Moment of Truth

PROJECT

Updated Estimates of the Fiscal Commission Proposal

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THE COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

About the Moment of Truth Project

In its final report, "The Moment of Truth," the President's bipartisan National Commission on Fiscal Responsibility and Reform ("Fiscal Commission") declared that the era of deficit denial is over. The debt crisis in Europe, the sobering election results, and the work of the Fiscal Commission have transformed the debate from a question of if we will reduce long-term deficits, to a matter of when and how we will do so. Fiscal responsibility will be the dominant national issue of the next two years, and we have the rare opportunity to enact a broad bipartisan plan to reduce the deficit and bring the debt under control. We must not let this opportunity pass.

The Moment of Truth project aims to use the Fiscal Commission's findings to spark a national discussion on the need to implement a comprehensive budget fix, and to help further develop the policy reforms ideas to improve the nation's fiscal outlook.

The Moment of Truth project seeks to build on this effort, working with Congress, the Administration, and the public at large. The project focuses primarily on public education, Congressional outreach, and technical and policy analysis.

The Moment of Truth project is a project of the Committee for a Responsible Federal Budget, a bipartisan, non-profit organization committed to educating the public about issues that have significant fiscal policy impact. The Committee is made up of some of the nation's leading budget experts including many of the past Chairmen and Directors of the Budget Committees, the Congressional Budget Office, the Office of Management and Budget, the Government Accountability Office, and the Federal Reserve Board.

The Moment of Truth (MOT) project is a non-profit, non-partisan effort that seeks to foster honest discussion about the nation's fiscal challenges, the difficult choices that must be made to solve them, and the potential for bipartisan compromise that can move the debate forward and set our country on a sustainable path.

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Updated Estimates of the Fiscal Commission Proposal

Executive Summary

In the months since the final report of the National Commission on Fiscal Responsibility and Reform (Fiscal Commission), "The Moment of Truth," the Congressional Budget Office has updated its budget projections in light of several legislative changes, as well as a downward revision to the economic outlook. In addition, a number of the policies recommended by the Fiscal Commission have been re-estimated to have different deficit impacts, and the ten-year budget window now extends through 2021 instead of 2020.

Under updated estimates that reflect these changes, the Fiscal Commission would reduce the deficit by $3.8 trillion excluding Social Security and $4.05 trillion including it. The savings are somewhat lower than they were in the original report primarily because a significant amount of the discretionary savings in the Commission plan are now assumed in the baseline in large part as a result of cuts that have been enacted. Approximately $650 billion of the discretionary savings in the Commission report are now "baked" into the baseline assumptions. In addition, the projected debt and deficit levels are somewhat higher under updated estimates because of the tax cut extensions and a deterioration in underlying budget projections since last year. Nonetheless, the Commission plan still puts the debt on a downward trajectory after 2014.

Since the estimated savings claimed by a budget plan can vary depending on which baseline the plan is measured against, it is important to look at the actual deficit and debt levels when comparing a plan to the Fiscal Commission proposal. Under the Fiscal Commission's recommendations, debt would begin to decline after 2014 from a high of 75 percent of GDP to below 70 percent by the end of the decade. That is the standard against which any fiscal plan should be measured; and if anything policymakers should consider strengthening the Fiscal Commission recommendations.

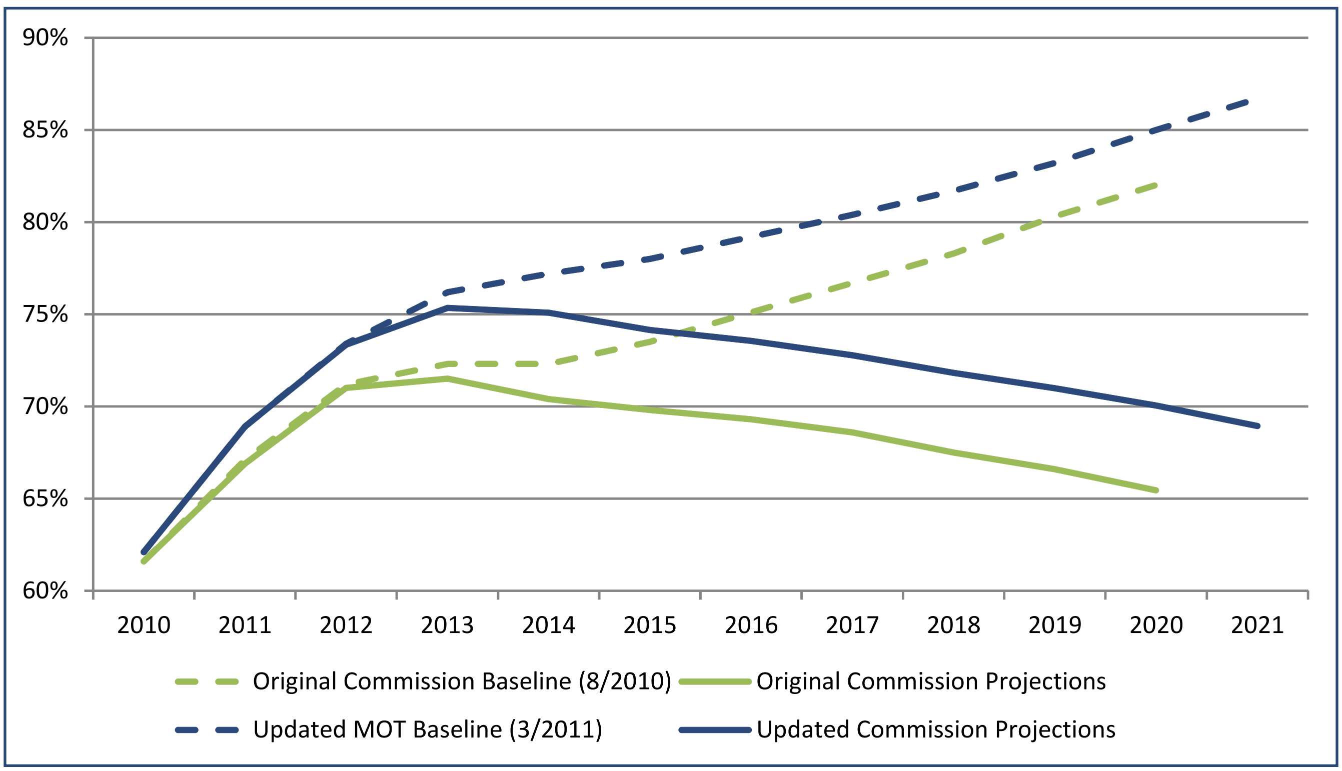
Background

The final report of the National Commission on Fiscal Responsibility and Reform (Fiscal Commission), "The Moment of Truth," contained recommendations that the Commission estimated at the time would achieve $3.9 trillion in deficit reduction through 2020 relative to the Commission's plausible baseline ($4.1 trillion in total savings including Social Security). Based on that original score, deficits would decline to 2.3 percent of GDP by 2015 and 1.2 percent of GDP by 2020, while debt levels would (after peaking in 2013) fall to 70 percent of GDP in 2015 and 65 percent in 2020.

Those estimates were based on a modified version of the Congressional Budget Office's (CBO) August 2010 current law baseline. Since the Commission's report was issued, CBO has updated its budget projections in light of several legislative changes, as well as a downward revision to the economic outlook. In addition, a number of the policies recommended by the Fiscal Commission have been re-estimated to have different deficit impacts, and estimates have been extended out to 2021 (instead of 2020 under the original Fiscal Commission estimates).

Using new estimates, which are generated from an updated baseline modified from CBO's March 2011 current law projections, the Fiscal Commission proposal would reduce the deficit by $3.8 trillion ($4.05 trillion in savings including Social Security) through 2021. The difference from the original estimates stems mainly from large discretionary cuts which are now integrated into the baseline because of action taken since the report was issued as opposed

Fig. 1
Original and Updated Fiscal Commission Debt Projections (Percent of GDP)



to being included in the savings estimates.

Under the updated estimates incorporating the deterioration in underlying budget projections, the deficit would be of 2.6 percent of GDP in 2015 and 1.7 percent in 2020 under the Fiscal Commission plan, and the debt would fall to 74 percent of GDP in 2015 and 70 percent in 2020.

Despite higher overall debt levels, the Fiscal Commission plan would still be sufficient to put the debt on a declining path after 2014 and bring it down toward sustainable levels. However, the longer we wait to enact a plan of at least the magnitude of the Fiscal Commission's, the less that plan will be able to accomplish. Especially in light of the higher debt levels we are facing, congressional action on our debt and deficits is now more important than ever; and if anything policymakers should consider strengthening the Fiscal Commission recommendations.

Spending, Revenues, Deficits, and Debt

Estimates of savings can vary depending on what baseline the plan is measured against. What is more important, though, is what deficit and debt levels result from a given plan.

Under the Fiscal Commission plan, updated estimates show deficits falling from 9.3 percent of GDP in 2011 down to 6.8 percent in 2012, to 2.6 percent in 2015, and to 1.8 percent in 2020. By comparison, under the Fiscal Commission's original estimates, deficits were projected to fall from 8.1 percent of GDP in 2011 and 6.4 percent in 2012 to 2.3 percent in 2015 and 1.2 percent in 2020.

Debt, under our latest estimates, would decline from a high of 75 percent of GDP in 2013 to 70 percent by 2020. The original Fiscal Commission estimates had it declining from a high 72 percent in 2013 to 65 percent by 2020.

The deficit and debt numbers differ from original estimates in the Commission report largely because the increased debt burden created by the 2010 tax cut deal and, more significantly, because of lower economic growth assumptions which have significantly pushed down revenue projections.

As with the original estimates, spending falls below 22 percent of GDP by 2014 and remains near that level throughout the decade. Revenue, however,

Fig. 2
Spending, Revenues, Deficits, and Debt (Percent of GDP)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Updated Projections										
Spending	23.0%	22.3%	21.9%	21.8%	21.9%	21.7%	21.5%	21.8%	21.8%	21.8%
Revenues	16.3%	17.7%	18.9%	19.2%	19.2%	19.6%	19.7%	19.9%	20.0%	20.3%
Deficits	6.8%	4.5%	3.1%	2.6%	2.7%	2.2%	1.9%	1.9%	1.8%	1.5%
Debt	73%	75%	75%	74%	74%	73%	72%	71%	70%	69%
Original Projections										
Spending	23.3%	22.1%	21.6%	21.6%	21.9%	21.8%	21.6%	21.8%	21.8%	N/A
Revenues	17.3%	18.2%	19.1%	19.3%	19.7%	20.0%	20.2%	20.5%	20.6%	N/A
Deficits	6.0%	3.9%	2.6%	2.3%	2.2%	1.8%	1.4%	1.3%	1.2%	N/A
Debt	71%	72%	70%	70%	69%	69%	68%	67%	65%	N/A

rises gradually to only 20 percent of GDP by 2020, compared to 20.6 percent in the original projections. As with the deficit projections, this is primarily a function of the downward revision in projections of economic growth.

Note that the estimates in this analysis are based on CBO's macroeconomic assumptions, and do not account for any additional economic growth which is likely to occur as a result of the gradual debt reduction and tax rate reduction associated with the Fiscal Commission plan. Additional growth could result in higher revenues, lower deficits, and a further decline in the debt-to-GDP ratio – what are known as "dynamic" effects.

Differences in the Baselines

The Fiscal Commission's recommended spending, revenue, deficit, and debt paths were based off of the economic and technical assumptions in the baseline released by CBO in August of 2010. The Commission constructed a plausible baseline using those economic and technical assumptions along with the following policy assumptions:

1) Continuation of the 2001/2003 tax cuts protected under statutory PAYGO (those applied to income below $200,000 for individuals and $250,000 for families);
2) Indexing of the parameters of the most recent Alternative Minimum Tax patch;
3) Continuation of the Estate Tax at 2009 levels;
4) Replacement of the Medicare Sustainable Growth Rate (SGR) with a permanent freeze to physician payments;
5) Discretionary spending at the levels in the President's FY 2011 budget request; and
6) Spending in Iraq and Afghanistan consistent with the CBO option to gradually reduce the number of troops to 60,000 by 2015.

Under that original baseline, debt was projected to grow from 67 percent of GDP in 2011 to 74 percent in 2015 and 82 percent in 2020. Under the updated estimates, however, debt will rise to 78 percent of GDP in 2015 and 85 percent in 2020.

Broadly speaking, changes between the Fiscal Commission's original baseline and the updated baseline used in this analysis result from one of two types of factors – those related to changes in the current law baseline and those related to changes in the adjustments. Under current law, over the 2011 to 2020 period, deficits are now projected to be $1.2 trillion worse than those projected in August of 2010, both because of lower revenue from worsened economic performance and the fiscal impact of the tax cut and stimulus deal enacted in December of 2010 (offset in part by lower discretionary spending).

Pushing in the other direction are changes to the adjustments made to CBO's current law projections. Most significantly, the adjusted baseline used in this analysis does not use the discretionary spending levels from the President FY 2011 budget as the Fiscal Commission did in its plausible baseline. This is both because that budget is now well out of date and because recent discretionary spending cuts have made it clear that some of the Commission's proposed spending cuts are already underway and should therefore be "baked" into the baseline. This primarily affects the amount of savings attributed to the Commission proposal. In addition, our updated baseline now assumes the number of troops in Iraq and Afghanistan will decline to 45,000 rather than 60,000 by 2015 – which is more consistent with current policies.

Updated Estimates

Using the updated baseline assumptions, extending the window to reach 2021, and incorporating more recent estimates where available, the Fiscal Commission plan would save about $3.8 trillion between 2012 and 2021 – or $4.05 trillion when Social Security is included. Note that this appears as less savings than what the Fiscal Commission presented ($3.9 trillion through *2020* excluding Social Security and $4.1 including it). This is due mainly to the fact that much of the discretionary cuts recommended by the Commission have been incorporated into the baseline. If the discretionary spending levels in the Commission plan were measured against the President's FY 2011 budget request as the Commission report did, the savings would be closer to $4.7 trillion through 2021 excluding Social Security and $5 trillion including it.

Fig. 3
Fiscal Commission Savings by Budget Category Against Adjusted Baseline (Billions of Dollars)

	Updated Projections 2012-2021	Updated Projections 2012-2020	Original Projections 2012-2020
Discretionary^	$1,295	$1,070	$1,661
Health Care	$400	$329	$341
Other Mandatory	$274	$227	$215
Revenues	$1,198	$951	$996
Interest	$620	$445	$673
Sub-Total	**$3,786**	**$3,023**	**$3,887**
Social Security*	$266	$213	$238
Total	**$4,052**	**$3,236**	**$4,125**
Memorandum			
*Discretionary Savings Measured Against President's FY2011 Budget^*	*$2,031*	*$1,726*	*$1,661*
*Total Deficit Reduction Measured Against President's FY2011 Budget^*	*$4,969*	*$4,031*	*$4,125*

^ The Fiscal Commission's original baseline was based on the President's FY2011 budget for discretionary spending, while our newest baseline is based on CBO's March 2011 current law projections.

*Includes changes in both costs and revenues for the program.

Discretionary Savings

On discretionary spending, the Fiscal Commission recommended statutory caps to freeze security and non-security appropriations at 2011 levels in 2012, bring them back to real 2008 levels in 2013, and then allow them to grow at roughly half the rate of inflation thereafter.

Measured against the March CBO baseline for discretionary spending, the discretionary spending limits in the Commission plan would result in non-war savings of $886 billion in security programs and $409 billion in non-security programs (though this allocation could differ after 2015 when "firewalls" disappear). These savings are far lower than the $1.7 trillion in total (2012-2020) savings originally estimated by the Fiscal Commission. However, it is important to make the distinction that this is a reduction in savings due to much of the recommended spending cuts are now already part of the baseline; the top-line spending levels recommended by the Commission are no higher.

Indeed, the spending which would result from the Fiscal Commission recommendations is actually lower than originally projected. The Commission proposed that the limits for FY 2012 reflect a freeze of discretionary spending at FY 2011 levels. Since Congress had not enacted the final FY 2011 appropriations bills when the Commission report was written, however, it assumed a twelve month continuing resolution (i.e. a freeze at FY 2010 levels) as a placeholder. In reality, though, non-security budget authority ended up being reduced by about $30 billion below the placeholder assumed by the Commission. As a result, total discretionary budget authority under the Commission plan would be $30 billion lower in 2012 than in the Fiscal Commission plan, with correspondingly lower outlays in 2012 and subsequent years.

The reason our updated discretionary savings are lower is entirely the result of the baseline being used. The Fiscal Commission calculated discretionary savings by comparing the discretionary spending limits in the proposal to the President's FY 2011 request. This was probably the most realistic reflection of current policy at the time, particularly for defense spending, where the President's budget request is based on a carefully constructed Future Years Defense Program.

Discretionary savings relative to the President's FY 2011 Budget were higher than savings relative to CBO's August baseline, at the time, mainly because the President's budget proposed increasing security in real terms – by about one percent above inflation per year. Non-security spending, on the other hand, was quite similar under the President's budget as was projected in CBO's August 2010 current law baseline.

In light of the fact that the President's FY 2011 budget is now 16 months old, and has been replaced twice – by the President's FY 2012 Budget and by further revisions in the form of a "Budget Framework" – this analysis measures the Commission's discretionary savings against CBO's March current law baseline. Essentially, many of the spending cuts the Commission recommended have since been put in motion and are thus now a part of the baseline. Were we to continue to measure discretionary savings from the Presidents FY 2011 budget, they would be approximately $650 billion higher through 2021. Although the CBO baseline assumes that the lower spending levels continue in future years, it is important to understand that actual discretionary spending will be based on future appropriations decisions, and there is no guarantee they will come in at the levels projected under current law. By establishing statutory limits on discretionary spending in law, however, the Fiscal Commission proposal would effectively lock in those savings assumed in the CBO baseline while requiring even further savings. Given that, it would still be reasonable to measure the discretionary savings in any number of ways, including measuring them relative to the President's FY 2011 request.

Revenue

Through 2021, the Fiscal Commission plan reduces the deficit by about $1 trillion through comprehensive tax reform which lowers tax rates and simplifies the code substantially, but also eliminates or modifies nearly every so-called "tax expenditure." Annual deficit reduction numbers reflect targets for savings rather than formal scores. This estimate assumes the savings targets would remain the same despite economic and technical changes (which have recently reduced current law projections and the overall revenue levels in updated estimates of the Fiscal Commission plan).

In addition to tax reform, the Fiscal Commission also raised revenue from using the chained CPI for indexation of the tax code and from gradually increasing the gas tax to cover obligations of the highway trust fund. These numbers have been revised downward somewhat to reflect newer estimates from CBO and JCT.

Fig. 4
Fiscal Commission Revenue Savings (Billions of Dollars)

	Updated Projections 2012-2021	Updated Projections 2012-2020	Original Projections 2012-2020
Comprehensive Tax Reform	$1,000	$785	$785
Apply Chained CPI	$72	$58	$96
Raise Gas Tax by 15 cents	$126	$108	$114
Total, Tax Reform	**$1,198**	**$951**	**$996**

Health and Other Mandatory Savings

In total, we estimate the Fiscal Commission plan would save $674 billion from the mandatory budget (excluding Social Security) through 2021, including $556 billion through 2020. This is compared to $557 billion through 2020 under the original estimate.

The difference in estimates is due to a number of changes, with many based off of re-estimates of policy options from CBO and pushing in different budgetary directions. For example, savings from giving PBGC authority to set premiums for pension guarantees have gone down, while savings from eliminating "in-school interest subsidies" for student loans have gone up. With the information we have, we estimate that most of the health savings will stay roughly the same, although there are some small differences in various policies.

Most health care savings are similar to their original estimates. The Congressional Budget Office recently issued revised estimates for proposals regarding the Medicare Sustainable Growth Rate (SGR) which projected lower costs for both the permanent freeze in Medicare physician payments ("doc fix") that is incorporated in the plausible baseline and the new physician payment formula recommended by the formula. Under the new estimates the Fiscal Commission physician payment formula would achieve les savings relative to the plausible baseline over the first five years and more over the second five years than the original Fiscal Commission estimates. This analysis includes the costs of fully repealing the CLASS Act, a long-term care insurance program which actually reduces the deficit in the first decade since it collects premiums in advance of paying benefits. However, the Commission suggested that Congress could reform rather than repeal the CLASS Act if they could make the program sustainable. If such reforms were enacted, total health savings could be $487 billion or higher, within the ten year budget window, rather than $400 billion as under the repeal scenario.

Fig. 5
Fiscal Commission Health and Other Mandatory Savings (Billions of Dollars)

	Updated Projections 2012-2021	Updated Projections 2012-2020	Original Projections 2012-2020
Health Savings			
Physician payment savings	*$36*	*$24*	*$26*
Require rebate payments from drug companies	*-57*	*-48*	*-49*
Reduce spending on graduate medical education	*-70*	*-60*	*-60*
Expand Medicare cost sharing, restrict Medigap coverage, and create a catastrophic cap	*-127*	*-110*	*-110*
Restrict state Medicaid tax-gaming	*-51*	*-44*	*-44*
Other health changes	*-146*	*-125*	*-128*
Gross Health Care Savings	**-487**	**-410**	**-417**
Reform or repeal the CLASS Act	*87*	*81*	*76*
Net Health Care Savings	**-400**	**-329**	**-341**
Other Mandatory			
Apply chained-CPI	*-48*	*-39*	*-43*
Reform federal civilian and military retirement	*-93*	*-73*	*-73*
Eliminate in-school interest subsidies for loans	*-64*	*-57*	*-43*
Other Changes	*-69*	*-58*	*-56*
Sub-Total, Other Mandatory	**-274**	**-227**	**-215**
Total	**-674**	**-556**	**-556**

Social Security

The Fiscal Commission proposed reforming Social Security for its own sake – to make the program sustainably solvent over the long-run – and not for deficit reduction. However, many of the changes proposed by the Fiscal Commission begin to phase in either immediately or by 2017, although most are not fully phased in until 2050. Given that, both benefit and revenue changes in Social Security do have an impact on the 10-year unified deficit.

Unfortunately, CBO has not scored the Fiscal Commission's Social Security recommendations – either in full or in pieces – other than in the case of the chained CPI. Using a combination of CBO numbers on chained CPI and other information from the Social Security actuaries, we estimate the Fiscal Commission's recommendations would save $213 billion through 2020, compared to the original estimate of $238 billion through 2020.

Fig. 6
Fiscal Commission Social Security Savings (Billions of Dollars)

	Updated Projections 2012-2021	Updated Projections 2012-2020	Original Projections 2012-2020
Gradually Raise Taxable Maximum to Cover 90% of Wages (Revenue)	$174	$139	$138
Adopt Chained-CPI for COLA Calculations (Benefits)	$112	$90	$89
Other Changes (Benefits)	-$20	-$16	$11
Total, Social Security Reform	**$266**	**$213**	**$238**

Conclusion

All said, the Fiscal Commission's recommendations would reduce the deficit by $3.8 trillion over ten years compared to the updated baseline, or $4.05 trillion including savings from Social Security, which would represent a significant and indeed monumental step toward putting our country on a sustainable fiscal path.

Since baselines can be altered in seemingly countless ways and reasonable people can disagree on which baseline is most sensible, what matters most is what happens to the debt. Under the Fiscal Commission's recommendations, debt would peak at about 75 percent of GDP before falling below 70 percent by the end of the decade. Although it is important the debt continue to fall thereafter – preferably toward or below the historical norm of closer to 40 percent – this would nonetheless represent a major accomplishment that policymakers must work toward on as fast of a track as possible.

Unfortunately, time is not on our side, and it is always best to make changes on our own terms instead of waiting for markets to force us to make changes—when they would surely be more abrupt and disruptive.

Appendix

The spreadsheets below provide a more detailed look at our re-estimate of the Fiscal Commission recommendations, including a bridge from the original Commission baseline to our updated MOT baseline, spending by category under the baseline and the Commission's recommendations, and a line-by-line score of the provisions proposed by the Fiscal Commission. For an excel version of these sheets, along with additional sheets containing more information, click here: http://crfb.org/sites/default/files/MOT_Appendices.xls.

Bridge from Commission Plausible Baseline to Updated MOT Baseline

(Billions of Dollars)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2012-2020
Commission's Plausible Baseline	**1,004**	**819**	**723**	**798**	**889**	**913**	**931**	**1,044**	**1,136**	**8,257**
Remove Doc Fixes	*-19*	*-22*	*-23*	*-25*	*-28*	*-31*	*-35*	*-40*	*-44*	*-267*
Allow 2001/2003 Tax Cuts to Expire	*-267*	*-253*	*-268*	*-283*	*-297*	*-312*	*-329*	*-349*	*-370*	*-2,728*
Adopt President's Discretionary Path and Gradual Troop Withdrawl	*-46*	*-1*	*39*	*71*	*92*	*102*	*109*	*113*	*109*	*588*
Net interest	*-6*	*-18*	*-33*	*-53*	*-72*	*-92*	*-113*	*-135*	*-146*	*-668*
August Current Law Baseline (CBO)	**665**	**525**	**438**	**507**	**585**	**579**	**562**	**634**	**685**	**5,180**
August Current Law Baseline (CBO)	**665**	**525**	**438**	**507**	**585**	**579**	**562**	**634**	**685**	**5,180**
Legislative Changes to Revenue since August	*335*	*68*	*-16*	*-49*	*4*	*-15*	*-10*	*-7*	*-5*	*305*
Legislative Changes to Outlays since August	*41*	*7*	*-39*	*-41*	*-38*	*-47*	*-53*	*-52*	*-53*	*-275*
Technical and Economic Changes since August	*41*	*97*	*147*	*150*	*113*	*98*	*104*	*105*	*98*	*953*
Net Interest Changes since August	*-2*	*-5*	*-16*	*-28*	*-30*	*-24*	*-18*	*-16*	*-16*	*-155*
March Current Law Baseline (CBO)	**1,081**	**692**	**513**	**538**	**635**	**590**	**585**	**665**	**710**	**6,009**
March Current Law Baseline (CBO)	**1,081**	**692**	**513**	**538**	**635**	**590**	**585**	**665**	**710**	**6,009**
Extend Middle Income Tax Cuts	*10*	*206*	*274*	*293*	*312*	*333*	*354*	*379*	*407*	*2,569*
Continue Doc Fixes	*12*	*19*	*23*	*26*	*29*	*31*	*34*	*37*	*41*	*252*
Assume Gradual Troop Withdrawl	*-17*	*-51*	*-85*	*-112*	*-129*	*-137*	*-142*	*-146*	*-150*	*-969*
Net Interest	*0*	*3*	*10*	*20*	*32*	*45*	*60*	*77*	*95*	*342*
Updated MOT Baseline	**1,086**	**870**	**735**	**766**	**879**	**862**	**891**	**1,012**	**1,103**	**8,204**
Updated MOT Baseline	**1,086**	**870**	**735**	**766**	**879**	**862**	**891**	**1,012**	**1,103**	**8,204**

Updated MOT Baseline Projections

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2021
Updated Estimates (Billions)											
Revenues	**$2,548**	**$2,881**	**$3,197**	**$3,380**	**$3,547**	**$3,771**	**$3,950**	**$4,137**	**$4,329**	**$4,547**	**$36,288**
Outlays											
Social Security	*$760*	*$799*	*$841*	*$888*	*$939*	*$995*	*$1,058*	*$1,124*	*$1,194*	*$1,266*	*$9,863*
Health Care	*$757*	*$814*	*$916*	*$1,012*	*$1,124*	*$1,190*	*$1,249*	*$1,353*	*$1,450*	*$1,556*	*$11,420*
Other Mandatory	*$533*	*$508*	*$485*	*$484*	*$505*	*$493*	*$484*	*$514*	*$526*	*$536*	*$5,068*
Discretionary	*$1,327*	*$1,305*	*$1,286*	*$1,279*	*$1,291*	*$1,309*	*$1,333*	*$1,371*	*$1,406*	*$1,441*	*$13,348*
Net Interest	*$257*	*$324*	*$404*	*$483*	*$566*	*$645*	*$718*	*$787*	*$857*	*$923*	*$5,964*
Total	**$3,634**	**$3,750**	**$3,933**	**$4,146**	**$4,425**	**$4,633**	**$4,841**	**$5,148**	**$5,432**	**$5,721**	**$45,663**
Deficits	**$1,086**	**$870**	**$735**	**$766**	**$879**	**$862**	**$891**	**$1,012**	**$1,103**	**$1,174**	**$9,377**
Debt	**$11,521**	**$12,494**	**$13,324**	**$14,187**	**$15,158**	**$16,112**	**$17,095**	**$18,195**	**$19,387**	**$20,647**	
Updated Estimates (Percent of GDP)											
Revenues	**16.2%**	**17.6%**	**18.5%**	**18.6%**	**18.5%**	**18.8%**	**18.9%**	**18.9%**	**19.0%**	**19.1%**	**18.4%**
Outlays											
Social Security	*4.8%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*	*5.0%*	*5.1%*	*5.1%*	*5.2%*	*5.3%*	*5.0%*
Health Care	*4.8%*	*5.0%*	*5.3%*	*5.6%*	*5.9%*	*5.9%*	*6.0%*	*6.2%*	*6.4%*	*6.5%*	*5.8%*
Other Mandatory	*3.4%*	*3.1%*	*2.8%*	*2.7%*	*2.6%*	*2.5%*	*2.3%*	*2.4%*	*2.3%*	*2.3%*	*2.6%*
Discretionary	*8.5%*	*8.0%*	*7.5%*	*7.0%*	*6.7%*	*6.5%*	*6.4%*	*6.3%*	*6.2%*	*6.1%*	*6.9%*
Net Interest	*1.6%*	*2.0%*	*2.3%*	*2.7%*	*3.0%*	*3.2%*	*3.4%*	*3.6%*	*3.8%*	*3.9%*	*2.9%*
Total	**23.2%**	**22.9%**	**22.8%**	**22.8%**	**23.1%**	**23.1%**	**23.1%**	**23.6%**	**23.8%**	**24.0%**	**23.2%**
Deficits	**6.9%**	**5.3%**	**4.3%**	**4.2%**	**4.6%**	**4.3%**	**4.3%**	**4.6%**	**4.8%**	**4.9%**	**4.8%**
Debt	**73.4%**	**76.2%**	**77.2%**	**78.0%**	**79.2%**	**80.4%**	**81.7%**	**83.2%**	**85.0%**	**86.7%**	
Gross Domestic Product (03/11)	*$15,693*	*$16,400*	*$17,258*	*$18,195*	*$19,141*	*$20,033*	*$20,935*	*$21,856*	*$22,817*	*$23,810*	

Updated MOT Estimates of Fiscal Commission Plan

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2021
Updated Estimates (Billions)											
Revenues	**$2,551**	**$2,910**	**$3,255**	**$3,488**	**$3,674**	**$3,920**	**$4,120**	**$4,342**	**$4,570**	**$4,828**	**$37,659**
Outlays											
Social Security	*$759*	*$796*	*$836*	*$880*	*$929*	*$983*	*$1,048*	*$1,112*	*$1,180*	*$1,248*	*$9,711*
Health Care	*$761*	*$793*	*$882*	*$976*	*$1,085*	*$1,147*	*$1,199*	*$1,299*	*$1,391*	*$1,492*	*$11,025*
Other Mandatory	*$529*	*$497*	*$470*	*$463*	*$478*	*$463*	*$448*	*$475*	*$481*	*$489*	*$4,794*
Discretionary	*$1,306*	*$1,246*	*$1,203*	*$1,177*	*$1,171*	*$1,171*	*$1,173*	*$1,189*	*$1,202*	*$1,216*	*$12,053*
Net Interest	*$257*	*$321*	*$395*	*$463*	*$530*	*$589*	*$638*	*$679*	*$717*	*$746*	*$5,336*
Total	**$3,612**	**$3,654**	**$3,787**	**$3,959**	**$4,192**	**$4,353**	**$4,507**	**$4,755**	**$4,971**	**$5,191**	**$42,980**
Deficits	**$1,060**	**$744**	**$530**	**$472**	**$520**	**$433**	**$389**	**$412**	**$402**	**$363**	**$5,325**
Debt	**$11,511**	**$12,356**	**$12,959**	**$13,491**	**$14,079**	**$14,578**	**$15,037**	**$15,516**	**$15,984**	**$16,410**	
Updated Estimates (Percent of GDP)											
Revenues	**16.3%**	**17.7%**	**18.9%**	**19.2%**	**19.2%**	**19.6%**	**19.7%**	**19.9%**	**20.0%**	**20.3%**	**19.1%**
Outlays											
Social Security	*4.8%*	*4.9%*	*4.8%*	*4.8%*	*4.9%*	*4.9%*	*5.0%*	*5.1%*	*5.2%*	*5.2%*	*5.0%*
Health Care	*4.8%*	*4.8%*	*5.1%*	*5.4%*	*5.7%*	*5.7%*	*5.7%*	*5.9%*	*6.1%*	*6.3%*	*5.6%*
Other Mandatory	*3.4%*	*3.0%*	*2.7%*	*2.5%*	*2.5%*	*2.3%*	*2.1%*	*2.2%*	*2.1%*	*2.1%*	*2.5%*
Discretionary	*8.3%*	*7.6%*	*7.0%*	*6.5%*	*6.1%*	*5.8%*	*5.6%*	*5.4%*	*5.3%*	*5.1%*	*6.3%*
Net Interest	*1.6%*	*2.0%*	*2.3%*	*2.5%*	*2.8%*	*2.9%*	*3.0%*	*3.1%*	*3.1%*	*3.1%*	*2.7%*
Total	**23.0%**	**22.3%**	**21.9%**	**21.8%**	**21.9%**	**21.7%**	**21.5%**	**21.8%**	**21.8%**	**21.8%**	**21.9%**
Deficits	**6.8%**	**4.5%**	**3.1%**	**2.6%**	**2.7%**	**2.2%**	**1.9%**	**1.9%**	**1.8%**	**1.5%**	**2.9%**
Debt	**73%**	**75%**	**75%**	**74%**	**74%**	**73%**	**72%**	**71%**	**70%**	**69%**	
Gross Domestic Product (03/11)	*$15,693*	*$16,400*	*$17,258*	*$18,195*	*$19,141*	*$20,033*	*$20,935*	*$21,856*	*$22,817*	*$23,810*	

MOT Re-Estimate of Fiscal Commission Plan

Savings Relative to Updated MOT Baseline (Billions of Dollars)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2021
Updated MOT Baseline Deficits	**1086**	**870**	**735**	**766**	**879**	**862**	**891**	**1012**	**1103**	**1174**	**9377**
Discretionary											
Security	*-7*	*-39*	*-59*	*-72*	*-84*	*-97*	*-110*	*-125*	*-139*	*-153*	*-886*
Non-Security	*-14*	*-20*	*-24*	*-30*	*-36*	*-42*	*-50*	*-57*	*-65*	*-72*	*-409*
Sub-Total, Discretionary	**-21**	**-59**	**-83**	**-102**	**-120**	**-138**	**-160**	**-182**	**-204**	**-225**	**-1295**
Health savings											
Reform sustainable growth rate	*0*	*0*	*0*	*0*	*0*	*-2*	*-4*	*-7*	*-10*	*-12*	*-36*
Reform or repeal the CLASS Act	*6*	*9*	*10*	*12*	*12*	*10*	*8*	*7*	*7*	*6*	*87*
Require rebate payments from drug companies	*0*	*-2*	*-5*	*-6*	*-6*	*-7*	*-7*	*-7*	*-8*	*-9*	*-57*
Reduce spending on graduate medical education	*0*	*-5*	*-6*	*-6*	*-8*	*-8*	*-8*	*-9*	*-10*	*-10*	*-70*
Expand Medicare cost sharing, restrict Medigap coverage, & create a catastrophic cap	*0*	*-10*	*-13*	*-13*	*-13*	*-14*	*-15*	*-16*	*-17*	*-17*	*-127*
Apply Medigap Rules to TRICARE for Life	*0*	*-3*	*-4*	*-4*	*-5*	*-5*	*-5*	*-6*	*-6*	*-6*	*-43*
Enact tort reform	*-1*	*-1*	*-1*	*-2*	*-2*	*-2*	*-2*	*-3*	*-3*	*-3*	*-20*
Restrict state Medicaid tax-gaming	*0*	*-2*	*-5*	*-5*	*-6*	*-6*	*-6*	*-7*	*-7*	*-7*	*-51*
Enact premium support pilot for FEHB	*0*	*-1*	*-2*	*-2*	*-2*	*-2*	*-3*	*-3*	*-3*	*-4*	*-22*
Other health changes	*-1*	*-4*	*-5*	*-7*	*-7*	*-7*	*-7*	*-7*	*-8*	*-8*	*-61*
Sub-Total, Health Care	**4**	**-18**	**-31**	**-33**	**-37**	**-42**	**-49**	**-58**	**-64**	**-71**	**-400**
Other Mandatory											
Apply chained-CPI	*-1*	*-1*	*-2*	*-3*	*-4*	*-5*	*-6*	*-7*	*-8*	*-9*	*-48*
Reform civilian and military retirement	*0*	*-1*	*-2*	*-5*	*-8*	*-11*	*-13*	*-15*	*-18*	*-20*	*-93*
Reduce farm subsidies	*0*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-2*	*-2*	*-2*	*-12*
Allow PBGC to set own premiums	*0*	*0*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-2*	*-2*	*-10*
Eliminate in-school interest subsidies for loans	*-2*	*-6*	*-7*	*-7*	*-7*	*-7*	*-7*	*-7*	*-7*	*-7*	*-64*
Reduce fraud	*0*	*-1*	*-1*	*-2*	*-3*	*-3*	*-4*	*-4*	*-4*	*-4*	*-26*
Other Changes	*-1*	*-1*	*-1*	*-2*	*-2*	*-2*	*-3*	*-3*	*-3*	*-3*	*-21*
Sub-Total, Other Mandatory	**-4**	**-11**	**-15**	**-21**	**-26**	**-30**	**-35**	**-39**	**-44**	**-47**	**-274**
Revenues											
Comprehensive reform	*0*	*-20*	*-40*	*-80*	*-90*	*-105*	*-120*	*-150*	*-180*	*-215*	*-1000*
Adopt chained-CPI	*-1*	*-2*	*-3*	*-5*	*-7*	*-8*	*-10*	*-11*	*-12*	*-14*	*-72*
Raise gas tax by 15 cents	*0*	*-2*	*-7*	*-11*	*-16*	*-18*	*-18*	*-18*	*-18*	*-18*	*-126*
Sub-Total, Revenues	**-1**	**-24**	**-50**	**-96**	**-113**	**-131**	**-148**	**-179**	**-210**	**-247**	**-1198**
Social Security											
Gradually raise taxable maximum to cover 90% of wages (Revenue)	*-2*	*-5*	*-8*	*-12*	*-15*	*-19*	*-22*	*-26*	*-30*	*-35*	*-174*
*Adopt chained-CPI (Benefits)**	*-1*	*-3*	*-5*	*-8*	*-10*	*-12*	*-15*	*-17*	*-19*	*-22*	*-112*
Other changes (Benefits)	*0*	*0*	*0*	*0*	*0*	*0*	*5*	*6*	*5*	*4*	*20*
Sub-Total, Social Security	**-4**	**-8**	**-14**	**-19**	**-24**	**-31**	**-31**	**-38**	**-45**	**-52**	**-266**
Interest Savings	**0**	**-3**	**-9**	**-20**	**-35**	**-55**	**-79**	**-106**	**-138**	**-176**	**-621**
Total Savings (relative to updated MOT baseline)	**-26**	**-123**	**-203**	**-291**	**-355**	**-428**	**-502**	**-601**	**-706**	**-818**	**-4052**