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

Douglas W. Elmendorf, Director

July 29, 2011

Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

Dear Mr. Leader:

The Congressional Budget Office has estimated the impact on the deficit of the Budget Control Act of 2011, as proposed in the Senate on July 29, 2011. The legislation would:

- Establish caps on discretionary spending through 2021, including separate caps on new funding for war-related activities;
- Allow for certain amounts of additional spending for "program integrity" initiatives aimed at reducing the amount of improper benefit payments and enhancing compliance with tax laws;
- Make changes to the Pell Grant and student loan programs;
- Reduce certain payments to agricultural producers;
- Establish a procedure for increasing the debt limit by $416 billion initially and subsequent procedures that could allow the limit to be raised in two additional steps, for a cumulative increase of as much as $2.4 trillion;
- Reinstate and modify certain budget process rules; and
- Create a joint Congressional committee to propose further deficit reduction.

In total, if appropriations in the next 10 years are equal to the caps on discretionary spending and the maximum amount of funding is provided for the program integrity initiatives, CBO estimates that the legislation would reduce budget deficits by about $2.2 trillion between 2012 and 2021 relative to CBO's March 2011 baseline adjusted for subsequent appropriation action. As requested by your staff, CBO has also calculated the net budgetary impact if discretionary savings are measured relative to its January baseline projections. On that basis, CBO estimates that the legislation would reduce budget deficits by slightly more than $2.4 trillion between 2012 and 2021.

The version of the legislation proposed in the Senate on July 29, 2011, contains several differences from an earlier version that was proposed in the Senate on July 25, 2011.[1] In particular, the more-recent Senate version of the Budget Control Act of 2011:

- Reduces the caps on new discretionary funding in 2020 and 2021 by $1 billion for each of those fiscal years;
- Contains revised language related to program integrity initiatives aimed at reducing overpayments of certain federal benefits and improving compliance with tax laws;
- Removes provisions governing spectrum auctions and related spending;
- Changes the procedures for increasing the debt limit, substituting a multistep process for the earlier single increase in the debt limit; and
- Includes other small changes that would have no impact on estimated budgetary effects.

Discretionary Caps

Most of the estimated savings from enacting and implementing the Budget Control Act of 2011 as proposed on July 29 would result from imposing caps on discretionary appropriations—both for funding related to the wars in Afghanistan and Iraq and similar activities (sometimes referred to as overseas contingency operations, or OCO) as well as for all other discretionary funding. The caps on appropriations of new budget authority excluding war-related funding start at $1,045 billion in 2012 and reach $1,227 billion in 2021. Those caps would not apply to certain amounts of additional spending for "program integrity" initiatives, for which the act would allow upward adjustments to the caps by specified amounts. For 2012 and 2013, separate caps for "security" and "nonsecurity" budget authority would be in effect; from 2014 on, only one cap would apply to total non-war funding.

The legislation provides for another adjustment to the overall spending cap in each fiscal year to account for amounts provided by the Congress and designated for disaster relief. That adjustment would be calculated based on average amounts previously provided for that purpose. However, the bill does not define disaster spending, and therefore CBO could not incorporate this adjustment in its projections of spending.

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1. CBO transmitted an analysis of that earlier version of the legislation in a letter to the Honorable Harry Reid on July 27, 2011.

The legislation also would impose caps of $127 billion for 2012 and $450 billion over the 2013–2021 period on budget authority for operations in Afghanistan and Iraq and for similar activities.

Baselines Used for Comparisons. CBO has estimated outlays under the caps on discretionary budget authority apart from overseas contingency operations and compared those totals with two projections of such spending:

- CBO's March 2011 baseline projections for total discretionary spending, with two adjustments: (1) excluding spending associated with overseas contingency operations—that is, excluding spending that was projected by assuming that the amount of funding provided in 2011 for the wars in Afghanistan and Iraq would continue to be provided for similar activities in future years, with adjustments for inflation; and (2) incorporating the effect of full-year appropriations for 2011, which were enacted after that baseline was completed.

- CBO's January 2011 baseline projections for total discretionary spending excluding spending that was projected by assuming that the amount of funding provided in 2011 for the wars in Afghanistan and Iraq would continue to be provided for similar activities in future years, with adjustments for inflation. Your staff indicated that this comparison would be useful.

CBO also estimated outlays under the caps on discretionary budget authority for overseas contingency operations and compared those estimates with two projections of such spending:

- CBO's March 2011 baseline projections for spending associated with OCO.

- CBO's January 2011 baseline for spending associated with OCO. (Your staff indicated that this comparison would also be useful.)

In CBO's baseline projections, appropriations for discretionary programs are assumed to grow each year with inflation from the amounts provided for the most recent year. The March baseline, as adjusted, incorporates reductions in projected spending resulting from appropriation actions that occurred after the March baseline had been prepared. In particular, the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10) established discretionary funding levels for the current year. The earlier January baseline, in contrast, reflected funding levels that were largely a temporary extension of the 2010 appropriations.

Impact of Caps Relative to Baseline Projections. Relative to the adjusted March baseline, proposed budget authority excluding funding for OCO would be nearly $840 billion lower and outlays about $750 billion lower, CBO estimates, over the 2012–2021 period (as shown in Table 1a). CBO applied an average aggregate rate of spending to the specified reductions in budget authority to estimate outlays for 2012 and beyond. The projected reductions in outlays are smaller than the projected reductions in budget authority because outlays generally lag behind budget authority (and thus some of the savings from the caps would occur beyond the 10-year budget window) and because some budget authority never results in outlays.

Proposed budget authority for overseas contingency operations would be about $1.2 trillion lower and outlays $1.04 trillion lower, CBO estimates, relative to the adjusted March baseline. The legislation specifies a total cap on such appropriations for the 2013–2021 period but does not specify a cap for each year; for this estimate, CBO assumes that the $450 billion would not necessarily be limited to operations in Afghanistan and Iraq and would be evenly distributed between 2013 and 2021 in the amount of $50 billion each year. That funding path is illustrative since the use of $450 billion over the nine-year period could vary significantly from that average.

Relative to the January baseline, the proposed caps on budget authority, apart from funding for the wars in Afghanistan and Iraq and for similar activities, would be lower by about $1.1 trillion over the 2012–2021 period; outlays would be about $930 billion less, CBO estimates (as shown in Table 1b). The separate caps on funding for the wars in Afghanistan and Iraq and for similar activities would be about $1.2 trillion lower than projected in the January baseline; outlays would be $1.05 trillion less, CBO estimates.

Funding for the Pell Grant Program. Your staff also requested a comparison of the baseline projections for the discretionary component of the Pell Grant program with what it would cost to meet expected demand for Pell grants in future years, assuming continuation of the program's maximum award level of $4,860 specified in the 2011 appropriation act.[2] In CBO's baseline, budget authority for the discretionary portion of the Pell Grant program is projected by inflating the amount appropriated for the current fiscal year. CBO estimates that the cost of meeting demand for the grants would exceed the adjusted March baseline projection by $78 billion over the 2012–2021 period; relative to CBO's January baseline, which does not include the legislative and other technical changes accounted for in the adjusted March baseline, CBO estimates that the difference between the baseline and the cost of fully funding the program's potential costs totals about $97 billion over the 10-year period.

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2. For fiscal year 2011, the total maximum award level for Pell grants was $5,550, which includes a maximum award level of $4,860 as specified in the annual appropriations act and an additional $690 supported by mandatory funds.

Program Integrity Initiatives

The Budget Control Act of 2011, as proposed in the Senate on July 29, 2011, includes four program integrity initiatives aimed at identifying and reducing overpayments of federal benefits and increasing compliance with tax laws. If funding is ultimately provided for those program integrity initiatives, their net budgetary effects would consist of an increase in discretionary spending from that funding, coupled with some savings in the direct spending programs that provide those benefits and an increase in revenues resulting from enhanced compliance with federal tax laws. By CBO's estimate, the increased discretionary spending for program integrity activities would total $22.2 billion, the reduction in outlays for benefit programs would total $17.9 billion, and the added revenues would amount to $43.4 billion over the 2012–2021 period.[3]

Specifically, the bill would allow adjustments to the discretionary caps that would permit additional appropriations to:

- The Social Security Administration (SSA) to conduct continuing disability reviews of beneficiaries of the Disability Insurance (DI) and Supplemental Security Income (SSI) programs and redeterminations (of the eligibility criteria other than disability) of SSI beneficiaries;

- The Health Care Fraud and Abuse Control Account (HCFAC), which supports activities to reduce waste, fraud, and abuse in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP);

- The Department of Labor for in-person reemployment and eligibility assessments and improper payment reviews for the unemployment insurance program; and

- The Internal Revenue Service (IRS) for activities to improve tax compliance.

The bill provides that the annual caps on discretionary appropriations would be adjusted by the amounts provided for program integrity activities in excess of specific base amounts, up to specified maximum adjustments each year. Those base amounts, however, do not equal the amounts of spending for program integrity activities currently assumed in CBO's baseline. Accordingly, CBO's estimates of mandatory savings and additional revenues from program integrity activities are based on the differences between total funding under the bill (assuming the maximum possible cap adjustments) and the spending in CBO's baseline—rather than the total amount of the cap adjustments.

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3. In contrast to the July 25, 2011, version of the legislation, all of the July 29 version's program integrity provisions are specified in a way that CBO estimates would result in budgetary savings. In addition, the July 29 version of the legislation includes provisions that clarify that the cap adjustments related to health care programs apply only to discretionary appropriations for program integrity and that limit the use of those funds to program integrity activities.

For Congressional scorekeeping purposes, the savings in benefits and additional revenues from funding increases for program integrity would not be counted, pursuant to Congressional scorekeeping guidelines published in the conference report for the Balanced Budget Act of 1997 (P.L. 105-33). Specifically, Scorekeeping Rule 3 states that "entitlements and other mandatory programs… will be scored at current law levels … unless Congressional action modifies the authorization legislation." That rule also has customarily been applied to potential revenue increases stemming from greater funding for the IRS. In other words, even though additional discretionary funding for the administration of such programs might be estimated to lead to budgetary savings (from reduced benefit payments or increased revenues), such estimated savings are not counted for scorekeeping purposes.

Social Security Administration. The annual discretionary funding caps would be adjusted by the amount by which funds appropriated for the SSA program integrity activities for a year exceed a specified level of funding that rises from $758 million for fiscal year 2012 to $963 million for fiscal year 2021. The maximum such adjustment would itself rise from $237 million for fiscal year 2012 to $924 million for fiscal year 2021. If the Congress were to appropriate the maximum amounts eligible for the cap adjustment related to SSA funding, spending for such activities would be about $5.5 billion above CBO's baseline. Based on the $5.5 billion increase, CBO estimates that benefit outlays for DI, SSI, Medicare, and Medicaid would fall by about $13.7 billion over the 2012–2021 period (see Table 2).

Health Care Fraud and Abuse Control. The annual discretionary funding caps also would be adjusted by the amount by which funds appropriated for HCFAC for a year exceed a specified level of funding that would rise from $311 million for fiscal year 2012 to $451 million for 2021. The maximum such adjustment would itself rise from $270 million for fiscal year 2012 to $356 million for each of the years 2020 and 2021. If the Congress were to appropriate to HCFAC the maximum amounts eligible for cap adjustments, spending for HCFAC would exceed the amounts in CBO's baseline by about $3 billion. Based on that $3 billion increase in spending, CBO estimates that benefit outlays for Medicare, Medicaid, and CHIP would fall by approximately $3.7 billion over the 2012–2021 period. Additional savings would accrue after 2021.

Unemployment Insurance. The proposed legislation would allow appropriations above the discretionary caps in each year from 2012 through 2021 (totaling $245 million over that period) to help identify improper payments of unemployment compensation. Such funds would be available only if sufficient funding for administering the unemployment insurance program also was provided. CBO estimates the additional funding for in-person interviews and other activities would reduce outlays for unemployment compensation by $484 million over the 2012–2021 period. Because the costs of regular unemployment compensation are financed by state unemployment taxes, CBO estimates those savings would allow states to reduce those taxes, which are recorded as revenues in the federal budget. CBO estimates that those taxes would be reduced by $228 million over the 2012–2021 period and by additional amounts in subsequent years. The net effect of the benefit savings and the revenue reductions stemming from the program integrity activities related to unemployment insurance would be a reduction in deficits of an estimated $256 million over the 10-year period.

Internal Revenue Service. Tax-enforcement activities of the IRS are funded through two budget accounts, the enforcement appropriation and the operations support appropriation. Achieving additional tax revenues during the coming decade by increasing those activities would require additional funding for those two budget accounts, over and above their 2011 funding plus adjustments for anticipated inflation. In 2011 those two IRS accounts received appropriations of about $9.1 billion.

Under the legislation, the annual discretionary funding caps would be adjusted by the amount by which funds appropriated for IRS tax compliance activities for a year exceed a specified level of funding that rises from $8.0 billion for fiscal year 2012 to $10.3 billion for fiscal year 2021. The maximum such adjustment would itself rise from $2.5 billion for fiscal year 2012 to $4.8 billion for fiscal year 2021. If the Congress were to appropriate those amounts, CBO estimates that spending by the IRS would exceed amounts in CBO's baseline, thereby resulting in $13.6 billion in additional spending on program integrity activities. On that basis, CBO and the staff of the Joint Committee on Taxation estimate that IRS revenue collections would increase by $43.6 billion over the next decade as a result of this initiative.

Other Changes in Direct Spending
Enacting title II would reduce net direct spending by $11 billion over the next 10 years. The title would:

- Amend the Higher Education Act of 1965 to appropriate additional funds for the Pell Grant program and eliminate subsidized student loans for graduate students. CBO estimates that, on net, those changes would increase direct spending by $9.9 billion over the 2012–2016 period but reduce direct spending by $75 million over the 2012–2021 period.

- Reduce payments to agricultural producers based on the portion of historical acreage eligible for government payments, yielding net savings of an estimated $11.1 billion over the 2012–2021 period.

Pell Grants and Student Loans. Subtitle A of title II would directly appropriate $10.5 billion for fiscal year 2012 and $7.5 billion for fiscal year 2013 for Pell grants. Those funds would be used to supplement funding for the portion of the Pell Grant program that is funded through annual discretionary appropriations. CBO estimates that this provision would increase direct spending by $18.0 billion over the 2012–2015 period (with no impact on outlays after 2015).

Beginning July 1, 2012, subtitle A would eliminate the interest subsidy on subsidized student loans for graduate students while a borrower is in school, in the post-school grace period, and during any authorized deferment period. The current annual and cumulative loan limits for unsubsidized loans would be adjusted to permit students to borrow additional funds in the unsubsidized loan program. CBO projects that, over the 2012–2021 period, the provision would shift approximately $125 billion in loan volume from the subsidized to the unsubsidized loan program. As required under the Federal Credit Reform Act of 1990, most of the costs of the federal student loan programs are estimated on a net-present-value basis.[4] Because borrowers would be responsible for the interest accrued on those loans while in school, CBO estimates that this provision would reduce direct spending by $8.2 billion over the 2012–2016 period and $18.1 billion over the 2012–2021 period.

Payments to Agricultural Producers. Under current law, agricultural producers receive assistance from the federal government, known as direct payments, that are based on a portion (85 percent) of the historical acreage they planted and the crop yield for certain commodities. CBO estimates those payments will total about $49 billion over the next decade. Subtitle B of title II would reduce the portion of acreage used to calculate direct payments to 59 percent. CBO estimates this provision would reduce net spending by $11.1 billion over the next decade, including its effects on other agricultural income support programs.

Other Provisions

The legislation includes other provisions that would not have any direct budgetary effects. It would establish procedures that could lead to a cumulative increase in the debt limit of $2.4 trillion. In addition, the bill would establish procedures for enforcing the caps on discretionary spending and establish a Congressional committee on deficit reduction charged with a goal of reducing the deficit to 3 percent of gross domestic product or less.

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4. Under credit reform, the present value of all loan-related cash flows is calculated by discounting those expected cash flows to the year of disbursement, using the rates for comparable maturities on U.S. Treasury borrowing. (For example, the cash flow for a two-year loan is discounted using the Treasury rate for a two-year zero-coupon note.)

Overall Budgetary Impact of the Legislation
In total, if appropriations in the next 10 years are equal to the caps on discretionary spending and the maximum amount of funding is provided for the program integrity initiatives, CBO estimates that the legislation would reduce budget deficits by about $2.2 trillion between 2012 and 2021 relative to CBO's March 2011 baseline adjusted for subsequent appropriation action (see Table 3). Savings in discretionary spending would amount to nearly $1.8 trillion, mandatory spending would be reduced by $29 billion, revenues would be higher by $43 billion, and the savings in interest on the public debt because of the lower deficits would come to $376 billion. (CBO's cost estimates for legislation do not ordinarily include effects on debt service costs, but CBO provides such estimates, when requested, for broad budget plans.)

As requested, CBO has also calculated the net budgetary impact if discretionary savings are measured relative to its January baseline projections. On that basis, CBO estimates that the legislation proposed on July 29 would reduce budget deficits by slightly more than $2.4 trillion between 2012 and 2021. Savings in discretionary spending would amount to about $1.930 trillion, mandatory spending would be reduced by $29 billion, revenues would be higher by $43 billion, and the savings in interest on the public debt because of the lower deficits would come to $421 billion.

I hope this information is useful to you. If you wish further details on this analysis, we will be pleased to provide them.

Sincerely,

Douglas W. Elmendorf

Douglas W. Elmendorf
Director

Attachments

cc: Honorable Mitch McConnell
Republican Leader

Table 1a.

Projected Savings from Discretionary Caps as Specified in the Budget Control Act of 2011, as Proposed in the Senate on July 29, 2011, Relative to CBO's March 2011 Baseline, Adjusted to Reflect Enactment of 2011 Appropriations

(By fiscal year, in billions of dollars)

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total, 2012-2021
			Projections of Discretionary Spending										
(a)	CBO's March 2011 Baseline	BA	1,266	1,290	1,318	1,346	1,377	1,413	1,450	1,488	1,526	1,565	14,038
		OT	1,344	1,356	1,371	1,391	1,420	1,446	1,475	1,517	1,556	1,594	14,472
(b)	Change from Incorporating Final 2011 Appropriations	BA	-17	-17	-18	-18	-18	-18	-19	-19	-19	-20	-183
		OT	-2	-8	-11	-12	-13	-14	-15	-15	-16	-16	-122
(c)=(a)+(b)	CBO's March 2011 Baseline Incorporating Final 2011 Appropriations	BA	1,248	1,272	1,300	1,328	1,359	1,394	1,431	1,469	1,507	1,545	13,855
		OT	1,342	1,348	1,360	1,379	1,407	1,432	1,460	1,502	1,540	1,578	14,349
(d)	Funding for Operations in Afghanistan and Iraq and Similar Activities	BA	161	164	167	170	173	177	180	184	188	192	1,756
		OT	76	131	153	163	169	172	175	180	184	187	1,589
(e)=(c)-(d)	CBO's March 2011 Baseline Incorporating Final 2011 Appropriations and Excluding Funding for Operations in Afghanistan and Iraq and for Similar Activities	BA	1,087	1,109	1,134	1,159	1,186	1,218	1,251	1,285	1,319	1,353	12,099
		OT	1,267	1,217	1,207	1,216	1,238	1,260	1,285	1,323	1,357	1,391	12,760
			Proposed Discretionary Caps on Budget Authority										
(f)	All Discretionary Programs Except Operations in Afghanistan and Iraq and Similar Activities[a]	BA	1,045	1,047	1,068	1,089	1,111	1,134	1,156	1,180	1,203	1,227	11,260
		OT	1,243	1,171	1,149	1,151	1,167	1,182	1,198	1,225	1,249	1,273	12,008
(g)	Operations in Afghanistan and Iraq and Similar Activities[b]	BA	127	50	50	50	50	50	50	50	50	50	577
		OT	64	72	58	52	50	50	50	50	50	50	545
			Effect of Proposed Discretionary Caps Relative to the Adjusted March 2011 Baseline										
(h)=(f)-(e)	All Discretionary Programs Except Operations in Afghanistan and Iraq and Similar Activities	BA	-42	-62	-66	-70	-75	-84	-95	-105	-116	-126	-839
		OT	-24	-46	-58	-65	-71	-78	-87	-97	-108	-118	-752
(i)=(g)-(d)	Operations in Afghanistan and Iraq and Similar Activities	BA	-35	-114	-117	-120	-123	-127	-130	-134	-138	-142	-1,179
		OT	-12	-58	-95	-111	-118	-122	-126	-130	-134	-138	-1,044

SOURCE: Congressional Budget Office.

NOTES: The calculations above do not include any adjustments for program integrity initiatives.
Components may not sum to totals because of rounding.
BA = budget authority; OT = outlays.

a. CBO calculated outlays for 2012 to 2021 by assuming an average aggregate spendout rate for all discretionary spending. Outlays include spending from appropriations in years before 2012 for operations in Afghanistan and Iraq and for similar activities.

b. The Budget Control Act of 2011 does not specify year-by-year caps for budget authority related to funding for operations in Afghanistan and Iraq and for similar activities; instead, it provides a cap adjustment of $450 billion for the 2013-2021 period. For illustrative purposes, CBO assumed that the funding would be divided equally among the nine years.

Table 1b.
Projected Savings from Discretionary Caps as Specified in the Budget Control Act of 2011, as Proposed in the Senate on July 29, 2011, Relative to CBO's January 2011 Baseline
(By fiscal year, in billions of dollars)

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total, 2012-2021
	Projections of Discretionary Spending												
(a)	CBO's January 2011 Baseline	BA	1,272	1,297	1,324	1,352	1,383	1,419	1,456	1,494	1,532	1,570	14,099
		OT	1,352	1,364	1,378	1,397	1,426	1,453	1,482	1,524	1,562	1,600	14,538
(b)	Funding for Operations in Afghanistan	BA	161	164	167	170	173	177	181	184	188	192	1,758
	and Iraq and Similar Activities	OT	78	133	154	164	169	173	176	180	184	188	1,599
(c)=(a)-(b)	CBO's January 2011 Baseline Excluding Funding for	BA	1,111	1,133	1,157	1,182	1,210	1,242	1,275	1,309	1,343	1,377	12,341
	Operations in Afghanistan and Iraq and for Similar Activities	OT	1,275	1,230	1,224	1,233	1,257	1,280	1,306	1,344	1,378	1,412	12,939
	Proposed Discretionary Caps on Budget Authority												
(d)	All Discretionary Programs Except Operations in	BA	1,045	1,047	1,068	1,089	1,111	1,134	1,156	1,180	1,203	1,227	11,260
	Afghanistan and Iraq and Similar Activities[a]	OT	1,243	1,171	1,149	1,151	1,167	1,182	1,198	1,225	1,249	1,273	12,008
(e)	Operations in Afghanistan and	BA	127	50	50	50	50	50	50	50	50	50	577
	Iraq and Similar Activities[b]	OT	64	72	58	52	50	50	50	50	50	50	545
	Effect of Proposed Discretionary Caps Relative to the January 2011 Baseline												
(f)=(d)-(c)	All Discretionary Programs Except Operations in	BA	-66	-86	-89	-93	-99	-108	-119	-129	-140	-150	-1,081
	Afghanistan and Iraq and Similar Activities	OT	-32	-60	-75	-82	-89	-98	-108	-119	-129	-139	-931
(g)=(e)-(b)	Operations in Afghanistan and	BA	-35	-114	-117	-120	-123	-127	-131	-134	-138	-142	-1,181
	Iraq and Similar Activities	OT	-14	-61	-97	-112	-119	-123	-126	-131	-134	-138	-1,053

SOURCE: Congressional Budget Office.

NOTES: The calculations above do not include any adjustments for program integrity initiatives.
Components may not sum to totals because of rounding.
BA = budget authority; OT = outlays.

a. CBO calculated outlays for 2012 to 2021 by assuming an average aggregate spendout rate for all discretionary spending. Outlays include spending from appropriations in years before 2012 for operations in Afghanistan and Iraq and for similar activities.

b. The Budget Control Act of 2011 does not specify year-by-year caps for budget authority related to funding for operations in Afghanistan and Iraq and for similar activities; instead, it provides a cap adjustment of $450 billion for the 2013-2021 period. For illustrative purposes, CBO assumed that the funding would be divided equally among the nine years.

Table 2.

Estimated Effects of Program Integrity Initiatives in the Budget Control Act of 2011, as Proposed in the Senate on July 29, 2011

(By fiscal year, in millions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total, 2012-2021
Cap Adjustments in the Legislation (Subject to Appropriation)[a]											
SSA											
Budget Authority	237	390	559	774	778	804	831	860	890	924	7,047
Outlays	204	352	525	732	762	800	825	854	884	917	6,855
HCFAC											
Budget Authority	270	299	314	332	350	352	354	354	356	356	3,337
Outlays	238	296	312	330	348	352	354	354	356	356	3,294
Unemployment Insurance											
Budget Authority	10	15	19	24	28	28	29	30	31	31	245
Outlays	8	14	18	23	27	28	29	30	31	31	237
IRS											
Budget Authority	2,519	3,132	3,542	3,975	4,486	4,538	4,585	4,626	4,688	4,754	40,845
Outlays	2,267	3,071	3,501	3,932	4,435	4,533	4,580	4,622	4,682	4,747	40,370
Total											
Budget Authority	3,036	3,836	4,434	5,105	5,642	5,722	5,799	5,870	5,965	6,065	51,474
Outlays	2,716	3,732	4,356	5,016	5,572	5,713	5,788	5,860	5,952	6,051	50,756
Non-Scorable Effects on Direct Spending Outlays											
SSA	-60	-309	-558	-831	-1,205	-1,547	-1,847	-2,190	-2,456	-2,674	-13,677
HCFAC	-84	-185	-290	-402	-435	-453	-467	-475	-476	-475	-3,741
Unemployment Insurance	-11	-27	-37	-47	-56	-60	-61	-61	-61	-62	-484
Total	-155	-522	-885	-1,280	-1,696	-2,061	-2,375	-2,726	-2,993	-3,210	-17,903
Non-Scorable Effects on Revenues[b]											
Unemployment Insurance	0	-1	-4	-10	-18	-27	-34	-41	-45	-47	-228
IRS	335	883	1,988	3,185	4,410	5,506	6,253	6,679	7,006	7,338	43,583
Total	335	882	1,984	3,175	4,392	5,479	6,218	6,639	6,961	7,291	43,355
Memorandum:											
Changes in Outlays for Program Integrity Activities above Baseline[c]											
SSA[d]	180	293	442	626	634	651	654	660	664	668	5,472
HCFAC	225	267	281	297	314	317	318	317	316	314	2,967
Unemployment Insurance	8	12	15	19	23	24	24	24	24	24	196
IRS	297	592	927	1,297	1,743	1,743	1,743	1,743	1,743	1,743	13,570
Total	710	1,164	1,666	2,239	2,714	2,734	2,739	2,744	2,747	2,749	22,205

SOURCE: Congressional Budget Office.

NOTES: SSA = Social Security Administration; HCFAC = Health Care Fraud and Abuse Control Account; IRS = Internal Revenue Service. Components may not sum to totals because of rounding.

a. These amounts reflect the cap adjustments (budget authority) specified in the legislation. Some of those amounts specified are already assumed in CBO's baseline. Therefore, only part of the cap adjustment reflects potential new spending for program-integrity activities over and above the amounts projected in CBO's baseline.

b. Positive numbers denote increases in revenues.

c. CBO used the amounts below for its estimates of direct spending and revenues.

d. The legislation does not allocate the proposed spending increases among SSA's different activities. CBO assumed spending would be allocated in the same proportions as under the President's budget request. In that case, the spending proposed in this legislation would not exceed baseline spending for Supplemental Security Income redeterminations in any year.

Table 3.
Effect on the Deficit of the Budget Control Act of 2011, as Proposed in the Senate on July 29, 2011, Relative to CBO's March 2011 Baseline, Adjusted to Reflect Enactment of 2011 Appropriations
(By fiscal year, in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total, 2012-2021
Discretionary Spending											
Establishment of caps											
All discretionary programs except operations in Afghanistan and Iraq and similar activities	-24	-46	-58	-65	-71	-78	-87	-97	-108	-118	-752
Operations in Afghanistan and Iraq and similar activities	-12	-58	-95	-111	-118	-122	-126	-130	-134	-138	-1,044
Subtotal, establishment of caps	-36	-105	-153	-175	-189	-200	-213	-227	-241	-256	-1,796
Program integrity[a]	3	4	4	5	6	6	6	6	6	6	51
Subtotal	-33	-101	-149	-170	-184	-194	-207	-221	-236	-250	-1,745
Mandatory Spending[b]											
Program integrity	0	-1	-1	-1	-2	-2	-2	-3	-3	-3	-18
Pell grants	4	8	5	0	0	0	0	0	0	0	18
Other education	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-18
Agricultural programs	0	-2	-1	-1	-1	-1	-1	-1	-1	-1	-11
Subtotal, mandatory spending	4	4	1	-4	-5	-5	-6	-6	-6	-7	-29
Revenues (Program Integrity)[c]	0	1	2	3	4	5	6	7	7	7	43
Debt Service	0	-2	-7	-15	-25	-37	-50	-64	-80	-96	-376
Total Effect on the Deficit[d]	-30	-100	-157	-193	-218	-242	-269	-298	-328	-360	-2,194

SOURCE: Congressional Budget Office.

NOTES: All of the changes to mandatory spending would be counted for Congressional scorekeeping purposes other than the program integrity initiatives. The changes to discretionary spending and debt service would not be counted for scorekeeping purposes. FCC = Federal Communications Commission. Components may not sum to totals because of rounding.

With the effects of the discretionary caps measured relative to CBO's January baseline, the legislation would reduce budget deficits by slightly more than $2.4 trillion between 2012 and 2021. Savings in discretionary spending would amount to about $1.930 trillion, mandatory spending would be reduced by $29 billion, revenues would be $43 billion higher, and the savings in interest on the public debt because of the lower deficits would come to $421 billion.

a. These amounts reflect the cap adjustments (budget authority) specified in the legislation. Some of the amounts specified are already assumed in CBO's baseline. Therefore, only part of the cap adjustment reflects potential new spending for program integrity activities over and above the amounts projected in CBO's baseline. The amounts of potential new spending for program integrity initiatives above baseline levels are shown in Table 2.

b. In addition, the Joint Select Committee on Deficit Reduction could spend existing funds upon startup near the end of fiscal year 2011; CBO estimates that would constitute an increase in direct spending of less than $500,000 in 2011

c. Positive numbers indicate an increase in revenues (and therefore a reduction in the deficit).

d. Negative numbers indicate a reduction in the deficit.