10 essential fiscal charts

Since April 2010, the **Pew Fiscal Analysis Initiative** has published several reports explaining the medium-and long-term fiscal challenges facing the federal government. With stagnating economic conditions and the passage of new legislation, especially the Budget Control Act of 2011, the outlook for the deficit and debt has changed considerably over the past six months.

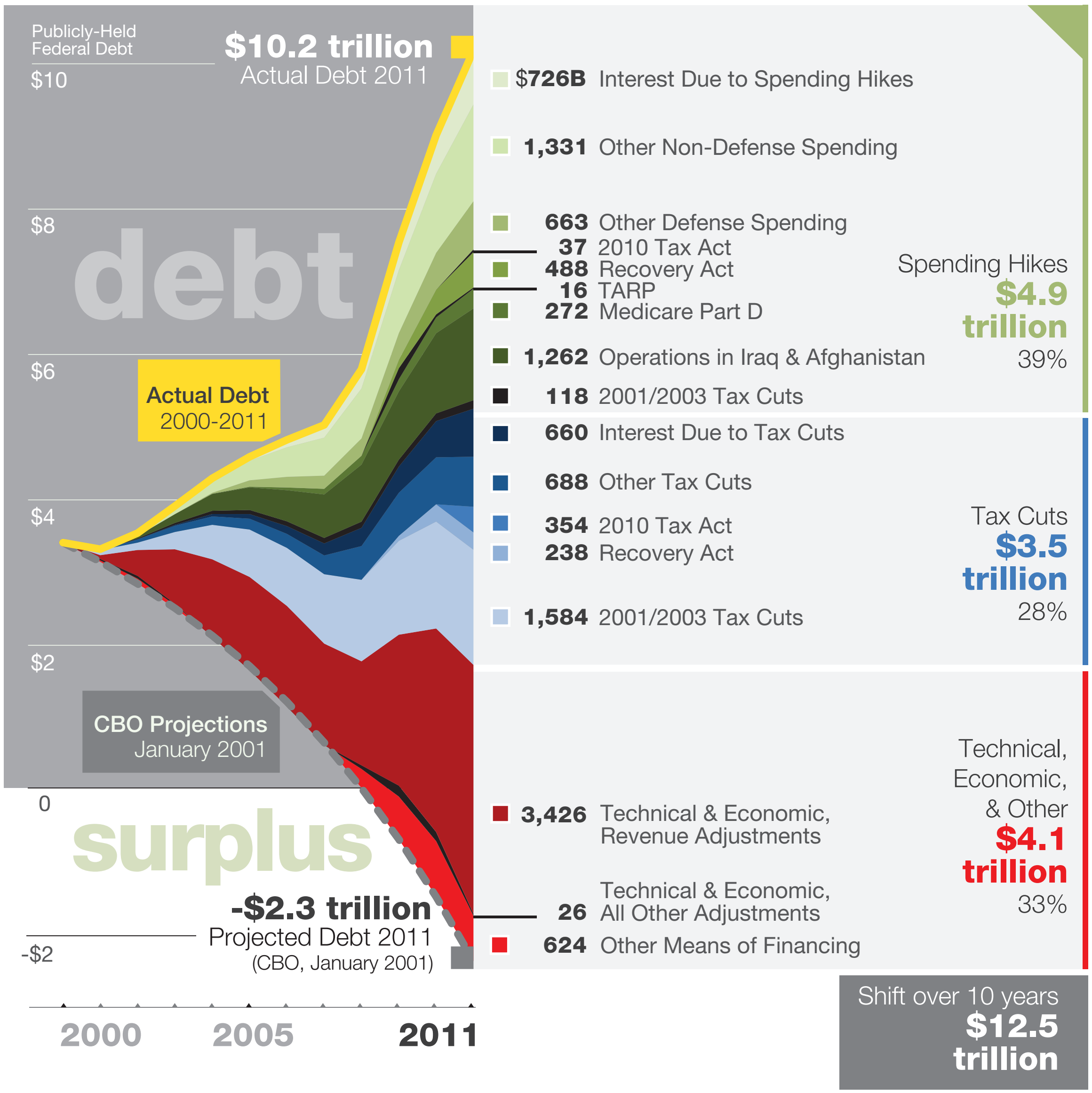
We have created 10 charts that illustrate how the choices made over the last 10 years contributed to our nation's debt and the challenges currently facing the Joint Select Committee on Deficit Reduction.

THE PEW CHARITABLE TRUSTS

HISTORICAL

1 Ten Years of Debt Drivers

Year-by-Year Cumulative Changes in CBO Debt Projections by Specific Policies and Drivers



SOURCE: Pew analysis of Congressional Budget Office (2001–2011) data.

NOTES: See Appendix

In May 2011, the Pew Fiscal Analysis Initiative published The Great Debt Shift, an analysis of the drivers of publicly-held federal debt between January 2001 and March 2011. This updated chart incorporates the latest fiscal data from the Congressional Budget Office (CBO) from August 2011.

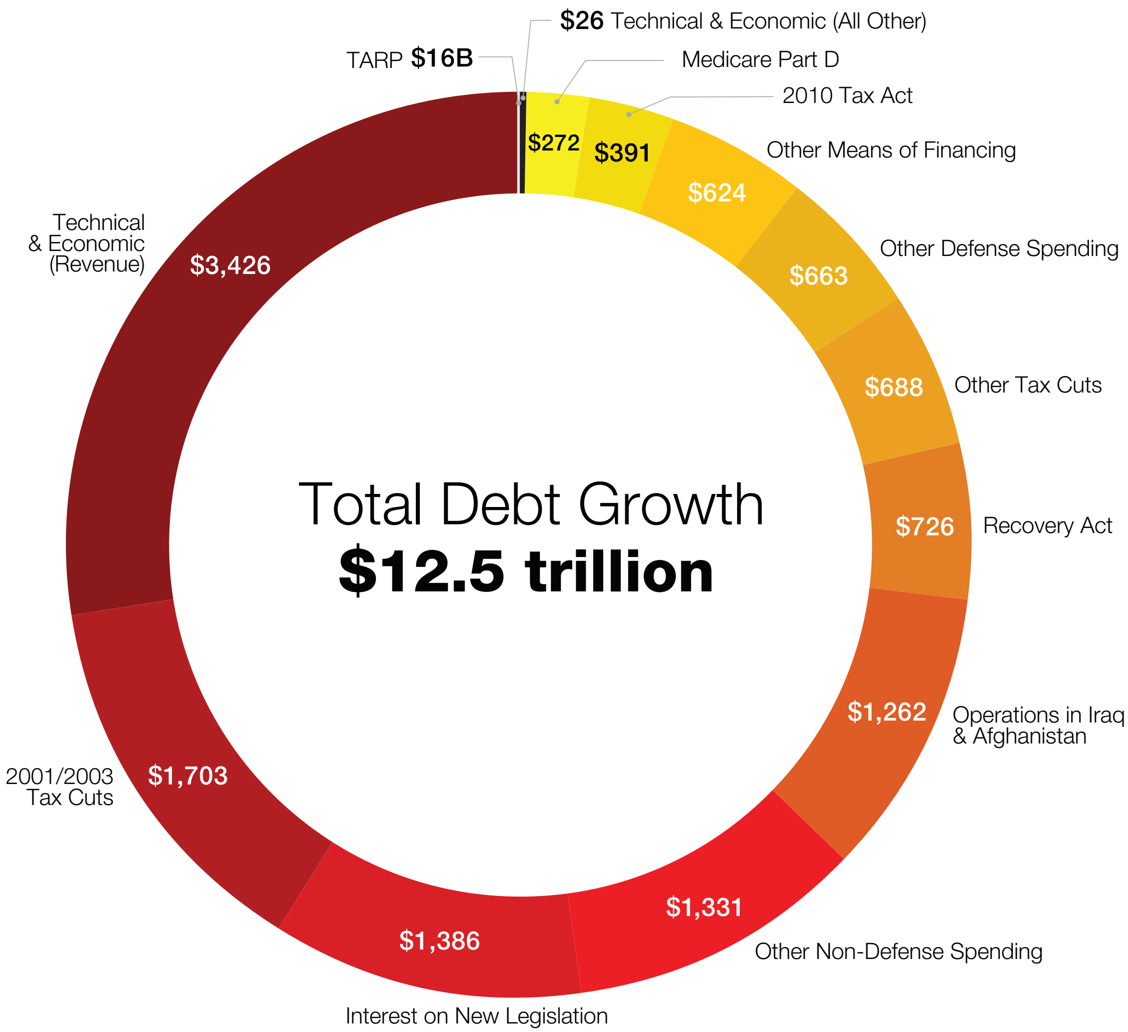
In 2001, CBO projected that record annual surpluses over the next decade would turn the federal debt into a net savings of $2.3 trillion by the end of fiscal year 2011. The reality, however, has been far different: two recessions, new policies and legislation enacted between 2001 and 2011, and a variety of other technical and economic factors added $12.5 trillion to the debt above CBO's 2001 projections, leading to CBO projecting in August 2011 that the debt would reach $10.2 trillion by September 30, 2011, the end of the fiscal year.

New legislation and policies added $8.4 trillion to the growth in the federal debt over the last decade, of which 58 percent was due to spending increases and 42 percent to tax cuts. Adjustments due to factors other than new legislation (technical, economic, and other means of financing) accounted for $4.1 trillion of the shift over 10 years.

HISTORICAL

2 Debt Growth by Policy

Cumulative Changes in CBO Debt Projections Through 2011 By Policy



SOURCE: Pew analysis of Congressional Budget Office (2001–2011) data.

NOTES: See Appendix

No single policy or piece of legislation is responsible for the majority of the $12.5 trillion shift between the Congressional Budget Office's (CBO) January 2001 and August 2011 debt projections. The five policies that contributed the most to the growth in the debt were the 2001/2003 tax cuts ($1.7 trillion, or 14 percent of the total), growth in other non-defense spending ($1.3 trillion, 11 percent), the operations in Iraq and Afghanistan ($1.3 trillion, 10 percent), the 2009 Recovery Act ($726 billion, 6 percent), and other tax cuts ($688 billion, 6 percent).

About a third of the shift over 10 years was due to factors other than the cost of new legislation: technical and economic adjustments (including revenue collection that CBO projected in 2001 but that did not materialize) as well as changes in other means of financing such as the federal government's cash holdings and its loans and loan guarantees.

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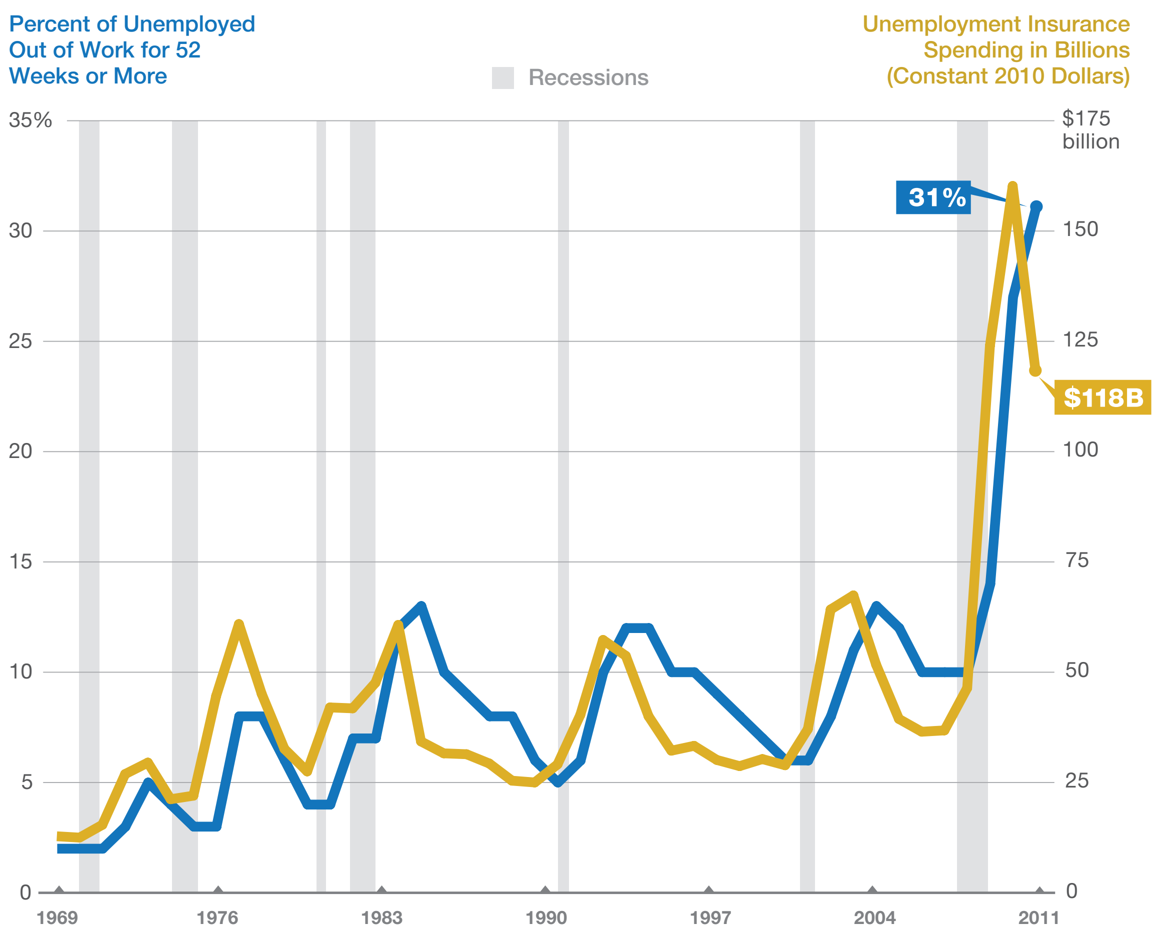
HISTORICAL

3 Long-Term Unemployment

Year-or-Longer Unemployment Rate and Unemployment Insurance Spending, Fiscal Years 1969 to 2011



SOURCE: Pew analysis of Bureau of Labor Statistics and Office of Management and Budget data. National Bureau of Economic Research recessions shaded.

NOTES: See Appendix

The percent of jobless workers who have been unemployed a year or longer averaged 31 percent in fiscal year 2011, a post-World War II high.

Unemployment is a lagging indicator of recessions: the most recent recession officially ended in June 2009, but the overall unemployment rate did not peak until October 2009, at 10.1 percent. The Congressional Budget Office projects unemployment to remain above 8 percent through 2014.

The unemployment challenge and the budget deficit also feed into each other. Tax revenues decline during recessions in part due to heightened levels of unemployment, exacerbating the deficit. Likewise, spending on unemployment insurance rises during recessions and in the immediate aftermath. The federal government spent almost $120 billion (in inflation-adjusted 2010 dollars) on unemployment benefits in fiscal year 2011. By contrast, it spent $160 billion in fiscal year 2010, which was more than four times as much as in the last pre-recession year of 2007, even after adjusting for inflation.

CURRENT

4 Federal Spending & Revenues

Federal Outlays, Tax Expenditures, and Receipts as a Percent of GDP, Fiscal Years 2001 and 2011

In August 2011, the Congressional Budget Office (CBO) projected total federal spending in fiscal year 2011 to reach about $3.6 trillion, or 24 percent of gross domestic product (GDP). Of that total, defense discretionary spending, health entitlements (such as Medicare), Social Security, and other mandatory spending including interest on the debt were each projected to be roughly 5 percent of GDP. Non-defense discretionary spending was projected to be about 4 percent of GDP.

Ten years ago, the last year the federal government ran a surplus, total federal spending was smaller as a percent of GDP (18 percent in 2001 versus 24 percent today). Some categories' shares of the budget also were different: relative to the economy, other mandatory spending including interest was roughly the same in 2001 as in 2011. All other categories were smaller by between 1 to 2 percentage points of GDP.

In August 2011, CBO projected the federal government would collect $2.3 trillion in revenues in fiscal year 2011, about 15 percent of GDP. By contrast, revenues equal to 19 percent of GDP ($2.0 trillion) were collected in 2001. Although nominal (not adjusting for inflation) revenues have increased since 2001, real (inflation-adjusted) revenues and revenues as a percent of GDP have declined over the last 10 years. Individual income taxes, payroll (Social Security and Medicare) taxes, corporate income taxes, and all other revenues were each smaller as categories relative to the economy in 2011 than in 2001.

Federal revenue collections also were reduced by tax expenditures: provisions in the tax code that allow people or businesses to reduce their tax burden by taking certain deductions, exemptions, exclusions, preferential rates, deferrals, or credits. Tax expenditures have an effect on the deficit and debt similar to government spending. If the lost revenue from tax expenditures were instead its own category of spending, it would have totaled about 7 percent of GDP in 2011. This is essentially unchanged as a percent of GDP from 2001.

Spending

2001	Spending	2011
18% OF GDP		24% OF GDP
3%	Defense Discretionary	5%
3%	Non-Defense Discretionary	4%
3%	Health Entitlements	5%
4%	Social Security	5%
4%	Interest + All Other Mandatory	5%

2001	Tax Expenditures*	2011
7%		7%

Revenue

2001	Revenue	2011
19% OF GDP		15% OF GDP
10%	Individual Income Tax	7%
7%	Payroll Taxes	5%
1%	Corporate Income Tax	1%
1%	Other Revenue	1%

SOURCE: Pew analysis of Congressional Budget Office, U.S. Treasury, and Tax Policy Center data.

NOTES: See Appendix

PROJECTED

5 Debt Projections

Publicly-Held Federal Debt, Fiscal Years 2001–2021 (including effects of BCA)

The size of the debt problem depends on the "baseline" used to project federal spending and revenues in the future.

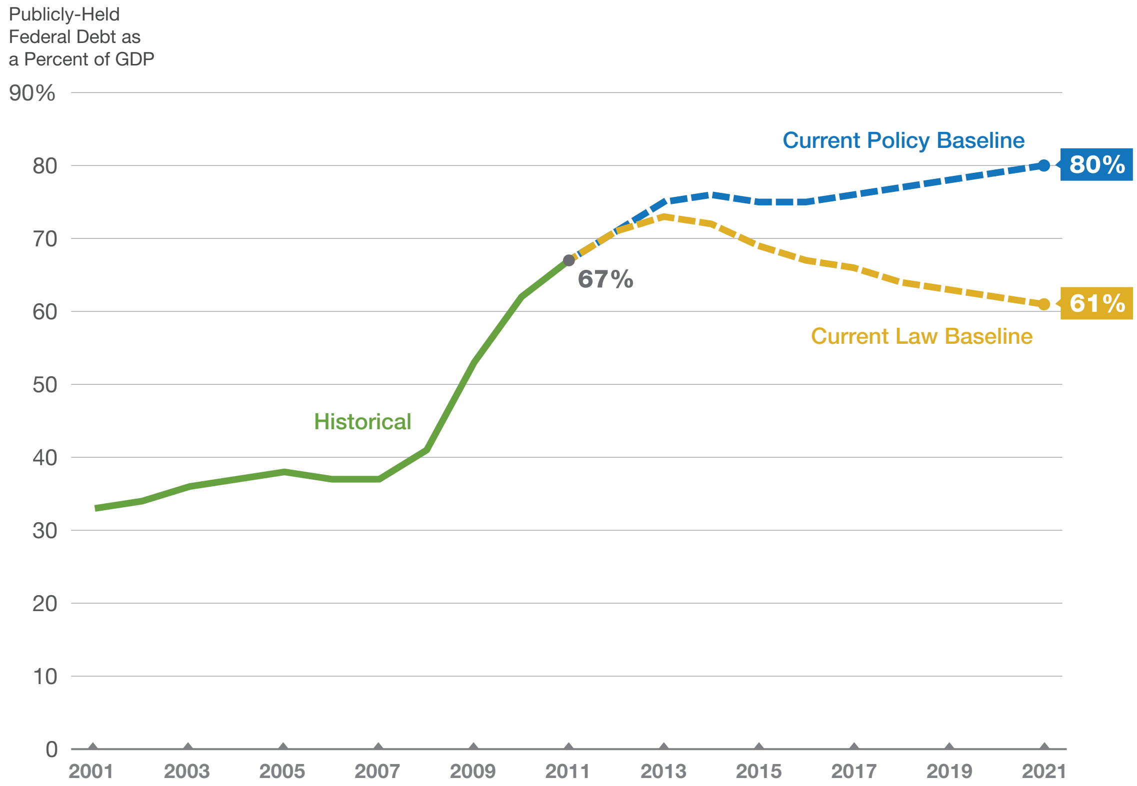
A baseline is the starting point from which any change in spending or revenues is measured.

The Congressional Budget Office (CBO) is required to use a **current law baseline**, which generally assumes that current law will not change. For example, CBO assumes that the tax cuts extended as part of the December 2010 tax legislation will expire as scheduled under current law in December 2012, raising revenue and lowering the deficit. CBO also assumes that the number of troops in Iraq and Afghanistan will remain constant over the next decade.

Under CBO's current law baseline, and assuming enactment of $1.2 trillion in debt reduction from the Joint Select Committee publicly-held federal debt would reach about 61 percent of gross domestic product (GDP) in 2021, close to the 60 percent debt-to-GDP level endorsed by the National Academy of Public Administration, the International Monetary Fund, the European Union, and the Peterson-Pew Commission on Budget Reform as a sustainable level of debt.

Pew's **current policy baseline**, by contrast, generally reflects the costs of policies that Congress and the president have extended in the past. The 2001/2003 tax cuts, for example, were already extended once by the December 2010 tax law, so the Pew baseline assumes that they will be extended again for everyone in December 2012. Pew also assumes that Congress will continue to index the alternative minimum tax (AMT) to inflation, override planned cuts to Medicare Part B physician reimbursements, and reauthorize certain expiring income tax provisions (commonly called the "extenders"), as it has done in the past. Finally, Pew assumes that the number of troops in Iraq and Afghanistan will be reduced based on the president's previously-announced policy.

Under Pew's current policy baseline, and assuming enactment of $1.2 trillion in debt reduction from the Joint Select Committee publicly-held federal debt would reach about 80 percent of GDP in 2021.



SOURCE: Pew analysis of Congressional Budget Office data.

NOTES: See Appendix

PROJECTED

6 Budget Control Act Spending Caps

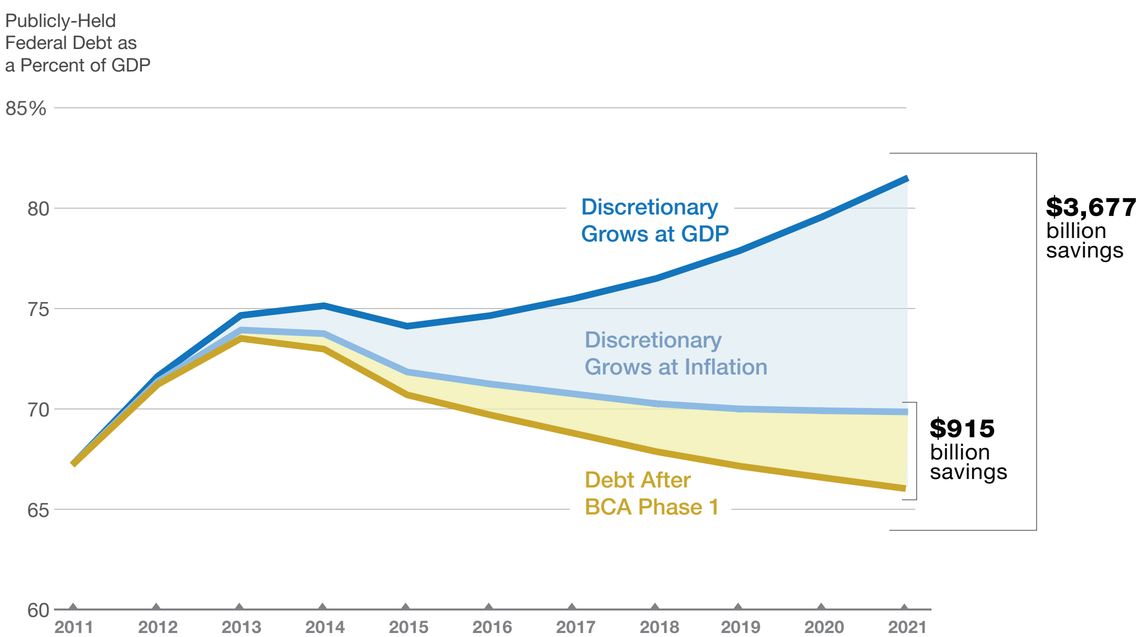
The Effect of the BCA Phase 1 Discretionary Spending Caps on Publicly-Held Federal Debt, Fiscal Years 2011 to 2021

The Budget Control Act of 2011 (BCA) includes two phases of deficit reduction. Phase 1 is a cap on discretionary spending beginning in 2012 and lasting through 2021. Phase 2 aims for at least $1.5 trillion in deficit savings through 2021 from the Joint Select Committee. If at least $1.2 trillion in 10-year deficit reduction does not become law by January 15, 2011, that amount of savings would be achieved through automatic cuts in spending beginning in January 2013.

The Congressional Budget Office's (CBO) baseline has historically assumed and continues to assume that discretionary spending will grow each year at the rate of inflation, which they project to average 1.7 percent annually through 2021.[1] Historically, however, discretionary spending has grown at a rate closer to that of the overall economy, which CBO projects to grow at an average of 4.6 percent annually over the next decade.[2]

Since Phase 1 of the BCA puts an explicit cap on discretionary spending, different growth assumptions do not affect the final level of discretionary spending.[3] However, different growth assumptions affect the amount of savings resulting from Phase 1. Under CBO's assumption that discretionary spending would have otherwise grown at the rate of inflation, the Phase 1 discretionary spending caps and other provisions would save $915 billion over 10 years: $781 billion in direct costs and $134 billion in interest costs. Under an alternative assumption that discretionary appropriations otherwise would have grown at the rate of the overall economy, the Phase 1 discretionary caps would lead to $3.7 trillion in debt reduction over 10 years: $3.2 trillion in direct and $488 billion in interest savings.

Using CBO's current law baseline, assuming discretionary spending growth at the rate of inflation, then Phase 1 of the BCA would lower the debt-to-GDP ratio in 2021 from 70 percent to 66 percent.



SOURCE: Pew analysis of Congressional Budget Office data.

NOTES: See Appendix

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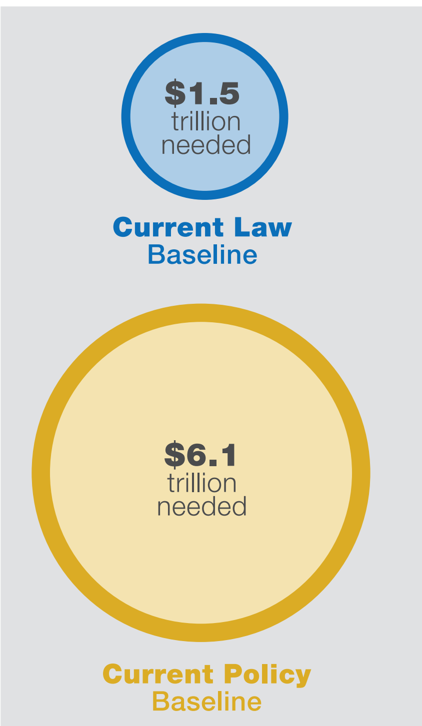
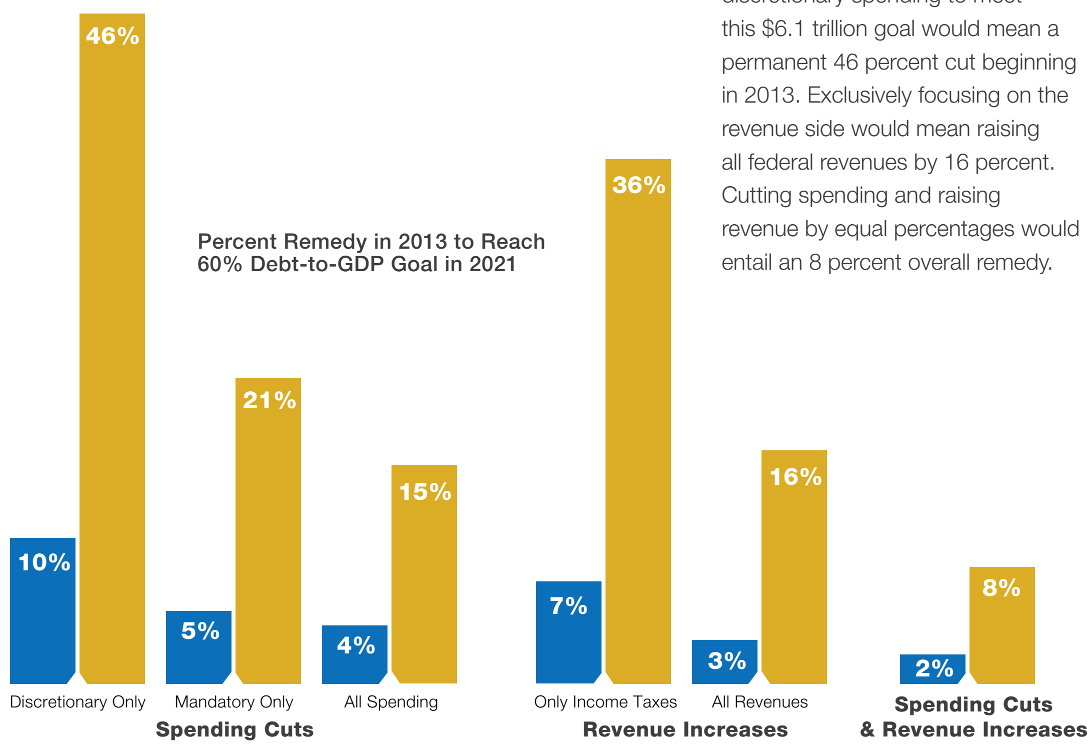
7 The Joint Select Committee

Percent Remedy in 2013 to Reach 60% Debt-to-GDP Goal in 2021

Phase 2 of the Budget Control Act of 2011 (BCA) charges the Joint Select Committee with finding $1.5 trillion in deficit reduction, including interest savings, through 2021. Under the Congressional Budget Office's (CBO) current law baseline[4] that assumes, for example, the December 2010 tax law expires in 2012, the ratio of publicly-held federal debt-to-gross domestic product (GDP) would fall to about 60 percent by 2021 assuming $1.5 trillion in savings under Phase 2 of the BCA. This level of debt is considered sustainable by the National Academy of Public Administration, the International Monetary Fund, the European Union, and the Peterson-Pew Commission on Budget Reform. If the Committee recommends permanent remedies beginning in 2013 to reach this goal that involve cutting only discretionary spending, it would require a 10 percent cut. By contrast, only raising all federal revenues would mean a revenue increase of 3 percent. Cutting all spending and raising revenue by equal percentages would require a 2 percent overall spending cut and revenue increase.

However, under Pew's current policy baseline—which assumes full extension of the December 2010 tax law, indexing the AMT for inflation, overriding planned cuts to Medicare Part B physician payments, extension of certain expiring income tax provisions, and a reduction in overseas troop levels—$1.5 trillion in deficit reduction would only reduce debt-to-GDP to 79 percent by 2021. It would take about $6.1 trillion in deficit reduction to reach a 60 percent debt-to-GDP level in 2021, $4.6 trillion more than under a current law baseline. Cutting only discretionary spending to meet this $6.1 trillion goal would mean a permanent 46 percent cut beginning in 2013. Exclusively focusing on the revenue side would mean raising all federal revenues by 16 percent. Cutting spending and raising revenue by equal percentages would entail an 8 percent overall remedy.





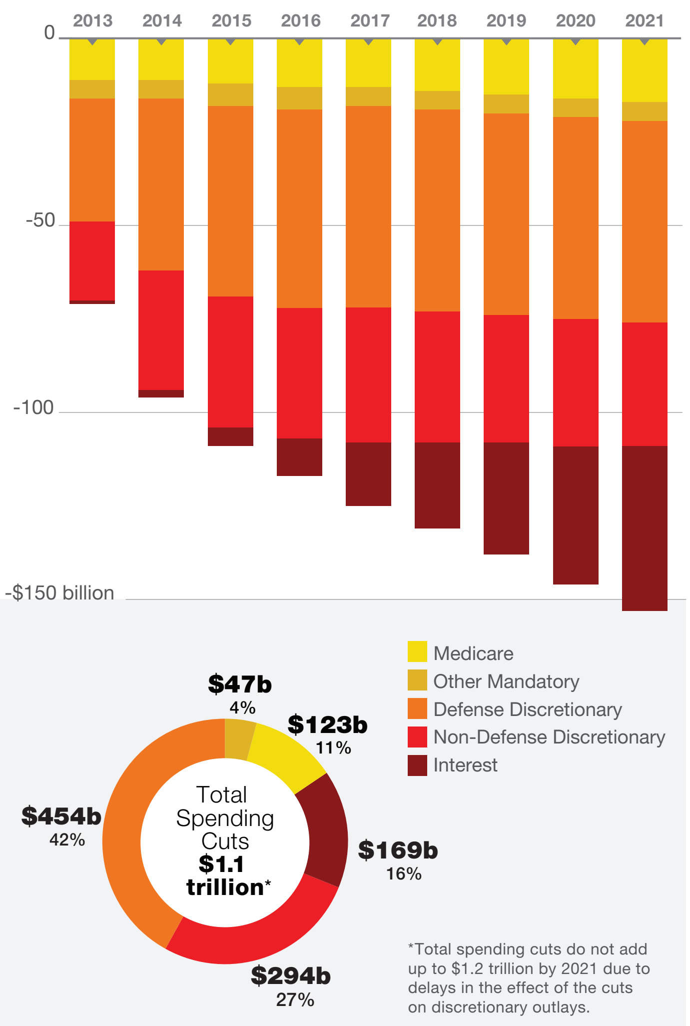
SOURCE: Pew analysis of Congressional Budget Office data.

NOTES: See Appendix

PROJECTED

8 The Automatic Sequester

Annual and Cumulative Spending Cuts Under $1.2 Trillion BCA Sequester, Fiscal Years 2013–2021



If $1.2 trillion in deficit reduction over 10 years does not become law by January 15, 2012, the Budget Control Act of 2011 (BCA) requires a sequester (automatic cut) of federal spending equal to $109 billion per year between 2013 and 2021.[5] Half of the sequester would apply to defense spending, and half to non-defense. The Congressional Budget Office (CBO) estimates that about 70 percent of mandatory spending would be exempt from sequestration, virtually all of it in non-defense mandatory spending, such as Social Security and Medicaid. Most of Medicare would be limited to a two percent annual cut.

About 42 percent of the savings from the automatic sequester, or about $454 billion over the next decade, would fall on defense discretionary spending, assuming no savings from the Joint Select Committee become law. Another 42 percent would come from non-defense discretionary and mandatory spending, and the remaining 16 percent would result from lower interest costs.

Almost 70 percent of the 10-year sequester savings would be borne by discretionary spending (both defense and non-defense). Eleven percent ($123 billion) of the savings would result from cuts to Medicare providers.

SOURCE: Pew analysis of Congressional Budget Office data.

NOTES: See Appendix

PROJECTED

9 Debt Ceiling Scenarios

Possible Dates for Hitting the Debt Limit

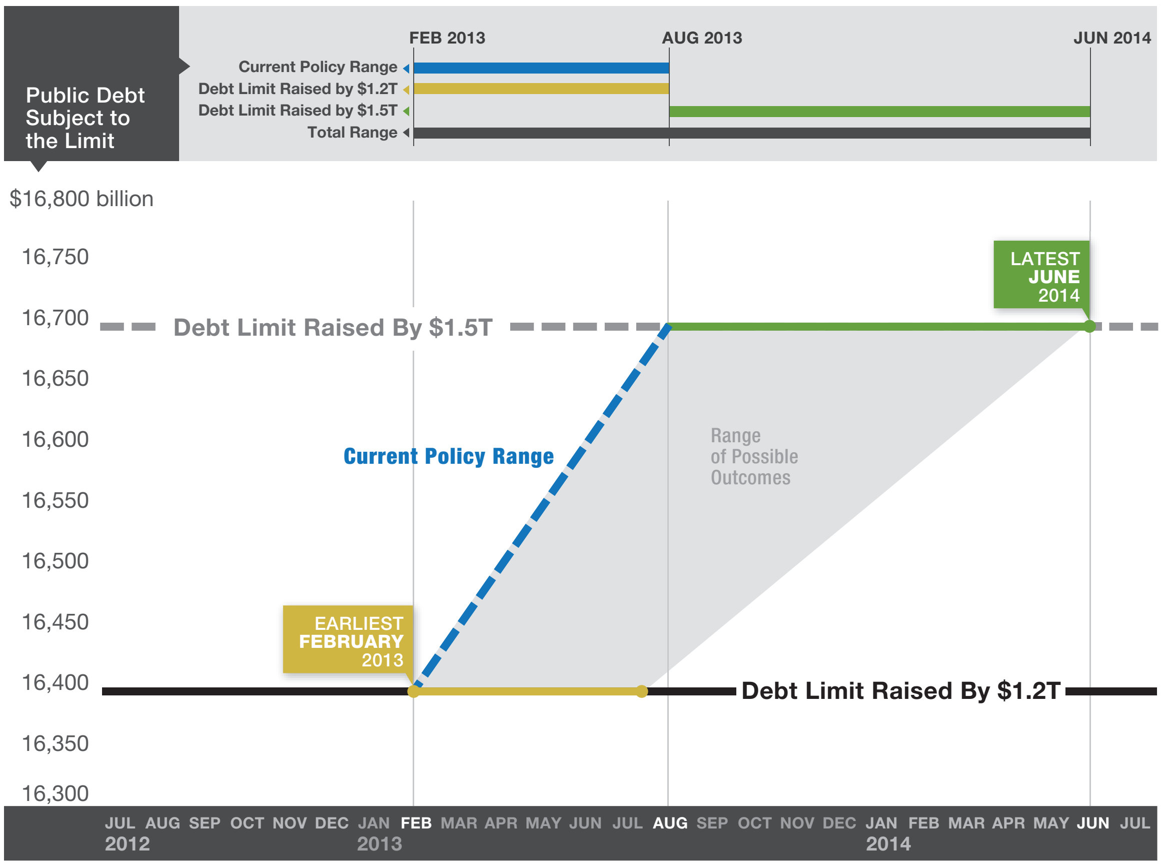
When the nation hits the statutory debt limit again will depend on 1) the timing of any changes in spending or revenues over the next two years (such as whether or not the December 2010 tax law is allowed to expire as scheduled), and 2) the size of the statutory debt limit itself (it will rise by $1.2 trillion unless deficit reduction exceeding $1.2 trillion over 10 years becomes law, in which case the debt ceiling rises by the amount of the deficit reduction, capped at $1.5 trillion).

There always is uncertainty about fiscal and economic projections, even only two or three years out. However, based on different plausible legislative actions, Pew estimates that the federal government will likely reach the statutory debt limit sometime between February 2013 and June 2014.[6,7]

The February 2013 estimate assumes a current policy baseline, with the exception that both Phase 1 and Phase 2 of the Budget Control Act of 2011 (BCA) are repealed. The debt limit is raised by $1.2 trillion.

The June 2014 estimate assumes CBO's current law baseline, with the exception that overseas troops are reduced, that the discretionary caps under Phase 1 of the BCA would be enforced, and that an additional $1.5 trillion in deficit reduction through 2021 would become law. The debt limit is raised by $1.5 trillion.

The estimated range for reaching the debt limit under Pew's current policy baseline is between February and August 2013. It assumes that the December 2010 tax law and the "extenders" are reauthorized for everyone, planned cuts to Medicare physician reimbursements are overridden, overseas troop withdrawals proceed as planned, the discretionary caps under the BCA are enforced, and either a) no deficit reduction from the Joint Select Committee, triggering the automatic sequester (February 2013), or b) $1.5 trillion in deficit reduction from the Committee beginning in January 2013.



SOURCE: Pew analysis of Congressional Budget Office and Office of Management and Budget data.

NOTES: See Appendix

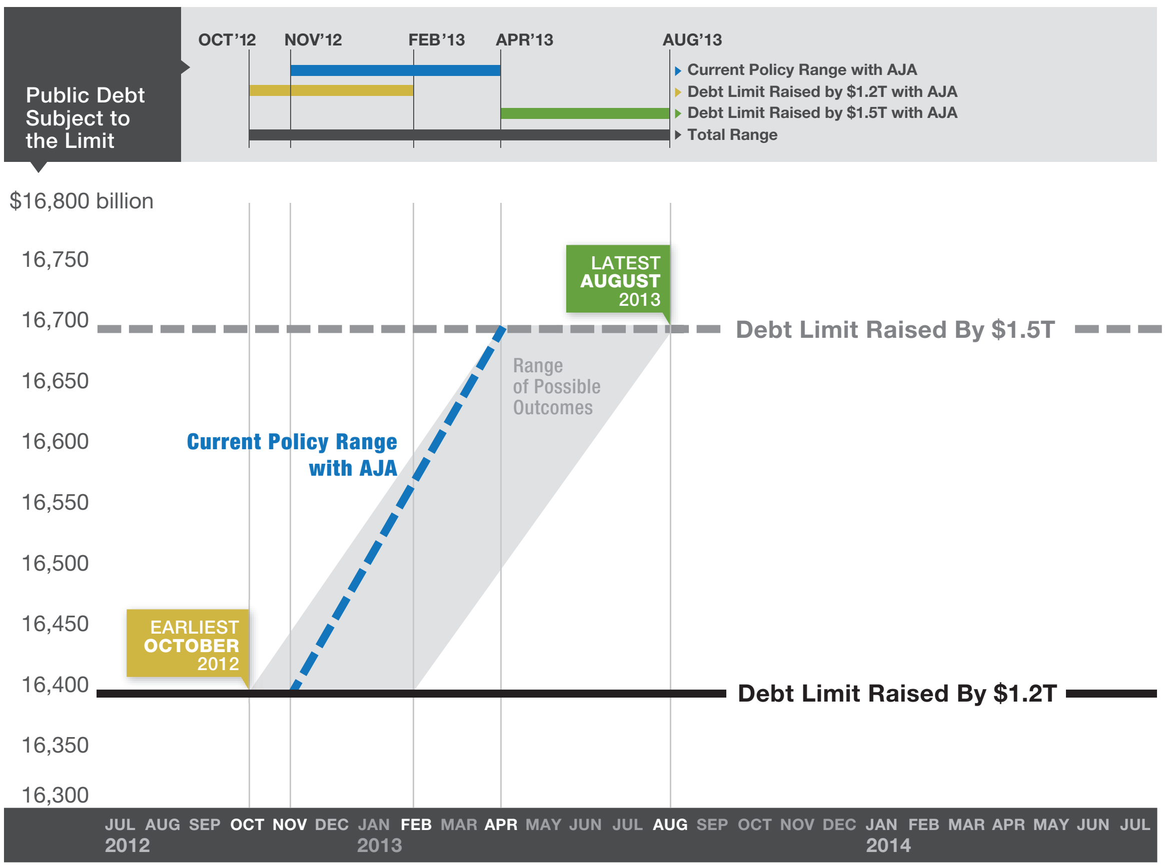
PROJECTED

10 The Debt Limit & the American Jobs Act

Possible Dates for Hitting the Debt Limit, Assuming Enactment of the American Jobs Act of 2011 (S. 1660)

Pew analyzed the timing of hitting the debt ceiling assuming that the American Jobs Act of 2011 (AJA), Senate bill 1660, is enacted.[8] While the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimate that the AJA would decrease cumulative deficits (i.e. save) by $6 billion through 2021, the costs of the AJA occur primarily in the first two years after enactment while the savings are spread out more evenly through 2021. As a result, enactment of the AJA would have a meaningful impact on when the U.S. would next hit the debt limit.

There is always uncertainty about fiscal and economic projections. However, if the AJA is enacted, Pew estimates the federal government would likely hit the statutory debt ceiling again between October 2012 and August 2013, depending on the success of the Joint Select Committee and other changes in spending and revenues.[9]



SOURCE: Pew analysis of Congressional Budget Office, Office of Management and Budget and U.S. Treasury data.

NOTES: See Appendix

The October 2012 estimate assumes enactment of the AJA under a current policy baseline,[10] and the full repeal of the Budget Control Act of 2011 (BCA). The debt ceiling rises under this scenario by $1.2 trillion.[11]

The August 2013 estimate assumes enactment of the AJA under CBO's current law baseline, plus the reduction of overseas troops, and an additional $1.5 trillion in deficit reduction through 2021, causing the debt ceiling to rise by $1.5 trillion.

Under Pew's current policy baseline, enactment of the AJA would cause the U.S. to reach the debt limit between November 2012 and April 2013 (see notes for chart 10). The November 2012 estimate assumes that no recommendations from the Joint Select Committee take effect before November 2012 and the debt ceiling rises by $1.2 trillion. The April 2013 estimate assumes Joint Select Committee recommendations totaling $1.5 trillion take effect beginning January 2012, raising the debt limit by $1.5 trillion.

Appendix

Endnotes

1 As measured by the gross domestic product (GDP) price index.

2 Between fiscal years 1976 and 2010, nominal discretionary appropriations grew at an average annual rate of 5.6 percent. For nominal GDP, the comparable rate is 6.4 percent. For inflation measured by the CPI-U, it is 4.0 percent, and for inflation measured by the GDP price index it is 3.4 percent.

3 The Phase 1 cap only applies to non-war discretionary appropriations, so different assumptions affecting war spending would affect total discretionary spending, even under the BCA.

4 For this simulation, Pew removed the $1.2 trillion of Joint Select Committee deficit reduction CBO assumed in its current law baseline and replaced it with different scenarios for reaching $1.5 trillion in deficit reduction over 10 years

5 The total amount of the sequester would be reduced by any deficit reduction below $1.2 trillion that does become law before January 2012.

6 None of the estimates incorporate different economic scenarios, nor do they project the extent of the measures the Treasury may take once the statutory debt limit is reached. They incorporate assumptions about month-to-month variations in revenues, outlays, and issuance of debt based on recent historical data.

7 After the debt ceiling is reached, the federal government typically can take various actions to prolong its ability to borrow; for example, the statutory debt ceiling was last hit on May 16, 2011, but the U.S. Treasury estimated at the time that it had sufficient options available to delay further borrowing until August 2, 2011. It is uncertain to what extent such actions could prolong the government's ability to borrow the next time the limit is reached.

8 Two versions of the American Jobs Act of 2011 have been introduced in the Senate and both have CBO & JCT cost estimates: S.1660 and S.1549. Pew's model found insignificant differences in the date the debt ceiling would be reached under the two bills. The analysis in this chart book discusses S. 1660, the more recent version.

9 None of the estimates incorporate different economic scenarios, nor do they project the extent of the measures the Treasury may take once the statutory debt limit is reached. They incorporate assumptions about month-to-month variations in revenues, outlays, and issuance of debt based on recent historical data.

10 Since the automatic sequester would not take effect until January 2013 under the BCA, repealing or enforcing the automatic sequester has no effect on this estimate.

Notes to Chart 1

Actual publicly-held federal debt as of September 30, 2011 was $10.1 billion, according to the U.S. Department of the Treasury. Final fiscal year 2011 spending and revenue figures are expected in November 2011.

Spending Hikes

"Interest Due to Spending Hikes" includes all debt changes caused by changes in interest costs as classified by the Congressional Budget Office (CBO) that resulted from changes in legislative outlays. It excludes growth in net interest due to legislative revenues as well as economic or technical revisions.

"Other Non-Defense Spending" shows growth in non-defense discretionary and mandatory spending unaccounted for by specific policies.

"Other Defense Spending" shows growth in defense discretionary spending unaccounted for by specific policies.

"2010 Tax Act" shows CBO's 2011 projected outlay costs of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312).

"Recovery Act" shows CBO's 2009 projected outlay costs of the American Recovery and Reinvestment Act of 2009 (ARRA).

"TARP" shows CBO's 2011 projected costs of the Troubled Asset Relief Program.

"Medicare Part D" shows CBO's 2003 projected costs of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L. 108-173).

"Operations in Iraq & Afghanistan" shows CBO's 2011 estimate of the costs of operations in Iraq and Afghanistan. Due to data limitations, this category illustrates budget authority, not outlays.

"2001/2003 Tax Cuts" shows CBO's 2001 and 2003 projected outlay costs of the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs Growth and Tax Relief Reconciliation Act of 2003.

Tax Cuts

"Interest Due to Tax Cuts" includes all debt changes caused by changes in interest costs as classified by the Congressional Budget Office (CBO) which resulted from changes in legislative revenues. It excludes growth in net interest due to legislative outlays as well as economic or technical revisions.

"Other Tax Cuts" shows debt growth caused by legislative decreases in revenue and unaccounted for by specific policies.

"2010 Tax Act" shows CBO's 2011 projected revenue costs of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312).

"Recovery Act" shows CBO's 2009 projected revenue costs of the American Recovery and Reinvestment Act of 2009 (ARRA).

"2001/2003 Tax Cuts" shows CBO's 2001 and 2003 projected revenue costs of the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs Growth and Tax Relief Reconciliation Act of 2003.

Technical, Economic, & Other

"Technical & Economic, Revenue Adjustments" include those debt changes categorized as "technical" or "economic" by CBO and caused by changes in revenue projections.

"Technical & Economic, All Other Adjustments" include all debt changes categorized as "technical" or "economic" by CBO excluding changes caused by changes in revenue.

"Other Means of Financing" includes changes to publicly-held federal debt caused by loan guarantees, asset sales, and other off-budget changes in the need for the federal government to borrow.

Sources

Congressional Budget Office, T*he Budget and Economic Outlook: An Update*, August 2011, p. 62.

For all other sources, see Pew Fiscal Analysis Initiative, *The Great Debt Shift*, May 2011, Appendix Table 2.

Notes to Chart 2

"TARP" shows CBO's 2011 projected costs of the Troubled Asset Relief Program.

"Technical & Economic (All Other)" include all debt changes categorized as "technical" or "economic" by CBO excluding changes caused by changes in revenue.

"Medicare Part D" shows CBO's 2003 projected costs of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L. 108-173).

"2010 Tax Act" shows CBO's 2011 projected total costs of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312).

"Other Means of Financing" includes changes to publicly-held federal debt caused by loan guarantees, asset sales, and other off-budget changes in the need for the federal government to borrow.

"Other Defense Spending" shows growth in defense discretionary spending unaccounted for by specific policies.

"Other Tax Cuts" shows debt growth caused by legislative decreases in revenue and unaccounted for by specific policies.

"Recovery Act" shows CBO's 2009 projected total costs of the American Recovery and Reinvestment Act of 2009 (ARRA).

"Operations in Iraq & Afghanistan" shows CBO's 2011 estimate of the costs of operations in Iraq and Afghanistan. Due to data limitations, this category illustrates budget authority, not outlays.

"Other Non-Defense Spending" shows growth in non-defense discretionary and mandatory spending unaccounted for by specific policies.

"Interest Due to New Legislation" includes all debt changes caused by changes in interest costs classified as "legislative" by the Congressional Budget Office (CBO). It excludes growth in net interest due to economic or technical revisions.

"2001/2003 Tax Cuts" shows CBO's 2001 and 2003 projected total costs of the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs Growth and Tax Relief Reconciliation Act of 2003.

"Technical & Economic (Revenue)" includes those debt changes categorized as "technical" or "economic" by CBO and caused by changes in revenue projections.

(continued)

Appendix (continued)

Sources

Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2011, p. 62.

For all other sources, see Pew Fiscal Analysis Initiative, *The Great Debt Shift*, May 2011, Appendix Table 2.

Notes to Chart 3

Unemployment insurance spending comprises total outlays in federal budget function 603. Long-term unemployment figures are fiscal year annual averages of the monthly 52-week-or-longer series from the Bureau of Labor Statistics.

Sources

Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2011.

Office of Management and Budget, Public Budget Database Fiscal Year 2011 (Outlays). Obtained at http://www.whitehouse.gov/omb/budget/Supplemental/Bureau of Labor Statistics, Series I.D. LNU03008696.

National Bureau of Economic Research.

Notes to Chart 4

* Tax expenditures already show up in the budget in the form of lower revenues. Treating them as spending programs instead would raise outlays and revenues by an equal amount, not affecting the size of the budget deficit.

All spending figures are based on outlays. Final fiscal year 2011 spending and revenue figures from the U.S. Department of the Treasury are expected later in 2011.

Sources

Allison Rogers and Eric Toder, Trends in Tax Expenditures: 1985-2016, Tax Policy Center, September 2011. Obtained at http://taxpolicycenter.org/publications/url.cfm?ID=412404

Congressional Budget Office, The Budget and Economic Outlook: An Update, August 2011. Historical U.S. Treasury data.

Notes to Chart 5

"Current Law Baseline" assumes the Congressional Budget Office's August 2011 current law baseline. "Current Policy Baseline" modifies CBO August 2011 current law baseline to reflect the cost of five policy changes: 1) the permanent extension of the December 2010 tax law for all filers; 2) indexing the 2011 parameters of the AMT for inflation; 3) overriding scheduled cuts in Medicare Part B physician reimbursements; 4) reducing overseas troop levels to 45,000 by 2015; and 5) reauthorizing certain expiring income tax provisions (commonly called the "extenders").

Sources

Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2011.

Notes to Chart 6

"Discretionary spending" refers to budget authority. All projections are based on current law save for assumptions about discretionary spending growth. No assumed savings from Phase 2 of the BCA (resulting from the Joint Select Committee or the automatic sequester) are incorporated.

Notes to Chart 7

Spending remedies apply to outlays. "Current Law Baseline" assumes the Congressional Budget Office's August 2011 current law baseline. "Current Policy Baseline" modifies CBO's August 2011 current law baseline to reflect the cost of five policy changes: 1) the permanent extension of the December 2010 tax law for all filers; 2) indexing the 2011 parameters of the AMT for inflation; 3) overriding scheduled cuts in Medicare Part B physician reimbursements; 4) reducing overseas troop levels to 45,000 by 2015; and 5) reauthorizing certain expiring income tax provisions (commonly called the "extenders"). For this exercise, Pew removed the $1.2 trillion of Joint Select Committee deficit reduction CBO assumed in its current law baseline and replaced it with different scenarios for reaching $1.5 trillion in deficit reduction by 2021.

Notes to Chart 8

Illustrated cuts are to outlays. Assumes no deficit reduction recommendations from the Joint Select Committee become law. The total amount of the sequester would be reduced by the savings of any deficit reduction measures recommended by the Joint Select Committee that become law by January 15, 2012.

Sources

Congressional Budget Office, *Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act*, September 2011. Obtained at http://cbo.gov/doc.cfm?index=12414

Notes to Chart 9

These estimates do not incorporate different economic scenarios, nor do they project the extent of the measures the Treasury may take once the statutory debt limit is reached. They incorporate assumptions about month-to-month variations in revenues, outlays, and issuance of debt based on historical data since fiscal year 2009.

The earliest estimate (February 2013) assumes 1) overriding of planned Medicare Part B physician reimbursement cuts; 2) extension of December 2010 tax law for all filers; 3) the "extenders" tax provisions are reauthorized; 4) overseas troop reductions proceed as announced by the president; and, 5) repeal of the deficit control provisions of the BCA, including the discretionary spending caps and the automatic sequester.

The latest estimate (June 2014) assumes 1) Medicare Part B physician reimbursements are cut as scheduled or offset; 2) the December 2010 tax law fully expires as scheduled; 3) the "extenders" tax provisions all expire as scheduled; 4) overseas troop reductions proceed as announced by the president; and 5) the BCA is fully enforced and $1.5 trillion in deficit reduction becomes law.

"Current Policy Range" assumes Pew's current policy baseline and only varies the amount of savings resulting from the Joint Select Committee. Pew's current policy baseline assumes 1) overriding of planned Medicare Part B physician reimbursement cuts; 2) extension of December 2010 tax law for all filers; 3) "extenders" tax provisions are reauthorized; 4) overseas troop reductions proceed as announced by the president; and, 5) the BCA is fully enforced and either the sequester is triggered (February 2013 estimate) or $1.5 trillion in deficit reduction becomes law (August 2013 estimate).

Pew assumed the $1.5 trillion in Joint Committee deficit reduction takes effect beginning in January 2013, and the non-interest portion is spread out evenly over fiscal years 2013 to 2021, about $140 billion each year.

Sources

Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2011.

Historical U.S. Treasury data.

Notes to Chart 10

These estimates do not incorporate different economic scenarios, nor do they project the extent of the measures the Treasury may take once the statutory debt limit is reached. They incorporate assumptions about month-to-month variations in revenues, outlays, and issuance of debt based on historical data since fiscal year 2009.

The October 2012 estimate assumes 1) enactment of S. 1660, 2) the permanent extension of the December 2010 tax law for everyone, 3) the reauthorization of the "extenders", 4) the repeal of planned cuts to Medicare physician reimbursements, 5) overseas troop withdrawals proceed as planned, and 6) the full repeal of the BCA, including the discretionary caps and the automatic sequester. The debt ceiling rises under this scenario by $1.2 trillion.

Under Pew's current policy baseline, enactment of S. 1660 would cause the U.S. to reach the debt limit between November 2012 and April 2013, depending on the success and timing of the Joint Select Committee's recommendations. Pew's current policy baseline assumes 1) the permanent extension of the December 2010 tax law for everyone, 2) the reauthorization of the "extenders," 3) the repeal of planned cuts to Medicare physician reimbursements, 4) overseas troop withdrawals proceed as planned, and 5) the enforcement of the BCA discretionary caps. The November 2012 estimate assumes no recommendations from the Joint Select Committee become law (or that their proposals have no effect before November 2012) and the debt ceiling is raised by $1.2 trillion. The April 2013 estimate assumes Joint Select Committee recommendations totaling $1.5 trillion become law and take effect beginning January 2012, raising the debt limit by $1.5 trillion.

The August 2013 estimate assumes 1) enactment of S. 1660, 2) Congress allows the December 2010 tax law to expire, 3) the "extenders" expire, 4) scheduled Medicare Part B cuts to physicians occur, 5) overseas troops are reduced, 6) the discretionary caps under Phase 1 of the BCA are enforced, and 7) an additional $1.5 trillion in deficit reduction between 2012 and 2021 becomes law, raising the debt ceiling by $1.5 trillion.

Sources

Congressional Budget Office, "Cost Estimate: S. 1549, American Jobs Act of 2011", October 7, 2011.

Congressional Budget Office, Letter to the Hon. Harry Reid, October 7, 2011 (Score of S. 1660).

Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2011.

Office of Management and Budget, *Living Within Our Means and Investing in the Future: The President's Plan for Economic Growth and Deficit Reduction*, September 2011.

Historical U.S. Treasury data.

Ernest V. Tedeschi was the lead author and analyst for this chart book. Graphics and layout design by Evan Potler and Carla Uriona.

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