



May 8, 2012

Honorable Paul Ryan  
Chairman  
Committee on the Budget  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office (CBO) has reviewed the Sequester Replacement Reconciliation Act, as ordered reported by the House Committee on the Budget on May 7, 2012. The two enclosed tables present estimates of the legislation's effects on direct spending and revenues under two alternative enactment date assumptions. Table 1 provides estimates assuming enactment around October 1, 2012, while Table 2 provides estimates assuming enactment by July 1, 2012, as you directed in your letter to CBO dated April 2, 2012.

Assuming enactment around October 1, 2012, CBO and the staff of the Joint Committee on Taxation (JCT) estimate that the reconciliation act would reduce deficits by \$15.3 billion over the 2012-2013 period, by \$136.9 billion over the 2012-2017 period, and by \$328.0 billion over the 2012-2022 period.

Under assumed enactment by July 1, 2012, CBO and JCT estimate that the legislation would reduce deficits by \$19.7 billion over the 2012-2013 period, by \$142.0 billion over the 2012-2017 period, and by \$333.0 billion over the 2012-2022 period.

The tables present changes in estimated direct spending and revenues, by title. The legislation's six titles reflect reconciliation recommendations approved by the House Committees on Agriculture, Energy and Commerce, Financial Services, Judiciary, Oversight and Government Reform, and Ways and Means. CBO previously transmitted cost estimates during the week of April 23-27 for the recommendations approved by those committees, all of which received reconciliation instructions under H. Con. Res. 112, the budget resolution for fiscal year 2013, as passed by the House of Representatives on March 29, 2012. The estimates for individual committee recommendations are posted under "cost estimates" on CBO's Web site ([www.cbo.gov](http://www.cbo.gov)).

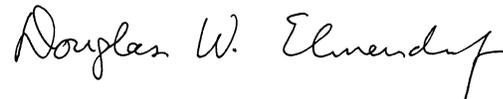
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The composite bill approved by the Committee on the Budget does not make any changes to the recommendations approved by the six committees. The estimates presented in Tables 1 and 2, however, account for the overlap and interactions between some of those committee proposals. Specifically, there are overlapping provisions in the recommendations contained in title II (Energy and Commerce) and title IV (Judiciary) that would impose limits on medical malpractice litigation in state and federal courts. Further, there are interactions between the health care provisions included in title II and title VI (Ways and Means).

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

A handwritten signature in black ink that reads "Douglas W. Elmendorf". The signature is written in a cursive style with a large, prominent "D" and "E".

Douglas W. Elmendorf  
Director

Enclosure

cc: Honorable Chris Van Hollen  
Ranking Member

**Table 1. Estimate of the Effects on Direct Spending and Revenues for the Sequester Replacement Reconciliation Act of 2012, as ordered reported by the House Committee on the Budget on May 7, 2012, assuming enactment around October 1, 2012**

	By Fiscal Year, in Millions of Dollars											2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022
<b>CHANGES IN DIRECT SPENDING ASSUMING ENACTMENT AROUND OCTOBER 1, 2012</b>													
Title I - Agriculture													
Estimated Budget Authority	0	-5,638	-3,347	-3,104	-3,127	-3,091	-3,061	-3,063	-3,075	-3,093	-3,096	-18,307	-33,694
Estimated Outlays	0	-5,633	-3,342	-3,104	-3,127	-3,091	-3,061	-3,063	-3,075	-3,093	-3,096	-18,297	-33,684
Title II - Energy and Commerce													
Estimated Budget Authority	0	-14,090	-6,470	-8,460	-12,600	-11,050	-10,280	-10,900	-10,830	-11,470	-16,870	-52,670	-113,020
Estimated Outlays	0	-2,870	-6,520	-12,220	-12,970	-10,580	-10,120	-10,740	-10,600	-11,420	-16,540	-45,160	-104,580
Title III - Financial Services <sup>a</sup>													
Estimated Budget Authority	0	-3,283	-4,586	-4,907	-4,122	-3,680	-3,845	-3,864	-4,068	-4,254	-4,443	-20,578	-41,052
Estimated Outlays	0	-3,207	-4,579	-4,905	-4,120	-3,678	-3,842	-3,861	-4,065	-4,251	-4,440	-20,489	-40,948
Title IV - Judiciary													
Estimated Budget Authority	0	-100	-650	-2,250	-3,850	-4,850	-5,200	-5,500	-5,900	-6,300	-6,700	-11,700	-41,300
Estimated Outlays	0	-100	-650	-2,250	-3,850	-4,850	-5,200	-5,500	-5,900	-6,300	-6,700	-11,700	-41,300
Title V - Oversight and Government Reform <sup>b</sup>													
Estimated Budget Authority	0	157	283	400	499	581	559	539	515	494	469	1,919	4,493
Estimated Outlays	0	157	283	400	499	581	559	539	515	494	469	1,919	4,493
Title VI - Ways and Means													
Estimated Budget Authority	0	-1,700	-3,561	-4,548	-5,635	-6,164	-6,512	-6,739	-6,904	-7,253	-7,483	-21,609	-56,501
Estimated Outlays	0	-1,360	-3,527	-4,650	-5,652	-6,164	-6,512	-6,739	-6,904	-7,253	-7,483	-21,354	-56,246
Interactions <sup>c</sup>													
Estimated Budget Authority	0	100	785	2,462	4,041	4,910	5,210	5,511	5,911	6,312	6,713	12,298	41,955
Estimated Outlays	0	100	785	2,462	4,041	4,910	5,210	5,511	5,911	6,312	6,713	12,298	41,955
<b>TOTAL CHANGES IN DIRECT SPENDING</b>													
Estimated Budget Authority	0	-24,554	-17,546	-20,407	-24,795	-23,344	-23,129	-24,017	-24,351	-25,565	-31,410	-110,646	-239,119
Estimated Outlays	0	-12,913	-17,550	-24,267	-25,180	-22,872	-22,966	-23,854	-24,118	-25,512	-31,077	-102,782	-230,310
<b>CHANGES IN REVENUES ASSUMING ENACTMENT AROUND OCTOBER 1, 2012<sup>d</sup></b>													
Title II - Energy and Commerce													
	0	-10	-190	-960	650	1,210	1,340	1,570	1,640	1,720	1,820	700	8,790
Title III - Financial Services													
	0	-67	-248	-474	-715	-976	-1,207	-1,428	-1,644	-1,845	-1,981	-2,480	-10,585
Title IV - Judiciary													
	0	8	83	324	578	882	985	1,026	1,082	1,145	1,210	1,875	7,323
Title V - Oversight and Government Reform													
	0	2,426	4,505	6,625	8,633	10,514	10,671	10,849	11,009	11,212	11,350	32,704	87,794
Title VI - Ways and Means													
	0	0	238	700	1,116	1,422	1,542	1,664	1,718	1,748	1,864	3,476	12,013
Interactions <sup>c</sup>													
	0	-8	-119	-412	-664	-928	-990	-1,030	-1,086	-1,149	-1,215	-2,131	-7,601
<b>TOTAL CHANGES IN REVENUES</b>													
	0	2,349	4,269	5,803	9,598	12,124	12,341	12,651	12,719	12,830	13,048	34,144	97,734

continued

## By Fiscal Year, in Millions of Dollars

Table I. continued

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012- 2017	2012- 2022
<b>INCREASE OR DECREASE(-) IN THE DEFICIT ASSUMING ENACTMENT AROUND OCTOBER 1, 2012</b>													
<b>NET EFFECT ON DEFICITS</b>	<b>0</b>	<b>-15,262</b>	<b>-21,819</b>	<b>-30,071</b>	<b>-34,778</b>	<b>-34,996</b>	<b>-35,308</b>	<b>-36,505</b>	<b>-36,837</b>	<b>-38,342</b>	<b>-44,126</b>	<b>-136,926</b>	<b>-328,044</b>
On-Budget	0	-15,106	-21,737	-30,228	-34,426	-34,269	-34,493	-35,655	-36,005	-37,516	-43,309	-135,766	-322,743
Off-Budget <sup>e</sup>	0	-157	-82	157	-351	-727	-816	-850	-832	-826	-817	-1,161	-5,302
<b>Memorandum:</b>													
Reduction in Offsetting Receipts Resulting from Lower Employer Contributions <sup>b</sup>	0	1,887	3,633	5,439	7,191	8,882	9,149	9,446	9,722	10,026	10,265	27,032	75,641
Increased net income to the National Flood Insurance Program <sup>f</sup>	0	0	-60	-150	-265	-405	-580	-775	-830	-890	-945	-880	-4,900

Sources: CBO and the staff of the Joint Committee on Taxation.

Note: Components may not sum to totals because of rounding.

- a. In addition, CBO estimates that implementing title III (Financial Services) would cost \$766 million over the 2012-2017 period, assuming appropriation of the necessary amounts. That estimate includes funding for the Bureau of Consumer Financial Protection, the Financial Stability Oversight Council, and for mapping and mitigation efforts under the National Flood Insurance Program.
- b. Employer contributions are intragovernmental transactions that do not affect the deficit; positive numbers indicate a decrease in such intragovernmental receipts. The receipts shown in the memorandum result from federal employer contributions financed by future appropriations; such receipts are not considered to be an offset to direct spending because they are contingent on future appropriations.
- c. There are interactions between the medical malpractice provisions in Titles II and IV and additional interactions between the health provisions in Titles II and VI.
- d. Negative numbers denote a reduction in revenues and positive numbers denote an increase in revenues.
- e. Title V includes off-budget direct spending; Titles II, IV, and VI include both on- and off-budget revenues.
- f. The proposed language would raise premiums for certain subsidized flood insurance policies, increasing net income to the National Flood Insurance Program by \$4.9 billion. However, because many policies would continue to be subsidized and the program would continue to face significant interest costs for borrowing over the past decade, CBO expects that additional receipts collected under this legislation would be spent to cover future program shortfalls, resulting in no net effect on the budget over the 2012-2022 period.

**Table 2. Estimate of the Effects on Direct Spending and Revenues for the Sequester Replacement Reconciliation Act of 2012, as ordered reported by the House Committee on the Budget on May 7, 2012, assuming enactment by July 1, 2012, as directed by the Chairman of the House Committee on the Budget**

	By Fiscal Year, in Millions of Dollars												2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2017	2022	
<b>CHANGES IN DIRECT SPENDING ASSUMING ENACTMENT BY JULY 1, 2012</b>														
Title I - Agriculture														
Estimated Budget Authority	-720	-7,064	-3,347	-3,104	-3,127	-3,091	-3,061	-3,063	-3,075	-3,093	-3,096	-20,453	-35,840	
Estimated Outlays	-720	-7,059	-3,342	-3,104	-3,127	-3,091	-3,061	-3,063	-3,075	-3,093	-3,096	-20,443	-35,830	
Title II - Energy and Commerce														
Estimated Budget Authority	-12,440	-3,770	-6,470	-8,460	-12,600	-11,050	-10,280	-10,900	-10,830	-11,470	-16,870	-54,790	-115,140	
Estimated Outlays	-410	-3,470	-7,160	-12,520	-13,070	-10,640	-10,120	-10,740	-10,600	-11,420	-16,540	-47,270	-106,690	
Title III - Financial Services <sup>a</sup>														
Estimated Budget Authority	-585	-3,994	-4,381	-4,826	-4,108	-3,765	-3,857	-3,869	-4,073	-4,258	-4,444	-21,659	-42,160	
Estimated Outlays	-585	-3,918	-4,374	-4,824	-4,106	-3,763	-3,854	-3,866	-4,070	-4,255	-4,441	-21,570	-42,056	
Title IV - Judiciary														
Estimated Budget Authority	0	-100	-650	-2,250	-3,850	-4,850	-5,200	-5,500	-5,900	-6,300	-6,700	-11,700	-41,300	
Estimated Outlays	0	-100	-650	-2,250	-3,850	-4,850	-5,200	-5,500	-5,900	-6,300	-6,700	-11,700	-41,300	
Title V - Oversight and Government Reform <sup>b</sup>														
Estimated Budget Authority	0	157	283	400	499	581	559	539	515	494	469	1,919	4,493	
Estimated Outlays	0	157	283	400	499	581	559	539	515	494	469	1,919	4,493	
Title VI - Ways and Means														
Estimated Budget Authority	0	-1,700	-3,561	-4,548	-5,635	-6,164	-6,512	-6,739	-6,904	-7,253	-7,483	-21,609	-56,501	
Estimated Outlays	0	-1,360	-3,527	-4,650	-5,652	-6,164	-6,512	-6,739	-6,904	-7,253	-7,483	-21,354	-56,246	
Interactions <sup>c</sup>														
Estimated Budget Authority	0	100	785	2,462	4,041	4,910	5,210	5,511	5,911	6,312	6,713	12,298	41,955	
Estimated Outlays	0	100	785	2,462	4,041	4,910	5,210	5,511	5,911	6,312	6,713	12,298	41,955	
<b>TOTAL CHANGES IN DIRECT SPENDING</b>														
Estimated Budget Authority	-13,745	-16,371	-17,341	-20,326	-24,781	-23,429	-23,141	-24,022	-24,356	-25,569	-31,411	-115,993	-244,493	
Estimated Outlays	-1,715	-15,650	-17,985	-24,486	-25,266	-23,017	-22,978	-23,859	-24,123	-25,516	-31,078	-108,119	-235,674	
<b>CHANGES IN REVENUES ASSUMING ENACTMENT BY JULY 1, 2012 <sup>d</sup></b>														
Title II - Energy and Commerce	0	-10	-190	-960	650	1,210	1,340	1,570	1,640	1,720	1,820	700	8,790	
Title III - Financial Services	-15	-102	-298	-524	-760	-1,011	-1,247	-1,463	-1,674	-1,860	-1,996	-2,710	-10,950	
Title IV - Judiciary	0	8	83	324	578	882	985	1,026	1,082	1,145	1,210	1,875	7,323	
Title V - Oversight and Government Reform	0	2,426	4,505	6,625	8,633	10,514	10,671	10,849	11,009	11,212	11,350	32,704	87,794	
Title VI - Ways and Means	0	0	238	700	1,116	1,422	1,542	1,664	1,718	1,748	1,864	3,476	12,013	
Interactions <sup>c</sup>	0	-8	-119	-412	-664	-928	-990	-1,030	-1,086	-1,149	-1,215	-2,131	-7,601	
<b>TOTAL CHANGES IN REVENUES</b>	-15	2,314	4,219	5,753	9,553	12,089	12,301	12,616	12,689	12,815	13,033	33,914	97,369	

continued

By Fiscal Year, in Millions of Dollars

Table 2. continued	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012- 2017	2012- 2022
<b>INCREASE OR DECREASE(-) IN THE DEFICIT ASSUMING ENACTMENT BY JULY 1, 2012</b>													
<b>NET EFFECT ON DEFICITS</b>	<b>-1,700</b>	<b>-17,964</b>	<b>-22,204</b>	<b>-30,240</b>	<b>-34,819</b>	<b>-35,106</b>	<b>-35,280</b>	<b>-36,475</b>	<b>-36,812</b>	<b>-38,331</b>	<b>-44,112</b>	<b>-142,033</b>	<b>-333,043</b>
On-Budget	-1,700	-17,808	-22,122	-30,397	-34,467	-34,379	-34,465	-35,625	-35,980	-37,505	-43,295	-140,873	-327,742
Off-Budget <sup>e</sup>	0	-157	-82	157	-351	-727	-816	-850	-832	-826	-817	-1,161	-5,302
<b>Memorandum:</b>													
Reduction in Offsetting Receipts Resulting from Lower Employer Contributions <sup>b</sup>	0	1,887	3,633	5,439	7,191	8,882	9,149	9,446	9,722	10,026	10,265	27,032	75,641
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Sources: CBO and the staff of the Joint Committee on Taxation.

Note: Components may not sum to totals because of rounding.

- a. In addition, CBO estimates that implementing title III (Financial Services) would cost \$766 million over the 2012-2017 period, assuming appropriation of the necessary amounts. That estimate includes funding for the Bureau of Consumer Financial Protection, the Financial Stability Oversight Council, and for mapping and mitigation efforts under the National Flood Insurance Program.
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