Mid-Session Review

Budget of the U.S. Government

FISCAL YEAR 2022

OFFICE OF MANAGEMENT AND BUDGET

THE WHITE HOUSE
WASHINGTON

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, DC 20503

August 27, 2021

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, DC 20515

Dear Madam Speaker:

Section 1106 of Title 31, United States Code, requires the President to send to the Congress a supplemental update of the Budget that was transmitted to the Congress earlier in the year. The supplemental update of the Budget, commonly known as the Mid-Session Review, is enclosed.

Sincerely,

Shalanda D. Young
Acting Director

Enclosure

Identical letter sent to the Honorable Kamala D. Harris

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GENERAL NOTES

1. Unless otherwise noted, years referenced for budget data are fiscal years, and years referenced for economic data are calendar years.
2. All totals in the text and tables include both on-budget and off-budget spending and receipts.
3. Details in the tables and text may not add to totals due to rounding.
4. Web address: *https://budget.gov*

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SUMMARY

When the President took office, our country was in the midst of the worst economic downturn since the Great Depression. In January 2021, nearly 10 million Americans remained out of work. More than half of the unemployed had been jobless for more than 15 weeks. Some 2.5 million women had left the labor force. One in 11 Black workers and one in 12 Latino workers were unemployed. Thousands of small businesses had shuttered, with many more barely able to keep their doors open. And millions of households were struggling to afford basic expenses, put enough food on their table, and make their rent or mortgage payments.

To deliver desperately needed relief to hundreds of millions of Americans, the President proposed and signed into law the American Rescue Plan (ARP)—a historic legislative package that immediately began putting shots in arms and checks in pockets. The ARP included direct and vital financial relief to families and small businesses bearing the brunt of COVID-19, resources to help safely reopen schools, and funding to help mobilize an unprecedented response to the pandemic and mount a historic vaccination effort.

In the months since the President signed the ARP into law, our economy has come roaring back. Over the past six months, the economy has added a total of 4 million jobs—an average of 700,000 jobs per month, the most jobs created during the first six months of any presidency in history. The unemployment rate has fallen to 5.4 percent. New unemployment claims have declined by more than 50 percent since January. As of this month, our economy had already surpassed the pre-pandemic gross domestic product (GDP) peak. During the first two quarters of 2021, the economy grew faster than during the first half of any other year in nearly four decades.

In May, the President released a Budget that detailed his vision to carry forward the progress we have made and help our country build back better. It's a plan that would strengthen our economy and lay the foundation for shared prosperity, while also improving our Nation's long-run fiscal health. The Budget included the President's historic plans to create millions of jobs rebuilding our Nation's infrastructure; to help families cover their basic expenses, lower health insurance premiums, and continue the historic reductions in child poverty under the ARP; and to bolster the foundations of our country's strength through targeted discretionary investments that would improve our public health infrastructure, combat climate change, create economic opportunity, and confront 21st century security challenges.

MID-SESSION UPDATE

The Mid-Session Review (MSR) updates the Administration's estimates for receipts, outlays, and the deficit for changes that have occurred since the President's 2022 Budget (Budget) was released in May. The most substantive changes are the better-than-projected economic recovery since the Budget's economic assumptions were finalized, and an improved long-run economic outlook. Given the short timeframe between the Budget release and MSR this year, this MSR focuses its updates on those programs where economic changes have the most significant effects: Social Security, Medicare, Medicaid, tax receipts, the Supplemental Nutrition Assistance Program (SNAP), unemployment compensation, and outlays for tax credits. It also includes limited technical revisions to those estimates, including updates for actual data. This MSR does not update the Budget estimates for other programs or the estimates of the effects of the President's policies.

The baseline deficit for 2021 is now projected to be $3,115 billion, $555 billion lower than the $3,670 billion deficit projected in May. Based on monthly outlays to date and historical patterns, it is likely that the year-end deficit total will end up lower than the MSR estimate.

Going forward, the MSR estimates baseline deficits that are $684 billion lower over the 10-year budget horizon relative to the Budget. Consistent with the President's Budget, the MSR demonstrates that we can make historic and necessary investments in a responsible way: promoting growth and shared prosperity while also reducing long-term deficits and putting our Nation on a sound fiscal course.

Table 1. CHANGES IN DEFICITS FROM THE BUDGET

(In billions of dollars)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
2022 Budget baseline deficit	3,670	1,719	1,148	1,068	1,176	1,115	1,134	1,348	1,291	1,517	1,660		
Percent of GDP	16.7%	7.3%	4.7%	4.2%	4.4%	4.0%	4.0%	4.5%	4.2%	4.7%	5.0%		
Economic and technical reestimates:													
Receipts	–456	–238	–200	–221	–248	–266	–284	–308	–336	–367	–399	–1,173	–2,867
Outlays:													
Discretionary programs	–*	*	*	*	–*	–*	–*	–*	–*	–*	–*	*	*
Mandatory:													
Social Security	–5	18	34	42	46	50	52	55	58	61	65	190	482
Medicare	–10	11	22	34	38	42	46	50	51	57	60	147	410
Supplemental Nutrition Assistance Program	....	21	23	24	24	24	25	26	28	29	30	116	254
U.S. coronavirus payments and tax credits	–32	–31	....	....	....	....	....	....	....	....	....	–31	–31
Premium tax credit	7	8	4	1	1	*	–*	2	4	5	5	13	28
Earned income tax credit	1	–1	*	2	2	3	4	4	4	5	4	6	27
Unemployment compensation	–122	–8	3	2	–1	*	–1	–6	–3	*	1	–3	–13
Medicaid	11	19	10	–5	–6	–10	–9	–1	–*	1	1	9	1
Other	12	*	1	2	*	–1	–1	–1	–1	1	1	3	3
Total mandatory	–138	38	98	102	104	108	115	129	141	158	168	450	1,161
Net interest[1]	39	23	45	88	121	139	140	138	128	108	92	416	1,022
Subtotal, outlays	–99	61	143	190	225	247	255	267	269	266	260	867	2,183
Total changes	–555	–177	–56	–31	–22	–19	–29	–41	–67	–102	–139	–306	–684
Mid-Session Review baseline deficit	3,115	1,542	1,092	1,037	1,153	1,096	1,105	1,307	1,224	1,415	1,522		
Percent of GDP	13.9%	6.3%	4.3%	3.9%	4.2%	3.8%	3.7%	4.2%	3.8%	4.2%	4.3%		

Note: negative figures represent higher receipts or lower outlays.

*$500 million or less.

[1] Includes debt service on all reestimates.

ECONOMIC ASSUMPTIONS

The economy is still coping with and recovering from an unprecedented economic shock. Producing an 11-year economic forecast involves a large range of uncertainty even during the most stable of times, let alone during a period with little historical precedent. That uncertainty includes the trajectory of the virus, the rate of vaccination, lasting economic effects of the recession, and the legislative process. It is thus not surprising that the trajectory of the economy has diverged from many market-based and professional forecasts made in early 2021, including some components of the economic assumptions underlying the 2022 Budget, which were finalized in February 2021.

The economic assumptions in the Mid-Session Review (MSR) of the 2022 Budget reflect both better-than-expected economic performance in 2021 and a more complete analysis of the impact of the President's policies.

RECENT DEVELOPMENTS

Due in part to the American Rescue Plan (ARP) and vaccination rollout, overall economic activity is on track to increase at a historic pace in 2021 and 2022. For example, real GDP increased at an annualized rate of 6.3 percent during 2021:Q1 and 6.6 percent during 2021:Q2, and the August Blue Chip panel of professional forecasters expects GDP to increase 6.4 percent for 2021 and 3.1 percent in 2022. Notably, during 2021:Q2 the economic recovery reached an important milestone as the level of real GDP surpassed its pre-pandemic level (2019:Q4) sooner than forecasters had expected. In contrast, as of January 2021, the consensus forecast of the Blue Chip panel was real GDP growth of only 3.9 and 2.9 percent (fourth-quarter-over-fourth-quarter) for 2021 and 2022, respectively.

A significant development since the Budget's economic assumptions were developed in early 2021 has been the successful rollout of a national vaccination strategy. At the beginning of the year, there was substantial uncertainty about how quickly vaccinations would be ready as well as the effect of vaccinations on consumer and household behavior. As of mid-August, over 197 million people have received at least one dose of the vaccine, including 72 percent of the adult population. Recent data suggest vaccinations have driven a major shift in economic behavior. Starting in March, the recovery accelerated in sectors of the economy that were particularly harmed by social distancing requirements – such as "in-person services" like leisure and hospitality or restaurants and food service. Evidence for these improvements can be seen in sector-specific data on both consumer spending and employment.

Other positive economic developments can be traced back to the ARP, which was passed in early March. The ARP delivered immediate relief to American families, supporting households and businesses while addressing key pandemic-related challenges in public health and education. In addition to supporting critical vaccination efforts, the ARP extended a lifeline to vulnerable households in the form of Economic Impact Payments and extended unemployment insurance benefits, and supported working families with temporary expansions of the Child Tax Credit and tax credits for businesses that granted employees paid sick leave.

As the economic recovery progressed, several pandemic-related supply-side issues began to materialize, some of which of have led to a temporary uptick in near-term inflation. For example, a combination of extreme weather events, shipping delays, backlogs at ports, and other pandemic-related supply-side factors have led to shortages of key production inputs such as microchips and lumber, among other items. The effects of these shortages are evident in recent core Consumer Price Index (CPI) inflation, for which approximately 60 percent of the 0.9 percent (month-over-month) increase in June 2021 can be accounted by increases in various forms of (microchip-intensive) motor vehicles. Prices have also been increasing in services particularly affected by the pandemic, like airfare and lodging away from home (hotels), where prices are renormalizing after falling earlier in the pandemic. Importantly, however, price increases driven by pandemic-related supply-side issues are expected to be temporary.

As economic activity has returned to pre-pandemic levels, we have also seen the unemployment rate fall to its lowest level since March 2020, reaching 5.4 percent in July. The economy has added 4 million jobs since the President took office, an average of 700,000 new jobs per month. Lastly, faster than expected rates of economic growth and temporary inflationary pressures have caused financial markets and professional forecasters alike to revise upwards estimates for interest rates in 2023 and beyond. Since the forecast was finalized, however, the 10-year Treasury rate has fallen.

In addition to reflecting recent developments in the economy, the MSR incorporates the full effects of the Administration's policy agenda. The full Administration agenda had not yet been finalized at the time that the 2022 Budget's economic assumptions were developed and thus could not be fully reflected in the projections. The economic assumptions underlying the MSR now include a more robust analysis of the Administration's plans to revitalize the American economy and transform the way that America supports workers and families – including the anticipated economic effects of the American Jobs Plan (AJP), the American Families Plan (AFP), and the rest of the Administration's legislative agenda including the President's proposals for immigration reform.

ECONOMIC PROJECTIONS

The Administration's MSR forecast is based on information available at the beginning of July, and it also assumes that the President's proposed legislative agenda will be enacted. The projections for a set of key variables can be found in Table 2.

Real Gross Domestic Product: Thanks in part to the American Rescue Plan and the Administration's whole-of-government response to the pandemic, real GDP growth is expected to be 7.1 percent (fourth-quarter-over-fourth-quarter) in 2021 and 3.3 percent in 2022. These elevated growth rates are expected to taper during the medium-term of the forecast as GDP growth is projected to average 1.9 percent between 2024-2027, rising to 2.3 percent in the long term (2030-2031), in part reflecting the effects of the President's policies.

Unemployment: The unemployment rate is expected to reach 4.7 percent by the end of 2021, and to decline further to 4.0 percent by the end of 2022. Unemployment is then projected to reach a long-run level starting in 2023. These projections are similar to those underlying the 2022 Budget.

Inflation: The rate of inflation over the first two quarters of 2021 has been elevated amid temporary pandemic-related factors. Consistent with external forecasters, MSR projections include (fourth-quarter-over-fourth-quarter) CPI-U inflation of 4.8 percent in 2021 and 2.5 percent in 2022, before reaching a long-run rate of 2.3 percent over the remainder of the Budget window.[1]

Interest Rates: Following the June Federal Open Market Committee (FOMC) meeting, the Federal Reserve suggested that the median FOMC member now sees 2023 rather than 2024 as the year during which their policy interest rate will start to rise. The MSR projections take into account this shift and project somewhat higher interest rates than the Budget beginning in 2023.

FORECAST COMPARISONS

The Administration's Mid-Session Review forecast is broadly consistent with those of the Blue Chip panel of private sector forecasters, the Congressional Budget Office (CBO), and the FOMC. Some differences arise due to the Administration's assumption that the President's policy proposals will be enacted.

Real Gross Domestic Product: The Administration's forecast for short-run (fourth-quarter-over-fourth-quarter) real GDP growth in 2021 has been revised upwards 1.9 percentage points to 7.1 percent. This revised forecast is

[1] Note that the Federal Reserve targets 2.0 percent inflation in the price index for personal consumption expenditures (PCE), not the CPI. Over the long run, PCE inflation tends to be about 0.25 to 0.30 percentage points less than CPI inflation, so the Administration's forecast is consistent with the Federal Reserve's target.

Table 2. ECONOMIC ASSUMPTIONS[1]

(Calendar Years, Dollar Amounts in Billions)

	Actual		Projections										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Gross Domestic Product (GDP):													
Levels, Dollar Amounts in Billions:													
Current Dollars	21,433	20,937	23,097	24,799	25,949	26,992	28,029	29,121	30,266	31,495	32,819	34,234	35,724
Real, Chained (2012) Dollars	19,092	18,426	19,642	20,574	21,079	21,490	21,877	22,285	22,708	23,168	23,669	24,204	24,761
Chained Price Index (2012=100), Annual Average	112.3	113.6	117.6	120.6	123.1	125.6	128.2	130.7	133.3	136.0	138.7	141.5	144.3
Percent Change, Fourth-Quarter-over-Fourth-Quarter:													
Current Dollars	4.0	–1.2	11.4	5.5	4.4	3.8	3.8	3.9	3.9	4.1	4.2	4.4	4.4
Real, Chained (2012) Dollars	2.3	–2.4	7.1	3.3	2.2	1.8	1.8	1.9	1.9	2.1	2.2	2.3	2.3
Chained Price Index (2012=100)	1.6	1.3	4.0	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Incomes, Billions of Current Dollars:													
Domestic Corporate Profits	1,745	1,689	2,413	2,579	2,741	2,737	2,642	2,564	2,523	2,520	2,555	2,631	2,713
Employee Compensation	11,432	11,491	12,484	13,430	14,088	14,693	15,310	15,954	16,623	17,349	18,126	18,948	19,813
Wages and Salaries	9,309	9,371	10,203	10,938	11,482	11,975	12,480	13,006	13,551	14,141	14,776	15,446	16,155
Other Taxable Income	5,413	5,410	5,715	6,192	6,439	6,829	7,196	7,537	7,876	8,180	8,492	8,852	9,206
Consumer Price Index (All Urban)[2]:													
Level, Annual Average	255.7	258.8	269.4	277.8	284.4	290.8	297.4	304.2	311.1	318.1	325.4	332.7	340.3
Percent Change, Fourth-Quarter-over-Fourth-Quarter	2.0	1.2	4.8	2.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Unemployment Rate, Civilian, Percent:													
Fourth Quarter Level	3.6	6.7	4.7	4.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Annual Average	3.7	8.1	5.5	4.2	3.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Federal Pay Raises, January, Percent:													
Civilian[3]	1.4	2.6	1.0	2.7	NA	NA	NA	NA	NA	NA	NA	NA	NA
Military[4]	2.6	3.1	3.0	2.7	NA	NA	NA	NA	NA	NA	NA	NA	NA
Interest Rates, Percent:													
91-Day Treasury Bills[5]	2.1	0.4	0.0	0.1	0.5	1.3	2.1	2.3	2.4	2.4	2.4	2.4	2.4
10-Year Treasury Notes	2.1	0.9	1.6	2.0	2.4	2.6	2.7	2.9	3.0	3.0	3.1	3.2	3.3

[1] Based on information available as of mid-July 2021.

[2] Seasonally Adjusted.

[3] Base pay increases; percentages to be proposed for years after 2022 have yet to be determined.

[4] Percentages apply to basic pay only; percentages to be proposed for years after 2022 have yet to be determined.

[5] Average rate, secondary market (bank discount basis).

0.7 percentage points above the Blue Chip consensus and is 0.3 percentage points below the CBO forecast. For 2031, the MSR forecasts 2.3 percent growth, compared with the Blue Chip consensus forecast of 1.9 percent and the CBO forecast of 1.7 percent.

Unemployment: The Administration's forecast for unemployment during 2021 is 5.5 percent (annual average). This matches the CBO's forecast and is 0.1 percentage points below the Blue Chip consensus. Both the Blue Chip consensus and the CBO project higher levels of average unemployment over the Budget window. For example, the Blue Chip consensus and the CBO project average unemployment rates of 4.2 and 4.3 percent, respectively, over the 11-year Budget window, compared with 4.0 percent in the MSR. A similar pattern emerges for the 2031 unemployment rate, which is 3.8 percent in the MSR forecast but 4.1 and 4.5 percent for the Blue Chip consensus and the CBO, respectively.

Inflation: The Administration's MSR forecast for CPI inflation in 2021 is 0.1 percentage points lower than the Blue Chip consensus and somewhat higher than CBO's, which was finalized earlier in 2021. Similar to the Blue Chip consensus and the CBO, however, the MSR forecast for CPI inflation settles in to a long-run level of 2.3 percent over the medium-term and remains there over the Budget window. These forecasts are all consistent with the view that pandemic-related inflationary pressures will be temporary as supply constraints ease and that long-run inflation will continue to be anchored within the Federal Reserve's stated policy target of 2.0 percent PCE inflation on average.

Interest Rates: On interest rates, the Administration's forecast is slightly higher than the Blue Chip consensus's and broadly similar to the CBO's. All three forecasts – MSR, Blue Chip, and CBO – project the 91-day Treasury bill rate to begin rising most significantly in 2023 and into 2024, consistent with the current median view of the FOMC (as of June) regarding their policy rate.

Related to the path of interest rates is the trajectory of debt held by the public, as well as real net interest which measures the real cost of debt. Real net interest has averaged one percent of GDP since 1980 and averaged two percent of GDP in the 1990s. Table S-1 shows that real net interest is projected to remain below one percent of GDP throughout the decade.

Table 3. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar Years)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Nominal GDP (Billions):											
2022 MSR	23,097	24,799	25,949	26,992	28,029	29,121	30,266	31,495	32,819	34,234	35,724
2022 Budget	22,411	23,799	24,808	25,778	26,767	27,794	28,860	29,986	31,166	32,414	33,723
CBO	22,974	24,638	25,565	26,405	27,310	28,291	29,374	30,471	31,587	32,746	33,984
Blue Chip [1]	22,967	24,575	25,681	26,785	27,910	29,027	30,159	31,365	32,620	33,924	35,281
Real GDP (Fourth-Quarter-over-Fourth-Quarter growth rates):											
2022 MSR	7.1	3.3	2.2	1.8	1.8	1.9	1.9	2.1	2.2	2.3	2.3
2022 Budget	5.2	3.2	2.0	1.8	1.8	1.8	1.8	1.9	1.9	2.0	2.0
CBO	7.4	3.1	1.1	1.1	1.3	1.6	1.6	1.6	1.5	1.6	1.7
Blue Chip	6.4	3.1	2.4	2.2	2.1	1.9	1.9	1.9	1.9	1.9	1.9
Federal Reserve (FOMC)	7.0	3.3	2.4	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Consumer Price Index (Fourth-Quarter-over-Fourth-Quarter growth rates):											
2022 MSR	4.8	2.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
2022 Budget	2.0	2.1	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
CBO	3.4	2.3	2.3	2.4	2.4	2.5	2.5	2.4	2.4	2.3	2.3
Blue Chip	4.9	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Unemployment Rate (annual average):											
2022 MSR	5.5	4.2	3.9	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
2022 Budget	5.5	4.1	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
CBO	5.5	3.8	3.7	4.0	4.2	4.3	4.3	4.3	4.4	4.5	4.5
Blue Chip	5.6	4.4	4.2	4.0	4.0	4.0	4.0	4.1	4.1	4.1	4.1
Federal Reserve (FOMC) [2]	4.5	3.8	3.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Interest Rates (annual average):											
91-Day Treasury Bills (discount basis):											
2022 MSR	0.0	0.1	0.5	1.3	2.1	2.3	2.4	2.4	2.4	2.4	2.4
2022 Budget	0.1	0.2	0.4	0.8	1.2	1.5	1.6	1.7	1.8	2.1	2.3
CBO	0.0	0.1	0.2	0.5	0.9	1.3	1.6	1.8	2.1	2.3	2.4
Blue Chip	0.1	0.1	0.5	0.8	1.2	1.5	1.6	1.8	1.8	1.8	1.8
10-Year Treasury Notes:											
2022 MSR	1.6	2.0	2.4	2.6	2.7	2.9	3.0	3.0	3.1	3.2	3.3
2022 Budget	1.2	1.4	1.7	2.1	2.4	2.6	2.7	2.8	2.8	2.8	2.8
CBO	1.6	1.9	2.0	2.3	2.6	2.8	3.0	3.2	3.3	3.4	3.5
Blue Chip	1.5	1.9	2.3	2.5	2.7	2.8	2.9	2.9	2.9	2.9	2.9

Sources: Administration; CBO, The Budget and Economic Outlook: 2021 to 2031, July 2021; March 2021 and August 2021 Blue Chip Economic Indicators, Aspen Publishers, Inc.; Federal Reserve Open Market Committee, June 16, 2021.

MSR = 2022 Mid-Session Review (forecast date: July 2021)

Budget = 2022 Budget (forecast date: February 2021)

CBO = Congressional Budget Office July 2021 baseline economic forecast

Blue Chip = August 2021 Blue Chip Consensus forecast (2021-2022) extended with March 2021 Blue Chip long-run survey (2023-2031)

FOMC = Federal Reserve Open Market Committee (median of forecasts date: June 16)

[1] Interpolated from annual growth rates

[2] Fourth quarter level of unemployment

RECEIPTS

The Mid-Session Review (MSR) estimates of receipts are above the 2022 Budget estimates by $456 billion in 2021 and above those estimates by $238 billion in 2022. The MSR estimates of receipts are above the Budget by $200 billion to $399 billion in each subsequent year, for a net increase in receipts of $2,867 billion over the 10-year budget horizon (2022 through 2031).

Most of the net increase in 2021 receipts is attributable to technical revisions based on new tax reporting data, collections to date, and other information, which increase receipts by $382 billion. Revised economic assumptions increase 2021 receipts by $75 billion.

The estimate of 2022 receipts is above the Budget estimate, reflecting a $162 billion increase in receipts due to revised economic assumptions, and a $76 billion increase in receipts attributable to technical revisions.

The $2,867 billion increase in receipts over the 10-year budget horizon is the result of a $2,602 billion increase in receipts attributable to revisions in the economic forecast, and a $265 billion increase in receipts from technical reestimates.

ECONOMIC CHANGES

Revisions in the economic forecast increase receipts by $75 billion in 2021, increase receipts by $162 billion in 2022, and increase receipts by growing amounts in each subsequent year, for a total increase of $2,602 billion over the 10-year budget window.

In 2021, revisions to the economic forecast have the greatest effect on individual income taxes, increasing receipts by $58 billion. This increase is primarily attributable to increases in the forecast of wages and salaries.

Table 4. CHANGES IN RECEIPTS

(In billions of dollars)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
2022 Budget baseline estimate	3,580	3,988	4,304	4,451	4,640	4,991	5,272	5,506	5,724	5,958	6,205		
Changes due to revised economic assumptions:													
Individual income taxes	58	100	111	120	135	146	158	172	190	210	230	611	1,571
Corporation income taxes	14	22	20	22	22	21	23	24	26	27	28	108	236
Social insurance and retirement	4	38	54	61	71	77	79	83	89	96	105	301	753
Other	–2	2	3	3	4	4	5	5	6	5	5	15	42
Total, changes due to revised economic assumptions	75	162	188	206	231	248	264	285	311	338	368	1,036	2,602
Changes due to technical reestimates:													
Individual income taxes	289	....	....	....	....	....	....	....	....	....	....	....	....
Corporation income taxes	75	78	....	....	....	....	....	....	....	....	....	78	78
Social insurance and retirement	12	5	11	16	16	18	20	23	26	29	31	65	193
Other	5	–7	....	....	....	....	....	....	....	....	....	–7	–7
Total, changes due to technical reestimates	382	76	11	16	16	18	20	23	26	29	31	137	265
Total change in receipts	456	238	200	221	248	266	284	308	336	367	399	1,173	2,867
Mid-Session Review baseline estimate	4,036	4,226	4,504	4,672	4,888	5,257	5,556	5,814	6,060	6,325	6,604		

Over the 10-year budget window, revisions in the economic forecast have the greatest effect on individual income taxes, increasing collections by $1,571 billion, again attributable to increases in the forecast of wages and salaries. The increase in the forecast of wages and salaries also accounts for most of the $753 billion increase in social insurance and retirement receipts, including Social Security and Medicare payroll taxes. Revisions in the forecast of GDP increase collections of corporate income taxes by $236 billion. Revisions in the forecasts of GDP, interest rates, and other sources of income increase all remaining sources of receipts by a net $42 billion.

TECHNICAL CHANGES

Technical revisions in the estimates of receipts increase receipts by $382 billion in 2021 and increase receipts by $76 billion in 2022. Technical revisions increase receipts in each subsequent year, for a total increase in receipts of $265 billion over the 10 years from 2022 through 2031. The upward technical revisions in 2021 are primarily due to individual income tax collections data for tax year 2020 and 2021, which increased receipts by $289 billion. Technical revisions increased other sources of receipts by a net $92 billion.

Over the 10-year budget window, technical revisions increase collections of social insurance and retirement receipts by $193 billion and corporation income taxes by $78 billion. These revisions reflect actual collections data since the Budget. Technical revisions in all other sources of receipts decrease receipts by $7 billion.

EXPENDITURES

Baseline outlays for 2021 in the Mid-Session Review (MSR) are estimated to be $7,151 billion, $99 billion lower than the baseline estimate in the 2022 Budget. After 2021, outlays are higher relative to the 2022 Budget in each year through 2031, for an increase in outlays of $2,183 billion over then 10-year budget horizon. That increase reflects estimating changes for large mandatory programs, outlays for tax credits, and net interest, including lower debt service associated with the net deficit impact from changes in receipts and outlays.

Discretionary programs. Technical corrections decrease discretionary outlays in 2021 by $1 million and increase discretionary outlays by $52 million over the 10-year budget window.

Social Security. Estimating changes decrease outlays for Social Security by $5 billion in 2021 and increase outlays by $482 billion over the next 10 years. Outlays are lower in 2021 due to technical revisions for actual beneficiary data. The increase in outlays from 2022 to 2031 is almost entirely due to the revised forecast for the Consumer Price Index, which results in higher cost-of-living adjustments (COLAs) than assumed in the Budget. The increase is also partially due to the incorporation of actual beneficiary data and revised average benefit estimates.

Medicare. Estimating changes decrease Medicare outlays by $10 billion in 2021, primarily the result of technical revisions for year to date actuals. Economic and technical changes increase outlays by $410 billion over the next 10 years, partially due to properly incorporating the effects of the final rule "Fraud and Abuse; Removal of Safe Harbor Protection for Rebates Involving Prescription Pharmaceuticals and Creation of New Safe Harbor Protection for Certain Point-of-Sale Reductions in Price on Prescription Pharmaceuticals and Certain Pharmacy Benefit Manager Service Fees," which were not accurately reflected in the Budget baseline due to an inadvertent error. The main driver of the increase for the economic baseline are the Medicare market basket updates for 2023-2031. These were revised up from the 2022 President's Budget due to higher forecasted growth of the market basket components including average hourly compensation and higher forecasted growth of inflation. On average, the productivity adjustments from 2023 onward are slightly higher relative to the President's Budget mainly as a result of higher projected growth rate of labor productivity, partially offsetting the higher market basket updates.

Supplemental Nutrition Assistance Program (SNAP). Outlays for SNAP are $254 billion higher from 2022 to 2031 relative to the Budget. The increase is due to revised economic assumptions, including a higher forecast for the Consumer Price Index, and technical updates for the Department of Agriculture's revision of the Thrifty Food Plan market basket as directed in the Agriculture Improvement Act of 2018 (Public Law 115-334). The Thrifty Food Plan affects SNAP benefits, the calculation for the Nutrition Assistance Program in Puerto Rico and American Samoa, and the calculation of funding for commodity purchases in The Emergency Food Assistance Program (TEFAP).

U.S. coronavirus payments and tax credits. Technical revisions reduce net outlays for coronavirus payments and tax credits by $32 billion in 2021 and by $31 billion in 2022. The change in 2021 is the net effect of a $23 billion increase in outlays for coronavirus payments to individuals and a decrease of $55 billion in outlays for refundable tax credits to businesses and individuals. The change in 2022 is almost entirely attributable to technical updates for refundable tax credits.

Premium tax credit. Estimating changes increase outlays for the refundable premium tax credit by $7 billion in 2021 and by $28 billion over the next 10 years. The increase is the result of economic changes and technical revisions for updated actual expenditures and increased enrollment in exchanges. Changes to technical assumptions account for $22 billion of the increase from 2022 through 2031.

Earned Income Tax Credit (EITC). Economic changes increase outlays for the EITC by less than $1 billion in 2021 and by $27 billion over the next 10 years due to revised wage projections.

Unemployment compensation. Estimating changes decrease outlays in 2021 by $122 billion. The reduction reflects actual expenditures and lower-than-projected unemployment benefits, which are partly due to states' early termination of temporary programs established in the CARES Act. From 2022 through 2031, economic revisions increase outlays by $19 billion, primarily due to higher growth in the labor force and wages than assumed in the Budget. That increase is offset by a $32 billion decrease in outlays over the same period from technical revisions that reflect shifts in covered employment and insured-to-total unemployment ratios.

Medicaid. Estimating changes increase outlays for Medicaid by $11 billion in 2021 and by $1 billion from 2022 through 2031. Technical revisions for higher enrollment in the near-term contribute to the increase in spending in 2021, but lower per capita costs decrease spending projections for the next 10 years. That reduction in outlays from 2022 through 2031 is offset by economic changes from revised inflation assumptions and the growth in costs of medical services.

Net interest. Outlays for net interest are projected to increase by $39 billion in 2021 and by $1,022 billion over the next 10 years. The increase is primarily the result of revised economic assumptions, including higher interest rates and Consumer Price Index assumptions. Technical revisions are largely due to updates for actual data.

Table 5. CHANGES IN OUTLAYS

(In billions of dollars)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
2022 Budget baseline estimate	7,249	5,707	5,453	5,519	5,816	6,106	6,405	6,854	7,015	7,475	7,866		
Changes due to reestimates:													
Discretionary programs	–*	*	*	*	–*	–*	–*	–*	–*	–*	–*	*	*
Mandatory programs:													
Social Security	–5	18	34	42	46	50	52	55	58	61	65	190	482
Medicare	–10	11	22	34	38	42	46	50	51	57	60	147	410
Supplemental Nutrition Assistance Program	....	21	23	24	24	24	25	26	28	29	30	116	254
U.S. coronavirus payments and tax credits	–32	–31	....	....	....	....	....	....	....	....	....	–31	–31
Premium tax credit	7	8	4	1	1	*	–*	2	4	5	5	13	28
Earned income tax credit	1	–1	*	2	2	3	4	4	4	5	4	6	27
Unemployment compensation	–122	–8	3	2	–1	*	–1	–6	–3	*	1	–3	–13
Medicaid	11	19	10	–5	–6	–10	–9	–1	–*	1	1	9	1
Other programs	12	*	1	2	*	–1	–1	–1	–1	1	1	3	3
Subtotal, mandatory programs	–138	38	98	102	104	108	115	129	141	158	168	450	1,161
Net interest [1]	39	23	45	88	121	139	140	138	128	108	92	416	1,022
Total change in outlays	–99	61	143	190	225	247	255	267	269	266	260	867	2,183
Mid-Session Review baseline estimate	7,151	5,768	5,596	5,709	6,041	6,353	6,661	7,121	7,284	7,740	8,126		

*$500 million or less.

[1] Includes debt service on all reestimates.

SUMMARY TABLES

Table S–1. BUDGET TOTALS[1]

(In billions of dollars and as a percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Totals 2022-2026	Totals 2022-2031
Budget totals in billions of dollars:														
Receipts	3,421	4,037	4,412	4,841	5,049	5,286	5,598	5,916	6,196	6,455	6,737	7,042	25,186	57,532
Outlays	6,550	7,151	6,072	6,157	6,380	6,740	7,004	7,203	7,590	7,706	8,122	8,478	32,352	71,451
Deficit	3,129	3,114	1,660	1,316	1,331	1,454	1,406	1,287	1,394	1,251	1,384	1,435	7,167	13,919
Debt held by the public	21,017	23,612	25,533	26,896	28,246	29,707	31,118	32,409	33,804	35,054	36,446	37,892		
Debt held by the public net of financial assets	18,024	21,129	22,789	24,104	25,434	26,888	28,294	29,580	30,974	32,225	33,609	35,049		
Gross domestic product (GDP)	21,000	22,484	24,470	25,673	26,738	27,766	28,841	29,976	31,178	32,480	33,872	35,346		
Budget totals as a percent of GDP:														
Receipts	16.3%	18.0%	18.0%	18.9%	18.9%	19.0%	19.4%	19.7%	19.9%	19.9%	19.9%	19.9%	18.8%	19.4%
Outlays	31.2%	31.8%	24.8%	24.0%	23.9%	24.3%	24.3%	24.0%	24.3%	23.7%	24.0%	24.0%	24.2%	24.1%
Deficit	14.9%	13.8%	6.8%	5.1%	5.0%	5.2%	4.9%	4.3%	4.5%	3.9%	4.1%	4.1%	5.4%	4.8%
Debt held by the public	100.1%	105.0%	104.3%	104.8%	105.6%	107.0%	107.9%	108.1%	108.4%	107.9%	107.6%	107.2%		
Debt held by the public net of financial assets	85.8%	94.0%	93.1%	93.9%	95.1%	96.8%	98.1%	98.7%	99.3%	99.2%	99.2%	99.2%		
Memorandum, real net interest:														
Real net interest in billions of dollars	134	–250	–377	–181	–95	5	80	134	178	209	243	281	–567	478
Real net interest as a percent of GDP	0.6%	–1.1%	–1.5%	–0.7%	–0.4%	*	0.3%	0.4%	0.6%	0.6%	0.7%	0.8%	–0.5%	0.1%

*0.05 percent of GDP or less.

[1] Budget totals for Mid-Session Review include baseline reestimates and updated debt service for the President's policies.

Table S–2. BASELINE BY CATEGORY[1]

(In billions of dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Totals 2022-2026	Totals 2022-2031
Outlays:														
Discretionary programs:														
Defense	714	735	754	756	778	796	811	828	846	865	884	903	3,895	8,221
Non-defense	913	960	913	874	842	849	851	862	880	896	913	931	4,329	8,810
Subtotal, discretionary programs	1,627	1,696	1,667	1,630	1,621	1,645	1,661	1,689	1,726	1,760	1,797	1,834	8,224	17,031
Mandatory programs:														
Social Security	1,090	1,130	1,214	1,296	1,375	1,456	1,543	1,633	1,728	1,827	1,929	2,034	6,884	16,035
Medicare	769	699	778	864	876	986	1,057	1,133	1,279	1,232	1,384	1,475	4,561	11,065
Medicaid	458	532	537	540	558	587	611	645	698	741	784	829	2,833	6,529
Supplemental Nutrition Assistance Program	86	162	145	106	104	103	101	103	107	110	114	117	561	1,112
Unemployment compensation	472	417	42	25	25	26	32	33	36	40	46	48	151	354
Other mandatory programs	1,703	2,173	1,058	770	696	681	698	703	759	728	780	814	3,903	7,688
Subtotal, mandatory programs	4,578	5,113	3,773	3,601	3,635	3,839	4,043	4,250	4,607	4,678	5,037	5,317	18,892	42,781
Net interest	345	342	328	364	454	557	648	721	787	845	906	974	2,351	6,586
Total outlays	6,550	7,151	5,768	5,596	5,709	6,041	6,353	6,661	7,121	7,284	7,740	8,126	29,467	66,398
Receipts:														
Individual income taxes	1,609	2,051	2,105	2,285	2,330	2,481	2,792	3,009	3,159	3,317	3,485	3,662	11,993	28,624
Corporation income taxes	212	358	366	388	434	455	446	447	457	457	460	467	2,088	4,377
Social insurance and retirement receipts:														
Social Security payroll taxes	965	953	1,060	1,114	1,169	1,218	1,272	1,320	1,385	1,441	1,504	1,570	5,833	13,054
Medicare payroll taxes	292	295	329	346	361	376	392	408	428	447	467	489	1,804	4,043
Unemployment insurance	43	55	59	61	60	57	55	55	57	57	58	56	294	577
Other retirement	10	10	11	12	12	13	13	14	15	16	17	17	62	140
Excise taxes	87	73	82	86	90	90	91	92	92	94	96	96	439	909
Estate and gift taxes	18	27	25	25	26	27	28	41	42	44	46	49	130	353
Customs duties	69	80	49	45	46	48	49	51	53	55	57	60	237	512
Deposits of earnings, Federal Reserve System	82	97	102	103	99	77	68	65	71	75	75	79	448	814
Other miscellaneous receipts	36	37	39	40	44	46	49	52	55	57	59	60	218	501
Total receipts	3,421	4,036	4,226	4,504	4,672	4,888	5,257	5,556	5,814	6,060	6,325	6,604	23,547	53,905
Deficit	**3,129**	**3,115**	**1,542**	**1,092**	**1,037**	**1,153**	**1,096**	**1,105**	**1,307**	**1,224**	**1,415**	**1,522**	**5,920**	**12,493**
Net interest	345	342	328	364	454	557	648	721	787	845	906	974	2,351	6,586
Primary deficit	2,784	2,773	1,214	728	583	596	448	383	519	379	509	547	3,569	5,907

[1] Baseline estimates are on the basis of the economic assumptions shown in Table 2, which incorporate the effects of the Administration's policies.

Table S–3. ESTIMATED SPENDING FROM 2022 BALANCES OF BUDGET AUTHORITY: DISCRETIONARY PROGRAMS

(In billions of dollars)

	Total
Outlays from end-of–2022 balances:	
2023	871.6
2024	357.1
2025	166.9
2026	76.6
2027	38.1
2028	24.8
2029	14.0
2030	7.7
2031	3.4

Note: Required by 31 USC 1106(a)(3). Balances as of the end of 2022 include unspent balances of discretionary budget authority provided in 2022 and prior years, as well as unspent balances of mandatory contract authority that is subject to discretionary obligation limitations.

Table S–4. OUTLAYS FOR MANDATORY PROGRAMS UNDER CURRENT LAW[1]

(In billions of dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Totals 2022-2026	Totals 2022-2031
Outlays:														
Human resources programs:														
Education, training, employment and social services	131	129	84	97	65	34	36	38	39	40	40	40	316	513
Health	569	707	706	670	679	699	726	764	821	869	915	963	3,480	7,812
Medicare	769	699	778	864	876	986	1,057	1,133	1,279	1,232	1,384	1,475	4,561	11,065
Income security	1,184	1,688	777	553	530	539	554	546	573	569	601	618	2,952	5,860
Social security	1,090	1,130	1,214	1,296	1,375	1,456	1,543	1,633	1,728	1,827	1,929	2,034	6,884	16,034
Veterans' benefits and services	121	133	177	161	158	182	194	206	236	216	245	260	873	2,035
Subtotal, human resources programs	3,865	4,487	3,735	3,640	3,682	3,897	4,110	4,320	4,676	4,752	5,115	5,390	19,065	43,319
Other mandatory programs:														
International affairs	8	–11	–2	–1	–1	–3	–2	–2	–2	–2	–2	–3	–8	–18
Energy	1	–*	–1	–2	–3	–3	–2	–4	–*	–*	1	*	–10	–13
Natural resources and environment	3	4	6	8	8	8	7	6	6	6	6	6	37	67
Agriculture	31	52	21	21	21	21	18	18	18	18	18	17	101	189
Commerce and housing credit	570	391	21	15	14	16	16	19	19	17	17	19	82	171
Transportation	28	51	15	5	3	–*	–*	*	2	2	1	2	23	32
Justice	8	11	5	3	2	2	1	1	1	1	1	7	14	25
General government	161	303	86	9	9	8	8	8	8	8	9	9	121	163
Undistributed offsetting receipts	–106	–204	–144	–121	–124	–127	–131	–134	–138	–141	–144	–148	–648	–1,352
Other functions	10	29	31	24	23	20	17	17	17	16	17	18	114	198
Subtotal, other mandatory programs	713	627	38	–39	–48	–58	–67	–70	–69	–74	–78	–73	–173	–538
Total, outlays for mandatory programs under current law	4,578	5,113	3,773	3,601	3,635	3,839	4,043	4,250	4,607	4,678	5,037	5,317	18,892	42,781

*$500 million or less.

[1] This table meets the requirements of 31 USC 1106(a)(2).

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