

INCOME STATEMENT for the federal government: FY2013

(dollars in billions)

	<u>REVENUE</u>	<u>OUTLAYS</u>	<u>DEFICIT</u>
Social Security	\$673	\$808	(\$135)
Medicare	209	585	(376)
Offsetting receipts		(109)	
Subtotal	882	1,284	(402)

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Revenue:

Individual income tax	1,316
Corporate tax	274
Excise taxes	84
Estate and gift tax	19
Custom fees, duties	32
Other payroll taxes	66
Miscellaneous revenue	103

Subtotal	<u><u>\$1,893</u></u>
Total revenue	<u><u>\$2,775</u></u>

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Outlays:

Defense	625
Non-defense discretionary	576
Mandatory: income security	340
Mandatory: Medicaid	265
Mandatory: Retirement, disability	152
Mandatory: other	189
Non-SS/Mcare offsetting Receipts	(197)
Interest expense	221

Subtotal	\$1,893	\$2,171	(\$278)
Total revenue, outlays, deficits:	\$2,775	\$3,455	(\$680)

Note: 2013 GDP: **\$16,627**

INCOME STATEMENT for the federal government: FY2015 to FY2044

Congressional Budget Office's **alternative fiscal scenario**

(dollars in billions)

	REVENUE	OUTLAYS	DEFICIT
Social Security	\$51,515	\$66,118	(\$14,603)
Medicare	14,692	50,116	(35,424)
Subtotal	66,207	116,234	(50,028)

Revenue:

Individual income tax	102,631
Corporate tax	20,393
Excise taxes	4,976
Estate and gift tax	1,358
Custom fees, duties	2,432
Miscellaneous revenue	2,999

Outlays:

Defense	39,252
Non-defense discretionary	37,409
Mandatory: Medicaid/Obamacare	33,560
Mandatory: other	29,843
Interest expense	71,636

Subtotal	\$134,789	\$211,700	(\$76,911)
Total revenue, outlays, deficits:	\$200,996	\$327,934	(\$126,938)

Note: 30-year GDP: **\$1,117,800**

Source: CBO, Budget and Economic Outlook (Feb. 2014) for outlays and revenue through 2024, thereafter CBO Long-Term Budget Outlook (Sept. 2013), Alternative Fiscal Scenario thereafter. CBO 2013 Long-Term Projections for Social Security.

Note: CBO alt-fisc holds revenue steady at 18.1% of GDP after 2024. CBO provides no source breakdown. We hold each source even as a proportion of total projected revenue.

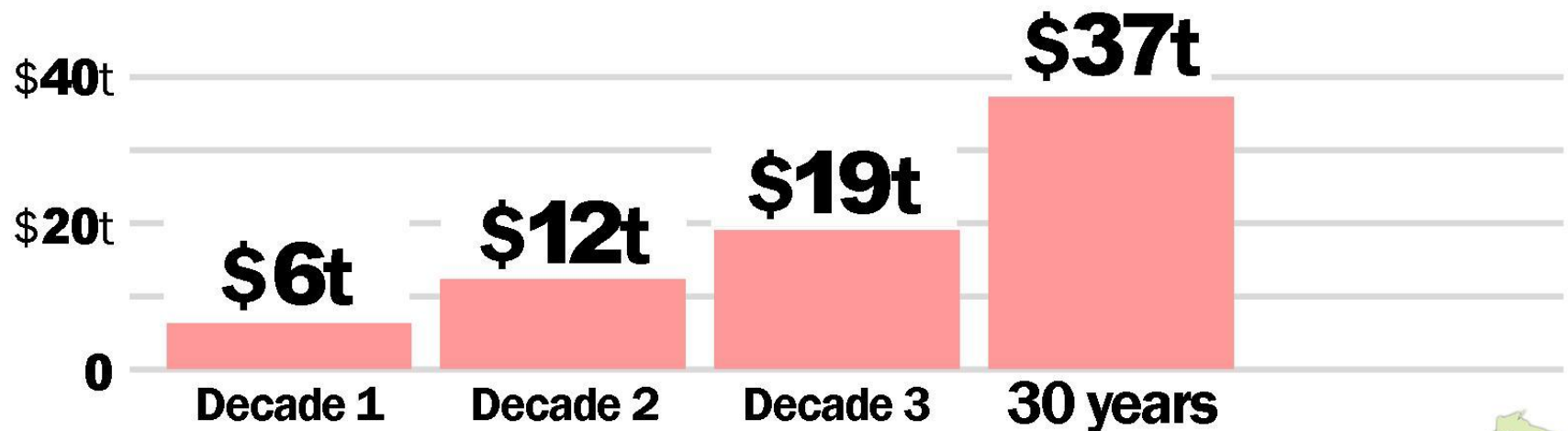
We've done 81% of Simpson-Bowles

(dollars in billions)

	Simpson- Bowles	Actual	% of Sim-Bwls
Revenue	\$996	\$700	70%
Discret savings	\$1,661	\$2,100	126%
H care savings	\$342		
Mandat savings	\$215		
Social Security			
Revenue	\$138		
Benefits	\$100		
Total Social Sec	\$238		
	\$3,452	\$2,800	81%
Interest savings	\$673	\$545	81%
	\$4,125	\$3,345	81%

30-YEAR PROJECTED DEFICITS

WHITE HOUSE PROJECTION



Congressional Budget Office, Office of Management and Budget, Federal Reserve, staff projection

SPENDING: % GDP

WHITE HOUSE PROJECTION

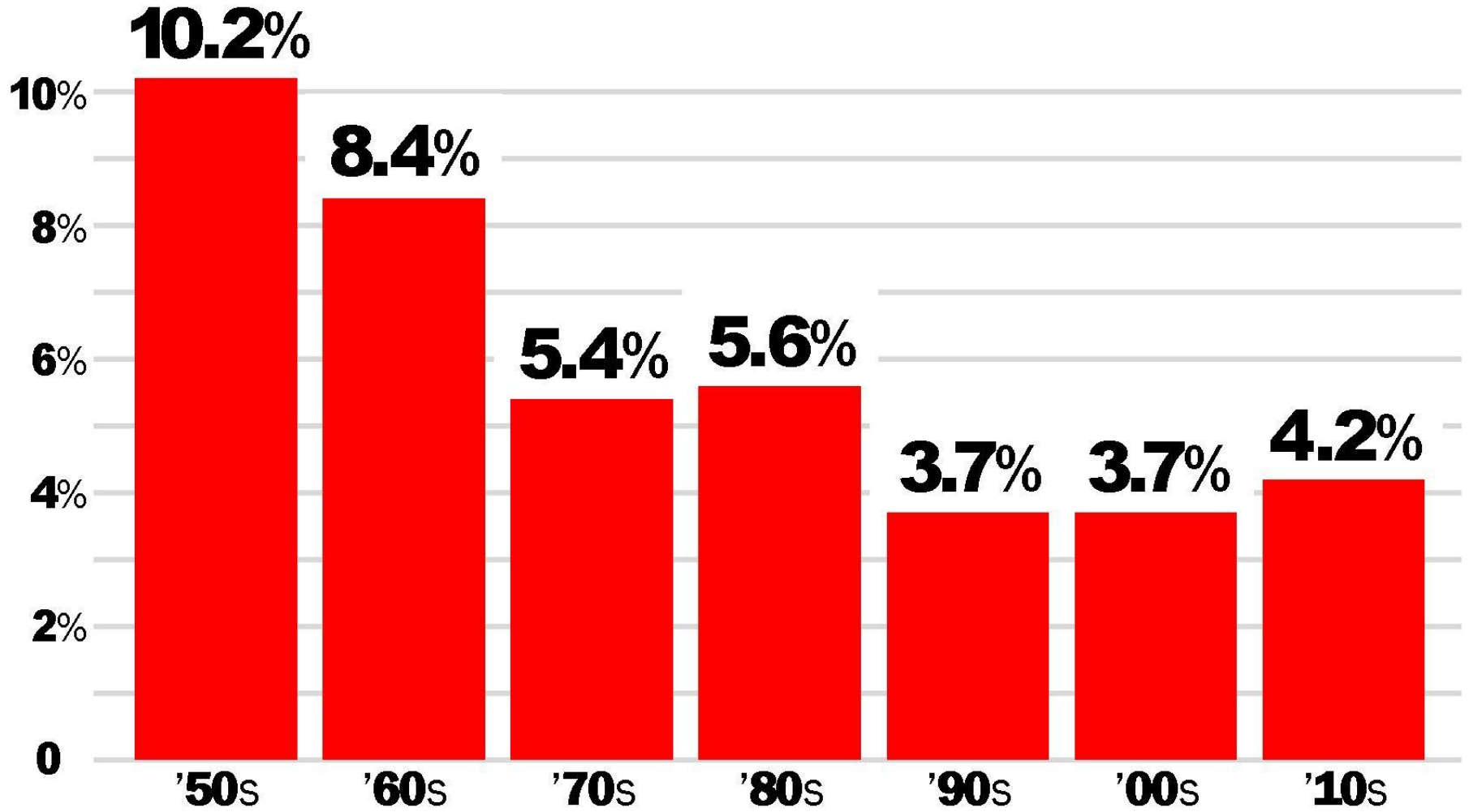
	<u>20YR AVG</u>	<u>WHITE HOUSE</u>
Entitlements:	8.3	14.8
Defense:	3.9	2.3
Other programs:	6.7	4.2
Net interest:	1.9	3.2
<hr/> <hr/> Total:	20.8	23.7
Gross debt:	104%	na

SPENDING: % GDP (historical averages)

	<i>2003-2012</i> 10-YR AVG	<i>1993-2012</i> 20-YR AVG
Entitlements:	8.8%	8.3%
Defense:	4.2%	3.9%
Other programs:	7.2%	6.7%
Net interest:	1.5%	1.9%
<hr/> <hr/>		
Total:	21.7%	20.8%
Gross debt, % of GDP:		104%

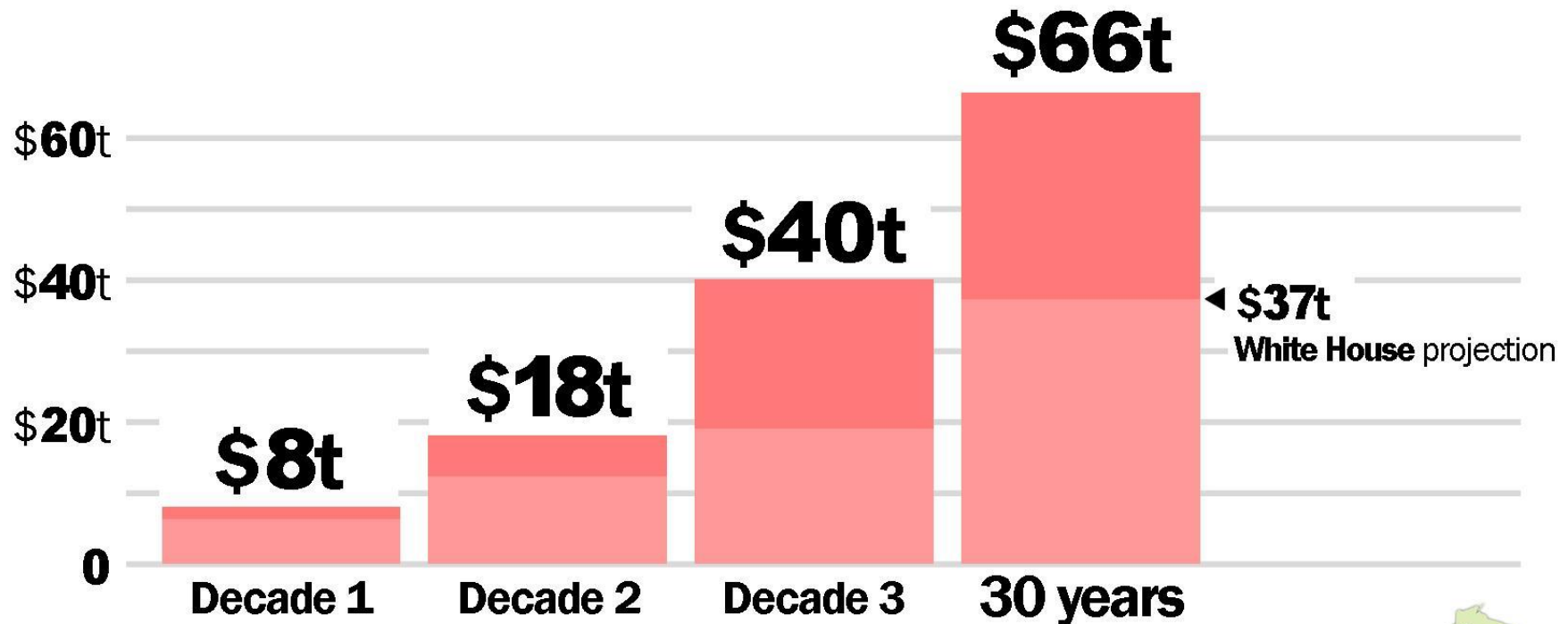
DEFENSE SPENDING

AS A SHARE OF GDP



30-YEAR PROJECTED DEFICITS

CBO EXTENDED BASELINE



Congressional Budget Office, Office of Management and Budget, Federal Reserve, staff projection

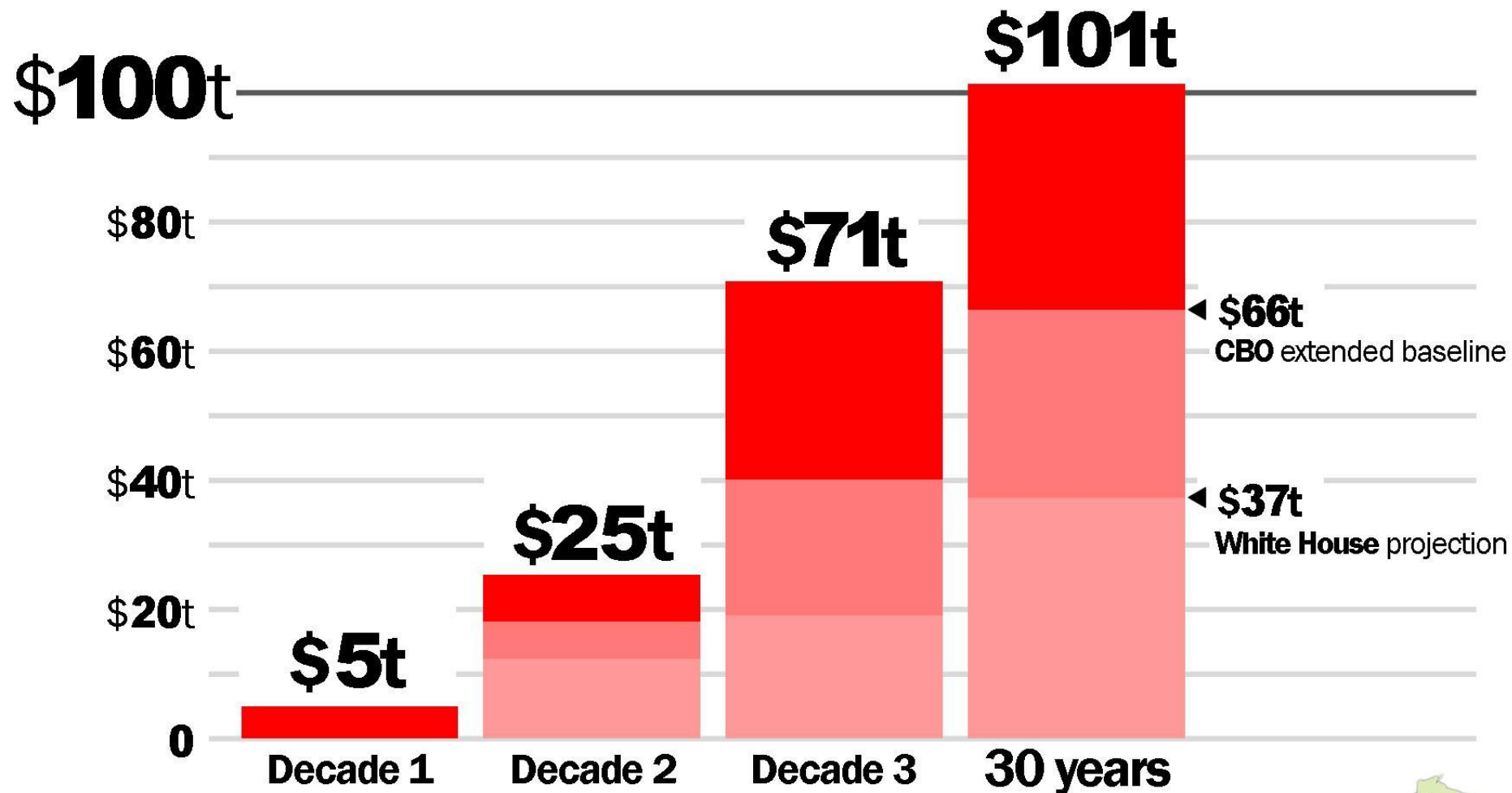
SPENDING: % GDP

CBO BASELINE PROJECTION

	<u>20YR AVG</u>	<u>WHITE HOUSE</u>	<u>CBO BASE</u>
Entitlements:	8.3	14.8	13.1
Defense:	3.9	2.3	2.6
Other programs:	6.7	4.2	4.8
Net interest:	1.9	3.2	4.6
<hr/> <hr/> Total:	20.8	23.7	25.1
Gross debt:	104%	na	131%

30-YEAR PROJECTED DEFICITS

SENATE PROJECTION



Congressional Budget Office, Office of Management and Budget, Federal Reserve, staff projection

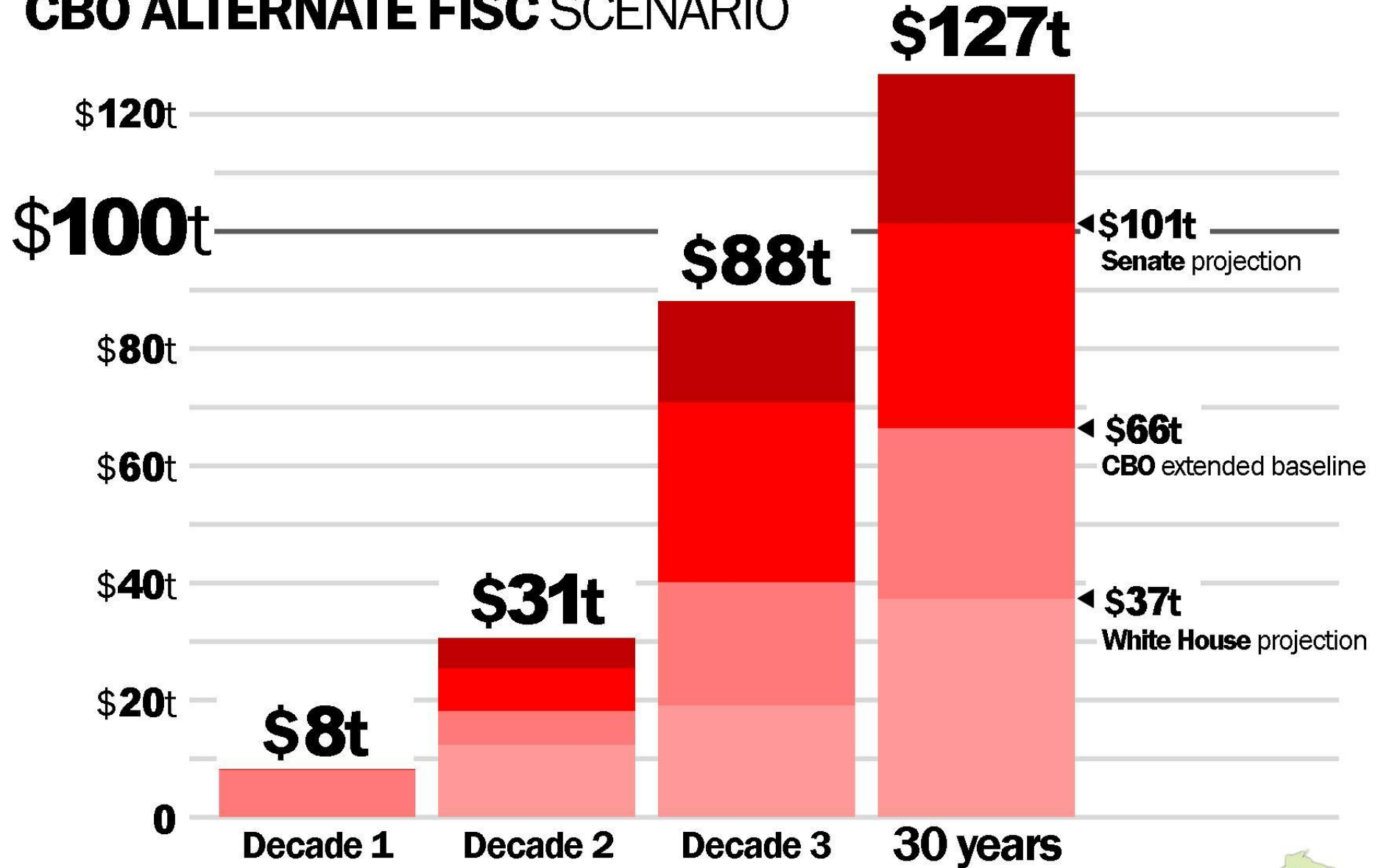
SPENDING: % GDP

SENATE PROJECTION

	<u>20YR AVG</u>	<u>WHITE HOUSE</u>	<u>CBO BASE</u>	<u>SENATE</u>
Entitlements:	8.3	14.8	13.1	13.4
Defense:	3.9	2.3	2.6	3.5
Other programs:	6.7	4.2	4.8	5.9
Net interest:	1.9	3.2	4.6	5.6
<hr/> <hr/> Total:	20.8	23.7	25.1	28.4
Gross debt:	104%	na	131%	189%

30-YEAR PROJECTED DEFICITS

CBO ALTERNATE FISC SCENARIO



Congressional Budget Office, Office of Management and Budget, Federal Reserve, staff projection

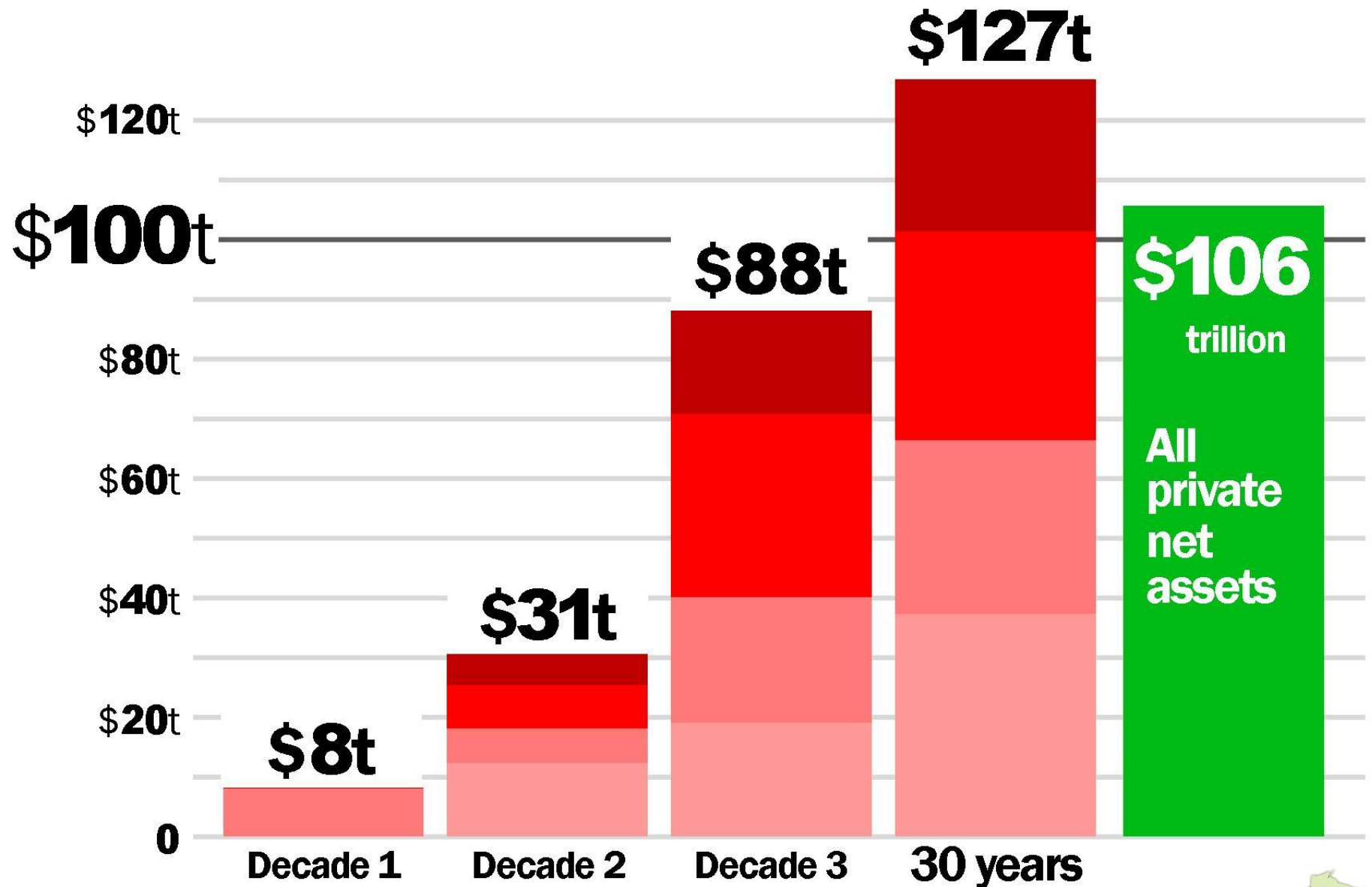


SPENDING: % GDP

CBO ALTERNATE FISCAL SCENARIO

	<u>20YR AVG</u>	<u>WHITE HOUSE</u>	<u>CBO BASE</u>	<u>SENATE</u>	<u>CBO ALT FISC</u>
Entitlements:	8.3	14.8	13.1	13.4	13.5
Defense:	3.9	2.3	2.6	3.5	3.5
Other programs:	6.7	4.2	4.8	5.9	6.0
Net interest:	1.9	3.2	4.6	5.6	6.4
<hr/> <hr/> Total:	20.8	23.7	25.1	28.4	29.3
Gross debt:	104%	na	131%	189%	224%

30-YEAR PROJECTED DEFICITS



Congressional Budget Office, Office of Management and Budget, Federal Reserve, staff projection

Social Security Solutions Menu

(dollars in billions)

	1st DECADE 2015-2024	2nd DECADE 2025-2034	3rd DECADE 2035-2044	30-year TOTAL	
Costs	11,831	20,993	33,294	66,118	
Revenue	10,366	16,219	24,929	51,515	
Cash deficit	-1,465	-4,774	-8,365	-14,603	
Benefits adjustments					% of 30-yr deficit
Simpson-Bowles 2010 proposal	100			100	0.7%
Raise age from 67 to 70 in 4 years	0	150	817	967	7%
Means test: Lower benefits >\$120k	6	276	706	988	7%
40 years to calculate benes, not 35	44	441	1,106	1,590	11%
Index benes to inflation for upper 60%	4	290	1,443	1,737	12%
Chained CPI (cut COLA 0.3 points)	143	660	1,346	2,149	15%
5% benefits cut	129	715	1,516	2,359	16%
1% COLA cut	463	2,109	4,218	6,790	46%

Source: Social Security Trustees.

Social Security Solutions Menu

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Cash deficit	-1,465	-4,774	-8,365	-14,603	
Revenue adjustments					% of 30-yr deficit
Simpson-Bowles 2010 proposal	138			138	0.9%
Earnings limit up to hit 90% of wages	628	1,314	1,874	3,815	26%
Tax employee health benes as wages	265	1,960	3,028	5,253	36%
Slowly raise tax rate to 14.4% by 2038	135	1,523	3,893	5,551	38%
No earnings limit, credit to benefits	1,884	2,898	4,143	8,925	61%
No earnings limit, no credit to benefits	1,908	3,162	4,955	10,025	69%
Raise tax rate to 15.3% now	2,230	3,727	5,826	11,782	81%
Dynamic offset of increased taxes	?	?	?	?	?

Source: Social Security Trustees.

Scores on Payroll Tax Increases

(dollars in billions)

Score by	% increase	30-year score	% of 30-yr deficit	Score / 1% tax hike
SSA Trustees	2.9%	\$11,782	81%	\$4,063
CBO	3.54%	\$14,603	100%	\$4,125
CBO	2.29%	\$10,222	70%	\$4,464
CBO	1.61%	\$8,032	55%	\$4,989
CBO	2.0%	\$8,762	60%	\$4,381
CBO	4.0%	\$16,794	115%	\$4,198
Avg effect of 1% payroll tax hike				\$4,370
Dynamic score offsetting tax hike		???	???	???

Medicare Solutions Menu

(dollars in billions)

	1st DECADE 2015-2024	2nd DECADE 2025-2034	3rd DECADE 2035-2044	30-year TOTAL
Total outlays	\$7,357	\$14,653	\$28,106	\$50,116
Payroll tax revenue	\$3,065	\$4,465	\$7,162	\$14,692
Projected deficit	-\$4,293	-\$10,187	-\$20,944	-\$35,424

Possible solutions

One Senate propos	Optional alternative to Medicare fee-for-service. Premium subsidy, set at 85% of second-lowest bid in multistate geographic regions.	352	811	1,480	2,643
Combine deducts	Part A and B have unified deductible of \$550. Uniform 20% coinsurance on everything up to \$7,500 out of pocket. Total out of pocket capped at \$7,500.	238	435	795	1,468
Age increase	Eligibility age rises 2 months every year until it reaches 67 in 2027	131	405	740	1,276
Obama means test	2014 budget proposal: Raises income related premiums for seniors starting at \$85,000/year.	64	195	356	615
Obama bad debt	2014 budget proposal: Cut bad debt payments to 25% over 3 years for all providers who receive payments.	27	53	96	175
Home health	Accelerates the Medicare home health productivity adjustments included in PPACA by 2 years.	9	16	30	55
Obama GME cut	2014 budget proposal: Reduce Indirect Graduate Medical Education payments by 10%.	8	15	27	51

COMMUNICATION BARRIER

ON OFFENSE:

**Harry Reid's
Senate**

**Entertainment
media**

Education system

Obama

**News
media**

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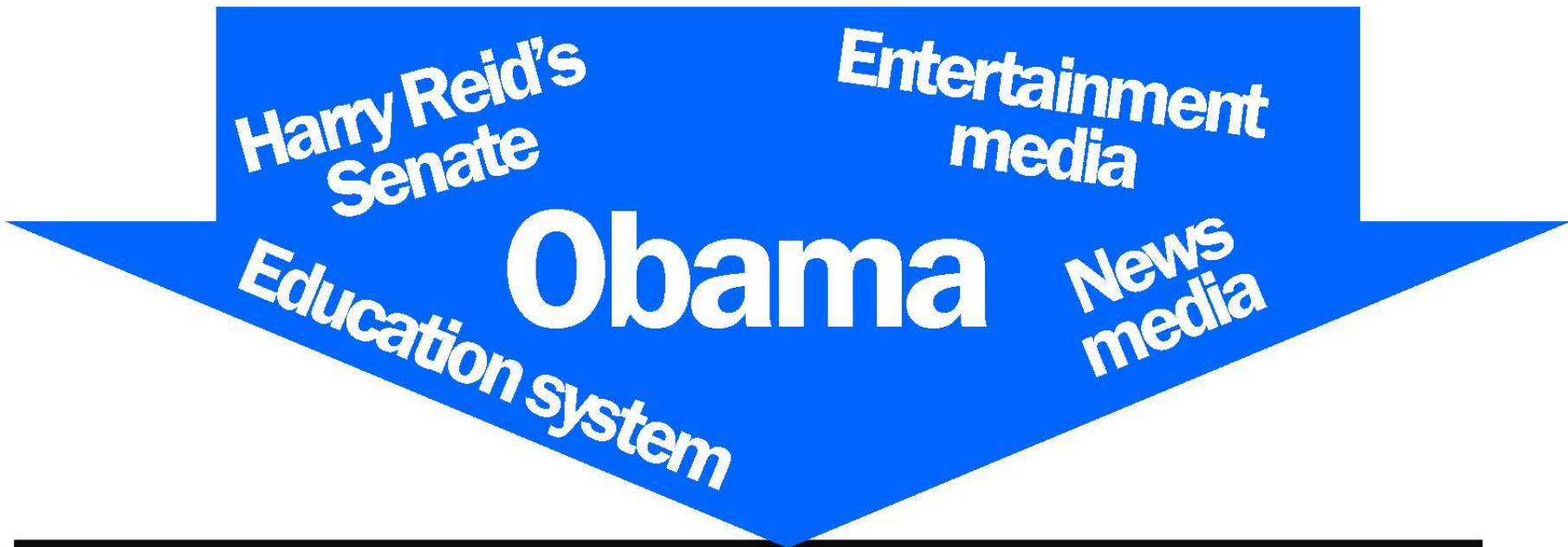
**News
media**

COMMUNICATION BARRIER

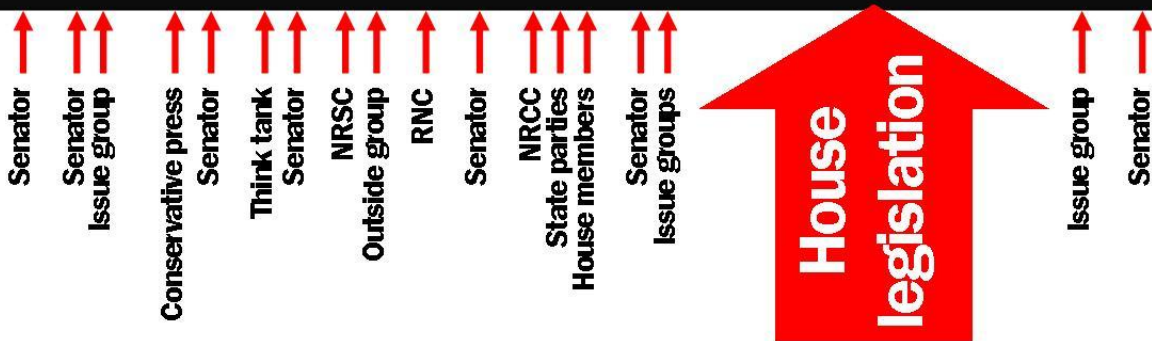
**House
legislation**

ON DEFENSE

ON OFFENSE:

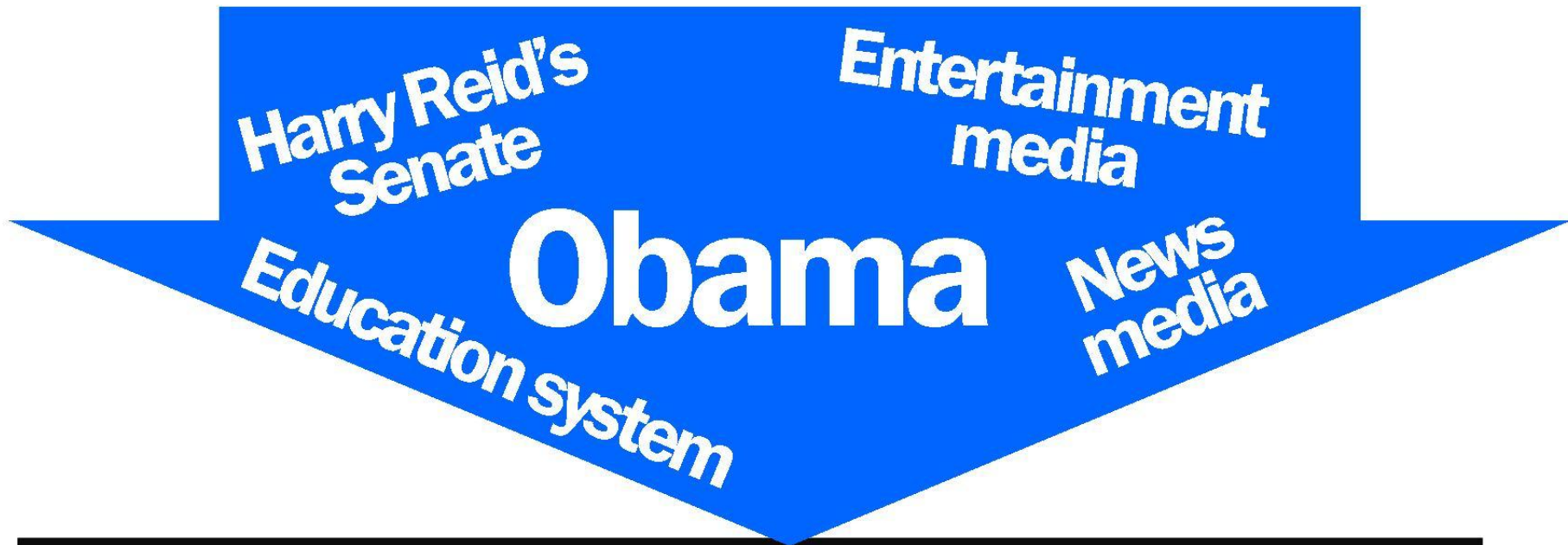


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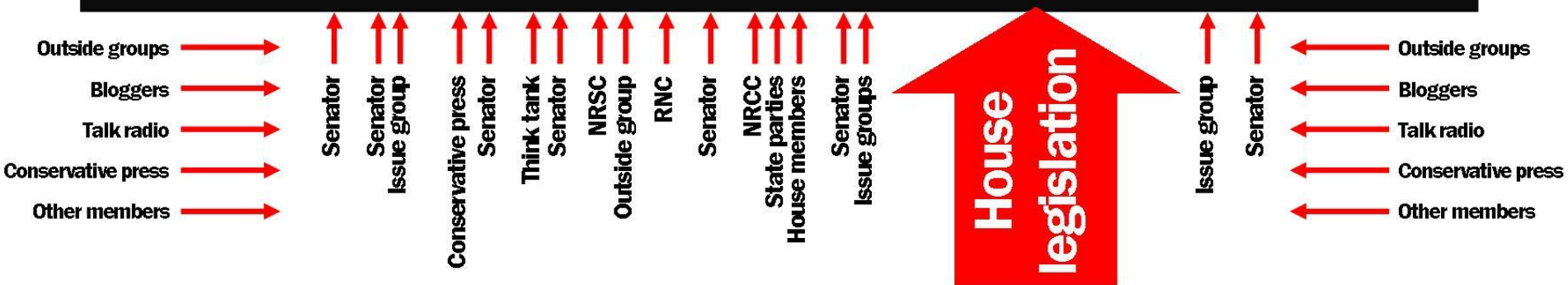


ON DEFENSE

ON OFFENSE:

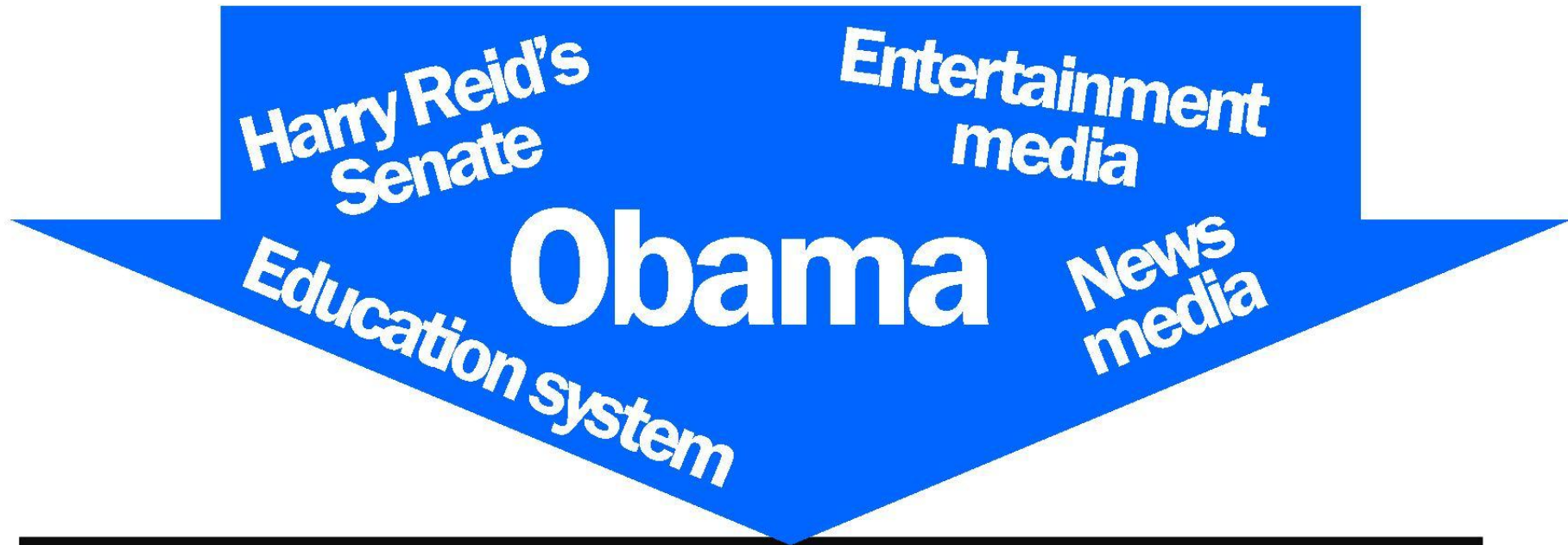


COMMUNICATION BARRIER



ON DEFENSE

ON OFFENSE:



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ON OFFENSE