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by William G. Gale and Peter R. Orszag

The Budget Outlook: Baseline and Adjusted Projections

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I. Introduction

On August 26, the Congressional Budget Office (2003) released updated baseline budget projections for fiscal years 2004-2013. The updated CBO figures provide an opportunity to reassess fiscal prospects and reconsider policy options. As a preliminary step in that direction, this article examines the baseline CBO projections and adjusts the official data in ways that we believe more accurately reflect the current trajectory of tax and spending policies and the government's underlying financial status. We reach the following main conclusions:

- CBO now projects a 10-year baseline deficit of $1.4 trillion for fiscal years 2004 to 2013. The budget outside of Social Security faces a baseline deficit of $3.8 trillion.
- These figures represent staggering declines from the projections two and a half years ago. The unified budget baseline for 2002 to 2011 deteriorated from a projected surplus of $5.6 trillion in January 2001 to a projected deficit of $2.3 trillion currently, a turnaround of roughly 6 percent of GDP over the same projection period. The baseline for fiscal year 2004 alone has deteriorated by almost $900 billion, or almost 8 percent of GDP, since January 2001. Although the decline in budget outcomes in 2002 was due mostly to worsening economic conditions, most of the decline in the projected budget surplus from 2004 on is due to tax and spending legislation enacted since 2001.
- The baseline projections do not provide a full representation of the government's underlying fiscal position because of a variety of unrealistic assumptions regarding current policy and because retirement programs are merged with other programs in the main budget presentations.
- If expiring tax provisions are extended, the alternative minimum tax is held in check, and real per capita discretionary spending is held constant, the unified budget will accumulate deficits of $4.6 trillion (3.2 percent of GDP) over the next 10 years, with deficits of about $400 billion or more in every year. These deficits emerge just from efforts to maintain the policy status quo. The differences between the CBO baseline and our adjusted unified budget projections grow over time. In 2013 alone, the difference is $750 billion (4.2 percent of GDP).
- The unified budget figures above include large cash flow surpluses accruing in trust funds for Social Security, Medicare, and government pensions over the next 10 years. But in the longer term, Social Security and Medicare face significant deficits. The adjusted 10-year budget outside of the retirement trust funds faces a deficit of $7.7 trillion over the next decade (5.4 percent of GDP).

Section II summarizes CBO's recent budget projections and discusses the level and sources of changes in the projections over time. Section III explores adjustments to the official budget baseline, and section IV offers a set of concluding remarks.

II. The Changing Budget Outlook

Table 1 reports selected baseline projections made by the CBO since January 2001. (Appendix Table 1 contains the projections for each year, and Figures 1a and 1b plot the data on an annual basis.) The baseline projects deficits of $1.4 trillion in the unified budget and $3.8 trillion in the non-Social Security budget.

Projected budget outcomes have deteriorated dramatically since January 2001. The unified budget shows a cumulative decline of $7.9 trillion over the 2002 to 2011 horizon. This change is substantial; it represents more than 6 percent of projected GDP, about 34 percent of projected federal revenue, or 31 percent of projected federal spending over this period. Moreover, the change is not temporary: The time path of projected revenue has declined over the entire decade. The projected outcome for fiscal 2004 has deteriorated by almost $900 billion since January 2001. The projected outcome for 2010 has fallen by more than $900 billion.

All of the official projections in Figures 1a and 1b show significantly better outcomes toward the end of the decade. This may at first glance appear heartening,

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Table 1: Changing Budget Projections (Surplus or Deficit in Billions of Current Dollars)

Projection Date	Projection Horizon	Unified Budget	Non-Social Security Budget
January 2001[1]	2002-11	5,610	3,119
January 2002[2]	2002-11	1,601	-745
January 2003[3]	2002-11	20	-2,219
August 2003[4]	2002-11	-2,327	-4,438
January 2003[3]	2004-13	1,336	-1,231
August 2003[4]	2004-13	-1,397	-3,803

[1]Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2002-2011." January 2001. Tables 1-1 and 1-7.
[2]Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2003-2012." January 2002. Summary Table 1, Tables 1-1 and 1-6.
[3]Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2004-2013." January 2003. Tables 1-2 and 1-5.
[4]Congressional Budget Office. "The Budget and Economic Outlook: An Update." August 2003. Table 1-1, Supplemental Tables.

since the official baseline appears to imply that the budget will right itself over time. But, as shown below, realistic adjustments for current policy imply perpetuated — and in some cases growing — deficits, rather than the reemergence of surpluses over time.

Table 2 examines the sources of the decline since January 2001 in projected unified budget outcomes over the 2002-2011 horizon (with annual figures presented in Appendix Table 2 and plotted in Figure 2). The $7.9 trillion decline in the cumulative 2002-11 projected surplus can be divided up in different ways. About 64 percent of the decline is due to reductions in revenues, with 36 percent due to higher outlays. Alternatively, 29 percent is due to legislated tax cuts (and the associated outlay and interest payments), another 29 percent is due to legislated increases in spending (including the associated interest payments), and 42 percent is due to changes in economic and technical changes — that is, changes in short- or long-term economic conditions. Appendix Table 2 shows that the causes of the shifting deficit change over time. About 68 percent of the decline in the budget surplus in 2002 and 52 percent of the projected decline in 2003 were due to changing economic and technical conditions. In 2004 and beyond, however, economic and technical revisions make up about 40 percent of the changes, with changes in legislation accounting for the majority of the revisions.

III. Adjusting the 10-Year Budget Outlook[1]

The CBO baseline budget projections dominate public discussions of the fiscal status of the government, but as CBO (2003, page 1) itself emphasizes, the baseline is not intended to serve as a prediction of likely budget outcomes. By design, the baseline does not reflect major new initiatives that may be enacted, such as a prescription drug benefit for Medicare participants. Even in the absence of major new initiatives, the set of default assumptions about current spending and tax policies used to develop the baseline are defined in part by statutory rules and hence are often unrealistic. In addition, the economy — and with it revenue and spending totals — may evolve differently than the baseline assumes.

A. Current Policy

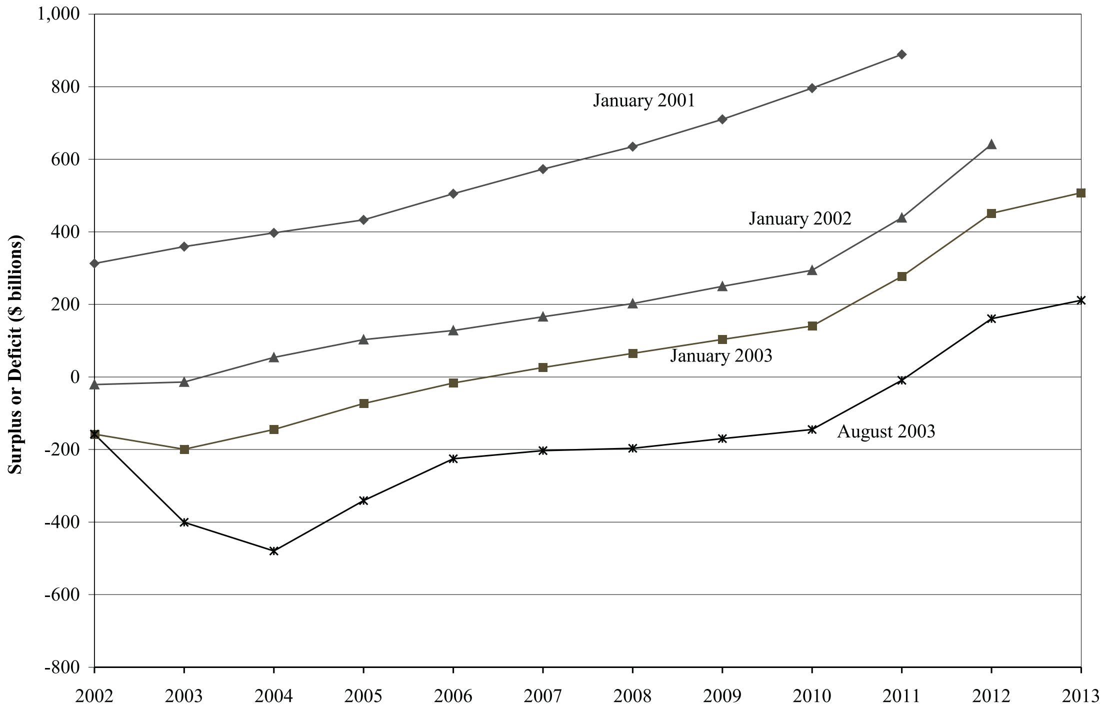
To obtain a better understanding of whether the government is living within its means under current policies, we adjust the baseline budget figures in several ways. We maintain the assumption that no major new initiatives are enacted and that the economy evolves according to CBO's projections. But we make what we believe are more useful assumptions than the baseline does about what constitutes current policy for spending and taxes. This clearly involves a set of judgment calls, so we explain the adjustments and their justifications below. Before doing so, it is appropriate to note that CBO (2003) provides significantly more sensitivity analysis than it has in the past. Also, Kogan (2003) provides an alternative set of adjusted estimates that are broadly consistent with the results reported below.

The first area where CBO's baseline assumptions appear to be an unrealistic reflection of current policy involves discretionary spending, which typically requires new appropriations by Congress every year. That is, current laws generally do not determine what discretionary spending will be in future years, raising the issue of what levels should be assumed in budget projections. The CBO baseline assumes that real discretionary spending will remain constant at the level prevailing in the first year of the budget period. Because population and income grow over time, this assumption implies that by 2013 discretionary spending will fall by more than 20 percent relative to gross domestic product (GDP) and by 9 percent in real per capita terms.

[1]The adjustments described in this section are described in more detail in Auerbach, Gale, Orszag, and Potter (2003).

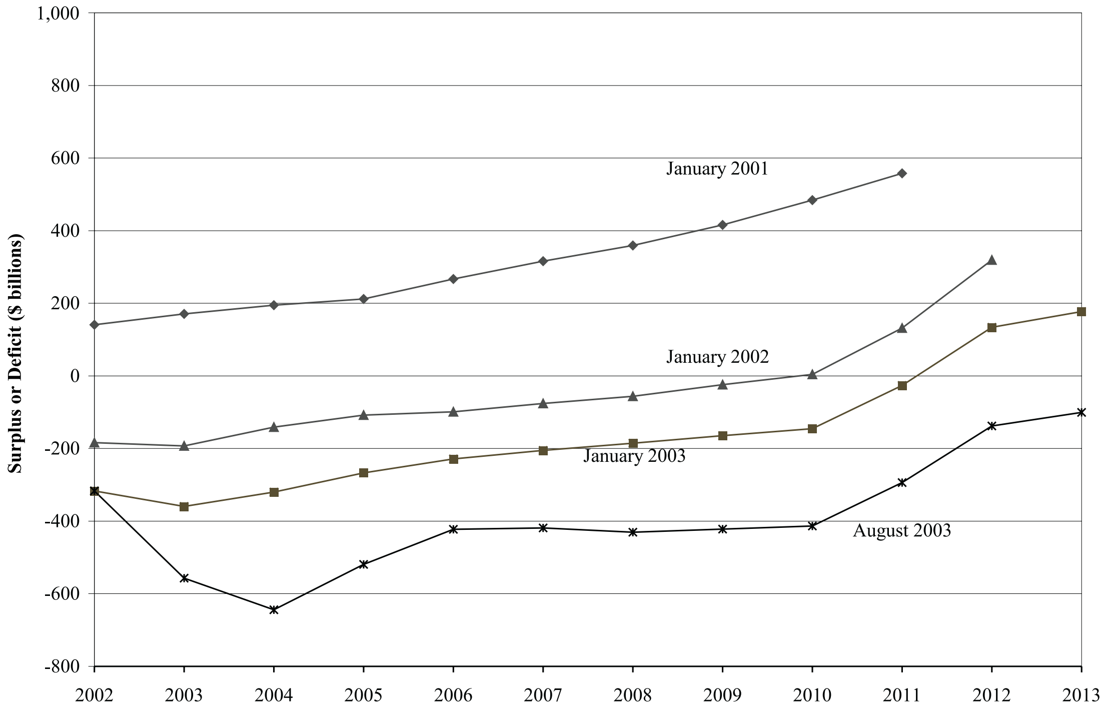
(Text continued on p. 1598.)

Figure 1a: CBO's Changing Unified Budget Projections



Source: See Appendix Table 1.

Figure 1b: CBO's Changing Non-Social Security Budget Projections



Source: See Appendix Table 1.

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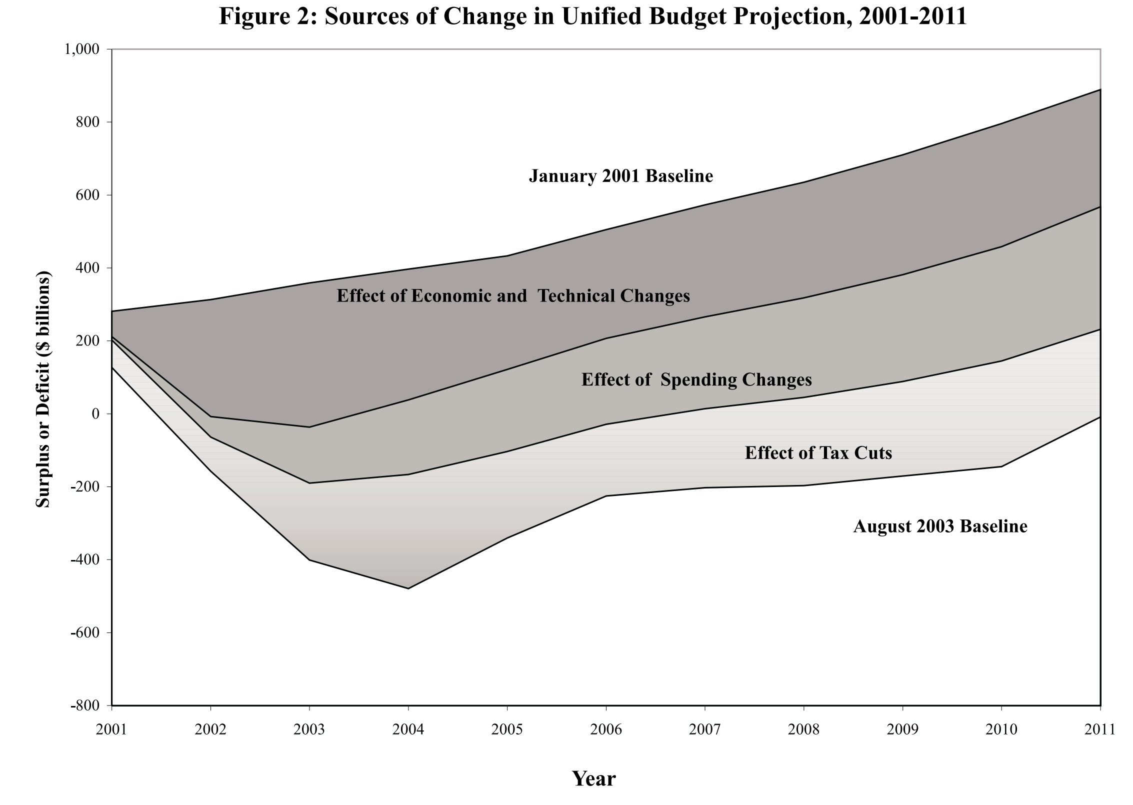

Table 2: Sources of Change in the Unified Budget Baseline, 2002-2011 January 2001-August 2003

	January 2001-August 2003[1, 2]	
	($ billions)	(percent of change)
Legislative Changes		
Tax Cuts		
Revenue Provisions	1,569	19.8
Outlays	126	1.6
Debt service	604	7.6
Subtotal	2,300	29.0
Spending		
Outlays	1,885	23.7
Debt service	457	5.8
Subtotal	2,342	29.5
Economic and Technical Changes		
Revenue	2,776	35.0
Outlay	519	6.5
Subtotal	3,295	41.5
Total Change in Surplus	7,937	100.0

[1]Columns may not sum to total due to rounding.
[2]Source and notes: see Appendix Table 2.

Although judgments may reasonably differ about future spending choices, CBO's assumption is unrealistic — either as a measure that holds current policy constant or as a prediction of likely spending outcomes. To maintain current policy, we believe that a baseline computed on the assumption that real discretionary spending grows at the same rate as the population would be more appropriate.[2] We also report budget measures below with discretionary spending held constant as a share of GDP.[3]

[2]Theoretically, the goal is to reflect the cost of maintaining current services. Some types of discretionary spending (like FBI staffing) likely require real increases that at least keep pace with population growth to maintain services. Others (like administrative expenses for government departments) may be largely fixed in real terms. Still other types of spending (like the costs of inspecting imports, which may be proportionate to the volume of imports) may require a constant or rising share of output to maintain a constant level of services.

[3]A special consideration regarding discretionary spending in the current budget outlook is how to project defense spending. The CBO baseline inflates current-year defense spending, including the supplemental appropriations bill passed last spring to finance the war in Iraq. It seems unlikely that the United States will initiate a new military invasion every year for the next decade, suggesting that the defense baseline is overstated. But other factors suggest that military costs other than the supplemental bill may be understated in the baseline by hundreds of billions of dollars (*see* Kogan 2003) and President Bush's recent request for supplemental spending lends credence to the view that defense spending will remain high for a significant period of time. For simplicity, we focus on the CBO baseline figures.

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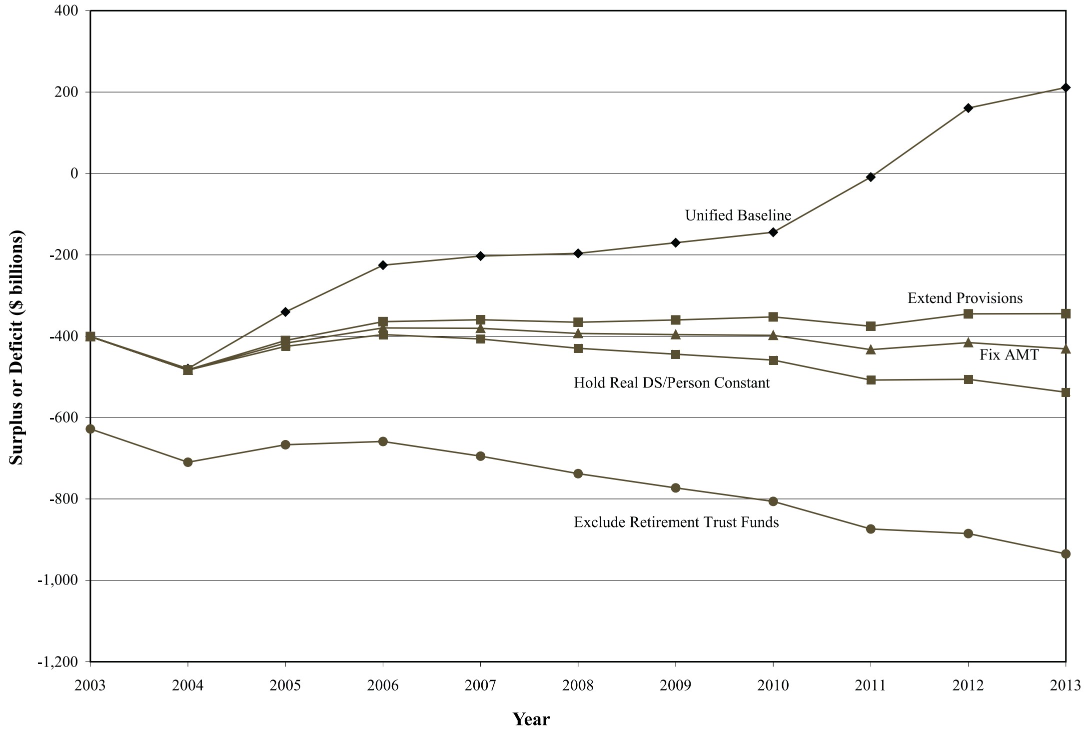
Figure 3: Baseline and Adjusted Budget Outcomes, 2003-2013
(Real Discretionary Spending/Person Held Constant)



The second area in which the baseline makes unrealistic assumptions involves expiring tax provisions. CBO assumes (by law) that Congress will extend expiring spending programs, but that all temporary tax provisions (other than excise taxes dedicated to trust funds) expire as scheduled, even if Congress has repeatedly renewed them. All of the tax cuts enacted in 2001, 2002, and 2003 expire or "sunset" by the beginning of 2011 (see Gale and Orszag 2003). A variety of other tax provisions that have statutory expiration dates are routinely extended for a few years at a time as their expiration date approaches. We believe that the most accurate assumption of current policy, on balance, would be that all of these various provisions will be extended. This is not a statement of desired or optimal policy, simply a statement of what we see as the current stance of policy.

The third issue involves the alternative minimum tax (AMT), which offers a dramatic example of how the baseline projections generate unlikely outcomes. The AMT was designed in the late 1960s, and then strengthened in 1986, to curb excessive use of tax shelters and other tax avoidance (see Burman, et al. 2002, 2003). The AMT runs parallel to the regular income tax system. It uses a somewhat different measure of income, permits fewer deductions, and applies flatter rates than does the regular income tax. In theory, each taxpayer must compute tax liability under both the conventional income tax and the AMT, and pay the larger liability. In practice, the AMT currently generates larger liability for so few taxpayers — about three million — that few filers, other than the tiny minority who might be affected, bother with it.

Because the AMT is not adjusted for inflation, while the ordinary income tax is, the AMT applies to ever more taxpayers as prices rise. In addition, the 2001 and 2003 acts made substantial changes to the regular income tax but only small and temporary changes to the AMT. So the number of people subject to the AMT will greatly increase. All told, by 2010 an estimated 33 million filers will become subject to the AMT under current law. This result is troubling in large part because the AMT is significantly more complex than the regular tax, and was never intended to affect middle-class taxpayers. Policymakers will therefore be under powerful pressure to modify the AMT.

Our budget estimates reflect current policy toward the AMT in two ways. First, we assume that provisions of the AMT that are slated to expire before the end of the budget window are granted a continuance. Under current law, the AMT exemption is increased for 2001 to 2004, but after 2004 it reverts to its 2000 level. We assume that the temporary increase in the exemption is made permanent. Also, under current law, the use of nonrefundable personal credits against the AMT is allowed through 2003. We assume that this provision is made permanent as well. Our second adjustment is to raise the AMT exemption for married couples filing jointly to $70,000 in 2005, from its currently legislated level of $58,000 in 2004, index the AMT exemption,

Table 3: Baseline and Adjusted Budget Outcomes for 2004-2013, August 2003[1]		
	Surplus	
	$ Billions	% GDP
CBO Unified Budget Baseline	-1,397	-1.0
- Adjustment for Expiring Tax Provisions		
Extend Expiring Provisions	1,991	
Interest	372	
Subtotal	2,363	
= Unified Budget adjusted for expiring tax provisions	-3,760	-2.6
- Further Adjustment for AMT		
Index AMT	189	
Allow Dependent Exemptions	122	
Interest	56	
Subtotal	367	
= Unified Budget adjusted for expiring tax provisions and AMT	-4,127	-2.9
- Adjustment for Holding Real DS/Person Constant		
Hold Real DS/Person Constant	397	
Interest	72	
Subtotal	469	
= Unified Budget adjusted for expiring tax provisions and AMT with real DS/person constant	-4,596	-3.2
- Adjustment for Retirement Funds		
Social Security	2,406	
Medicare	289	
Government Pensions	450	
Subtotal	3,144	
= Non-retirement fund budget adjusted for expiring tax provisions and AMT with real DS/person constant	-7,740	-5.4
- Further Adjustment if Discretionary Spending/GDP Constant		
Outlays	965	
Interest	176	
Subtotal	1,140	
= Non-retirement fund budget adjusted for expiring tax provisions and AMT with DS/GDP constant	-8,880	-6.2

AMT = Alternative minimum tax
GDP = Gross domestic product
DS = Discretionary spending
[1]Due to rounding, columns may not sum to total. Source and notes: see Appendix Table 3.

brackets, and phaseouts for inflation starting in 2006, and allow dependent exemptions in the AMT starting in 2005.[4]

Table 3 splits these costs into two components. The cost of extending the exemption and use of nonrefundable credits is part of the "adjustment for expiring tax provisions" and based on CBO estimates. The additional costs of raising the exemption, indexing the tax for inflation, and adding a dependent exemption are shown separately and are based on estimates using the Tax Policy Center microsimulation model. Taken together, the adjustments would reduce revenues by $692 billion and add $131 billion to debt service costs, for a total budgetary cost of $823 billion. Under these assumptions, about 2.7 million taxpayers would face the AMT in 2013, assuming that the expiring provisions are extended.

We note that, rather than being cut, the AMT could be reformed in a revenue-neutral manner to keep participation constant over time. To the extent that AMT reform is revenue-neutral, our estimates of the costs would be overstated.

B. Retirement Funds

Another reason the unified budget projections over the next 10 years do not provide an accurate indicator of the underlying stance of government policy is that some currently legislated policies have budgetary implications in years more than a decade into the future. Those implications are not captured in medium-term

[4]This is "plan 2" in Burman, *et al.* (2002) and is designed to reduce the chances that households with income below $100,000 end the AMT. Exemptions for single taxpayers are raised to $52,500.

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budget projections. In particular, projecting the unified budget over a decade or less provides a misleading picture of the long-term budget position of the federal government when current or past policies result in a spending-revenue imbalance after the end of the budget projection period. Under current laws, an important source of those imbalances is long-term commitments to pay pension and health care benefits to the elderly through Social Security, Medicare, Medicaid, and the Federal Employees Retirement program. Currently, taxes earmarked to pay for Social Security and Medicare Hospital Insurance exceed current outlays on those programs. But in the long run, the programs face significant deficits.

There are several potential ways to address this problem, each with different strengths and weaknesses. The approach we take here is to separate some of these programs from the official budget. In various pieces of legislation between 1983 and 1990, Congress took a step in this direction by classifying Social Security as "off-budget." The Congressional Budget Office and the Office of Management and Budget now report revenues and expenditures not only for the unified budget, but also for "off-budget" programs and "on-budget programs." The exclusion from the "on-budget" accounts of current cash flow surpluses in Social Security partially offsets the omission of sizeable deficits in that program that are expected to occur in years beyond the 10-year budget window. We extend this approach by also considering the budget picture, excluding the trust funds for Social Security, Medicare, and government pensions.

C. Implications of the Adjustments

Table 3 shows the sizable effects of adjusting the budget for current policy assumptions and retirement trust funds over the 10-year period. (Appendix Table 3 reports annual data, which are plotted in Figure 3.) As noted above, the CBO unified budget baseline projects a 10-year deficit of $1.4 trillion, with surpluses rising sharply over time. Adjusting the CBO baseline for our assumptions regarding current policy implies that the unified budget will be in deficit to the tune of $4.6 trillion over the next decade if real discretionary spending per capita is held constant. Notably, the adjusted unified baseline shows a deficit of about $400 billion or more in every year through 2013. The unified budget, however, includes retirement trust fund surpluses that exceed $3 trillion. Adjusting further by taking the retirement funds off-budget generates a 10-year deficit, other than retirement funds, of $7.7 trillion.

Although the precise figures should not be taken literally due to uncertainty and other factors, the basic trends in the data are clear. First, the CBO baseline suggests that the budgetary future features rising surpluses within the 10-year window, while our adjusted unified budget baseline implies continual, substantial unified deficits through 2013. Second, the differences grow over time. By 2013, the annual difference between the official projected unified budget and our alternative unified deficit is more than $750 billion. Third, acknowledging that the retirement trust funds are running current surpluses, but will run deficits in the future, makes the budget outlook far worse and the difference grows over time. By 2013, the annual difference between the CBO unified budget baseline and our adjusted non-retirement-trust-fund budget exceeds $1.1 trillion.

IV. Conclusion

The new CBO baseline budget projections confirm a very large decline in projected budget outcomes since January 2001. In addition, adjustments to the unified baseline to more reasonably reflect the current policy stance imply much larger deficits over the next decade than the official projections, with an adjusted unified budget deficit totaling about $4.6 trillion. Even these deficits, however, include more than $3 trillion in current retirement trust fund surpluses over the next decade. Since the retirement trust funds are known to face significant long-term deficits, a better way to assess the government's financial status is to note that, in addition to long-term deficits in the retirement trust funds, the government faces deficits of $7.7 trillion (or more than 5 percent of GDP) in the budget outside those trust funds over the next decade, with no end in sight. The causes, effects, and implications of these deficits are — or should be — central issues for policymakers and will be the subject of the next column.

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Appendix Table 1: Changing Annual Budget Projections (Surplus or Deficit in Billions of Current Dollars)[1]

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Unified Budget												
January 2001[2]	313	359	397	433	505	573	635	710	796	889		
January 2002[3]	-21	-14	54	103	128	166	202	250	294	439	641	
January 2003[4]	-158	-199	-145	-73	-16	26	65	103	140	277	451	508
August 2003[5]	-158	-401	-480	-341	-225	-203	-197	-170	-145	-9	161	211
Non-Social Security Budget												
January 2001[2]	141	171	195	212	267	316	359	416	484	558		
January 2002[3]	-184	-193	-141	-108	-99	-76	-56	-24	4	132	319	
January 2003[4]	-317	-360	-320	-267	-229	-205	-185	-165	-145	-26	134	177
August 2003[5]	-317	-557	-644	-519	-422	-419	-431	-422	-413	-294	-138	-100

[1]Due to rounding, annual data from Appendix Table 1 may not sum to the CBO totals listed in Table 1.
[2]Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2002-2011." Tables 1-1 and 1-7.
[3]Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2003-2012." Tables 1-1 and 1-6.
[4]Congressional Budget Office. "The Budget and Economic Outlook: Fiscal Years 2004-2013." Tables 1-2 and 1-5.
[5]Congressional Budget Office. "The Budget and Economic Outlook: An Update." August 2003. Table 1-1, Supplemental Table.

Appendix Table 2: Sources of Change in the Unified Budget Baseline, Year-by-Year January 2001 to August 2003

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Legislative Changes[1]												
Tax Cuts												
Revenue Provisions	71	75	179	268	185	133	140	153	157	171	107.45	1,569
Outlays	4	15	19	19	12	10	10	9	10	11	12	126
Debt service[2]	0	5	12	26	41	54	67	79	93	107	121	604
Subtotal	75	94	211	313	237	197	217	241	259	290	241	2,300
Other Outlays												
Outlays	9	56	151	195	205	203	206	211	215	219	224	1,885
Debt service	0	0	3	10	20	32	46	62	78	95	112	457
Subtotal	9	56	154	204	225	235	252	273	293	313	336	2,342
Economic and Technical Changes												
Revenue	72	308	394	359	321	280	254	238	227	220	174	2,776
Outlay	-3	13	1	-1	-10	18	53	78	102	118	147	519
Subtotal	69	321	395	359	311	298	307	317	329	338	321	3,295
Total Change in Surplus	154	471	760	876	774	730	776	832	881	941	898	7,937
As Percent of Change in Surplus[3]												
Tax Cuts	49	20	28	36	31	27	28	29	29	31	27	29
Other Outlays	6	12	20	23	29	32	33	33	33	33	37	30
Economic/Technical Changes	45	68	52	41	40	41	40	38	37	36	36	42
Total	100	100	100	100	100	100	100	100	100	100	100	100

[1]All noninterest figures are derived from supplemental tables from the Congressional Budget Office for "The Budget and Economic Outlook: An Update." August 2003.
[2]Debt Service is apportioned to each of the categories based on authors' calculations. Each major legislative change is ascribed interest based on that year's CBO debt service matrix. A residual is calculated and attributed to revenue and outlay changes in accordance with their relative effects.
[3]Percents may not sum to 100 due to rounding.

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Appendix Table 3: Baseline and Adjusted Budget Outcomes for 2003-2013
August 2003 Projections
(Surplus or Deficit in $ billions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CBO Unified Budget Baseline[1]	-401	-480	-341	-225	-203	-197	-170	-145	-9	161	211
as percent of nominal GDP	-3.7	-4.3	-2.9	-1.8	-1.5	-1.4	-1.2	-0.9	-0.1	1.0	1.2
Adjustment for expiring tax provisions											
Extend Expiring Provisions[2]	0	3	69	133	143	146	157	164	308	424	446
Interest[3]	0	0	1	6	14	23	33	44	59	82	110
Subtotal	0	3	70	139	157	169	190	208	366	506	556
Unified Budget adjusted for expiring tax provisions	-401	-483	-410	-364	-360	-365	-360	-352	-375	-345	-344
as percent of nominal GDP	-3.7	-4.3	-3.5	-2.9	-2.7	-2.6	-2.5	-2.3	-2.3	-2.0	-1.9
Further Adjustment for AMT[4]											
Raise and Index AMT	0	0	2	7	10	14	18	23	30	38	47
Allow Dependent Exemptions	0	1	4	8	9	11	13	15	18	20	22
Interest	0	0	0	1	2	3	5	7	10	13	17
Subtotal	0	1	7	15	21	28	36	46	57	71	86
Unified Budget adjusted for expiring tax provisions and AMT	-401	-484	-417	-380	-381	-393	-396	-398	-433	-416	-431
as percent of nominal GDP	-3.7	-4.3	-3.5	-3.0	-2.9	-2.8	-2.7	-2.6	-2.7	-2.5	-2.4
Adjustment for holding real DS/person constant[5]											
Hold real DS/person constant	0	0	8	16	24	33	42	52	63	73	85
Interest	0	0	0	1	2	4	6	9	12	17	22
Subtotal	0	0	8	17	26	37	48	61	75	90	107
Unified Budget adjusted for expiring tax provisions and AMT with real DS/person constant	-401	-484	-425	-396	-407	-430	-444	-459	-508	-506	-538
as percent of nominal GDP	-3.7	-4.3	-3.6	-3.2	-3.1	-3.1	-3.0	-3.0	-3.2	-3.0	-3.0
Adjustment for Retirement Funds[6]											
Social Security	157	164	179	197	216	234	252	269	285	299	312
Medicare	32	21	22	24	29	30	32	32	33	31	34
Government Pensions	39	41	41	42	43	44	45	46	48	49	51
Subtotal	227	226	242	263	288	308	328	347	366	379	397
Nonretirement fund budget adjusted for expiring tax provisions and AMT with real DS/person constant	-628	-710	-667	-659	-695	-738	-773	-806	-874	-885	-935
as percent of nominal GDP	-5.9	-6.3	-5.6	-5.3	-5.3	-5.3	-5.3	-5.2	-5.4	-5.2	-5.3
Further Adjustment for holding DS/GDP constant											
Outlays	0	0	11	40	65	85	107	130	148	179	200
Interest	0	0	0	1	4	9	14	22	30	41	53
Subtotal	0	0	11	41	69	94	122	152	178	220	253
Nonretirement fund budget adjusted for expiring tax provisions and AMT with DS/GDP constant	-628	-710	-678	-700	-764	-832	-894	-958	-1052	-1105	-1188
as percent of nominal GDP	-5.9	-6.3	-5.7	-5.6	-5.8	-6.0	-6.1	-6.2	-6.5	-6.5	-6.7

AMT = Alternative minimum tax
GDP = Gross domestic product
DS = Discretionary spending

[1]"The Budget and Economic Outlook: An Update." August 2003. Table 1-1.

[2]"The Budget and Economic Outlook: An Update." August 2003. Table 1-6. Authors' calculations for extending AMT expiring provisions.

[3]Authors' calculations using August 2003 CBO debt service matrix.

[4]Authors' calculations using microsimulation model of Tax Policy Center. The AMT exemption is raised to $70,000 for MFJ in 2005 and indexed for inflation afterwards.

[5]Authors' calculations using the following sources: "An Analysis of the President's Budgetary Proposals for Fiscal Year 2004: An Interim Report, Table 4. U.S. Bureau of the Census." Annual Projections of the Total Resident Population as of July 1: Middle, Lowest, Highest, and Zero International Migration Series, 1999 to 2100. February 14, 2000.

[6]"The Budget and Economic Outlook: An Update." August 2003. Table 1-1 and Supplemental Tables.