CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 27, 2013

S. 388
American Family Economic Protection Act of 2013

As introduced in the Senate on February 26, 2013

SUMMARY

S. 388 would eliminate the automatic spending reductions scheduled to occur under current law for 2013 and would partially eliminate the reductions scheduled for 2014. The bill also would eliminate direct payments to certain agricultural producers, provide funding for agricultural disaster assistance, and exempt from sequestration all mandatory funding provided for the Department of Agriculture.

In addition, S. 388 would ensure that taxpayers with annual income above $5 million face an average tax rate of at least 30 percent on their income, and it would extend an existing per-barrel tax on oil production to oil produced from tar sands.

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting the bill would increase budget deficits from changes in direct spending and revenues by $7.2 billion over the 2013-2023 period. Because enacting the legislation would affect direct spending and revenues, pay-as-you-go procedures apply.

In addition, CBO estimates that the legislation would reduce discretionary outlays by $9.0 billion over the same period by lowering the statutory caps on such spending and by shifting some automatic reductions scheduled to occur under current law from mandatory to discretionary spending. The reductions to discretionary spending would be subject to future appropriations actions.

JCT reviewed the tax provisions of S. 388 and determined that it contains three private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA): (1) the imposition of a minimum tax on taxpayers with high incomes; (2) the denial of a deduction for outsourcing expenses; and (3) the extension of a per-barrel tax to include oil produced from tar sands. JCT's estimates of the cost of complying with those mandates indicate that the private sector threshold established in UMRA ($150 million in 2013, adjusted annually for inflation) would be exceeded. JCT determined that the tax provisions of S. 388 contain no intergovernmental mandates.

CBO has reviewed the non-tax provisions of the bill and determined that they do not contain intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 388 is shown in Table 1. The costs of this legislation fall within all budget functions.

Table 1. Estimate of the Budgetary Effects of S. 388

	By Fiscal Year, in Billions of Dollars												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	86.7	2.4	-4.3	-0.5	-2.1	-2.9	-3.0	-3.1	-3.0	-3.7	-3.5	79.4	63.1
Estimated Outlays	42.6	28.2	4.3	2.5	-0.9	-3.0	-3.3	-3.6	-3.5	2.6	-3.5	73.6	62.4
CHANGES IN REVENUES													
Estimated Revenues	1.0	12.2	-0.9	4.7	4.5	4.8	5.2	5.5	5.7	6.0	6.3	26.4	55.1
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES													
Impact on Deficit	41.5	15.9	5.2	-2.2	-5.4	-7.8	-8.5	-9.1	-9.2	-3.4	-9.8	47.3	7.2
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
Estimated Authorization Level	0	23.1	-3.8	-3.5	-4.4	-5.0	-4.9	-5.4	-5.7	0	0	6.4	-9.6
Estimated Outlays	0	13.2	3.9	-0.7	-3.0	-4.1	-4.7	-5.1	-5.5	-2.2	-0.8	9.3	-9.0

Notes: Numbers in text and tables may not add up to totals because of rounding. For revenues, positive numbers indicate decrease in the deficit, negative numbers indicate an increase in the deficit.

BASIS OF ESTIMATE

CBO estimates that S. 388 would increase direct spending by $62.4 billion and revenues by $55.1 billion over the 2013-2023 period. Thus, the cumulative deficit would increase by $7.2 billion from those changes. The legislation also would reduce discretionary spending by $9.0 billion over the same period, assuming appropriations actions consistent with the bill.

Changes in Direct Spending

Title I—Budget Provisions. Title I would eliminate the $85.3 billion in automatic spending reductions scheduled to occur in fiscal year 2013 and eliminate $25.5 billion of the reductions scheduled to occur in fiscal year 2014. Because appropriations for 2013 have already been made and the automatic reductions in budget authority are part of current law, canceling those reductions would represent an increase in direct spending (even though the majority of the increase in spending would result from higher spending in discretionary accounts). However, reversing the reductions in discretionary spending scheduled for 2014 would be classified as discretionary since appropriations have not yet been enacted for that year. (Those discretionary impacts are discussed below.)

Implementation of automatic spending reductions was originally specified in the Budget Control Act of 2011. CBO estimates that eliminating those reductions, if enacted together with section 204 of title II (discussed below), would increase direct spending by $84.1 billion over the 2013-2023 period (see Table 2).

Title II—Agricultural Programs. CBO estimates that enacting title II of the bill would reduce direct spending by $21.7 billion over the 2013-2023 period (see Table 2).

- Section 201 would eliminate certain payments made to agricultural producers based on their historical levels of production (known as direct payments), and it would provide funding for more than 20 miscellaneous agriculture programs for 2013. CBO estimates those provisions would, on balance, reduce direct spending by $30.7 billion over the 2013-2023 period.

- Section 202 would provide funding for agricultural disaster assistance payments to producers for income losses stemming from their 2012 crop production and for income losses stemming from their 2012 and 2013 livestock production. CBO estimates those provisions would increase direct spending by $2.8 billion over the 2013-2023 period.

- Section 203 would provide payments to producers of certain commodities (such as fruit crops) who experienced income losses in 2012; federal crop insurance is not available for those commodities. CBO estimates those provisions would cost $105 million over the 2013-2023 period.

- Title II also would exempt the mandatory spending accounts of the Department of Agriculture from the automatic spending reductions. Exempting those accounts would shift about $6.0 billion in reductions from mandatory programs to discretionary programs over the 2013-2023 period.

Changes in Revenues

Under this legislation, households with annual income that exceeds $5 million would face a tax liability (including existing individual and payroll taxes) of at least 30 percent of their income less charitable contributions. The additional tax amounts would be phased in for incomes between $1 million and $5 million, adjusted for inflation. JCT estimates this proposal, labeled the “fair share” tax on high-income taxpayers, would increase revenues by about $53.0 billion over the 2013-2023 period.

The legislation also would expand an existing eight-cent-per-barrel tax that is currently applied to most oil production to include oil produced from tar sands. JCT estimates that this provision would increase revenues by $2.0 billion over the 2013-2023 period. The legislation also would eliminate businesses ability to take certain tax deductions for expenses related to relocating facilities outside of the United States, raising $0.2 billion according to JCT.

Changes in Discretionary Spending

CBO estimates that enacting S. 388 would reduce total discretionary spending by $9.0 billion over the 2013-2023 period, assuming appropriations actions consistent with the bill (see Table 2).

Title I of S. 388 would reduce the caps on discretionary budget authority for defense programs in 2015 through 2021. CBO estimates that those adjustments would reduce discretionary spending by $26.8 billion over the 2013-2023 period. The legislation also would eliminate $25.5 billion of the reductions (both mandatory and discretionary) scheduled to occur in 2014; that provision would increase outlays for discretionary programs by $23.8 billion over the same period.

Title II’s exemption from the automatic spending reductions of the mandatory spending accounts of the Department of Agriculture would result in larger reductions in discretionary accounts. CBO estimates that the shift would reduce discretionary outlays by $5.9 billion between 2013 and 2023.

All of those reductions would be subject to future appropriations actions.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 3.

Table 3. CBO Estimate of Pay-As-You-Go Effects for S. 388, as introduced in the Senate on February 26, 2013

	By Fiscal Year, in Billions of Dollars												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	41.5	15.9	5.2	-2.2	-5.4	-7.8	-8.5	-9.1	-9.2	-3.4	-9.8	47.3	7.2
Memorandum:													
Changes in Outlays	42.5	28.2	4.3	2.5	-0.9	-3.0	-3.3	-3.6	-3.5	2.6	-3.5	73.6	62.4
Changes in Revenues	1.0	12.2	-0.8	4.7	4.5	4.8	5.2	5.5	5.7	6.0	6.3	26.4	55.1

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT reviewed the tax provisions of S. 388 and determined that it contains three private-sector mandates as defined in UMRA: (1) the imposition of a minimum tax on taxpayers with high incomes; (2) the denial of a deduction for outsourcing expenses; and (3) the extension of a per-barrel tax to include oil produced from tar sands. JCT's estimates of the cost of complying with those mandates indicate that the private sector threshold established in UMRA ($150 million in 2013, adjusted annually for inflation) would be exceeded. JCT determined that the tax provisions of S. 388 contain no intergovernmental mandates.

CBO has reviewed the non-tax provisions of the bill and determined that they do not contain intergovernmental or private-sector mandates as defined in UMRA.

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Table 2
Estimate of the Budgetary Effects of S. 388, the American Family Economic Protection Act of 2013
(Millions of dollars, by fiscal year)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
CHANGES IN DIRECT SPENDING													
Title I - Budget Provisions													
Estimated Budget Authority	83,198	1,528	0	0	0	0	0	0	0	0	0	84,726	84,726
Estimated Outlays	41,725	24,833	8,450	2,946	1,217	-146	-339	-468	-450	6,345	0	79,025	84,113
Title II - Agricultural Programs[a]													
Sec. 201. Eliminated Direct Payments and Fund Miscellaneous Agriculture Programs													
Estimated Budget Authority	574	12	-5,108	-1,248	-2,892	-3,602	-3,725	-3,762	-3,661	-3,718	-3,497	-12,264	-30,627
Estimated Outlays	256	112	-5,009	-1,187	-2,868	-3,603	-3,731	-3,768	-3,667	-3,724	-3,503	-12,299	-30,692
Sec. 202. Supplemental Agricultural Disaster Assistance Programs													
Estimated Budget Authority	2,826	0	0	0	0	0	0	0	0	0	0	2,826	2,826
Estimated Outlays	445	2,335	46	0	0	0	0	0	0	0	0	2,826	2,826
Sec. 203. Noninsured Crop Assistance Program													
Estimated Budget Authority	125	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	115	105
Estimated Outlays	125	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	115	105
Sec. 204. Exemption from Sequestration													
Estimated Budget Authority	0	900	807	770	751	743	723	681	651	0	0	3,970	6,025
Estimated Outlays	0	900	807	770	751	743	723	681	651	0	0	3,970	6,025
Subtotal, Title II													
Estimated Budget Authority	3,525	910	-4,303	-480	-2,143	-2,861	-3,004	-3,083	-3,012	-3,720	-3,499	-5,353	-21,671
Estimated Outlays	826	3,345	-4,158	-419	-2,119	-2,862	-3,010	-3,089	-3,018	-3,726	-3,505	-5,388	-21,736

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Estimate of the Budgetary Effects of S. 388, the American Family Economic Protection Act of 2013

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
Total Changes in Direct Spending													
Estimated Budget Authority	**86,723**	**2,438**	**-4,303**	**-480**	**-2,143**	**-2,861**	**-3,004**	**-3,083**	**-3,012**	**-3,720**	**-3,499**	**79,374**	**63,056**
Estimated Outlays	**42,551**	**28,178**	**4,292**	**2,527**	**-902**	**-3,008**	**-3,349**	**-3,557**	**-3,468**	**2,619**	**-3,505**	**73,638**	**62,378**
CHANGES IN REVENUES[b]													
Sec. 102. "Fair Share" Tax on High-Income Taxpayers	1,007	12,119	-1,014	4,575	4,275	4,560	4,969	5,285	5,432	5,749	6,032	25,522	52,988
Sec. 103. Denial of Deduction for Outsourcing Expenses	6	13	14	15	16	17	18	18	19	20	21	81	178
Sec. 104. Modifications to the Tax on Petroleum	29	100	130	142	167	189	206	224	245	265	283	757	1,981
Total Changes in Revenues	**1,042**	**12,232**	**-870**	**4,732**	**4,458**	**4,766**	**5,193**	**5,527**	**5,696**	**6,034**	**6,336**	**26,360**	**55,147**
NET INCREASE OR DECREASE (-) IN DEFICITS FROM CHANGES IN REVENUES AND DIRECT SPENDING													
Net Changes in Deficits	**41,509**	**15,946**	**5,162**	**-2,205**	**-5,360**	**-7,774**	**-8,542**	**-9,084**	**-9,164**	**-3,415**	**-9,841**	**47,278**	**7,231**

Memoranda:	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2013-2018	2013-2023
Adjustment to Caps on Discretionary Appropriations for 2013-2021[c]													
Estimated Authorization Level	*0*	*0*	*-3,000*	*-2,700*	*-3,600*	*-4,300*	*-4,200*	*-4,700*	*-5,000*	*0*	*0*	*-13,600*	*-27,500*
Estimated Outlays	*0*	*0*	*-1,800*	*-2,300*	*-3,100*	*-3,800*	*-4,000*	*-4,400*	*-4,800*	*-1,900*	*-700*	*-11,000*	*-26,800*
Change in Discretionary Appropriations Caused by the Change in Automatic Spending Reductions[d]													
Estimated Authorization Level	*0*	*23,972*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*23,972*	*23,972*
Estimated Outlays	*0*	*13,667*	*6,424*	*2,376*	*815*	*488*	*0*	*0*	*0*	*0*	*0*	*23,769*	*23,769*
Change in Discretionary Appropriations from Sec. 204													
Estimated Authorization Level	*0*	*-900*	*-807*	*-770*	*-751*	*-743*	*-723*	*-681*	*-651*	*0*	*0*	*-3,970*	*-6,025*
Estimated Outlays	*0*	*-488*	*-702*	*-743*	*-744*	*-748*	*-729*	*-698*	*-667*	*-300*	*-104*	*-3,426*	*-5,924*
Subtotal, Change in Discretionary Appropriations													
Estimated Authorization Level	*0*	*23,072*	*-3,807*	*-3,470*	*-4,351*	*-5,043*	*-4,923*	*-5,381*	*-5,651*	*0*	*0*	*6,402*	*-9,553*
Estimated Outlays	*0*	*13,178*	*3,921*	*-668*	*-3,029*	*-4,060*	*-4,729*	*-5,098*	*-5,467*	*-2,200*	*-804*	*9,343*	*-8,955*

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Estimate of the Budgetary Effects of S. 388, the American Family Economic Protection Act of 2013

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT).

Notes: Components may not sum to totals because of rounding.
Estimates are relative to CBO's February 2013 baseline.

a. Section 201 would eliminate direct payments to agricultural producers and provide mandatory funding for 2013 for several programs, that were authorized for discretionary appropriations in the American Taxpayer Relief Act of 2012. Section 202 would provide mandatory funding for agricultural disaster assistance for 2012 crop losses and for both 2012 and 2013 livestock losses. Section 203 would provide additional benefits under the Noninsured Assistance Program to agricultural producers of commodities for which federal crop insurance is not available, and it would prohibit eligibility for ferns and tropical fish. Section 204 would make agriculture, nutrition, and forestry programs exempt from the automatic spending reductions specified in section 251A of the Balanced Budget and Emergency Deficit Control Act.

b. For revenues, positive numbers indicate a decrease in the deficit; negative numbers indicate an increase in the deficit.

c. This estimate does not extrapolate the reduction in discretionary funding authorizations for 2021 into future years.

d. This legislation would eliminate $25.5 billion from the $109.3 billion in automatic spending reductions scheduled for 2014. Most of that effect would apply to discretionary spending; since appropriations for 2014 have not yet been enacted, the reversal of those reductions would be classified as discretionary. (Since partial-year appropriations are currently in place for 2013, the reversal of the automatic reductions for this year is classified as direct spending.)