CHAPTER

3

The Spending Outlook

Overview

In the Congressional Budget Office's current baseline projections, federal outlays in 2019 total $4.4 trillion, or 20.8 percent of gross domestic product (GDP). Outlays, which are also referred to as spending in this report, are projected to grow at an average annual rate of 4.8 percent over the coming decade, reaching $7.0 trillion in 2029, or 22.7 percent of GDP (see Table 3-1).[1] Outlays for Social Security, Medicare, and net interest account for about three-quarters of that $2.6 trillion increase.

Outlays in some years are affected by shifts in the timing of certain federal payments: When October 1—the first day of a fiscal year—falls on a weekend, certain payments that are due on that date are made at the end of September and, as a result, are recorded in the previous fiscal year. Timing shifts primarily affect mandatory outlays and, to a much lesser degree, discretionary outlays.[2] Net interest outlays are not affected. The discussion of CBO's projections below reflects adjustments to remove the effects of those timing shifts.

The Mix of Outlays in 2019 Will Differ From That in the Past

In CBO's projections, total federal outlays increase by $260 billion (or 6 percent) in 2019. Just over half of that projected growth is attributable to mandatory outlays, which are projected to rise by $135 billion, or 5 percent. Discretionary outlays are projected to increase from last year's amount—$1.3 trillion—by $67 billion, or 5 percent. The government's net interest costs are also anticipated to grow in 2019, increasing by $59 billion (or 18 percent), to $383 billion. (See Box 3-1 on page 64 for descriptions of the three major types of federal outlays.)

Relative to the size of the economy, federal outlays in 2019 are projected to equal 20.8 percent of GDP, above the 50-year average of 20.3 percent. That increase over historical levels is largely attributable to significant growth in mandatory spending (net of the offsetting receipts that are credited against such outlays), which is expected to equal 12.7 percent of GDP in 2019, compared with its 9.9 percent average over the 1969–2018 period. As a share of GDP, the other major components of federal spending fall below their 50-year averages: Discretionary outlays are projected to equal 6.3 percent of GDP this year, compared with their 8.4 percent average over the past 50 years, and net outlays for interest are expected to equal 1.8 percent of GDP, compared with their 50-year average of 2.0 percent (see Figure 3-1 on page 66).

Outlays Are Projected to Rise Significantly Relative to GDP

In CBO's baseline projections, outlays continue to rise in relation to the size of the economy—by a total of 2.2 percentage points of GDP (excluding the effects of timing shifts) from 2019 to 2029. Relative to GDP, mandatory spending and net interest costs are projected to rise significantly, whereas discretionary outlays are projected to decline (see Figure 3-2 on page 67). Specifically:

- Mandatory outlays are projected to increase by 2.4 percentage points—from 12.7 percent of GDP to 15.1 percent (excluding the effects of timing shifts in 2029)—primarily because the aging of the population and rising health care costs per beneficiary will increase outlays for Social Security, Medicare, and other programs.

1. This chapter describes updates to CBO's spending projections previously released in April 2018 (including subsequent changes to those projections that were published in May 2018). Some agencies experienced a lapse in appropriations when authorities contained in the Continuing Appropriations Act, 2019—as extended by Public Law 115-298—expired on December 22, 2018. For those agencies, CBO's current baseline projections incorporate the amount of fiscal year 2019 funding that was provided before that expiration, annualized (that is, as if it was provided for the entirety of the fiscal year).

2. CBO estimates that $62 billion in outlays ($57 billion of which is mandatory) will shift from 2023 into 2022, $67 billion ($62 billion of which is mandatory) will shift from 2024 into 2023, and $91 billion ($85 billion of which is mandatory) will shift from 2029 into 2028. Such shifts also occurred in 2018, moving $40 billion in mandatory outlays and $4 billion in discretionary outlays into 2017; the effect of those shifts exaggerates any growth in affected outlays from 2018 to 2019.

Table 3-1.

CBO's Baseline Projections of Outlays

	Actual, 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
							In Billions of Dollars							
Mandatory														
Social Security	982	1,039	1,102	1,171	1,245	1,323	1,403	1,487	1,574	1,664	1,759	1,856	6,243	14,583
Medicare[a]	704	768	821	882	987	1,024	1,057	1,176	1,262	1,355	1,526	1,519	4,771	11,609
Medicaid	389	406	420	440	467	496	526	557	591	626	662	702	2,350	5,488
Other spending	703	764	765	793	847	848	846	886	909	916	967	944	4,099	8,721
Offsetting receipts	-259	-283	-274	-291	-306	-320	-338	-370	-378	-400	-414	-436	-1,530	-3,528
Subtotal	2,520	2,695	2,834	2,995	3,240	3,371	3,493	3,737	3,957	4,161	4,500	4,584	15,933	36,872
Discretionary														
Defense	622	664	648	652	667	675	685	706	723	740	764	771	3,328	7,032
Nondefense	642	670	647	647	652	663	677	693	708	724	741	759	3,286	6,911
Subtotal	1,263	1,334	1,295	1,299	1,319	1,338	1,362	1,399	1,431	1,465	1,505	1,530	6,614	13,943
Net Interest	325	383	460	521	581	637	684	724	772	821	876	928	2,882	7,003
Total	**4,108**	**4,412**	**4,589**	**4,814**	**5,140**	**5,347**	**5,539**	**5,859**	**6,160**	**6,446**	**6,881**	**7,042**	**25,430**	**57,818**
On-budget	3,259	3,506	3,619	3,778	4,031	4,159	4,273	4,510	4,731	4,929	5,265	5,328	19,860	44,623
Off-budget[b]	849	906	970	1,036	1,109	1,187	1,266	1,349	1,428	1,518	1,616	1,714	5,569	13,195
Memorandum:														
Outlays Adjusted to Exclude Timing Shifts[c]														
Mandatory outlays	2,560	2,695	2,834	2,995	3,183	3,366	3,555	3,737	3,957	4,161	4,415	4,669	15,933	36,872
Discretionary outlays	1,267	1,334	1,295	1,299	1,314	1,338	1,367	1,399	1,431	1,465	1,499	1,535	6,614	13,943
Total Outlays	**4,152**	**4,412**	**4,589**	**4,814**	**5,078**	**5,342**	**5,606**	**5,859**	**6,160**	**6,446**	**6,790**	**7,133**	**25,430**	**57,818**
Gross Domestic Product	20,236	21,252	22,120	22,939	23,778	24,672	25,642	26,656	27,667	28,738	29,862	31,006	119,151	263,080

Continued

- As interest rates rise and debt continues to accumulate, net outlays for interest are projected to jump significantly, increasing by 1.2 percentage points—from 1.8 percent of GDP to 3.0 percent—by 2029.

- Discretionary outlays are projected to fall by 1.3 percentage points of GDP, from 6.3 percent to 5.0 percent. That decline reflects lower limits on discretionary funding (that is, budget authority) in 2020 and 2021 and the assumption (required by law) that discretionary funding will grow at the rate of inflation—which is slower than projected growth in GDP—beginning in 2022.

Among mandatory programs, outlays for Social Security and for the major health care programs—Medicare, Medicaid, subsidies offered through the health insurance marketplaces established under the Affordable Care Act and related spending, and the Children's Health Insurance Program (CHIP)—are projected to rise relative to GDP; outlays for all other mandatory programs, on net, are projected to decline relative to GDP. In particular (adjusted to exclude the effects of timing shifts):

- Outlays for the largest federal program, Social Security, are expected to rise from 4.9 percent of GDP in 2019 to 6.0 percent in 2029.

- Federal outlays for the major health care programs are projected to grow from 5.2 percent of GDP in 2019 to 6.8 percent in 2029, mostly because of growth in spending for Medicare.[3]

3. Spending for Medicare is presented net of premium payments and other offsetting receipts, unless otherwise noted.

Table 3-1. Continued

CBO's Baseline Projections of Outlays

	Actual, 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
							As a Percentage of Gross Domestic Product							
Mandatory														
Social Security	4.9	4.9	5.0	5.1	5.2	5.4	5.5	5.6	5.7	5.8	5.9	6.0	5.2	5.5
Medicare[a]	3.5	3.6	3.7	3.8	4.1	4.2	4.1	4.4	4.6	4.7	5.1	4.9	4.0	4.4
Medicaid	1.9	1.9	1.9	1.9	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.3	2.0	2.1
Other spending	3.5	3.6	3.5	3.5	3.6	3.4	3.3	3.3	3.3	3.2	3.2	3.0	3.4	3.3
Offsetting receipts	-1.3	-1.3	-1.2	-1.3	-1.3	-1.3	-1.3	-1.4	-1.4	-1.4	-1.4	-1.4	-1.3	-1.3
Subtotal	12.5	12.7	12.8	13.1	13.6	13.7	13.6	14.0	14.3	14.5	15.1	14.8	13.4	14.0
Discretionary														
Defense	3.1	3.1	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.6	2.6	2.5	2.8	2.7
Nondefense	3.2	3.2	2.9	2.8	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4	2.8	2.6
Subtotal	6.2	6.3	5.9	5.7	5.5	5.4	5.3	5.2	5.2	5.1	5.0	4.9	5.6	5.3
Net Interest	1.6	1.8	2.1	2.3	2.4	2.6	2.7	2.7	2.8	2.9	2.9	3.0	2.4	2.7
Total	**20.3**	**20.8**	**20.7**	**21.0**	**21.6**	**21.7**	**21.6**	**22.0**	**22.3**	**22.4**	**23.0**	**22.7**	**21.3**	**22.0**
On-budget	16.1	16.5	16.4	16.5	17.0	16.9	16.7	16.9	17.1	17.2	17.6	17.2	16.7	17.0
Off-budget[b]	4.2	4.3	4.4	4.5	4.7	4.8	4.9	5.1	5.2	5.3	5.4	5.5	4.7	5.0
Memorandum:														
Outlays Adjusted to Exclude Timing Shifts[c]														
Mandatory outlays	12.6	12.7	12.8	13.1	13.4	13.6	13.9	14.0	14.3	14.5	14.8	15.1	13.4	14.0
Discretionary outlays	6.3	6.3	5.9	5.7	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	5.6	5.3
Total Outlays	**20.5**	**20.8**	**20.7**	**21.0**	**21.4**	**21.7**	**21.9**	**22.0**	**22.3**	**22.4**	**22.7**	**23.0**	**21.3**	**22.0**

Source: Congressional Budget Office.

a. Excludes the effects of Medicare premiums and other offsetting receipts.

b. Off-budget outlays stem from transactions related to the Social Security trust funds and the net cash flow of the Postal Service.

c. When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year.

- Outlays for all other mandatory programs (net of offsetting receipts) are projected to decline from 2.6 percent of GDP in 2019 to 2.3 percent in 2029.

Projections of Outlays Could Differ From Actual Outcomes

CBO's past projections of outlays—excluding the effects of enacted legislation—have been generally close to actual amounts but on average have been too high. The mean absolute error (the average without regard for whether the errors were positive or negative) of CBO's projections made for the following fiscal year has been 2.3 percent of outlays (or 0.5 percent of GDP); for projections made for the sixth year out, it has been 6.0 percent of outlays (or 1.2 percent of GDP). Actual outlays could turn out to be higher or lower than CBO projects, both because laws could change and because outcomes could (and probably will) differ from CBO's projections.

Mandatory Spending

Mandatory—or direct—spending consists of spending for some benefit programs and other payments to people, businesses, nonprofit institutions, and state and local governments. Mandatory spending is generally governed by statutory criteria and is not normally constrained

Box 3-1.

Categories of Federal Outlays

Outlays are the issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a federal obligation. (Budget authority, sometimes referred to as funding, is the authority provided by federal law to incur such obligations.) On the basis of its treatment in the budget process, federal outlays can be divided into three broad categories: mandatory, discretionary, and net interest.

Mandatory outlays consist primarily of payments for benefit programs, such as Social Security, Medicare, and Medicaid. The Congress largely determines funding for those programs by setting rules for eligibility, benefit formulas, and other parameters rather than by appropriating specific amounts each year. In making baseline projections, the Congressional Budget Office generally assumes that the existing laws and policies governing those programs will remain unchanged. Mandatory outlays are net of offsetting receipts—fees and other charges that are recorded as negative budget authority and outlays. Offsetting receipts differ from revenues: Revenues are collected through the government's sovereign powers (in the form of income taxes, for example), whereas offsetting receipts are mostly collected from other government accounts or from members of the public for businesslike transactions (in the form of premiums for Medicare or royalties for the drilling of oil on public lands, for example).

Discretionary outlays result from the funding controlled by annual appropriation acts in which policymakers specify how much money can be obligated for certain government programs in specific years. Appropriations fund a broad array of government activities, including defense, law enforcement, education, and veterans' health programs. They also fund the national park system, disaster relief, and foreign aid. Some of the fees and charges triggered by appropriation acts are classified as offsetting collections and are credited against discretionary budget authority and outlays for the particular accounts affected.

CBO's baseline projections depict the path of funding for individual discretionary accounts as directed by the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177).[1] That law states that current appropriations should be assumed to grow with inflation in the future.[2] However, the baseline also incorporates the assumption that discretionary funding will not exceed the caps imposed by

1. Some agencies experienced a lapse in appropriations when authorities contained in the Continuing Appropriations Act, 2019—as extended by Public Law 115-298—expired on December 22, 2018. For those agencies, CBO's current baseline projections incorporate the amount of fiscal year 2019 funding that was provided before that expiration, annualized (that is, as if it was provided for the entirety of the fiscal year).
2. In CBO's baseline projections, discretionary funding related to federal personnel is inflated using the employment cost index for wages and salaries of workers in private industry; other discretionary funding is adjusted using the gross domestic product price index.

Continued

by the annual appropriation process.[4] Certain types of payments that federal agencies receive from the public and from other government agencies are classified as offsetting receipts and are accounted for in the budget as reductions in mandatory spending. In 2019, mandatory outlays (net of offsetting receipts) are estimated to account for about 60 percent of total federal outlays.

The Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), referred to here as the Deficit Control Act, requires that CBO's projections incorporate the assumption that current laws governing mandatory programs generally remain unchanged.[5] Therefore, CBO's baseline projections for mandatory spending reflect the estimated effects of economic influences, growth in the number of cases, and other factors

4. Each year, some mandatory programs are modified by provisions in annual appropriation acts. Such changes may increase or decrease spending for the affected programs for one or more years. In addition, some mandatory programs, such as Medicaid, the Supplemental Nutrition Assistance Program, and benefits for Coast Guard retirees and annuitants, are considered mandatory but require benefits to be paid from amounts provided in appropriation acts. Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 requires CBO to project outlays for those programs as if they were fully funded, regardless of the amounts actually appropriated.

5. Section 257 of the Deficit Control Act also requires CBO to assume that certain mandatory programs will continue beyond their scheduled expiration and that entitlement programs, including Social Security and Medicare, will be fully funded and thus will be able to make all scheduled payments. Other rules that govern the construction of CBO's baseline have been developed by the agency in consultation with the House and Senate Committees on the Budget. For further details, see Congressional Budget Office, *How CBO Prepares Baseline Budget Projections* (February 2018), www.cbo.gov/publication/53532.

Box 3-1. Continued

Categories of Federal Outlays

the Budget Control Act of 2011 (P.L. 112-25) and modified by subsequent legislation.

Discretionary funding related to five types of activities is not constrained by the caps established by the Budget Control Act (as modified)—overseas contingency operations, emergency requirements, disaster relief, efforts to reduce overpayments in certain benefit programs, and certain activities authorized by the 21st Century Cures Act (P.L. 114-255).[3] Instead, for most of those activities, the caps are adjusted to accommodate such funding (up to certain limits). CBO's projections incorporate the assumption that funding for those activities grows with inflation, subject to those limits.

The baseline projections also include discretionary outlays for highway and airport infrastructure programs and public transit programs, all of which receive mandatory budget authority from authorizing legislation. Typically, outlays of mandatory budget authority are also classified as mandatory. Each year, however, appropriation acts control outlays for those transportation programs by limiting how much of the mandatory budget authority the Department of Transportation can obligate. For that reason, those obligation limitations are often treated as a measure of discretionary budgetary resources, and the resulting outlays are considered discretionary.[4] Those obligation limitations constrain outlays only during periods when they are in effect.

Net interest consists of interest paid on Treasury securities and other interest that the government pays (for example, interest paid on late refunds issued by the Internal Revenue Service) minus the interest that it collects from various sources (for example, from states that pay the interest on advances they received from the federal Unemployment Trust Fund when the balances of their state unemployment accounts were insufficient to pay benefits promptly). Net interest is determined mostly by the size and composition of the government's debt and by market interest rates.

3. In addition, the Consolidated Appropriations Act, 2018 (P.L. 115-141), established wildfire suppression as a category of spending that will lead to an increase in the nondefense caps, subject to specified limits; that change will begin in 2020. Also, obligation limitations, which are constraints that annual appropriation acts apply to funding allowances in mandatory authorizations and which are provided primarily for certain ground and air transportation programs, are not constrained by the caps on discretionary funding and are generally assumed to grow with inflation.

4. Discretionary budgetary resources include new budget authority, unobligated balances of budget authority provided in previous years, and obligation limitations.

on the cost of those programs, even for programs that otherwise are set to expire. The projections also incorporate a set of across-the-board reductions (known as sequestration) that are required under current law for spending on certain mandatory programs.

CBO's Baseline Projections of Mandatory Spending for 2019 to 2029

In 2019, CBO estimates, total mandatory outlays will amount to $2.7 trillion, or 12.7 percent of GDP, up from $2.5 trillion in 2018. Most of that estimated increase is attributable to larger outlays for Social Security, Medicare, and Medicaid, moderated by an increase in offsetting receipts from Fannie Mae and Freddie Mac (among other, smaller, offsetting changes). (In the discussion of mandatory spending that follows, all numbers have been adjusted to exclude the effects of timing shifts; see Table 3-2 on page 68.)

From 2019 to 2029, outlays for mandatory programs are projected to rise by an average of about 6 percent per year, reaching $4.7 trillion by the end of the period. As a share of GDP, mandatory outlays are projected to increase slightly through 2020—to 12.8 percent—and then rise steadily, to 15.1 percent in 2029.[6] By comparison, mandatory outlays averaged 12.9 percent of GDP over the past 10 years and 9.9 percent over the past 50 years.

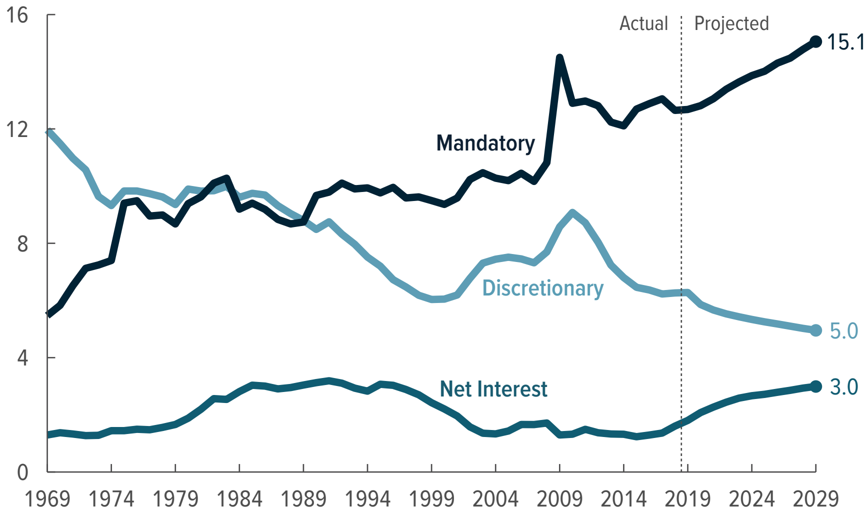
Much of the projected growth in mandatory spending over the coming decade is attributable to two factors. First, the share of the population age 65 or older has been growing significantly—more than doubling over

6. Mandatory outlays as a share of GDP are projected to grow more slowly in the near term, largely because GDP is projected to grow faster in 2019 and 2020 than later in the projection period. The growth in nominal mandatory outlays is slightly slower in the first two years of the period than it is in most of the later years.

Figure 3-1.

Outlays, by Type of Spending

Percentage of Gross Domestic Product



Under current law, rising spending for Social Security and Medicare would boost mandatory outlays.

Total discretionary outlays would fall as a share of gross domestic product because of scheduled reductions to funding in 2020 and because outlays in later years would grow more slowly than the economy.

At the same time, growing debt and higher interest rates are projected to push up net interest costs.

Source: Congressional Budget Office, using data from the Office of Management and Budget.

When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays have been adjusted to exclude the effects of those shifts.

the past 50 years—and is expected to rise by about one-third by 2029. In CBO's baseline projections, outlays for people age 65 or older in mandatory programs increase from 7.5 percent of GDP in 2018 to 9.8 percent in 2029, accounting for about two-thirds of mandatory spending by the end of that period.[7]

Second, the costs of health care (adjusted to account for the aging of the population) are projected to grow faster than the economy over the long term. Although growth in health care spending has slowed in recent years, it still has grown faster than the economy, on average. The reasons for that slowdown are not clear. In CBO's projections, per-enrollee spending in federal health care programs grows more rapidly over the coming decade, although it does not return to the higher rates of growth that were experienced previously.

The effects on federal spending of those two long-term trends are already apparent over the 10-year baseline period—especially for Social Security and Medicare—and will continue to grow beyond that period.

Social Security. The largest federal spending program, Social Security provides cash benefits to the elderly, to people with disabilities, and to the dependents and survivors of people covered by the program. Last year, Social Security outlays totaled $982 billion, or 4.9 percent of GDP. Under current law, outlays for Social Security are projected to rise by $57 billion (or about 6 percent) in 2019. That rate of increase is greater than it has been in recent years, largely because Social Security beneficiaries received a cost-of-living adjustment (COLA) of 2.8 percent in January 2019, the largest since 2012. Growth in the number of beneficiaries is also anticipated to tick up, from 1.6 percent last year to 1.8 percent this year.

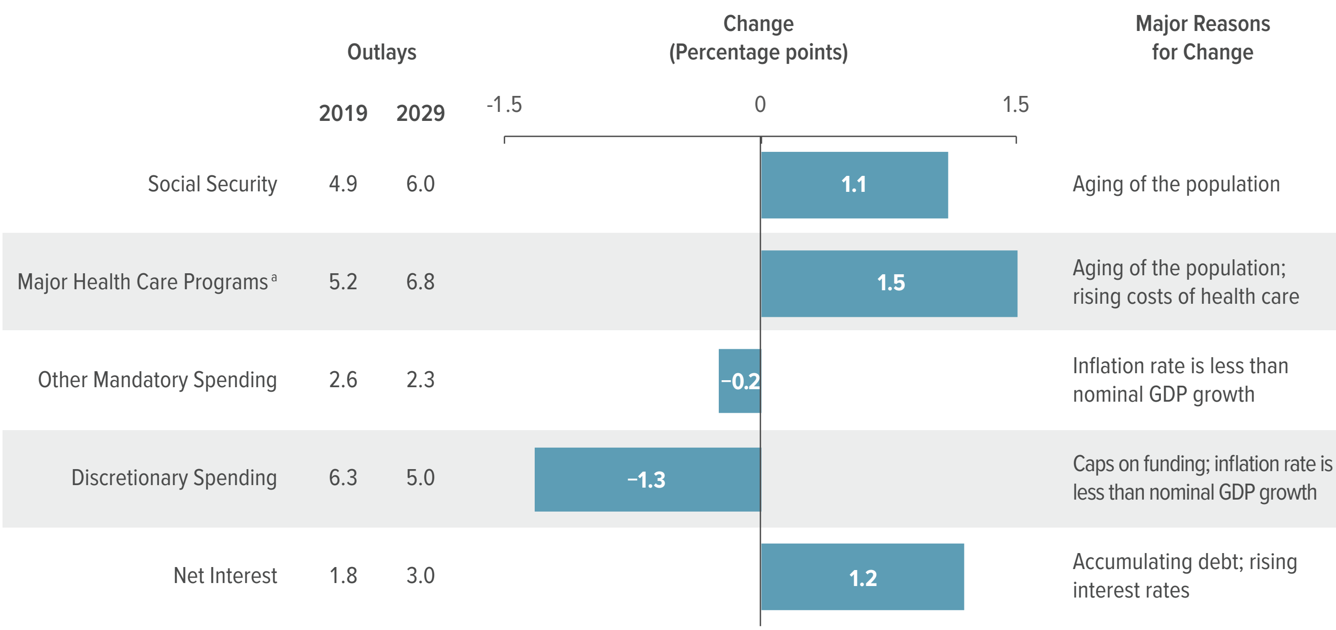
Over the 2020–2029 period, outlays for Social Security are projected to grow at an average rate of about 6 percent per year, reaching $1.9 trillion—or 6.0 percent of GDP—by 2029. That growth reflects increases in

7. Those programs include Social Security, Medicare, Supplemental Security Income, the civilian and military retirement programs, veterans' compensation and pensions, the Federal Employees Health Benefits program, the military's TRICARE for Life program, and the Supplemental Nutrition Assistance Program.

Figure 3-2.

Major Changes in Projected Outlays From 2019 to 2029

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays have been adjusted to exclude the effects of those shifts.

GDP = gross domestic product.

a. Consists of outlays for Medicare (net of premiums and other offsetting receipts), Medicaid, and the Children's Health Insurance Program, as well as outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and related spending.

the number of beneficiaries and in the amount of the average benefit. In CBO's projections, the number of beneficiaries grows by an average of 2.1 percent per year, from an average of 63.3 million beneficiaries in 2019 to 78.2 million in 2029. Average benefits grow by 3.8 percent per year, mainly because of annual COLAs, which are projected to average 2.4 percent, and because initial benefits are based on people's lifetime earnings, which tend to increase over time.

Medicare, Medicaid, and Other Major Health Care Programs. In 2018, net federal outlays for Medicare, Medicaid, and other major programs related to health care accounted for 41 percent of mandatory outlays (net of offsetting receipts; see the memorandum lines of Table 3-2) and totaled $1.1 trillion, or 5.2 percent of GDP. In CBO's baseline projections, excluding the effects of shifts in the timing of certain payments, those outlays increase by $53 billion (or 5 percent) in 2019; from 2020 to 2029, they increase at an average rate of 6.5 percent per year, nearly doubling in nominal terms and reaching $2.1 trillion, or 6.8 percent of GDP, by the end of that period.

Medicare. Outlays for Medicare, a program that provides subsidized medical insurance to people age 65 or older and to some people with disabilities, account for about half of the projected increase in outlays for the major health care programs from 2018 to 2019. CBO estimates that Medicare outlays (net of offsetting receipts—mostly in the form of premiums paid by beneficiaries—and adjusted to exclude the effects of timing shifts) will grow from $605 billion to $632 billion, or by 4 percent, from 2018 to 2019. Enrollment is projected to increase by 2.7 percent this year, the same rate of increase recorded last year.

Table 3-2.

CBO's Baseline Projections of Mandatory Outlays, Adjusted to Exclude the Effects of Timing Shifts

Billions of Dollars

	Actual, 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
Social Security														
Old-Age and Survivors Insurance	838	894	954	1,017	1,085	1,155	1,228	1,304	1,382	1,463	1,553	1,644	5,440	12,786
Disability Insurance	144	145	148	153	160	167	175	183	192	201	206	213	804	1,797
Subtotal	982	1,039	1,102	1,171	1,245	1,323	1,403	1,487	1,574	1,664	1,759	1,856	6,243	14,583
Major Health Care Programs														
Medicare[a,b]	728	768	821	882	950	1,021	1,097	1,176	1,262	1,355	1,465	1,580	4,771	11,609
Medicaid	389	406	420	440	467	496	526	557	591	626	662	702	2,350	5,488
Health insurance subsidies and related spending[c]	49	58	55	61	68	69	72	75	75	77	80	83	324	713
Children's Health Insurance Program	17	18	16	14	14	15	16	16	17	18	18	19	76	165
Subtotal[b]	1,184	1,250	1,313	1,397	1,499	1,602	1,711	1,825	1,944	2,075	2,225	2,383	7,521	17,974
Income Security Programs														
Earned income, child, and other tax credits[d]	81	93	93	94	94	94	94	95	96	84	85	85	470	915
Supplemental Nutrition Assistance Program	68	65	64	65	65	66	66	67	68	69	70	72	326	672
Supplemental Security Income[a]	55	56	57	59	61	62	64	67	69	71	74	76	304	659
Unemployment compensation	29	28	29	38	46	48	49	51	53	55	57	59	209	485
Family support and foster care[e]	32	32	32	33	33	33	34	34	34	35	35	35	166	338
Child nutrition	24	25	26	27	28	29	30	31	33	34	36	37	139	310
Subtotal	290	299	302	314	326	332	338	345	352	348	356	364	1,613	3,379
Federal Civilian and Military Retirement														
Civilian[f]	103	105	110	114	118	122	126	130	133	137	141	145	589	1,276
Military[a]	59	60	63	65	67	69	70	72	74	76	78	80	333	712
Other	6	4	6	6	7	7	8	6	10	7	7	7	34	71
Subtotal	168	170	178	185	191	198	204	208	217	220	226	232	956	2,058
Veterans' Programs														
Income security[a,g]	93	99	103	106	110	114	120	123	127	132	135	142	554	1,213
Other	16	19	19	17	18	18	17	19	19	20	22	21	88	189
Subtotal	109	118	122	123	128	132	137	142	147	152	157	163	642	1,402
Other Programs														
Agriculture	16	24	13	14	15	15	15	15	15	15	16	16	72	150
Deposit insurance	-16	-8	-8	-7	-7	-7	-7	-7	-8	-8	-8	-9	-35	-76
MERHCF	10	10	11	11	12	13	13	14	15	15	16	17	60	137
Fannie Mae and Freddie Mac[h]	4	0	2	2	3	3	3	4	4	4	4	4	13	33
Higher education	-6	2	4	5	5	6	6	6	6	6	7	7	25	58
Other	79	73	70	72	72	71	70	70	68	69	71	71	354	703
Subtotal	87	102	91	96	100	101	100	101	101	102	106	106	489	1,004
Mandatory Outlays, Excluding the Effects of Offsetting Receipts[a]	**2,819**	**2,977**	**3,108**	**3,286**	**3,489**	**3,687**	**3,893**	**4,107**	**4,335**	**4,561**	**4,829**	**5,105**	**17,464**	**40,400**

Source: Congressional Budget Office.

Data on outlays for benefit programs in this table generally exclude administrative costs, which are discretionary.

MERHCF = Department of Defense Medicare-Eligible Retiree Health Care Fund; n.a. = not applicable; * = between -$500 million and $500 million.

Continued

Table 3-2. Continued

CBO's Baseline Projections of Mandatory Outlays, Adjusted to Exclude the Effects of Timing Shifts

Billions of Dollars

	Actual, 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
Offsetting Receipts														
Medicare[i]	-123	-136	-146	-157	-170	-183	-197	-213	-229	-247	-268	-288	-854	-2,100
Federal share of federal employees' retirement														
Social Security	-18	-18	-18	-19	-20	-20	-21	-22	-22	-23	-24	-25	-99	-215
Military retirement	-18	-21	-22	-22	-23	-23	-24	-24	-25	-25	-26	-26	-113	-240
Civil service retirement and other	-36	-37	-38	-39	-41	-42	-44	-45	-46	-48	-49	-51	-204	-443
Subtotal	-72	-75	-78	-80	-83	-86	-88	-91	-94	-96	-99	-102	-416	-897
Receipts related to natural resources[a]	-11	-11	-11	-11	-12	-11	-12	-12	-12	-12	-12	-13	-58	-120
MERHCF	-8	-8	-8	-9	-9	-10	-10	-11	-11	-12	-12	-13	-45	-104
Fannie Mae and Freddie Mac[h]	-13	-24	0	0	0	0	0	0	0	0	0	0	0	0
Other	-31	-28	-30	-33	-31	-31	-31	-44	-32	-32	-22	-21	-157	-308
Subtotal	-259	-283	-274	-291	-306	-321	-338	-370	-378	-400	-414	-436	-1,530	-3,529
Total Mandatory Outlays, Net of Offsetting Receipts[a]	**2,560**	**2,695**	**2,834**	**2,995**	**3,183**	**3,366**	**3,555**	**3,737**	**3,957**	**4,161**	**4,415**	**4,669**	**15,933**	**36,872**
Mandatory Outlays That Are Shifted in CBO's Baseline														
Medicare	-24	0	0	0	37	3	-40	0	0	0	61	-61	n.a.	n.a.
Supplemental Security Income	-4	0	0	0	5	*	-5	0	0	0	6	-6	n.a.	n.a.
Military retirement	-5	0	0	0	5	*	-5	0	0	0	6	-6	n.a.	n.a.
Veterans' income security	-7	0	0	0	10	1	-11	0	0	0	12	-12	n.a.	n.a.
Outer Continental Shelf	*	0	0	0	0	*	*	0	0	0	*	*	n.a.	n.a.
Total	-40	0	0	0	57	5	-62	0	0	0	85	-85	n.a.	n.a.
Total Mandatory Outlays Projected in CBO's Baseline	**2,520**	**2,695**	**2,834**	**2,995**	**3,240**	**3,371**	**3,493**	**3,737**	**3,957**	**4,161**	**4,500**	**4,584**	**15,933**	**36,872**
Memorandum:														
Outlays Net of Offsetting Receipts[a]														
Medicare	605	632	675	725	780	838	900	964	1,033	1,107	1,196	1,292	3,917	9,509
Major health care programs	1,061	1,114	1,167	1,239	1,329	1,419	1,513	1,612	1,715	1,827	1,957	2,095	6,667	15,874

a. When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays for programs affected by such timing shifts have been adjusted to exclude the effects of those shifts.

b. Excludes the effects of Medicare premiums and other offsetting receipts. (Net Medicare spending, which includes those offsetting receipts, is shown in the memorandum section of the table.)

c. Consists of outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and provided through the Basic Health Program, as well as spending to stabilize premiums for health insurance purchased by individuals and small employers.

d. Includes outlays for the American Opportunity Tax Credit and other credits.

e. Includes Temporary Assistance for Needy Families, Child Support Enforcement, Child Care Entitlements to States, and other programs that benefit children.

f. Includes benefits for retirement programs in the civil service, foreign service, and Coast Guard; benefits for smaller retirement programs; and annuitants' health care benefits.

g. Includes veterans' compensation, pensions, and life insurance programs. (Outlays for veterans' health care are classified as discretionary.)

h. Cash payments from Fannie Mae and Freddie Mac to the Treasury are recorded as offsetting receipts in 2018 and 2019. Beginning in 2020, CBO's estimates reflect the net lifetime costs—that is, the subsidy costs adjusted for market risk—of the guarantees that those entities will issue and of the loans that they will hold. CBO counts those costs as federal outlays in the year of issuance.

i. Includes premium payments, recoveries of overpayments made to providers, and amounts paid by states from savings on Medicaid's prescription drug costs.

Over the 2020–2029 period, Medicare outlays are anticipated to increase by 7 percent per year, on average, representing about two-thirds of the growth in spending for the major health care programs. About two-thirds of that annual growth is driven by the rising costs of medical care per beneficiary; growing enrollment accounts for the remainder. By 2029, projected net outlays for Medicare total $1.3 trillion.

Medicaid. Outlays for Medicaid, a joint federal-state program that funds medical care for certain low-income, elderly, and disabled people, are estimated to increase by 4 percent (or $14 billion) to $406 billion in 2019. After 2019, outlays for the program are projected to grow at an average rate of about 4 percent per year through 2021 and 6 percent per year from 2022 through 2029. Slower overall growth in costs per person and a slight decline in enrollment among children and adults largely explain the lower average rate of growth through 2021. The higher projected growth rates after 2021 (which are closer to historical growth rates for the program) result from slightly greater increases in spending per beneficiary and higher unemployment, which would boost enrollment in the program.

Health Insurance Subsidies and Related Spending. Outlays for health insurance subsidies and related spending are estimated to increase by about $8 billion (or 17 percent) this year.[8] That jump mostly stems from two sources. First, in July 2018 the Department of Health and Human Services temporarily halted risk-adjustment payments, which are amounts paid to health insurance plans that attract less healthy enrollees, in response to a federal court decision. Typically, those risk-adjustment outlays occur in September, but most of those payments were delayed from the end of 2018 to the first quarter of fiscal year 2019. Second, premiums for the second-lowest-cost "silver" plan in the health insurance marketplaces established under the Affordable Care Act were an average of 34 percent higher in calendar year 2018 than in 2017—and those premiums are the benchmark for determining subsidies for plans offered through the marketplaces. As a result, total subsidies for the first quarter of fiscal year 2019 were substantially higher than they were one year earlier.

Over the 2020–2029 period, the average growth in outlays for health insurance subsidies and related spending is projected to lessen considerably, to nearly 4 percent per year. Total subsidies depend on per-beneficiary spending and on the number of subsidized enrollees. Although per-beneficiary spending is estimated to rise with the costs of providing medical care, the number of subsidized enrollees is projected to decline slightly over time. As a result, total subsidies are projected to rise more slowly than the average costs of providing medical care. CBO estimates that, under current law, outlays for health insurance subsidies and related spending would rise by 44 percent over the projection period, increasing from $58 billion in 2019 to $83 billion by 2029.

Children's Health Insurance Program. Financed jointly by the states and the federal government, the Children's Health Insurance Program provides health insurance coverage to children in families whose income, although modest, is too high for them to qualify for Medicaid. CBO estimates that outlays for CHIP in 2019 will be about $18 billion, which is $1 billion higher than in 2018. After 2019, federal outlays for CHIP are projected to decline through 2021, because the average federal matching rate for the program is scheduled to decrease from 93 percent in 2019 to 70 percent in 2021 and subsequent years. After 2021, outlays for the program are projected to grow by an average of 4 percent per year, principally because of increasing costs per enrollee.

Income Security. Mandatory spending for income security includes outlays for certain refundable tax credits, the Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income (SSI), unemployment compensation, and certain programs that support children and families. CBO estimates that outlays for income security will rise by 3 percent, from $290 billion in 2018 (excluding the effects of a shift in the timing of $4 billion in SSI payments) to $299 billion, or 1.4 percent of GDP, in 2019. Over the 2020–2029 period, total mandatory outlays for income security are projected to increase by an average of 2 percent per year, which is slower than the rate at which GDP is projected to grow. As a result, by 2029, such outlays are estimated to shrink to 1.2 percent of GDP.

8. Those subsidies lower the cost of health insurance purchased through the marketplaces by people who meet income and other criteria for eligibility. The related spending consists of outlays for risk adjustment and reinsurance, as well as grants to states for establishing the health insurance marketplaces.

Earned Income, Child, and Other Tax Credits. Refundable tax credits reduce a filer's overall income tax liability; if the credit exceeds the filer's income tax liability, the government pays all or some portion of that excess to the taxpayer.[9] Those payments are categorized as outlays.

Projected outlays for refundable tax credits vary significantly over the projection period in CBO's baseline. The refundable amounts of the credits are projected to jump from $81 billion in 2018 to $93 billion in 2019, mostly because Public Law 115-97, referred to here as the 2017 tax act, expanded the child tax credit. In addition, the 2017 tax act temporarily reduced tax liabilities, thereby boosting outlays for the refundable portion of certain tax credits.

After remaining close to $95 billion a year for much of the coming decade, projected outlays for the tax credits fall to $84 billion in 2027. Many provisions in the 2017 tax act expire at the end of 2025 under current law, decreasing the amount of the child tax credit and increasing tax liabilities for most people. (Those outlays are smaller than they would have been before the 2017 tax act because one provision of the law that lowers outlays—a change in the measure of inflation used to adjust tax parameters, including tax brackets—does not expire under current law.)

Supplemental Nutrition Assistance Program. SNAP provides benefits to help people in low-income households purchase food. CBO expects that outlays for the program, which peaked in 2013, after the 2007–2009 recession, will decrease slightly this year—because of a continued decline in participation.

In CBO's projections, participation rates continue to decrease through 2029 until they return to rates seen just before the recession (about 9 percent of the population, or 32 million people). However, because decreased outlays from lower participation are expected to be offset by increases in the cost of food (which SNAP benefits are linked to), projected outlays for the program remain roughly constant from 2020 through 2024. In 2025, projected outlays for the program begin to rise more rapidly as the decline in participation moderates but the price of food continues to rise. By 2029, CBO projects, outlays for SNAP would total $72 billion under current law.

Supplemental Security Income. SSI provides cash benefits to people with low income who are elderly or disabled. CBO estimates that outlays for SSI will rise by about $5 billion in 2019, largely because $4 billion in payments were shifted from 2018 into the previous fiscal year. (Excluding the effects of that timing shift, outlays would rise by $1 billion this year.) Over the 2020–2029 period, outlays for the program are projected to grow by 3 percent per year, on average, mainly as a result of COLAs. By 2029, without changes to current law, projected outlays for SSI reach $70 billion, or $76 billion if the effects of timing shifts are excluded.

Unemployment Compensation. The federal-state unemployment compensation program provides benefits to people who lose their jobs through no fault of their own, are actively seeking work, and meet other criteria established by the laws in their states. Outlays for unemployment compensation depend on several factors, such as the unemployment rate, labor force participation, and wages and salaries. CBO expects outlays for the program to decline by 3 percent, or $1 billion, to $28 billion in 2019 as a result of lower unemployment. Projected outlays rise by 4 percent in 2020, however, even as the unemployment rate remains steady at an average of 3.6 percent, because the total number of people unemployed and their average weekly benefit amount are anticipated to increase.

The unemployment rate is projected to climb by 0.5 percentage points in fiscal year 2021 and again in fiscal year 2022 before remaining roughly constant through 2029. In CBO's projections, outlays for unemployment compensation generally follow the changes in the unemployment rate, increasing by 31 percent and 20 percent in 2021 and 2022, respectively, and then moderating (at an average annual increase of nearly 4 percent per year) through 2029. Projected outlays reach $59 billion in 2029—more than double the amount estimated for the current year.

Family Support, Foster Care, and Child Nutrition Programs. Outlays for other programs that support children and families, such as the Temporary Assistance for Needy Families (TANF) program and school lunch programs, grow in CBO's baseline by about 2 percent per year, on average. Funding is capped for some programs

9. For more information, see Congressional Budget Office, *Refundable Tax Credits* (January 2013), www.cbo.gov/publication/43767.

(including TANF), whereas it is projected to grow with inflation and participation for others (including school lunch programs). In CBO's projections, outlays for all such programs increase from $57 billion in 2019 to $72 billion in 2029.

Civilian and Military Retirement. Retirement and survivors' benefits for most federal civilian employees are estimated to cost $109 billion in 2019, the same amount as in 2018. (That total includes benefits provided through several smaller retirement programs for employees of various government agencies and for retired railroad workers.) Under current law, such outlays would grow by an average of about 3 percent annually over the projection period, CBO estimates, reaching $152 billion in 2029. The projected growth in federal civil service retirement benefits is attributable primarily to COLAs for retirees and to increases in federal salaries, which boost benefits for people entering retirement.

The federal government also provides annuities to retired military personnel and their survivors. Outlays for those annuities totaled $54 billion in 2018 (or $59 billion, excluding the effects of a timing shift that moved some annuity payments from 2018 into 2017); in 2019, they are projected to rise to $60 billion. Most of the projected annual growth in those outlays over the 2020–2029 period results from COLAs and increases in military basic pay. Excluding the effects of future timing shifts, outlays for military retirement benefits are projected to grow by an average of about 3 percent per year, reaching $80 billion in 2029.

Veterans' Programs. Mandatory spending for veterans' benefits includes disability compensation, education and vocational rehabilitation benefits, pensions, insurance, housing assistance, and burial benefits. Excluding the effects of shifts in the timing of certain payments, outlays for those benefits totaled $109 billion in 2018. (Roughly 80 percent of that amount represented disability compensation.) Outlays for those benefits are estimated to rise by 8 percent, to $118 billion, in 2019. (That total does not include most federal spending for veterans' health care, which is funded through discretionary appropriations.) The increase is primarily driven by the growth of disability compensation payments, which are rising faster than inflation. Those payments increase with the severity of veterans' service-connected injuries and illnesses. Both the average severity of beneficiaries' disabilities and the number of veterans with service-connected disabilities have been rising in recent years, a trend that CBO expects to persist. Under current law, mandatory outlays for veterans' benefits are projected to grow at an average rate of about 3 percent per year over the next decade, reaching $163 billion in 2029 (excluding shifts in the timing of some payments).

Other Mandatory Programs. The remainder of mandatory spending encompasses outlays for a number of other activities, including agricultural programs, deposit insurance, health care benefits for retirees of the uniformed services and their dependents and surviving spouses, cash transfers to and from Fannie Mae and Freddie Mac, and loans and other programs related to higher education. Together, those outlays totaled $87 billion last year and are estimated to increase to $102 billion in 2019.

That increase has three significant components. First, outlays for higher education are estimated to be $8 billion higher this year, driven by last year's revisions to the estimated subsidy costs of outstanding loans recorded by the Department of Education.[10] In 2018, such revisions reduced outlays by $9 billion; no such revision has yet been recorded in 2019, and CBO has no basis for determining what revision, if any, might be made this year. Second, CBO estimates that net outlays related to deposit insurance will rise by $8 billion (or about 50 percent) in 2019, primarily because CBO expects that surcharges levied on certain large insured depository institutions that occurred in 2018 (which had the effect of reducing outlays) will not be imposed in 2019. Third, outlays by the Department of Agriculture are estimated to be $7 billion (or 50 percent) more than in 2018, largely because of payments made by the Commodity

10. CBO calculates the subsidy costs for student loans following the procedures specified in the Federal Credit Reform Act of 1990 (FCRA). Under FCRA, the discounted present value of expected income from federal student loans issued during the 2019–2029 period is projected to exceed the discounted present value of the government's costs. (A present value is a single number that expresses a flow of current and future income or payments in terms of an equivalent lump sum received or paid at a specific time; the present value depends on the rate of interest—known as the discount rate—that is used to translate future cash flows into current dollars.) Credit programs that produce net income rather than net outlays are said to have negative subsidy rates, which result in negative outlays. The original subsidy calculation for a set of loans or loan guarantees may be increased or decreased in subsequent years by a credit subsidy reestimate that reflects an updated assessment of the cash flows associated with the outstanding loans or loan guarantees.

Credit Corporation to farmers who have lost foreign sales because of U.S. trade disputes with other nations. Over the 2020–2029 period, total outlays for the category of other mandatory programs are projected to increase by about $15 billion, or roughly 17 percent.

Offsetting Receipts. Offsetting receipts are funds collected by federal agencies from other government accounts or from the public in businesslike or market-oriented transactions that are recorded as negative budget authority and outlays (that is, as reductions in direct spending). Such receipts include Medicare beneficiaries' premiums, intragovernmental payments made by federal agencies for their employees' retirement benefits, royalties and other charges for the production of oil and natural gas on federal lands, proceeds from sales of timber harvested and minerals extracted from federal lands, payments by Fannie Mae and Freddie Mac (for 2018 and 2019 only), and various fees paid by users of public property and services.[11]

CBO estimates that offsetting receipts will increase by $24 billion this year, rising from $259 billion in 2018 to $283 billion in 2019. Nearly half of that increase stems from larger payments to the Treasury from Fannie Mae and Freddie Mac, which CBO estimates will be $11 billion higher than last year's payments. (In 2018, Fannie Mae and Freddie Mac reduced the value of their tax-deferred assets in response to provisions of the 2017 tax act; in addition, the Federal Housing Finance Agency and the Treasury Department directed the entities to increase their capital reserves, which lessened the payments they made to the Treasury.) Offsetting receipts from all other programs are estimated to be about $13 billion larger in 2019 than in 2018, driven by an increase of just over $13 billion in receipts of Medicare beneficiaries' premiums, slightly offset by a small reduction, on net, in receipts from other programs.

After 2019, offsetting receipts are projected to grow by an average of about 4 percent per year, from $274 billion in 2020 to $436 billion in 2029. Growth in receipts from Medicare premiums, which is projected to average almost 8 percent per year, accounts for nearly 90 percent of that increase.

Assumptions About Legislation for Expiring Programs Incorporated Into the Baseline

In keeping with the rules established by the Deficit Control Act, CBO's baseline projections incorporate the assumption that some mandatory programs will be extended when their authorization expires, although the rules provide for different treatment of programs created before and after the Balanced Budget Act of 1997 (P.L. 105-33). All direct spending programs that predate that law and have current-year outlays greater than $50 million are assumed to continue in CBO's baseline projections. Whether programs of that size established after 1997 are assumed to continue is determined on a program-by-program basis, in consultation with the House and Senate Budget Committees.

CBO's baseline projections therefore incorporate the assumption that the following programs whose authorization expires within the current projection period will continue: SNAP, TANF, CHIP, rehabilitation services, the Child Care Entitlement to States, the Trade Adjustment Assistance program for workers, child nutrition programs, family preservation and support programs, and most farm subsidy programs. In addition, the Deficit Control Act directs CBO to assume that a COLA for veterans' compensation will be granted each year. In CBO's projections, the assumption that expiring programs and veterans' COLAs will continue accounts for $886 billion in outlays between 2020 and 2029, most of which are for SNAP, TANF, and COLAs for veterans' compensation (see Table 3-3). That amount represents about 2 percent of all mandatory spending.

Assumptions About Payments From Trust Funds That Are Scheduled to Continue

Without legislative action to address budgetary shortfalls, the balances of two federal trust funds that affect

11. Because the government placed Fannie Mae and Freddie Mac into conservatorship in 2008 and now controls their operations, CBO considers their activities governmental and includes the budgetary effects of their activities in its projections as if they were federal agencies. On that basis, for the 10-year period after the current fiscal year, CBO projects the subsidy costs of their new activities using procedures that are similar to those specified in the Federal Credit Reform Act of 1990 for determining the costs of federal credit programs—but with adjustments to reflect the associated market risk. The Administration, by contrast, considers Fannie Mae and Freddie Mac to be outside the federal government for budgetary purposes and records cash transactions between those two entities and the Treasury as federal outlays or receipts. As a result, in its baseline projections, CBO treats only the current fiscal year in the same manner as the Administration in order to provide its best estimate of the amount that the Treasury ultimately will report as the federal deficit for 2019. Similarly, to match the Administration's historical budget totals, CBO also uses the Administration's treatment for past years.

Table 3-3.

Costs for Mandatory Programs That Continue Beyond Their Current Expiration Date in CBO's Baseline

Billions of Dollars

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
Supplemental Nutrition Assistance Program													
Budget authority	0	0	0	0	0	66	67	68	69	71	72	66	413
Outlays	0	0	0	0	0	66	67	68	69	70	72	66	412
Temporary Assistance for Needy Families[a]													
Budget authority	12	17	17	17	17	17	17	17	17	17	17	87	173
Outlays	9	15	16	17	17	17	17	17	17	17	17	81	168
Veterans' Compensation COLAs													
Budget authority	0	4	7	10	12	15	18	21	24	28	31	48	170
Outlays	0	4	7	10	12	14	18	21	24	30	28	47	168
Commodity Credit Corporation[b]													
Budget authority	0	0	0	0	0	4	4	11	11	12	11	4	53
Outlays	0	0	0	0	0	1	3	10	10	11	11	1	46
Child Care Entitlements to States[a]													
Budget authority	2	3	3	3	3	3	3	3	3	3	3	15	29
Outlays	2	3	3	3	3	3	3	3	3	3	3	14	29
Rehabilitation Services													
Budget authority	0	0	0	0	4	4	4	4	4	4	4	8	29
Outlays	0	0	0	0	2	4	4	4	4	4	4	6	26
Child Nutrition[c]													
Budget authority	1	1	1	1	1	1	1	1	1	1	1	4	10
Outlays	1	1	1	1	1	1	1	1	1	1	1	4	9
Ground Transportation Programs Not Subject to Annual Obligation Limitations													
Budget authority	0	0	1	1	1	1	1	1	1	1	1	3	7
Outlays	0	0	*	*	1	1	1	1	1	1	1	2	5

Continued

mandatory spending will be exhausted during the 2019–2029 period, CBO projects: Medicare's Hospital Insurance Trust Fund (in 2026), and Social Security's Disability Insurance (DI) Trust Fund (in 2027). (The Highway Trust Fund, which affects discretionary outlays, is also projected to be exhausted, in 2021.)

In keeping with the rules of section 257 of the Deficit Control Act, CBO's baseline incorporates the assumption that scheduled payments will continue to be made in full after a trust fund has been exhausted, even though there is no legal authority to make such payments. How those payments were continued would depend on future legislation.

CBO estimates that mandatory outlays not covered by income credited to the trust funds would total $382 billion over the 2020–2029 period. (Discretionary outlays would total $159 billion over the same period; see Table 3-4.) For additional information on those and other federal trust funds, see Appendix D.

Table 3-3. Continued

Costs for Mandatory Programs That Continue Beyond Their Current Expiration Date in CBO's Baseline

Billions of Dollars

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
Trade Adjustment Assistance for Workers[d]													
Budget authority	0	0	0	0	*	*	*	1	1	1	1	1	4
Outlays	0	0	0	0	*	*	*	*	1	1	1	*	3
Promoting Safe and Stable Families													
Budget authority	0	0	0	*	*	*	*	*	*	*	*	1	3
Outlays	0	0	0	*	*	*	*	*	*	*	*	1	2
Ground Transportation Programs Controlled by Obligation Limitations[e]													
Budget authority	0	0	50	50	50	50	50	50	50	50	50	202	454
Outlays	0	0	0	0	0	0	0	0	0	0	0	0	0
Air Transportation Programs Controlled by Obligation Limitations[e]													
Budget authority	0	0	0	0	0	3	3	3	3	3	3	3	20
Outlays	0	0	0	0	0	0	0	0	0	0	0	0	0
Children's Health Insurance Program													
Budget authority	0	0	0	0	0	0	0	0	0	15	15	0	31
Outlays	0	0	0	0	0	0	0	0	0	7	10	0	17
Natural Resources[f]													
Budget authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Outlays	0	*	*	0	*	0	0	0	0	0	0	*	*
Total Budget Authority	**14**	**25**	**79**	**82**	**89**	**166**	**170**	**181**	**185**	**206**	**211**	**442**	**1,395**
Total Outlays	**11**	**22**	**27**	**31**	**36**	**107**	**114**	**125**	**130**	**145**	**149**	**223**	**886**

Source: Congressional Budget Office.

COLAs = cost-of-living adjustments; * = between -$500 million and $500 million.

a. The authorizations for Temporary Assistance for Needy Families and Child Care Entitlements to States expired on December 22, 2018.

b. Agricultural commodity price and income supports and conservation under the Agriculture Improvement Act of 2018 generally expire after 2023. Although permanent price support authority under the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 would then become effective, CBO adheres to the rule in section 257(b)(2)(ii) of the Deficit Control Act that indicates that the baseline should assume that the provisions of the Agriculture Improvement Act of 2018 remain in effect.

c. Includes the Summer Food Service program and states' administrative expenses.

d. Does not include the cost of extending Reemployment Trade Adjustment Assistance.

e. Authorizing legislation for those programs provides contract authority, which is counted as mandatory budget authority. However, because the programs' outlays are subject to obligation limitations specified in annual appropriation acts, they are considered discretionary.

f. Includes recreation fees for the National Park Service, Forest Service, Fish and Wildlife Service, and the Bureau of Land Management.

Discretionary Spending

Discretionary spending is funded or controlled through annual appropriations and includes most spending on national defense, elementary and secondary education, housing assistance, international affairs, and the administration of justice, as well as outlays for highways and other programs. In CBO's projections, discretionary outlays account for about 30 percent of total federal outlays in 2019.

Table 3-4.

Payments Assumed to Be Made in CBO's Baseline After Certain Trust Funds Are Exhausted

Billions of Dollars

	Actual, 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
Mandatory Outlays														
Social Security														
Disability Insurance Trust Fund	0	0	0	0	0	0	0	0	0	3	18	18	0	39
Medicare														
Hospital Insurance (Part A) Trust Fund	0	0	0	0	0	0	0	0	39	80	122	103	0	343
Total, Mandatory Outlays	0	0	0	0	0	0	0	0	39	83	140	121	0	382
Discretionary Outlays														
Highway Trust Fund	0	0	0	0	12	17	19	20	21	22	23	24	48	159

Source: Congressional Budget Office.

How Caps on Discretionary Funding Affect CBO's Projections

Most discretionary funding is limited by caps on annual discretionary appropriations that were originally specified in the Budget Control Act of 2011 (P.L. 112-25) and modified by subsequent legislation.[12] Under current law, separate caps exist for defense and nondefense funding through 2021. If the total amount of discretionary funding provided in appropriation acts for a given year exceeds the cap for either category, the President must sequester—or cancel—a sufficient amount of budgetary resources (following procedures specified in the Budget Control Act) to eliminate the breach.[13]

CBO's projections of discretionary funding incorporate those limits and are formulated following principles and rules that are largely set in law. In accordance with section 257 of the Deficit Control Act, CBO bases its projections for individual accounts on the most recent appropriations and applies the appropriate inflation rate to project funding for future years.[14] After account-level projections of discretionary funding are made, the total amount of budget authority is adjusted to comply with the caps on discretionary funding through 2021. (CBO does not adjust the projection for each account because, although the total amount of funding is constrained by the caps, individual accounts themselves are not.) Projections for years after 2021 reflect the assumption that discretionary funding keeps pace with inflation.

In addition, some or all of the discretionary funding related to five types of activities is not constrained by the caps established under the Budget Control Act (as modified).[15] Instead, for most of those activities, the caps are adjusted to accommodate such funding (up to

12. Discretionary funding refers to budget authority provided in annual appropriation acts. In addition, this report sometimes refers to discretionary budgetary resources, a broader term that encompasses all amounts made available to federal agencies, under annual appropriation acts, that permit them to enter into new obligations and to liquidate them. Discretionary budgetary resources include new budget authority, unobligated balances of budget authority provided in previous years, and obligation limitations, which are constraints that appropriation acts apply to the use of funding provided in certain authorizing legislation, primarily for ground and air transportation programs.

13. The authority to determine whether sequestration is required (and, if so, exactly how to make the necessary cuts in budget authority) rests with the Administration's Office of Management and Budget. For more information on the discretionary caps, see Congressional Budget Office, *Sequestration Update Report: August 2018* (August 2018), www.cbo.gov/publication/54357. Also see Office of Management and Budget, *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2019* (August 2018), https://go.usa.gov/xEbAp.

14. In CBO's baseline projections, discretionary funding related to federal personnel is inflated using the employment cost index for wages and salaries of workers in private industry; other discretionary funding is adjusted using the gross domestic product price index.

15. Obligation limitations also are not constrained by the caps on discretionary funding and are assumed to grow with inflation.

certain limits). Specifically, appropriations designated for overseas contingency operations (OCO) and activities designated as emergency requirements are assumed to grow with inflation, and the caps would be increased accordingly.[16] For two other activities—disaster relief and certain efforts to reduce overpayments in benefit programs—the extent to which the caps can be adjusted is subject to annual constraints, as specified in law. In CBO's baseline, funding for those activities is first projected to grow with inflation and, if necessary, adjusted to comply with those annual constraints.[17] CBO follows a similar approach in projecting a portion of funding provided to carry out the 21st Century Cures Act (P.L. 114-255), which requires that discretionary funding for certain authorized activities—up to amounts specified in law—be excluded from calculations of appropriations constrained by the caps.

Under the Bipartisan Budget Act of 2018 (P.L. 115-123), which increased limits on discretionary funding that otherwise would have been in place for 2019 under the Budget Control Act (as modified), overall limits on discretionary budget authority total $1,244 billion in 2019 (see Table 3-5).[18] Those limits then fall by 10 percent to an estimated $1,118 billion in 2020, when they revert to the lower levels set by the Budget Control Act. In 2021, the limits rise by 2 percent to $1,145 billion, CBO estimates, the last year the caps are in place under current law.

All told, discretionary budget authority in CBO's baseline projections follows a pattern similar to that of the caps through 2021 and then increases gradually, to account for inflation, through 2029. Outlays that arise from that budget authority generally follow the same trend but more gradually because of the delay between when funding is provided and when it is spent. Outlays can occur over short periods (to pay salaries, for example) or longer ones (to pay for long-term research or construction, for instance). Therefore, discretionary outlays estimated for each year represent a mix of spending stemming not only from new budget authority but also from prior appropriations. Outlay changes are particularly likely to lag behind changes in budget authority when the latter are large or occur well into a fiscal year.

CBO's Baseline Projections of Discretionary Spending in 2019

CBO's projections of discretionary spending were made in mid-December 2018, reflecting laws that were then in place. At that time, only five of the 12 regular annual appropriation acts for 2019 (and one supplemental appropriation for disaster relief) had been enacted.[19] Many federal agencies were operating under a continuing resolution (the Continuing Appropriations Act, 2019, which had been extended through December 21, 2018, by P.L. 115-298), which, with a few exceptions, continued the appropriations and authorities contained in appropriation acts for 2018.[20] Funding for those agencies subsequently lapsed when that resolution expired.[21] For agencies affected by that lapse, CBO's current baseline projections incorporate the amount of fiscal year 2019 funding that was provided before P.L. 115-298 expired on December 22, 2018, annualized (that is, as if that amount of funding had been provided for the entirety of the fiscal year).

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16. Overseas contingency operations refer to certain military and diplomatic activities in Afghanistan and elsewhere, although some designated OCO funding has not been directly related to those activities. Funding that is categorized as an emergency requirement is funding designated in law pursuant to section 251(b)(2)(A)(i) of the Deficit Control Act.

17. In addition, the Consolidated Appropriations Act, 2018 (P.L. 115-141), established wildfire suppression as a category of spending that also will lead to an increase in the nondefense caps, subject to specified limits; that requirement will take effect in 2020.

18. The 2019 limit on discretionary budget authority does not include potential adjustments to reflect appropriations provided for purposes that are not constrained by the caps.

19. The Energy and Water, Legislative Branch, and Military Construction and Veterans Affairs Appropriations Act, 2019 (P.L. 115-244), and the Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 (P.L. 115-245), provide full-year appropriations for almost all defense-related discretionary activities and just under half of the projected budget authority for nondefense discretionary programs. In addition, Division I of P.L. 115-254 (the FAA Reauthorization Act of 2018) contains the Supplemental Appropriations for Disaster Relief Act, 2018, which provides $1.7 billion in supplemental funding for fiscal year 2019 and designates those amounts as emergency requirements.

20. Those agencies include the Departments of Agriculture; Commerce; Homeland Security; Housing and Urban Development; the Interior; Justice; State; Transportation; and the Treasury, as well as various independent agencies.

21. Some agencies affected by that lapse have continued to incur obligations by using balances of budget authority provided before 2019, or under the authorities of the Antideficiency Act (P.L. 97-258; in particular, for activities considered to be essential).

Table 3-5.

CBO's Baseline Projections of Discretionary Spending

Billions of Dollars

	Actual, 2018[a]	2019[a]	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
Budget Authority														
Defense	701	716	647	662	678	695	712	729	747	766	784	803	3,394	7,224
Nondefense	721	629	566	579	593	608	623	639	655	671	688	705	2,970	6,328
Total	**1,422**	**1,345**	**1,213**	**1,241**	**1,272**	**1,303**	**1,335**	**1,368**	**1,402**	**1,437**	**1,472**	**1,509**	**6,363**	**13,552**
Outlays[b]														
Defense	622	664	648	652	667	675	685	706	723	740	764	771	3,328	7,032
Nondefense	642	670	647	647	652	663	677	693	708	724	741	759	3,286	6,911
Total	**1,263**	**1,334**	**1,295**	**1,299**	**1,319**	**1,338**	**1,362**	**1,399**	**1,431**	**1,465**	**1,505**	**1,530**	**6,614**	**13,943**
Memorandum:														
Caps in the Budget Control Act (As Amended), Including Automatic Reductions to the Caps														
Defense	629	647	576	590	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nondefense	579	597	542	555	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**1,208**	**1,244**	**1,118**	**1,145**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Adjustments to the Caps[c]														
Defense	72	69	70	72	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nondefense	125	24	24	24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**197**	**93**	**94**	**96**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Congressional Budget Office.

Some agencies experienced a lapse in appropriations when authorities contained in the Continuing Appropriations Act, 2019 (as extended by Public Law 115-298) expired on December 22, 2018. For those agencies, CBO's current baseline projections incorporate the amount of fiscal year 2019 funding that was provided before those authorities expired, annualized (that is, as if it was provided for the entirety of the fiscal year). They also incorporate the assumption that the caps on discretionary budget authority and the automatic enforcement procedures specified in the Budget Control Act of 2011 (as amended) remain in effect through 2021.

Nondefense discretionary outlays are usually greater than budget authority because of spending from the Highway Trust Fund and the Airport and Airway Trust Fund that is subject to obligation limitations set in appropriation acts. The budget authority for such programs is provided in authorizing legislation and is considered mandatory.

n.a. = not applicable.

a. The amount of budget authority for 2018 and for 2019 in CBO's baseline does not match the sum of the caps on funding plus adjustments to the caps, mostly because changes to mandatory programs included in appropriation acts for those years (including those assumed to be enacted for 2019) are credited against the caps. In the baseline, those changes (which reduce mandatory budget authority in both years) appear in their normal mandatory accounts.

b. The amounts in this table have *not* been adjusted to remove the effects of timing shifts. When October 1 (the first day of the fiscal year) falls on a weekend, certain payments—mainly for military pay—that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Such a shift occurred in 2018; if outlays reflected for that year were adjusted to account for that shift they would be $4 billion higher, totaling $1,267, CBO estimates. CBO also estimates that timing shifts would increase outlays in 2022 and 2028 (by $5 billion and $6 billion, respectively) and reduce them in 2024 and 2029 (by $5 billion and $6 billion, respectively). Those adjustments would affect defense-related outlays.

c. Some or all of the discretionary funding related to five types of activities is not constrained by the caps; for most of those activities, the caps are adjusted to accommodate such funding, up to certain limits. Specifically, appropriations designated for overseas contingency operations and activities designated as emergency requirements are assumed to grow with inflation after 2019 and the caps are adjusted accordingly. For two other activities—disaster relief and certain efforts to reduce overpayments in benefit programs—the extent to which the caps can be adjusted is subject to annual constraints, as specified in law. (Beginning in 2020, funding for wildfire suppression also will lead to an increase in the nondefense caps, subject to specified limits.) Finally, CBO follows a similar approach in projecting a portion of funding to carry out the 21st Century Cures Act (P.L. 114-255), which requires that discretionary funding for certain authorized activities—up to amounts specified in law—be excluded from calculations of the caps.

Total Discretionary Funding in 2019. Discretionary funding is projected to total $1,345 billion this year, CBO estimates.[22] (In addition, obligation limitations for transportation programs are projected to total nearly $59 billion.)[23] Roughly three-quarters of that budget authority stems from full-year appropriations that have been enacted; the balance reflects CBO's estimate of the annualized amount of funding provided under P.L. 115-298. CBO's projection of discretionary funding for 2019 includes $93 billion for activities that are not constrained by the funding caps. The remaining amount—$1,253 billion—is nearly $9 billion more than the overall limit on discretionary funding for 2019; that excess occurs because certain provisions in appropriation acts (those that have been enacted and those that are assumed to be enacted) are estimated to reduce net funding for mandatory programs in 2019. When appropriation acts include changes that reduce mandatory funding, the savings are credited against the discretionary funding provided by those acts in judging their compliance with the caps, allowing the gross amount of discretionary funding to exceed those limits. (In CBO's baseline projections, any such savings are incorporated into estimates of mandatory spending.)

Altogether, discretionary budget authority projected for 2019 totals nearly $77 billion (or about 5 percent) less than last year's funding (see Table 3-6). That net change includes a $104 billion (or 53 percent) reduction in funding that is not subject to the caps on discretionary funding, primarily because of a sharp drop in nondefense funding designated as an emergency requirement following the historically large amounts provided in 2018 (mostly in response to hurricanes and wildfires). That reduction in funding for activities that are not constrained by the caps was partially offset by a $27 billion (or 2 percent) increase in projected funding for activities that are constrained by those limits.

Despite the overall net reduction in funding, CBO projects an increase in outlays this year because some of the large increases in both defense and nondefense funding provided in 2018 will be spent in 2019. Excluding the effects of timing shifts related to military pay (which, by CBO's estimates, caused defense outlays to be $4 billion less in 2018 than they otherwise would have been), discretionary outlays are projected to rise by $67 billion (or 5 percent) in 2019. All told, CBO projects discretionary outlays totaling $1,334 billion in 2019—which is equal to 6.3 percent of GDP, well below the average of 8.4 percent over the past 50 years (see Figure 3-3).

Defense Funding in 2019. Both budget authority and outlays for defense increase in 2019 compared with last year's amounts. In CBO's projections, defense funding in 2019 totals $716 billion—which is $15 billion (or 2 percent) more than in 2018. (The Congress provided full-year appropriations for virtually all defense-related activities near the start of fiscal year 2019.)[24] As a whole, excluding the effects of timing shifts, outlays for defense programs in 2019 are projected to rise by $38 billion (or 6 percent) to a total of $664 billion. As a share of GDP, discretionary defense outlays are projected to total 3.1 percent in 2019, significantly less than the average percentage over the past 50 years (4.6 percent).

How Defense Funding for 2019 Relates to the Caps. The increase in this year's defense funding includes an $18 billion increase in funding subject to the limit on defense appropriations (bringing the total for such funding to $647 billion, equal to the cap for 2019) and a $3 billion net reduction in funding for activities that are not constrained by that limit. That net reduction includes a $6 billion drop in funding designated as an emergency requirement and a $3 billion increase

22. The bulk of discretionary funding consists of specified amounts of appropriations. However, CBO's projection of funding for 2019 includes estimates of some components of discretionary funding—for example, market-driven fees that are credited as offsets to discretionary appropriations.

23. Certain programs related to ground and air transportation have a unique budgetary treatment: Authorizing laws provide them with mandatory contract authority, but, because outlays of that funding are usually constrained by obligation limitations specified in appropriation acts, those outlays are classified as discretionary. As a result, although the bulk of transportation-related budget authority is considered mandatory, obligation limitations are considered a discretionary budgetary resource, and resulting outlays are classified as discretionary. Those obligation limitations constrain outlays of underlying mandatory budget authority only during periods when they are in effect. (The largest program with that mixed budgetary treatment is the Federal-Aid Highway program, which is funded from the Highway Trust Fund.)

24. By CBO's estimates, $708 billion of the 2019 total for defense funding stems from full-year appropriations. The remaining $8 billion reflects CBO's annualized estimate of the amount of defense funding provided by P.L. 115-298.

Table 3-6.

Projected Changes in Discretionary Budget Authority From 2018 to 2019

Billions of Dollars

	Actual, 2018	Estimated, 2019[a]	Percentage Change
Defense			
Funding constrained by caps	629	647	2.8
Funding for overseas contingency operations	66	69	4.4
Other funding not constrained by caps[b]	6	0	n.a.
Subtotal	**701**	**716**	**2.1**
Nondefense			
Funding constrained by caps	596	606	1.6
Funding for overseas contingency operations	12	12	0.0
Other funding not constrained by caps[b]	113	12	-89.6
Subtotal	**721**	**629**	**-12.7**
Total Discretionary Budget Authority			
Funding constrained by caps	1,225	1,253	2.2
Funding for overseas contingency operations	78	81	3.7
Other funding not constrained by caps[b]	119	12	-90.1
Total	**1,422**	**1,345**	**-5.4**

Source: Congressional Budget Office.

Some agencies experienced a lapse in appropriations when authorities contained in the Continuing Appropriations Act, 2019 (as extended by Public Law 115-298) expired on December 22, 2018. For those agencies, CBO's current baseline projections incorporate the amount of fiscal year 2019 funding that was provided before those authorities expired, annualized (that is, as if it was provided for the entirety of the fiscal year).

n.a. = not applicable.

a. The total amount of estimated funding for 2019 includes $1,016 billion in enacted full-year appropriations for 2019—$708 billion for defense and $308 billion for nondefense. Additional amounts reflect CBO's annualized estimate of budget authority under continuing resolutions enacted for that year.

b. Some or all funding for emergencies, disaster relief, certain efforts to reduce overpayments in benefit programs, and certain activities designated in the 21st Century Cures Act (P.L. 114-255) is not constrained by the statutory caps established by the Budget Control Act of 2011 (P.L. 112-25).

in funding for OCO, bringing the total for OCO to $69 billion this year.[25]

Categories of Defense Funding. Three major categories of funding for the Department of Defense account for most of the defense appropriations for 2019, as they have in preceding years (see Figure 3-4). Operation and maintenance ($279 billion), military personnel ($151 billion), and procurement ($147 billion) account for 81 percent of total funding. Research and development ($95 billion) accounts for an additional 13 percent of defense-related funding. The remaining 6 percent comprises funding for military construction, family housing, and other Department of Defense programs ($13 billion); funding for atomic energy activities, primarily within the Department of Energy ($22 billion); and funding for various defense-related programs and other departments and agencies ($8 billion).

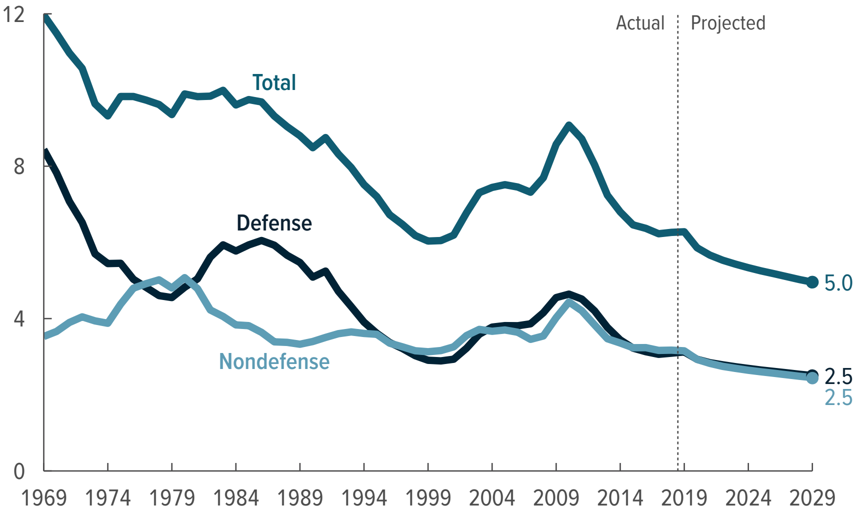
25. In addition, CBO projects nondefense funding for OCO totaling $12 billion in 2019, the same amount as last year.

Nondefense Funding in 2019. CBO's projections for nondefense spending this year show a reduction in funding (compared with amounts in 2018) but an increase in outlays. Budget authority for nondefense activities in 2019 is projected to total $629 billion. In addition, CBO projects obligation limitations for transportation programs totaling $59 billion (the same amount as last year), bringing the total amount of new discretionary budgetary resources for 2019 to $688 billion (see Table 3-7 on page 83). (About 45 percent of those discretionary budgetary resources for 2019 stem from full-year appropriation acts; the rest reflect the annualized

Figure 3-3.

Discretionary Outlays, by Category

Percentage of Gross Domestic Product



Discretionary funding is projected to drop by 10 percent in 2020 under the scheduled reduction to limits on such funding. Thereafter, funding is projected to grow by an average of 2.5 percent per year, a rate that is slower than the projected growth in the economy. As a result, discretionary outlays as a percentage of gross domestic product would be lower in 2029 than they have been at any time in the past 50 years.

Source: Congressional Budget Office, using data from the Office of Management and Budget.

When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays have been adjusted to exclude the effects of those shifts.

amounts provided under P.L. 115-298.) Overall, nondefense budget authority for 2019 totals $92 billion (or nearly 13 percent) less than in 2018.

Despite that large reduction, however, CBO projects an increase of $28 billion (or 4 percent) in nondefense outlays this year, as agencies continue to spend the relatively large increases in nondefense funding provided last year. Altogether, nondefense outlays are projected to total $670 billion this year, or nearly 3.2 percent of GDP. By comparison, discretionary nondefense outlays over the past 50 years have, on average, totaled 3.8 percent of GDP.

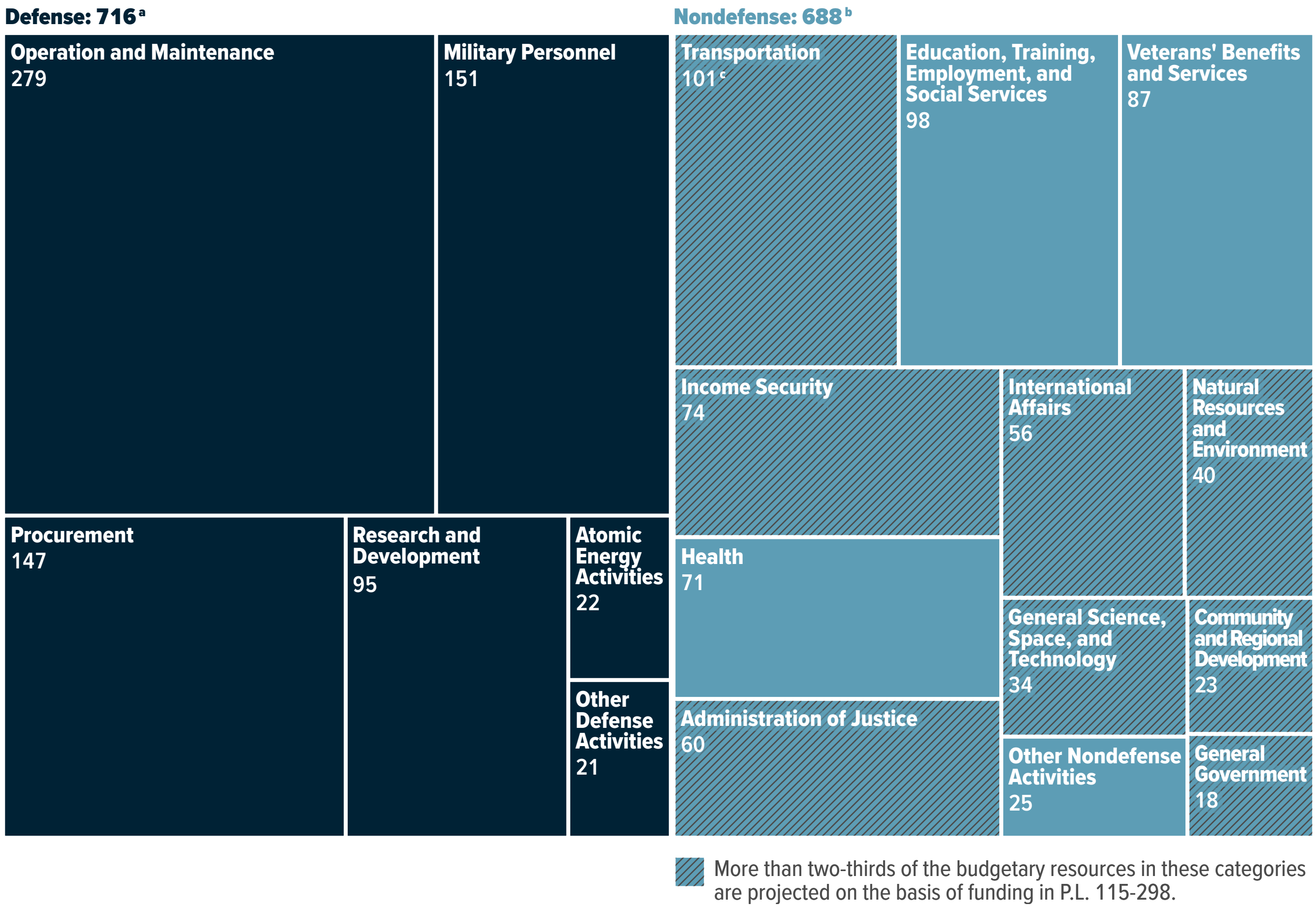
How Nondefense Funding for 2019 Relates to the Caps. Funding that is subject to the limit on nondefense appropriations is estimated to total $606 billion this year—over $9 billion (or 2 percent) more than it did last year. That funding is nearly $9 billion more than the 2019 limit on nondefense funding ($597 billion) because of estimated reductions in mandatory budget authority included in appropriation acts that provide nondefense funding; those reductions allow gross discretionary budget authority to exceed the cap.[26] Meanwhile, funding for activities that are not constrained by the limit on nondefense funding sums to $24 billion and includes $12 billion for OCO, $7 billion for disaster relief, and $5 billion for emergency requirements (mostly for assistance to communities affected by wildfires and other major disasters declared in 2018) and other activities. In total, funding for activities not constrained by the nondefense limit for 2019 totals $101 billion (or 90 percent) less than the historically large amount provided in 2018, most of which was designated as an emergency requirement related to hurricanes Harvey, Irma, and Maria and wildfires in western states (see Figure 3-5 on page 84).

26. CBO estimates such offsets to discretionary budget authority totaling $15 billion in 2019. Approximately half of that amount is from reductions that were included in the five full-year appropriation acts that have been enacted for 2019; the remainder reflects CBO's annualized estimate of mandatory savings attributable to provisions of P.L. 115-298. In total, CBO's estimate of mandatory savings credited to appropriation bills in 2019 is about $3 billion less than the average amount of estimated reductions in mandatory spending included in nondefense appropriation acts over the 2012–2018 period.

Figure 3-4.

Projected New Discretionary Budgetary Resources for Defense and Nondefense Activities in 2019

Billions of Dollars



Source: Congressional Budget Office.

Some agencies experienced a lapse in appropriations when authorities contained in the Continuing Appropriations Act, 2019 (as extended by Public Law 115-298), expired on December 22, 2018. For those agencies, CBO's current baseline projections incorporate the amount of fiscal year 2019 funding that was provided before those authorities expired, annualized (that is, as if it was provided for the entirety of the fiscal year).

a. Includes $708 billion in enacted full-year appropriations and $8 billion in funding projected on the basis of P.L. 115-298.

b. Includes $308 billion in enacted full-year appropriations and $380 billion in new budgetary resources projected on the basis of P.L. 115-298.

c. Includes $42 billion in projected budget authority and $59 billion in projected obligation limitations.

Categories of Nondefense Discretionary Resources. Seven broad budget categories (referred to as budget functions) account for about 80 percent of the $688 billion in new discretionary resources that CBO projects to be available in 2019. Transportation programs make up nearly 15 percent of the total, with appropriations and obligation limitations totaling $101 billion. Activities related to education, training, employment, and social services constitute $98 billion (or 14 percent) of nondefense discretionary funding.[27] Funding for programs related to veterans' benefits and services totals $87 billion (or 13 percent), and funding for programs related to income

27. Spending for student loans and for several other federal programs in the category of education, training, employment, and social services is not included in that total because funding for those programs is considered mandatory.

Table 3-7.

Projected Changes in New Nondefense Discretionary Budgetary Resources From 2018 to 2019

Billions of Dollars

Budget Function	Actual, 2018	Enacted Full-Year Appropriations[a]	Other Projected Budgetary Resources[b]	Total Resources for 2019 (Enacted and projected)	Total Change From 2018
Transportation[c]	104	0	101	101	-3
Education, Training, Employment, and Social Services	102	96	3	98	-3
Community and Regional Development	94	2	21	23	-71
Veterans' Benefits and Services	82	87	0	87	5
Income Security	74	23	51	74	*
Health	70	61	10	71	1
Administration of Justice	61	*	60	60	*
Natural Resources and Environment	59	8	31	40	-19
International Affairs	56	*	56	56	*
General Science, Space, and Technology	34	7	28	34	*
General Government	18	4	13	18	*
Agriculture	9	*	7	7	-2
Medicare	7	7	0	7	*
Energy	7	7	*	7	*
Social Security	6	6	0	6	*
Commerce and Housing Credit	-3	*	-2	-2	1
Total	**780**	**308**	**380**	**688**	**-92**

Source: Congressional Budget Office.

* = between -$500 million and $500 million.

a. Reflects full-year appropriations that have been enacted for 2019.

b. Reflects CBO's estimate of the amount of budgetary resources provided under continuing resolutions enacted for 2019, annualized (that is, as if those resources were provided for the entirety of the fiscal year). The most recent such resolution (Public Law 115-298) expired on December 22, 2018. Some of the amounts in this table were apportioned by the Office of Management and Budget before that date. In addition, some agencies affected by the lapse in appropriations have continued to incur obligations for activities deemed essential. CBO has no basis for estimating those amounts.

c. Includes $42 billion in budget authority and $59 billion in obligation limitations for certain ground and air transportation programs.

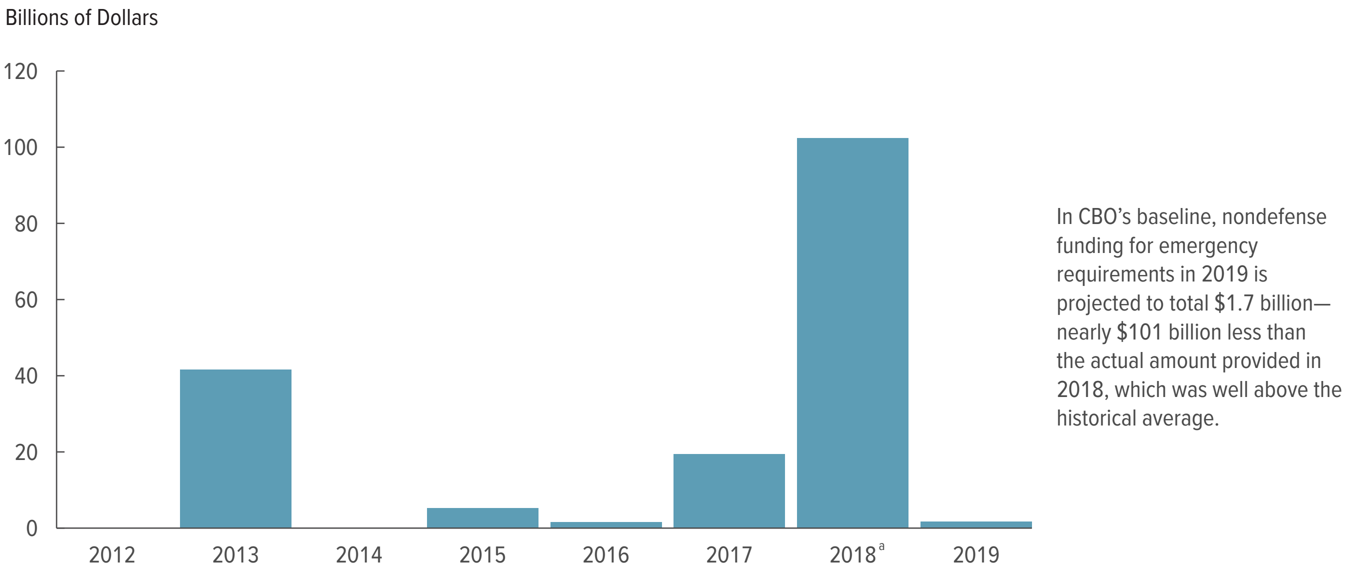
security totals $74 billion (or 11 percent).[28] Health programs account for $71 billion (or 10 percent) of the total, while activities related to the administration of justice and international affairs constitute, respectively, $60 billion (or 9 percent) and $56 billion (or 8 percent) of the total.

Two other budget categories, which received the bulk of last year's historically large appropriations for emergency requirements related to hurricanes, wildfires, and other major disasters, account for most of this year's drop in nondefense funding. Specifically, projected funding for community and regional development—which includes disaster relief and other activities of the Federal Emergency Management Agency, as well as the Department of Housing and Urban Development's Community Development Block Grant program—plummets from $94 billion to $23 billion this year, a 76 percent reduction. Projected funding for natural resources and the environment declines from $59 billion to $40 billion (or by 32 percent). That budget category includes funding for wildfire suppression and activities of the Corps of Engineers, which received large appropriations in 2018 to repair damaged infrastructure following hurricanes and floods in 2017 and to construct projects to mitigate damage from future storms.

28. Most of the discretionary funding for veterans' benefits and services is used to provide health care; spending for most other benefits provided to veterans is categorized as mandatory. Likewise, funding for some significant income security programs, such as unemployment compensation and TANF, is not included in discretionary totals because those programs are included in mandatory spending.

Figure 3-5.

Discretionary Nondefense Funding for Emergency Requirements



Source: Congressional Budget Office.

a. Excludes almost $18 billion in additional budget authority from changes to mandatory programs that also were designated as emergency requirements.

CBO's Baseline Projections of Discretionary Spending From 2020 to 2029

In CBO's projections, discretionary funding and outlays in future years are lower relative to the size of the economy than they are projected to be in 2019, largely as a result of provisions in current law. Discretionary funding for 2020 and 2021 falls sharply in CBO's projections because the limits on most such funding in those years are much lower than they are for 2019. That drop in funding causes total discretionary outlays in CBO's baseline projections to decrease by 3 percent in 2020 and remain about the same in 2021; they grow by about 2 percent a year thereafter, reaching $1,535 billion in 2029. As a share of GDP, however, discretionary outlays gradually decline from 5.9 percent in 2020 to 5.0 percent in 2029. (The 2029 amounts exclude the effects of timing shifts.) Over the past 50 years, discretionary outlays have never been less than 6.0 percent of GDP (in 1999), and they have averaged 8.4 percent.

Discretionary Funding in 2020. Although the limits on discretionary funding fall by an estimated $126 billion in 2020, adhering to those stricter limits will require a larger net reduction—of $133 billion—in overall budget authority, CBO estimates, because of offsets to discretionary budget authority for 2019. (That net change includes a $1 billion projected increase in funding not constrained by the caps.) By CBO's estimates, discretionary funding for defense and nondefense programs would decline by about 10 percent each in 2020, or by $69 billion and $64 billion, respectively.

The estimated reduction in budget authority for 2020 exceeds the drop in the caps for that year because gross discretionary funding in 2019 currently exceeds (by nearly $9 billion) the caps for this year. (That excess results from offsets to discretionary budget authority stemming from estimated reductions in mandatory budget authority, which are typically included in appropriation acts that provide nondefense funding and which allow discretionary funding to exceed the caps.) If similar reductions to mandatory budget authority were included in appropriation acts for 2020, reductions to discretionary budget authority required to comply with the caps for that year could be smaller. No such changes to mandatory programs are reflected in CBO's projections, though, because none have been enacted yet.[29]

Discretionary Funding in 2021 and Subsequent Years. In CBO's baseline projections, discretionary funding limits rise by nearly 2.4 percent in 2021, but projected budget authority rises by only about 2.3 percent. That slight difference results because CBO projects that funding for activities that are not constrained by the caps would grow by only 2.1 percent in 2021, reflecting the anticipated rates of inflation for those activities in that year. Starting in 2022, in the absence of caps, overall budget authority is projected to rise at an average annual rate of nearly 2.5 percent, following the assumption that most discretionary funding grows with inflation.

Alternative Assumptions About Discretionary Spending

If the policies governing discretionary funding varied from those underlying the baseline projections, discretionary outlays could differ greatly from the amounts projected in CBO's baseline. To illustrate such potential differences, CBO estimated the budgetary consequences of alternative paths for discretionary funding (see Chapter 5).

Net Interest

In the budget, net interest outlays primarily encompass the government's interest payments on federal debt, offset by income that the government receives from interest on loans. Outlays for net interest are dominated by the interest paid to holders of the debt that the Treasury Department issues to the public. The Treasury also pays interest on debt issued to trust funds and other government accounts, but such payments are intragovernmental transactions that have no effect on the budget deficit. (For more information on federal debt, see Chapter 1.) Other federal accounts also pay and receive interest for various reasons.[30]

In CBO's projections, outlays for net interest increase from $325 billion in 2018 to $383 billion (or 1.8 percent of GDP) in 2019 and more than double by 2029, to $928 billion. As a result, under current law, outlays for net interest are projected to reach 3.0 percent of GDP in 2029, 1 percentage point higher than their 50-year average as a share of economic output.

The primary factors that affect the federal government's net interest costs are the amount of debt held by the public and interest rates on Treasury securities. Other factors include the rate of inflation applicable to Treasury inflation-protected securities and the maturity structure of outstanding securities (for example, longer-term securities generally pay higher interest rates).

The increase in federal borrowing projected in the baseline is the most significant factor affecting the projected growth in net interest costs. Debt held by the public is projected to rise by 82 percent (in nominal terms) over the next 11 years, increasing from $15.8 trillion, or 78 percent of GDP, at the end of 2018 to $28.8 trillion, or 93 percent of GDP, in 2029.

The projected large increase in interest costs over the next decade is also affected significantly by the increase in interest rates underlying CBO's baseline projections. For example, the rise in interest costs on marketable debt held by the public stemming from changes in interest rates alone causes about one-third of the total increase in interest costs from 2018 to 2029.[31] The rate paid on three-month Treasury bills is projected to rise from an average of 2.6 percent in 2019 to 3.2 percent in 2021 before falling back to 2.8 percent in 2024 and remaining close to that rate through 2029. Similarly, the rate on 10-year Treasury notes is projected to climb to 3.7 percent in 2021, roughly where it is projected to remain through 2029. (For a more detailed discussion of CBO's forecast of interest rates, see Chapter 2.)

Uncertainty Surrounding the Spending Outlook

Budget projections are inherently uncertain; even if no changes were made to current law, actual outcomes would undoubtedly differ from CBO's projections. The

29. Since 2012, the first year in which the caps specified in the Budget Control Act applied to discretionary funding, such offsets to discretionary budget authority have averaged nearly $18 billion per year, thus allowing discretionary funding in each year to exceed the statutory limits by about that amount.

30. See Congressional Budget Office, *Federal Debt and Interest Costs* (December 2010), www.cbo.gov/publication/21960.

31. If, instead of increasing as in CBO's economic forecast, interest rates remained constant at the rates in effect at the end of fiscal year 2018, outlays for interest on marketable debt held by the public would be lower than in CBO's baseline forecast by $9 billion in 2019; that reduction would steadily increase over the projection period, reaching $182 billion in 2029. The cumulative reduction in outlays would result in a decrease of $1.1 trillion in debt at the end of the period.

agency attempts to construct its spending projections so that they fall in the middle of the range of possible outcomes under current law. Hence, actual outlays could turn out to be higher or lower than CBO projects, both because laws could change and because outcomes could (and probably will) differ from CBO's estimates.

According to CBO's analysis of the accuracy of its past projections of outlays (excluding the effects of enacted legislation), those projections were generally close to actual amounts but, on average, were too high.[32] In projections CBO made from 1985 to 2017, the mean absolute error—that is, the average of all errors without regard to whether they were positive or negative—was 2.3 percent of outlays (or 0.5 percent of GDP) for the agency's projections made for the following fiscal year and 6.0 percent of outlays (or 1.2 percent of GDP) for its projections made for the sixth year out. Applying those historical mean absolute errors to CBO's current projections of outlays would produce outcomes that were higher or lower than CBO's baseline by about $105 billion in 2020 and by about $325 billion in 2024. To improve its estimating methodology, CBO continually examines errors in its past projections, reviews data on spending patterns for federal programs, and consults with outside experts on those programs.

32. Those comparisons reflect adjustments made to exclude the effects of legislation enacted after the projections were prepared. See Congressional Budget Office, *The Accuracy of CBO's Baseline Estimates for Fiscal Year 2018* (December 2018), www.cbo.gov/publication/54872, and *An Evaluation of CBO's Past Outlay Projections* (November 2017), www.cbo.gov/publication/53328.