CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas W. Elmendorf, Director

March 18, 2011

Honorable Daniel K. Inouye
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As you requested, the Congressional Budget Office (CBO), with contributions from the staff of the Joint Committee on Taxation, has analyzed the President's budget submission for fiscal year 2012. The attachment to this letter summarizes the results of the agency's work to date. A report that presents CBO's full analysis, including an assessment of the macroeconomic effects of the President's proposals, will be published in April.

I hope you find this information helpful. If you have any questions, please contact me or CBO staff. The primary staff contact for this analysis is Jeff Holland.

Sincerely,

Douglas W. Elmendorf

Douglas W. Elmendorf

Attachment

Identical letter sent to the Honorable Thad Cochran

CONGRESSIONAL BUDGET OFFICE

Preliminary Analysis of the President's Budget for 2012

March 18, 2011

This report by the Congressional Budget Office (CBO) presents a preliminary analysis of the proposals contained in the President's budget for fiscal year 2012 and their estimated effects on federal revenues, outlays, and budget deficits. A report presenting CBO's full analysis of the President's budget, including an assessment of the macroeconomic effects of the President's proposals, will be published in April.[1]

As a basis for analyzing the President's budget, CBO updated its baseline budget projections, which were last issued in January 2011. Unlike its estimates of the President's budget, CBO's baseline projections largely reflect the assumption that current tax and spending laws will remain unchanged. Under that assumption, CBO estimates that the deficit will total $1.40 trillion in 2011—$81 billion less than the agency estimated in January.[2] For the following 10 years (2012 to 2021), CBO now projects a cumulative deficit of $6.7 trillion—$234 billion less than the amount in the previous baseline. CBO has not modified its economic forecast since January, so the updated baseline projections mainly reflect new information that the agency has obtained about various aspects of the federal budget since the previous projections were completed.

CBO's analysis of the President's proposals is based on its own economic assumptions and estimating techniques (rather than the Administration's) and incorporates estimates prepared by the staff of the Joint Committee on Taxation (JCT) for tax provisions.[3] According to CBO's projections, if all of the President's budgetary proposals were enacted, they would add $26 billion to the baseline deficit for 2011 (see Table 1

1. The estimates presented here do not take into consideration any impact that the President's budgetary proposals might have on gross domestic product or other broad measures of economic activity. CBO's estimates include the effects of legislation enacted through March 2, 2011; thus, they exclude the incremental effects on the budget of any subsequent continuing resolutions or appropriation acts.

2. Unless otherwise indicated, the years referred to in this report are federal fiscal years (which run from October 1 to September 30).

3. See Joint Committee on Taxation, *Estimated Budget Effects of the Revenue Provisions Contained in the President's Fiscal Year 2012 Budget Proposal,* JCX-19-11 (March 17, 2011), www.jct.gov/publications.html?func=startdown&id=3773.

on page 15). As a result, the 2011 deficit would total $1.43 trillion, or 9.5 percent of gross domestic product (GDP).

In 2012, the deficit under the President's budget would decline to $1.2 trillion, or 7.4 percent of GDP, CBO estimates. That shortfall is $83 billion greater than the deficit that CBO projects for 2012 in its current baseline. Deficits in succeeding years under the President's proposals would be smaller than the deficit in 2012, although they would still add significantly to federal debt. The deficit would shrink to 4.1 percent of GDP by 2015 but widen in later years, reaching 4.9 percent of GDP in 2021. In all, deficits would total $9.5 trillion between 2012 and 2021 under the President's budget (or 4.8 percent of total GDP projected for that period)—$2.7 trillion more than the cumulative deficit in CBO's baseline. Federal debt held by the public would double under the President's budget, growing from $10.4 trillion (69 percent of GDP) at the end of 2011 to $20.8 trillion (87 percent of GDP) at the end of 2021.

The President's policy proposals mostly affect the revenue side of the budget. Those proposals would reduce revenues, compared with CBO's baseline projections, in every year of the coming decade—for a total reduction of about 6 percent over the 2012–2021 period. Nevertheless, revenues would rise relative to GDP: from 16.2 percent in 2012 to 19.3 percent in 2021 (see Table 2 on page 16). The 19.3 percent figure is 1.5 percentage points below CBO's baseline projection for 2021 but 1.3 percentage points above the average ratio of revenues to GDP seen over the past 40 years.

Outlays would be greater under the President's budget than in CBO's baseline in each of the next 10 years, primarily because the proposed reduction in revenues would boost deficits and thus the costs of paying interest on the additional debt that would accumulate. In particular, net interest payments would nearly quadruple in nominal dollars (without an adjustment for inflation) over the 2012–2021 period and would increase from 1.7 percent of GDP to 3.9 percent. Total outlays under the President's budget would equal 23.6 percent of GDP in 2012, decline slightly as a share of GDP over the following two years, and then rise for the rest of the 10-year projection period. They would equal 24.2 percent of GDP in 2021—about 0.3 percentage points above CBO's baseline projection for that year and well above the 40-year average for total outlays, 20.8 percent.

Of the various initiatives that the President is proposing, tax provisions would have by far the largest budgetary impact. The 2010 tax act (officially the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Public Law 111-312) extended through December 2012 many of the tax reductions originally enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). The President proposes to extend those reductions permanently, with some modifications, and to permanently index for inflation the amounts of income exempt from the alternative minimum tax (AMT), starting at their 2011 levels. In addition, the President proposes that, beginning in January 2013, estate and gift taxes return permanently to the rates and exemption levels that were in effect in calendar year 2009. Those policies would reduce tax revenues and boost outlays for refundable tax credits by a total of more than $3.0 trillion over the next decade relative to the amounts projected in CBO's baseline.[4] That total exceeds the $2.7 trillion net increase in the deficit over the next 10 years that would result from the President's budget as a whole; the President's other proposals would reduce the deficit, on balance, over 10 years.

Those other proposals include some initiatives that would widen the deficit and some that would narrow it. For example, the President's proposal to freeze Medicare's payment rates for physicians at the current level through the 2012–2021 projection period would boost outlays by $0.3 trillion relative to the amount under current law (which calls for sharp reductions in payments to physicians).[5] Higher spending on transportation programs would add another $0.2 trillion to the total deficit between 2012 and 2021. In contrast, the President's budget includes a total of $0.9 trillion less in spending for defense over that period than the amount projected in CBO's baseline. The main reason for the difference is that the baseline incorporates the assumption that funding for war-related activities will continue at $159 billion a year (the amount provided so far for 2011, annualized) with adjustments for inflation, whereas the President's budget includes a request for appropriations of $127 billion for such activities for 2012 and a placeholder of $50 billion a year thereafter. In addition, the President's proposal to cap at 28 percent the rate at which itemized deductions reduce a taxpayer's income tax liability would decrease the deficit by $0.3 trillion over the next decade.

Compared with the Administration's estimates, CBO's estimates of the deficit under the President's budget are lower for 2011 (by $220 billion) but higher for each year thereafter (by a total of $2.3 trillion over the 2012–2021 period). That disparity stems from differences in the underlying projections of what would happen under current law ($1.3 trillion) as well as from differing assessments of the effects of the President's proposals ($1.0 trillion).

Impact of the President's Proposals on the Budget Outlook

If the President's policy proposals were enacted, the resulting $1.43 trillion deficit for 2011 would be slightly larger (by $26 billion) than the shortfall that CBO projects under its current-law baseline (see Table 3 on page 17). Those policies would increase outlays by $25 billion and decrease revenues by $1 billion in 2011. In 2012, the

4. A tax credit is refundable if the taxpayer receives a refund when the allowable credit exceeds the amount of tax owed. Such refunds are recorded in the budget as outlays.

5. The President proposes to offset the costs of maintaining the current payment rates for the first two years by making other changes to Medicare and Medicaid. However, the policies that would offset those costs after January 1, 2014, are not specified in the budget, so CBO did not include any savings for such policies in its analysis.

deficit under the President's budget would be $83 billion greater than the deficit CBO projects in its March baseline, mostly because outlays would be higher.

Starting in 2013, the deficits that CBO projects under the President's budget diverge more widely from those in the baseline. For the 10-year projection period as a whole, the deficit that would result under the President's proposals—$9.5 trillion, or 4.8 percent of GDP—would be $2.7 trillion greater than the cumulative deficit projected under current law. About $2.2 trillion of that difference stems directly from proposed policy changes; the other $0.5 trillion reflects additional interest payments resulting from increased borrowing.

Revenues

The President proposes making a number of changes to tax law over the next decade. If enacted, those policies would reduce revenues by $2.3 trillion during the 2012–2021 period relative to the amounts in CBO's baseline. (They would also boost outlays by $0.4 trillion over the same period, mostly through increases in refundable tax credits and, to a lesser extent, through the spending component of a proposal to extend and modify the Build America Bonds program, which would also raise revenues by a similar amount.) The reduction in revenues from some of the President's proposals would be partly offset by increases in revenues from other proposals. As a share of GDP, revenues would average 18.7 percent over the next 10 years under the President's budget, compared with 19.9 percent in CBO's baseline projections.

Extending and Modifying the 2001 and 2003 Tax Reductions. The 2010 tax act extended through calendar year 2012 various income tax provisions originally enacted in EGTRRA and JGTRRA and later modified by the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5). Those provisions, which are currently scheduled to expire after 2012, include reductions in some individual income tax rates, cuts in tax rates on capital gains and dividends, elimination of the phaseout of personal exemptions and the limit on itemized deductions for certain taxpayers, an increase in the child tax credit, relief from the so-called marriage penalty, and changes in the tax treatment of certain investments in equipment by small businesses.

As estimated by JCT, the President's proposal to make those provisions permanent (with some modifications) would reduce revenues by $1.8 trillion (0.9 percent of GDP) over the next 10 years and increase outlays by $262 billion (0.1 percent of GDP) relative to the amounts in CBO's baseline.[6] Specifically, the President has called for permanently extending, at 2012 levels, the tax rates on income, capital gains, and dividends for couples who file joint tax returns and who have income under $250,000 (with an adjustment for inflation since 2009) and for single filers who have income under $200,000 (also adjusted for inflation since 2009). For taxpayers with income

6. That revenue estimate incorporates the effects of interactions between those provisions and the proposal for the AMT discussed below. Such interactions increase the projected revenue loss relative to what it would be without the AMT proposal.

above those amounts, the President proposes to maintain the income tax rates, the phaseout of the personal exemption, and the limit on itemized deductions that are scheduled to take effect in January 2013 under current law and to tax capital gains at a rate of 20 percent.[7] In addition, the President proposes continuing the $1,000 child tax credit, which was enacted in EGTRRA, as well as the reduced earnings threshold at which families can qualify for at least a partial credit, which was enacted in ARRA. Some of those proposals would also affect outlays by increasing refundable credits (as discussed in more detail below in the section on outlays).

Providing Relief from the Alternative Minimum Tax. Besides extending those tax provisions, the President proposes to reduce the number of taxpayers who would be subject to the AMT by permanently setting various parameters of the tax at the levels that were in effect in calendar year 2011 and indexing those amounts for inflation in later years. Those parameters include the AMT exemption amount, the income threshold for the 28 percent tax rate, and the income threshold for the phaseout of the exemption amount. In addition, the Administration proposes to permanently extend the unrestricted use of certain personal tax credits under the AMT. Relative to current law, those changes would reduce revenues by $683 billion between 2012 and 2021, JCT estimates.[8]

Modifying Estate and Gift Taxes. The President proposes to set the parameters of the estate, gift, and generation-skipping transfer taxes at the levels that were in effect during calendar year 2009, once the current levels expire at the end of December 2012. Under that proposal, the amount of an estate that would effectively be exempt from the estate tax would be set permanently at $3.5 million; any amount above $3.5 million would be taxed at a rate of 45 percent. The exemption amount for gift taxes would be set at $1 million, with a top tax rate of 45 percent. In addition, a tax rate of 45 percent would apply to transfers in which an heir (for instance, a grandchild) estimates. Those changes include targeting specific sources of tax avoidance associated with intangible assets (such as patents and trademarks) and modifying tax rules for calculating foreign tax credits and expenses related to foreign operations.

In addition, the President proposes to apply a 20 percent tax rate to most dividends for joint filers with income over $250,000 (adjusted for inflation since 2009) and for single filers with income over $200,000. Under current law, dividends are scheduled to be taxed at a taxpayer's regular individual income tax rate beginning in January 2013. JCT estimates that the proposal for a 20 percent rate would reduce revenues by $96 billion through 2021.

The tax credit for research and experimentation is scheduled to expire at the end of calendar year 2011. The Administration proposes to make the credit permanent, in modified form, which would lessen revenues by $88 billion over the 2012–2021 period, according to JCT.

The American Opportunity Credit, which was created by ARRA and extended through December 2012 by the 2010 tax act, provides an annual tax credit of up to $2,500 per student for qualified postsecondary education expenses. The President proposes to extend the credit permanently and to index for inflation the amount of qualified expenses and the phaseout limits. JCT estimates that those changes would decrease revenues by $74 billion and increase outlays by $16 billion over 10 years.

The Build America Bonds program, which was also created by ARRA, provides subsidy payments to state and local governments equal to 35 percent of their interest costs on taxable bonds issued through December 2010 to finance capital expenditures. The President proposes to expand and permanently extend the program but to lower the subsidy rate to 28 percent. By substituting taxable for tax-exempt bonds, the program would increase taxable interest income. According to JCT, the proposal would raise revenues by $70 billion between 2012 and 2021. The payments to state and local governments are recorded in the federal budget as outlays. The proposed changes would boost outlays by an estimated $76 billion over 10 years, with the net effect of increasing the cumulative deficit by $6 billion.

Taken together, the other revenue proposals in the President's budget whose effects are included in this analysis would raise revenues by $174 billion, on net, over the next 10 years. Proposals that CBO and JCT estimate would increase revenues include repealing the "last-in, first-out" method of accounting for inventories ($70 billion), reducing tax preferences for the production of fossil fuels ($41 billion), providing short-term tax relief to employers and expanding the base for the payroll tax for unemployment compensation ($36 billion), imposing a "financial crisis responsibility fee" ($30 billion), and taxing carried interest ($20 billion).[9] Partly offsetting those

9. Carried interest typically forms part of the compensation received by a general partner of a private equity or hedge fund. It is generally a share of the profits on the assets under management.

increases would be revenue reductions from decreasing the amount of information that businesses are required to report to the Internal Revenue Service about certain payments, starting in January 2012, and from extending the expanded earned income tax credit for larger families.

In a few cases, the Administration did not provide sufficient details about the President's proposals to allow for a full assessment of their effects on revenues. For example, the budget provides enough information about the tax base and rate of the financial crisis responsibility fee to indicate that such collections are possible, but the proposal would require additional specifications for JCT to produce a revenue estimate. In that case, CBO incorporated the Administration's estimate—that the fee would raise $30 billion over 10 years—as a placeholder because the proposal was specific enough to determine that the revenues estimated by the Administration could feasibly be raised in the manner described.

However, in the case of a proposal to raise new revenues to support the reauthorization of surface transportation programs, the absence of any information about the nature of the taxes or fees that might be used to produce revenues did not allow an assessment of the potential budgetary effects. As a result, CBO did not include any revenues for that proposal, which the Administration projected would raise revenues by $328 billion over the 2012–2021 period.

Outlays

On the spending side of the budget, the President's policies would increase outlays (relative to CBO's baseline projections) by $25 billion in 2011 and by $402 billion between 2012 and 2021 (see Table 3 on page 17). That 10-year total can be more than explained by an increase of $519 billion in interest costs, largely stemming from the additional borrowing that would result from the President's revenue proposals.

The President's policies would keep total noninterest outlays close to the levels projected in CBO's baseline—with a net reduction of $117 billion, or 0.3 percent, over the next decade. Those outlays would be above the amounts in the baseline through 2014 and below them between 2015 and 2021. Outlays for mandatory programs would be $1.34 trillion higher through 2021 under the President's budget, mainly because of a reclassification of outlays for most surface transportation that are currently categorized as discretionary spending, an increase in overall transportation spending, a greater amount of refundable tax credits, and an increase in Medicare's payment rates for physicians relative to those under current law. The increase in mandatory spending would be slightly more than offset by a decrease of $1.45 trillion in discretionary spending over 10 years. The bulk of that decrease comes from the lower spending assumed for war-related activities, the reclassification of certain transportation outlays as mandatory, and a five-year freeze on spending for many nondefense discretionary programs.

As a percentage of GDP, outlays would average 23.5 percent over the next decade under the President's budget—well above the average of 20.8 percent seen over the past 40 years. Mandatory outlays would equal 13.3 percent of GDP in 2012 and generally rise throughout the projection period, reaching 14.5 percent of GDP in 2021, compared with 13.8 percent in CBO's baseline. Discretionary outlays, by contrast, would drop significantly relative to GDP throughout the period, from 8.7 percent in 2012 to 5.8 percent in 2021, 0.9 percentage points below the 2021 figure in CBO's baseline.

Proposals That Would Affect Mandatory Spending. The potential change with the largest impact on mandatory spending is a proposal to reclassify outlays for surface transportation programs funded through the Highway Trust Fund from discretionary to mandatory. The President would also replace most other existing discretionary funding for surface transportation programs with new mandatory funding. Further, the President proposes to increase the resources available for such programs by about $50 billion in 2012 and by smaller amounts through 2017. Beginning in 2018, total funding would be indexed to inflation. Those changes would boost mandatory outlays by $716 billion over the 2012–2021 period, of which $504 billion would replace discretionary spending contained in CBO's baseline.[10]

Under current law, payment rates for physicians' services under Part B of Medicare are slated to decline by 29 percent in January 2012 and by additional amounts in later years. The President proposes to avoid those reductions by freezing payment rates at their 2011 levels for the next 10 years. That policy would increase net outlays by $298 billion over the 2012–2021 period, CBO estimates. Under the President's budget, the costs of the freeze for the first two years would be offset by various proposals involving Medicare, Medicaid, and the regulation of prescription drugs, which CBO estimates would reduce mandatory spending by a total of $48 billion over the coming decade.[11] The President's budget also calls for offsetting the costs of the payment freeze in later years, but it does not provide any policy details about future spending cuts for that purpose. Consequently, CBO did not estimate any savings for such future cuts.

The Administration proposes to extend or expand various refundable tax credits, including the earned income tax credit, the child tax credit, and certain education

10. For programs funded through the Highway Trust Fund, budget authority is classified as mandatory under current law, but outlays are considered discretionary because they are controlled by obligation limitations set in appropriation acts. Reclassifying those programs—which could be done without legislation if agreed to by the House and Senate budget committees, the Administration, and CBO—would shift $430 billion from the discretionary to the mandatory category. However, some surface transportation programs are currently funded through discretionary budget authority and would require legislation to reclassify; CBO estimates that outlays for those programs will total $74 billion between 2012 and 2021.

11. CBO estimates that the cost of freezing Medicare's payment rates for physicians' services for the first two years would be $38 billion.

credits. In addition, other tax proposals, primarily extending certain provisions originally enacted in EGTRRA and JGTRRA, would affect the refundable portion of such credits. All told, the President's policy changes would increase outlays for refundable tax credits by an estimated $300 billion over the 2012–2021 period.

The President's proposal to extend and expand the Build America Bonds program and lower its subsidy rate would boost outlays by $76 billion through 2021, JCT estimates. Combined with its revenue increase of $70 billion, that proposal would result in a net increase of $6 billion in the 10-year deficit.

The President is proposing to eliminate interest subsidies on loans for graduate and professional students while they are in school or in a grace or deferment period, saving $18 billion over the 2012–2021 period. In addition, the Administration seeks to prevent students from receiving multiple Pell grants in the same award year and to modify the calculations that determine eligibility for those grants, saving $7 billion over the next 10 years. Most of the savings would be used to help maintain a discretionary maximum award level of $4,860 for the Pell Grant program.[12]

The President's budget also includes one-time payments of $250 in 2011 for Social Security beneficiaries, who did not receive a cost-of-living adjustment again this year because of recent low inflation. CBO estimates that those payments would cost $14 billion, most of which would be disbursed in 2011.

Proposals That Would Affect Discretionary Spending. Discretionary outlays under the President's budget would total $1.4 trillion in 2011 and $13.0 trillion over the 2012–2021 period, CBO estimates. That cumulative amount is nearly $1.5 trillion below CBO's baseline projection, largely because of a reduction in funding for activities related to the wars in Afghanistan and Iraq and the proposed reclassification of spending for most surface transportation programs as mandatory.

For 2011, the President's request for discretionary budget authority is $45 billion greater than the amount in CBO's baseline (which reflects the funding provided by the continuing resolution through March 18, extrapolated for the full year). Among the largest differences are $24 billion in additional funding for defense, $6 billion for international affairs, and $5 billion for education, training, employment, and social services.

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12. The maximum Pell award is $5,550, which is funded from both mandatory and discretionary resources. Under the President's budget, the discretionary amount of the award would be $4,860 in 2012, and a mandatory add-on would provide the other $690. CBO estimates that discretionary appropriations would need to increase significantly above baseline projections to provide awards at that level. To help offset the additional appropriations, the President proposes to allocate $25 billion in mandatory funding to the portion of Pell grants that traditionally has been funded through discretionary appropriations. In addition to that increase, CBO estimates that discretionary funding for Pell grants would rise by $57 billion over the 2012–2021 period under the President's budget, compared with CBO's baseline projections.

For 2012, the President has requested $1.25 trillion in discretionary budget authority, $45 billion (or 3.5 percent) less than the total requested for 2011 (see Table 4 on page 19) and $17 billion less than the amount in CBO's baseline. Total discretionary funding under the President's budget would drop by another 4 percent the following year, to $1.20 trillion, but would grow thereafter, reaching $1.39 trillion by 2021.

For defense discretionary programs, budget authority would decrease by $37 billion, or 5.0 percent, from 2011 to 2012 under the President's budget. Most of that decrease stems from a reduction in funding for war-related activities in Afghanistan and Iraq, which would decline from $159 billion this year to $118 billion in 2012.[13] Appropriations for other defense activities would increase by $5 billion (or 0.8 percent) in 2012. After that, the Administration's budget includes a placeholder of $50 billion a year for war-related activities, while proposed funding for other defense programs grows by an average of 2 percent a year through 2021. As a result, the total budget authority for defense proposed in the President's budget drops from $696 billion in 2012 to $646 billion in 2013 and remains below the 2012 amount until 2017. Outlays for defense would decline from 4.7 percent of GDP last year to 3.1 percent in 2021, CBO estimates.

For nondefense discretionary programs, the total budget authority requested by the President falls by 1.6 percent between 2011 and 2012—from $561 billion to $553 billion. Nearly all of that drop results from the proposal to reclassify most surface transportation programs from discretionary to mandatory, which would reduce budget authority by $8 billion in 2012 and by additional amounts in subsequent years. Most nondefense discretionary programs would receive the same amount of funding in 2012 as requested by the President for the current year. However, a few programs that the Administration classifies as security-related would see small increases. In addition, the Department of Education would receive an increase of $9 billion, mostly because of the proposal to maintain the current maximum award level of $4,860 for the discretionary portion of the Pell Grant program.[14] Partially offsetting such increases is a $6 billion shift in discretionary funding for the crime victims fund from 2012 to 2013.[15] As a whole, budget authority for nondefense programs would remain relatively flat through 2015 but would then rise to $646 billion

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13. The President has also requested $9 billion in 2012 for nondefense activities related to the wars.

14. In CBO's baseline, projected outlays for the Pell Grant program are based on inflation of the budget authority provided for the current fiscal year ($23.2 billion). However, the cost to maintain a maximum award level of $4,860 for the discretionary portion of the program exceeds the amount assumed in the baseline and would require additional funding.

15. The crime victims fund supports programs that provide compensation and assistance to victims of crime and their survivors; it is financed through collections of criminal fines, penalty assessments, and bond forfeitures from people convicted of federal offenses.

by 2021. Under the President's proposals, nondefense discretionary outlays would decline from 4.5 percent of GDP last year to 2.7 percent in 2021.[16]

Effect of the President's Proposals on Net Interest. The policy changes in the President's budget would increase the government's net outlays for interest by $2 billion in 2011 and by $519 billion between 2012 and 2021. Those increased outlays would result almost entirely from additional borrowing by the Treasury from the public to cover deficits greater than the amounts projected in the baseline. Net interest payments would nearly quadruple over the 2012–2021 period (in nominal dollars, without adjusting for inflation), rising from $260 billion in 2012 to $931 billion in 2021. Relative to the size of the economy, net interest payments would amount to 3.9 percent of GDP in 2021 under the President's budget, about 0.5 percentage points higher than in the baseline and 2.6 percentage points more than recorded in 2010.

Recent Changes in CBO's Baseline Projections

In conjunction with its analysis of the President's budget, CBO routinely updates its baseline budget projections, which show the paths that revenues and outlays would take over the next 10 years without changes in law (see Table 5 on page 20). The updates to CBO's baseline take into account new information gleaned from the President's budget and other sources, as well as any legislation enacted since January, when CBO completed its previous baseline.

CBO now projects that under current law, the deficit for this year will amount to $1.40 trillion, $81 billion lower than CBO projected in January (see Table 6 on page 21). The cumulative deficit for the 2012–2021 period is now projected to total $6.7 trillion, down by $234 billion from the nearly $7.0 trillion projected in January. CBO's baseline projection of the 10-year deficit has dropped from 3.6 percent of GDP to 3.4 percent.

Changes in Projections of Outlays

CBO has reduced its spending projections by $79 billion for 2011 and by $285 billion for the 2012–2021 period, in large part because of new information about various programs (so-called technical factors). The only recently enacted legislation that affects projected outlays is the Further Continuing Appropriations Amendments, 2011 (P.L. 112-4), which was signed into law on March 2 and funded the government's operations through March 18. That law prompted CBO to reduce its estimate of outlays by $1 billion for 2011 and its baseline projection of outlays over the 2012–2021 period by $40 billion (excluding net interest costs). (CBO projects discretionary spending in the baseline by extrapolating current appropriations—in this case, the annualized levels provided by P.L. 112-4—through the projection period.)

16. The decline in nondefense discretionary outlays includes the effects of the President's proposal to reclassify about $500 billion for surface transportation programs as mandatory.

Mandatory Spending. Most of the technical changes to CBO's estimate of outlays for 2011 result from projections of lower spending for mandatory programs. Largely because of changes in the estimated costs of past activities, CBO revised its estimate of outlays for the Troubled Asset Relief Program (TARP) this year from negative outlays of $25 billion to negative outlays of $39 billion.[17] Changes to the estimated subsidy costs of loans or loan guarantees previously made by other credit programs have lowered CBO's projection of 2011 outlays by another $12 billion.[18] That total is the net result of revisions to estimates for student loan programs (a drop of $30 billion), the Federal Housing Administration (an increase of nearly $10 billion), the Small Business Administration (an increase of $5 billion), and a number of other programs.

Among other technical changes for 2011, CBO now expects outlays for deposit insurance to be $8 billion lower this year than it estimated in January. That decrease stems mainly from changes in the estimated number and size of bank and credit union failures over the remainder of the year. In addition, CBO has reduced its estimate of Medicare outlays in 2011 by $6 billion because data on spending for the program through February indicate that the slower growth in outlays that Medicare experienced last year is continuing. (In its January baseline, CBO had anticipated that Medicare spending would return to more-typical growth rates more rapidly.) CBO is also expecting $6 billion less in spending for unemployment compensation this year because of fewer claims and lower average benefits than previously anticipated.

For the 2012–2021 period, CBO has reduced its projections of mandatory outlays by $277 billion as a result of technical factors. Most of that reduction involves spending for Medicare and Medicaid.

CBO now projects that Medicare outlays will be $186 billion (about 3 percent) lower between 2012 and 2021 than it projected in January. Approximately two-thirds of the change comes from reducing the projected growth rate for Part D (prescription drug) spending per enrollee on the basis of an updated analysis of national trends in spending for prescription drugs. The other one-third of the change mainly reflects an extrapolation of the slower-than-expected growth rate of Medicare spending seen this year.

For Medicaid, CBO has trimmed its projection of outlays over the 2012–2021 period by $153 billion (about 3 percent). Almost two-thirds of that change comes from reducing the projected growth rate for spending per Medicaid enrollee on long-term care and from adjusting projections of the number of elderly people enrolled in the

17. CBO now estimates that the net lifetime cost of the TARP will be $19 billion. Details of that estimate will be included in the CBO report on the TARP that is due to be published at the end of March.

18. Such revisions to estimated subsidies for credit programs are published annually with the President's budget, and CBO incorporates them into its March baseline.

program, on the basis of an analysis of historical trends in spending and enrollment. Another one-quarter of the change reflects a reduction in CBO's estimate of the increase in Medicaid enrollment that will result from the major health care legislation enacted in 2010. CBO has made a number of technical modifications to its models for health insurance coverage; as a result of those modifications, slightly fewer low-income people are projected to be eligible for Medicaid and slightly more are expected to be eligible for subsidies through the newly established health insurance exchanges. Consequently, the reduction in projected Medicaid spending for those people is accompanied by an increase in CBO's projection of exchange subsidies.

Outlays for health insurance tax credits and cost-sharing subsidies for people who purchase coverage through exchanges are now projected to be about $54 billion higher over the 2012–2021 period than CBO projected in January. (In addition, CBO and JCT now estimate that the loss of revenues attributable to tax credits for insurance premiums will be about $45 billion larger than previously estimated.)

Updating baseline projections of federal spending on health care programs does not automatically result in a complete reestimate of the budgetary impact of last year's major health care legislation under the assumptions of the new baseline. However, the costs or savings from some aspects of that legislation can be separately identified in the baseline projections. In particular, the provisions related to expanding health insurance coverage were projected to increase the deficit between 2012 and 2021 by $1.04 trillion, on net, in CBO's January baseline; they are now projected to increase the deficit by $1.13 trillion over that period. But those effects are only a part of the total budgetary impact of the legislation. CBO's previous estimate showed that the effects of the other provisions on mandatory spending and revenues, taken together, would reduce the deficit by roughly $1.25 trillion over the 2012–2021 period—meaning that the legislation, as a whole, was projected to reduce the deficit over 10 years. The budgetary effects of all of those other provisions cannot be separately identified in the new baseline.

Discretionary Spending. Overall, CBO has made technical changes to projections for discretionary programs that decrease estimated outlays by $13 billion for 2011 and by $27 billion for the following 10 years. Reductions in outlays for both the current year and 2012 are dominated by lower estimates of defense spending, driven by the slow pace at which the Department of Defense is spending funds provided in the recent short-term continuing resolutions. For 2013 and beyond, CBO has lowered its estimate of discretionary spending by an average of $2 billion (or 0.1 percent) a year.

Net Interest. Because various technical and legislative changes have reduced CBO's estimate of the cumulative deficit over the 2012–2021 period, projected debt-service costs have also declined, by a total of $42 billion (attributable to both legislation and technical revisions). At the same time, CBO's estimate of other net interest costs over that period has increased by $100 billion since January. About three-quarters of that increase results from a shift in the mix of securities that the Treasury is expected to issue (from short-term securities to longer-term securities) as well as to some enhancements to CBO's models. The other one-quarter stems from projections of lower interest receipts from nonbudgetary credit financing accounts and from small changes to a number of other net interest accounts.

Changes in Projections of Revenues

Since January, CBO has increased its revenue projections by $2 billion for 2011 and $3 billion for 2012 and reduced them by a total of $55 billion for the following nine years. The most significant changes are an increase in the projected amount of tax credits for health insurance that will be purchased through exchanges and other revisions related to health insurance coverage. (As discussed above, projected outlays for exchange subsidies have changed as well.) In the other direction, CBO has raised its estimates of remittances by the Federal Reserve System for most of the projection period to reflect changes in the composition of the system's portfolio (more mortgage-backed securities issued by Fannie Mae and Freddie Mac and fewer lower-yielding Treasury securities).

Table 1.

Comparison of Projected Revenues, Outlays, and Deficits Under CBO's March 2011 Baseline and CBO's Estimate of the President's Budget

(Billions of dollars)

	Actual 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total 2012-2016	Total 2012-2021
							CBO's March 2011 Baseline							
Revenues	2,163	2,230	2,558	3,087	3,440	3,642	3,826	4,071	4,271	4,483	4,703	4,951	16,554	39,032
Outlays	3,456	3,629	3,639	3,779	3,954	4,180	4,460	4,661	4,856	5,148	5,412	5,680	20,012	45,770
Total Deficit	**-1,294**	**-1,399**	**-1,081**	**-692**	**-513**	**-538**	**-635**	**-590**	**-585**	**-665**	**-710**	**-729**	**-3,459**	**-6,737**
							CBO's Estimate of the President's Budget							
Revenues	2,163	2,229	2,544	2,899	3,212	3,442	3,635	3,818	3,994	4,179	4,382	4,597	15,732	36,702
Outlays	3,456	3,655	3,708	3,800	3,976	4,191	4,476	4,687	4,896	5,200	5,483	5,756	20,150	46,172
Total Deficit	**-1,294**	**-1,425**	**-1,164**	**-901**	**-764**	**-748**	**-841**	**-870**	**-902**	**-1,021**	**-1,101**	**-1,158**	**-4,418**	**-9,470**
							Difference Between CBO's Estimate of the President's Budget and CBO's Baseline							
Revenues	n.a.	-1	-14	-188	-228	-200	-191	-254	-277	-304	-321	-354	-822	-2,331
Outlays	n.a.	25	69	21	22	11	15	26	40	53	70	76	138	402
Total Deficit[a]	**n.a.**	**-26**	**-83**	**-209**	**-251**	**-210**	**-206**	**-279**	**-318**	**-356**	**-391**	**-429**	**-959**	**-2,733**
Memorandum:														
Total Deficit as a Percentage of GDP														
CBO's baseline	-8.9	-9.3	-6.9	-4.2	-3.0	-3.0	-3.3	-2.9	-2.8	-3.0	-3.1	-3.1	-4.0	-3.4
CBO's estimate of the President's budget	-8.9	-9.5	-7.4	-5.5	-4.4	-4.1	-4.4	-4.3	-4.3	-4.7	-4.8	-4.9	-5.1	-4.8
Debt Held by the Public as a Percentage of GDP														
CBO's baseline	62.1	68.9	73.4	75.1	74.9	74.5	74.6	74.7	74.7	75.0	75.3	75.6	n.a.	n.a.
CBO's estimate of the President's budget	62.1	69.1	74.3	77.2	78.3	78.9	79.9	81.1	82.4	84.0	85.7	87.4	n.a.	n.a.

Source: Congressional Budget Office.

Note: n.a. = not applicable; GDP = gross domestic product.

a. Negative numbers indicate an increase relative to the deficit in CBO's baseline.

Table 2.

CBO's Estimate of the President's Budget

	Actual 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total 2012-2016	Total 2012-2021
								In Billions of Dollars						
Revenues														
On-budget	1,531	1,664	1,877	2,167	2,443	2,631	2,781	2,922	3,057	3,199	3,360	3,530	11,899	27,968
Off-budget	632	566	667	732	769	811	854	895	936	980	1,022	1,067	3,833	8,733
Total	**2,163**	**2,229**	**2,544**	**2,899**	**3,212**	**3,442**	**3,635**	**3,818**	**3,994**	**4,179**	**4,382**	**4,597**	**15,732**	**36,702**
Outlays														
Mandatory spending	1,913	2,071	2,086	2,179	2,317	2,456	2,647	2,763	2,879	3,085	3,264	3,450	11,686	27,127
Discretionary spending	1,347	1,369	1,362	1,292	1,251	1,245	1,257	1,273	1,292	1,321	1,352	1,374	6,407	13,020
Net interest	196	214	260	328	409	489	571	651	725	794	866	931	2,057	6,025
Total	**3,456**	**3,655**	**3,708**	**3,800**	**3,976**	**4,191**	**4,476**	**4,687**	**4,896**	**5,200**	**5,483**	**5,756**	**20,150**	**46,172**
On-budget	2,902	3,158	3,127	3,156	3,295	3,472	3,717	3,883	4,044	4,296	4,521	4,735	16,766	38,245
Off-budget	555	497	581	644	681	719	759	804	853	904	961	1,020	3,384	7,926
Deficit (-) or Surplus	**-1,294**	**-1,425**	**-1,164**	**-901**	**-764**	**-748**	**-841**	**-870**	**-902**	**-1,021**	**-1,101**	**-1,158**	**-4,418**	**-9,470**
On-budget	-1,371	-1,494	-1,250	-989	-852	-840	-936	-961	-986	-1,096	-1,161	-1,205	-4,867	-10,277
Off-budget	77	69	86	88	88	92	95	92	84	75	61	47	449	807
Debt Held by the Public	9,019	10,389	11,661	12,660	13,516	14,359	15,292	16,254	17,250	18,364	19,558	20,806	n.a.	n.a.
Memorandum:														
Gross Domestic Product	14,513	15,034	15,693	16,400	17,258	18,195	19,141	20,033	20,935	21,856	22,817	23,810	86,686	196,138
								As a Percentage of Gross Domestic Product						
Revenues														
On-budget	10.5	11.1	12.0	13.2	14.2	14.5	14.5	14.6	14.6	14.6	14.7	14.8	13.7	14.3
Off-budget	4.4	3.8	4.2	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.4	4.5
Total	**14.9**	**14.8**	**16.2**	**17.7**	**18.6**	**18.9**	**19.0**	**19.1**	**19.1**	**19.1**	**19.2**	**19.3**	**18.1**	**18.7**
Outlays														
Mandatory spending	13.2	13.8	13.3	13.3	13.4	13.5	13.8	13.8	13.8	14.1	14.3	14.5	13.5	13.8
Discretionary spending	9.3	9.1	8.7	7.9	7.2	6.8	6.6	6.4	6.2	6.0	5.9	5.8	7.4	6.6
Net interest	1.4	1.4	1.7	2.0	2.4	2.7	3.0	3.3	3.5	3.6	3.8	3.9	2.4	3.1
Total	**23.8**	**24.3**	**23.6**	**23.2**	**23.0**	**23.0**	**23.4**	**23.4**	**23.4**	**23.8**	**24.0**	**24.2**	**23.2**	**23.5**
On-budget	20.0	21.0	19.9	19.2	19.1	19.1	19.4	19.4	19.3	19.7	19.8	19.9	19.3	19.5
Off-budget	3.8	3.3	3.7	3.9	3.9	4.0	4.0	4.0	4.1	4.1	4.2	4.3	3.9	4.0
Deficit (-) or Surplus	**-8.9**	**-9.5**	**-7.4**	**-5.5**	**-4.4**	**-4.1**	**-4.4**	**-4.3**	**-4.3**	**-4.7**	**-4.8**	**-4.9**	**-5.1**	**-4.8**
On-budget	-9.4	-9.9	-8.0	-6.0	-4.9	-4.6	-4.9	-4.8	-4.7	-5.0	-5.1	-5.1	-5.6	-5.2
Off-budget	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.3	0.3	0.2	0.5	0.4
Debt Held by the Public	62.1	69.1	74.3	77.2	78.3	78.9	79.9	81.1	82.4	84.0	85.7	87.4	n.a.	n.a.

Source: Congressional Budget Office.

Note: n.a. = not applicable.

Table 3.

CBO's Estimate of the Effect of the President's Budget on Baseline Deficits

(Billions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total 2012-2016	Total 2012-2021
Total Deficit as Projected in CBO's March 2011 Baseline	-1,399	-1,081	-692	-513	-538	-635	-590	-585	-665	-710	-729	-3,459	-6,737
Effect of the President's Proposals													
Revenues													
Provisions related to EGTRRA and JGTRRA[a]													
Modify individual income tax rates[b]	0	0	-78	-114	-120	-127	-134	-141	-149	-157	-165	-440	-1,187
Provide relief from the marriage penalty	0	0	-21	-32	-33	-35	-38	-39	-40	-42	-43	-120	-321
Extend child tax credit provisions[c]	0	0	-3	-13	-13	-13	-13	-13	-13	-13	-13	-43	-110
Modify tax rates on capital gains and dividends[d]	0	-1	-5	-10	-14	-14	-14	-15	-15	-16	-16	-44	-121
Other provisions	0	*	-6	-12	-10	-10	-9	-9	-9	-9	-10	-38	-84
Subtotal	0	-1	-113	-182	-191	-199	-209	-217	-226	-237	-248	-685	-1,823
Index the AMT starting from 2011 levels[a]	0	-9	-93	-39	-45	-53	-62	-73	-87	-102	-119	-240	-683
Modify estate and gift tax rates	*	*	-1	-21	-25	-27	-29	-31	-33	-35	-37	-75	-239
Limit the tax rate at which itemized deductions reduce tax liability	0	4	20	25	28	30	33	35	37	39	41	107	293
Reform the U.S. international tax system	0	6	13	12	13	13	14	15	16	17	15	57	133
Tax most dividends at 20 percent for higher-income taxpayers	0	*	-3	-8	-9	-10	-11	-13	-13	-14	-14	-30	-96
Extend the research and experimentation tax credit	0	-3	-6	-7	-8	-9	-9	-10	-11	-12	-13	-31	-88
Extend the American Opportunity Credit	0	0	-2	-8	-8	-8	-9	-9	-9	-10	-10	-27	-74
Modify and extend the Build America Bonds program[e]	*	1	2	3	5	6	8	9	11	12	14	16	70
Other proposals	-1	-11	-6	-3	42	66	21	17	13	20	17	87	174
Total Effect on Revenues	**-1**	**-14**	**-188**	**-228**	**-200**	**-191**	**-254**	**-277**	**-304**	**-321**	**-354**	**-822**	**-2,331**
Outlays													
Mandatory													
Reclassify surface transportation spending as mandatory	0	15	36	45	50	54	57	59	61	62	64	200	504
Increase transportation funding	0	6	13	15	18	21	25	28	29	30	29	72	213
Freeze Medicare's physician payment rates at 2011 levels	0	12	19	23	26	29	31	34	37	41	45	109	298
Offset cost of freezing Medicare's physician payment rates through 2013	0	*	-1	-1	-3	-4	-6	-6	-7	-8	-13	-9	-48
Extend or expand certain refundable tax credits	*	*	1	36	36	37	37	38	38	38	38	111	300
Modify and extend the Build America Bonds program[e]	*	1	2	3	5	7	8	10	12	13	15	18	76
Other proposals	16	16	8	6	-2	-3	-5	-6	-7	-7	-8	25	-7
Subtotal	16	49	78	128	131	141	148	156	164	170	171	525	1,335

Continued

CBO's Estimate of the Effect of the President's Budget on Baseline Deficits

(Billions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total 2012-2016	Total 2012-2021
Outlays (Continued)													
Discretionary													
Defense	4	13	-36	-71	-85	-95	-100	-107	-115	-124	-133	-273	-853
Nondefense[f]	4	4	-28	-49	-61	-68	-73	-76	-81	-79	-87	-202	-599
Subtotal	8	17	-64	-120	-146	-162	-174	-183	-196	-203	-220	-475	-1,452
Net interest	2	3	7	15	26	37	51	67	85	104	125	88	519
Total Effect on Outlays	**25**	**69**	**21**	**22**	**11**	**15**	**26**	**40**	**53**	**70**	**76**	**138**	**402**
Total Effect on the Deficit[g]	**-26**	**-83**	**-209**	**-251**	**-210**	**-206**	**-279**	**-318**	**-356**	**-391**	**-429**	**-959**	**-2,733**
Total Deficit Under the President's Proposals as Estimated by CBO	-1,425	-1,164	-901	-764	-748	-841	-870	-902	-1,021	-1,101	-1,158	-4,418	-9,470
Memorandum:													
Total Deficit Under the President's Proposals as Estimated by OMB	-1,645	-1,101	-768	-645	-607	-649	-627	-619	-681	-735	-774	-3,769	-7,205

Sources: Congressional Budget Office; Joint Committee on Taxation.

Note: * = between -$500 million and $500 million; EGTRRA = Economic Growth and Tax Relief Reconciliation Act of 2001; JGTRRA = Jobs and Growth Tax Relief Reconciliation Act of 2003; AMT = alternative minimum tax; OMB = Office of Management and Budget.

a. The estimated effects of the President's proposals related to EGTRRA and JGTRRA interact with the effects of the proposal to index the AMT. This analysis first estimated the revenue effects of the proposal for the AMT relative to projections under current law, and then it estimated the effects of the proposals related to EGTRRA and JGTRRA relative to projections under current law modified for the proposed changes to the AMT. Thus, the estimates for the proposals related to EGTRRA and JGTRRA include estimated losses in revenues that would result from interactions with the AMT proposal.

b. The estimates include the effects of maintaining, for taxpayers with income above certain levels, the income tax rates of 36 percent and 39.6 percent scheduled to go into effect in calendar year 2013 under current law. For other taxpayers, tax rates would be at the levels originally specified in EGTRRA and extended through calendar year 2012 in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

c. Includes extension of the $1,000 child tax credit and use of that credit to reduce AMT liability.

d. The estimate includes the effect of maintaining the capital gains and dividend tax rates of zero and 15 percent for taxpayers filing joint returns who have income below $250,000 or single filers who have income below $200,000.

e. This proposal affects both revenues and outlays. The Joint Committee on Taxation estimates that the net effect of the Build America Bonds program is to increase the deficit by $6 billion.

f. The changes to nondefense discretionary outlays include the effects of the President's proposal to reclassify spending for certain surface transportation programs as mandatory. That proposed reclassification accounts for about $500 billion of the 2012–2021 total shown here.

g. Negative numbers indicate an increase relative to the deficit in CBO's baseline.

Table 4.

Proposed Changes in Discretionary Budget Authority in the President's Budget, 2010 to 2012

(Billions of dollars)

	Actual	Administration's Request		Percentage Change	
	2010	2011	2012	2010–2011	2011–2012
Discretionary Budget Authority					
Defense					
War-related	160	159	118	-0.3	-26.1
Other	554	574	578	3.5	0.8
Subtotal	714	733	696	2.6	-5.0
Nondefense					
War-related	4	0	9	n.a.	n.a.
Other	550	561	544	2.1	-3.1
Subtotal	554	561	553	1.4	-1.6
Total	**1,268**	**1,294**	**1,249**	**2.1**	**-3.5**

Source: Congressional Budget Office.

Note: n.a. = not applicable.

Table 5.

CBO's March 2011 Baseline Budget Projections

	Actual 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total 2012-2016	Total 2012-2021
							In Billions of Dollars							
Revenues														
Individual income taxes	899	998	1,128	1,517	1,669	1,822	1,957	2,097	2,223	2,355	2,497	2,650	8,093	19,916
Corporate income taxes	191	201	279	343	427	395	369	413	417	420	420	437	1,813	3,920
Social insurance taxes	865	818	942	1,027	1,090	1,147	1,202	1,254	1,306	1,362	1,420	1,480	5,408	12,231
Other revenues	208	213	210	200	254	278	297	306	325	346	366	384	1,239	2,966
Total Revenues	**2,163**	**2,230**	**2,558**	**3,087**	**3,440**	**3,642**	**3,826**	**4,071**	**4,271**	**4,483**	**4,703**	**4,951**	**16,554**	**39,032**
On-budget	1,531	1,665	1,891	2,355	2,671	2,831	2,971	3,175	3,334	3,503	3,681	3,884	12,719	30,296
Off-budget	632	566	667	732	769	811	854	896	937	980	1,022	1,067	3,834	8,736
Outlays														
Mandatory spending	1,913	2,055	2,038	2,102	2,189	2,326	2,506	2,615	2,723	2,921	3,094	3,279	11,160	25,792
Discretionary spending	1,347	1,361	1,344	1,356	1,371	1,391	1,420	1,446	1,475	1,517	1,556	1,594	6,883	14,472
Net interest	196	213	257	321	394	463	534	600	658	710	762	807	1,969	5,506
Total Outlays	**3,456**	**3,629**	**3,639**	**3,779**	**3,954**	**4,180**	**4,460**	**4,661**	**4,856**	**5,148**	**5,412**	**5,680**	**20,012**	**45,770**
On-budget	2,902	3,132	3,058	3,135	3,273	3,461	3,700	3,856	4,002	4,241	4,449	4,658	16,627	37,834
Off-budget	555	497	581	644	681	720	760	805	854	906	963	1,022	3,385	7,936
Deficit (-) or Surplus	**-1,294**	**-1,399**	**-1,081**	**-692**	**-513**	**-538**	**-635**	**-590**	**-585**	**-665**	**-710**	**-729**	**-3,459**	**-6,737**
On-budget	-1,371	-1,468	-1,167	-780	-602	-630	-729	-681	-667	-739	-769	-774	-3,908	-7,538
Off-budget	77	69	86	89	88	92	94	91	83	74	59	45	449	800
Debt Held by the Public	9,019	10,363	11,516	12,311	12,919	13,554	14,282	14,964	15,640	16,393	17,192	18,008	n.a.	n.a.
Memorandum:														
Gross Domestic Product	14,513	15,034	15,693	16,400	17,258	18,195	19,141	20,033	20,935	21,856	22,817	23,810	86,686	196,138
							As a Percentage of Gross Domestic Product							
Revenues														
Individual income taxes	6.2	6.6	7.2	9.3	9.7	10.0	10.2	10.5	10.6	10.8	10.9	11.1	9.3	10.2
Corporate income taxes	1.3	1.3	1.8	2.1	2.5	2.2	1.9	2.1	2.0	1.9	1.8	1.8	2.1	2.0
Social insurance taxes	6.0	5.4	6.0	6.3	6.3	6.3	6.3	6.3	6.2	6.2	6.2	6.2	6.2	6.2
Other revenues	1.4	1.4	1.3	1.2	1.5	1.5	1.6	1.5	1.6	1.6	1.6	1.6	1.4	1.5
Total Revenues	**14.9**	**14.8**	**16.3**	**18.8**	**19.9**	**20.0**	**20.0**	**20.3**	**20.4**	**20.5**	**20.6**	**20.8**	**19.1**	**19.9**
On-budget	10.5	11.1	12.1	14.4	15.5	15.6	15.5	15.9	15.9	16.0	16.1	16.3	14.7	15.4
Off-budget	4.4	3.8	4.2	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.4	4.5
Outlays														
Mandatory spending	13.2	13.7	13.0	12.8	12.7	12.8	13.1	13.1	13.0	13.4	13.6	13.8	12.9	13.1
Discretionary spending	9.3	9.1	8.6	8.3	7.9	7.6	7.4	7.2	7.0	6.9	6.8	6.7	7.9	7.4
Net interest	1.4	1.4	1.6	2.0	2.3	2.5	2.8	3.0	3.1	3.2	3.3	3.4	2.3	2.8
Total Outlays	**23.8**	**24.1**	**23.2**	**23.0**	**22.9**	**23.0**	**23.3**	**23.3**	**23.2**	**23.6**	**23.7**	**23.9**	**23.1**	**23.3**
On-budget	20.0	20.8	19.5	19.1	19.0	19.0	19.3	19.2	19.1	19.4	19.5	19.6	19.2	19.3
Off-budget	3.8	3.3	3.7	3.9	3.9	4.0	4.0	4.0	4.1	4.1	4.2	4.3	3.9	4.0
Deficit (-) or Surplus	**-8.9**	**-9.3**	**-6.9**	**-4.2**	**-3.0**	**-3.0**	**-3.3**	**-2.9**	**-2.8**	**-3.0**	**-3.1**	**-3.1**	**-4.0**	**-3.4**
On-budget	-9.4	-9.8	-7.4	-4.8	-3.5	-3.5	-3.8	-3.4	-3.2	-3.4	-3.4	-3.3	-4.5	-3.8
Off-budget	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.3	0.3	0.2	0.5	0.4
Debt Held by the Public	62.1	68.9	73.4	75.1	74.9	74.5	74.6	74.7	74.7	75.0	75.3	75.6	n.a.	n.a.

Source: Congressional Budget Office.

Note: n.a. = not applicable.

Table 6.

Changes in CBO's Baseline Projections of the Deficit Since January 2011

(Billions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total 2012-2016	Total 2012-2021
Total Deficit as Projected in January 2011	-1,480	-1,100	-704	-533	-551	-659	-617	-610	-696	-739	-763	-3,547	-6,971
Changes to Revenue Projections[a]	**2**	**3**	**-3**	**-2**	**-9**	**-7**	**-4**	**-3**	**-6**	**-9**	**-12**	**-17**	**-51**
Changes to Outlay Projections													
Legislative changes													
Discretionary outlays													
Defense	*	*	*	*	*	*	-1	-1	-1	-1	-1	-2	-5
Nondefense	-1	-2	-3	-3	-3	-4	-4	-4	-4	-4	-4	-15	-35
Subtotal, discretionary	-1	-2	-3	-4	-4	-4	-4	-4	-4	-5	-5	-17	-40
Net interest	*	*	*	*	*	-1	-1	-1	-2	-2	-2	-2	-10
Subtotal, legislative changes	-1	-2	-3	-4	-4	-5	-5	-6	-6	-6	-7	-19	-49
Technical changes													
Mandatory outlays													
Medicare	-6	-1	-3	-7	-14	-21	-21	-23	-31	-31	-34	-47	-186
Medicaid	1	-5	-3	-7	-10	-15	-19	-20	-22	-25	-27	-39	-153
Exchange subsidies	0	0	0	4	7	6	5	6	7	9	9	17	54
Other	-47	5	3	-4	-4	-1	2	3	2	3	-2	-1	7
Subtotal, mandatory	-53	*	-4	-14	-20	-32	-32	-34	-44	-44	-54	-70	-277
Discretionary outlays	-13	-6	-4	-4	-2	-2	-2	-2	-2	-2	-1	-17	-27
Net interest													
Debt service	-2	-1	-1	-1	-1	-1	-3	-3	-5	-6	-8	-7	-32
Other	-10	-6	-2	1	6	9	13	16	19	19	24	8	100
Subtotal, net interest	-12	-7	-3	*	4	8	9	13	15	13	16	1	68
Subtotal, technical changes	-78	-13	-12	-18	-17	-26	-25	-23	-31	-32	-39	-85	-236
Total Changes to Outlays	**-79**	**-15**	**-15**	**-22**	**-22**	**-31**	**-30**	**-29**	**-37**	**-39**	**-46**	**-105**	**-285**
Total Effect on the Deficit[b]	**81**	**19**	**12**	**20**	**13**	**24**	**26**	**26**	**31**	**29**	**34**	**88**	**234**
Total Deficit as Projected in March 2011	-1,399	-1,081	-692	-513	-538	-635	-590	-585	-665	-710	-729	-3,459	-6,737
Memorandum:													
Total Legislative Changes[b]	1	2	3	4	4	5	5	6	6	6	7	19	49
Total Technical Changes[b]	80	16	9	16	9	19	21	20	25	23	27	69	185

Source: Congressional Budget Office.

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

a. All of the changes to revenue projections are technical.

b. Positive numbers indicate a decrease in the projected deficit.