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ANALYSIS OF THE PRESIDENT'S BUDGETARY PROPOSALS

The Congressional Budget Office estimates that under the policies proposed in the President's budget for fiscal year 1996, deficits would increase from \$177 billion in 1995 to \$276 billion in 2000. Except for the current year, the estimates of deficits under the President's policies based on CBO's economic and technical assumptions are higher than those stated in the President's budget. CBO estimates that the deficit in 2000 would be \$82 billion higher than the Administration projects.

The President's policies would not substantially change the deficits from the levels that would result under current laws and policies. An exact estimate of the change, however, depends on what assumption is made about the level of discretionary spending under current policy after the statutory limits on discretionary spending expire at the end of 1998. (CBO assumes that baseline discretionary spending will equal the limits in 1996 through 1998.) Compared with CBO's baseline projections that assume discretionary spending in 1999 and 2000 will equal the 1998 limit adjusted for inflation, the President's policies would reduce the cumulative deficits in 1995 through 2000 by almost \$30 billion (see the table on the reverse side). Compared with CBO's baseline projections that assume discretionary spending in 1999 and 2000 will be at the same level as in 1998, the President's policies would increase the deficits over the next six years by about \$31 billion.

In addition to reestimating the President's budget, CBO has revised the baseline projections published in its January report *The Economic and Budget Outlook: Fiscal Years 1996-2000* to take account of new information. Those revisions slightly reduce the projected baseline deficit for 1995 but increase the deficits after that by amounts growing from \$3 billion in 1996 to \$15 billion in 2000. CBO has also revised the illustrative path to a balanced budget that was published in its January report and has expanded its analysis of the economic benefits of moving toward a balanced budget in 2002. That analysis includes estimates of the revenue increases and net interest savings that would result over the next seven years from the economic improvements.

Questions about the budget projections should be directed to CBO's Budget Analysis Division (202-226-2880) and inquiries about the economic forecast to the Macroeconomic Analysis Division (226-2750). The Office of Intergovernmental Relations is CBO's Congressional liaison office and can be reached at 226-2600. For additional copies of the report, please call the Publications Office at 226-2809.



**CONGRESSIONAL
BUDGET OFFICE**

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CBO's Estimates of the President's Budgetary Proposals (By fiscal year, in billions of dollars)

	1995	1996	1997	1998	1999	2000
Changes from CBO's Baseline With Discretionary Inflation After 1998						
CBO's Baseline Deficit With Discretionary Inflation After 1998 ^a	175	210	230	232	266	299
President's Budgetary Proposals						
Pay-as-you-go						
Revenues ^b	c	2	11	13	15	20
Outlays	<u>0</u>	<u>c</u>	<u>-1</u>	<u>-2</u>	<u>-5</u>	<u>-8</u>
Subtotal	c	2	10	11	9	11
Asset sales ^d	0	-1	-4	-3	0	0
Discretionary appropriations	2	-1	-5	-9	-21	-34
Other outlays	c	c	c	1	1	1
Debt service	<u>c</u>	<u>c</u>	<u>c</u>	<u>c</u>	<u>c</u>	<u>-2</u>
Total Changes	2	1	2	-1	-11	-23
Deficits Under the President's Budgetary Proposals as Estimated by CBO	177	211	232	231	256	276
Changes from CBO's Baseline Without Discretionary Inflation After 1998						
CBO's Baseline Deficit Without Discretionary Inflation After 1998 ^a	175	210	230	232	247	258
President's Budgetary Proposals						
Pay-as-you-go						
Revenues ^b	c	2	11	13	15	20
Outlays	<u>0</u>	<u>c</u>	<u>-1</u>	<u>-2</u>	<u>-5</u>	<u>-8</u>
Subtotal	c	2	10	11	9	11
Asset sales ^d	0	-1	-4	-3	0	0
Discretionary appropriations	2	-1	-5	-9	-2	4
Other outlays	c	c	c	1	1	1
Debt service	<u>c</u>	<u>c</u>	<u>c</u>	<u>c</u>	<u>1</u>	<u>2</u>
Total Changes	2	1	2	-1	9	18
Deficit Under the President's Budgetary Proposals as Estimated by CBO	177	211	232	231	256	276

SOURCES: Congressional Budget Office; Joint Committee on Taxation.

- a. Projections assume discretionary spending is equal to the spending limits that are in effect through 1998 and is equal to the 1998 limit adjusted for inflation after that.
- b. Revenue reductions are shown as positive because they increase the deficit.
- c. Less than \$500 million.
- d. Under current law, proceeds from asset sales are not counted for purposes of the Congressional Budget Act or the Balanced Budget and Emergency Deficit Control Act enforcement procedures. The President has proposed that the proceeds from the sales in his budget should be counted for those purposes.
- e. Projections assume discretionary spending is equal to the spending limits that are in effect through 1998 and is equal to the 1998 limit after that.