

MID-SESSION REVIEW

BUDGET OF THE U.S. GOVERNMENT

FISCAL YEAR 2008



OFFICE OF MANAGEMENT AND BUDGET



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

THE DIRECTOR

July 11, 2007

The Honorable Nancy Pelosi
Speaker of the House
of Representatives
Washington, DC 20515

Dear Madam Speaker:

Section 1106 of Title 31, United States Code, calls for the President to transmit 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 the budget deficit, receipts, outlays, and budget authority for fiscal years 2007 through 2012.

Sincerely,


Rob Portman

Enclosure

Identical Letter Sent to The President of the Senate

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. All totals in the text and tables display 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/budget>*

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SUMMARY

The Mid-Session Review is an annual update of estimates for Federal receipts and outlays that reflects economic, legislative, and other changes that have occurred since the President's Budget was released in February. The Federal budget deficit is now estimated to fall to \$205 billion in 2007, a reduction of \$43 billion or 18 percent from last year. This projected deficit is 1.5 percent of gross domestic product (GDP), well below the 40-year average of 2.4 percent. This estimate is also \$39 billion lower than the estimate in the February Budget, primarily due to higher-than-expected tax receipts. The revised projections continue to show the budget achieving balance in 2012.

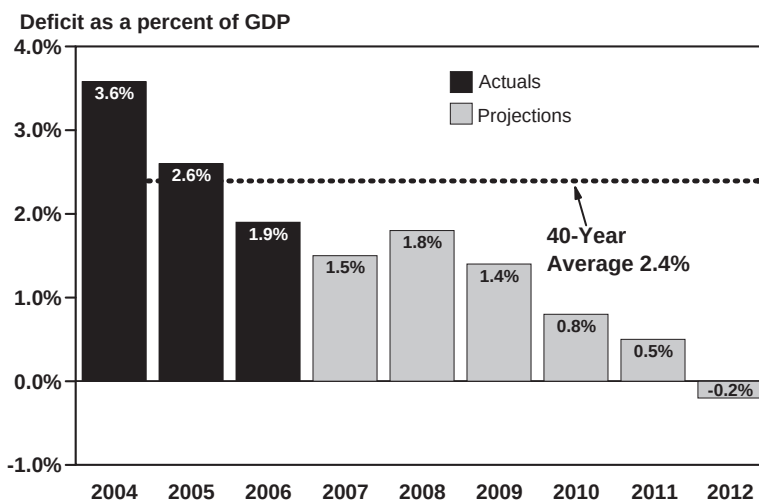
MAINTAINING A STRONG ECONOMY

The President is committed to maintaining the strength of the economy and increasing prosperity for all Americans. He has successfully pursued pro-growth policies, including the implementation of significant tax relief beginning in 2001.

The President's pro-growth policies have worked. Over the past five and one-half years, the Nation's economy has had sustained growth, with real, inflation-adjusted, GDP growing at an average annual rate of 2.9 percent since 2001. In calendar year 2006, GDP was more than \$13 trillion, 3.3 percent greater than 2005 on an inflation-adjusted basis. Real GDP growth early in 2007 has been more moderate than in recent years, but stronger growth is expected to resume for the remainder of the year and to continue throughout the budget horizon.

This sustained economic growth has led to the creation of 8.2 million new jobs since August 2003, with more than two million new jobs over the past year alone. Jobs have grown for 46 consecutive months, and the unemployment rate continues to be historically low. At 4.5 percent, the Nation's unemployment rate is below the averages for each of the decades of the 1970s, 1980s, and 1990s.

Chart 1. Balancing the Budget



The continuing strength of the Nation's economy is also evident in labor productivity improvements, reflecting increases in the efficiency of the labor force. Despite some recent slower productivity gains, the current decade has witnessed the highest sustained growth in labor productivity since the 1960s. Notably, non-farm productivity growth has averaged 2.8 percent annually since the beginning of 2001. Productivity growth ultimately serves as the basis for continued gains in the Nation's standard of living.

The President's policies have led to sustained real growth, more jobs, and higher incomes for Americans. Since the President took office, real after-tax income has increased by 9.9 percent or approximately \$3,000 per person.

PROMOTING ECONOMIC GROWTH THROUGH TAX RELIEF

The President has consistently sought to promote economic growth in a way that rewards hard work and entrepreneurship. Working with the Congress, the President has put tax policies in place that reduced marginal tax rates, the marriage penalty, capital gains and dividend tax rates; doubled the child tax credit; encouraged retirement and education savings; eliminated the death tax;

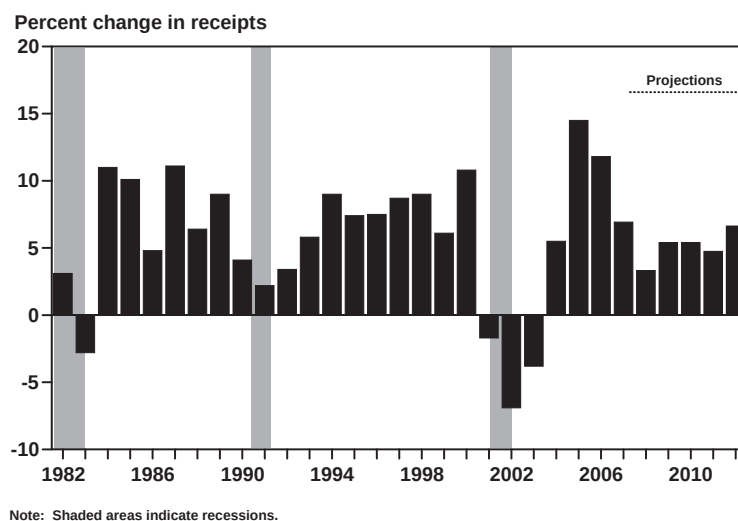
and increased incentives for small business investment.

The four major pieces of tax legislation that the President has signed into law continue to provide tax relief to millions of Americans. This year alone five million individuals and families will see their income tax liabilities completely eliminated, and 113 million taxpayers will see their taxes cut by an average of \$2,216. Fifteen million seniors will see their tax bills decline by an average of \$2,934, and 27 million small business owners will see reductions averaging \$4,712. Also, 45 million families with children will receive an average tax cut of \$2,864.

Tax relief has been good for American taxpayers and the American economy, and the stronger economy has been good for the Nation's treasury. Even with tax relief fully implemented, tax receipts grew at double-digit rates in 2005 and 2006. This is the highest two-year receipt growth since 1981, when receipt growth was instead driven by high inflation. 2007 is on track to be another year of solid growth in tax receipts.

The Nation's economic growth, and the resulting benefits of more jobs, higher wages, and increased Federal revenues, will be in jeopardy if Congress allows the tax relief to

Chart 2. Solid Economy = Growing Receipts



expire in 2010. For this reason, the President has proposed a permanent extension of his entire tax relief program.

The President has proposed additional initiatives that would foster sustained growth, including programs to fund basic research and development, innovation and accountability in education, and the opening of new global markets for American farmers, workers, and service providers. In addition, the President supports efforts to reduce burdensome Government paperwork and regulations, and frivolous litigation.

MAINTAINING FISCAL DISCIPLINE

The overall improvement in the fiscal outlook, with a surplus projected for 2012, reflects the President's approach of pro-growth economic policies coupled with fiscal restraint. In February, the President submitted his proposed Budget to the Congress that would permanently extend tax relief and balance the budget by 2012. It would restrain spending by holding growth in non-security discretionary spending to a reasonable and responsible level for each year of the five-year budget horizon, while adequately addressing key national priorities, including education, health care, and energy. In addition, the President proposed to reduce or eliminate 141 programs, which would save \$12 billion in 2008. The President also proposed sensible changes to important

entitlement programs, such as Medicare and Medicaid, which would save \$92 billion over five years and \$301 billion over ten years. More importantly, the President's mandatory spending proposals would begin to address the long-term problem of entitlements by reducing Medicare's unfunded obligation by 25 percent.

The emergency war supplemental legislation enacted in May 2007, P.L. 110-28, provided much-needed funding for the Nation's troops fighting on the frontlines of the Global War on Terror in Iraq and Afghanistan, and appropriated such funds without the restrictions of the original legislation sent to the president. However, Congress also included unnecessary and unrequested spending that impedes deficit reduction efforts.

The Congressional Budget Resolution adopted earlier this year would increase both spending and taxes, while failing to address the greatest fiscal challenge facing the Nation—the unsustainable growth in entitlement spending. The budget resolution allows most of the President's tax relief to expire in 2010 and contains procedures that would result in the largest tax increase in American history, nearly \$400 billion over five years. It contains 32 reserve funds that allow at least \$88.5 billion more in mandatory spending over five years that would likely be offset with even more tax increases.

Chart 3. Receipts as a Percent of GDP

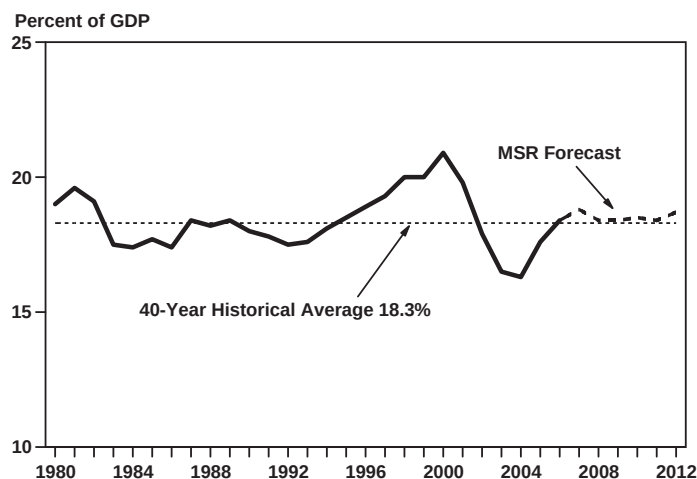
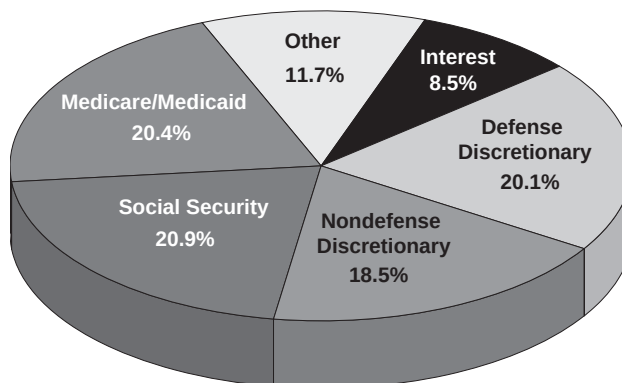


Chart 4. Federal Outlays in 2007

The Congressional Budget Resolution proposes to increase discretionary spending by 9.3 percent in 2008, more than three times the rate of inflation, including a 7.1 percent increase for non-defense, domestic spending. It adds \$22 billion to the President's request for discretionary spending in 2008, and adds \$205 billion over the five-year budget horizon. To maintain fiscal discipline, the Administration has already indicated that the President will veto appropriations bills if the Congress does not demonstrate a commitment to keeping discretionary spending within the overall levels provided in the President's Budget. Finally, the budget resolution does nothing to address the trillions in unfunded obligations in Medicare, Medicaid, or Social Security.

MID-SESSION UPDATE

Rising tax receipts

Tax receipts for the first eight months of 2007 have been strong, up by 8.0 percent, compared with tax receipts for the first eight months of last fiscal year. For the full fiscal year, overall receipts are projected to grow by 6.9 percent, which is faster than the rate of growth in GDP, and are expected to total \$2.574 trillion, \$34 billion higher than estimated in February. Individual income taxes are on track to grow at a double-digit rate for the year, and corporate income taxes are also estimated to show significant gains. Overall receipt growth is expected to be reduced

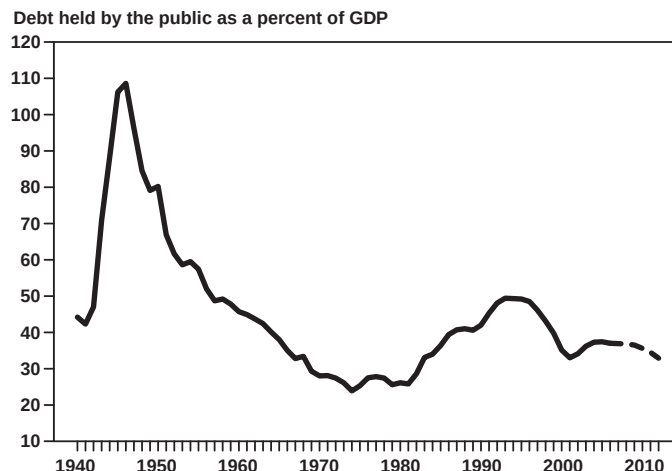
slightly this year by the refunds of Federal excise taxes on long-distance telephone service.

While revenue for 2007 is expected to be higher than projected in February, tax receipts for the five-year budget horizon are similar to the February projections. Overall growth in receipts is expected to average approximately 5 percent per year, roughly the same as the projected growth in GDP. At approximately 18.5 percent of GDP over the next five years, receipts are projected to remain above the 40-year historical average of 18.3 percent.

Changes in Outlays

Spending in 2008 and beyond is a growing problem that must be addressed in order to keep deficit reduction on track and achieve a balanced budget in 2012. In the short term, outlays for 2007 are projected to be \$2.779 trillion, \$6 billion less than projected in February. This relatively small decrease in outlays results primarily from slower-than-expected defense spending, which is offset partially by additional domestic spending in the 2007 war supplemental legislation and higher Medicaid outlays.¹

¹ The Mid-Session Review reflects, as did the February Budget, the enactment of two of the annual appropriations bills for 2007. In addition, the Mid-Session Review updates the estimates for the enacted full-year continuing resolution incorporating the remaining appropriations bills for 2007. The Mid-Session also reflects the effects of the war supplemental legislation, including the additional \$17 billion for unrequested and non-emergency spending.

Chart 5. Declining Federal Debt

Outlays are projected to be \$16 billion higher for 2008 than projected in February, for a total of \$2.918 trillion, and \$20 to \$30 billion higher than previously projected for each of the remaining years in the budget horizon. The higher projections for spending result primarily from increases in Medicare and Medicaid and from unrequested spending added to the 2007 war supplemental. The revised Medicare projections reflect, among other things, higher hospital utilization rates and changes in the Medicare cost indexes.

In the February Budget, the Administration proposed the Federal Aid Highways obligation limitation assumed in P.L. 109–59, but did not include an increase for the 2008 Revenue Aligned Budget Authority (RABA).² The Mid-Session Review estimates that Highway Trust Fund finances have deteriorated since February, with spending exceeding income in 2007 and 2008 and the Highway Account going insolvent by approximately \$4 billion in 2009.

Declining Deficits

The deficit outlook remains on a trajectory to achieve the President's goal of a balanced

budget by 2012, with a \$33 billion surplus projected for the final year of the budget horizon. In 2007, the deficit is estimated to be \$205 billion, 16 percent lower than the \$244 billion projected in February and 18 percent lower than the 2006 deficit of \$248 billion. The improvement in the 2007 deficit outlook results primarily from higher-than-expected receipts.

The size of the deficit relative to the overall economy—expressed as a percent of GDP—is the most meaningful indicator of the economic significance of the deficit. In the 2005 Budget, the President set a goal of cutting the deficit in half by 2009 from its projected 2004 peak of 4.5 percent, or \$521 billion. That goal was achieved in 2006, three years ahead of schedule, when the deficit fell to 1.9 percent of GDP, or \$248 billion. As shown in Chart 1, the 2007 deficit is projected to be 1.5 percent of GDP, lower than the 1.8 percent projected in February. For 2008, the deficit is projected to increase slightly to 1.8 percent of GDP, still well below its 40-year average of 2.4 percent of GDP. Beginning in 2009, the deficit is projected to resume a steady path of reduction until it is eliminated in 2012.

As the deficit as a percent of GDP has fallen, so too has debt held by the public as a percent of GDP. At a projected 37 percent of GDP for the end of 2007, the Nation's debt is significantly lower than the average of the

² The Department of the Treasury has reallocated 2006 revenues between the Highway Trust Fund and the Airport and Airways Trust Fund. The revised RABA adjustment for 2008 would be \$703 million, up from \$631 million in February.

other G-7 countries, which represent the seven largest industrial market economies. U.S. debt is projected to fall to 33 percent of GDP by the end of 2012, below the 40-year historical average of 35.5 percent.

ADDRESSING FUTURE FISCAL CHALLENGES

The President's pro-growth economic policies and continued spending restraint together reduce the deficit and lead to a projected balanced budget in the next five years. This is positive short-term news, but in the longer term, unsustainable entitlement spending clouds the Nation's budget outlook.

Next year, the first of the baby boomers will turn 62 and become eligible for early retirement benefits under Social Security. Between now and 2050, the percentage of the population age 65 and over is projected to increase from 12.4 percent to 20.8 percent. The aging of the baby boomers and increasing longevity pose a serious fiscal challenge for the Federal Government. Future retirees can expect to spend a greater portion of their lives in retirement than prior generations, but at a significant cost to future generations if current policies remain unchanged.

Under current policies, the increase in the senior population coupled with rising health care costs will put an unsustainable burden on Medicare, Medicaid, and Social Security in the coming decades. Currently, spending for Medicare, Medicaid, and Social Security is approximately 8 percent of GDP. By 2050, spending on these three programs is projected to be 16 percent of GDP, more than twice as large as spending on all other Government programs. Without reforms in the near-term, the dramatic increases in spending for these programs will ultimately require substantial tax increases, major benefit reductions, or massive and unsustainable amounts of borrowing.

The President's Budget proposes reforms that, if enacted, would make a substantial down payment on the Government's long-term fiscal imbalance. Specifically, proposed changes to Medicare will reduce the average annual rate of growth in Medicare by 0.6 percentage points over the next 10 years and reduce the program's unfunded obligation by \$8 trillion over the next 75 years. This proposal shows that even relatively small near-term savings can yield substantial fiscal improvements over time. The deficit for 2050 is projected to be 8.6 percent of GDP, but if the President's mandatory savings proposals are

Chart 6. Unsustainable Growth in Entitlements

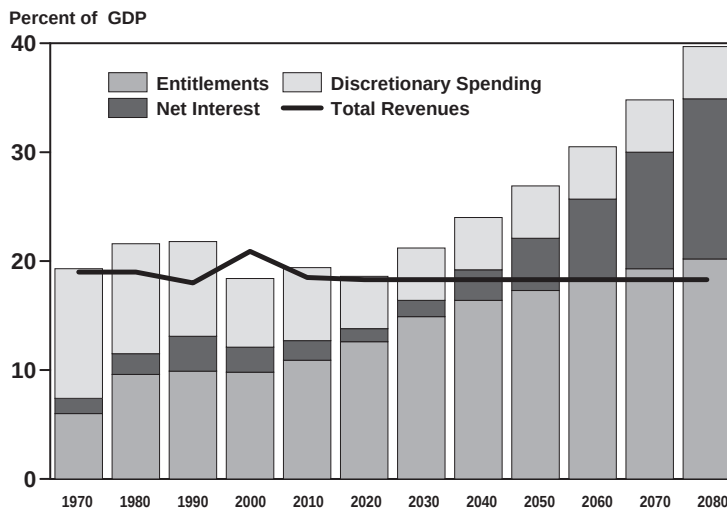


Table 1. CHANGES FROM THE FEBRUARY BUDGET

(Dollar amounts in billions)

	2007	2008	2009	2010	2011	2012	2008– 2012
2008 February Budget deficit	–244	–239	–187	–94	–54	61	–514
Percent of GDP	–1.8%	–1.6%	–1.2%	–0.6%	–0.3%	0.3%	
Economic and technical reestimates:							
Receipts	34	–3	5	*	–8	–12	–18
Medicare	–2	–6	–9	–9	–11	–5	–40
Medicaid	–5	–6	–5	–5	–6	–6	–27
Discretionary	12	8	–9	–10	–4	–3	–17
Other ¹	5	–2	–3	–2	–4	–6	–18
Subtotal, economic and technical reestimates	44	–9	–21	–26	–33	–32	–120
Policy changes:							
Enacted 2007 supplemental	–5	–7	–4	–3	–2	4	–11
Other legislation and policy changes ²	1	–3	*	*	–1	–1	–6
Subtotal, policy changes	–4	–10	–5	–3	–3	3	–17
Total, changes	39	–19	–25	–29	–36	–28	–137
Mid-Session Review deficit	–205	–258	–213	–123	–89	33	–651
Percent of GDP	–1.5%	–1.8%	–1.4%	–0.8%	–0.5%	0.2%	

* \$500 million or less.

¹ Includes debt service on all reestimates.² Includes debt service on all policy changes.

adopted, the deficit for 2050 is projected to be significantly lower, at 5.7 percent.

As noted earlier, the Administration is disappointed that this year's Congressional Budget Resolution does not address the unsustainable growth of entitlement programs. Nevertheless, the President urges Congress to

consider the reforms he proposed in his 2008 Budget in February, which make a modest but meaningful step toward fiscal sustainability. In addition, the Administration looks forward to working with Congress on developing additional reforms to solve the Nation's long-term fiscal problem.

ECONOMIC ASSUMPTIONS

At mid-year 2007, the U.S. economy is in its sixth year of economic expansion.¹ Unemployment is low, payroll jobs are increasing, real wages are rising, and homeownership is at a high level. Consumer spending continues to increase robustly. The economy has weathered a decline in housing investment and continues to advance, and a return to stronger growth is expected. This healthy economic performance is a testament to the resilience of the U.S. economy, Federal Reserve monetary policy actions, and the Administration's successful pro-growth policies—including tax relief and ongoing efforts to promote investment in innovative technologies and to pursue liberalized international trade.

The Administration like most private forecasters expects the expansion to continue for the foreseeable future—with sustained non-inflationary real growth providing a firm foundation for the Federal budget outlook. In recent years, the strong economy has helped generate dramatic increases in Federal receipts, and incoming data show large receipts gains again in 2007, although not as strong as the double-digit rates of increase in 2005 and 2006. These gains have helped lower the Federal budget deficit, but keeping the budget deficit under control and on a sustainable path toward balance will require continued fiscal discipline. In addition, the long-run budget outlook continues to present challenges from expected demographic changes and rising health care costs.

ECONOMIC PROJECTIONS

The Administration's economic projections are based on information available as of early June 2007. They are summarized in Table 2. The projections are close to those of the Blue Chip Consensus (an average of about 50 private-sector forecasts). A comparison with Blue Chip is shown in Table 3.

Real Gross Domestic Product (GDP) and the Unemployment Rate: Because of somewhat slower growth over the last four quarters, real GDP is expected to increase 2.1 percent this year, but it is projected to resume a stronger 3.0 percent growth rate by 2008. Real GDP growth moderates gradually, reaching a 2.9 percent rate by 2012 as labor force growth slows with the aging of the work force. The unemployment rate is projected to rise slightly from 4.5 percent in 2007 to 4.8 percent by 2009.

Inflation: With growth at or near potential and unemployment near the sustainable long-run average, inflation is expected to be moderate as well. Inflation increased in 2006 in large part because of surging energy prices, and further increases in these prices pushed up inflation in the first half of 2007. With an expected stabilizing of energy prices, inflation is projected to be lower in coming years. On a year-over-year basis, the consumer price index (CPI) is projected to increase 2.6 percent this year and decline gradually to 2.3 percent by 2010. Growth in the GDP price index is projected to be 2.7 percent in 2007, and then decline to 2.0 percent by 2010. This projection is consistent with recent CPI core inflation—excluding food and energy items—of 2.2 percent over the 12 months through May, as well as ongoing modest inflation expectations, intense global competition, and the Federal Reserve's policy actions.

Interest Rates: The 3-month Treasury bill rate is expected to average 4.8 percent in 2007 and then to decline gradually to 4.1 percent by 2011. The decline in short-term rates is consistent with an expected decline in the rate of inflation. The yield on the 10-year Treasury note is projected to average 4.8 percent in 2007 and then to rise to 5.3 percent by 2011, restoring the typical positive spread between long rates and short rates. At that point, projected real interest rates would be close to their historical averages given the projected rate of inflation.

¹ Economic performance is discussed in terms of calendar years. Budget figures are in terms of fiscal years.

Table 2. ECONOMIC ASSUMPTIONS¹

(Calendar years; dollar amounts in billions)

	2006 Actual	Projections					
		2007	2008	2009	2010	2011	2012
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars	13,247	13,898	14,644	15,416	16,202	17,015	17,861
Real, chained (2000) dollars	11,415	11,656	12,007	12,378	12,751	13,127	13,509
Chained price index (2000 = 100), annual average	116.1	119.3	122.0	124.6	127.1	129.6	132.2
Percent change, fourth quarter over fourth quarter:							
Current dollars	5.7	5.2	5.4	5.2	5.1	5.0	5.0
Real, chained (2000) dollars	3.1	2.3	3.1	3.1	3.0	2.9	2.9
Chained price index (2000 = 100)	2.5	2.8	2.2	2.1	2.0	2.0	2.0
Percent change, year over year:							
Current dollars	6.3	4.9	5.4	5.3	5.1	5.0	5.0
Real, chained (2000) dollars	3.3	2.1	3.0	3.1	3.0	3.0	2.9
Chained price index (2000 = 100)	2.9	2.7	2.3	2.1	2.0	2.0	2.0
Incomes, billions of current dollars:							
Corporate profits before tax	1,811	1,803	1,862	1,935	1,941	1,943	1,947
Wages and salaries	6,031	6,391	6,738	7,120	7,509	7,921	8,338
Other taxable income ²	2,749	2,942	3,157	3,308	3,475	3,642	3,814
Consumer Price Index (all urban):³							
Level (1982–84 = 100), annual average	201.6	206.8	211.8	217.0	222.0	227.1	232.4
Percent change, fourth quarter over fourth quarter							
.....	1.9	3.2	2.5	2.4	2.3	2.3	2.3
Percent change, year over year	3.2	2.6	2.4	2.4	2.3	2.3	2.3
Unemployment rate, civilian, percent:							
Fourth quarter level	4.5	4.6	4.8	4.8	4.8	4.8	4.8
Annual average	4.6	4.5	4.7	4.8	4.8	4.8	4.8
Federal pay raises, January, percent:							
Military ⁴	3.1	2.7	3.0	NA	NA	NA	NA
Civilian ⁵	3.1	2.2	3.0	NA	NA	NA	NA
Interest rates, percent:							
91-day Treasury bills ⁶	4.7	4.8	4.6	4.4	4.2	4.1	4.1
10-year Treasury notes	4.8	4.8	5.0	5.1	5.2	5.3	5.3

NA = Not Available.

¹ Based on information available as of early June 2007.² 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 2008 have not yet been determined.⁵ Overall average increase, including locality pay adjustments. Percentages to be proposed for years after 2008 have not yet been determined.⁶ Average rate, secondary market (bank discount basis).

Incomes and Income Shares: Labor compensation—consisting of wages and salaries and benefits such as employer-provided insurance and pensions—is projected to rise relative to the size of the economy, while the share of corporate profits declines. Profits have been

unusually high in recent years, and the share of compensation has been below its long-run average. During the projection period, labor compensation is expected to catch up with the rising productivity trend and return to its historical average relative to GDP. The wage

share in GDP is also expected to rise from its recent low level, but less than for total compensation because the benefit share in total compensation is expected to increase further, holding down the expected rise in wages and salaries.

FORECAST COMPARISONS

Table 3 compares the Mid-Session Review (MSR) economic assumptions with those from the 2008 Budget and from the recent Blue Chip Consensus. While the Administration

forecast generally assumes that the President's Budget proposals will be enacted as proposed, private forecasters use their own assumptions about fiscal policy. Despite these differences, the Administration and Blue Chip economic projections are very close.

The Administration economic forecast for the MSR is generally similar to the forecast in the 2008 Budget published in February. The most significant difference is that real GDP growth for 2007 is now expected to be 2.1 percent on a year-over-year basis compared to 2.7 percent in

Table 3. COMPARISON OF ECONOMIC ASSUMPTIONS
(Calendar Years)

	Projections					
	2007	2008	2009	2010	2011	2012
Nominal GDP:						
MSR	13,898	14,644	15,416	16,202	17,015	17,861
2008 Budget	13,946	14,711	15,507	16,316	17,148	18,003
Blue Chip Consensus	13,894	14,613	15,368	16,152	16,979	17,856
Real GDP:¹						
MSR	2.1	3.0	3.1	3.0	3.0	2.9
2008 Budget	2.7	3.0	3.1	3.0	3.0	2.9
Blue Chip Consensus	2.1	2.9	3.0	2.9	3.0	3.0
Consumer Price Index:¹						
MSR	2.6	2.4	2.4	2.3	2.3	2.3
2008 Budget	2.1	2.6	2.5	2.4	2.3	2.3
Blue Chip Consensus	2.7	2.5	2.3	2.3	2.3	2.3
Unemployment Rate:²						
MSR	4.5	4.7	4.8	4.8	4.8	4.8
2008 Budget	4.6	4.8	4.8	4.8	4.8	4.8
Blue Chip Consensus	4.6	4.7	4.8	4.8	4.8	4.8
Interest Rates:²						
91-Day Treasury Bills:						
MSR	4.8	4.6	4.4	4.2	4.1	4.1
2008 Budget	4.7	4.6	4.4	4.2	4.1	4.1
Blue Chip Consensus	4.9	4.9	4.7	4.6	4.6	4.7
10-Year Treasury Notes:						
MSR	4.8	5.0	5.1	5.2	5.3	5.3
2008 Budget	5.0	5.1	5.2	5.3	5.3	5.3
Blue Chip Consensus	4.9	5.2	5.2	5.1	5.2	5.2

MSR = Mid-Session Review.

Sources: Chapter 12, "Economic Assumptions" of *Analytical Perspectives*, 2008 Budget; July 2007 Blue Chip Economic Indicators, Aspen Publishers, Inc. for 2007 and 2008; March 2007 Blue Chip Economic Indicators for 2009–2012.

¹ Year-over-year percent change.

² Annual averages, percent.

the Budget. In 2008 and beyond, the projected real growth rates are similar to those of the Budget. Inflation is expected to be higher for 2007, but the long-run projections are the same. The unemployment rate in 2007 and 2008 is lower by 0.1 percentage point in the current projections compared with the Budget. The interest rate projections are similar to those in the Budget with only slight changes in 2007–2010.

SUMMARY

The economic news since the Budget was issued has been mixed. Economic growth

slowed early in the year largely because of the decline in housing, but payroll jobs have continued to expand and the unemployment rate has held steady. Even though inflation has been boosted by higher energy prices, the long-run inflation outlook remains favorable. The Mid-Session Review economic forecast projects a resumption of trend economic growth, a return of low and stable inflation, continued moderate interest rates, and healthy job creation and wage growth—in short, a favorable and reasonable economic outlook that serves as the basis for the Administration’s Federal budget projections.

RECEIPTS

The current estimate of receipts for 2007 exceeds the February Budget estimate by \$34 billion. The current estimate for 2008 is below the February Budget estimate by \$3 billion, the current estimate for 2009 is above the February Budget estimate, and the current estimates for 2010 through 2012 are below the February Budget estimates, resulting in receipts that are \$15 billion lower than the February Budget estimates over the five-year period, 2008 through 2012. These changes are the net effect of revised economic assumptions, technical reestimates, enacted legislation, and revisions in the Administration's proposals.

Revised economic assumptions and technical reestimates account for most of the revisions

in receipts since February, increasing receipts by \$25 billion in 2007 and \$9 billion in 2008, but reducing receipts by \$7 billion over the five-year period, 2008 through 2012. Higher-than-expected collections of corporation income taxes and excise taxes account for most of the increase in receipts for 2007. These increases are in large part attributable to higher-than-expected corporation income tax liability in tax years 2006 and 2007, as reflected in collection experience since February, and lower-than-expected refunds of the Federal telephone tax. The revisions in subsequent years primarily reflect increases in corporation income taxes and reductions in individual income taxes and payroll taxes. The increases in corporation income taxes are attributable in large part to upward revisions

Table 4. CHANGE IN RECEIPTS
(In billions of dollars)

	2007	2008	2009	2010	2011	2012	2008–2012
February estimate	2,540.1	2,662.5	2,798.3	2,954.7	3,103.6	3,307.3	
Changes due to:							
Economic assumptions and technical reestimates:							
Individual income taxes	-9.1	-7.9	-14.2	-11.4	-11.6	-15.3	-60.3
Corporation income taxes	29.9	28.3	24.6	19.3	16.0	14.6	102.8
Social Security and Medicare payroll taxes	-2.3	-7.6	-7.8	-6.6	-5.5	-5.4	-32.9
Excise taxes	7.4	-2.1	-2.1	-1.7	-1.8	-2.0	-9.7
Other sources of receipts	-1.1	-1.5	-0.7	-0.7	-2.2	-2.2	-7.3
Subtotal, economic assumptions and technical reestimates	24.8	9.1	-0.2	-1.1	-5.2	-10.1	-7.4
Enacted legislation	-0.4	-0.5	-0.6	-3.8	-1.4	6.1	-0.2
Revisions in proposals:							
Portion of proposals enacted or partly enacted		0.4	0.4	3.4	0.8	-1.7	3.3
Economic assumptions and technical reestimates	9.4	-12.1	5.1	1.2	-3.2	-1.6	-10.6
Subtotal, revisions in proposals	9.4	-11.8	5.5	4.6	-2.3	-3.3	-7.3
Total change	33.8	-3.1	4.7	-0.2	-8.9	-7.4	-14.9
Mid-Session estimate	2,573.9	2,659.4	2,803.0	2,954.5	3,094.7	3,299.9	

in taxable profits and new tax and collections data used in the estimating models that were not available at the time the budget estimates were made. The reductions in individual income taxes and payroll taxes primarily reflect downward revisions in wages and salaries, which are partially offset by revisions in estimating models to reflect current collection experience.

Legislated tax changes since February decrease receipts by a small amount over the five-year period, 2008 through 2012. These changes reflect enactment of the emergency war supplemental spending act, which the

President signed on May 25, 2007. The small business tax relief provided in this act was in large part offset by other tax changes. Revisions in the estimates of the Administration's proposals since February increase receipts by \$9 billion in 2007, reduce receipts by \$12 billion in 2008, and reduce receipts by \$7 billion over the five-year period, 2008 through 2012. The changes in 2007 and 2008 are in large part attributable to delay in enactment of the Administration's proposal to prevent the number of Alternative Minimum Tax (AMT) taxpayers for tax year 2007 from increasing, which reduces the receipt loss in 2007 and increases the loss in 2008.

SPENDING

Total outlays for 2007 are now estimated to be \$2,779 billion, down \$6 billion from the February estimate. A small increase due to enacted legislation is more than offset by decreases due to estimating changes. For 2008, the estimate of total outlays has increased by \$16 billion relative to February, to \$2,918 billion. This increase is largely the result of additional funding for the emergency war supplemental spending bill enacted in May, as well as the delayed enactment of final 2007 appropriations.

ENACTED LEGISLATION

In total, policy changes increase outlays by \$3.8 billion in 2007 and \$10.1 billion in 2008. Over the five-year period 2008 through 2012, policy changes increase outlays by \$20.3 billion. Since the transmittal of the Budget, the Congress has enacted P. L. 110–5, the Revised Continuing Appropriations Act for 2007, and P. L. 110–28, the emergency war supplemental spending bill. The Revised Continuing Appropriations Act provided a slightly different full-year, continuing resolution calculation than what was assumed in the February Budget.

ESTIMATING CHANGES

Changes in estimates arise from non-policy related factors including changes in economic assumptions, discussed earlier in this Review, and changes in technical factors. For 2007 and 2008, estimated outlays are \$9.5 billion lower and \$5.8 billion higher, respectively, than in February for non-policy related reasons. Over the period 2008 through 2012, outlays are \$101.9 billion higher than in February for non-policy related reasons.

Discretionary appropriations.—Outlays for discretionary appropriations decrease by \$11.8 billion in 2007 and \$8.4 billion in 2008 relative to the February Budget as a result of estimating changes. These changes reflect slower spending of discretionary funds, largely for defense programs.

Medicare.—Estimates of Medicare outlays are \$2.0 billion and \$6.3 billion higher for 2007 and 2008, respectively, than estimated in February. Over the period 2008 through 2012, outlays are above the February projections by \$39.8 billion. The increases in 2007 and 2008 are largely driven by increased projections of fee-for-service spending and revised assumptions about projected hospital spending. Increases in later years largely reflect increases due to these factors, partially offset by lower estimates for the prescription drug benefit resulting from updated assumptions about participation in the low-income subsidy and Medicare Advantage/Prescription Drug plans.

Medicaid.—As a result of estimating changes, Medicaid outlays are projected to increase by \$5.0 billion in 2007, \$5.9 billion in 2008, and \$27.1 billion over the period 2008 through 2012. The increase in 2007 largely results from higher year-to-date outlays than previously expected. The increases in 2008 and beyond largely result from higher actuarial estimates for Medical Assistance Payments based on recent expenditure trends.

Earned income and child tax credits.—During the 2007 filing season, claims for the earned income and child tax credits were higher than previously anticipated. As a result, the Mid-Session Review has \$12.8 billion higher outlays for these refundable tax credits over five years than estimated in February.

Social Security.—Estimating changes reduce outlays for Social Security by \$1.0 billion in 2007, but increase outlays over 2008 through 2012 by \$12.2 billion. The decrease in 2007 is largely due to lower disability benefits resulting from recent program experience. Increases over the five-year period largely reflect higher old age and survivors benefits resulting from higher cost-of-living adjustments and revised beneficiary projections, partially offset by lower disability benefits.

Veterans' compensation and pensions.—As a result of estimating changes, veterans' compensation and pension outlays are projected to increase by \$3.9 billion over the five-year period. This increase largely results from higher cost-of-living adjustments as well as revised technical assumptions including the Hartness court decision.

Student loans.—Outlays for student loan programs are projected to decrease by \$3.3 billion over the five-year period. This decrease is largely driven by reduced subsidy costs resulting from lower "death, disability, and bankruptcy" and default claims, and lower estimated costs associated with students postponing their student loan repayment as allowed by statute. This decrease is also driven by revised earlier estimates of when borrowers graduate from school and begin repaying their student loans.

Postal Service.—Estimating changes increase Postal Service outlays by \$3.1 billion

per year in 2007 and 2008. These increases largely reflect capital outlays, which were inadvertently excluded from the February Budget when the Postal Service converted its estimates from an accrual to a cash accounting basis. The increases also reflect higher-than-expected net operating costs.

Unemployment insurance.—Outlays for unemployment benefits are estimated to decrease by \$3.0 billion over five years. This decrease largely results from lower-than-expected rates of unemployment and wage growth as well as revised estimates of average wages, average weekly benefit amounts, and the ratio of weeks paid to weeks claimed.

Net interest.—Excluding the debt service associated with policy changes, outlays for net interest are projected to decrease by \$7.0 billion over five years. This reduction largely reflects lower debt service costs related to estimating changes in receipts and outlays.

Table 5. CHANGE IN OUTLAYS
(In billions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012
February estimate	2,784.3	2,901.9	2,985.5	3,049.1	3,157.3	3,246.3	
Changes due to enacted legislation:							
Supplemental	4.5	6.7	4.0	2.3	1.1	—*	14.1
Continuing Resolution	–0.7	2.9	–0.3	–0.7	*	0.1	2.1
Related debt service	0.1	0.4	0.8	0.9	1.0	1.0	4.1
Subtotal, policy	3.8	10.1	4.4	2.5	2.2	1.1	20.3
Changes due to reestimates:							
Discretionary appropriations	–11.8	–8.4	9.1	10.0	3.7	3.1	17.4
Medicare	2.0	6.3	8.8	8.6	11.3	4.8	39.8
Medicaid	5.0	5.9	4.8	4.9	5.5	6.1	27.1
EITC and child credit	2.9	2.8	3.0	2.9	2.1	2.0	12.8
Social Security	–1.0	1.7	2.3	2.5	3.0	2.7	12.2
Veterans' compensation and pensions	–0.7	0.2	0.9	0.7	0.8	1.2	3.9
Student loans	0.9	–0.6	–0.6	–0.6	–0.7	–0.8	–3.3
Postal Service	3.1	3.1	.....	.....	.....	.....	3.1
Unemployment Insurance	—*	–0.9	–0.6	–0.8	–0.3	–0.3	–3.0
Other programs	–6.0	1.5	1.4	–0.3	–1.5	–2.6	–1.5
Net interest	–3.9	–5.7	–3.3	–2.0	0.8	3.6	–6.6
Subtotal, reestimates	–9.5	5.8	25.8	25.9	24.6	19.8	101.9
Total, changes	–5.6	15.9	30.2	28.4	26.8	20.9	122.2
Mid-Session estimate	2,778.6	2,917.7	3,015.7	3,077.5	3,184.1	3,267.3	

* \$50 million or less.

SUMMARY TABLES

Table S-1. BUDGET TOTALS

(Dollar amounts in billions)

	2006	2007	2008	2009	2010	2011	2012
Budget Totals:							
Receipts	2,407	2,574	2,659	2,803	2,954	3,095	3,300
Outlays	2,655	2,779	2,918	3,016	3,078	3,184	3,267
Deficit(-)/Surplus	-248	-205	-258	-213	-123	-89	33
Gross Domestic Product (GDP)	13,065	13,722	14,453	15,222	16,004	16,809	17,646
Budget Totals as a Percent of GDP:							
Receipts	18.4%	18.8%	18.4%	18.4%	18.5%	18.4%	18.7%
Outlays	20.3%	20.2%	20.2%	19.8%	19.2%	18.9%	18.5%
Deficit(-)/Surplus	-1.9%	-1.5%	-1.8%	-1.4%	-0.8%	-0.5%	0.2%

Table S-2. DISCRETIONARY FUNDING BY CATEGORY

(Net budget authority; dollar amounts in billions)

	2006 Actual	2007 Enacted ¹	2008 Request	Change	
				Amount	Percent
Base Discretionary:					
Security Funding ²	474.2	498.1	553.9	+55.8	+11.2%
Non-Security Funding	369.2	375.1	376.0	+0.9	+0.2%
Total, Discretionary	843.4	873.2	929.9	+56.7	+6.5%
Enacted Supplemental and Emergency Funding:					
Global War on Terror	120.4	173.6			
Hurricane Response	24.7	7.7			
Pandemic Flu Preparedness	6.1	0.2			
Border Security	1.9	1.8			
Other Emergency Funding	0.3	9.1			
Total, Enacted	153.3	192.3			
Requested Emergency Funding for 2008:					
Global War on Terror			145.2		

DISCRETIONARY OUTYEARS				
(Net budget authority in billions of dollars)				
	2009	2010	2011	2012
Base Discretionary:				
Security Funding ³	585.0	597.0	604.6	615.0
Non-Security Funding ⁴	379.8	383.5	387.4	391.3
Total, Discretionary	964.9	980.5	991.9	1,006.3
Emergency Funding:				
Global War on Terror	50.0			

¹ Funding levels are equal to the amounts enacted in the Department of Defense and Homeland Security Appropriations Acts and full-year funding levels enacted in P.L. 110-5, the 2007 Continuing Appropriations Act. This level is adjusted to include savings enacted in the Continuing Appropriations Act from changes to mandatory programs.

² This category is composed of funding for the Department of Defense, homeland security activities Government-wide (see Table S-4), and funding for International Affairs (Function 150).

³ Department of Defense levels are consistent with the Future Years Defense Plan, and the homeland security levels are consistent with the Future Years Homeland Security Plan.

⁴ These amounts exclude the budgetary effects of the Administration's reauthorization proposal of the Federal Aviation Administration (FAA). That proposal would transform the current tax-financing system for FAA to a cost-based user-fee system. For more information, see the Transportation chapter and other related sections in the *Budget, Appendix*, and *Analytical Perspectives* volumes of the 2008 Budget. If this proposal were enacted, the Administration would adjust its discretionary cap proposal downward in these years to reflect the offsetting collections that would result from this user-based fee system.

Table S-3. DISCRETIONARY FUNDING BY MAJOR AGENCY

(Net budget authority; dollar amounts in billions)

Agency	2006 Actual	2007 Enacted ¹	2008 Request	Change: 2007–2008	
				Dollar	Percent
Agriculture	21.1	20.4	20.2	–0.2	–0.9%
Commerce	6.4	6.4	6.6	+0.1	+1.9%
Defense	410.7	432.0	481.4	+49.4	+11.4%
Education	56.5	57.5	56.0	–1.5	–2.6%
Energy	23.6	23.6	24.3	+0.7	+2.8%
Health and Human Services	69.1	70.6	69.3	–1.3	–1.8%
Homeland Security	30.7	32.0	34.3	+2.3	+7.2%
Housing and Urban Development	34.1	36.0	35.3	–0.7	–2.0%
Interior	10.8	10.9	10.6	–0.3	–2.5%
Justice	21.1	20.9	20.2	–0.8	–3.7%
Labor	11.3	11.7	10.6	–1.1	–9.5%
State and Other International Programs	30.2	31.4	35.0	+3.6	+11.4%
Transportation	14.6	11.3	12.1	+0.8	+7.2%
Treasury	11.4	11.6	12.1	+0.5	+4.4%
Veterans Affairs	32.9	36.5	39.4	+2.9	+8.1%
Corps of Engineers	5.3	5.3	4.9	–0.5	–8.8%
Environmental Protection Agency	7.6	7.7	7.2	–0.5	–6.8%
Executive Office of the President	0.3	0.3	0.3	+	+1.5%
Judicial Branch	5.3	5.6	6.1	+0.5	+9.1%
Legislative Branch	3.8	3.9	4.4	+0.6	+14.7%
National Aeronautics and Space Administration	16.3	16.3	17.3	+1.0	+6.4%
National Science Foundation	5.6	5.9	6.4	+0.5	+8.7%
Small Business Administration	0.5	0.6	0.5	–0.1	–19.2%
Social Security Administration	7.4	7.7	7.9	+0.2	+3.0%
Other Agencies	6.7	7.1	7.5	+0.4	+5.9%
Total, Discretionary Funding	843.4	873.2	929.9	+56.7	+6.5%

* \$500,000 or less.

Note: Supplementals and emergencies, enacted and requested, are excluded.

¹ Funding levels are equal to the amounts enacted in the Department of Defense and Homeland Security Appropriations Acts and P. L. 110–5, the 2007 Continuing Appropriations Act. These levels include savings from changes to mandatory programs.

Table S-4. HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority in millions of dollars)

Agency ¹	2006		2007		2008	
	Actual	Supple- mental/ Emergency	Enacted ²	Supple- mental/ Emergency ³	Request	Supple- mental/ Emergency ³
Agriculture	598	.....	537	.....	710	.....
Commerce	181	.....	1,204	.....	219	.....
Defense (DOD)	16,477	1,031	16,538	.....	17,465	.....
Energy	1,701	.....	1,683	.....	1,833	.....
Health and Human Services	4,352	.....	4,379	.....	4,424	.....
Homeland Security	25,156	1,416	26,920	2,506	29,668	223
Justice	2,996	30	3,308	196	3,331	85
State	1,107	.....	1,239	.....	1,406	.....
Treasury	114	1	128	.....	117	.....
Transportation	182	.....	186	.....	200	.....
Veterans Affairs	299	.....	254	.....	270	.....
Environmental Protection Agency	129	.....	168	.....	153	.....
General Services Administration	99	.....	71	.....	42	.....
Intelligence Community						
Management Account	56	.....	56	.....	58	.....
National Aeronautics and Space						
Administration	213	.....	199	.....	194	.....
National Science Foundation	344	.....	386	.....	375	.....
Nuclear Regulatory Commission	79	.....	72	.....	69	.....
Smithsonian Institution	83	.....	80	.....	93	.....
Social Security Administration	176	.....	194	.....	217	.....
Other Agencies	296	.....	270	.....	256	.....
Total, Homeland Security						
Funding	54,638	2,478	57,872	2,702	61,100	308
Less, Defense-Military (DOD)	-16,477	-1,031	-16,538	.....	-17,465	.....
Less, Mandatory Homeland						
Security Funding ⁴	-2,257	.....	-3,512	.....	-2,290	.....
Less, Discretionary Fee-Funded						
Activities	-3,514	.....	-4,367	.....	-4,986	.....
Net Non-DOD Discretionary						
Homeland Security	32,390	1,447	33,455	2,702	36,359	308

¹ For more detail on Homeland Security funding, consult the Homeland Security Funding Analysis Chapter in the *Analytical Perspectives* volume of the 2008 Budget. Dollar amounts in this table are rounded to the nearest million at the account level, which may account for any discrepancies with the *Analytical Perspectives* chapter that are not due to enactment of P. L. 110-5, the 2007 Continuing Appropriations Act.

² Funding levels are equal to the amounts enacted in the Department of Defense and Homeland Security Appropriations Acts with other levels equal to the estimated full-year funding levels provided by P. L. 110-5, the 2007 Continuing Appropriations Act.

³ Includes \$1.6 billion in funding enacted in the 2007 Homeland Security and Defense Appropriations Acts and \$1.1 billion enacted in P. L. 110-28, the 2007 Emergency Supplemental Act. 2008 also includes an additional \$0.3 billion in the Administration's pending supplemental request for the Global War on Terror.

⁴ Mandatory homeland security programs include \$1 billion from anticipated spectrum auction receipts appropriated in the Deficit Reduction Act of 2005 for the Department of Commerce to make grants to public safety agencies for communications interoperability purposes.

Table S-5. MANDATORY PROPOSALS

(In millions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012	2008– 2017
Mandatory Proposals, including Savings and Augmentations:								
Agriculture:								
Reauthorize Farm Bill .....	.....	233	–180	488	601	652	1,794	2,464
Food Safety and Inspection Service								
User Fees .....	.....	–96	–98	–100	–102	–104	–500	–1,053
Grain Inspection, Packers and								
Stockyards Administration								
User Fees .....	.....	–22	–22	–23	–23	–24	–115	–242
Crop Insurance User Fee .....	.....	.....	–15	–15	–15	–15	–60	–135
Animal Welfare Fee .....	.....	–9	–13	–13	–14	–14	–63	–142
Total, Agriculture .....	.....	106	–328	337	447	495	1,056	892
Defense:								
Increase National Defense Strategic								
Materials Stockpile Sales .....	.....	–69	–145	–198	–145	–25	–582	–583
Education:								
Reform the Federal Student Aid								
Programs:								
Increase the Pell Grant Maximum								
Award to \$5400 over Five Years .....	.....	532	2,375	3,256	4,133	5,039	15,335	43,058
Increase Academic Competitiveness								
Grant awards by 50% .....	.....	72	308	373	317	8	1,078	1,078
Increase Aggregate Loan Limits and								
Annual Limits for Undergraduate								
Third-Year and Beyond Students .....	.....	68	151	187	205	259	870	2,550
Reduce Lender Subsidy Payments								
by 50 basis points .....	.....	–688	–2,165	–2,558	–2,792	–2,986	–11,189	–29,494
Increase Lender Risk Sharing and								
Improve Program Efficiency .....	.....	–776	–160	–175	–189	–202	–1,502	–2,715
Increase Lender Consolidation Fee ..	.....	–56	–159	–186	–210	–234	–845	–2,309
Recall Federal Perkins Loan								
Revolving Funds .....	.....	–419	–498	–713	–814	–779	–3,223	–6,358
Adjust Guaranty Agency Default								
Retention Rates .....	.....	–1,370	–173	–188	–205	–217	–2,153	–3,454
Adopt Unit Cost Basis for								
Guaranty Agency Fees .....	.....	–1,018	–37	–53	–58	–56	–1,222	–1,572
Other Student Loan Reforms .....	.....	2	3	–12	–22	–64	–93	–913
Net impact .....	.....	–3,653	–355	–68	364	768	–2,944	–128
Energy:								
Repeal Oil and Gas Research and								
Development Program .....	.....	–20	–40	–50	–50	–50	–210	–460
Health and Human Services (HHS):								
Adopt Medicare Reforms .....	.....	–3,778	–8,167	–12,245	–16,643	–20,693	–61,526	–240,965
Medicaid/State Children's Health								
Insurance Program (SCHIP):								
Adopt Medicaid Reforms .....	.....	–1,970	–2,215	–2,435	–2,730	–2,890	–12,240	–29,455
Augment Medicaid	35	885	205	.....	.....	.....	1,090	1,090
Reauthorize SCHIP .....	.....	710	1,095	620	890	845	4,160	9,680
Net impact	35	–375	–915	–1,815	–1,840	–2,045	–6,990	–18,685
Reduce Social Services Block Grant ...	.....	.....	–425	–495	–500	–500	–1,920	–4,420

Table S-5. MANDATORY PROPOSALS
(In millions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012	2008– 2017
Temporary Assistance for Needy Families (TANF) .....	.....	.....	240	296	309	326	1,171	2,768
Title V Abstinence Education Program	5	25	44	49	50	50	218	468
Food and Drug Administration Re-Inspection and Export Certification Fees .....	.....	-27	-28	-28	-29	-30	-142	-302
Foster Care District of Columbia Federal Medical Assistance Percentage (FMAP) Rate .....	.....	5	5	6	5	6	27	62
Foster Care Child Welfare Program Option .....	.....	8	5	-4	44	-47	6	-1
Child Support Enforcement .....	.....	5	8	6	1	-1	19	4
Total, HHS	40	-4,137	-9,233	-14,230	-18,603	-22,934	-69,137	-261,071
Housing and Urban Development (HUD):								
Ginnie Mae Premium Increase .....	.....	-46	-46	-46	-46	-46	-230	-460
Government-Sponsored Enterprises Oversight Fee .....	.....	-6	-6	-6	-6	-6	-30	-60
Total, HUD .....	.....	-52	-52	-52	-52	-52	-260	-520
Interior:								
Arctic National Wildlife Refuge Lease Bonuses:								
State of Alaska's Share:								
Receipts .....	.....	.....	-3,502	-2	-503	-3	-4,010	-4,025
Expenditures .....	.....	.....	3,502	2	503	3	4,010	4,025
Federal Share:								
Receipts .....	.....	.....	-3,502	-2	-503	-3	-4,010	-4,025
Net Impact .....	.....	.....	-3,502	-2	-503	-3	-4,010	-4,025
Match National Park Centennial Challenge Fund Gift Receipts .....	.....	20	55	80	100	100	355	855
Return to Net Receipts Sharing .....	.....	-44	-51	-51	-49	-54	-249	-494
Amend Bureau of Land Management (BLM) Federal Land Sale Authority .....	.....	-5	-28	-40	-70	-44	-186	-334
Repeal Energy Policy Act Fee Prohibition and Mandatory Permit Funds .....	.....	-36	-37	-38	-36	-37	-184	-309
Recover Pick-Sloan Project Cost .....	.....	-23	-23	-23	-23	-23	-115	-230
Implement Friant Settlement .....	.....	14	17	17	17	17	82	167
Eliminate BLM Range Improvement Fund .....	.....	-7	-10	-10	-10	-10	-47	-97
Require Upfront Payment of Coal Bonus Bids .....	.....	-2	-121	-115	-54	-134	-426	4
Total, Interior .....	.....	-83	-3,700	-182	-628	-188	-4,780	-4,463
Labor:								
Reform Pension Benefit Guaranty Corporation Premiums .....	.....	.....	-1,390	-1,387	-1,400	-1,295	-5,472	-10,569
Unemployment Insurance Integrity Proposal ¹ .....	.....	.....	-484	-494	-351	-355	-1,684	-3,619
Reform Federal Employees' Compensation Act .....	.....	-9	-23	-29	-33	-43	-137	-493
Reauthorize Trade Adjustment Assistance .....	.....	.....	6	18	24	25	73	123
Total, Labor .....	.....	-9	-1,891	-1,892	-1,760	-1,668	-7,220	-14,558

Table S-5. MANDATORY PROPOSALS
(In millions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012	2008– 2017
Treasury:								
Payment Transaction Integrity		-273	-281	-290	-298	-306	-1,448	-3,105
Extend the Rum Carryover for Puerto Rico		76	26	.....	.....	.....	102	102
Debt Collection: Eliminate the 10-year Statute of Limitations on Non-tax Debt owed to Federal Agencies		-11	-6	-6	-6	-6	-35	-65
Total, Treasury		-208	-261	-296	-304	-312	-1,381	-3,068
Veterans Affairs:								
Pharmacy Co-Payments		-311	-304	-306	-307	-342	-1,570	-3,352
Income-Based Medical Care Enrollment Fee .....		.....	-138	-134	-129	-125	-526	-1,094
Third-Party Insurance Co-Payment Offset		-44	-44	-44	-43	-43	-218	-421
Total, Veterans Affairs		-355	-486	-484	-479	-510	-2,314	-4,867
Army Corps of Engineers:								
Additional Recreation User Fees, Lease Receipts, and Contributions:								
Receipts		-7	-10	-13	-16	-19	-65	-192
Spending .....		.....	7	10	13	16	46	164
Net effect		-7	-3	-3	-3	-3	-19	-28
Commodity Futures Trading Commission:								
User Fees		-86	-89	-92	-95	-99	-461	-1,009
Environmental Protection Agency:								
Pesticide and Pre-Manufacturing Notification fees		-70	-65	-68	-74	-65	-342	-682
Federal Communications Commission (FCC):								
Spectrum License Fee Authority		-50	-150	-300	-300	-400	-1,200	-3,628
Auction Prospective Ancillary Terrestrial Component Spectrum ..		-150	-150	-150	-150	-150	-750	-1,500
Extend Spectrum Auction Authority ..		.....	.....	.....	.....	-200	-200	-1,200
Auction Domestic Satellite Spectrum .	-30	-252	-105	-100	-100	-75	-632	-690
Eliminate Telecommunications Development Fund		-5	-6	-7	-7	-7	-32	-67
Total, FCC	-30	-457	-411	-557	-557	-832	-2,814	-7,085
Office of Personnel Management (OPM):								
Federal Employees Health Benefits Program Proposals		-38	-139	-238	-315	-377	-1,107	-3,531
Improve Equity and Administration of the Federal Retirement System		3	8	11	14	17	53	162
Replace Non-Foreign Cost of Living Adjustment with Locality Pay		-1	-1	-1	1	4	2	109
Total, OPM		-36	-132	-228	-300	-356	-1,052	-3,260
Social Security Administration:								
Temporarily Extend Length of Time-Limited Supplemental Security Income Eligibility for Refugees		56	55	55	.....	.....	166	166

Table S-5. MANDATORY PROPOSALS
(In millions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012	2008– 2017
Total, Mandatory Proposals, including Savings and Augmentations	10	-9,079	-17,136	-18,009	-22,240	-25,830	-92,294	-300,724
Social Security Personal Accounts (off- budget)						29,348	29,348	637,441
Outlay Effects of Tax Proposals:¹								
Improve the Health Coverage Tax Credit		3	9	11	13	14	50	129
Child tax credit:								
Clarify uniform definition of a child		-55	-59	-75	-71	-72	-332	-785
Reduce computational complexity of refundable child tax credit			-375	-388	-400	-417	-1,580	-3,773
Earned Income Tax Credit (EITC):								
Clarify uniform definition of a child		-127	-137	-174	-165	-169	-772	-1,824
Simplify EITC eligibility requirement regarding filing status, presence of children, and work and immigration status		-224	38	22	20	18	-126	-87
Provide a flat \$15,000 deduction for family coverage (\$7,500 for individual coverage) for those with and who purchase health insurance			199	3,950	3,449	2,828	10,426	12,165
Total, Outlay Effects of Tax Proposals ..		-403	-325	3,346	2,846	2,202	7,666	5,825
Other Mandatory Proposals and Indirect Effects:								
Transfer of Royalty Oil to the Strategic Petroleum Reserve				947			947	11,501
Disability Insurance Impact of Increased Program Integrity Efforts		-17	-124	-360	-586	-634	-1,721	-4,536
Supplemental Security Income Impact of Increased Program Integrity Efforts		-14	-385	-856	-1,061	-355	-2,671	-3,352
Enforce Windfall Elimination Provision/ Government Pension Offset (off-budget) ..					-142	-311	-453	-2,531
Require Full-time Attendance for Child's Social Security Benefits at Age 16 (off- budget)		-11	-87	-157	-163	-169	-587	-1,551
Replace Disability Insurance/Worker's Comp Offset with Uniform Offset (off- budget)		-4	-32	-77	-139	-218	-470	-1,085
Amend Federal Employee Health Benefits Program Statute		27	88	145	192	225	677	2,098
Unemployment Insurance Integrity Proposal ¹			-58	-122	-126	-130	-436	-1,184
National Park Centennial Challenge Fund (spending of gift receipts) ¹		20	55	80	100	100	355	855
Food Stamp Impact of Commodity Supplemental Food Program Elimination		43	54	47	43	40	227	386
Impact of Replacing Non-Foreign Cost of Living Adjustment with Locality Pay on Civil Service Retirement and Disability Fund		-2	-8	-15	-23	-31	-79	-361
Cash Investment Practices Modernization ...		-10	-10	-10	-10	-10	-50	-100

Table S-5. MANDATORY PROPOSALS

(In millions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012	2008– 2017
Federal Housing Administration General and Special Risk Insurance Funds								
Impact of Mark-to-Market Extension ...	-9	-13	-16	-16	-15	-7	-67	-76
Morris K. Udall Scholarship Fund	2	2	2	2	2	2	10	20
Forest County Safety Net Payments		-467	135	118	57	143	-14	.....
Correct Trust Accounting Deficiencies in Individual Indian Money Investments .	6	.....	.....	.....	.....	.....	.....	.....
TANF Impact of Social Services Block Grant Reduction		43	50	8	-43	-50	8	.....
Black Lung Disability Trust Fund Refinancing: ¹								
Black Lung Disability Trust Fund		2,156	-439	-433	-424	-421	439	-3,184
Interest Payments on Repayable Advances		-2,156	439	433	424	421	-439	3,184
Net Impact .....		.....	.....	.....	.....	.....	.....	.....
Foreign Labor Certification Fee:								
Receipts		-65	-65	-65	-65	-65	-325	-650
Spending		65	65	65	65	65	325	650
Net effect .....		.....	.....	.....	.....	.....	.....	.....
Total, Other Mandatory Proposals	-1	-403	-336	-266	-1,914	-1,405	-4,324	84
Grand Total	9	-9,886	-17,799	-14,928	-21,303	4,318	-59,598	342,635
Memorandum:								
Outlay Effects of Tax Extensions Assumed in Baseline: ¹								
Child Tax Credit Extension .....		.....	.....	.....	48	12,910	12,958	77,488
Earned Income Tax Credit: Marriage Penalty Relief .....		.....	.....	.....	-383	1,839	1,456	10,534
Total .....		.....	.....	.....	-335	14,749	14,414	88,022

¹ Affects both receipts and outlays. Only the outlay effect is shown here. For receipt effects, see Table S-6.

Table S-6. RECEIPTS PROPOSALS

(In millions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012	2008– 2017
Make Permanent Certain Tax Relief Enacted in 2001 and 2003 (assumed in the baseline):								
Dividends tax rate structure		741	755	-4,182	-16,327	1,645	-17,368	-96,888
Capital gains tax rate structure ..				-3,675	-18,668	-7,487	-29,830	-82,997
Expensing for small business					-3,782	-5,119	-8,901	-21,573
Marginal individual income tax rate reductions					-72,565	-116,507	-189,072	-842,013
Child tax credit ¹					-5,156	-20,741	-25,897	-135,530
Marriage penalty relief ¹					-5,147	-7,731	-12,878	-42,048
Education incentives					-738	-1,335	-2,073	-9,668
Repeal of estate and generation-skipping transfer taxes, and modification of gift taxes		-1,871	-2,540	-3,307	-26,160	-56,912	-90,790	-433,734
Other incentives for families and children				6	-182	-874	-1,050	-5,413
Total, make permanent certain tax relief enacted in 2001 and 2003		-1,130	-1,785	-11,158	-148,725	-215,061	-377,859	-1,669,864
Tax Incentives:								
Simplify and encourage saving:								
Expand tax-free savings opportunities		1,527	3,545	3,023	1,075	-1,314	7,856	-592
Consolidate employer-based savings accounts		-80	-120	-132	-141	-150	-623	-1,484
Total, simplify and encourage saving		1,447	3,425	2,891	934	-1,464	7,233	-2,076
Encourage entrepreneurship and investment:								
Increase expensing for small business		-1,105	-1,507	-1,088	-1,261	-1,235	-6,196	-9,947
Invest in health care:								
Provide a flat \$15,000 deduction for family coverage (\$7,500 for individual coverage) for those with and who purchase health insurance ¹			-26,030	-37,093	-30,439	-18,974	-112,536	29,759
Expand and make health savings accounts (HSAs) more flexible		-318	-593	-784	-937	-1,037	-3,669	-10,366
Improve the Health Coverage Tax Credit ¹			-2	-3	-4	-4	-13	-39
Allow the orphan drug tax credit for certain pre-designation expenses								
Total, invest in health care		-318	-26,625	-37,880	-31,380	-20,015	-116,218	19,354
Provide incentives for charitable giving:								
Extend permanently tax-free withdrawals from IRAs for charitable contributions		-120	-255	-235	-171	-147	-928	-1,867

Table S-6. RECEIPTS PROPOSALS

(In millions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012	2008– 2017
Extend permanently the enhanced charitable deduction for contributions of food inventory		-44	-96	-106	-116	-127	-489	-1,345
Extend permanently the deduction for corporate donations of computer technology		-50	-118	-147	-154	-162	-631	-1,570
Permanently increase limits on contributions of property interests made for conservation purposes		-48	-35	-22	-18	-21	-144	-265
Extend permanently basis adjustment to stock of S corporations contributing appreciated property		-3	-15	-21	-25	-28	-92	-301
Reform excise tax based on investment income of private foundations		-61	-91	-97	-103	-110	-462	-1,163
Repeal the \$150 million limitation on qualified 501(c)(3) bonds		-2	-3	-9	-13	-14	-41	-104
Repeal certain restrictions on the use of qualified 501(c)(3) bonds for residential rental property		-2	-5	-10	-17	-24	-58	-286
Total, provide incentives for charitable giving		-330	-618	-647	-617	-633	-2,845	-6,901
Strengthen education:								
Extend permanently the above-the-line deduction for qualified out-of-pocket classroom expenses		-18	-180	-183	-185	-188	-754	-1,739
Allow the saver's credit for contributions to qualified tuition programs		-63	-163	-176	-189	-200	-791	-1,966
Total, strengthen education		-81	-343	-359	-374	-388	-1,545	-3,705
Protect the environment:								
Extend permanently expensing of brownfields remediation costs		-283	-401	-357	-344	-328	-1,713	-2,874
Eliminate the volume cap for private activity bonds for water infrastructure		-1	-3	-5	-9	-13	-31	-184
Total, protect the environment		-284	-404	-362	-353	-341	-1,744	-3,058
Restructure assistance to New York City for continued recovery from the attacks of September 11th:								
Provide tax incentives for transportation infrastructure		-200	-200	-200	-200	-200	-1,000	-2,000
Total, tax incentives		-871	-26,272	-37,645	-33,251	-24,276	-122,315	-8,333
Simplify the Tax Laws for Families:								
Clarify uniform definition of a child ¹		64	48	31	40	15	198	350

Table S-6. RECEIPTS PROPOSALS

(In millions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012	2008– 2017
Simplify EITC eligibility requirement regarding filing status, presence of children, and work and immigration status ¹		33	–27	–24	–24	–22	–64	–172
Reduce computational complexity of refundable child tax credit ¹								
Total, simplify the tax laws for families		97	21	7	16	–7	134	178
Improve Tax Compliance:²								
Expand information reporting		232	1,075	1,848	2,488	2,903	8,546	28,849
Improve compliance by businesses		3	5	5	5	6	24	57
Strengthen tax administration				1	1	1	3	17
Total, improve tax compliance		235	1,080	1,854	2,494	2,910	8,573	28,923
Improve Tax Administration and Other Miscellaneous Proposals:								
Implement IRS administrative reforms and extend IRS authority to fund undercover operations ³								
Eliminate the special exclusion from unrelated business taxable income for gain or loss on the sale or exchange of certain brownfields		2	14	28	28	23	95	126
Limit related party interest deductions		93	160	168	177	185	783	1,858
Repeal excise tax on local telephone service ⁴		–279	–251	–174	–121	–87	–912	–1,299
Modify financing of the Airport and Airway trust fund ⁴			–6,362	–6,677	–6,989	–7,329	–27,357	–69,786
Anticipated receipt of donations to the National Park Service through the National Park Centennial Challenge Fund		100	100	100	100	100	500	1,000
Transition from the non-foreign COLA to locality pay for employees in non-foreign areas		1	2	3	4	5	15	50
Total, improve tax administration and other miscellaneous proposals ⁴		–83	–6,337	–6,552	–6,801	–7,103	–26,876	–68,051
Improve Unemployment Insurance:								
Strengthen the financial integrity of the unemployment insurance system by reducing improper benefit payments and tax avoidance ⁴			29	27	–167	–121	–232	–2,079
Extend unemployment insurance surtax ⁴		1,065	1,558	1,596	1,635	1,549	7,403	1,409
Total, improve unemployment insurance ⁴		1,065	1,587	1,623	1,468	1,428	7,171	–670
Modify Energy Provisions:								
Repeal reduced recovery period for natural gas distribution lines		49	82	99	110	99	439	842

Table S-6. RECEIPTS PROPOSALS

(In millions of dollars)

	2007	2008	2009	2010	2011	2012	2008– 2012	2008– 2017
Modify amortization for certain geological and geophysical expenditures		15	55	81	67	56	274	582
Indirect effect of energy proposals ⁵ ...		-55	-89	-182	-93	-85	-504	-934
Total, modify energy provisions ...		9	48	-2	84	70	209	490
Promote Trade:								
Implement free trade agreements and modify other trade-related provisions ⁴		-236	-694	-1,045	-1,254	-1,429	-4,658	-14,043
Extend Expiring Provisions:								
AMT relief for individuals		-59,688	11,161	.....	.....	.....	-48,527	-48,527
Research & Experimentation (R&E) tax credit		-3,221	-7,071	-9,145	-10,601	-11,799	-41,837	-117,309
First-time homebuyer credit for DC ..		-1	-19	.....	.....	.....	-20	-20
Authority to issue Qualified Zone Academy Bonds		-3	-8	-13	-18	-20	-62	-162
Deferral of gains from sales of electric transmission property		-111	-52	-65	-39	5	-262	-22
Disclosure of tax return information related to terrorist activity ³								
Excise tax on coal ⁴								1,074
Exception for retirement plan distributions provided individuals called to active duty for at least 179 days								
Total, extend expiring provisions ⁴		-63,024	4,011	-9,223	-10,658	-11,814	-90,708	-164,966
Total budget proposals, including proposals assumed in the baseline⁴		-63,938	-28,341	-62,141	-196,627	-255,282	-606,329	-1,896,336
Total budget proposals, excluding proposals assumed in the baseline⁴		-62,808	-26,556	-50,983	-47,902	-40,221	-228,470	-226,472

* \$500,000 or less.

¹ Affects both receipts and outlays. Only the receipt effect is shown here. For the outlay effect, see Table S-5.² "Tax gap"-related proposals.³ No net budgetary impact.⁴ Net of income offsets.⁵ Indirect effect on receipts of proposed alternative fuels and fuel efficiency standards.

Table S-7. BUDGET SUMMARY BY CATEGORY

(In billions of dollars)

	2006	2007	2008	2009	2010	2011	2012
Outlays:							
Discretionary:							
Security:							
DOD military	499	537	575	582	548	536	527
Homeland security	31	35	37	41	39	40	41
International affairs	36	40	39	39	37	37	37
Non-Security	451	460	464	450	443	436	437
Total, Discretionary	1,017	1,072	1,115	1,111	1,068	1,050	1,042
Mandatory:							
Social Security:							
Current program	544	581	609	642	680	720	763
Personal accounts .....	.....	.....	.....	.....	.....	.....	29
Medicare	325	369	393	418	443	487	486
Medicaid and SCHIP	186	203	215	228	244	263	283
Other	357	318	330	345	363	380	374
Total, Mandatory	1,412	1,471	1,547	1,633	1,730	1,849	1,936
Net Interest	227	235	256	272	280	286	290
Total Outlays	2,655	2,779	2,918	3,016	3,078	3,184	3,267
Receipts	2,407	2,574	2,659	2,803	2,954	3,095	3,300
Deficit(-)/surplus	-248	-205	-258	-213	-123	-89	33
On-budget deficit	-434	-385	-460	-429	-358	-344	-207
Off-budget surplus	186	180	202	217	235	254	239

Table S-8. RECEIPTS BY SOURCE
(In billions of dollars)

	2006 Actual	Estimate					
		2007	2008	2009	2010	2011	2012
February estimates:							
Individual income taxes	1,043.9	1,168.8	1,246.6	1,331.1	1,428.3	1,517.3	1,636.6
Corporation income taxes.....	353.9	342.1	314.9	319.8	325.5	340.6	366.6
Social insurance and retirement receipts	837.8	873.4	927.2	974.2	1,029.3	1,085.7	1,138.8
Excise taxes.....	74.0	57.1	68.1	63.1	63.6	68.6	71.3
Estate and gift taxes.....	27.9	25.3	25.7	27.4	21.7	1.7	0.5
Customs duties	24.8	26.8	29.2	30.7	32.7	34.3	35.7
Miscellaneous receipts.....	45.0	46.7	50.7	52.0	53.6	55.5	57.8
Total	2,407.3	2,540.1	2,662.5	2,798.3	2,954.7	3,103.6	3,307.3
Mid-Session estimates:							
Individual income taxes	1,043.9	1,168.3	1,226.6	1,329.5	1,427.7	1,508.6	1,620.7
Corporation income taxes.....	353.9	371.7	343.0	344.3	344.7	356.0	385.5
Social insurance and retirement receipts	837.8	869.7	918.5	959.1	1,012.9	1,073.0	1,131.2
Excise taxes.....	74.0	65.2	66.2	60.9	61.8	66.7	69.4
Estate and gift taxes.....	27.9	25.8	26.4	28.2	22.3	1.6	0.4
Customs duties	24.8	26.5	29.1	30.1	32.1	33.8	35.5
Miscellaneous receipts.....	45.0	46.8	49.6	50.9	52.9	54.9	57.2
Total	2,407.3	2,573.9	2,659.4	2,803.0	2,954.5	3,094.7	3,299.9
Difference:							
Individual income taxes .....	.....	-0.5	-20.0	-1.6	-0.6	-8.7	-15.9
Corporation income taxes.....	.....	29.6	28.1	24.5	19.2	15.5	18.9
Social insurance and retirement receipts .....	.....	-3.7	-8.7	-15.1	-16.4	-12.7	-7.6
Excise taxes.....	.....	8.2	-1.9	-2.2	-1.8	-1.9	-2.0
Estate and gift taxes.....	.....	0.5	0.7	0.8	0.6	-0.1	-0.1
Customs duties .....	.....	-0.3	-0.2	-0.5	-0.5	-0.4	-0.2
Miscellaneous receipts.....	.....	0.1	-1.1	-1.1	-0.7	-0.5	-0.6
Total .....	.....	33.8	-3.1	4.7	-0.2	-8.9	-7.4

Table S-9. OUTLAYS BY AGENCY
(In billions of dollars)

	2006 Actual	February estimates		Mid-Session estimates	
		2007	2008	2007	2008
Legislative Branch	4.1	4.3	4.7	4.4	4.8
Judicial Branch	5.8	5.8	6.7	6.1	6.7
Agriculture	93.5	88.8	89.0	88.9	91.9
Commerce	6.4	6.2	7.1	6.6	7.3
Defense—Military	499.4	548.9	583.3	538.8	577.1
Education	93.4	68.0	58.6	67.9	60.2
Energy	19.6	22.0	21.9	21.5	22.2
Health and Human Services	614.3	671.3	699.2	679.2	712.5
Homeland Security	69.1	50.4	43.2	46.3	39.8
Housing and Urban Development	42.4	42.8	44.4	45.6	45.3
Interior	9.1	10.9	10.5	10.5	10.1
Justice	23.3	23.0	24.0	24.2	24.7
Labor	43.1	47.4	52.3	47.5	50.6
State	13.0	16.3	16.8	16.7	17.3
Transportation	60.1	63.8	67.0	64.1	68.7
Treasury	464.7	490.5	525.0	488.6	518.2
Veterans Affairs	69.8	72.3	83.3	74.8	84.8
Corps of Engineers	6.9	7.6	6.5	6.7	7.7
Other Defense Civil Programs	44.4	47.6	49.1	47.7	49.3
Environmental Protection Agency	8.3	8.0	7.8	7.9	7.8
Executive Office of the President	5.4	2.7	1.4	2.9	1.3
General Services Administration	*	0.5	0.8	0.3	0.8
International Assistance Programs	13.9	17.1	18.0	16.8	18.5
National Aeronautics and Space Administration	15.1	16.1	17.2	16.2	17.3
National Science Foundation	5.5	5.9	6.0	5.9	6.1
Office of Personnel Management	62.4	58.8	64.2	59.4	64.7
Small Business Administration	0.9	0.7	0.7	1.3	0.8
Social Security Administration	585.7	622.9	654.5	621.8	656.1
Other Independent Agencies	12.9	18.7	15.1	20.1	19.0
Allowances .....	.....	8.0	2.3	.....	-0.3
Undistributed Offsetting Receipts	-237.5	-263.1	-278.7	-260.0	-273.7
Total	2,655.4	2,784.3	2,901.9	2,778.6	2,917.7

* \$50 million or less.

Table S-10. OUTLAYS BY FUNCTION

(In billions of dollars)

	2006 Actual	February estimates		Mid-Session estimates	
		2007	2008	2007	2008
National defense	521.8	571.9	606.5	561.6	600.7
International affairs	29.5	35.1	36.1	34.4	36.4
General science, space, and technology	23.6	24.9	26.6	25.1	26.9
Energy	0.8	1.8	1.4	0.8	1.8
Natural resources and environment	33.1	35.2	32.9	34.6	33.7
Agriculture	26.0	20.1	19.9	21.3	22.3
Commerce and housing credit	6.2	0.2	-2.0	2.5	2.0
Transportation	70.2	74.6	79.3	75.2	81.0
Community and regional development	54.5	32.6	24.7	32.8	22.2
Education, training, employment, and social services	118.6	94.0	82.7	93.8	84.4
Health	252.8	268.5	280.6	275.2	287.6
Medicare	329.9	372.3	391.6	374.4	397.9
Income security	352.5	365.4	380.8	367.4	382.5
Social Security	548.5	586.5	612.5	585.6	614.2
Veterans benefits and services	69.8	72.4	83.4	74.9	84.8
Administration of justice	41.0	45.3	47.0	46.2	47.3
General government	18.2	18.8	20.7	19.3	21.5
Net interest	226.6	239.2	261.3	235.3	256.1
Allowances .....	.....	7.4	2.1	.....	-0.3
Undistributed offsetting receipts	-68.2	-81.8	-86.3	-82.0	-85.3
Total	2,655.4	2,784.3	2,901.9	2,778.6	2,917.7

Table S-11. BASELINE CATEGORY TOTALS
(In billions of dollars)

	2006	2007	2008	2009	2010	2011	2012
Outlays:							
Discretionary:							
Security:							
DOD military	499	537	485	471	477	482	491
Homeland security	31	35	35	38	37	38	39
International affairs	36	40	38	37	36	36	37
Non-Security	451	460	469	475	478	483	491
Total, Discretionary	1,017	1,072	1,028	1,020	1,028	1,039	1,057
Mandatory:							
Social Security	544	581	609	642	681	721	765
Medicare	325	369	396	426	455	503	507
Medicaid and SCHIP	186	203	216	229	246	264	285
Other	357	318	335	353	364	382	376
Total, Mandatory	1,412	1,471	1,556	1,651	1,745	1,871	1,932
Net Interest	227	235	253	262	266	269	271
Total Outlays	2,655	2,779	2,837	2,934	3,039	3,179	3,259
Receipts	2,407	2,574	2,722	2,830	3,005	3,143	3,340
Deficit(-)/surplus	-248	-205	-115	-104	-34	-36	81
On-budget deficit	-434	-385	-316	-322	-270	-291	-188
Off-budget surplus	186	180	202	218	236	255	268

**Table S-12. OUTLAYS FOR MANDATORY PROGRAMS
UNDER CURRENT LAW ¹**

(In billions of dollars)

	2006 Actual	Estimate					
		2007	2008	2009	2010	2011	2012
Human resources programs:							
Education, training, employment and social services	38	13	9	10	11	11	10
Health	201	221	234	249	267	287	309
Medicare	325	369	396	426	455	503	507
Income security	298	312	327	337	347	362	362
Social security	544	581	609	642	681	721	765
Veterans' benefits and services	37	38	45	49	52	59	55
Subtotal, human resources programs	1,444	1,534	1,621	1,713	1,812	1,943	2,007
Other mandatory programs:							
National defense	2	3	4	3	3	3	3
International affairs	-7	-6	-3	-3	-3	-3	-3
Energy	-2	-3	-2	-2	-3	-2	-2
Agriculture	20	14	15	14	14	14	15
Commerce and housing credit	4	*	-1	-2	-3	-3	-2
Transportation	1	2	2	3	2	2	3
Community and regional development	16	3	*	—*	—*	—*	—*
Justice	1	2	2	1	*	—*	—*
General government	2	3	3	3	3	3	4
Undistributed offsetting receipts	-68	-82	-85	-80	-83	-88	-92
Other functions	-1	1	1	1	1	1	1
Subtotal, other mandatory programs	-31	-62	-64	-62	-67	-72	-75
Total, outlays for mandatory programs under current law	1,412	1,471	1,556	1,651	1,745	1,871	1,932

* \$500 million or less.

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

Table S-13. FEDERAL GOVERNMENT FINANCING AND DEBT

(Dollar amounts in billions)

	2006 Actual	Estimate					
		2007	2008	2009	2010	2011	2012
Financing:							
Unified budget deficit (-)/surplus (+)	-248	-205	-258	-213	-123	-89	33
Financing other than borrowing from the public:							
Net purchases of non-Federal securities by the National Railroad Retirement Investment Trust (-)	-2	-3	-*	*	*	1	*
Changes in: ¹							
Treasury operating cash balance (-)	-16	-8	15	.....	.....	.....	.....
Checks outstanding, etc. ²	13	.....	.....	.....	.....	.....	.....
Seigniorage on coins	1	1	1	1	1	1	1
Credit net financing disbursements (-):							
Direct loan financing accounts	-5	-9	-15	-13	-16	-18	-19
Guaranteed loan financing accounts	21	-4	-7	-7	-6	-5	-4
Total, financing other than borrowing from the public	11	-24	-6	-19	-21	-21	-22
Total, requirement to borrow from the public	-237	-228	-264	-231	-144	-111	11
Change in debt held by the public	237	228	264	231	144	111	-11
Changes in Debt Subject to Statutory Limitation:							
Change in debt held by the public	237	228	264	231	144	111	-11
Change in debt held by Government accounts	309	284	300	327	351	371	385
Less: change in debt not subject to limit and other adjustments	3	*	1	3	2	3	2
Total, change in debt subject to statutory limitation	549	513	565	561	498	484	377
Debt Subject to Statutory Limitation, End of Year:							
Debt issued by Treasury	8,426	8,938	9,504	10,062	10,558	11,041	11,416
Adjustment for discount, premium, and coverage ³	-5	-5	-5	-3	-2	*	2
Total, debt subject to statutory limitation ⁴	8,420	8,933	9,498	10,059	10,557	11,041	11,418
Debt Outstanding, End of Year:							
Gross Federal debt: ⁵							
Debt issued by Treasury	8,426	8,938	9,504	10,062	10,558	11,041	11,416
Debt issued by other agencies	26	26	25	24	24	23	22
Total, gross Federal debt	8,451	8,964	9,529	10,087	10,582	11,064	11,438
Held by:							
Debt held by Government accounts	3,622	3,907	4,207	4,534	4,885	5,256	5,641
Debt held by the public	4,829	5,057	5,322	5,553	5,697	5,808	5,797
As a percent of GDP	37.0%	36.9%	36.8%	36.5%	35.6%	34.5%	32.9%

* \$500 million or less.

Table S-13. FEDERAL GOVERNMENT FINANCING AND DEBT

(Dollar amounts in billions)

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- ¹ A decrease in the Treasury operating cash balance (which is an asset) is a means of financing a deficit and therefore has a positive sign. An increase in checks outstanding (which is a liability) is also a means of financing a deficit and therefore also has a positive sign.
- ² Besides checks outstanding, includes 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 Federal Financing Bank debt (which is not subject to limit), 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 \$8,965 billion, enacted on March 20, 2006.
- 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).

GLOSSARY

Appropriation.—An appropriation provides legal authority for Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. Appropriations bills, such as the Department of Homeland Security or the Departments of Labor, Health and Human Services, and Education bills, are considered every year by the Congress and supplemental appropriations bills are considered from time to time.

Authorization.—An authorization is an act of the Congress that establishes or continues a Federal program or agency and sets forth the guidelines to which it must adhere.

Budget Authority.—Budget authority is the authority provided by law to incur financial obligations that will result in outlays.

Budget Resolution.—The budget resolution is the Congress' annual framework that sets targets for total budget authority, total outlays, total revenues, and the deficit (on-budget), as well as discretionary and mandatory allocations within the spending targets. These targets guide the committees' deliberations. A budget resolution does not become law and is not binding on the Executive Branch.

Cap.—A "cap" is a legal limit on annual discretionary spending.

Deficit.—A deficit is the amount by which outlays exceed receipts in a fiscal year.

Discretionary Spending.—Discretionary spending is spending that the President and the Congress control through annual appropriations bills. Examples include spending for such activities as the FBI, the Coast Guard, education, space exploration, highway construction, defense, and foreign aid.

Entitlement.—An entitlement program is one in which the Federal Government is legally obligated to make payments or provide aid to any person who meets the legal criteria for eligibility. Examples include Social Security, Medicare, Medicaid, and Food Stamps.

Fiscal Year.—The fiscal year is the Federal Government's accounting period. It begins on

October 1st and ends on September 30th. For example, fiscal year 2008 begins on October 1, 2007, and ends on September 30, 2008.

Gross Domestic Product (GDP).—GDP is a measure of the market value of goods and services produced within the United States. It is the standard measure of the size of the economy.

Mandatory Spending.—Mandatory spending is controlled by permanent law rather than annual appropriations. Examples are Social Security and the Student Loan Program. The President and the Congress can change the law with respect to the eligibility criteria or the payment formula, and thus change the level of spending on mandatory programs, but annual action is not necessary to ensure the continuation of spending. In addition, budget authority provided in annual appropriations acts for certain programs is treated as mandatory because the authorizing legislation entitles beneficiaries to receive payment or otherwise obligates the Government to make payment.

Obligations.—Obligations are binding agreements that result in outlays, immediately or in the future.

Outlays.—Outlays are the primary measure of Government spending. Outlays are payments to liquidate obligations, largely measured on a cash basis. Total Federal outlays are a net figure, consisting of gross payments minus the amount of business-like collections and intragovernmental transactions, in a given fiscal year.

Receipts.—Governmental receipts (sometimes called receipts or revenues) are the collections of money that primarily result from taxes and similar Government powers to compel payment. Examples of governmental receipts include income taxes, payroll taxes, excise taxes, and customs duties. They do not include offsetting receipts or collections from the Federal Government's business-like activities, such as the entrance fees at national parks, or collections by one Government account from another.

Surplus.—A surplus is the amount by which receipts exceed outlays in a fiscal year.

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET**

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