

CBO BUDGET REESTIMATES

The budget projections discussed in the previous section are the CBO estimates of the policies contained in the first budget resolution for fiscal year 1984. These projections incorporate CBO reestimates of the resolution targets to reflect the economic forecast and longer-run assumptions described in Chapter IV, Congressional action since the adoption of the resolution new technical information presented in the Administration's mid-session review of the 1984 budget, and actual tax collections and cash outlays through June. The effects of the CBO reestimates of the budget resolution are to lower slightly the resolution unified budget deficit (including the reserve fund) for fiscal year 1983, and to raise the resolution deficits for 1984-1986 by \$12 to \$19 billion (see Table 23).

TABLE 23. CBO REESTIMATES OF THE FIRST BUDGET RESOLUTION a/ (By fiscal year, in billions of dollars)

	1983	1984	1985	1986
<hr/>				
CBO Economic Assumptions				
Revenues	*	2	3	12
Outlays	-1	6	11	16
Deficit	-1	4	8	4
Congressional Action				
Revenues	*	-2	-2	-1
Outlays	-6	*	*	*
Deficit	-6	2	1	1
CBO Technical Reestimates				
Revenues	-4	-3	-4	-4
Outlays	*	4	6	6
Deficit	4	6	10	10
Total Reestimates				
Revenues	-4	-3	-2	7
Outlays	-6	10	17	22
Deficit	-2	12	19	16

* Less than \$500 million.

a/ The CBO reestimates include the reserve fund for new domestic spending initiatives.

CBO projects slightly lower revenues for 1983-1985 than assumed for the budget resolution, and somewhat higher revenues for 1986. For the entire period, the cumulative CBO revenue estimates are almost identical to the resolution projections.

For outlays, CBO estimates are lower than the resolution for 1983 by \$6 billion, but \$10 to \$22 billion higher for 1984-1986. Over the entire period, CBO's latest outlay estimates are \$42 billion higher than specified by the budget resolution. Most of the higher outlay estimates (90 percent) can be attributed to higher interest rate assumptions.

Effect of Revised Economic Assumptions

As discussed in Chapter IV, the differences between the revised CBO economic assumptions and those used for the 1984 budget resolution for the most part are quite small. Compared with the resolution assumptions, CBO projects somewhat lower unemployment and higher inflation rates. The CBO projections for short-term interest rates are higher than the resolution by an average of about one percentage point throughout the 1983-1986 period, and the projections for longer-term rates are higher by about two percentage points.

Under CBO's latest economic assumptions, somewhat higher personal incomes would lead to more individual income and social insurance taxes under current law than estimated for the budget resolution. These are partially offset by lower windfall profit taxes due to lower oil price assumptions and, in some years, lower corporate income taxes due to lower taxable profits. The projected lower unemployment would result in somewhat lower unemployment compensation and related benefits. The higher revenues and lower unemployment benefit outlays, however, would be more than offset by higher debt service costs because of higher interest rates. The net effect of the revised CBO economic assumptions would be to increase the 1984 and 1986 budget deficits by \$4 billion each, and the 1985 deficit by \$7.7 billion, as shown in Table 24.

Effect of Congressional Action

Congressional action on the budget since the adoption of the 1984 resolution in June has not had much effect on the budget resolution targets. Action on the resolution's reconciliation instructions has been delayed until September. Action was completed on a 1983 supplemental appropriations bill and four 1984 regular appropriations bills. The Congress also repealed the tax withholding requirement on interest and dividend income that was enacted as part of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), and passed a measure to put the financing of railroad retirement

benefits on a sounder basis. Action was not completed, however, on any of the planned authorizations for new domestic initiatives that are provided for in the budget resolution reserve fund.

TABLE 24. CBO REESTIMATES OF THE 1984 BUDGET RESOLUTION ATTRIBUTABLE TO REVISED ECONOMIC ASSUMPTIONS
(By fiscal year, in billions of dollars)

	1983	1984	1985	1986
Revenues				
Individual income and social insurance taxes	3.2	6.2	5.0	9.6
Corporate profits taxes	-1.3	-3.6	-0.4	3.6
Other	-2.0	-0.4	-1.3	-1.6
Subtotal, revenues	<u>-0.1</u>	<u>2.2</u>	<u>3.4</u>	<u>11.6</u>
Outlays				
Interest costs				
Interest rates	0.4	9.9	12.5	15.6
Budget deficits	*	0.2	0.7	1.2
Unemployment compensation and related benefits	-1.0	-3.9	-2.5	-2.1
Social Security and other programs affected by inflation	*	0.2	0.4	1.1
Subtotal, outlays	<u>-0.6</u>	<u>6.3</u>	<u>11.1</u>	<u>15.9</u>
Deficit	-0.5	4.1	7.7	4.3

* Less than \$50 million.

The effect of these Congressional actions, and the inaction to date on the reserve fund initiatives, is shown in Table 25. The repeal of withholding on interest and dividends, which was not assumed for the budget resolution, will lower revenues by about \$2 billion per year during 1984-1986. This revenue loss will be partially offset from increased revenues resulting from the Railroad Retirement Act Amendments.

TABLE 25. CBO REESTIMATES OF THE 1984 BUDGET RESOLUTION
ATTRIBUTABLE TO CONGRESSIONAL ACTION
(By fiscal year, in billions of dollars)

	1983	1984	1985	1986
Revenues				
Repeal of interest and dividends withholding	-0.2	-2.6	-2.4	-2.1
Railroad retirement amendments	—	0.3	0.7	0.9
Subtotal, revenues	<u>-0.2</u>	<u>-2.3</u>	<u>-1.7</u>	<u>-1.2</u>
Outlays				
Delayed action on reserve fund initiatives	-5.4	—	—	—
Supplemental appropriations bill and other action	-0.4	*	*	*
Debt service savings	-0.1	-0.5	-0.3	-0.2
Subtotal, outlays	<u>-5.8</u>	<u>-0.5</u>	<u>-0.3</u>	<u>-0.1</u>
Deficit	-5.6	1.8	1.4	1.2

* Less than \$50 million.

Delayed action on the reserve fund initiatives will mean that there will be no outlays for these programs during fiscal year 1983. CBO has not reestimated the resolution amounts for these programs during 1984-1986. Final action on the 1983 supplemental appropriations bill also will result in somewhat lower outlays in 1983 than assumed for the budget resolution. The CBO estimates for fiscal year 1984 do not reflect completed action to date on the 1984 appropriation bills since any deviations from the resolution assumptions may be offset by subsequent action on other bills after the August recess. The net effect of Congressional action relative to the 1984 budget resolution, including savings in debt service costs, is to reduce the budget deficit for 1983 by over \$5 billion, but to raise the deficits for 1984-1986 by a cumulative total of about \$4 billion.

Effect of Technical Reestimates

Based on new information provided by the Administration's mid-session review of the 1984 budget, additional data on actual tax collections

and spending for fiscal year 1983, and other sources, CBO has made a number of technical reestimates of Congressional budget resolution targets. These are summarized in Table 26. The effect of the CBO technical reestimates is to reduce the revenue estimates by about \$4 billion per year for 1983-1986, and to raise projected outlays by increasing amounts—from \$4 billion in 1984 to \$6 billion in 1985 and in 1986. The net effect for the budget deficit is to add a total of \$31 billion over the four-year period.

TABLE 26. CBO REESTIMATES OF THE 1984 BUDGET RESOLUTION ATTRIBUTABLE TO REVISED TECHNICAL ASSUMPTIONS
(By fiscal year, in billions of dollars)

	1983	1984	1985	1986
Revenues	-3.9	-2.6	-4.0	-3.8
Outlays				
Defense programs	-1.8	-1.4	0.9	0.8
International programs	-1.5	-0.6	-0.5	-0.7
Agriculture	0.8	1.2	-0.1	-0.8
Mortgage credit and thrift insurance	1.7	0.6	0.6	0.5
Transportation	-0.8	0.2	0.2	-0.1
Health	-0.4	0.1	0.2	0.1
Income security	0.3	0.9	1.7	1.5
Social security	2.1	2.1	2.5	2.2
Net interest	*	-0.9	0.1	2.5
Other (net)	<u>-0.2</u>	<u>1.5</u>	<u>0.7</u>	<u>0.3</u>
Subtotal, outlays	<u>0.2</u>	<u>3.7</u>	<u>6.2</u>	<u>6.3</u>
Deficit	4.1	6.4	10.2	10.1

* Less than \$50 million.

The technical reestimates of revenues reflect mainly updated estimates of revenue losses resulting from the liberalized saving incentives enacted as part of the Economic Recovery Tax Act of 1981 (ERTA). Actual contributions to individual retirement accounts (IRAs) and to Keogh plans have been running greater than assumed for the ERTA tax estimates. The CBO estimates are identical to those made by the Administration in its mid-session review.

The technical reestimates of outlays result from a number of different factors. Actual spending for defense programs in the current fiscal year through the first nine months has been less than anticipated. The relatively small shortfall (less than \$2 billion) in defense outlays is expected to continue in 1984 and to be made up in part by higher spending in 1985-1986. Net lending by the Export-Import Bank has fallen off as a result of high interest rates and lower U. S. export activity. Receipts have also been greater than outlays in the foreign military sales trust fund. Farm price supports are estimated to be \$1.2 billion higher in 1984 than assumed for the budget resolution as a result of reduced exports, a weaker wheat market, and greater net commodity loans.

Reestimates of spending for mortgage credit and thrift insurance activities result mainly from increased outlays by the Federal Deposit Insurance Corporation because of bank failures, higher net spending by the Federal Housing Administration fund because of higher than expected claims payments and lower levels of asset sales, and inaction on assumed 1983 asset sales in the housing program for the elderly and handicapped. Spending for various transportation programs and for Medicaid has been running lower to date in 1983 than assumed for the resolution.

The technical reestimates for income security programs in 1984-1986 reflect mainly revised average benefit levels for food stamps, increased SSI payments for disabled beneficiaries, higher estimates of families receiving AFDC benefits, and revised estimates for child support enforcement spending. The increased Social Security outlays of over \$2 billion per year for 1983-1986 stem primarily from the updating of 1979 and 1980 earnings records. These updates had lagged behind schedule last year but an improved automated system is now operating. Most of the 1983 reestimate reflects the large retroactive payments resulting from these updates. Also contributing to the abnormal level of retroactive payments in 1983 are larger than anticipated payments for earnings records updated manually. In the 1984 to 1986 period, the updated earnings records result in higher average benefit payments. The relatively large net interest reestimate for 1986 is largely the increased debt service costs resulting from other technical reestimates in 1986 and prior years.

CBO Reestimates of the President's Budget

In addition to reestimating the 1984 budget resolution targets, CBO has reestimated the Administration's budget proposals as presented in its mid-session review of the budget. 1/ These reestimates, which use CBO's

1/ Office of Management and Budget, Mid-Session Review of the 1984 Budget (July 25, 1983).

latest economic and technical assumptions, are relatively small in the aggregate. As shown in Table 27, CBO projects lower revenues in 1985 and 1986 under the Administration's proposals, largely because of differences in

TABLE 27. THE BUDGET OUTLOOK UNDER ADMINISTRATION POLICIES (By fiscal year, in billions of dollars)

	1983	1984	1985	1986
Revenues				
Administration estimate <u>a/</u>	600	668	748	862
CBO estimate	600	668	739	843
Outlays				
Administration estimate <u>a/</u>	810	848	918	991
CBO estimate	807	849	917	988
Deficit				
Administration estimate <u>a/</u>	210	180	170	129
CBO estimate	207	181	179	145

Sources of Differences in Estimates

Revenues				
Economic assumptions	-1	-3	-8	-17
Congressional action	*	-2	-2	-1
Technical reestimates	1	5	1	-1
Outlays				
Economic assumptions	*	*	3	7
Congressional action	*	*	*	*
Technical reestimates	-3	*	-4	-10
Deficit				
Economic assumptions	1	3	11	24
Congressional action	*	2	2	1
Technical reestimates	-4	-4	-4	-10

* Less than \$500 million.

a/ Office of Management and Budget, Mid-Session Review of the 1984 Budget (July 25, 1983).

economic assumptions about corporate profits and the Administration's proposed \$5 per barrel contingency tax on oil. The CBO outlay estimates of the Administration's policies are quite close to those made by the Office of Management and Budget. CBO's upward reestimates in outlays resulting from small differences in economic assumptions are more than offset by downward technical reestimates.

The net effect of the CBO reestimates is a \$3 billion lower deficit estimate for 1983, an \$8 billion higher deficit in 1985 and a \$16 billion higher deficit in 1986. The projected deficit for 1986 under the Administration's budget of \$145 billion is about the same level as estimated by CBO under the policies of the 1984 budget resolution.

MAJOR UNCERTAINTIES IN THE BUDGET OUTLOOK

There are two major uncertainties affecting the budget outlook for 1984-1986. First, it is uncertain that the policy changes assumed in the 1984 budget resolution—particularly the assumptions regarding tax increases—will actually be implemented. Second, the economic assumptions underlying the CBO budget projections, particularly for inflation and interest rates, are uncertain.

Policy Issues

There appear to be substantial risks that the deficit reduction measures proposed by the Congressional budget resolution may not be realized. There is little or no disagreement over the general direction of fiscal policy for the next several years, but considerable disagreement over how budget deficit reductions should be achieved. As shown in Table 28 and portrayed graphically in Figure 24, the President has proposed greater spending reductions than embodied in the Congressional budget plan, and somewhat smaller tax increases, especially in 1984 and 1985. ^{2/}

More striking than the differences in the size of the tax increases and net spending reductions are the differences in the composition of spending changes proposed by the President and the Congress. The President has proposed significantly higher levels of spending for defense programs during the next three years than would be provided for by the budget resolution, and much lower levels of spending for domestic programs. Under the President's 1984 budget proposals, outlays for national defense would exceed the resolution levels by \$43 billion over the 1984-1986 period, but outlays

^{2/} The policy changes proposed by the President and by the Congress are measured against the budget resolution baseline, which is described in Appendix A to this report.

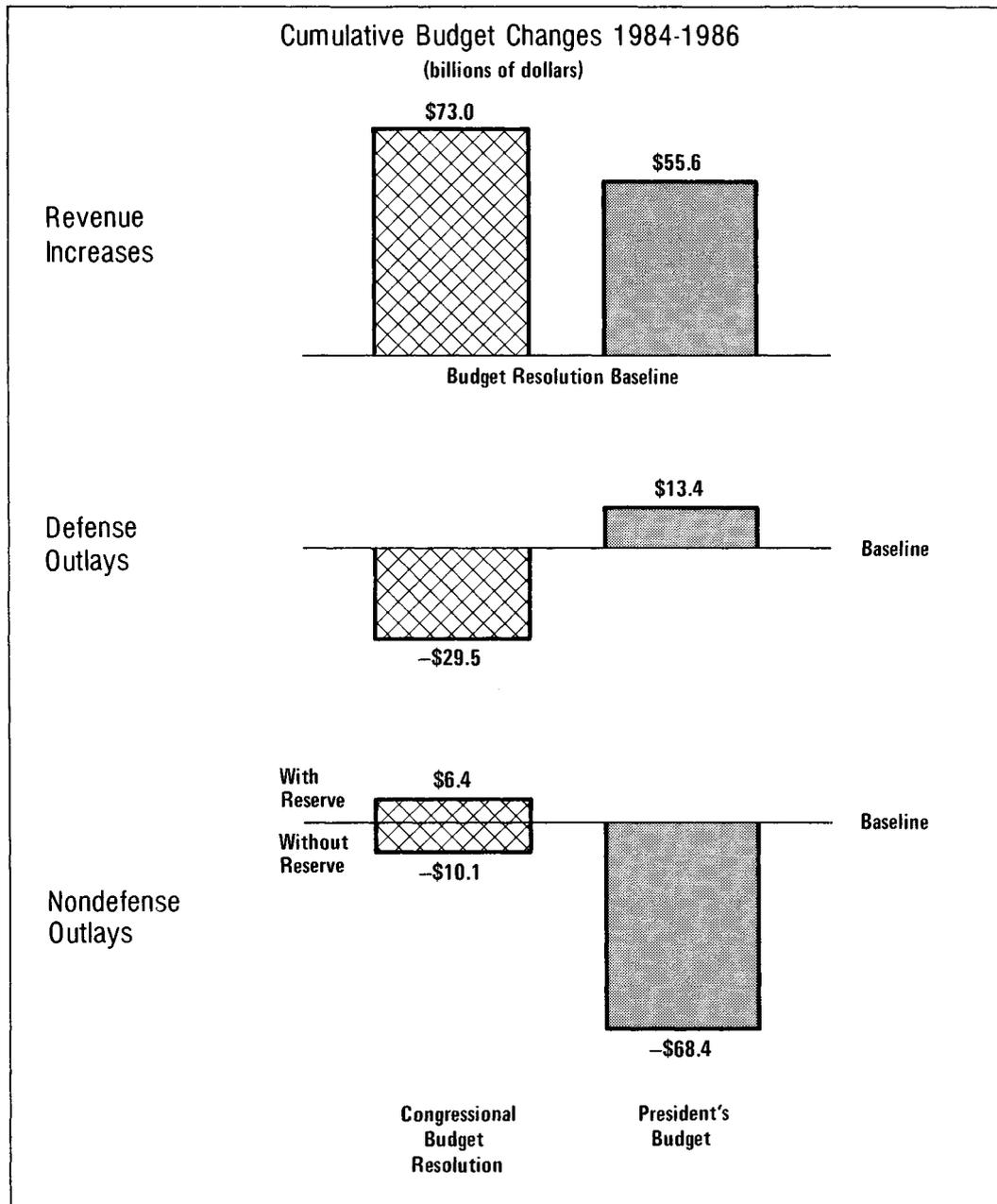
TABLE 28. COMPARISON OF MAJOR BUDGET CHANGES PROPOSED BY THE CONGRESS AND THE PRESIDENT
(By fiscal year, in billions of dollars)

	1984	1985	1986	Cumulative 3-Year Total
Revenue Changes				
Budget Resolution	12.0	15.0	46.0	73.0
President's budget	3.1	5.8	46.7	55.6
Spending Changes				
National defense				
Budget resolution	-2.1	-12.4	-15.0	-29.5
President's budget	—	2.7	10.7	13.4
Nondefense spending				
Resolution with reserve	9.5	3.4	-6.5	6.4
Resolution w/o reserve	0.6	-1.0	-9.7	-10.1
President's budget	-12.3	-22.8	-33.3	-68.4
Total outlays				
Resolution with reserve	7.4	-9.0	-21.5	-23.1
Resolution w/o reserve	-1.5	-13.4	-24.7	-39.6
President's budget	-12.3	-20.1	-22.6	-55.0
Deficit Changes				
Resolution with reserve	-4.6	-24.1	-67.6	-96.3
Resolution w/o reserve	-13.5	-28.4	-70.8	-112.7
President's budget	-15.3	-26.0	-69.4	-110.7

NOTE: Budget changes are calculated from the 1984 budget resolution baseline (described in the Appendix) adjusted for CBO's latest economic and technical reestimates.

for nondefense programs would be lower by \$58 billion to \$75 billion. The President's 1984 budget does not include any provision for the new initiatives in domestic programs contemplated by the budget resolution in

Figure 24.
Major Budget Policy Differences



SOURCE: Congressional Budget Office.

the reserve fund. Furthermore, the President's budget proposes sharper cuts in Medicare and other domestic programs than provided for by the 1984 budget resolution. ^{3/}

If no action is taken by the Congress on the proposed tax increases and spending reductions included in the resolution reconciliation instructions, the cumulative effect would be to add \$85 billion to projected budget deficits for 1984-1986. These deficit additions would be only slightly offset by failure to enact the authorizations for several new initiatives for domestic spending covered by the resolution reserve fund. The net effect of not acting on the reconciliation instructions and the reserve fund authorizations, including the impact on net interest costs, would be to add \$78 billion to the budget deficits for 1984-1986. Combining this impact with CBO's reestimates of the resolution presented in the previous section results in budget deficits that remain at the \$200 billion level for the next three years (see Table 29).

Economic Assumptions

The second major uncertainty regarding the budget outlook is the uncertainty in the economic assumptions. As discussed in Chapter IV, the most uncertain components of CBO's latest economic forecast and longer-run assumptions are the future behavior of interest rates and inflation. A substantial tightening of credit conditions could lead to a reduction in growth in interest-sensitive sectors. The uncertainty in the outlook for inflation and for credit conditions stems mainly from the possibility of continuing large budget deficits of the magnitude shown in Table 14. Without the reduction in federal borrowing requirements provided in the budget resolution or the President's budget, the competition for available savings could lead to higher interest rates than assumed for this report. This in turn would lead to higher budget outlays to service the rapidly growing federal debt, and correspondingly higher deficits.

It is also possible that the economic recovery could be stronger than projected in this report. This would have a favorable impact on the budget, but by itself a stronger recovery would not replace the need to take further legislative actions to reduce federal spending and to increase revenues.

^{3/} For a discussion of the spending cuts proposed by the President, see Congressional Budget Office, An Analysis of the President's Budgetary Proposals for Fiscal Year 1984 (February 1983).

TABLE 29. IMPACT ON 1984 BUDGET RESOLUTION DEFICIT TARGETS FOR 1984-1986 OF NO ACTION ON RECONCILIATION INSTRUCTIONS AND RESERVE FUND AUTHORIZATIONS (By fiscal year, in billions of dollars)

	1984	1985	1986	Cumulative 3-Year Total
Budget Resolution Targets <u>a/</u>	179	161	131	471
CBO reestimates	12	19	16	47
No Action on Reconciliation Instructions	15	19	52	85
No Action on Reserve Fund Authorizations	-9	-3	-2	-14
Net Interest Cost Impact of No Action	<u>*</u>	<u>2</u>	<u>5</u>	<u>7</u>
Resulting Deficits	198	198	202	597

* Less than \$500 million.

a/ Including the reserve fund for new initiatives in domestic programs.

APPENDIX

For the past two years, CBO baseline budget projections have served as the starting point in developing the Congressional budget resolutions. They have also been the baseline for computing the spending reductions and revenue increases to be achieved in the budget reconciliation process. The baseline consistent with the First Concurrent Resolution on the Budget for Fiscal Year 1984 differs in certain respects from the baseline projections published by CBO in February. ^{1/} This appendix describes those differences. It also describes the policy differences between the budget resolution and the baseline and updates the baseline to CBO's latest economic and technical reestimates.

BUDGET RESOLUTION BASELINE

Between early February and the passage of the 1984 budget resolution in mid-June, the Congress enacted several major pieces of legislation. The Social Security Amendments of 1983 reduced outlays in 1984 and thereafter—primarily by delaying cost-of-living adjustments for Social Security cash benefits from July to January. Revenues were also increased by moving forward scheduled Social Security payroll tax increases, covering new federal workers and all employees of non-profit organizations, subjecting half of benefits above certain limits to income taxation, and raising the payroll tax rate on the self-employed. The Congress also enacted a supplemental appropriations bill designed to create additional jobs and help people adversely affected by the recession. The jobs bill raised budget outlays by \$5 billion over the 1983-1986 period. The third major piece of legislation clarified the tax treatment of benefits under the Administration's payment-in-kind program for farmers. In total, this legislation, and the resulting changes in debt service costs, increased the deficit by \$3 billion in 1983 but are expected to reduce it by \$15 billion in 1986, as shown in Table A-1.

During the first half of the year, additional technical information also became available. This included the Administration's January budget (released after the CBO February projections report went to press), the April budget update, and data on actual spending and revenues for additional months of the current fiscal year. On the outlay side, the largest single reestimate was an increase of roughly \$4 billion in farm price support

^{1/} Congressional Budget Office, Baseline Budget Projections for Fiscal Years 1984-1988 (February 1983).

outlays for fiscal year 1983. Technical factors reduced revenues slightly in 1983 and 1984 but increased them in 1985 and 1986. All in all, technical reestimates increased estimates of the deficit by about \$6 billion in 1983 and 1984 and reduced them by \$3 billion and \$2 billion, respectively, in 1985 and 1986.

Finally, economic developments during the first several months of 1983 suggested a need to update the economic assumptions underlying the CBO February baseline projections. The budget resolution conferees, therefore, adopted a new set of economic assumptions developed by the staffs of the House and Senate Budget Committees. These new assumptions reflected somewhat higher growth in real gross national product, lower unemployment, and higher interest rates than the earlier CBO forecast. Also, outlays for Social Security and related programs were reduced to reflect the actual increase in prices through the January-March quarter of 1983. These economic reestimates reduced projected deficits by \$14 billion in 1984 and by \$18 billion in 1985 and 1986. The total effect of these legislative, technical, and economic changes was to increase the baseline deficit in 1983 but to reduce it by increasing amounts in 1984, 1985, and 1986, as shown in Table A-1.

Differences Between the Budget Resolution and the Resolution Baseline

Table A-2 compares the fiscal year 1984 budget resolution with the budget resolution baseline by major spending category. Since the budget resolution and the baseline are predicated on the same technical and economic assumptions, all differences between the two are due to assumed differences in taxing or spending policy. In the case of net interest, the differences reflect the effects of the other policy differences on federal budget deficits and debt service costs.

The resolution assumes reductions in national defense spending growing from \$2 billion in 1984 to \$15 billion by 1986. Excluding the reserve, non-defense spending would differ little from baseline levels in 1984 and 1985 but be \$8 billion below the baseline by 1986. Including the reserve, domestic spending would be about \$10 billion higher than the baseline in 1984, \$4 billion higher in 1985, and \$4 billion lower in 1986.

The spending changes shown in Table A-2 are net changes and reflect both assumed increases and decreases in individual programs. In the entitlement category, for example, the budget resolution assumes reductions in cost-of-living adjustments for federal civilian retirement programs and in Medicare spending. These decreases are more than offset in 1984 and 1985, however, by assumed increases in spending for social services, railroad retirement, child nutrition, and other mandatory programs.

TABLE A-1. COMPARISON OF CBO FEBRUARY BASELINE AND BUDGET RESOLUTION BASELINE (By fiscal year, in billions of dollars) a/

	1983	1984	1985	1986
Outlays				
CBO February baseline	799.8	850.4	929.4	999.2
Enacted legislation				
Jobs bill	1.9	2.1	1.0	0.3
Social Security				
Amendments	0.7	-2.7	-3.2	-6.0
Debt service savings	0.1	*	-0.6	-1.5
Subtotal	2.7	-0.6	-2.8	-7.2
Technical reestimates	3.5	3.1	-1.5	1.0
Economic reestimates				
Actual cost-of-living adjustments	---	-0.8	-1.1	-1.2
Other economic changes	0.4	-1.3	-4.7	-5.7
Subtotal	0.4	-2.2	-5.8	-6.9
Budget resolution baseline	806.4	850.7	919.4	986.0
Revenues				
CBO February baseline	606.1	653.3	714.9	768.2
Enacted legislation				
Social Security				
Amendments	---	5.5	7.3	7.0
Agricultural Land Diversion Act	---	-0.6	-0.2	0.8
Subtotal	---	4.9	7.1	7.7
Technical reestimates	-3.0	-2.8	1.5	3.0
Economic reestimates	1.3	12.2	12.0	10.9
Budget resolution baseline	604.4	667.6	735.5	789.8
Deficit				
CBO February baseline	193.7	197.1	214.5	231.0
Enacted legislation	2.7	-5.5	-9.9	-14.9
Technical reestimates	6.5	5.9	-3.0	-2.0
Economic reestimates	-0.9	-14.4	-17.8	-17.8
Budget resolution baseline	202.0	183.1	183.9	196.2

* Less than \$500 million.

a/ For February baseline see Congressional Budget Office, Baseline Budget Projections for Fiscal Years 1984-1988 (February 1983).

TABLE A-2. COMPARISON OF FIRST BUDGET RESOLUTION AND BUDGET RESOLUTION BASELINE (By fiscal year, in billions of dollars)

	1983	1984	1985	1986
Budget Resolution, Including Reserve				
National Defense	214.3	240.0	265.3	295.0
Entitlements and Other				
Mandatory Spending	388.8	387.3	410.7	436.7
Nondefense Discretionary				
Spending	146.9	156.6	159.9	162.2
Civilian Agency Pay Raises	0.9	0.8	2.2	3.6
Reserve	5.4	8.5	3.4	2.0
Net Interest	88.4	98.0	104.5	107.2
Offsetting Receipts	-31.9	-32.3	-34.4	-40.0
Total outlays	<u>812.8</u>	<u>858.9</u>	<u>911.6</u>	<u>966.6</u>
Revenues	604.3	679.6	750.5	835.8
Deficit	208.6	179.3	161.1	130.8
Budget Resolution, Excluding Reserve				
National Defense	214.3	240.0	265.3	295.0
Entitlements and Other				
Mandatory Spending	388.8	387.3	410.7	436.7
Nondefense Discretionary				
Spending	146.9	156.6	159.9	162.2
Civilian Agency Pay Raises	0.9	0.8	2.2	3.6
Net Interest	88.3	97.1	103.1	105.5
Offsetting Receipts	-31.9	-32.3	-34.4	-40.0
Total outlays	<u>807.4</u>	<u>849.5</u>	<u>906.8</u>	<u>963.0</u>
Revenues	604.3	679.6	750.5	835.8
Deficit	203.1	169.9	156.2	127.2
Budget Resolution Baseline				
National Defense	214.3	242.1	277.7	310.0
Entitlements and Other				
Mandatory Spending	388.9	386.8	410.3	437.9
Nondefense Discretionary				
Spending	145.9	154.3	157.4	162.2
Civilian Agency Pay Raises	0.9	1.7	3.4	5.2
Net Interest	88.3	97.4	104.9	110.7
Offsetting Receipts	-31.9	-31.6	-34.3	-39.0
Total outlays	<u>806.4</u>	<u>850.7</u>	<u>919.4</u>	<u>986.0</u>
Revenues	604.4	667.6	735.5	789.8
Deficit	202.0	183.1	183.9	196.2

TABLE A-2. (Continued)

	1983	1984	1985	1986
Policy Differences, Including Reserve				
National Defense	—	-2.1	-12.4	-15.0
Entitlements and Other				
Mandatory Spending	*	0.4	0.4	-1.2
Nondefense Discretionary				
Spending	1.0	2.3	2.4	*
Civilian Agency Pay Raises	—	-0.9	-1.2	-1.6
Reserve	5.4	8.5	3.4	2.0
Net Interest	0.1	0.6	-0.4	-3.5
Offsetting Receipts	—	-0.6	-0.1	-0.1
Total outlays	<u>6.5</u>	<u>8.2</u>	<u>-7.8</u>	<u>-19.4</u>
Revenues	-0.1	12.0	15.0	46.0
Deficit	6.6	-3.8	-22.8	-65.4
Policy Differences, Excluding Reserve				
National Defense	—	-2.1	-12.4	-15.0
Entitlements and Other				
Mandatory Spending	*	0.4	0.4	-1.2
Nondefense Discretionary				
Spending	1.0	2.3	2.4	*
Civilian Agency Pay Raises	—	-0.9	-1.2	-1.6
Net Interest	—	-0.3	-1.8	-5.2
Offsetting Receipts	—	-0.6	-0.1	-0.1
Total outlays	<u>1.0</u>	<u>-1.2</u>	<u>-12.6</u>	<u>-23.1</u>
Revenues	-0.1	12.0	15.0	46.0
Deficit	1.2	-13.2	-27.6	-69.1

* Less than \$500 million.

UPDATED BASELINE PROJECTIONS

Chapter V described the reestimates that CBO has made to the budget resolution projections on account of recent legislative, economic, and technical developments. Table A-3 provides comparable baseline projections, derived by applying the same reestimates to the budget resolution baseline. These projections show what would happen if the policies of the budget resolution are not implemented. They indicate that, if current spending and taxing policies were to continue unchanged through 1986, budget deficits would continue to be close to the \$207 billion figure CBO estimates for 1983.

TABLE A-3. BASELINE BUDGET PROJECTIONS UPDATED FOR CBO TECHNICAL AND ECONOMIC REESTIMATES (By fiscal year, in billions of dollars)

	1983	1984	1985	1986
National Defense	213	241	279	311
Entitlements and Other Mandatory Spending	391	388	413	441
Nondefense Discretionary Spending	145	155	158	161
Civilian Agency Pay Raises	—	2	3	5
Net Interest	89	106	119	132
Offsetting Receipts	<u>-31</u>	<u>-31</u>	<u>-34</u>	<u>-40</u>
Total outlays	807	861	938	1,010
Revenues	600	665	733	796
Deficit	207	196	205	214