

Changes in CBO's Baseline Projections Since January 2001

Each year, the Congressional Budget Office (CBO) issues baseline projections of federal spending and revenues for the following 10 years. Those projections are not intended as a forecast of future outcomes; rather, they are estimates of spending and revenues under the laws that are in effect at that time and are designed to provide a benchmark against which to measure future policy changes.

In January 2001, CBO's baseline projections showed a cumulative surplus of \$5.6 trillion for the 2002-2011 period. The actual results have differed from those projections because of subsequent policy changes, economic developments that differed from CBO's forecast, and other factors. As a result, the federal government actually ran deficits from 2002 through 2010 and will incur a deficit in 2011 as well. The cumulative deficit over the 10-year period will amount to \$6.2 trillion, CBO estimates—a swing of \$11.8 trillion from the January 2001 projections.

The table below summarizes the differences between CBO's baseline projections in January 2001 and the actual or currently projected results for each of the years over the 2002-2011 period. The table divides changes to those baseline projections between those that stemmed from legislative actions and those that resulted from factors related to economic or other, technical assumptions. Such categorizations were done each year as new projections were prepared—no new analysis has been done to compile this table. Thus, the revisions attributable to legislation represent CBO's estimates of costs or savings associated with new laws relative to the baseline projections that were current at the time of enactment. The effects of legislation may have turned out to be different from the original estimates either because those baseline projections were off-target or because the results of the legislation deviated from what CBO anticipated, but no adjustments have been made in this table to those initial assessments of the legislation.

To illustrate this point, the table reports total outlays associated with the Troubled Asset Relief Program (TARP) of \$189 billion, which reflects CBO's initial baseline estimate for the costs of the program. The agency's latest estimate of the costs of the TARP, released in March 2011, takes into account all activities that have occurred since the program's implementation and equals \$19 billion (including some costs after 2011). The subsequent revisions to CBO's initial projection of TARP outlays were labeled "technical," and the entry in the table attributable to legislation has not been changed to reflect that updated estimate. In fact, for most legislation, there is no way to identify the actual impact on spending or revenues over time, and a retroactive analysis of actual costs is not possible.

Consequently, the table is only a very rough approximation of how changes since January 2001 have contributed to the swing from projected surpluses to actual deficits over the 2002-2011 period and should not be interpreted as a precise tracking of all the components of that cumulative change over the past decade.

Changes in CBO's Baseline Projections of the Surplus Since January 2001

May 12, 2011

(Billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total, 2002- 2011
Total Surplus as Projected in January 2001	281	313	359	397	433	505	573	635	710	796	889	5,610
Changes to Revenue Projections												
Legislative												
EGTRRA	-70	-31	-84	-101	-100	-126	-142	-151	-158	-176	-117	-1,186
JGTRRA	0	0	-53	-135	-78	-21	-14	-17	-11	-4	4	-328
WFTRA	0	0	0	0	-27	-37	-20	-16	-12	-8	-1	-121
Economic Stimulus Act of 2008	0	0	0	0	0	0	0	-114	-12	12	9	-106
ARRA	0	0	0	0	0	0	0	0	-65	-180	-8	-253
Tax Act of 2010	0	0	0	0	0	0	0	0	0	0	-354	-354
Other	-1	-43	-42	-29	-7	-6	-46	-76	-104	-58	-50	-460
Subtotal, legislative	<u>-71</u>	<u>-75</u>	<u>-179</u>	<u>-265</u>	<u>-211</u>	<u>-190</u>	<u>-222</u>	<u>-373</u>	<u>-363</u>	<u>-414</u>	<u>-517</u>	<u>-2,808</u>
Subtotal, economic and technical	<u>-72</u>	<u>-308</u>	<u>-381</u>	<u>-308</u>	<u>-205</u>	<u>-92</u>	<u>-26</u>	<u>-58</u>	<u>-639</u>	<u>-695</u>	<u>-700</u>	<u>-3,412</u>
Total Revenue Changes	-143	-382	-561	-573	-416	-282	-248	-431	-1,002	-1,109	-1,217	-6,220
Changes to Outlay Projections												
Legislative												
Discretionary	2	50	120	171	221	270	287	339	417	546	523	2,945
Mandatory												
EGTRRA	4	6	7	7	7	10	10	9	10	11	12	89
JGTRRA	0	0	9	12	5	*	*	*	*	0	0	26
Medicare Prescription Drug Program ^a	0	0	0	4	6	27	40	44	47	50	53	272
Economic Stimulus Act of 2008	0	0	0	0	0	0	0	38	4	0	0	42
TARP	0	0	0	0	0	0	0	0	184	5	*	189
ARRA	0	0	0	0	0	0	0	0	90	115	55	261
Tax Act of 2010	0	0	0	0	0	0	0	0	0	0	37	37
Other Mandatory	8	14	35	26	32	44	34	30	74	87	101	478
Subtotal, mandatory	<u>11</u>	<u>21</u>	<u>51</u>	<u>49</u>	<u>49</u>	<u>81</u>	<u>84</u>	<u>121</u>	<u>409</u>	<u>269</u>	<u>259</u>	<u>1,392</u>
Net Interest	1	4	14	35	60	92	130	174	225	287	353	1,375
Subtotal, legislative	<u>13</u>	<u>75</u>	<u>185</u>	<u>255</u>	<u>331</u>	<u>443</u>	<u>501</u>	<u>634</u>	<u>1,051</u>	<u>1,102</u>	<u>1,135</u>	<u>5,712</u>
Economic and Technical												
Discretionary	1	2	-5	-5	-3	-20	-27	-8	-4	-44	-28	-143
Mandatory	-6	24	20	3	*	3	-34	-15	103	-37	9	75
Net Interest	1	-13	-24	-16	7	45	47	52	-29	-40	-46	-16
Subtotal, economic and technical	<u>-4</u>	<u>13</u>	<u>-9</u>	<u>-18</u>	<u>4</u>	<u>28</u>	<u>-15</u>	<u>28</u>	<u>71</u>	<u>-121</u>	<u>-64</u>	<u>-83</u>
Total Outlay Changes	10	88	176	237	335	471	486	662	1,122	981	1,071	5,629
Total Impact on Surplus	-153	-471	-737	-810	-751	-753	-733	-1,094	-2,123	-2,089	-2,288	-11,849
Actual Surplus or Deficit (-)^b	128	-158	-378	-413	-318	-248	-161	-459	-1,413	-1,294	-1,399	-6,239
Memorandum:												
Total Legislative Changes	-85	-150	-364	-520	-542	-633	-723	-1,007	-1,413	-1,516	-1,652	-8,520
Total Economic and Technical Changes	-68	-321	-372	-290	-209	-120	-11	-87	-710	-574	-636	-3,329

Sources: Congressional Budget Office, Joint Committee on Taxation (JCT).

Notes: EGTRRA = Economic Growth and Tax Relief Reconciliation Act of 2001; JGTRRA = Jobs and Growth Tax Relief Reconciliation Act of 2003; WFTRA = Working Families Tax Relief Act of 2004; ARRA = American Recovery and Reinvestment Act of 2009; TARP = Troubled Asset Relief Program.

Projections of outlays and revenues for legislation reflect CBO's and JCT's original estimates when the legislation was considered; the actual budgetary effects may have differed from those projections.

* = between -\$500 million and \$500 million.

a. Includes other effects of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

b. The deficit reported for 2011 was projected by CBO in its Analysis of the President's Budget for 2012 (March 2011).