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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 because of rounding.

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EXECUTIVE SUMMARY

After five consecutive years of declining deficits, the Federal budget is about to pass another milestone. In fiscal year 1998, marking the sixth consecutive year of improved fiscal balance, and the longest such series in history, the Federal budget will achieve its first surplus in 29 years.

The Administration projects that the surplus for 1998 will be \$39 billion, the largest surplus in dollar terms in all of U.S. history, and the largest as a percentage of GDP since 1957. Furthermore, the Administration's projections indicate that this budget surplus could grow over the next four years to \$148 billion by fiscal year 2002—part of what would be the longest and largest (by any yardstick) sustained debt reduction in our history.

These results are unprecedented, and are the fruits of years of fiscal prudence, conservative economic forecasting, and unwavering discipline—which in turn generated the economic strength of the last five years. Last year's budget agreement is now putting the finishing touches on the President's effort to restore the Nation's fiscal health, begun in 1993, by bringing the era of exploding deficits to an end.

In his first budget, submitted in the Administration's first days in 1993, President Clinton confronted the then-record deficit with a program of budget savings of \$505 billion over five years—more than half of which came from spending cuts. The President, with the support of the Congress, saw the plan through to enactment—despite dire predictions that this budget would send the economy into recession, destroy jobs, raise interest rates, and ultimately undermine our fiscal health.

The facts tell another story—a story of a virtuous cycle in which deficit reduction caused interest rates to fall, and investment to boom, leading to an unprecedented combination of sustained growth and falling inflation. Some authorities have proclaimed today's economy as the best ever.

Since 1993, spending levels have come in consistently below what this Administration projected. In other words, we have achieved the spending cuts that the President proposed, and more besides. In fact, actual Federal outlays as a percentage of GDP have declined in every year of this Administration. Indeed, actual outlays have constituted a smaller share of the GDP in *every* year for which this Administration submitted a budget than they were in *any* year under the two preceding Administrations. There is no doubt that this Administration has controlled the size of Government more effectively than its predecessors.

While Government spending cuts have contributed substantially to deficit reduction, strong revenue growth in the last few years has helped enormously, and has occurred without an excessive tax burden. Tax revenues have grown in substantial part because of the unprecedented strength of the economy, caused by the President's 1993 program.

Typical taxpayers are clearly better off as a result. Real wages are growing for the first time in a quarter of a century, the unemployment rate is at its lowest since 1970, and the Federal income and payroll tax burden on the median family is at its lowest in more than 20 years. The stock market has leaped to record levels. And at the same time, the lowest interest rates since the 1960s have helped families to buy new homes and other durables more cheaply.

In 1993, the President pledged to cut the deficit in half by 1998; in fact, he eliminated it entirely. Then, in 1997, the President pledged to balance the budget by 2002; in fact, he was able to meet and surpass that goal this year.

This fact means that the President's call in his State of the Union address to save Social Security First has become even more timely. We have solved the structural deficit, and thereby built the necessary groundwork to eliminate the generational deficit that

remains. Six years ago, the most sanguine observer would have expected the Federal Government today would still be grappling with a serious budget deficit. Instead, we now can—if we so choose—address the watershed issue of Social Security soundness in a timely fashion, and from a position of fiscal strength.

Thus, we must maintain the President's course to save Social Security First, and defer any discussions of using any of the budget surplus for any other purpose until we have saved Social Security for the next century. We must not set our budget and our economy back by another quarter of a century through the fiscal improvidence of dissipating the first budget surplus in so many years.

BALANCING THE BUDGET AFTER DECADES OF DEFICITS

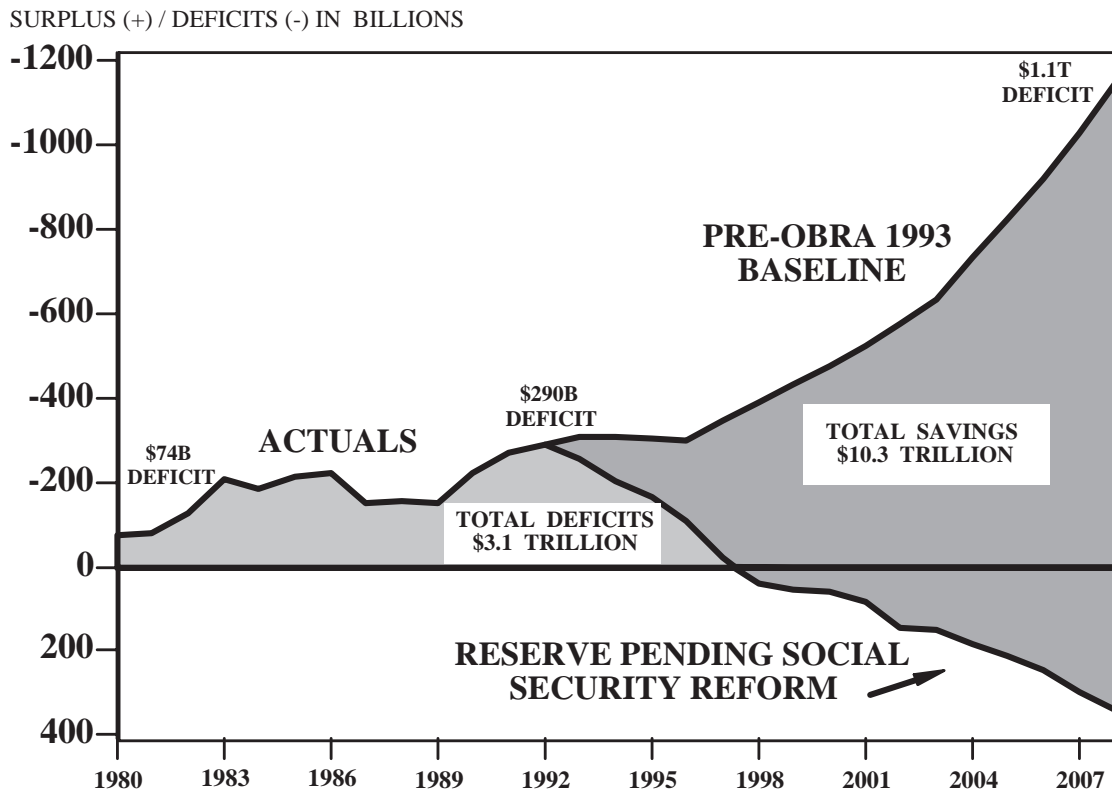


Table 1. RECEIPTS, OUTLAYS, AND SURPLUS

(Dollar amounts in billions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
February Budget estimate:											
Receipts	1,658	1,743	1,794	1,863	1,949	2,028	2,123	2,227	2,329	2,444	2,566
Outlays	1,668	1,733	1,785	1,834	1,860	1,945	2,011	2,088	2,162	2,225	2,304
Surplus Reserved Pending Social Security Reform	NA	10	9	28	90	83	111	139	167	219	261
Deficit (-)/Surplus	-10	0	0	0	0	0	0	0	0	0	0
Mid-Session estimate:											
Receipts	1,704	1,784	1,835	1,902	1,990	2,072	2,170	2,272	2,375	2,490	2,609
Outlays	1,665	1,730	1,774	1,820	1,843	1,922	1,986	2,059	2,130	2,190	2,267
Surplus Reserved Pending Social Security Reform	39	54	61	83	148	150	184	213	245	300	342
Surplus	0	0	0	0	0	0	0	0	0	0	0
Memorandum:											
Mid-Session estimates as a percent of GDP:											
Receipts	20.4	20.5	20.2	20.1	20.1	20.0	20.0	20.0	20.0	20.0	20.1
Outlays	19.9	19.9	19.6	19.2	18.6	18.6	18.3	18.2	17.9	17.6	17.5
Surplus Reserved Pending Social Security Reform	0.5	0.6	0.7	0.9	1.5	1.4	1.7	1.9	2.1	2.4	2.6
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ECONOMIC ASSUMPTIONS

Introduction

The Nation's overall economic performance, the best in over a generation, is getting even better. Strong economic growth last year has been followed by even stronger growth so far this year. Job opportunities are plentiful and payrolls continue to expand. The unemployment rate has fallen further this year, dropping to the lowest level in nearly three decades. Despite rapid growth and low unemployment, inflation has declined to rates not seen since the 1960s. The "Misery Index"—the sum of the inflation and unemployment rates—is at its lowest level in over 30 years.

In this extraordinary economic environment, optimism abounds. Consumer surveys reveal the highest level of confidence in at least three decades. Businesses are confident in the future and are spending heavily on new capacity-augmenting plant and equipment. Investors continue to propel equity markets to record highs. On foreign exchange markets, confidence in the U.S. economy has pushed the value of the dollar to its highest level in nearly a decade.

This remarkable performance has been fostered by prudent fiscal and monetary policies. The Omnibus Budget Reconciliation Act of 1993 and last summer's Balanced Budget Act ended years of growing budget deficits and began an era of surpluses. The budget balance has swung from a \$290 billion deficit in 1992 to an estimated \$39 billion surplus this year. Based on Administration policies, the surplus would grow to \$342 billion by 2008.

Monetary policy has succeeded in gradually reducing inflation without sacrificing economic growth. The Federal Reserve has tightened monetary policy when inflationary pressures appeared to be building and relaxed policy when growth and inflationary pressures eased. Since January 1996, monetary policy has been basically unchanged.

The sound fiscal and monetary policies now in place, along with the highly favorable economic trends underway, will enable the expansion to extend its outstanding record of sustained growth, strong job creation, low unemployment and low inflation. The expansion that began in April 1991 has just entered its eighth year. By December, it will become the second longest of all time, and the longest in peacetime. If the economy continues to grow through February 2000, as most forecasters anticipate, this expansion will become the longest on record.

Recent Developments

Real Gross Domestic Product (GDP) expanded at a robust 4.2 percent annual rate in the first quarter, following a 3.7 percent advance during the four quarters of 1997. Growth was led by consumer spending, residential investment, and business investment in equipment, offset to some extent by a decline in Federal Government spending and a significant widening of the net export deficit. The larger foreign sector deficit subtracted nearly two percentage points from first quarter growth, due in part to a sharp decline of exports to Asian countries severely weakened by currency and other crises.

The Consumer Price Index (CPI) rose at just a 0.9 percent annual rate during the first four months of this year, down from a 1.7 percent advance during 1997. The GDP chain-weighted price index rose at only a 0.9 percent annual rate in the first quarter, the smallest advance since 1963. This measure, which includes the prices of exports and subtracts the prices of imports, reflects the prices of goods and services produced in the United States but sold anywhere. A better measure of the prices of goods and services we buy is the price index for gross domestic purchases, which includes the prices paid by consumers, businesses and government for all their purchases, whether produced here or abroad. By this measure, for the first time since 1954, there was no inflation at all. Low inflation across a

wide spectrum of the economy reflects intense competition from both domestic and foreign suppliers. In addition, energy, food and quality-adjusted computer prices fell sharply in the first quarter.

During the first four months of this year, the Nation's payrolls rose by 900,000 jobs. The healthy pace of job creation helped pull the unemployment rate down to 4.3 percent in April, the lowest level since February 1970. The employment-population ratio set a record high this year at 64.2 percent. All demographic groups have benefited from the robust labor market. Unemployment rates for key groups are at the lowest level in a quarter century or more.

Despite strong growth, short-term interest rates edged down this year, and long-term rates have remained on a low plateau. The three-month Treasury bill rate was 5.0 percent in mid-May, about 20 basis points lower than in December, while the 30-year Treasury bond yield was just under six percent, close to its December level.

Revised Economic Assumptions

The economic assumptions underlying the Mid-Session Review are similar to those in the February Budget. The Administration, like most forecasters, expects a moderation in the pace of economic activity beginning with the current quarter. In part, more moderate growth this year is expected to result from a further widening of our net export balance because of the adjustments underway in Asian economies, the rise in the dollar in recent years, and the faster U.S. economic growth relative to that of our trading partners. Beyond this year, the growth moderation reflects the view that at current low levels of unemployment, growth cannot be maintained at its recent rapid pace without creating strong inflationary pressures. This view is consistent with mainstream empirical economic research. Although the economy might perform even better than this, it is prudent to base budget estimates on conservative, conventional assumptions.

The Administration's economic assumptions project real GDP to grow 2.0 percent per year for the next three years. During the following six years, growth is expected to

average 2.4 percent per year—the Administration's estimate of the long-run, sustainable noninflationary growth rate of the economy. Potential GDP growth of 2.4 percent annually can be divided into a 1.3 percent trend growth of productivity and a 1.1 percent trend growth of the labor force. During 1999-2000, potential growth may be 0.1 percentage point faster, in part because welfare reform may boost labor force growth slightly. During 2008, potential growth is projected to be 2.3 percent because of an anticipated slower growth of the workforce as the first wave of the baby-boom generation enters retirement.

Real GDP growth of two percent per year is consistent with a gradual rise in the unemployment rate of about one-quarter percentage point per year during the next three years. Beginning in mid-2000, the unemployment rate is projected to remain at 5.4 percent, the Administration's estimate of the rate consistent with stable inflation.

The inflation projection is similar to that of the FY 1999 Budget, although inflation during 1998 has been revised downward to reflect the recent very favorable performance. During the next few years, when the unemployment rate is below 5.4 percent, inflation is projected to creep up gradually to rates that are more typical of the last few years. The GDP chain-weighted price index is projected to rise 2.2 percent during the year 2000 and each year thereafter. The Consumer Price Index is projected to rise 2.3 percent per year beginning in the year 2000. These rates are about one-half percentage point higher than during 1997.

The inflation projections incorporate recent and prospective methodological improvements in the measurement of the Consumer Price Index. A very important change that will be instituted beginning in January 1999 is the use of geometric means, rather than arithmetic means, for most lower level aggregation. This improvement is expected to slow the annual growth of the CPI by 0.2 percentage point. The cumulative effect of all the improvements is estimated to result in a 0.7 percentage point slower annual rise in the CPI by 1999 and beyond relative to the methodology in use at the end of 1994.

(For further details, see *Analytical Perspectives*, FY 1999 Budget, page 6.)

The Administration's estimate of potential GDP growth incorporates the methodological improvements to the CPI which add a cumulative total of 0.2 percentage point to the growth by 1999. Potential growth is affected by these changes because nominal spending is adjusted for inflation to determine real economic growth. Thus, assuming that nominal spending is held fixed, reductions in measured inflation increase measured real growth.

The Mid-Session Review interest rate projection is nearly identical to that of the FY

1999 Budget. Short-term interest rates are projected to decline gradually over the forecast horizon. By 2001, the three-month Treasury bill rate is expected to be 4.7 percent, about 30 basis points lower than the rate in mid-May. The 10-year Treasury bond rate is projected to remain at its recent level of 5.6 percent, 10 basis points below the Budget's projection.

On the income side, taxable incomes as a share of GDP are similar to those in the Budget, but the composition has been changed slightly. The share of profits has been scaled back and the share of wages and salaries has been correspondingly increased to reflect recent trends.

Table 2. ECONOMIC ASSUMPTIONS ¹

(Calendar years; dollar amounts in billions)

	Actual 1997	Projections					
		1998	1999	2000	2001	2002	2003
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars	8,080	8,456	8,795	9,161	9,559	10,003	10,468
Real, chained (1992) dollars	7,189	7,400	7,550	7,701	7,863	8,051	8,245
Chained price index (1992 = 100), annual average	112.4	114.3	116.5	119.0	121.6	124.3	127.0
Percent change, fourth quarter over fourth quarter:							
Current dollars	5.6	4.2	4.1	4.2	4.4	4.7	4.6
Real, chained (1992) dollars	3.7	2.4	2.0	2.0	2.2	2.4	2.4
Chained price index (1992 = 100), annual average	1.8	1.7	2.0	2.2	2.2	2.2	2.2
Percent change, year over year:							
Current dollars	5.8	4.7	4.0	4.2	4.4	4.6	4.6
Real, chained (1992) dollars	3.8	2.9	2.0	2.0	2.1	2.4	2.4
Chained price index (1992 = 100), annual average	2.0	1.7	2.0	2.1	2.2	2.2	2.2
Incomes, billions of current dollars:							
Corporate profits before tax	730	728	735	756	786	824	856
Wages and salaries	3,877	4,126	4,295	4,473	4,662	4,871	5,097
Other taxable income ²	1,782	1,848	1,910	1,969	2,030	2,101	2,181
Consumer Price Index (all urban): ³							
Level (1982-84 = 100), annual average	160.6	163.2	166.5	170.2	174.2	178.2	182.3
Percent change, fourth quarter over fourth quarter ...	1.9	1.6	2.1	2.3	2.3	2.3	2.3
Percent change, year over year	2.3	1.6	2.1	2.2	2.3	2.3	2.3
Unemployment rate, civilian, percent:							
Fourth quarter level	4.7	4.8	5.0	5.2	5.4	5.4	5.4
Annual average	5.0	4.7	5.0	5.2	5.4	5.4	5.4
Federal pay raises, January, percent:							
Military ⁴	3.0	2.8	3.1	3.0	3.0	3.0	3.0
Civilian ⁵	3.0	2.8	3.1	3.0	3.0	3.0	3.0
Interest rates, percent:							
91-day Treasury bills ⁶	5.1	5.0	4.9	4.8	4.7	4.7	4.7
10-year Treasury notes	6.4	5.6	5.6	5.6	5.6	5.6	5.6

¹ Based on information available as of April 1998.² Rent, interest, dividend and proprietor's components of personal income.³ CPI for all urban consumers. Two versions of the CPI are published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets. Projections reflect scheduled changes in methodology.⁴ Beginning with the 1999 increase, percentages apply to basic pay only; adjustments for housing and subsistence allowances will be determined by the Secretary of Defense.⁵ Overall average increase, including locality pay adjustments.⁶ Average rate (bank discount basis) on new issues within period.

RECEIPTS

The current estimates of receipts for 1998 and 1999 exceed the budget estimates by \$45.9 billion and \$41.5 billion, respectively. The estimates for subsequent years have been revised upward by similar amounts. These changes result primarily from revised economic projections and technical reestimates.

Revised economic projections increase receipts by \$10.7 billion in 1998, \$16.1 billion in 1999, and \$13.7 billion to \$15.1 billion in each subsequent year. Higher levels of wages and salaries, partially offset by reductions in non-wage sources of personal income, increase collections of individual income taxes and payroll taxes throughout the forecast period. Lower shares of corporate profits

in GDP partially offset the increases in individual income taxes and payroll taxes in each year.

Higher-than-anticipated collections of individual income taxes account for most of the \$35.3 billion technical revision in 1998 receipts. Most of the increase in individual income taxes is higher-than-anticipated withheld and estimated payments of 1998 tax liability, which the Administration believes will lead to higher receipts throughout the forecast period. Also contributing to the technical increase in 1998 receipts are higher-than-anticipated net final settlements of 1997 income tax liability by individuals.

Table 3. CHANGE IN RECEIPTS

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	1999-2003
February estimate	1,657.9	1,742.7	1,793.6	1,862.6	1,949.3	2,028.2	
Change since February:							
Revised economic assumptions	10.7	16.1	13.7	14.3	13.9	15.1	73.2
Technical reestimates	35.3	25.4	27.3	25.5	27.0	28.8	134.1
Administrative action	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
Total change	45.9	41.5	41.0	39.7	40.9	43.8	207.0
Mid-Session estimate	1,703.8	1,784.3	1,834.5	1,902.3	1,990.2	2,072.0	

SPENDING

The new estimate of total 1998 outlays is \$1,664.7 billion, \$3.1 billion lower than the February budget estimate. The reduction arises largely from revised technical assumptions offset by increases enacted in the Supplemental Appropriations and Rescissions Act for 1998. The Administration now estimates total outlays for 1999 at \$1,730.0 billion, \$3.2 billion below the February estimate. Reductions from changed economic assumptions more than offset increases resulting from policy adjustments and revised technical assumptions.

Policy changes

Policy changes are largely due to the Supplemental Appropriations and Rescissions Act of 1998. The Act provided discretionary funding for Bosnia and Southwest Asia contingency operations and disaster relief. The current estimates also reflect the override of the President's veto of selected items in the Military Construction Appropriations Act for 1998. Due to policy changes, estimated outlays for 1998 and 1999 are \$2.6 billion and \$1.9 billion, respectively, higher than in the 1999 Budget.

Economic changes

Revisions in economic assumptions, discussed earlier in this report, lower estimated outlays by \$1.2 billion in 1998, \$5.8 billion in 1999, and a total of \$45.7 billion from 1999 to 2003. These reductions largely result from downward revisions in inflation and interest rates. In addition, debt service on other changes due to economic assumptions contributes to the lower outlay estimates.

Technical changes

For 1998, estimated outlays are \$4.5 billion lower than in February for technical reasons. For 1999, technical changes increase outlays by \$0.8 billion. The following changes in outlay projections all arise from technical factors.

Discretionary programs.—Estimated outlays for discretionary programs in 1998 are lower

than the budget estimates by \$1.6 billion, reflecting lower-than-anticipated actual spending for a number of non-defense programs, including highways and disaster relief.

Farm programs.—Spending on farm production programs through the Commodity Credit Corporation is projected to rise by 6 percent in 1998 and 1999, relative to the February budget, but diminish in 2000 through 2002. In 1998, net outlays are now estimated at \$0.7 billion above the February estimate. These changes reflect decreased demand for tobacco from tobacco companies and decreased demand for cotton and soybeans resulting in higher near-term price support loan outlays.

Deposit insurance.—Net outlays for 1998 for deposit insurance are now projected to be \$0.6 billion higher than in February, largely reflecting slower than expected asset recoveries in the Bank Insurance Fund. Estimated 1999 net outlays are \$1.4 billion higher than projected in February, largely reflecting a shift in timing of recoveries from certain RTC securitizations. These recoveries, which are recorded in the budget as negative outlays, are now expected to occur in 2000 rather than in 1999.

Medicare.—Current estimates of Medicare outlays are higher than the February estimates by \$3.1 billion in 1999 for technical reasons. Most of this change reflects corrections to estimates of home health expenditures for both fee-for-service and managed-care coverage.

Unemployment insurance.—The revised estimates of unemployment insurance for 1998 are less than the budget estimates by \$0.6 billion, reflecting actual experience to date.

Food stamps.—Estimated outlays for food stamps are lower than in the budget by \$0.7 billion in 1998 and \$1.2 billion in 1999, reflecting a downward revision in average participation level and benefit costs.

Family support payments.—Actual family support payments to date have been lower than anticipated, resulting from States' transi-

tion out of the repealed AFDC program. This leads to a reduction in estimates of 1998 outlays of \$1.2 billion.

Earned income tax credit (EITC).—Estimated outlays for EITC are now projected to be \$1.0 billion and \$1.2 billion higher than in February for 1998 and 1999, respectively. This increase reflects higher calendar year 1997 tax claims in the first several months of the tax season than were anticipated.

Social security.—The revised estimates for Social Security are lower than the budget estimates by \$2.0 billion in 1998 and \$1.2 billion in 1999, reflecting experience to date, including fewer applications than anticipated and lower than anticipated retroactive disability benefits.

Federal Communications Commission (FCC) spectrum auctions.—Total receipts for auctions of spectrum to date have exceeded projections in the budget for this year. Because these

receipts are recorded as negative outlays, 1998 estimated outlays have been reduced by \$0.9 billion. Estimated outlays in 2002 have been increased by \$2.3 billion, reflecting lower projections of receipts. This reduction reflects a decision by the FCC on the amount of spectrum available for the analog return auction.

Naval Petroleum Reserve (NPR) sale proceeds.—Current estimates reflect a different pattern of actual receipts than assumed in the February estimates. Now that the sale conditions are known, projected receipts shift from 1999 into both 1998 and 2000.

Outer Continental Shelf (OCS) receipts.—Estimates in the budget reflected a March, 1998 resolution of Alaska escrow accounts based on a final U.S. Supreme Court decree. Delay in the final decree has shifted the anticipated settlement date into 1999. Receipts including interest on the escrow deposits are now anticipated to be \$1.7 billion in 1999.

Table 4. CHANGE IN OUTLAYS

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	1999– 2003
February estimate	1,667.8	1,733.2	1,785.0	1,834.4	1,859.6	1,945.4	
Revisions due to:							
Policy changes:							
Discretionary programs	2.5	1.7	1.7	0.5	0.1	*	4.0
Debt service	*	0.2	0.3	0.3	0.4	0.4	1.6
Subtotal, policy changes	2.6	1.9	2.0	0.8	0.4	0.4	5.6
Economic assumptions:							
Social security	–*	–2.0	–2.9	–2.8	–2.7	–2.5	–12.9
Other mandatory programs	–1.0	–1.4	–1.1	–1.2	–1.0	–1.3	–5.9
Net interest:							
Interest rate	–*	–1.2	–1.9	–2.2	–2.2	–2.2	–9.7
Debt service	–0.1	–1.2	–2.3	–3.4	–4.5	–5.8	–17.2
Subtotal, economic assumptions	–1.2	–5.8	–8.1	–9.6	–10.4	–11.8	–45.7
Technical reestimates:							
Discretionary programs	–1.6	0.2	0.4	0.5	–*	–0.3	0.7
Farm programs	0.7	0.3	–0.3	–0.2	–0.2	0.3	–0.1
Deposit insurance	0.6	1.4	–1.6	–0.1	–0.2	*	–0.5
Medicare	–0.4	3.1	2.4	2.1	2.1	2.2	12.0
Unemployment insurance	–0.6	0.1	0.3	0.3	0.3	0.3	1.4
Food stamps	–0.7	–1.2	–1.4	–1.3	–1.2	–1.7	–6.8
Family support payments	–1.2	–0.1	—	—	—	—	–0.1
EITC	1.0	1.2	1.2	1.2	1.3	1.3	6.1
Social security	–2.0	–1.2	–1.5	–1.8	–1.9	–2.0	–8.4
FCC spectrum auction	–0.9	–0.1	—	0.2	2.3	–0.8	1.5
NPR sale proceeds	–0.4	0.7	–0.3	—	—	—	0.4
OCS receipts (net)	0.1	–0.4	—	—	—	—	–0.4
Other mandatory	–0.8	0.5	1.3	1.1	1.2	1.4	5.5
Net interest:							
OCS settlement escrow	1.1	–1.2	—	—	—	—	–1.2
Other ¹	0.4	–2.5	–5.6	–8.1	–10.5	–12.7	–39.4
Subtotal, technical reestimates	–4.5	0.8	–5.1	–6.0	–7.0	–11.9	–29.2
Total, changes	–3.1	–3.2	–11.2	–14.7	–16.9	–23.4	–69.4
Mid-Session estimate	1,664.7	1,730.0	1,773.9	1,819.7	1,842.6	1,922.0	
Memorandum:							
Discretionary budget authority:							
February estimate	555.4	570.6	575.0	582.5	588.6	604.2	
IMF	17.9	—	—	—	—	—	—
Other	3.2	0.1	0.1	–0.4	–0.4	–0.4	–0.9
Total, change	21.1	0.1	0.1	–0.4	–0.4	–0.4	–0.9
Mid-Session estimate	576.5	570.7	575.1	582.1	588.2	603.9	

* \$50 million or less

¹ Includes debt service.

SUMMARY TABLES

**Table 5. ESTIMATED SPENDING FROM 1999
BALANCES OF BUDGET AUTHORITY: DISCRETIONARY PROGRAMS¹**

(In billions of dollars)

	Total
Total balances, end of 1999	501.4
Spending from end of 1999 balances in:	
2000	240.2
2001	105.0
2002	66.4
2003	46.2
Expiring balances, 2000 through 2003
Unexpended balances at the end of 2003	43.4

¹This table is required by section 221(b) of the Legislative Reorganization Act of 1970.

Table 6. OUTLAYS FOR MANDATORY PROGRAMS UNDER CURRENT LAW¹

(In billions of dollars)

	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Human resources programs:							
Education, training, employment and social services ...	13.7	12.8	13.7	14.3	13.7	12.9	15.0
Health	100.9	106.6	115.5	122.8	131.8	141.5	152.5
Medicare	187.4	195.0	207.8	216.5	232.0	234.3	255.3
Income security	191.4	196.0	208.7	219.0	227.2	233.8	242.3
Social security	362.3	376.1	389.7	404.9	422.4	442.2	462.8
Veterans' benefits and services	20.7	24.0	24.7	26.1	27.8	32.5	34.0
Subtotal, human resources programs	876.5	910.4	960.0	1,003.5	1,054.8	1,097.1	1,161.9
Other mandatory programs:							
International affairs	-3.8	-4.3	-4.1	-3.8	-3.6	-3.4	-3.2
Energy	-3.4	-2.8	-4.6	-3.3	-3.3	-3.3	-3.3
Agriculture	5.0	7.1	7.4	6.5	5.3	5.3	5.9
Commerce and housing credit	-17.6	0.4	2.4	5.8	8.4	8.4	8.0
Transportation	2.3	2.4	2.2	2.2	1.9	1.2	1.8
Undistributed offsetting receipts	-50.0	-48.0	-42.4	-44.3	-47.4	-54.2	-48.6
Other functions	*	1.7	1.0	1.0	0.9	0.6	0.6
Subtotal, other mandatory functions	-67.5	-43.4	-38.1	-35.9	-37.8	-45.4	-38.7
Total, outlays for mandatory programs under current law	809.0	867.0	921.9	967.6	1,016.9	1,051.7	1,123.2

* \$50 million or less.

¹This table is required by Section 221(b) of the Legislative Reorganizations Act of 1970.

Table 7. MANDATORY PAY-AS-YOU-GO PROPOSALS

(Deficit impact in millions of dollars)

	Estimate						Total 1999-2003
	1998	1999	2000	2001	2002	2003	
Spending:							
Agriculture:							
Food stamps:							
Restrict States' ability to increase Federal outlays by shifting administrative costs from TANF to food stamps and medicaid (food stamps component)		-160	-185	-190	-195	-200	-930
Restore benefits for vulnerable groups of legal immigrants (food stamps component)	100	535	500	455	460	480	2,430
Subtotal, Food Stamps	100	375	315	265	265	280	1,500
Shift certain crop insurance spending to mandatory		185	123	118	127	137	690
Limit "catastrophic" crop insurance payments to \$100,000			-15	-30	-30	-30	-105
Increase Environmental Quality Incentive Program (EQIP)		13	49	70	59	52	243
Forest Service payments to States ("delinking from receipts")		10	22	30	41	48	151
Rural EZ/EC economic development grants for Round II			7	16	19	19	61
Restructure Export Enhancement Program (EEP) consistent with market conditions		-230	-359	-258	-258	-270	-1,375
Restructure CCC cotton user marketing certificates consistent with market conditions		-110	-48				-158
Spend existing and new Forest Service recreation and entrance fees			3	3	3	3	12
Education:							
Fund new teachers to help address teacher shortages and reduce class sizes		55	780	1,195	1,440	1,632	5,102
Student loan increases	312	312	519	627	739	861	3,058
Recall education loan guaranty reserves			-275	-275	-275	-275	-1,100
Other student loan reforms	-470	-451	-804	-864	-805	-710	-3,634
Health and Human Services:							
Establish Early Learning Fund to provide challenge grants to communities for activities that improve early childhood education and the quality and safety of child care for children under five years old		372	504	591	600	600	2,667
Increase child care subsidies provided to poor and near poor families		798	1,102	1,301	1,519	1,892	6,612
Medicaid:							
Restore benefits for vulnerable groups of legal immigrants (medicaid component)		25	35	50	55	65	230
Children's health outreach		110	150	210	210	220	900
Restrict States' ability to increase Federal outlays by shifting administrative costs from TANF to food stamps and medicaid (medicaid component)		-340	-360	-380	-410	-440	-1,930
Medicaid effect from Medicare changes		-5	-5	-10	-10	-10	-40
Subtotal, Medicaid		-210	-180	-130	-155	-165	-840
Health care:							
Voluntary purchasing cooperatives for small groups		20	20	20	20	20	100
Increase aid to territories for children's health insurance		34	34	34	25	25	153
Medicare/clinical demonstration:							
Medicare buy-in policies		101	387	363	343	339	1,533
Medicare program integrity		-180	-420	-515	-600	-665	-2,380
Subtotal, net effect on Medicare trust funds		-79	-33	-152	-257	-326	-847
Clinical cancer trials demonstration		200	250	300			750
Subtotal, Medicare/clinical demonstration		121	217	148	-257	-326	-97
Child Support Enforcement:							
Repeal hold harmless provision		-40	-48	-57	-58	-56	-259

Table 7. MANDATORY PAY-AS-YOU-GO PROPOSALS—Continued

(Deficit impact in millions of dollars)

	Estimate						Total 1999–2003
	1998	1999	2000	2001	2002	2003	
Conform paternity testing match rate to administrative match rate		-8	-8	-8	-8	-9	-41
Subtotal, Child Support Enforcement		-48	-56	-65	-66	-65	-300
Housing and Urban Development:							
Fund new Urban Empowerment Zones		3	54	123	143	149	472
Increase FHA single family loan limit		-228	-241	-234	-233	-237	-1,173
Interior:							
BLM payments to States (“delinking from receipts”)		6	7	12	14	17	56
Spend existing and new recreation and entrance fees			-21	33	79	79	170
Spend existing and new park concession fees ¹		5	10	15	16	14	60
Reduce Sport Fish Restoration (offsets increase in DOT Boat Safety account)			-3	-6	-10	-14	-33
Expand cover-over of distilled spirits tax to Virgin Islands		12	12	12	12	12	60
Labor:							
Reauthorize NAFTA-TAA for five years		27	45	52	53	55	232
Other TAA amendments		67	88	97	97	97	446
PBGC—raise guarantee cap for multiemployer pensions and other		1	1	1	3	4	10
UI “safety net” proposal:							
UI administrative costs special distribution		126	101	188	236		651
Extended benefits				9	9	8	26
Transportation:							
Shift St. Lawrence Seaway spending to mandatory		13	13	13	14	14	67
Shift Coast Guard Boat Safety spending to mandatory (partially offset by reductions in Sport Fish Restoration)		24	42	55	55	55	231
NEXTEA equity formula change for distribution of Federal-aid grants to States	25	53	36	-9	-53	-83	-56
Treasury:							
Expand cover-over of distilled spirits tax to Puerto Rico		34	34	34	34	34	170
Shift Winstar/FIRREA litigation expenses to mandatory (reimbursement to Department of Justice)	10	45	49	43	36	29	202
EITC and Child Credit (outlay component)		-70	-105	-106	-108	-111	-500
Miscellaneous activities authorized in tobacco legislation		3,425	3,943	4,582	4,972	5,362	22,284
Veterans:							
Pay full benefits for Filipinos residing in the U.S.		5	5	5	5	5	25
Establish a reserve to fully fund the “H” policyholders in the National Service Life Insurance Fund		*	*	*	*	*	2
Reinstate policy on post-service tobacco-related illnesses		-741	-1,330	-2,291	-6,274	-6,333	-16,969
Provide a one-time 20% increase in the Montgomery GI Bill and provide \$100 million a year until 2003 to increase education and training programs administered by the Department of Labor		291	291	309	306	305	1,502
VA Housing:							
Charge fees to lenders participating in VA’s home loan program to fund information technology improvements:							
Increased technology spending		5	5	5			15
Fees		-5	-5	-5			-15
Eliminate the vendee loan program		-2	-9	-9	-11	-12	-43
Environmental Protection Agency:							
Provide funding for Superfund orphan shares		200	200	200	200	200	1,000
Social Security Administration:							
Expand authority to collect SSI overpayments		-35	-40	-35	-30	-30	-170
Adjust discretionary caps to fund SSI non-disability redeterminations		46	4				50

Table 7. MANDATORY PAY-AS-YOU-GO PROPOSALS—Continued

(Deficit impact in millions of dollars)

	Estimate					Total 1999–2003	
	1998	1999	2000	2001	2002		2003
Return to work pilot for recipients of disability benefits (SSI):		-4	-4	-4	-3	-3	-18
District of Columbia:							
Make annual contribution to the DC Judicial Retirement Fund mandatory		6	6	6	6	6	30
Federal Deposit Insurance Corporation (FDIC):							
State bank examination fee (Non-Fed member state banks)		-89	-94	-97	-101	-106	-487
Railroad Retirement Board:							
Conforming Social Security Equivalent Benefits to Social Security		32	48	49	49	49	227
Subtotal, pay-as-you-go spending proposals	-23	4,498	5,100	5,843	2,527	3,293	21,261
Receipts:							
Provide new incentives	459	3,220	5,125	5,469	4,987	5,378	24,179
Eliminate unwarranted benefits	-323	-4,342	-4,289	-4,725	-4,699	-4,959	-23,014
Receipts from tobacco legislation		-9,795	-11,787	-13,283	-14,544	-16,085	-65,494
Superfund initiative	-75	-1,775	-1,407	-1,410	-1,421	-1,434	-7,447
All other		-73	-2,147	-2,521	-2,565	-1,339	-8,645
Subtotal, pay-as-you-go receipt proposals	61	-12,765	-14,505	-16,470	-18,242	-18,439	-80,421
TOTAL, pay-as-you-go proposals	38	-8,267	-9,405	-10,627	-15,715	-15,146	-59,160
ADDENDUM:							
Proposals not subject to pay-as-you-go:							
Spending:							
HUD:							
Equity share relaxation		-2	-1	-2			-5
Interior:							
Utah mitigation receipts		1					1
Labor:							
Special benefits		-13	-29	-31	-16	46	-43
UI integrity		-118	-160	-160	-160	-160	-758
Social Security Administration:							
Savings from SSI non-disability redetermination ..		-105	-120	-8	-4	-3	-240
Interactive effect of Medicare initiatives		20	107	136	144	138	545
Return to work pilot for recipients of disability benefits (DI):			-5	1	7	13	16
FDIC:							
Migration of Fed and FDIC retirees and certain active employees to FEHBP (FDIC component) ..	-6	-13	-14	-15	-17	-19	-78
Morris K. Udall Scholarship Fund:							
End of receipt of Federal payments to the fund, which are extended in the baseline but not proposed for continuation						2	2
Undistributed offsetting receipts:							
Adjust timing of BBA-97 spectrum receipts			-1,800	500	1,300		
Employer share impact of FERS "open season" repeal	3	93	113	119	125	171	621
Subtotal, non-pay-as-you-go spending proposals	-3	-137	-1,909	540	1,379	188	61
Receipts:							
Repeal FERS open season (will score as discretionary)	-6	-167	-201	-212	-224	-232	-1,036
Total, proposals not subject to pay-as-you-go	-9	-304	-2,110	328	1,155	-44	-975

¹Includes shift of existing fees from miscellaneous receipts recorded in the Department of the Treasury to special fund receipts in the Department of the Interior.

Table 8. EFFECT OF PROPOSALS ON RECEIPTS

(In millions of dollars)

	Estimate						Total 1999- 2003
	1998	1999	2000	2001	2002	2003	
Provide tax relief and extend expiring provisions:							
Make child care more affordable:							
Increase and simplify child and dependent care tax credit		-266	-1,259	-1,148	-1,199	-1,241	-5,113
Establish tax credit for employer-provided child care		-38	-77	-108	-124	-131	-478
Subtotal, make child care more affordable		-304	-1,336	-1,256	-1,323	-1,372	-5,591
Promote energy efficiency and improve the environment:							
Provide tax credit for energy-efficient building equipment		-123	-223	-283	-341	-409	-1,379
Provide tax credit for the purchase of new energy-efficient homes		-7	-23	-38	-54	-75	-197
Provide tax credit for high-fuel-economy vehicles				-60	-200	-400	-660
Equalize treatment of parking and transit benefits		-4	-11	-16	-23	-30	-84
Provide investment tax credit for CHP systems	10	-270	-281	-113	-95	-183	-942
Provide tax credit for replacement of certain circuitbreaker equipment		-3	-9	-11	-8	-5	-36
Provide tax credit for certain PFC and HFC recycling equipment		-3	-7	-7	-6	-3	-26
Provide tax credit for rooftop solar equipment		-6	-16	-24	-31	-43	-120
Extend wind and biomass tax credit		-5	-20	-38	-55	-73	-191
Subtotal, promote energy efficiency and improve the environment	10	-421	-590	-590	-813	-1,221	-3,635
Promote expanded retirement savings	-42	-139	-191	-205	-190	-190	-915
Expand education incentives:							
Provide incentives for public school construction		-215	-865	-1,309	-1,309	-1,309	-5,007
Extend and expand exclusion for employer-provided educational assistance	-10	-234	-299	-408	-98		-1,039
Eliminate tax when forgiving student loans subject to income contingent repayment							
Subtotal, expand education incentives	-10	-449	-1,164	-1,717	-1,407	-1,309	-6,046
Increase low-income housing tax credit per capita cap		-45	-167	-306	-448	-593	-1,559
Extend expiring provisions:							
Extend work opportunity tax credit		-5	-206	-279	-181	-72	-778
Extend welfare-to-work tax credit		-11	-53	-51	-37	-17	-169
Extend R&E tax credit	-365	-802	-608	-261	-124	-49	-1,844
Extend deduction provided for contributions of appreciated stock to private foundations		-40	-27				-67
Make permanent the expensing of brownfields remediation costs				-133	-205	-196	-534
Subtotal, extend expiring provisions	-370	-1,059	-967	-626	-438	-302	-3,392
Modify international trade provisions:							
Extend GSP and modify other trade provisions ¹		-548	-477	-485	-18	-19	-1,547
Extend and modify Puerto Rico economic-activity tax credit		-42	-79	-124	-165	-197	-607
Levy tariff on certain textiles and apparel products produced in the CNMI ¹			187	187	187	187	748
Expand Virgin Island tariff credits ¹			*	*	-2	-1	-3
Subtotal, modify international trade provisions ¹		-590	-369	-422	2	-30	-1,409
Provide other tax incentives:							
Expand tax incentives for SSBICs	*	*	*	*	*	*	*
Accelerate and expand start-up of incentives available to two new empowerment zones		-44	-19				-63
Make first \$2,000 of severance pay exempt from income tax		-42	-169	-174	-180	-185	-750
Subtotal, provide other tax incentives	*	-86	-188	-174	-180	-185	-813
Simplify the tax laws	-47	-126	-142	-138	-136	-89	-631

Table 8. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						Total 1999– 2003
	1998	1999	2000	2001	2002	2003	
Enhance taxpayers' rights		-1	-11	-35	-54	-87	-188
Subtotal, provide tax relief and extend expiring provisions¹	-459	-3,220	-5,125	-5,469	-4,987	-5,378	-24,179
Eliminate unwarranted benefits and adopt other revenue measures:							
Defer deduction for interest and OID on convertible debt	2	10	22	34	44	54	164
Eliminate dividends-received deduction for certain preferred stock	3	10	20	30	41	53	154
Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands.		92	94	96	97	99	478
Repeal tax-free conversions of large C corporations to S corporations		1	13	31	44	55	144
Replace sales-source rules with activity-based rules		580	1,356	1,456	1,545	1,634	6,571
Modify rules relating to foreign oil and gas extraction income		5	62	102	107	112	388
Repeal lower-of-cost-or-market inventory accounting method	16	407	507	417	237	79	1,647
Increase penalties for failure to file correct information returns.		6	12	15	19	13	65
Tighten the substantial understatement penalty for large corporations			25	42	43	37	147
Repeal exemption for withholding on gambling winnings from bingo and keno in excess of \$5,000		17	4	1	1	1	24
Reinstate oil spill excise tax ¹	34	238	241	243	248	251	1,221
Modify Federal Unemployment Act provisions							
Extend pro-rata disallowance of tax-exempt interest expense that applies to banks to all financial intermediaries	4	10	17	22	26	30	105
Increase proration percentage for P&C insurance companies	-16	43	55	76	96	126	396
Preclude certain taxpayers from prematurely claiming losses from receivables		416	57	62	65	68	668
Restrict special net operating loss carryback rules for specified liability losses		12	21	22	24	25	104
Freeze grandfather status of stapled (or "paired-share") REITs ...	3	9	17	25	35	46	132
Restrict impermissible business indirectly conducted by REITs ...		1	2	4	5	7	19
Modify treatment of closely held REITs		29	12	16	18	19	94
Modify depreciation method for tax-exempt use property		1	5	11	16	22	55
Impose excise tax on purchase of structured settlements ¹		10	14	18	19	21	82
Clarify and expand math-error procedures		48	67	69	70	72	326
Clarify the meaning of "subject to" liabilities under section 357(c)	4	10	16	23	30	37	116
Simplify foster child definition under EITC			6	6	6	6	24
Clarify tie-breaker rule under EITC		*	*	*	*	*	*
Eliminate non-business valuation discounts			232	242	260	274	1,008
Eliminate "Crummey" rule			20	21	22	24	87
Eliminate gift tax exemption for personal residence trusts		-1	-1	1	7	19	25
Include QTIP trust assets in surviving spouse's estate			2	2	2	2	8
Apply 7.7% capitalization rate to credit life insurance premiums	6	22	34	32	21	10	119
Modify corporate-owned life insurance (COLI) rules	251	409	414	434	460	487	2,204
Modify reserve rules for annuity contracts		1,815	674	821	639	692	4,641
Tax certain exchanges of insurance contracts and reallocations of assets within variable insurance contracts	2	37	95	168	259	368	927
Reduce "investment in the contract" for mortality and expense charges on certain insurance contracts		1	2	11	28	58	100
Amend 80/20 company rules	13	36	48	49	51	52	236
Prescribe regulatory directive to address tax avoidance involving foreign built-in losses		30	51	52	54	56	243
Prescribe regulatory directive to address tax avoidance through use of hybrids		27	54	54	44	34	213

Table 8. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						Total 1999– 2003
	1998	1999	2000	2001	2002	2003	
Modify foreign office material participation exception applicable to inventory sales attributable to nonresident's U.S. office	1	7	10	10	11	11	49
Stop abuse of CFC exception to ownership requirements		4	9	7	5	5	30
Subtotal, eliminate unwarranted benefits and adopt other revenue measures¹	323	4,342	4,289	4,725	4,699	4,959	23,014
Other provisions that affect receipts:							
Reinstate environmental tax imposed on corporate taxable income ²		1,074	696	690	690	691	3,841
Reinstate Superfund excise taxes ¹	75	701	711	720	731	743	3,606
Extend excise taxes on gasoline, diesel fuel and special motor fuels ¹			371	382	391	403	1,547
Convert airport and airway trust fund taxes to a cost-based user fee system ¹			1,700	1,700	1,700	850	5,950
Receipts from tobacco legislation		9,795	11,787	13,283	14,544	16,085	65,494
Assess fees for examination of bank holding companies and State-chartered member banks (receipt effect) ¹		72	75	78	81	85	391
Transfer retirees and certain active employees of the FDIC and Board of Governors of the Federal Reserve to FEHBP (receipt effect)		1	1	1	1	1	5
Repeal FERS open season (receipt effect)	6	167	201	212	224	232	1,036
Create solvency incentive for State unemployment trust fund accounts ¹				360	392		752
Subtotal, other provisions that affect receipts¹	81	11,810	15,542	17,426	18,754	19,090	82,622
Total effect of proposals¹	-55	12,932	14,706	16,682	18,466	18,671	81,457
(Paygo proposals)¹	-61	12,765	14,505	16,470	18,242	18,439	80,421
(Non-paygo proposals)	6	167	201	212	224	232	1,036

* \$500,000 or less.

¹ Net of income offsets.² Net of deductibility for income tax purposes.

Table 9. BUDGET BY CATEGORY OF OUTLAYS AND RECEIPTS: MID-SESSION REVIEW VERSUS FEBRUARY BUDGET

(In billions of dollars)

	1998	1999	2000	2001	2002	2003
1999 Budget Policy (February estimate)						
Outlays:						
Discretionary:						
Defense	265.1	266.5	269.7	270.8	273.1	289.5
Nondefense	287.6	299.7	304.1	304.4	303.6	305.8
Subtotal, discretionary	552.7	566.2	573.8	575.1	576.8	595.3
Mandatory:						
Social security	378.1	392.9	409.3	427.1	447.0	467.5
Medicare	195.4	204.6	214.2	229.9	232.2	253.1
Medicaid	101.0	107.7	114.8	123.4	132.6	143.1
Other	198.0	220.0	236.4	245.2	243.8	265.8
Subtotal, mandatory	872.4	925.2	974.7	1,025.7	1,055.6	1,129.5
Net interest	242.7	241.8	236.5	233.6	227.1	220.6
Total outlays	1,667.8	1,733.2	1,785.0	1,834.4	1,859.6	1,945.4
Receipts	1,657.9	1,742.7	1,793.6	1,862.6	1,949.3	2,028.2
Surplus Reserved Pending Social Security Reform	NA	9.5	8.5	28.2	89.7	82.8
Surplus/deficit (-)	-10.0	0.0	0.0	0.0	0.0	0.0
On-budget surplus/deficit (-)	-106.3	-95.7	-104.9	-94.1	-44.6	-62.8
Off-budget surplus	96.3	105.3	113.5	122.3	134.4	145.5
Mid-Session Review Policy						
Outlays:						
Discretionary:						
Defense	267.1	268.7	270.3	270.9	273.2	289.5
Nondefense	286.5	299.4	305.7	305.2	303.6	305.5
Subtotal, discretionary	553.6	568.1	576.0	576.1	576.8	595.0
Mandatory:						
Social security	376.1	389.7	405.0	422.5	442.4	463.0
Medicare	195.0	207.7	216.5	231.8	234.0	254.9
Medicaid	101.3	108.1	115.1	123.6	132.7	143.2
Other	194.7	220.7	234.2	245.4	246.5	265.6
Subtotal, mandatory	867.0	926.2	970.8	1,023.3	1,055.5	1,126.7
Net interest	244.1	235.7	227.0	220.3	210.3	200.3
Total outlays	1,664.7	1,730.0	1,773.9	1,819.7	1,842.6	1,922.0
Receipts	1,703.8	1,784.3	1,834.5	1,902.3	1,990.2	2,072.0
Surplus Reserved Pending Social Security Reform	39.1	54.2	60.7	82.7	147.6	150.0
Surplus/deficit (-)	0.0	0.0	0.0	0.0	0.0	0.0
On-budget surplus/deficit (-)	-63.1	-59.3	-62.1	-48.3	5.8	-2.4
Off-budget surplus	102.2	113.5	122.8	131.0	141.7	152.3

Table 10. RECEIPTS BY SOURCE

(In billions of dollars)

	1997 actual	February estimates						Mid-Session estimates					
		1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
Individual income taxes	737.5	767.8	791.5	804.6	833.4	877.1	915.5	810.5	832.6	846.2	874.3	917.2	955.8
Corporation income taxes	182.3	190.8	198.0	202.9	209.2	214.7	220.4	187.7	187.0	190.6	198.1	207.2	216.3
Social insurance and retirement receipts	539.4	571.4	595.9	623.0	649.0	677.8	706.5	575.4	602.5	628.7	652.9	679.8	707.9
On-budget	(147.4)	(155.4)	(161.8)	(169.1)	(176.3)	(183.5)	(189.9)	(155.5)	(162.9)	(169.7)	(176.1)	(183.0)	(189.3)
Off-budget	(392.0)	(416.0)	(434.1)	(453.9)	(472.7)	(494.3)	(516.6)	(419.8)	(439.6)	(459.0)	(476.7)	(496.9)	(518.6)
Excise taxes	56.9	55.5	72.0	69.6	71.6	74.0	74.6	55.6	72.6	70.4	72.3	74.6	75.2
Estate and gift taxes	19.8	20.4	20.5	21.6	22.6	24.4	25.6	23.1	24.2	25.5	26.6	28.6	29.8
Customs duties	17.9	18.4	18.2	19.5	20.4	22.4	24.0	17.9	18.2	20.5	21.4	23.4	25.1
Miscellaneous receipts	25.5	33.5	46.7	52.2	56.4	59.0	61.4	33.6	47.1	52.6	56.8	59.4	61.8
Total	1,579.3	1,657.9	1,742.7	1,793.6	1,862.6	1,949.3	2,028.2	1,703.8	1,784.3	1,834.5	1,902.3	1,990.2	2,072.0
On-budget	(1,187.3)	(1,241.9)	(1,308.6)	(1,339.7)	(1,389.9)	(1,455.0)	(1,511.5)	(1,284.0)	(1,344.6)	(1,375.5)	(1,425.6)	(1,493.3)	(1,553.3)
Off-budget	(392.0)	(416.0)	(434.1)	(453.9)	(472.7)	(494.3)	(516.6)	(419.8)	(439.6)	(459.0)	(476.7)	(496.9)	(518.6)

Table 11. OUTLAYS BY AGENCY

(In billions of dollars)

	1997 actual	February estimates						Mid-Session estimates						
		1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003	
Legislative Branch	2.4	2.9	2.8	2.9	2.9	2.9	3.0	2.9	2.8	2.9	2.9	2.9	2.9	3.0
Judicial Branch	3.3	3.7	4.0	4.0	4.1	4.3	4.4	3.7	4.0	4.0	4.1	4.3	4.4	
Agriculture	52.5	55.0	54.3	56.4	56.6	58.0	60.3	54.8	53.3	54.4	54.9	56.4	58.5	
Commerce	3.8	4.1	4.6	6.0	4.1	3.9	3.9	4.1	4.6	6.0	4.1	3.9	3.9	
Defense—Military	258.3	251.4	252.6	255.8	257.1	259.7	275.8	253.4	254.8	256.4	257.3	259.8	275.8	
Education	30.0	30.7	33.9	36.2	36.8	36.5	37.8	30.7	33.9	36.2	36.8	36.5	37.8	
Energy	14.5	14.4	15.2	15.2	14.9	14.4	14.6	14.6	15.2	15.2	14.9	14.4	14.6	
Health and Human Services	339.5	359.1	380.8	401.0	427.7	441.4	476.0	357.5	384.2	403.6	429.8	443.3	478.0	
Housing and Urban Development	27.5	31.0	31.6	31.9	31.4	30.8	29.5	30.2	31.8	32.0	31.4	30.8	29.3	
Interior	6.7	7.9	7.9	8.2	8.2	7.9	8.1	8.0	7.9	8.2	8.2	7.9	8.1	
Justice	14.3	15.5	18.2	18.5	19.2	18.2	17.9	15.5	18.3	18.7	19.4	18.4	18.0	
Labor	30.5	32.1	36.0	38.0	39.3	40.1	41.8	30.6	35.2	38.7	39.8	40.9	42.4	
State	5.2	5.3	5.3	5.4	5.5	5.5	5.5	5.3	5.8	5.8	5.5	5.5	5.5	
Transportation	39.8	40.5	41.3	42.2	42.8	43.5	44.4	40.4	41.6	42.6	43.2	43.7	44.5	
Treasury	379.3	387.2	399.2	402.3	407.9	410.8	414.4	388.8	395.7	394.6	397.0	397.0	397.4	
Veterans Affairs	39.3	43.1	43.2	43.9	44.7	45.4	47.4	43.1	43.2	43.9	44.7	45.4	47.4	
Corps of Engineers	3.6	4.1	3.5	3.4	3.3	3.3	3.3	4.2	3.5	3.4	3.3	3.3	3.3	
Other Defense Civil Programs	30.3	31.5	32.4	33.4	34.3	35.1	36.0	31.5	32.4	33.4	34.3	35.1	36.0	
Environmental Protection Agency	6.2	6.4	7.1	7.4	7.4	7.3	7.3	6.4	7.1	7.4	7.4	7.3	7.3	
Executive Office of the President	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	
Federal Emergency Management Agency	3.3	3.7	3.1	2.2	1.5	1.1	0.6	3.2	3.7	3.0	2.1	1.1	0.6	
General Services Administration	1.1	0.9	0.2	0.2	0.2	-0.5	0.1	0.9	0.2	0.2	0.2	-0.5	0.1	
International Assistance Programs	10.1	9.6	9.5	10.2	10.0	10.2	10.2	9.6	9.5	10.2	10.0	10.2	10.2	
National Aeronautics and Space Administra- tion	14.4	13.7	13.5	13.3	13.1	13.3	13.4	13.7	13.5	13.4	13.1	13.3	13.4	
National Science Foundation	3.1	3.2	3.4	3.7	3.9	4.0	4.1	3.2	3.4	3.7	3.9	4.0	4.1	
Office of Personnel Management	45.4	46.4	48.6	50.8	53.0	54.6	57.8	46.4	48.4	50.4	52.7	54.2	57.4	
Small Business Administration	0.3	-0.1	-0.4	-0.3	0.7	0.7	0.7	-0.1	-0.4	-0.3	0.7	0.7	0.7	
Social Security Administration	393.3	410.5	425.7	442.9	461.7	482.4	503.9	408.2	422.2	438.2	456.7	477.5	499.0	
Other Independent Agencies	-2.1	14.0	13.7	21.8	22.5	21.9	22.1	14.4	15.1	20.2	22.4	21.6	22.2	
Allowances			3.2						1.4					
Undistributed Offsetting Receipts	-155.0	-160.2	-161.6	-172.0	-180.9	-197.5	-199.1	-160.6	-162.6	-172.8	-181.6	-196.4	-201.3	
Total	1,601.2	1,667.8	1,733.2	1,785.0	1,834.4	1,859.6	1,945.4	1,664.7	1,730.0	1,773.9	1,819.7	1,842.6	1,922.0	

Table 12. OUTLAYS BY FUNCTION

(In billions of dollars)

	1997 actual	February estimates						Mid-Session estimates					
		1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
National defense	270.5	264.1	265.5	268.7	269.8	272.1	288.5	266.1	267.6	269.3	269.9	272.2	288.5
International affairs	15.2	14.5	14.5	15.3	15.4	15.7	15.7	14.7	15.0	15.7	15.4	15.7	15.7
General science, space, and technology	17.2	17.1	17.6	18.2	18.4	18.8	18.9	17.1	17.6	18.2	18.4	18.8	18.9
Energy	1.5	0.4	-1.0	0.2	-*	-0.2	-0.1	0.6	-1.0	0.2	-*	-0.2	-0.1
Natural resources and environ- ment	21.4	23.8	23.2	23.9	23.8	23.2	23.5	24.0	23.2	23.8	23.8	23.2	23.5
Agriculture	9.0	10.6	11.0	10.5	9.2	9.1	9.3	11.3	11.4	10.3	9.0	9.0	9.5
Commerce and housing credit ...	-14.6	3.5	3.5	11.8	10.9	10.9	10.2	3.6	4.9	10.2	10.8	10.6	10.2
Transportation	40.8	41.5	42.3	43.1	43.4	43.6	45.0	41.5	42.6	43.5	43.9	43.9	45.1
Community and regional devel- opment	11.0	11.8	10.9	10.1	9.7	8.5	7.6	10.9	11.7	11.1	10.4	8.6	7.6
Education, training, employ- ment, and social services	53.0	55.1	59.5	62.5	63.3	63.4	65.5	54.6	59.3	63.1	63.4	63.4	65.5
Health	123.8	131.8	141.5	149.9	160.1	170.7	183.5	131.8	141.9	150.2	160.3	170.8	183.6
Medicare	190.0	198.1	207.3	216.9	232.6	234.9	255.8	197.7	210.3	219.1	234.5	236.7	257.6
Income security	230.9	239.3	252.8	263.3	271.6	277.9	287.3	236.8	251.5	262.4	271.1	277.7	286.3
Social Security	365.3	381.5	396.2	412.6	430.4	450.2	470.7	379.5	393.0	408.3	425.7	445.6	466.2
Veterans benefits and services	39.3	43.1	43.3	44.0	44.8	45.4	47.5	43.1	43.3	44.0	44.8	45.4	47.5
Administration of justice	20.2	22.3	25.5	25.9	26.6	25.8	25.7	22.3	25.6	26.1	26.8	26.0	25.8
General government	12.8	12.9	17.2	17.5	17.9	17.9	18.5	12.9	17.2	17.5	17.9	18.0	18.6
Net interest	244.0	242.7	241.8	236.5	233.6	227.1	220.6	244.1	235.7	227.0	220.3	210.3	200.3
Allowances			3.2						1.4				
Undistributed offsetting re- ceipts	-50.0	-46.4	-42.5	-45.8	-47.2	-55.5	-48.3	-48.0	-42.3	-46.0	-46.7	-52.8	-48.4
Total	1,601.2	1,667.8	1,733.2	1,785.0	1,834.4	1,859.6	1,945.4	1,664.7	1,730.0	1,773.9	1,819.7	1,842.6	1,922.0
On-budget	(1,290.6)	(1,348.1)	(1,404.4)	(1,444.6)	(1,484.0)	(1,499.6)	(1,574.3)	(1,347.1)	(1,403.9)	(1,437.6)	(1,473.9)	(1,487.5)	(1,555.7)
Off-budget	(310.6)	(319.7)	(328.9)	(340.4)	(350.4)	(360.0)	(371.1)	(317.6)	(326.1)	(336.3)	(345.7)	(355.1)	(366.3)

* \$50 million or less.

Table 13. DISCRETIONARY BUDGET AUTHORITY BY AGENCY

(In billions of dollars)

Agency	1997 Actual	February estimates						Mid-Session estimates					
		1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
Legislative Branch	2.2	2.3	2.5	2.5	2.6	2.6	2.7	2.3	2.5	2.5	2.6	2.6	2.7
Judicial Branch	3.0	3.2	3.5	3.6	3.8	3.9	4.0	3.2	3.5	3.6	3.8	3.9	4.0
Agriculture	15.7	15.6	15.2	15.2	15.2	15.3	15.3	15.9	15.2	15.2	15.2	15.3	15.3
Commerce	3.8	4.2	4.9	6.1	4.0	3.9	3.9	4.2	4.9	6.1	4.0	3.9	3.9
Defense—Military	254.0	256.1	258.4	264.1	272.3	275.5	285.2	259.2	260.3	264.1	272.3	275.5	285.2
Education	26.3	29.4	31.2	31.4	31.5	31.2	31.1	29.4	31.2	31.4	31.5	31.2	31.1
Energy	16.5	16.5	18.0	17.4	17.0	17.2	17.5	16.7	18.0	17.4	17.0	17.2	17.5
Health and Human Services	34.4	36.9	38.5	39.7	40.7	42.1	44.2	36.9	38.5	39.7	40.7	42.1	44.2
Housing and Urban Development	16.4	24.6	25.0	28.1	28.7	29.8	31.1	22.2	24.7	27.7	28.4	29.5	30.8
Interior	7.3	8.0	7.9	8.1	8.1	8.1	8.1	8.1	7.9	8.1	8.1	8.1	8.1
Justice	16.4	17.3	18.1	17.0	16.7	16.6	16.9	17.3	18.1	17.0	16.7	16.6	16.9
Labor	10.2	10.7	11.1	11.0	11.0	11.0	11.1	10.7	11.1	11.0	11.0	11.0	11.1
State	4.8	4.7	5.1	4.8	4.9	4.9	4.9	4.7	5.5	5.3	4.9	4.9	4.9
Transportation	37.8	40.4	41.1	41.6	41.9	42.4	43.0	40.7	41.1	41.6	41.9	42.4	43.0
Treasury	10.6	11.5	12.3	11.5	11.5	11.5	11.5	11.5	12.3	11.5	11.5	11.5	11.5
Veterans Affairs	18.9	18.9	18.9	18.9	18.9	18.9	19.5	18.9	18.9	18.9	18.9	18.9	19.5
Corps of Engineers	4.1	4.1	3.2	3.5	3.3	3.3	3.4	4.2	3.2	3.5	3.3	3.3	3.4
Other Defense Civil Programs	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Environmental Protection Agency	6.8	7.4	7.8	6.9	6.9	7.0	7.1	7.4	7.8	6.9	6.9	7.0	7.1
Executive Office of the President	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Federal Emergency Management Agency	5.1	0.8	0.8	0.8	0.8	0.8	0.8	2.4	0.8	0.8	0.8	0.8	0.8
General Services Administration	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
International Assistance Programs	10.6	11.6	12.2	11.5	11.2	11.0	11.0	29.5	12.2	11.5	11.2	11.0	11.0
National Aeronautics and Space Administration	13.7	13.6	13.5	13.3	13.3	13.4	13.4	13.6	13.5	13.3	13.3	13.4	13.4
National Science Foundation	3.3	3.4	3.8	3.9	4.0	4.1	4.2	3.4	3.8	3.9	4.0	4.1	4.2
Office of Personnel Management	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Small Business Administration	0.9	0.8	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.7
Social Security Administration	5.6	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Other Independent Agencies	6.7	7.0	7.4	7.3	7.4	7.2	7.2	7.1	7.4	7.3	7.4	7.2	7.2
Allowances			3.2						1.4				
Undistributed Offsetting Receipts								*					
Total	536.3	555.4	570.6	575.0	582.5	588.6	604.2	576.5	570.7	575.1	582.1	588.2	603.9

* \$50 million or less.

Table 14. DISCRETIONARY BUDGET AUTHORITY BY FUNCTION

(In billions of dollars)

	1997 actual	February estimates						Mid-Session estimates					
		1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
National defense	266.2	268.6	271.6	277.0	284.8	288.1	298.0	271.7	273.5	277.0	284.8	288.1	298.0
International affairs	18.2	19.0	20.2	19.2	18.9	18.8	18.8	37.0	20.6	19.7	18.9	18.8	18.8
General science, space, and technology	16.6	17.9	18.5	18.5	18.7	19.0	19.1	17.9	18.5	18.5	18.7	19.0	19.1
Energy	4.2	2.8	3.5	3.2	3.1	3.0	3.0	3.0	3.5	3.2	3.1	3.0	3.0
Natural resources and environment	22.4	23.2	22.6	22.3	22.0	22.0	22.3	23.5	22.6	22.3	22.0	22.0	22.3
Agriculture	4.2	4.3	4.1	3.9	3.9	3.9	3.8	4.4	4.1	3.9	3.9	3.9	3.8
Commerce and housing credit	2.8	3.2	3.3	5.1	2.9	2.9	2.9	3.1	3.0	4.7	2.6	2.5	2.5
Transportation	38.7	41.4	41.8	42.3	42.6	43.1	43.7	41.7	41.8	42.3	42.6	43.1	43.7
Community and regional development	13.0	8.7	9.2	8.0	7.8	7.7	7.8	10.3	9.2	8.0	7.8	7.7	7.8
Education, training, employment, and social services	42.5	46.4	48.6	49.1	49.4	49.3	48.9	46.4	48.6	49.1	49.4	49.3	48.9
Health	25.1	26.4	27.5	28.3	29.2	30.5	33.0	26.4	27.5	28.3	29.2	30.5	33.0
Medicare	2.6	2.7	2.6	2.6	2.6	2.6	2.7	2.7	2.6	2.6	2.6	2.6	2.7
Income security	22.7	31.9	33.0	36.7	37.8	39.0	40.3	29.6	33.0	36.7	37.8	39.0	40.3
Social Security	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Veterans benefits and services	18.9	19.0	18.9	18.9	18.9	18.9	19.6	19.0	18.9	18.9	18.9	18.9	19.6
Administration of justice	22.9	24.2	25.7	24.6	24.4	24.6	25.1	24.2	25.7	24.6	24.4	24.6	25.1
General government	11.8	12.5	13.0	12.1	12.2	12.0	12.1	12.5	13.0	12.1	12.2	12.0	12.1
Allowances			3.2						1.4				
Undistributed offsetting receipts								*					
Total	536.3	555.4	570.6	575.0	582.5	588.6	604.2	576.5	570.7	575.1	582.1	588.2	603.9

* \$50 million or less.

Table 15. FEDERAL GOVERNMENT FINANCING AND DEBT¹

(In billions of dollars)

	1997 Actual	Estimates					
		1998	1999	2000	2001	2002	2003
Financing:							
Surplus or deficit (-)	-21.9	39.1	54.2	60.7	82.7	147.6	150.0
(On-budget)	-103.3	-63.1	-59.3	-62.1	-48.3	5.8	-2.4
(Off-budget)	81.4	102.2	113.5	122.8	131.0	141.7	152.3
Means of financing other than borrowing from the public:							
Changes in: ²							
Treasury operating cash balance	0.6	3.6	—	—	—	—	—
Checks outstanding, etc. ³	4.0	-2.8	-4.5	—	—	—	—
Deposit fund balances	-0.4	*	-1.7	—	—	—	—
Seigniorage on coins	0.5	0.4	0.7	0.7	0.7	0.7	0.7
Less: Net financing disbursements:							
Direct loan financing accounts	-21.0	-15.0	-15.4	-13.2	-15.4	-14.1	-13.4
Guaranteed loan financing accounts	0.1	-0.9	-0.7	-0.5	-0.1	-0.1	-0.1
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Total, means of financing other than borrowing from the public	-16.2	-14.7	-21.6	-13.0	-14.8	-13.5	-12.8
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Total, requirement for borrowing from the public	-38.2	24.4	32.6	47.7	67.9	134.0	137.2
Change in debt held by the public	38.2	-24.4	-32.6	-47.7	-67.9	-134.0	-137.2
Debt Outstanding, End of Year:							
Gross Federal debt:							
Debt issued by Treasury	5,336.5	5,473.1	5,632.5	5,769.3	5,888.8	5,965.3	6,041.1
Debt issued by other agencies	33.2	29.1	28.0	27.1	26.0	24.9	22.8
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Total, gross Federal debt	5,369.7	5,502.1	5,660.5	5,796.4	5,914.8	5,990.2	6,063.9
Held by:							
Government accounts	1,598.6	1,755.4	1,946.3	2,129.9	2,316.2	2,525.8	2,736.6
The public	3,771.1	3,746.7	3,714.1	3,666.4	3,598.5	3,464.5	3,327.3
Federal Reserve Banks	424.5						
Other	3,346.6						
Debt Subject to Statutory Limitation, End of Year:							
Debt issued by Treasury	5,336.5	5,473.1	5,632.5	5,769.3	5,888.8	5,965.3	6,041.1
Less: Treasury debt not subject to limitation ⁴ ..	-15.5	-15.5	-15.5	-15.5	-15.5	-15.5	-15.5
Agency debt subject to limitation	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adjustment for discount and premium ⁵	6.6	6.6	6.6	6.6	6.6	6.6	6.6
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Total, debt subject to statutory limitation ⁶ ...	5,327.6	5,464.2	5,623.6	5,760.4	5,879.9	5,956.4	6,032.2

* \$50 million or less.

¹ Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost entirely measured at sales price plus amortized discount or less amortized premium. Agency debt is almost entirely measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

² A decrease in the Treasury operating cash balance (which is an asset) is a means of financing the deficit and therefore has a positive sign. An increase in checks outstanding or deposit fund balances (which are liabilities) would also be a means of financing the deficit and therefore also have a positive sign.

³ Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

⁴ Consists primarily of Federal Financing Bank debt.

⁵ Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

⁶ The statutory debt limit is \$5,950 billion.