual and corporation income taxes, increasing those sources of receipts by \$10 billion and \$7 billion, respectively. The increase in 2011 individual income tax receipts

¹ The adjusted baseline for the Mid-Session Review also includes extensions of the 2001 and 2003 tax cuts for high-income taxpayers and extension of estate tax relief at current parameters, which are more generous than the parameters in effect in 2009. The Mid-Session Review proposes to allow these provisions to expire, and therefore these provisions do not affect the Mid-Session Review policy receipt levels.

is primarily attributable to increases in the forecasts of wages and salaries and nonwage sources of personal income. Changes in the forecast of GDP and other economic measures that affect the profitability of corporations largely account for the increase in 2011 corporation income tax collections.

Over the 10-year budget horizon, revisions in the economic forecast have the greatest effect on individual income taxes and social insurance and retirement receipts, reducing collections by \$283 billion and \$173 billion, respectively. Reductions in the economic forecast for wages and salaries account for most of the downward revision in individual income tax collections over the period. Wages and salaries and proprietor's income are the tax base for Social Security and Medicare payroll taxes, the largest component of social insurance and retirement receipts. Reductions in Social Security and Medicare payroll taxes, which are the net effect of reductions in the forecast of wages and salaries and increases in the forecast of proprietor's income, account for most of the 10-year reduction in social insurance and retirement receipts.

The reductions in individual income taxes and social insurance and retirement receipts are partially offset by increases in customs duties of \$28 billion, due to increases in the forecast of imports, and increases in deposits of earnings of the Federal Reserve System of \$26 billion, due to changes in the forecast of interest rates. Revisions in the forecast of GDP and other sources of income increase other sources of receipts (corporation income

taxes, excise taxes, and estate and gift taxes) by a net \$9 billion.

TECHNICAL CHANGES

Technical revisions in the estimates increase receipts by \$122 billion in 2011, \$51 billion in 2012, and \$18 billion to \$34 billion in each subsequent year, for an increase of \$283 billion over the 10-year budget horizon. The net increase in receipts in each year is primarily due to upward re-estimates of individual income taxes, which are only partially offset by downward re-estimates of corporation income taxes and social insurance and retirement receipts. The technical revisions in both individual and corporation income taxes are in large part attributable to more recent collections data and revisions in the tax models based primarily on updated tax data for prior years. More recent taxable wage data from employer returns accounts for most of the technical revision in social insurance and retirement receipts.

PRESENTATION OF PROPOSALS

Net of legislative proposals that were enacted, the February Budget included proposals estimated to reduce receipts by \$1 billion in 2011, increase receipts by \$19 billion in 2012, and increase receipts in each subsequent year, resulting in a net increase in receipts of \$828 billion over the 10-year budget horizon. Shifting these proposals to the Mid-Session Review's deficit reduction allowance reduces receipts by an equivalent amount over the 10-year budget window but has no effect on the deficit.

Table 5. CHANGE IN RECEIPTS

(In billions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021
February Budget estimate	2,174	2,627	3,003	3,333	3,583	3,819	4,042	4,257	4,473	4,686	4,923		
Changes due to enacted legislation and administrative actions	-1	*	-1	-1	-1	-1	-1	-1	-1	-1	-1	-3	-8
Changes due to economic and technical revisions in provisions extended in the adjusted baseline	*	16	-1	5	6	7	6	6	6	7	7	32	64
Changes due to revised economic assumptions:													
Individual income taxes	10	-13	-26	-39	-37	-34	-29	-27	-28	-26	-25	-149	-283
Corporation income taxes	7	12	8	4	1	-2	-3	-2	-3	-7	-10	24	-1
Social insurance and retirement receipts ...	-1	-10	-16	-22	-23	-21	-17	-17	-17	-15	-15	-93	-173
Customs duties	1	2	3	3	3	3	3	3	3	3	3	2	14
Deposit of earnings, Federal Reserve System	2	7	8	4	2	1	1	1	1	1	1	21	26
Other	-*	*	*	*	*	1	1	2	2	2	2	1	10
Total changes due to revised economic assumptions	19	-2	-23	-50	-54	-52	-44	-41	-42	-42	-44	-181	-394
Changes due to technical re-estimates:													
Individual income taxes	123	62	30	35	36	36	35	31	29	29	34	199	356
Corporation income taxes	-11	-6	3	-1	-8	-5	-8	-8	-7	-6	-5	-17	-51
Social insurance and retirement receipts ...	9	-3	-*	-2	-4	-5	-6	-8	-7	-6	-8	-13	-48
Other	1	-3	-1	2	2	-1	*	3	6	8	9	-*	26
Total changes due to technical re-estimates	122	51	31	34	27	26	20	18	22	25	30	168	283
Changes due to moving the February Budget proposals to the deficit reduction allowance ...	1	-19	-45	-28	-97	-141	-101	-100	-88	-104	-104	-331	-828
Total change in receipts	141	46	-39	-40	-119	-162	-119	-117	-103	-115	-112	-315	-882
Mid-Session estimate	2,314	2,674	2,964	3,292	3,464	3,657	3,923	4,140	4,370	4,571	4,811		

* \$500 million or less.

EXPENDITURES

Outlays for 2011 are now estimated to be \$3.630 trillion, \$189 billion lower than the February Budget estimate, due largely to reduced appropriations in the Department of Defense and Full-Year Continuing Appropriations Act as well as slower-than-expected spending in a number of programs, including veterans benefits and the purchases of GSE preferred stock. Relative to the February Budget, total outlays have decreased by \$59 billion in 2012 and by \$832 billion over 10 years. These changes are largely the effect of the caps on future discretionary budget authority enacted in the Budget Control Act of 2011 (BCA).

POLICY CHANGES

Changes due to Enacted Legislation

Legislation enacted since the release of the February Budget has had a sizable, downward impact on outlays in 2011, decreasing spending by \$51 billion. Over the subsequent 10 years, 2012 through 2021, enacted legislation reduces outlays by \$997 billion. The largest of these changes is the enactment of the BCA.

Budget Control Act of 2011. The BCA, enacted on August 2, authorized increases in the debt ceiling and included a number of provisions that will reduce budget deficits over the next 10 years. Reflecting the caps on discretionary budget authority enacted in the BCA in the 2012 MSR reduces spending relative to the February Budget by \$740 billion over the next 10 years. Additional provisions in the BCA related to program integrity initiatives and higher education financial assistance further reduce spending since the Budget over 10 years by \$13 billion.

Full-year Appropriations for Fiscal Year 2011. The Department of Defense and Full-Year Continuing Appropriations Act, enacted in April, provided final appropriations for the Department of Defense and extended the continuing resolution funding non-defense programs to the end of 2011 at reduced levels. Relative to the February Budget, it reduced outlays by \$51 billion in the current year, and

is projected to reduce outlays by an additional \$49 billion from 2012 to 2021.

Changes in Administration Policy

The BCA also created the Joint Select Committee on Deficit Reduction, which is charged with recommending legislation by November 23, 2011 to produce an additional \$1.5 trillion in deficit reduction over the next 10 years. As a placeholder for the recommendations of the Joint Committee, the MSR includes an allowance for deficit reduction equaling the Joint Committee's \$1.5 trillion target. The Administration maintains its support for the specific mandatory and receipt proposals included in the February Budget, as shown in Summary Table S-9 of the MSR, "Mandatory and Receipt Proposals from the February Budget." The estimates for the MSR shift the presentation of these proposals, along with their associated debt service savings, into the Joint Committee allowance to assume compliance with the requirements of the BCA. Removing the February mandatory proposals and debt service from the MSR outlay totals reduces spending in the MSR relative to the February Budget by \$18 billion in 2011 but increases spending by \$171 billion over the subsequent 10 years.

The MSR also reflects the Administration's strengthened commitment to permanent, fiscally responsible reform to Medicare physician payment rates. It affirms the Administration's commitment to permanent reform by including in the adjusted baseline the expected costs of a zero percent update throughout the 10-year budget window, instead of the large cuts under current law.

ESTIMATING CHANGES

Estimating changes are due to factors other than enacted legislation or changes in policy, including changes in economic assumptions, discussed earlier in this Review, and changes in technical factors. Relative to the Budget estimate, economic and technical changes decrease estimated outlays for 2011 by \$120 bil-

lion while reducing outlays by \$6 billion from 2012 through 2021.

Discretionary appropriations. Outlays for discretionary appropriations fall by \$58 billion in 2011 and increase by \$6 billion over the next 10 years relative to the Budget as a result of technical revisions. These changes reflect lower outlays in 2011 compared to the February Budget for both security and non-security discretionary programs. The Departments of Defense, Education, Energy, and Homeland Security show significantly lower outlays in 2011 than projected in the Budget due to technical revisions. Over the next 10 years, spending for security programs rises by \$51 billion, which is offset by decreases in non-security related programs of \$45 billion from 2012 through 2021.

Refundable Tax Credits. Changes in technical assumptions increase estimated outlays for refundable tax credits by \$8 billion in 2011 and by \$133 billion over the 10-year period. Refundable tax credits are paid out as outlays when the amount of the credit exceeds a taxpayer's income tax liability; the remaining portion of the credits is recorded as reductions in tax receipts. Most of this impact is the result of changes to estimates of the premium assistance and earned income tax credits. Technical changes to the models used by Treasury to estimate these programs resulted in more low-income filers being projected to claim these credits.

Unemployment compensation. Changes in economic and technical assumptions decrease outlays for unemployment benefits by \$11 billion in 2011 and \$17 billion in 2012. Over the 10-year period of 2012 through 2021, outlays are down by \$117 billion relative to the February Budget estimate. The reduction is driven by a lower-than-expected insured unemployment rate as well as a decline in the average weekly unemployment benefit. Additional technical changes arise from a re-specification of the estimating equations used in the Department of Labor's unemployment model.

Social Security. Estimating changes reduce outlays for Social Security by \$1 billion in 2011 but increase outlays by \$112 billion over the next 10 years. Spending increases in both the Old Age and Survivors Insurance

(OASI) and Disability Insurance (DI) programs are largely due to higher cost-of-living adjustments (COLAs) starting in 2012 than were assumed in the February Budget. These economic changes are further amplified by increases in outlays due to lower projected mortality rates for persons ages 65 and older and revised estimates of the effects of the recession on disability incidence.

Medicaid. Projected Federal outlays for Medicaid decrease by \$3 billion in 2011 and by \$98 billion over 10 years relative to the February Budget estimates. The decrease stems primarily from slower-than-expected growth in benefits paid since February as well as slower projected growth in the market basket and price indices used to calculate Medicaid benefits relative to the February Budget.

Supplemental Nutrition Assistance Program (SNAP). Outlays for SNAP increase by \$62 billion over the next 10 years due to economic and technical factors. The economic changes arise from a higher participation rate than was assumed in the Budget, as well as a higher cost of food in the Thrifty Food Plan. Technical changes to the SNAP model as well as a correction for spending of two-year contingency funding that was inadvertently omitted from the February Budget also contribute to the increases.

Foreign military sales. Technical changes decrease spending related to the Foreign Military Sales Trust Fund by \$20 billion over the next 10 years. The decrease can be attributed to an overhaul of the Defense Security Cooperation Agency projection model to now include statistical methods that will reduce volatility in future projections in the sales of U.S. defense equipment and services.

Purchases of GSE preferred stock. Lower draws requested by Fannie Mae and Freddie Mac from Treasury in 2011 under the Preferred Stock Purchase Agreement, net of dividends, resulted in \$25 billion lower projected outlays than in the February Budget. The gross draws projected in February were \$47 billion. Based on these draws, \$17 billion of dividends were projected, resulting in net draws of \$30 billion. The actual gross draws paid were \$21 billion and the actual dividends were \$16 billion, resulting in actual net draws of \$5 billion.

Veterans benefits. Estimating changes reduce 2011 outlays for veterans compensation and pensions and readjustment benefits by \$10 billion relative to the Budget, but increase outlays by \$24 billion over the next 10 years. Actual experience with Agent Orange payments since February resulted in the lower outlay estimate for 2011. Part of the reduction in 2011 was for retroactive payments which are now expected to be paid in 2012. The increases beyond 2011 are also due to higher participation and average tuition costs in veterans education programs as well as higher COLAs leading to higher costs in 2012 and beyond in the veterans compensation and pension program.

Civilian and military retirement. Economic changes comprise the majority of the increase of \$21 billion over 10 years in spending relative to the Budget for civilian and military retirement. The COLA of 2.8 percent now projected for 2012, up from the 0.9 percent COLA assumed in February, led to the majority of the increases for both civilian and military retirement programs. Small COLA decreases in the period from 2013 to 2016 offset the increase somewhat, but not enough to counteract the 2012 increase and the effect of the increase on all of the ensuing years.

Medicare. Estimating changes reduce outlays for Medicare by \$4 billion in 2011 and by \$4 billion over the next 10 years, most notably

in the earlier years of the period. Medicare Part A and D both increase over the next 10 years, with this increase more than offset by reductions in Part B. The main cause of the spending increase in Part A is higher estimated payment updates for providers mainly due to lower estimated labor productivity. Part D spending increases are due to use of more recent data and refined estimates for certain populations. New population projections led to higher enrollment projections in all three programs, which also contributed to the increases for Medicare Part A and D. The reduction in Part B spending is due to a lower estimate relative to the Budget of costs related to permanently overriding the reduction in Medicare physician payments dictated by the Sustainable Growth Rate (SGR) formula.

Net interest. Excluding the debt service associated with enacted legislation and policy changes, outlays for net interest are projected to increase from February by \$10 billion in 2011, but to decrease from February by \$140 billion over the subsequent 10 years. The increase in 2011 is due primarily to higher outlays for inflated-indexed Treasury securities, driven by higher-than-expected growth in the Consumer Price Index. The reductions in subsequent years are virtually all due to the effect of lower short- and long-term Treasury interest rates over the next few years of the revised MSR economic forecast, partially offset by increased debt service due to estimating changes in receipts and outlays.

Table 6. CHANGE IN OUTLAYS

(In billions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021
February estimate	3,819	3,729	3,771	3,977	4,190	4,468	4,669	4,876	5,154	5,422	5,697		
Changes due to enacted legislation:													
Budget Control Act of 2011	*	-32	-51	-72	-75	-79	-82	-87	-89	-95	-90	-309	-753
2011 full-year appropriations	-51	-21	-6	-3	-2	-2	-2	-2	-3	-4	-4	-35	-49
Other legislation	*	-*	*	-*	-*	-*	-1	-1	-1	-1	-1	-1	-4
Debt service	-*	-*	-2	-6	-11	-16	-21	-26	-31	-36	-42	-35	-190
Subtotal, enacted legislation	-51	-53	-59	-81	-89	-97	-106	-116	-124	-136	-136	-379	-997
Changes due to reestimates:													
Discretionary appropriations:													
Security	-56	4	26	14	2	1	*	1	1	1	1	48	51
Non-security	-2	9	-4	-6	-3	-6	-6	-8	-7	-6	-7	-11	-45
Refundable tax credits	8	6	7	10	14	16	16	15	16	16	17	53	133
Unemployment compensation	-11	-17	-14	-11	-10	-10	-10	-11	-11	-11	-12	-62	-117
Social Security	-1	9	11	12	13	13	13	12	11	10	8	59	112
Medicaid	-3	-3	-3	-6	-8	-10	-10	-12	-13	-14	-19	-29	-98
Supplemental Nutrition Assistance Program	*	5	3	4	7	8	8	8	7	5	7	28	62
Foreign Military Sales Trust Fund	-*	-1	1	1	*	-1	-4	-4	-4	-4	-5	*	-20
Purchases of GSE preferred stock	-25												
Veterans benefits	-10	3	2	2	2	2	2	2	3	3	2	11	24
Civilian and military retirement	-*	2	2	2	2	2	2	2	2	2	2	10	21
Medicare	-4	-8	-6	-5	-4	-3	2	3	4	4	8	-25	-4
Other programs	-26	7	6	2	2	1	-*	-*	-*	-2	*	18	15
Net interest ¹	10	-5	-23	-29	-13	-11	-8	-9	-12	-13	-16	-81	-140
Subtotal, reestimates	-120	11	9	-8	4	2	4	-*	-4	-11	-13	18	-6
Change due to moving the February Budget proposals to the deficit reduction allowance ²	-18	-17	-27	2	18	18	21	26	33	43	55	-6	171
Total change in outlays	-189	-59	-78	-87	-67	-77	-81	-91	-95	-104	-94	-367	-832
Mid-Session estimate	3,630	3,670	3,693	3,891	4,123	4,391	4,588	4,785	5,060	5,317	5,603		

*\$500 million or less.

¹Includes debt service on all reestimates²Includes debt service.

SUMMARY TABLES

Table S-1. BUDGET TOTALS
(In billions of dollars and as a percent of GDP)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals	
													2012–2016	2012–2021
Budget Totals in Billions of Dollars:														
Receipts	2,163	2,314	2,674	2,964	3,292	3,464	3,657	3,923	4,140	4,370	4,571	4,811	16,050	37,865
Outlays	3,456	3,630	3,670	3,693	3,891	4,123	4,391	4,588	4,785	5,060	5,317	5,603	19,767	45,120
Allowance for Joint Committee deficit reduction target			-40	-81	-125	-138	-151	-165	-178	-192	-206	-223	-536	-1,500
Deficit	1,293	1,316	956	648	473	521	583	501	467	498	540	568	3,181	5,755
Debt held by the public	9,019	10,264	11,307	12,126	12,749	13,411	14,121	14,726	15,288	15,869	16,489	17,137		
Debt net of financial assets	7,894	9,194	10,130	10,769	11,242	11,762	12,345	12,845	13,312	13,810	14,350	14,918		
Gross domestic product (GDP)	14,360	14,966	15,673	16,490	17,426	18,423	19,435	20,453	21,404	22,339	23,310	24,322		
Budget Totals as a Percent of GDP:														
Receipts	15.1%	15.5%	17.1%	18.0%	18.9%	18.8%	18.8%	19.2%	19.3%	19.6%	19.6%	19.8%	18.3%	18.9%
Outlays	24.1%	24.3%	23.4%	22.4%	22.3%	22.4%	22.6%	22.4%	22.4%	22.7%	22.8%	23.0%	22.6%	22.6%
Allowance for Joint Committee deficit reduction target			-0.3%	-0.5%	-0.7%	-0.8%	-0.8%	-0.8%	-0.8%	-0.9%	-0.9%	-0.9%	-0.6%	-0.7%
Deficit	9.0%	8.8%	6.1%	3.9%	2.7%	2.8%	3.0%	2.4%	2.2%	2.2%	2.3%	2.3%	3.7%	3.0%
Debt held by the public	62.8%	68.6%	72.1%	73.5%	73.2%	72.8%	72.7%	72.0%	71.4%	71.0%	70.7%	70.5%		
Debt net of financial assets	55.0%	61.4%	64.6%	65.3%	64.5%	63.8%	63.5%	62.8%	62.2%	61.8%	61.6%	61.3%		

Table S-2. EFFECT OF BUDGET PROPOSALS ON PROJECTED DEFICITS

(Deficit increases (+) or decreases (-) in billions of dollars)

	Totals												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021
Projected deficits in the adjusted baseline¹	1,316	1,033	855	772	868	972	928	930	998	1,079	1,151	4,500	9,586
Percent of GDP	8.8%	6.6%	5.2%	4.4%	4.7%	5.0%	4.5%	4.3%	4.5%	4.6%	4.7%	5.2%	4.9%
Deficit reduction proposals:													
Joint Committee deficit reduction target:													
Programmatic changes			-40	-120	-126	-132	-138	-144	-150	-155	-163	-498	-1,247
Debt service			*	-1	-12	-19	-27	-34	-42	-51	-60	-38	-253
Total, Joint Committee deficit reduction target			-40	-125	-138	-151	-165	-178	-192	-206	-223	-536	-1,500
Overseas contingency operations (OCO):													
Reductions in OCO funding			-24	-78	-115	-120	-123	-126	-129	-132	-135	-439	-1,084
Debt service			*	-1	-11	-17	-24	-30	-37	-45	-53	-33	-221
Total, overseas contingency operations			-24	-79	-126	-136	-146	-156	-166	-177	-188	-472	-1,305
Expiration of high-income tax cuts:													
Restore high-income tax rates to current law			-13	-47	-67	-79	-88	-94	-100	-106	-112	-260	-760
Return estate tax relief to 2009 parameters			*	*	-10	-11	-13	-14	-15	-16	-18	-31	-106
Debt service			*	-1	-7	-11	-16	-21	-27	-34	-41	-21	-160
Total, expiration of high-income tax cuts			-13	-47	-84	-101	-117	-129	-142	-156	-171	-311	-1,026
Total deficit reduction			-76	-299	-347	-389	-428	-463	-500	-539	-582	-1,319	-3,831
Resulting deficits in 2012 Mid-Session Review	1,316	956	648	473	521	583	501	467	498	540	568	3,181	5,755
Percent of GDP	8.8%	6.1%	3.9%	2.7%	2.8%	3.0%	2.4%	2.2%	2.2%	2.3%	2.3%	3.7%	3.0%
Memorandum:													
Resulting deficit levels if high-income tax cuts are not allowed to expire	1,316	969	695	539	604	684	617	596	640	696	740	3,492	6,781
Percent of GDP	8.8%	6.2%	4.2%	3.1%	3.3%	3.5%	3.0%	2.8%	2.9%	3.0%	3.0%	4.1%	3.5%

* \$500 million or less.

¹See Tables S-3 and S-7 for information on the adjusted baseline.

Table S-3. ADJUSTED BASELINE BY CATEGORY¹
(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals	
													2012–2016	2012–2021
Outlays:														
Appropriated (“discretionary”) programs: ²														
Security	816	835	883	883	874	875	887	903	922	942	962	982	4,402	9,114
Non-security	490	477	440	394	384	387	389	394	401	410	419	427	1,993	4,044
Subtotal, appropriated programs	1,306	1,312	1,324	1,277	1,258	1,262	1,276	1,297	1,323	1,352	1,381	1,410	6,396	13,158
Mandatory programs:														
Social Security	701	726	768	813	858	907	959	1,015	1,074	1,138	1,206	1,278	4,305	10,015
Medicare	446	484	478	524	554	580	631	654	678	738	794	852	2,766	6,482
Medicaid	273	273	266	285	348	386	421	451	480	514	547	586	1,705	4,284
Troubled Asset Relief Program (TARP) ³	-110	-38	17	12	6	5	2	1	*	*	*	.....	42	43
Other mandatory programs	644	657	602	559	579	616	668	671	674	713	737	779	3,024	6,598
Subtotal, mandatory programs	1,954	2,102	2,132	2,192	2,344	2,493	2,681	2,791	2,907	3,103	3,284	3,495	11,843	27,422
Net interest	196	216	235	297	391	491	572	653	722	789	853	917	1,986	5,920
Adjustments to reflect possible emergencies ⁴ .....	.....	1	3	7	8	9	9	10	10	10	10	10	36	86
Total outlays	3,456	3,630	3,694	3,773	4,001	4,255	4,538	4,750	4,963	5,253	5,528	5,831	20,260	46,585
Receipts:														
Individual income taxes	899	1,089	1,196	1,294	1,437	1,566	1,694	1,822	1,945	2,064	2,185	2,307	7,187	17,511
Corporation income taxes	191	194	333	408	481	429	396	451	455	467	466	487	2,045	4,372
Social insurance and retirement receipts:														
Social Security payroll taxes	632	564	651	721	762	804	861	908	958	1,007	1,051	1,104	3,800	8,827
Medicare payroll taxes	180	188	200	215	232	246	264	279	294	309	323	340	1,156	2,700
Unemployment insurance	45	55	55	59	62	64	65	61	59	61	60	61	305	608
Other retirement	8	8	8	8	8	9	9	9	9	9	10	10	43	89
Excise taxes	67	70	79	87	97	102	104	108	115	128	134	140	469	1,094
Estate and gift taxes	19	7	12	13	15	16	17	18	19	21	22	23	73	176
Customs duties	25	30	34	37	39	42	43	46	48	51	53	55	195	448
Deposits of earnings, Federal Reserve System	76	86	73	55	44	40	39	43	47	50	53	54	252	499
Other miscellaneous receipts	21	22	19	19	52	69	74	78	82	87	93	99	235	674
Total receipts	2,163	2,314	2,661	2,918	3,229	3,387	3,566	3,822	4,032	4,255	4,449	4,681	15,760	36,999
Deficit	1,293	1,316	1,033	855	772	868	972	928	930	998	1,079	1,151	4,500	9,586
Net interest	196	216	235	297	391	491	572	653	722	789	853	917	1,986	5,920
Primary deficit	1,097	1,100	798	557	381	378	400	275	208	209	225	234	2,514	3,666
On-budget deficit	1,370	1,377	1,098	918	836	932	1,050	1,008	1,012	1,076	1,144	1,208	4,834	10,282
Off-budget surplus (-)	-77	-62	-65	-63	-63	-64	-78	-79	-82	-78	-65	-57	-334	-695

Table S-3. ADJUSTED BASELINE BY CATEGORY—Continued

(In billions of dollars)

												Totals		
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012– 2016	2012– 2021
Memorandum, budget authority for appropriated programs:²														
Security	857	847	845	850	865	881	897	917	936	956	976	997	4,338	9,119
Non-security	401	370	360	362	369	377	384	392	401	410	419	428	1,852	3,901
Total, appropriated funding	1,258	1,218	1,205	1,212	1,234	1,257	1,281	1,308	1,337	1,366	1,395	1,425	6,190	13,021

* \$500 million or less.

¹See Table S-7 for information on adjustments to the Budget Enforcement Act (BEA) baseline.²Discretionary spending levels other than overseas contingency operations reflect the budget authority caps under the Budget Control Act of 2011. The split of discretionary spending between security and non-security after 2013 is based on increasing budget authority in each category by the growth rate in the aggregate discretionary cap.³Outlays for TARP in 2011 and subsequent years result from obligations incurred through October 3, 2010 for the Home Affordable Modification Program and other TARP programs.⁴These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

Table S-4. PROPOSED BUDGET BY CATEGORY

(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals		
													2012-2016	2012-2021	
Outlays:															
Appropriated ("discretionary") programs: ¹															
Security	816	835	860	805	771	761	768	781	797	813	830	847	3,964	8,031	
Non-security	490	477	440	394	384	387	388	393	401	410	419	427	1,993	4,043	
Subtotal, appropriated programs	1,306	1,312	1,300	1,199	1,155	1,147	1,156	1,174	1,198	1,223	1,248	1,274	5,957	12,074	
Mandatory programs:															
Social Security	701	726	768	813	858	907	959	1,015	1,074	1,138	1,206	1,278	4,305	10,015	
Medicare	446	484	478	524	554	580	631	654	678	738	794	852	2,766	6,482	
Medicaid	273	273	266	285	348	386	421	451	480	514	547	586	1,705	4,284	
Troubled Asset Relief Program (TARP) ²	-110	-38	17	12	6	5	2	1	*	*	*	.....	42	43
Other mandatory programs	644	657	602	559	579	616	668	671	674	713	737	779	3,024	6,598	
Subtotal, mandatory programs	1,954	2,102	2,132	2,192	2,344	2,493	2,681	2,791	2,907	3,103	3,284	3,495	11,843	27,422	
Net interest	196	216	235	296	384	473	545	613	671	724	775	824	1,932	5,539	
Adjustments to reflect possible emergencies ³ .....	.....	1	3	7	8	9	9	10	10	10	10	10	36	86
Total outlays	3,456	3,630	3,670	3,693	3,891	4,123	4,391	4,588	4,785	5,060	5,317	5,603	19,767	45,120	
Receipts:															
Individual income taxes	899	1,089	1,209	1,341	1,491	1,633	1,773	1,910	2,039	2,164	2,291	2,420	7,447	18,271	
Corporation income taxes	191	194	333	408	481	429	396	451	455	467	466	487	2,045	4,372	
Social insurance and retirement receipts:															
Social Security payroll taxes	632	564	651	721	762	804	861	908	958	1,007	1,051	1,104	3,800	8,827	
Medicare payroll taxes	180	188	200	215	232	246	264	279	294	309	323	340	1,156	2,700	
Unemployment insurance	45	55	55	59	62	64	65	61	59	61	60	61	305	608	
Other retirement	8	8	8	8	8	9	9	9	9	9	10	10	43	89	
Excise taxes	67	70	79	87	97	102	104	108	115	128	134	140	469	1,094	
Estate and gift taxes	19	7	12	13	24	26	28	31	33	36	38	41	104	282	
Customs duties	25	30	34	37	39	42	43	46	48	51	53	55	195	448	
Deposits of earnings, Federal Reserve System	76	86	73	55	44	40	39	43	47	50	53	54	252	499	
Other miscellaneous receipts	21	22	19	19	52	69	74	78	82	87	93	99	235	674	
Total receipts	2,163	2,314	2,674	2,964	3,292	3,464	3,657	3,923	4,140	4,370	4,571	4,811	16,050	37,865	
Allowance for Joint Committee deficit reduction target⁴ .....	.....	.....	-40	-81	-125	-138	-151	-165	-178	-192	-206	-223	-536	-1,500
Deficit	1,293	1,316	956	648	473	521	583	501	467	498	540	568	3,181	5,755	
Net interest ⁴	196	216	234	295	378	461	525	587	636	682	724	763	1,893	5,286	
Primary deficit/surplus (-)	1,097	1,100	722	353	95	60	58	-86	-169	-184	-184	-195	1,287	469	

Table S-4. PROPOSED BUDGET BY CATEGORY—Continued

(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals		
													2012– 2016	2012– 2021	
On-budget deficit	1,370	1,377	1,020	710	536	585	661	580	549	576	606	625	625	3,513	6,449
Off-budget surplus (-)	-77	-62	-64	-63	-63	-64	-78	-79	-82	-78	-66	-57	-57	-332	-694
Memorandum, budget authority for appropriated programs:¹															
Security	857	847	811	736	748	761	775	791	807	824	841	858	858	3,831	7,952
Non-security	401	370	360	362	369	376	384	392	401	410	419	428	428	1,851	3,900
Total, appropriated funding	1,258	1,218	1,170	1,098	1,117	1,137	1,159	1,183	1,208	1,234	1,260	1,286	1,286	5,682	11,852

* \$500 million or less.

¹Discretionary spending levels other than overseas contingency operations reflect the budget authority caps under the Budget Control Act of 2011. The split of discretionary spending between security and non-security after 2013 is based on increasing budget authority in each category by the growth rate in the aggregate discretionary cap.

²Outlays for TARP in 2011 and subsequent years result from obligations incurred through October 3, 2010 for the Home Affordable Modification Program and other TARP programs.

³These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

⁴Includes debt service on Joint Committee proposals.

Table S-5. PROPOSED BUDGET BY CATEGORY AS A PERCENT OF GDP
(As a percent of GDP)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Averages	
													2012–2016	2012–2021
Outlays:														
Appropriated (“discretionary”) programs: ¹														
Security	5.7	5.6	5.5	4.9	4.4	4.1	4.0	3.8	3.7	3.6	3.6	3.5	4.6	4.1
Non-security	3.4	3.2	2.8	2.4	2.2	2.1	2.0	1.9	1.9	1.8	1.8	1.8	2.3	2.1
Subtotal, appropriated programs	9.1	8.8	8.3	7.3	6.6	6.2	5.9	5.7	5.6	5.5	5.4	5.2	6.9	6.2
Mandatory programs:														
Social Security	4.9	4.8	4.9	4.9	4.9	4.9	4.9	5.0	5.0	5.1	5.2	5.3	4.9	5.0
Medicare	3.1	3.2	3.1	3.2	3.2	3.1	3.2	3.2	3.2	3.3	3.4	3.5	3.2	3.2
Medicaid	1.9	1.8	1.7	1.7	2.0	2.1	2.2	2.2	2.2	2.3	2.3	2.4	1.9	2.1
Troubled Asset Relief Program (TARP) ²	-0.8	-0.3	0.1	0.1	*	*	*	*	*	*	*	.....	0.1	*
Other mandatory programs	4.5	4.4	3.8	3.4	3.3	3.3	3.4	3.3	3.1	3.2	3.2	3.2	3.5	3.3
Subtotal, mandatory programs	13.6	14.0	13.6	13.3	13.5	13.5	13.8	13.6	13.6	13.9	14.1	14.4	13.5	13.7
Net interest	1.4	1.4	1.5	1.8	2.2	2.6	2.8	3.0	3.1	3.2	3.3	3.4	2.2	2.7
Adjustments to reflect possible emergencies ³ .....	.....	*	*	*	*	*	*	*	*	*	*	*	*	*
Total outlays	24.1	24.3	23.4	22.4	22.3	22.4	22.6	22.4	22.4	22.7	22.8	23.0	22.6	22.6
Receipts:														
Individual income taxes	6.3	7.3	7.7	8.1	8.6	8.9	9.1	9.3	9.5	9.7	9.8	9.9	8.5	9.1
Corporation income taxes	1.3	1.3	2.1	2.5	2.8	2.3	2.0	2.2	2.1	2.1	2.0	2.0	2.3	2.2
Social insurance and retirement receipts:														
Social Security payroll taxes	4.4	3.8	4.2	4.4	4.4	4.4	4.4	4.4	4.5	4.5	4.5	4.5	4.3	4.4
Medicare payroll taxes	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3
Unemployment insurance	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other retirement	0.1	0.1	0.1	0.1	*	*	*	*	*	*	*	*	*	*
Excise taxes	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.5
Estate and gift taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Customs duties	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Deposits of earnings, Federal Reserve System	0.5	0.6	0.5	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Other miscellaneous receipts	0.1	0.1	0.1	0.1	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Total receipts	15.1	15.5	17.1	18.0	18.9	18.8	18.8	19.2	19.3	19.6	19.6	19.8	18.3	18.9
Allowance for Joint Committee deficit reduction target ⁴ .....	.....	.....	-0.3	-0.5	-0.7	-0.8	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9	-0.6	-0.7
Deficit	9.0	8.8	6.1	3.9	2.7	2.8	3.0	2.4	2.2	2.2	2.3	2.3	3.7	3.0
Net interest ⁴	1.4	1.4	1.5	1.8	2.2	2.5	2.7	2.9	3.0	3.1	3.1	3.1	2.1	2.6
Primary deficit/surplus (-)	7.6	7.4	4.6	2.1	0.5	0.3	0.3	-0.4	-0.8	-0.8	-0.8	-0.8	1.6	0.4
On-budget deficit	9.5	9.2	6.5	4.3	3.1	3.2	3.4	2.8	2.6	2.6	2.6	2.6	4.1	3.4
Off-budget surplus (-)	-0.5	-0.4	-0.4	-0.4	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4	-0.3	-0.2	-0.4	-0.4

Table S-5. PROPOSED BUDGET BY CATEGORY AS A PERCENT OF GDP—Continued
(As a percent of GDP)

	Averages													
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Memorandum, budget authority for appropriated programs:¹														
Security	6.0	5.7	5.2	4.5	4.3	4.1	4.0	3.9	3.8	3.7	3.6	3.5	4.4	4.1
Non-security	2.8	2.5	2.3	2.2	2.1	2.0	2.0	1.9	1.9	1.8	1.8	1.8	2.1	2.0
Subtotal, appropriated programs	8.8	8.1	7.5	6.7	6.4	6.2	6.0	5.8	5.6	5.5	5.4	5.3	6.5	6.0

*0.05 percent of GDP or less.

¹ Discretionary spending levels other than overseas contingency operations reflect the budget authority caps under the Budget Control Act of 2011. The split of discretionary spending between security and non-security after 2013 is based on increasing budget authority in each category by the growth rate in the aggregate discretionary cap.

² Outlays for TARP in 2011 and subsequent years result from obligations incurred through October 3, 2010 for the Home Affordable Modification Program and other TARP programs.

³ These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

⁴ Includes debt service on Joint Committee proposals.

Table S-6. PROPOSED BUDGET IN POPULATION- AND INFLATION-ADJUSTED DOLLARS

(In billions of constant dollars, adjusted for population growth)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Outlays:										
Appropriated ("discretionary") programs: ¹										
Security	860	782	728	697	683	673	667	660	654	647
Non-security	440	383	362	354	345	339	336	333	330	327
Subtotal, appropriated programs	1,300	1,165	1,090	1,051	1,028	1,013	1,002	993	983	974
Mandatory programs:										
Social Security	768	790	810	831	853	875	899	924	950	976
Medicare	478	509	523	531	561	564	568	599	625	651
Medicaid	266	277	328	353	374	389	402	417	431	448
Troubled Asset Relief Program (TARP) ²	17	11	6	4	2	1	*	*	*	.....
Other mandatory programs	602	543	546	565	594	578	564	579	581	595
Subtotal, mandatory programs	2,132	2,130	2,213	2,285	2,384	2,407	2,433	2,519	2,587	2,671
Net interest	235	287	362	434	484	529	561	588	610	630
Adjustments to reflect possible emergencies ³	3	7	8	8	8	8	8	8	8	8
Total outlays	3,670	3,589	3,673	3,777	3,905	3,958	4,005	4,108	4,188	4,282
Receipts:										
Individual income taxes	1,209	1,303	1,408	1,496	1,577	1,647	1,706	1,757	1,805	1,850
Corporation income taxes	333	396	454	393	352	389	381	379	367	372
Social insurance and retirement receipts:										
Social Security payroll taxes	651	701	719	737	766	783	802	817	828	844
Medicare payroll taxes	200	209	219	225	234	240	246	251	254	260
Unemployment insurance	55	58	59	58	58	53	49	50	47	47
Other retirement	8	8	8	8	8	8	8	8	7	8
Excise taxes	79	85	92	94	92	94	96	104	105	107
Estate and gift taxes	12	13	22	24	25	27	28	29	30	31
Customs duties	34	36	37	38	39	39	40	41	42	42
Deposits of earnings, Federal Reserve System	73	54	41	37	35	37	39	41	42	41
Other miscellaneous receipts	19	19	49	63	66	67	68	71	73	76
Total receipts	2,674	2,880	3,108	3,173	3,252	3,384	3,465	3,548	3,601	3,677
Allowance for Joint Committee deficit reduction target⁴	-40	-79	-118	-127	-134	-142	-149	-156	-162	-171
Deficit	956	629	447	477	518	432	391	404	425	434
Net interest ⁴	234	286	357	422	467	506	533	554	570	584
Primary deficit/surplus (-)	722	343	90	55	51	-74	-141	-149	-145	-149
On-budget deficit	1,020	690	506	536	588	500	460	468	477	478
Off-budget surplus (-)	-64	-61	-59	-59	-69	-69	-69	-64	-52	-44

Table S-6. PROPOSED BUDGET IN POPULATION- AND INFLATION-ADJUSTED DOLLARS—Continued
(In billions of constant dollars, adjusted for population growth)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Memorandum, budget authority for appropriated programs:¹										
Security	811	715	706	697	689	682	675	669	662	656
Non-security	360	352	349	345	341	338	335	333	330	327
Subtotal, appropriated programs	1,170	1,067	1,055	1,042	1,030	1,020	1,011	1,002	992	983
Memorandum, index of population growth and inflation	1.00	1.03	1.06	1.09	1.12	1.16	1.19	1.23	1.27	1.31

* \$500 million or less.

¹ Discretionary spending levels other than overseas contingency operations reflect the budget authority caps under the Budget Control Act of 2011. The split of discretionary spending between security and non-security after 2013 is based on increasing budget authority in each category by the growth rate in the aggregate discretionary cap.

² Outlays for TARP in 2011 and subsequent years result from obligations incurred through October 3, 2010 for the Home Affordable Modification Program and other TARP programs.

³ These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

⁴ Includes debt service on Joint Committee proposals.

Table S-7. BRIDGE FROM BUDGET ENFORCEMENT ACT BASELINE TO ADJUSTED BASELINE

(Deficit increases (+) or decreases (-) in billions of dollars)

	Totals													
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
BEA baseline deficit	1,293	1,314	1,011	654	475	526	585	493	449	468	495	510	3,251	5,666
Adjustments for current policy:														
Index to inflation the 2011 parameters of the AMT			18	110	106	121	139	159	180	202	227	252	494	1,513
Continue the 2001 and 2003 tax cuts			14	113	191	206	221	232	238	245	252	260	744	1,971
Extend estate, gift, and generation-skipping transfer taxes at current parameters		1	2	4	33	37	41	45	49	53	57	60	118	382
Prevent reduction in Medicare physician payments			13	22	23	25	28	30	33	36	40	43	111	293
Reflect incremental cost of funding existing Pell maximum grant award			-*	-*	3	8	8	7	6	6	6	6	18	50
Subtotal	1	46	249	356	397	436	473	506	542	581	622	622	1,485	4,210
Adjustments for provisions contained in the Budget Control Act:														
Set discretionary budget authority at cap levels														
Make disaster relief cap adjustments ¹			-27	-54	-74	-87	-97	-104	-112	-120	-128	-138	-339	-942
Make program integrity adjustments														
Subtotal			-1	-3	-4	-4	-6	-6	-7	-8	-9	-9	-17	-56
Adjustment to reflect costs of possible emergencies²			-27	-57	-78	-92	-102	-110	-119	-128	-137	-147	-356	-997
		*	3	7	8	9	9	10	10	10	10	10	36	86
Reclassify surface transportation outlays:														
Remove outlays from appropriated category	-41	-46	-54	-50	-59	-60	-60	-61	-64	-65	-66	-67	-282	-606
Add outlays to mandatory category	41	46	54	50	59	60	60	61	64	65	66	67	282	606
Subtotal														
Total program adjustments		2	22	199	286	314	343	372	398	425	454	484	1,165	3,298
Debt service on adjustments		*	*	2	11	27	44	63	84	105	130	156	84	623
Total adjustments		2	22	201	297	342	387	435	481	530	584	640	1,249	3,921
Adjusted baseline deficit	1,293	1,316	1,033	855	772	868	972	928	930	998	1,079	1,151	4,500	9,586

*\$500 million or less.

¹OMB is in the process of developing its estimate of the 10-year average calculation for disaster relief pursuant to section 251(b)(2)(D) of the BCA. OMB's estimate of the maximum adjustment for 2012 will be transmitted to the Congress when OMB submits its report in compliance with section 251(b)(2)(D)(ii) of the BCA.

²These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

Table S-8. CHANGE IN THE ADJUSTED BASELINE FROM BUDGET TO MSR

(In billions of dollars)

	Totals												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
February deficits in the adjusted baseline	1,597	1,090	846	770	841	938	890	891	960	1,045	1,116		
Percent of GDP	10.6%	6.9%	5.1%	4.3%	4.5%	4.7%	4.3%	4.1%	4.2%	4.4%	4.5%		
Conceptual changes in the baseline:													
Extend expiring high-income tax cuts and current estate tax relief	*	13	47	63	77	91	101	108	115	122	130	290	866
Extend expiring Medicare physician payment relief	13	22	23	25	28	30	33	36	40	43	111	293
Debt service	*	*	1	4	10	15	22	29	37	45	55	30	218
Subtotal, conceptual changes	*	26	69	91	112	134	153	169	187	207	228	432	1,377
Revisions due to enacted legislation:													
Budget Control Act	-26	-50	-78	-97	-108	-116	-124	-133	-143	-153	-359	-1,028
2011 full-year appropriations	-20	-37	-38	-36	-32	-33	-34	-36	-38	-38	-175	-357
Other legislative changes	1	-*	2	2	1	1	1	1	1	1	6	12
Debt service	-*	-*	-2	-7	-14	-21	-29	-38	-47	-56	-44	-281
Subtotal, enacted legislation	-19	-63	-89	-119	-141	-161	-178	-196	-215	-235	-257	-1,654
Revisions due to updated economic assumptions:													
Receipts	-19	2	23	50	54	52	44	41	42	44	181	394
Mandatory outlays	-*	14	17	20	21	22	21	21	22	26	96	209
Net interest	12	-2	-14	-15	2	9	15	19	23	27	30	93
Subtotal, economic revisions	-7	14	27	55	78	83	81	86	91	100	257	696
Revisions due to updated technical assumptions:													
Receipts	-123	-67	-30	-39	-33	-32	-27	-24	-28	-32	-37	-347
Discretionary outlays:													
Security	-56	16	30	18	12	13	15	18	21	24	27	89
Non-security	-3	26	12	9	8	8	8	7	7	7	63	99
Mandatory outlays:													
Refundable tax credits	8	6	8	11	15	16	16	16	17	18	56	139
Unemployment compensation	-11	-15	-13	-12	-11	-11	-10	-9	-10	-11	-62	-112
Social Security	-2	-2	-2	-2	-1	*	1	1	1	2	-7	-2
Medicaid	-3	-3	-3	-5	-7	-8	-9	-10	-12	-13	-25	-87
Medicare	-4	-4	-1	-*	*	1	3	5	6	8	-4	24
Supplemental Nutrition Assistance Program	*	5	4	3	5	5	5	4	3	1	-*	22
Purchases of GSE preferred stock	-25	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Veterans benefits	-10	3	1	1	1	1	2	2	2	2	7	17
Other	-24	8	7	2	1	-1	-5	-6	-8	-6	18	-13

Table S-8. CHANGE IN THE ADJUSTED BASELINE FROM BUDGET TO MSR—Continued

(In billions of dollars)

	Totals												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2021	
Net interest	-2	-3	-9	-13	-12	-15	-15	-18	-22	-25	-29	-52	-161
Costs of possible emergencies	-2	-3	-1	-*	-*	-*	-*	.....	.....	.....	.....	-6	-6
Subtotal, technical revisions	-255	-35	1	-25	-21	-22	-16	-15	-20	-29	-37	-102	-220
Total changes since February	-281	-58	8	2	27	34	39	40	38	34	35	14	199
MSR deficits in the adjusted baseline ...	1,316	1,033	855	772	868	972	928	930	998	1,079	1,151		
Percent of GDP	8.8%	6.6%	5.2%	4.4%	4.7%	5.0%	4.5%	4.3%	4.5%	4.6%	4.7%		
Memorandum:													
February funding ("budgetary resources") for appropriated programs	1,231	1,287	1,307	1,337	1,366	1,396	1,428	1,461	1,496	1,532	1,569		
Change in funding:													
Security	-2	-19	-33	-37	-41	-45	-47	-50	-53	-56	-60	-175	-441
Non-security	-11	-63	-62	-65	-67	-70	-72	-75	-77	-81	-85	-328	-717
Total change in funding	-13	-82	-95	-103	-108	-115	-119	-125	-130	-137	-145	-503	-1,158
MSR funding for appropriated programs	1,218	1,205	1,212	1,234	1,257	1,281	1,308	1,337	1,366	1,395	1,425		

*\$500 million or less.

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET

(Deficit: increases (+) or decreases (-) in millions of dollars)

	Totals													
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021	
Tax Provisions:														
Tax Cuts for Families and Individuals:														
Extend earned income tax credit for larger families ¹			81	1,422	1,442	1,469	1,509	1,544	1,579	1,610	1,657	4,414	12,313	
Expand child and dependent care tax credit ¹		283	1,043	1,045	1,042	1,039	1,035	1,036	1,033	1,028	1,021	4,452	9,605	
Provide for automatic enrollment in IRAs, including employer tax credit, and double the tax credit for small employer plan startup costs ¹			638	1,043	1,100	1,240	1,448	1,704	2,015	2,381	2,809	4,021	14,378	
Extend American opportunity tax credit ¹			650	10,772	10,832	11,552	11,533	11,364	12,111	12,117	12,665	33,806	93,596	
Provide exclusion from income for student loan forgiveness.....														
Tax qualified dividends and net long-term capital gains at a 20-percent rate for upper-income taxpayers.....		7,868	9,582	5,405	9,416	12,964	14,688	15,119	15,586	16,158	16,885	45,235	123,671	
Total, tax cuts for families and individuals.....		8,151	11,994	19,687	23,832	28,264	30,213	30,767	32,324	33,294	35,037	91,928	253,563	
Tax Cuts for Businesses:														
Eliminate capital gains taxation on investments in small business stock.....							183	566	1,055	1,587	2,026		5,417	
Enhance and make permanent the research and experimentation tax credit.....		4,610	8,063	8,884	9,708	10,520	11,318	12,103	12,887	13,686	14,499	41,785	106,278	
Provide additional tax credits for investment in qualified property used in a qualified advanced energy manufacturing project....			284	731	1,089	1,138	578	120	-73	-115	-64	-27	3,661	
Provide tax credit for energy efficient commercial building property expenditures in place of existing tax deduction.....		450	425	100	25	25							1,025	
Total, tax cuts for businesses.....		5,344	9,219	10,073	10,871	11,123	11,621	12,596	13,827	15,209	16,498	46,630	116,381	
Incentives to promote regional growth:														
Extend and modify the New Markets tax credit.....	41	62	116	183	234	263	272	264	243	170	63	858	1,870	
Reform and extend Build America bonds ¹	1	2	2	2	4	3	3	3	3	3	3	13	28	
Reform and expand the Low-Income Housing Tax Credit (LIHTC).....	1	5	16	32	52	71	94	116	139	162	185	176	872	
Designate Growth Zones ¹		279	863	860	839	815	186	-383	-374	-329	-273	3,656	2,483	
Total, incentives to promote regional growth.....	43	348	997	1,077	1,129	1,152	555		11	6	-22	4,703	5,253	
Continue certain expiring provisions through calendar year 2012¹:														
Pay for Three Years of AMT Relief: Reduce the value of certain tax expenditures.....	866	9,959	10,459	734	372	158	61	95	122	169	192	21,682	22,321	
					-29,766	-32,696	-35,699	-38,644	-41,496	-44,388	-47,180	-113,884	-321,291	
					-6,008	-18,996	-26,418	-29,766	-32,696	-35,699	-38,644	-41,496	-44,388	-47,180
					-26,418	-29,766	-32,696	-35,699	-38,644	-41,496	-44,388	-47,180	-113,884	-321,291

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET—Continued
(Deficit increases (+) or decreases (-) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals	
												2012-2016	2012-2021
Other Revenue Changes and Loophole Closers:													
Reform treatment of financial institutions and products:													
Impose a financial crisis responsibility fee.....			-1,000	-3,000	-3,000	-3,000	-4,000	-4,000	-4,000	-4,000	-4,000	-10,000	-30,000
Require accrual of income on forward sale of corporate stock.....	-1	-6	-12	-19	-26	-33	-36	-38	-40	-42	-44	-96	-296
Require ordinary treatment of income from day-to-day dealer activities for certain dealers of equity options and commodities	-35	-144	-226	-240	-254	-270	-286	-303	-321	-341	-361	-1,134	-2,746
Modify the definition of "control" for purposes of section 249 of the Internal Revenue Code.....		-9	-15	-16	-17	-17	-18	-19	-20	-21	-22	-74	-174
Total, reform treatment of financial institutions and products.....	-36	-159	-1,253	-3,275	-3,297	-3,320	-4,340	-4,360	-4,381	-4,404	-4,427	-11,304	-33,216
Reinstate Superfund taxes.....		-1,374	-1,926	-2,038	-2,093	-2,144	-2,185	-2,212	-2,246	-2,272	-2,329	-9,575	-20,819
Increase Oil Spill Liability Trust Fund financing rate by one cent.....		-35	-46	-46	-46	-46	-46	-46	-47	-46	-47	-219	-451
Make unemployment insurance surtax permanent.....		-1,375	-1,413	-1,449	-1,477	-1,503	-1,526	-1,543	-1,558	-1,577	-1,594	-7,217	-15,015
Repeal LIFO method of accounting for inventories.....			-2,598	-5,649	-6,484	-6,457	-6,435	-6,387	-6,337	-6,293	-6,240	-21,188	-52,880
Repeal gain limitation for dividends received in reorganization exchanges.....		-47	-79	-81	-84	-86	-89	-92	-94	-97	-100	-377	-849
Reform U.S. international tax system:													
Defer deduction of interest expense related to deferred income.....		-2,986	-5,138	-5,396	-5,636	-5,861	-6,080	-3,114	-1,103	-1,149	-1,202	-25,017	-37,665
Determine the foreign tax credit on a pooling basis.....		-2,655	-4,568	-4,798	-5,011	-5,211	-5,406	-5,601	-5,810	-6,051	-6,333	-22,243	-51,444
Tax currently excess returns associated with transfers of intangibles offshore.....		-1,204	-2,038	-2,114	-2,212	-2,280	-2,290	-2,231	-2,158	-2,138	-2,166	-9,848	-20,831
Limit shifting of income through intangible property transfers.....		-29	-63	-90	-118	-148	-178	-209	-242	-276	-315	-448	-1,668
Disallow the deduction for excess non-taxed reinsurance premiums paid to affiliates....		-129	-223	-237	-250	-264	-277	-289	-302	-315	-328	-1,103	-2,614
Limit earnings stripping by expatriated entities.....		-212	-364	-382	-401	-421	-442	-464	-487	-512	-537	-1,780	-4,222
Modify tax rules for dual capacity taxpayers		-532	-918	-974	-1,031	-1,085	-1,138	-1,190	-1,242	-1,296	-1,352	-4,540	-10,758
Total, reform U.S. international tax system.....		-7,747	-13,312	-13,991	-14,659	-15,270	-15,811	-13,098	-11,344	-11,737	-12,233	-64,979	-129,202

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET—Continued

(Deficit increases (+) or decreases (-) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals		
												2012–2016	2012–2021	
Reform treatment of insurance companies and products:														
Modify rules that apply to sales of life insurance contracts.....		-8	-42	-82	-97	-115	-134	-154	-177	-203	-231	-344	-1,243	
Modify dividends-received deduction for life insurance company separate accounts		-172	-465	-547	-579	-605	-607	-585	-555	-528	-503	-2,368	-5,146	
Expand pro-rata interest expense disallowance for corporate-owned life insurance (COLI)		-21	-71	-181	-273	-433	-652	-900	-1,280	-1,714	-2,166	-979	-7,691	
Total, reform treatment of insurance companies and products		-201	-578	-810	-949	-1,153	-1,393	-1,639	-2,012	-2,445	-2,900	-3,691	-14,080	
Eliminate fossil fuel tax preferences:														
Eliminate coal preferences:														
Repeal expensing of exploration and development costs.....		-27	-45	-47	-49	-51	-50	-48	-47	-45	-38	-219	-447	
Repeal percentage depletion for hard mineral fossil fuels.....		-78	-129	-129	-130	-135	-139	-145	-149	-154	-165	-601	-1,353	
Repeal capital gains treatment for royalties.....	-6	-11	-13	-22	-31	-38	-43	-47	-51	-55	-58	-115	-369	
Repeal domestic manufacturing deduction for coal and other hard mineral fossil fuels.....		-20	-35	-38	-39	-41	-44	-45	-48	-49	-51	-173	-410	
Total, eliminate coal preferences	-6	-136	-222	-236	-249	-265	-276	-285	-295	-303	-312	-1,108	-2,579	
Eliminate oil and gas preferences:														
Repeal enhanced oil recovery credit														
Repeal credit for oil and gas produced from marginal wells.....														
Repeal expensing of intangible drilling costs		-1,875	-2,512	-1,762	-1,403	-1,331	-1,124	-830	-640	-523	-447	-8,883	-12,447	
Repeal deduction for tertiary injectants		-6	-10	-10	-10	-10	-10	-9	-9	-9	-9	-46	-92	
Repeal exception to passive loss limitations for working interests in oil and natural gas properties		-23	-27	-24	-22	-21	-19	-18	-17	-16	-16	-117	-203	
Repeal percentage depletion for oil and natural gas wells.....		-607	-1,038	-1,079	-1,111	-1,142	-1,177	-1,211	-1,243	-1,273	-1,321	-4,977	-11,202	
Repeal domestic manufacturing deduction for oil and natural gas companies		-902	-1,558	-1,653	-1,749	-1,842	-1,932	-2,020	-2,108	-2,200	-2,296	-7,704	-18,260	

**Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM
THE FEBRUARY BUDGET—Continued**

(Deficit increases (+) or decreases (-) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals	
												2012- 2016	2012- 2021
Increase geological and geophysical amortization period for independent producers to seven years		-59	-215	-330	-306	-230	-152	-75	-22	-9	-10	-1,140	-1,408
Total, eliminate oil and gas preferences		-3,472	-5,360	-4,858	-4,601	-4,576	-4,414	-4,163	-4,039	-4,030	-4,099	-22,867	-43,612
Total, eliminate fossil fuel tax preferences	-6	-3,608	-5,582	-5,094	-4,850	-4,841	-4,690	-4,448	-4,334	-4,333	-4,411	-23,975	-46,191
Tax carried (profits) interests as ordinary income	-318	-2,274	-2,123	-2,154	-1,927	-1,608	-1,322	-1,089	-908	-762	-640	-10,086	-14,807
Deny deduction for punitive damages			-23	-34	-35	-35	-36	-36	-37	-37	-39	-127	-312
Repeal lower-of-cost-or-market inventory accounting method			-188	-1,435	-2,334	-1,532	-1,358	-309	-323	-337	-352	-5,489	-8,168
Simplify the tax code	-16	-7	-35	12	23	-141	-147	281	176	107	138	-148	407
Reduce the tax gap and make reforms:													
Expand information reporting:													
Repeal and modify information reporting on payments to corporations and payments for property ⁶		475	618	756	929	961	1,000	1,047	1,096	1,147	1,180	3,739	9,209
Require information reporting for private separate accounts of life insurance companies			-1	-2	-3	-3	-4	-5	-6	-7	-8	-9	-39
Require a certified Taxpayer Identification Number from contractors and allow certain withholding	-21	-48	-81	-110	-115	-121	-126	-132	-138	-144	-150	-475	-1,165
Total, expand information reporting	-21	427	536	644	811	837	870	910	952	996	1,022	3,255	8,005
Improve compliance by businesses:													
Require greater electronic filing of returns													
Authorize the Department of the Treasury to require additional information to be included in electronically filed Form 5500 Annual Reports													
Implement standards clarifying when employee leasing companies can be held liable for their clients' Federal employment taxes		-4	-5	-6	-6	-6	-7	-7	-7	-7	-8	-8	-27
Increase certainty with respect to worker classification		-12	-230	-1,237	-956	-819	-904	-994	-1,088	-1,186	-1,284	-3,254	-8,710

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET—Continued

(Deficit increases (+) or decreases (-) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals		
												2012–2016	2012–2021	
Eliminate certain reviews conducted by the U.S. Treasury Inspector General for Tax Administration (TIGTA).....														
Modify indexing to prevent deflationary adjustments.....														
Total, other initiatives.....														
Reauthorize Surface Transportation:														
Transportation Trust Fund:														
Outlays.....	6,726	19,053	16,230	17,980	21,965	27,117	30,412	31,731	32,207	32,077	109,071	235,498		
Bipartisan financing for Transportation Trust Fund.....	-20,000	-28,000	-29,000	-31,000	-32,000	-34,000	-36,000	-38,000	-39,000	-41,000	-140,000	-328,000		
Subtotal, transportation trust fund.....	-13,274	-8,947	-12,770	-13,020	-10,035	-6,883	-5,588	-6,269	-6,793	-8,923	-8,923	-58,046	-92,502	
Upfront investment in aviation.....	596	2,146	608									3,350	3,350	
Upfront investment in TIGER grants.....	20	420	680	400	200	140	100	40				1,860	2,000	
Total, reauthorize surface transportation	-12,658	-6,381	-11,482	-12,620	-9,835	-6,743	-5,488	-6,229	-6,793	-8,923	-8,923	-52,976	-87,152	
Mandatory Initiatives and Savings:														
Agriculture:														
Change company reimbursement on crop insurance CAT premium.....	-161	-166	-176	-179	-180	-180	-181	-183	-184	-185	-187	-862	-1,782	
Eliminate cotton and peanut storage payments.....	-1												-1	-1
Enact Animal Plant and Health Inspection Service (APHIS) fees.....	-20	-27	-27	-28	-29	-29	-30	-31	-32	-33	-34	-131	-291	
Enact Food Safety and Inspection Service (FSIS) performance fee.....	-11	-12	-12	-12	-13	-13	-13	-13	-13	-13	-13	-60	-125	
Enact Grain Inspection, Packers, and Stockyards Administration (GIPSA) fees.....	-27	-29	-30	-31	-31	-31	-31	-32	-32	-32	-33	-148	-308	
Enact Natural Resources Conservation Service (NRCS) fee.....	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22	-22	-110	-220	
Enact Forest Service payment to communities—impact on timber receipts.....													-196	-248
Suspend SNAP time limits for able-bodied working-age adults without dependents.....	90	51	1										142	142
Restore SNAP beneficiary payments terminated in P.L. 111-296.....													3,295	3,295
Reduce commodity payments to wealthy farmers.....													-284	-284
Impose biobased labeling fee.....													-283	-1,116
Total, Agriculture.....	-152	-481	2,663	-577	-640	-594	-559	-568	-569	-572	-572	813	-2,049	

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET—Continued
(Deficit increases (+) or decreases (-) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals		
												2012-2016	2012-2021	
Defense:														
Shift future Uniformed Services Family Health Plan enrollees into TRICARE-for-Life/Medicare:														
Effect on Medicare Eligible Retiree Health Care Fund.....		-1	-4	-12	-24	-43	-68	-99	-137	-183	-238	-84	-809	
Effect on accrual payments (non-PAYGO).....			759	805	850	889	945	1,004	1,067	1,134	1,205	3,303	8,658	
Subtotal, shift future Uniformed Services Family Health Plan enrollees into TRICARE-For-Life/Medicare.....		-1	755	793	826	846	877	905	930	951	967	3,219	7,849	
Provide additional accrual payments to the Medicare Eligible Retiree Health Care Fund (non-PAYGO).....		-117										-117	-117	
Total, Defense.....		-1	755	793	826	846	877	905	930	951	967	3,219	7,849	
Education:														
Pell Grant Protection Act:														
Provide mandatory appropriation to sustain recent Pell Grant increases ⁷		2,069	6,277	2,995	3,389	3,775	4,200	4,628	5,056	5,489	5,986	18,505	43,864	
Eliminate in-school interest subsidies for graduate and professional students ⁸		-984	-3,200	-3,039	-3,019	-3,022	-3,041	-3,110	-3,211	-3,312	-3,343	-13,264	-29,281	
Provide current borrowers incentive to convert from guaranteed loans to direct loans to simplify loan servicing.....			-2,136	-20	-10	-10	-10	-11	-11	-13	-7	-2,192	-2,244	
Eliminate year-round Pell Grants and simplify student aid application ⁹		-60	-535	-604	-711	-840	-995	-1,157	-1,295	-1,372	-1,399	-3,685	-10,243	
Reform and expand Perkins loan program.....			-578	-1,564	-1,155	-896	-705	-547	-504	-473	-448	-4,898	-7,364	
Overhaul TEACH Grants and replace with Presidential Teaching Fellows.....			2	102	150	156	150	138	1	-54	-67	560	508	
Establish College Completion Incentive Grants.....			2	42	220	288	300	291	93	15		852	1,251	
Accelerate the recall of the Perkins Loan revolving fund.....		-384	-618	-727	-764	-113	-197	-25	94	202	342	-2,606	-2,190	
Total, Education.....		-60	-2,544	415	-2,283	-1,696	-620	-323	-223	60	454	1,061	-6,728	
														-5,699
Energy:														
Repeal ultra-deepwater oil and gas research and development program.....			-20	-40	-50	-30	-10						-150	
Provide HomeStar rebates for energy efficient home retrofits.....		300	1,800	2,100	1,020	600	180						5,700	
Total, Energy.....		300	1,780	2,060	970	570	170						5,550	

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET—Continued

(Deficit increases (+) or decreases (-) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals	
												2012-	2012-
												2016	2021
Health and Human Services:													
Provide physicians relief from sustainable growth rate formula (SGR) and offset costs: ¹⁰													
Provide SGR relief through 2013.....	18,602	28,593	7,210									54,405	54,405
Offset cost of providing SGR relief through 2013 with specific health savings ⁹	-1,571	-2,175	-2,676	-4,759	-6,056	-6,846	-7,037	-7,275	-9,674	-14,164	-17,237	-62,233	-62,233
Provide SGR relief from 2014 onward.....			23,207	32,072	34,692	36,730	39,856	44,760	49,909	54,222	89,971	315,448	315,448
Offset cost of providing SGR relief from 2014 onward.....			-23,207	-32,072	-34,692	-36,730	-39,856	-44,760	-49,909	-54,222	-89,971	-315,448	-315,448
Shift future Uniformed Services Family Health Plan enrollees into TRICARE-for-LIFE/Medicare:													
Effect on Medicare.....					20	30	50	70	90	120	150	50	530
Reform child welfare assistance to improve permanency and safety.....	220	245	249	250	250	250	250	250	250	250	250	1,214	2,464
Strengthen and expand child care assistance.....	381	632	730	749	750	750	750	750	750	750	750	3,242	6,992
Extend TANF supplemental grants.....	22	342	64									406	406
Modernize child support program.....	244	310	251	269	303	356	362	252	226	226	226	1,377	2,799
Extend the child welfare study.....		2	4									6	6
Extend Transitional Medical Assistance (TMA).....		240	415	10								665	665
Extend Qualified Individuals (QI).....		495										495	495
Total, Health and Human Services.....	22	18,955	28,088	5,774	-3,471	-4,723	-5,440	-5,605	-5,933	-8,328	-12,788	44,623	6,529
Housing and Urban Development:													
Provide funding for the Affordable Housing Trust Fund.....		10	140	290	230	190	100	20	20			860	1,000
Total, Housing and Urban Development.....		10	140	290	230	190	100	20	20			860	1,000
Interior:													
Impose fee on nonproducing oil and gas leases													
Reserve funds for insular affairs assistance.....		-25	-39	-59	-75	-90	-98	-109	-116	-125	-138	-288	-874
Return to net receipts sharing for energy minerals.....		25	24	24	24	22	16	15	14	12	11	119	187
Reform coal and hardrock Abandoned Mine Lands (AML) programs ²													
Impose hardrock mining royalty.....				-44	-47	-47	-48	-50	-53	-52	-55	-183	-441
Repeal Energy Policy Act fee prohibition and mandatory permit funds.....				-138	-386	-204	-81	-128	-145	-100	-89	-1,187	-1,730
Increase Duck Stamp fees ²				-7	-5	-6	-7	-10	-15	-19	-25	-24	-100
Reauthorize Federal Land Sales/Acquisition Law (FLFSA).....				-20	-19								
Reauthorize Federal Land Sales/Acquisition Law (FLFSA).....				-4									
Reauthorize Federal Land Sales/Acquisition Law (FLFSA).....				-3	-5	-8	-10	-4				-30	-30

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET—Continued
(Deficit increases (+) or decreases (-) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals	
												2012-2016	2012-2021
Allow occupancy by a dependent child to satisfy VA home loans occupancy requirement.....				1	1	1	1	1	1	1	1	4	9
Total, Veterans Affairs		-62	-107	-23	-35	-47	-24	-29	-33	-38	-41	-274	-439
Corps of Engineers:													
Reform inland waterways funding ²				-196	-163	-135	-72	-71	-69	-70	-69	-566	-917
Environmental Protection Agency:													
Enact pesticide registration and premanufacture notice fees			-49	-81	-88	-95	-97	-101	-104	-107	-110	-410	-946
Establish fees for use of hazardous waste electronic manifest system				-6	-4	-3	-3	-3	-3	-3	-3	-13	-28
Total, Environmental Protection Agency.....		-49	-81	-94	-99	-100	-104	-107	-110	-113	-117	-423	-974
Social Security Administration:													
Require workers' compensation information reporting ⁴		5	5										10
Temporarily extend SSI benefits for refugees.		86	92										178
Require States and localities to provide pension information ⁴		13	20	18	-202	-439	-574	-609	-555	-522	-479	-590	-3,329
Revert to quarterly wage reporting ⁴		20	30	100									150
Enact DI Work Incentives Simplification Pilot (non-PAYGO)		5	10	15	22	25	13						77
Total, Social Security Administration.....		129	157	133	-180	-414	-561	-609	-555	-522	-479	-175	-2,901
Other Independent Agencies:													
Provide financial relief to the U.S. Postal Service	2,271	279	249	321	299	280	229	229	229	229	229	1,428	2,573
Federal Communications Commission (FCC):													
Enact spectrum license user fee.....	-50	-200	-300	-425	-550	-550	-550	-550	-550	-550	-550	-2,025	-4,775
Provide no new funding for the Telecommunications Development Fund..	-3	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7	-35	-70
Subtotal, Federal Communications Commission (FCC).....	-53	-207	-307	-432	-557	-557	-557	-557	-557	-557	-557	-2,060	-4,845
Total, other independent agencies	2,218	72	-58	-111	-258	-277	-328	-328	-328	-328	-328	-632	-2,272
Multi-Agency:													
Enact Wireless Innovation and Infrastructure Initiative (WI3):													
Enact incentive auction authority and other spectrum reforms		-1,900	-6,020	-8,240	-6,430	-2,460	-400	-1,300	-1,050			-25,050	-27,800
Build a Public Safety Broadband Network ..		1,400	1,400	1,400	1,400	1,400						7,000	7,000
Reserve the D Block for public safety use ...		3,150										3,150	3,150

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET—Continued

(Deficit increases (+) or decreases (-) in millions of dollars)

	Totals												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021
Extend wireless broadband through the National Wireless Initiative and support Universal Service Fund reform.....	.....	2,500	1,250	1,250	.....	.....	.....	.....	.....	.....	.....	5,000	5,000
Create a Wireless Innovation Fund.....	.....	409	587	681	627	539	123	34	.....	.....	.....	2,843	3,000
Total, enact Wireless Innovation and Infrastructure Initiative (WI3).....	.....	5,559	-2,783	-4,909	-4,403	-521	-277	-1,266	-1,050	.....	.....	-7,057	-9,650
Implement program integrity allocation adjustments ¹.....	.....	-1,497	-4,187	-6,684	-9,465	-12,620	-14,990	-16,632	-18,305	-19,647	-20,976	-34,453	-125,003
Provide \$250 Economic Recovery Payments ²	14,616	265	.....	.....	.....	.....	.....	.....	.....	.....	.....	265	265
Hold harmless the Federal poverty level.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total, multi-agency.....	14,616	4,327	-6,970	-11,593	-13,868	-13,141	-15,267	-17,898	-19,355	-19,647	-20,976	-41,245	-134,388
Total, mandatory and receipt proposals, including surface transportation.....	18,930	14,227	5,671	-2,579	-83,764	-121,100	-76,118	-71,523	-58,081	-73,693	-76,882	-187,545	-543,842

Note: For receipt effects, positive figures indicate lower receipts. For outlay effects, positive figures indicate higher outlays. For net costs, positive figures indicate higher deficits.

¹ The estimates for this proposal include effects on outlays. The outlay effects included in the totals above are listed below:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021
Continue certain expiring provisions through calendar year 2012.....	32	502	789	437	384	121	.....	.....	.....	.....	.....	2,233	2,233
Expand earned income tax credit.....	.....	.....	69	1,372	1,384	1,404	1,436	1,463	1,490	1,512	1,551	4,229	11,681
Expand child and dependent care tax credit.....	.....	.....	337	347	354	363	372	386	398	410	420	1,401	3,387
Provide for automatic enrollment in IRAs and double the tax credit for small employer plan startup costs.....	.....	.....	38	66	71	79	90	105	122	142	167	254	880
Extend American opportunity tax credit.....	.....	.....	16	4,465	4,425	4,655	4,608	4,531	4,791	4,775	5,038	13,561	37,304
Reform and extend Build America bonds.....	105	599	1,580	2,793	4,048	5,314	6,575	7,830	9,080	10,324	11,561	14,334	59,704
Designate Growth Zones.....	.....	14	34	43	43	40	10	-20	-20	-17	-14	174	113
Total outlay effects of receipt proposals.....	137	1,115	2,863	9,523	10,709	11,976	13,091	14,295	15,861	17,146	18,723	36,186	115,302

² The estimates for this proposal include effects on receipts. The receipt effects included in the totals above are listed below:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012- 2016	2012- 2021
Reform inland waterways funding.....	-196	-163	-135	-72	-72	-71	-69	-70	-69	-566	-917
Reform coal and hardrock Abandoned Mine Lands (AML) programs.....	-200	-200	-200	-200	-200	-200	-200	-200	-200	-800	-1,800
Increase Duck Stamp fees.....	-14	-14	-14	-14	-14	-14	-14	-14	-14	-14	-70	-140
Give States and employers short-term relief from interest and tax increases and strengthen unemployment insurance system solvency.....	1,714	3,541	-7,477	-12,863	-10,544	-11,814	-8,555	34	263	-167	-25,629	-45,868
Expand work-sharing program.....	-14	-20	51	82	82	81	81	81	81	99	505

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET—Continued

(Deficit increases (+) or decreases (-) in millions of dollars)

	Totals												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Enhance unemployment insurance integrity						588	-162	355	388	42	-144	356	835
Levy payments to Medicare providers with delinquent tax debt.....	-17	-64	-68	-71	-74	-76	-76	-78	-80	-80	-81	-353	-748
Levy payments to Federal contractors with delinquent tax debt.....	-5	-59	-61	-64	-67	-69	-73	-76	-80	-83	-87	-320	-719
Restructure assistance to New York City		200	200	200	200	200	200	200	200	200	200	1,000	2,000
Implement program integrity allocation adjustments.....		-276	-804	-1,970	-3,721	-5,646	-7,227	-8,184	-8,773	-9,274	-9,778	-12,417	-55,653
Provide \$250 Economic Recovery Payments	216	112										112	112
Total receipt effects of mandatory proposals...	194	1,613	2,330	-9,887	-16,893	-15,751	-19,356	-16,542	-8,513	-9,135	-10,259	-38,588	-102,393

³ The health savings to offset the cost of providing physicians two years of relief from scheduled payment cuts under the sustainable growth rate formula (SGR) are listed below:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Expand CMS program integrity authority:													
Reduce Medicaid provider tax threshold beginning in 2015.....					-1,460	-2,050	-2,690	-2,820	-2,970	-3,110	-3,270	-3,510	-18,370
Strengthen Medicaid third-party liability		-65	-95	-155	-165	-170	-175	-190	-195	-200	-210	-650	-1,620
Track high prescribers and utilizers of prescription drugs in Medicaid		-80	-170	-310	-340	-370	-390	-410	-440	-460	-480	-1,270	-3,450
Require manufacturers that improperly report items for Medicaid drug coverage to fully repay States.....		-10	-10	-10	-10	-10	-15	-15	-15	-15	-15	-50	-125
Enforce Medicaid drug rebate agreements.....													
Increase penalties on drug manufacturers for fraudulent non-compliance with Medicaid drug rebate agreements.....													
Require drugs to be properly listed with the FDA to receive Medicaid coverage.....													
Prohibit Federal funds from being used as Medicaid/CHIP State share unless specifically authorized by law													
Recover erroneous payments made to insurers participating in Medicare Advantage		-490	-570	-600	-640	-650	-680	-680	-660	-610	-580	-2,950	-6,160
Increase scrutiny of providers using higher-risk banking arrangements to receive Medicare payments													
Allow civil monetary penalties for providers who do not update enrollment information.													
Study the feasibility of using universal product numbers (UPNs) to improve payment accuracy in Medicare.....				-10	-10	-10	-10	-10	-10	-10	-10	-30	-80

Table S-9. MANDATORY AND RECEIPT PROPOSALS FROM THE FEBRUARY BUDGET—Continued
(Deficit increases (+) or decreases (-) in millions of dollars)

	Totals													
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021	
Dedicate EHR penalties to improving Medicare program financing														
Total, other Medicare proposals	-30	-70	-150	-280	-350	-430	-470	-1,620	-2,150	-2,180	-880	-3,230	-6,490	
Other Pharmaceutical Proposals:														
Modify length of exclusivity to facilitate faster development of generic biologics					-80	-250	-300	-340	-420	-460	-490	-330	-2,340	
Prohibit brand and generic drug companies from delaying the availability of new generic drugs	-540	-590	-680	-760	-850	-910	-960	-1,070	-1,180	-1,250	-3,420	-8,790		
Streamline pharmacy benefit contracting in the FEHB program	-69	-138	-147	-160	-171	-184	-200	-216	-231	-251	-685	-1,767		
Total, other pharmaceutical proposals	-609	-728	-827	-1,000	-1,271	-1,394	-1,500	-1,706	-1,871	-1,991	-4,435	-12,897		
Interactions	-67	-72	-74	-124	-175	-32	138	381	12	72	-512	59		
Total savings from CMS program integrity, and other Medicare, Medicaid, and pharmaceutical proposals	-1,571	-2,175	-2,676	-4,759	-6,056	-6,846	-7,037	-7,275	-9,674	-14,164	-17,237	-62,233		
Cost of providing SGR relief through 2013	18,602	28,593	7,210									54,405	54,405	
Additional savings after paying for SGR relief through 2013	17,031	26,418	4,534	4,759	-6,056	-6,846	-7,037	-7,275	-9,674	-14,164	37,168	-7,828		

⁴This proposal has both PAYGO and non-PAYGO effects.
⁵This proposal has outlays of less than \$500,000 per year. The total cost is \$1 million from 2012-2016 and \$3 million from 2012-2021.
⁶This proposal was enacted in the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 (P.L. 112-9).
⁷Portions of this proposal were enacted in the Department of Defense and Full-Year Continuing Appropriations Act (P.L. 112-10) and the Budget Control Act of 2011 (P.L. 112-25).
⁸This proposal was enacted in the Budget Control Act of 2011 (P.L. 112-25).
⁹This proposal was enacted in the Department of Defense and Full-Year Continuing Appropriations Act (P.L. 112-10).
¹⁰The proposal to provide permanent SGR relief is presented in the adjusted baseline for the Mid-Session Review. The Administration is committed to working with the Congress to achieve fiscally responsible SGR reform in the context of the Administration's deficit reduction proposals.
¹¹The portions of the proposal that affect SSA and CMS were enacted in the Budget Control Act of 2011 (P.L. 112-25).

Table S-10. OUTLAYS FOR MANDATORY PROGRAMS UNDER CURRENT LAW^{1,2}
(In billions of dollars)

	Estimate									
	2010 Actual	2011	2012	2013	2014	2015	2016	2017	2018	2019
Human resources programs:										
Education, training, employment and social services	-7	-13	7	10	2	2	5			
Health	304	314	307	323	417	484	537			
Medicare	446	484	466	503	531	556	605			
Income security	553	536	480	467	432	435	447			
Social Security	701	726	768	813	859	908	960			
Veterans' benefits and services	57	75	69	77	83	89	101			
Subtotal, human resources programs	2,054	2,120	2,098	2,193	2,324	2,474	2,655			
Other mandatory programs:										
National defense	5	8	8	7	7	7	7			
International affairs .....	.*	-3	-3	-1	-1	-1	-1			
Energy	1	-1	3	2	3	1	-1			
Agriculture	15	14	11	18	15	15	14			
Commerce and housing credit	-89	-10	24	-22	-28	-22	-15			
Transportation	2	2	3	3	2	2	2			
Community and regional development	1	-2	1	1	.*	.*	.*			
Justice	2	3	7	6	5	4	5			
General government	4	9	8	5	5	5	5			
Undistributed offsetting receipts	-82	-87	-98	-94	-97	-101	-102			
Other functions	1	2	3	4	4	3	4			
Subtotal, other mandatory programs	-141	-64	-32	-71	-85	-87	-82			
Total, outlays for mandatory programs under current law	1,913	2,056	2,066	2,122	2,239	2,387	2,573			

*\$500 million or less.

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

² Estimates are based on the Budget Enforcement Act (BEA) baseline. The BEA baseline differs in some instances from current law (see the chapter on "Current Services Estimates" in the *Analytical Perspectives* volume of the 2012 Budget) and also from the adjusted baseline (see Table S-7).

Table S-11. FUNDING LEVELS FOR APPROPRIATED (“DISCRETIONARY”) PROGRAMS BY CATEGORY
(Budget authority in billions of dollars)

	Discretionary Caps Enacted in the Budget Control Act of 2011											Totals		
	2010 Actual	2011 Enacted	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Discretionary Categories:¹														
Security Category	684.4	688.1	684.0	686.0	698.0	711.0	725.0	741.0	757.0	774.0	791.0	808.0	3,504.0	7,375.0
Non-Security Category	400.4	371.0	359.0	361.0	368.0	375.0	382.0	390.0	399.0	408.0	417.0	426.0	1,845.0	3,885.0
Subtotal, Discretionary Category	1,084.8	1,059.1	1,043.0	1,047.0	1,066.0	1,086.0	1,107.0	1,131.0	1,156.0	1,182.0	1,208.0	1,234.0	5,349.0	11,260.0
Cap Adjustments:²														
Overseas Contingency Operations ³	162.6	159.4	126.5	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	326.5	576.5
Program Integrity Adjustments ⁴	0.5	0.5	0.9	1.1	1.3	1.5	1.6	1.7	1.7	1.8	1.8	1.8	6.2	15.1
Subtotal, Cap Adjustments	163.1	159.9	127.4	51.1	51.3	51.5	51.6	51.7	51.7	51.8	51.8	51.8	332.8	591.6
Other 2010 and 2011 Supplemental/ Emergency Discretionary Funding (not included above)	9.6	-1.3												
Grand Total, Discretionary Budget Authority	1,257.6	1,217.7	1,170.4	1,098.1	1,117.3	1,137.5	1,158.6	1,182.7	1,207.7	1,233.8	1,259.8	1,285.8	5,681.8	11,851.6

*Memorandum, Budget Authority Adjusted for Inflation and Population:*⁵
 Security 913.2 873.2 810.5 715.2 706.1 697.2 689.3 682.3 675.4 669.0 662.5 655.8 3,618.3 6,963.2
 Non-Security 427.3 381.6 359.9 351.8 348.6 344.9 341.1 337.9 335.4 332.7 329.9 327.0 1,746.3 3,409.1
 Grand Total 1,340.5 1,254.9 1,170.4 1,067.0 1,054.6 1,042.2 1,030.4 1,020.1 1,010.8 1,001.7 992.3 982.7 5,364.6 10,372.3

¹ P.L. 112-25, the Budget Control Act of 2011 (BCA), established discretionary caps for 2012-2021. The caps included separate categories for “security” and “non-security” programs for 2012 and 2013 only with security defined as the Departments of Defense, Homeland Security, and Veterans Affairs, the National Nuclear Security Administration, the Intelligence Community Management Account, and budget function 150 for International Affairs. For purposes of this presentation, the security and non-security categories are increased after 2013 based on the growth in the overall discretionary category but do not reflect specific policy decisions.

² The adjustments displayed do not include disaster relief pursuant to section 251(b)(2)(D) of the BCA as OMB is in the process of developing its estimate of the 10-year average calculation at the time the MSR is being printed. OMB’s estimate of the maximum adjustment for 2012 will be transmitted to the Congress when OMB submits its report in compliance with section 251(b)(2)(D)(ii) of the BCA.

³ The 2012 Budget includes placeholder estimates of \$50 billion per year for Overseas Contingency Operations in 2013 and beyond. These estimates do not reflect any specific policy decisions.

⁴ The 2012-2021 levels reflect the maximum cap adjustment permitted each year under the BCA for Continuing Disability Reviews (CDRs) and Redeterminations and for Health Care Fraud and Abuse Control (HCFAC). The 2010 and 2011 levels reflect only the adjustment for CDRs and Redeterminations because the applicable adjustment for HCFAC became the enforcement base under the BCA.

⁵ Totals include Overseas Contingency Operations and Other Supplemental/Emergency Funding.

Table S-12. FEDERAL GOVERNMENT FINANCING AND DEBT
(In billions of dollars)

	Estimate											
	Actual 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Financing:												
Unified budget deficit	1,293	1,316	956	648	473	521	583	501	467	498	540	568
Other transactions affecting borrowing from the public:												
Changes in financial assets and liabilities: ¹												
Change in Treasury operating cash balance	35	-200										
Net disbursements of credit financing accounts:												
Direct loan accounts	179	110	126	173	148	138	124	107	101	96	94	96
Guaranteed loan accounts	2	13	-6	-3	3	6	6	4	-1	-5	-6	-15
Troubled Asset Relief Program (TARP) equity purchase accounts	-29	5	-31	2	1	-1	-1	-4	-4	-6	-7	*
Net purchases of non-Federal securities by the National Railroad Retirement Investment Trust (NRRIT)	1	2	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Net change in other financial assets and liabilities ²	-7											
Subtotal, changes in financial assets and liabilities	181	-70	87	171	151	142	127	105	95	84	80	81
Seigniorage on coins	_*	_*	_*	_*	_*	_*	_*	_*	_*	_*	_*	_*
Total, other transactions affecting borrowing from the public	181	-71	87	171	150	141	127	105	94	83	79	80
Total, requirement to borrow from the public (equals change in debt held by the public)	1,474	1,245	1,043	818	623	662	710	606	562	581	619	649
Changes in Debt Subject to Statutory Limitation:												
Change in debt held by the public	1,474	1,245	1,043	818	623	662	710	606	562	581	619	649
Change in debt held by Government accounts	179	144	133	167	178	207	225	253	280	275	270	257
Change in other factors	5	1	1	2	1	1	2	2	2	2	2	2
Total, change in debt subject to statutory limitation	1,658	1,390	1,178	987	803	869	937	861	843	858	891	908
Debt Subject to Statutory Limitation, End of Year:												
Debt issued by Treasury	13,503	14,891	16,067	17,053	17,855	18,723	19,659	20,519	21,361	22,219	23,110	24,018
Adjustment for discount, premium, and coverage ³	8	10	11	13	14	15	16	17	18	18	18	18
Total, debt subject to statutory limitation ⁴	13,511	14,901	16,079	17,066	17,869	18,738	19,675	20,536	21,379	22,237	23,128	24,036
Debt Outstanding, End of Year:												
Gross Federal debt: ⁵												
Debt issued by Treasury	13,503	14,891	16,067	17,053	17,855	18,723	19,659	20,519	21,361	22,219	23,110	24,018
Debt issued by other agencies	26	27	27	27	27	27	26	25	23	22	20	18
Total, gross Federal debt	13,529	14,918	16,095	17,080	17,882	18,750	19,685	20,544	21,385	22,241	23,130	24,036

Table S-12. FEDERAL GOVERNMENT FINANCING AND DEBT—Continued

(In billions of dollars)

	Estimate											
	Actual 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Held by:												
Debt held by Government accounts	4,510	4,654	4,787	4,954	5,133	5,339	5,564	5,817	6,097	6,372	6,641	6,898
Debt held by the public ⁶	9,019	10,264	11,307	12,126	12,749	13,411	14,121	14,726	15,288	15,869	16,489	17,137
Debt Held by the Public Net of Financial Assets:												
Debt held by the public	9,019	10,264	11,307	12,126	12,749	13,411	14,121	14,726	15,288	15,869	16,489	17,137
Less financial assets net of liabilities:												
Treasury operating cash balance	310	110	110	110	110	110	110	110	110	110	110	110
Credit financing account balances:												
Direct loan accounts	668	778	904	1,077	1,225	1,363	1,486	1,593	1,694	1,790	1,884	1,980
Guaranteed loan accounts	-32	-20	-26	-28	-25	-19	-13	-9	-10	-15	-21	-36
TARP equity purchase accounts	77	82	51	52	53	52	50	46	42	35	28	29
Government-sponsored enterprise preferred stock	109	124	145	153	153	153	153	153	153	153	153	153
Non-Federal securities held by NRRIT	23	24	23	22	21	20	19	18	17	16	14	13
Other assets net of liabilities	-29	-29	-29	-29	-29	-29	-29	-29	-29	-29	-29	-29
Total, financial assets net of liabilities	1,125	1,069	1,177	1,357	1,507	1,649	1,776	1,881	1,976	2,059	2,139	2,219
Debt held by the public net of financial assets	7,894	9,194	10,130	10,769	11,242	11,762	12,345	12,845	13,312	13,810	14,350	14,918

* \$500 million or less.

¹ A decrease in the Treasury operating cash balance (which is an asset) is a means of financing a deficit and therefore has a negative sign; that is, the reduction in cash balances reduces the amount that would otherwise be borrowed from the public. An increase in checks outstanding (which is a liability) is also a means of financing a deficit and therefore also has a negative sign.

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

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

⁴ The statutory debt limit is \$14,694 billion, as increased on August 2, 2011. Under current law, the limit is scheduled to increase to \$15,194 billion on or around September 21, 2011.

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

⁶ At the end of 2010, the Federal Reserve Banks held \$811.7 billion of Federal securities and the rest of the public held \$8,207.2 billion. Debt held by the Federal Reserve Banks is not estimated for future years.

