

## The Spending Outlook

**U**nder the provisions of current law, federal outlays in 2016 will total \$3.9 trillion, the Congressional Budget Office estimates, \$232 billion (or 6 percent) more than the amount spent in 2015. They are projected to grow over the coming decade—at an average annual rate of more than 5 percent—and reach \$6.4 trillion in 2026.

Most of the projected growth in outlays for 2016 is attributable to mandatory spending, which makes up just over 60 percent of the federal budget and is projected to rise by \$168 billion, from \$2.3 trillion last year to \$2.5 trillion this year (see Table 3-1). Discretionary spending and the government's net interest payments are each expected to rise by \$32 billion. CBO estimates that discretionary spending will reach \$1.2 trillion this year and net outlays for interest, \$255 billion. (See Box 3-1 for descriptions of the three major types of federal spending.)

All told, federal outlays in 2016 will equal 21.2 percent of gross domestic product (GDP), CBO estimates, up from 20.7 percent last year and above the 20.2 percent of GDP such spending has averaged over the past 50 years. But the mix of that spending has changed noticeably over time. Mandatory spending (net of the offsetting receipts that are credited against such spending) is expected to equal 13.3 percent of GDP in 2016, whereas over the 1966–2015 period, it averaged 9.5 percent. Meanwhile, measured as shares of GDP, the other major components of federal spending have fallen below their 50-year averages: Discretionary spending is anticipated to equal 6.5 percent of GDP this year, below its 8.7 percent average over the past 50 years, and net outlays for interest are expected to be 1.4 percent of GDP, below the 50-year average of 2.0 percent (see Figure 3-1 on page 66).

About \$43 billion of the increase in spending for 2016 occurs because the first day of fiscal year 2017—October 1, 2016—falls on a Saturday. When the first day of a month falls on a weekend, certain monthly payments (mostly for mandatory benefit programs) normally made on that day are shifted to the preceding month; when that date is October 1, the shift moves payments to the

preceding fiscal year. Accordingly, 13 months of payments for certain benefit programs will be made in fiscal year 2016 rather than the usual 12. If that shift in the timing of payments did not occur, outlays for 2016 would rise by 5 percent this year.<sup>1</sup>

In CBO's baseline projections, outlays continue to rise in relation to the size of the economy over the coming decade, reaching 23.1 percent of GDP in 2026, an increase of 2.0 percentage points. Mandatory spending and outlays for net interest are each projected to increase by 1.6 percentage points. The projected rise in mandatory spending results from a combination of rapid growth in spending for Social Security and Medicare and a drop, relative to GDP, in outlays for most other mandatory programs; that growth is primarily attributable to the aging of the population and rising health care spending per beneficiary. As interest rates return to more typical levels and debt continues to mount, net outlays for interest are also projected to jump significantly. Discretionary spending, however, falls by 1.3 percentage points of GDP in CBO's baseline projections.

Specifically, CBO's baseline for federal spending includes the following projections:

- Outlays for the largest federal program, Social Security, are expected to rise from 4.9 percent of GDP in 2016 to 5.9 percent in 2026.
- Federal outlays for the major health care programs—Medicare, Medicaid, subsidies offered through health insurance exchanges and related spending, and the Children's Health Insurance Program (CHIP)—are

1. About \$39 billion of the increase in mandatory spending and \$4 billion of the increase in discretionary spending for 2016 result from a shift in the timing of payments that would otherwise have been made in 2017. (Similar amounts will be shifted from 2018 to 2017.) If not for that shift in the timing of payments, total outlays in 2016 would equal 20.9 percent of GDP, mandatory outlays would be 13.1 percent of GDP, and discretionary outlays would be 6.4 percent of GDP, CBO estimates.

Table 3-1.

**Outlays Projected in CBO's Baseline**

	Actual,											Total		
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017- 2021	2017- 2026
<b>In Billions of Dollars</b>														
Mandatory														
Social Security	882	910	946	1,002	1,066	1,133	1,205	1,281	1,360	1,441	1,528	1,618	5,352	12,580
Medicare <sup>a</sup>	634	692	699	711	787	845	907	1,015	1,048	1,075	1,193	1,288	3,949	9,569
Medicaid	350	381	401	420	439	460	484	509	536	564	593	642	2,205	5,049
Other spending	690	721	750	747	781	804	823	863	865	864	907	943	3,905	8,347
Offsetting receipts	-256	-237	-238	-247	-248	-262	-276	-294	-309	-323	-346	-350	-1,270	-2,892
Subtotal	2,299	2,466	2,558	2,633	2,825	2,981	3,143	3,375	3,500	3,622	3,875	4,142	14,140	32,653
Discretionary														
Defense	582	589	592	593	609	623	638	657	669	680	702	719	3,055	6,481
Nondefense	583	609	614	610	613	624	636	649	664	679	695	710	3,098	6,494
Subtotal	1,165	1,198	1,206	1,203	1,222	1,248	1,274	1,307	1,332	1,358	1,397	1,429	6,152	12,975
Net Interest	223	255	308	369	438	498	551	607	666	719	772	830	2,165	5,759
<b>Total</b>	<b>3,687</b>	<b>3,919</b>	<b>4,072</b>	<b>4,206</b>	<b>4,485</b>	<b>4,727</b>	<b>4,968</b>	<b>5,288</b>	<b>5,498</b>	<b>5,699</b>	<b>6,044</b>	<b>6,401</b>	<b>22,458</b>	<b>51,388</b>
On-budget	2,944	3,147	3,258	3,343	3,563	3,741	3,914	4,158	4,291	4,411	4,668	4,932	17,818	40,278
Off-budget <sup>b</sup>	743	772	814	863	922	986	1,055	1,130	1,207	1,288	1,376	1,469	4,640	11,110
<b>Memorandum:</b>														
Gross Domestic Product	17,810	18,494	19,297	20,127	20,906	21,710	22,593	23,528	24,497	25,506	26,559	27,660	104,632	232,382
<b>As a Percentage of Gross Domestic Product</b>														
Mandatory														
Social Security	5.0	4.9	4.9	5.0	5.1	5.2	5.3	5.4	5.6	5.7	5.8	5.9	5.1	5.4
Medicare <sup>a</sup>	3.6	3.7	3.6	3.5	3.8	3.9	4.0	4.3	4.3	4.2	4.5	4.7	3.8	4.1
Medicaid	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.3	2.1	2.2
Other spending	3.9	3.9	3.9	3.7	3.7	3.7	3.6	3.7	3.5	3.4	3.4	3.4	3.7	3.6
Offsetting receipts	-1.4	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.3	-1.3	-1.3	-1.3	-1.2	-1.2
Subtotal	12.9	13.3	13.3	13.1	13.5	13.7	13.9	14.3	14.3	14.2	14.6	15.0	13.5	14.1
Discretionary														
Defense	3.3	3.2	3.1	2.9	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	2.9	2.8
Nondefense	3.3	3.3	3.2	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.6	2.6	3.0	2.8
Subtotal	6.5	6.5	6.2	6.0	5.8	5.7	5.6	5.6	5.4	5.3	5.3	5.2	5.9	5.6
Net Interest	1.3	1.4	1.6	1.8	2.1	2.3	2.4	2.6	2.7	2.8	2.9	3.0	2.1	2.5
<b>Total</b>	<b>20.7</b>	<b>21.2</b>	<b>21.1</b>	<b>20.9</b>	<b>21.5</b>	<b>21.8</b>	<b>22.0</b>	<b>22.5</b>	<b>22.4</b>	<b>22.3</b>	<b>22.8</b>	<b>23.1</b>	<b>21.5</b>	<b>22.1</b>
On-budget	16.5	17.0	16.9	16.6	17.0	17.2	17.3	17.7	17.5	17.3	17.6	17.8	17.0	17.3
Off-budget <sup>b</sup>	4.2	4.2	4.2	4.3	4.4	4.5	4.7	4.8	4.9	5.1	5.2	5.3	4.4	4.8

Source: Congressional Budget Office.

a. Gross spending, excluding the effects of Medicare premiums and other offsetting receipts. (Net Medicare spending is included in the memorandum section of Table 3-2.)

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

## Box 3-1.

**Categories of Federal Spending**

On the basis of its treatment in the budget process, federal spending can be divided into three broad categories: mandatory spending, discretionary spending, and net interest.

**Mandatory spending** consists primarily of spending 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 spending also includes offsetting receipts—fees and other charges that are recorded as negative budget authority and outlays. Offsetting receipts differ from revenues in that revenues are collected in the exercise of the government’s sovereign powers (income taxes, for example), whereas offsetting receipts are mostly collected from other government accounts or from members of the public for businesslike transactions (premiums for Medicare or rental payments and royalties for the drilling of oil or gas on public lands, for example).

**Discretionary spending** is controlled by annual appropriation acts in which policymakers specify how much money will be provided for certain government programs in specific years. Appropriations fund a broad array of government activities, including defense, law enforcement, and transportation. 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 spending for the particular accounts affected.

CBO’s baseline depicts the path of spending for individual discretionary accounts as directed by the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). That act stated that current appropriations should be assumed to grow with inflation in the future.<sup>1</sup> However, the Budget Control Act of 2011 (P.L. 112-25) imposed

caps on discretionary appropriations through 2021 (and subsequent legislation modified those limits), so the baseline also incorporates the assumption that discretionary funding will not exceed the current caps.

The caps can, however, be adjusted upward for appropriations for certain activities, including war-related activities known as overseas contingency operations, certain disaster assistance efforts, specified program integrity initiatives, or designated emergencies. In CBO’s baseline, the most recent appropriations for those categories, with increases for inflation and accounting for any statutory restrictions on those categories, are used to project future adjustments to the caps.

In addition to outlays from appropriations subject to caps, the baseline also includes discretionary spending for highway and airport infrastructure programs and public transit programs, all of which receive mandatory budget authority from authorizing legislation. Each year, however, appropriation acts control spending for those programs by limiting how much of the budget authority the Department of Transportation can obligate. For that reason, those obligation limitations are often treated as a measure of discretionary resources, and the resulting outlays are considered discretionary spending.

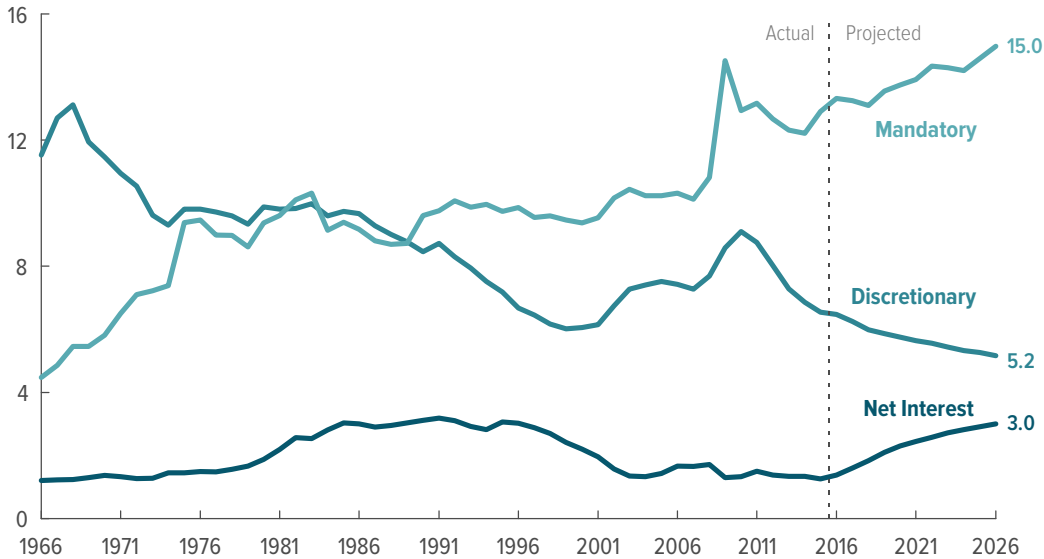
**Net interest** includes interest paid on Treasury securities and other interest that the government pays (for example, that paid on late refunds issued by the Internal Revenue Service) minus the interest that it collects from various sources (for example, from states that pay the federal unemployment insurance trust fund interest on advances they received when the balances of their state unemployment insurance accounts were insufficient to pay benefits in a timely fashion). Net interest is determined by the size and composition of the government’s debt and by market interest rates.

1. In CBO’s baseline, discretionary funding related to federal personnel is inflated using the employment cost index for wages and salaries; other discretionary funding is adjusted using the gross domestic product price index.

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 spending is projected to fall relative to GDP as funding grows modestly in nominal terms.

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

Source: Congressional Budget Office.

GDP = gross domestic product.

projected to increase by 1 percentage point of GDP, growing from 5.6 percent of GDP in 2016 to 6.6 percent in 2026, mostly because of growth in Medicare spending.<sup>2</sup>

- Outlays for all other mandatory programs (net of other offsetting receipts) are projected to decline from 2.8 percent of GDP in 2016 to 2.5 percent in 2026.
- Discretionary spending relative to the size of the economy is projected to fall by about 20 percent over the next 10 years, from 6.5 percent of GDP in 2016 to 5.2 percent in 2026.
- Net interest payments are projected to more than double, rising from 1.4 percent of GDP in 2016 to 3.0 percent of GDP in 2026.

In developing its baseline projections, CBO generally assumes, in accordance with the rules established by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), that the provisions of current law governing federal taxes and spending will remain

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

unchanged. Therefore, when projecting spending for mandatory programs, CBO assumes that existing laws will not be altered and that future outlays will depend on changes in caseloads, benefit costs, economic variables, and other factors. When projecting spending for discretionary programs, CBO assumes that most discretionary appropriations provided between 2017 and 2021 will be constrained by the statutory caps and other provisions of the Budget Control Act of 2011 (P.L. 112-25), as amended, and that after 2021 appropriations in a given year will equal those in the prior year with an adjustment for inflation.<sup>3</sup>

### Mandatory Spending

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

3. Appropriations for certain activities—those designated as overseas contingency operations, emergency requirements, and disaster relief, as well as initiatives designed to enhance program integrity by reducing overpayments in certain benefit programs—are not constrained by the caps and are thus generally assumed to grow with inflation from the amounts provided in 2016.

appropriation process.<sup>4</sup> Certain types of payments that federal agencies receive from the public and from other government agencies are classified as offsetting receipts and reduce gross mandatory spending.

Total mandatory spending amounted to 12.9 percent of GDP in 2015. (For a more detailed discussion of 2015 spending, refer to Chapter 1.) Such spending will, under current law, jump by 7 percent in 2016, from \$2.3 trillion in 2015 to \$2.5 trillion (or 13.3 percent of GDP), CBO estimates. (Without the shift in the timing of certain payments, mandatory spending would increase by 6 percent this year, to \$2.4 trillion, or 13.1 percent of GDP.) The major contributors to that growth include outlays for Medicaid and subsidies offered through health insurance exchanges.

Over the next 10 years, outlays for mandatory programs are projected to rise by an average of about 5 percent per year, reaching \$4.1 trillion in 2026 (see Table 3-2). As a share of GDP, such spending is projected to be higher in each year of the coming decade than it was in 2015, rising to 15.0 percent of GDP in 2026. By comparison, mandatory spending averaged 12.2 percent of GDP over the past 10 years and 9.5 percent over the past 50 years.

Much of the growth in mandatory spending arises because the largest mandatory programs—Social Security and Medicare—provide benefits mostly to the elderly, a segment of the population that has been growing significantly and will continue doing so. The number of people age 65 and older is now more than twice what it was 50 years ago, and over the next 10 years, that number is expected to rise by more than one-third (see Figure 3-2 on page 70).

Growth in per-enrollee health care spending also contributes to the growth in mandatory spending (and in federal spending as a whole). Although health care spending grew more slowly in the past several years than it has historically, CBO projects that over the coming decade,

per-enrollee spending in federal health care programs will grow more rapidly than it has in recent years.

At \$1.5 trillion in 2016, outlays for Social Security and Medicare will make up nearly 40 percent of all federal outlays and 60 percent of mandatory spending. Under current law, CBO projects, spending for those programs would increase by an average of 6 percent a year over the 2017–2026 period and total \$2.7 trillion in 2026. Outlays for the other major health care programs would grow from \$449 billion in 2016 to \$756 billion in 2026. From 2016 through 2026, spending for Social Security and the major health care programs accounts for about 60 percent of the projected \$2.5 trillion increase in total outlays; by 2026, it would rise to 12.5 percent of GDP (from 10.5 percent in 2016), CBO projects.

After Social Security and the major health care programs, the next largest component of mandatory outlays consists of spending designed to provide income security—including outlays for certain refundable tax credits, the Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income (SSI), and unemployment compensation.<sup>5</sup> Such spending will amount to \$307 billion in 2016, or 1.7 percent of GDP, by CBO's estimate. Together, that spending is projected to grow by an average of 2 percent per year, more slowly than GDP is projected to grow. As a result, by 2026 those outlays are projected to shrink to 1.4 percent of GDP.

Other mandatory spending includes retirement benefits for federal civilian and military employees, certain benefits for veterans, spending for student loans, and support for agriculture. Under current law, all such spending is projected to grow at an average annual rate of about 3 percent from 2016 through 2026 and to decline as a share of GDP, from 1.8 percent in 2016 to 1.6 percent of GDP in 2026. (Civilian and military retirement benefits account for roughly half of those amounts.)

In CBO's projections, offsetting receipts (other than those for Medicare) reduce mandatory outlays by 0.7 percent of GDP in 2016 and by an average of 0.6 percent of GDP in subsequent years. Receipts from auctioning a

4. Each year, some mandatory programs are modified by provisions in annual appropriation acts. Such changes may decrease or increase spending for the affected programs for either a single year or multiple years. Provisions of the Deficit Control Act and the Balanced Budget Act of 1997 (P.L. 105-33) govern how CBO projects spending for mandatory programs whose authorizations are scheduled to expire under current law, some of which are assumed to continue.

5. Tax credits reduce a taxpayer's overall income tax liability; if a refundable credit exceeds a taxpayer's other income tax liabilities, all or a portion of the excess (depending on the particular credit) is refunded to the taxpayer, and that payment is recorded as an outlay in the budget.

Table 3-2.

**Mandatory Outlays Projected in CBO's Baseline**

Billions of Dollars

	Actual,													Total	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026	
<b>Social Security</b>															
Old-Age and Survivors Insurance	738	766	800	851	908	970	1,034	1,101	1,171	1,245	1,322	1,403	4,562	10,805	
Disability Insurance	144	144	146	151	157	164	172	180	188	197	206	215	790	1,776	
Subtotal	882	910	946	1,002	1,066	1,133	1,205	1,281	1,360	1,441	1,528	1,618	5,352	12,580	
<b>Major Health Care Programs</b>															
Medicare <sup>a</sup>	634	692	699	711	787	845	907	1,015	1,048	1,075	1,193	1,288	3,949	9,569	
Medicaid	350	381	401	420	439	460	484	509	536	564	593	642	2,205	5,049	
Health insurance subsidies and related spending <sup>b</sup>	38	56	73	80	85	87	91	95	99	102	105	109	415	925	
Children's Health Insurance Program	9	13	13	11	6	6	6	6	6	6	6	6	41	70	
Subtotal <sup>a</sup>	1,030	1,141	1,186	1,222	1,316	1,398	1,488	1,625	1,688	1,747	1,897	2,045	6,610	15,612	
<b>Income Security</b>															
Earned income, child, and other tax credits <sup>c</sup>	85	87	86	86	88	91	93	95	97	99	101	103	443	939	
Supplemental Nutrition Assistance Program	76	75	74	73	73	72	72	72	72	72	73	74	364	728	
Supplemental Security Income	55	59	56	53	60	61	63	70	67	64	71	74	293	639	
Unemployment compensation	33	32	31	33	37	42	44	46	48	50	53	55	188	440	
Family support and foster care <sup>d</sup>	31	31	32	32	33	33	33	34	34	34	35	35	163	336	
Child nutrition	22	23	24	25	26	27	28	29	30	32	33	34	128	286	
Subtotal	302	307	302	303	316	326	333	346	349	351	366	376	1,580	3,368	
<b>Federal Civilian and Military Retirement</b>															
Civilian <sup>e</sup>	97	98	101	103	107	110	114	118	122	126	130	134	535	1,165	
Military	57	62	58	55	61	63	65	72	68	65	72	74	303	653	
Other	7	5	6	5	5	5	6	7	8	8	5	11	28	66	
Subtotal	162	165	164	164	173	179	185	196	198	198	207	220	866	1,885	
<b>Veterans' Programs<sup>f</sup></b>															
Income security	76	89	87	84	95	99	103	115	110	105	118	122	468	1,038	
Other	16	21	22	17	17	18	19	21	21	21	23	24	94	203	
Subtotal	92	110	109	101	113	117	122	136	131	126	141	146	562	1,241	
<b>Other Programs</b>															
Agriculture	13	15	19	18	16	15	15	15	15	15	15	15	84	159	
Deposit Insurance	-13	-11	-13	-15	-12	-11	-12	-12	-14	-15	-14	-14	-63	-132	
MERHCF	10	10	10	11	11	12	13	13	14	14	15	16	57	130	
Fannie Mae and Freddie Mac <sup>g</sup>	0	0	3	2	1	1	*	1	1	1	1	2	7	12	
Higher education	22	-6	-4	*	*	1	1	1	1	*	*	*	-2	*	
Other	55	63	73	72	72	73	69	67	66	64	65	68	359	689	
Subtotal	87	71	88	88	89	90	86	84	83	81	83	88	441	858	

Continued

portion of the electromagnetic spectrum have boosted that total this year, but they are expected to have much smaller effects, on average, in future years. In addition, because of the way CBO treats the activities of Fannie Mae and Freddie Mac in its baseline projections, offsetting receipts from those entities are not reflected in the baseline beyond the current year (see page 80 for more details).

**Social Security**

Social Security, the largest federal spending program, provides cash benefits to the elderly, to people with disabilities, and to their dependents and survivors. Social Security comprises two main parts: Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI). Social Security outlays grew by about 4 percent in 2015 because of increases in caseloads and average benefits.

Table 3-2.

Continued

**Mandatory Outlays Projected in CBO's Baseline**

Billions of Dollars

	Actual,												Total	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
Offsetting Receipts														
Medicare <sup>h</sup>	-94	-101	-110	-118	-126	-136	-146	-161	-172	-180	-194	-210	-637	-1,552
Federal share of federal employees' retirement														
Social Security	-16	-16	-17	-17	-18	-19	-19	-20	-21	-21	-22	-23	-90	-196
Military retirement	-20	-19	-18	-18	-18	-19	-19	-19	-20	-20	-20	-21	-91	-192
Civil service retirement and other	-32	-32	-35	-36	-37	-38	-39	-40	-41	-42	-43	-44	-184	-395
Subtotal	-68	-68	-69	-71	-73	-75	-77	-79	-81	-84	-86	-88	-365	-783
Fannie Mae and Freddie Mac <sup>g</sup>	-23	-20	0	0	0	0	0	0	0	0	0	0	0	0
MERHCF	-7	-7	-7	-8	-8	-9	-9	-10	-10	-11	-11	-12	-41	-94
Receipts related to natural resources	-11	-9	-10	-13	-13	-13	-14	-14	-14	-16	-16	-17	-63	-139
Other	-54	-32	-41	-37	-28	-29	-30	-30	-31	-33	-39	-24	-165	-323
Subtotal	-256	-237	-238	-247	-248	-262	-276	-294	-309	-323	-346	-350	-1,270	-2,892
<b>Total Mandatory Outlays</b>	<b>2,299</b>	<b>2,466</b>	<b>2,558</b>	<b>2,633</b>	<b>2,825</b>	<b>2,981</b>	<b>3,143</b>	<b>3,375</b>	<b>3,500</b>	<b>3,622</b>	<b>3,875</b>	<b>4,142</b>	<b>14,140</b>	<b>32,653</b>
<b>Memorandum:</b>														
Mandatory Spending Excluding the														
Effects of Offsetting Receipts	2,555	2,703	2,796	2,880	3,073	3,243	3,419	3,669	3,808	3,944	4,221	4,492	15,411	35,545
Spending for Medicare Net of														
Offsetting Receipts	539	591	589	593	661	708	761	854	876	895	999	1,079	3,312	8,016
Spending for Major Health Care Programs														
Net of Offsetting Receipts <sup>i</sup>	936	1,040	1,076	1,104	1,190	1,262	1,341	1,465	1,516	1,567	1,703	1,835	5,974	14,060

Source: Congressional Budget Office.

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

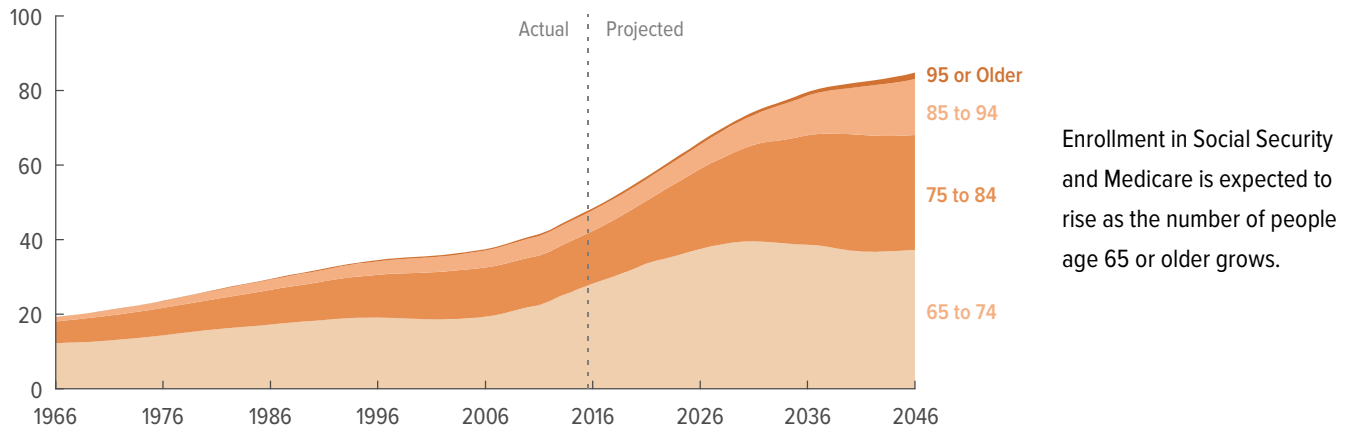
MERHCF = Department of Defense Medicare-Eligible Retiree Health Care Fund (including TRICARE for Life); \* = between -\$500 million and \$500 million.

- a. Gross spending, excluding the effects of Medicare premiums and other offsetting receipts. (Net Medicare spending is included in the memorandum section of the table.)
- b. Subsidies for health insurance purchased through the exchanges established under the Affordable Care Act.
- c. Includes outlays for the American Opportunity Tax Credit and other credits.
- d. Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.
- e. Includes Civil Service, Foreign Service, Coast Guard, and smaller retirement programs as well as annuitants' health care benefits.
- f. "Income security" includes veterans' compensation, pensions, and life insurance programs. "Other" benefits are primarily education subsidies. Most of the costs of veterans' health care are classified as discretionary spending and thus are not shown in this table.
- g. The cash payments from Fannie Mae and Freddie Mac to the Treasury are recorded as offsetting receipts in 2015 and 2016. Beginning in 2017, 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, counted as federal outlays in the year of issuance.
- h. Includes premium payments, recoveries of overpayments made to providers, and amounts paid by states from savings on Medicaid's prescription drug costs.
- i. Consists of outlays for Medicare (net of offsetting receipts), Medicaid, the Children's Health Insurance Program, and subsidies for health insurance purchased through exchanges and related spending.

Figure 3-2.

**Number of People Age 65 or Older, by Age Group**

Millions of People



Enrollment in Social Security and Medicare is expected to rise as the number of people age 65 or older grows.

Source: Congressional Budget Office.

CBO estimates that, under current law, outlays for Social Security would total \$910 billion, or 4.9 percent of GDP, in 2016 and climb steadily (by an average of about 6 percent per year) over the next decade as the nation's elderly population grew and as average benefits rose. By 2026, CBO estimates, Social Security outlays would total \$1.6 trillion, or 5.9 percent of GDP, if current laws remained unchanged (see Figure 3-3).

**Old-Age and Survivors Insurance.** OASI, the larger of Social Security's two components, pays full benefits to workers who start collecting them at a specified full retirement age that depends on a worker's year of birth. Full retirement age rises incrementally from 65 (for people born before 1938) to 67 (for people born after 1959). Workers can, however, choose to start collecting reduced benefits as early as age 62. The program also makes payments to eligible spouses and children of workers (living and deceased). OASI spending totaled \$738 billion in 2015, accounting for almost 85 percent of Social Security's outlays.

About 48 million people received OASI benefits in 2015. Over the 2016–2026 period, as more baby boomers (people born between 1946 and 1964) become eligible to receive benefits under the program, the number of people collecting those benefits is projected to increase by an average of about 3 percent per year. At that rate, by 2026 more than 65 million people will be receiving OASI benefits—35 percent more than the number of recipients in 2015 and 60 percent more than the number in 2007, the last year before the first baby boomers became eligible for benefits under the program.

Under current law, average benefits would also rise because beneficiaries generally receive annual cost-of-living adjustments (COLAs) and because initial benefits are based on people's lifetime earnings, which tend to increase over time. Each year's COLA is determined by the annual increase, if any, in the consumer price index for urban wage earners; when prices fall, beneficiaries of Social Security (and those of most other programs that provide COLAs) are protected from a drop in benefits. Because the consumer price index declined during 2015, OASI beneficiaries did not receive a COLA in January 2016; CBO anticipates that, under current law, beneficiaries would receive a COLA of 0.9 percent in 2017 and that COLAs would average 2.5 percent annually from 2017 through 2026. All told, the average benefit is projected to rise by about 3 percent per year over the 2016–2026 period. The increasing average benefit, in combination with the growing number of beneficiaries, is projected to boost outlays for OASI by an average of 6 percent per year over that period.<sup>6</sup>

**Disability Insurance.** Social Security's disability benefits are paid to workers who suffer debilitating health conditions before they reach OASI's full retirement age. Payments are also made to the eligible spouses and children of those recipients. In 2015, federal spending for DI totaled \$144 billion.

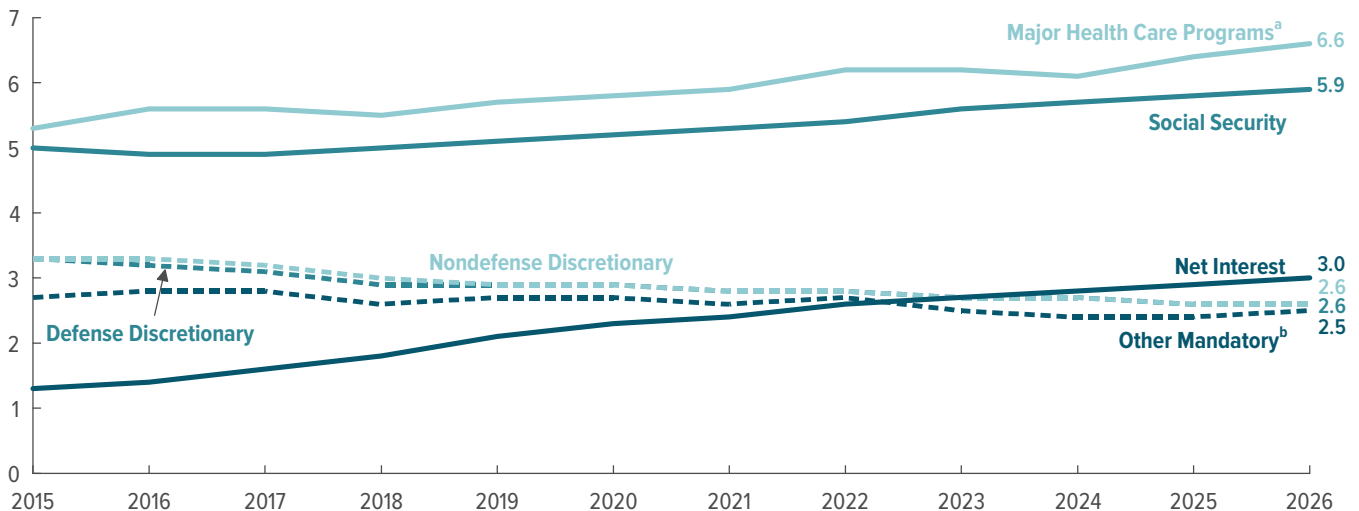
6. For additional background and an analysis of possible changes to Social Security, see Congressional Budget Office, *Social Security Policy Options, 2015* (December 2015), [www.cbo.gov/publication/51011](http://www.cbo.gov/publication/51011).



Figure 3-3.

**Projected Outlays in Major Budget Categories**

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

a. Consists of Medicare (net of premiums and other offsetting receipts), Medicaid, the Children's Health Insurance Program, and subsidies for health insurance purchased through exchanges and related spending.

b. All mandatory spending other than that for the major health care programs and Social Security.

The number of people receiving those benefits declined by 0.6 percent in 2015, to 11 million. CBO expects that total to decline again in 2016. In 2015, the number of new awards roughly equaled the number of disabled workers who left the program, and in 2016, CBO expects more people to leave the program than to be awarded benefits. Additionally, the number of children and spouse beneficiaries declined in 2015, and CBO expects that trend to continue in 2016. After 2016, the DI caseload is anticipated to grow at a more modest rate than in the years before the most recent recession because the economy is expected to continue to expand and because more Americans will be reaching the age at which they qualify for benefits under OASI.

Before the Bipartisan Budget Act of 2015 (P.L. 114-74) was enacted, CBO projected that the balance of the DI trust fund would be exhausted during fiscal year 2017. That legislation shifted a share of payroll tax revenues for calendar years 2016 through 2018 from the OASI trust fund to the DI trust fund, delaying the exhaustion of the balance of the DI trust fund. CBO now projects that, under current law, the balance of that trust fund would be exhausted during fiscal year 2022.<sup>7</sup> In accordance with the rules in section 257 of the Deficit Control Act, CBO's baseline incorporates the assumption that full

benefits will continue to be paid even after the trust fund has been exhausted, although without legislative action, there will be no legal authority to make such payments.

### Medicare, Medicaid, and Other Major Health Care Programs

Totaling \$1.0 trillion in 2015, gross federal outlays for Medicare, Medicaid, and other major programs related to health care accounted for 40 percent of gross mandatory spending and equaled 5.8 percent of GDP. Under current law, CBO estimates, gross federal outlays for those programs will jump to \$1.1 trillion, or 6.2 percent of GDP, in 2016. In CBO's baseline projections, that spending grows robustly—at an average rate of nearly 6 percent per year—and thus nearly doubles in dollar terms between 2016 and 2026, reaching \$2.0 trillion, or 7.4 percent of GDP, by the end of that period. About three-fifths of

7. In CBO's most recent long-term projections, which are consistent with the 10-year baseline projections that were issued in March 2015 adjusted for the effects of the Bipartisan Budget Act of 2015, the OASI trust fund is exhausted in calendar year 2030, a year earlier than would have been projected without the payroll tax shift. See Congressional Budget Office, *CBO's 2015 Long-Term Projections for Social Security: Additional Information* (December 2015), [www.cbo.gov/publication/51047](http://www.cbo.gov/publication/51047).

total spending on the major health care programs would finance care for people age 65 or older, CBO projects.

**Medicare.** Medicare provides subsidized medical insurance to the elderly and to some people with disabilities. The program has three principal components: Part A (Hospital Insurance), Part B (Medical Insurance, which covers doctors' services, outpatient care, home health services, and other medical services), and Part D (which covers outpatient prescription drugs).<sup>8</sup> People generally become eligible for Medicare at age 65 or two years after they qualify for Social Security disability benefits.

Gross spending for Medicare will total \$692 billion in 2016, CBO estimates, or 3.7 percent of GDP.<sup>9</sup> By 2026, spending for the program would reach nearly \$1.3 trillion, or 4.7 percent of GDP, if current laws remained in place.<sup>10</sup> Medicare also collects substantial offsetting receipts—mostly in the form of premiums paid by beneficiaries—which, in CBO's baseline projections, rise from \$101 billion in 2016 to \$210 billion in 2026. (See page 79 for further details.) Under current law, spending for Medicare net of those offsetting receipts is projected to be 3.2 percent of GDP in 2016 and 3.9 percent in 2026.

Spending for Medicare (not including offsetting receipts) is projected to grow by an average of about 6 percent per year over the next 10 years under current law. Some of that growth stems from the increasing number of beneficiaries; CBO projects that, under current law, Medicare caseloads would expand at an average rate of 3 percent per year as growing numbers of baby boomers turned 65 and became eligible for benefits. In 2015, Medicare had about 55 million beneficiaries; that number is projected to climb to 75 million in 2026—36 percent more

8. Medicare Part C (known as Medicare Advantage) specifies the rules under which private health care plans can assume responsibility for, and be compensated for, providing benefits covered under Parts A, B, and D.

9. About \$24 billion in Medicare spending in 2016 will occur because capitation payments to group health plans and prescription drug plans that are due on Saturday, October 1, 2016, will be made on September 30, the last day of the previous fiscal year. If that shift in the timing of payments did not occur, gross Medicare spending would amount to 3.6 percent of GDP in 2016.

10. Those amounts include the effects of sequestration (that is, the cancellation of funding) specified by the Budget Control Act of 2011, as amended. Those automatic procedures will reduce payments for most Medicare services by 2.0 percent through March 2025 and then by 4.0 percent through September 2025.

recipients than in 2015 and 60 percent more than in 2010, the last year before the first baby boomers became eligible for benefits under the program.

About 60 percent of the growth over the next 10 years results from rising costs per beneficiary, although those costs are rising much more slowly than they have in the past. CBO projects that, under current law, nominal spending per beneficiary would grow at an average rate of 4 percent per year over the coming decade. In real terms (adjusted for inflation using the price index for personal consumption expenditures), Medicare spending per beneficiary is projected to increase at an average annual rate of 1.6 percent between 2016 and 2026, whereas it averaged real annual growth of 4 percent between 1985 and 2007 (excluding the jump in spending that occurred in 2006 when Part D was implemented).

The comparatively slow growth in per-beneficiary spending that CBO projects for the next decade results from a combination of factors. One of those factors is the anticipated influx of new beneficiaries, which will bring down the average age of Medicare beneficiaries and therefore, all else equal, reduce average health care costs per beneficiary because younger beneficiaries tend to use fewer health care services.

Another factor is the slowdown in the growth of Medicare spending across all types of services, beneficiaries, and major geographic regions in recent years. Although the reasons for that slower growth are not yet entirely clear, CBO projects that the slowdown will persist for some years to come.<sup>11</sup>

A third factor that contributes to the slow projected growth in Medicare spending per beneficiary over the next decade is the constraints on service payment rates that are built into current law. The Medicare Access and CHIP Reauthorization Act of 2015 (P.L. 114-10)

11. See Michael Levine and Melinda Buntin, *Why Has Growth in Spending for Fee-for-Service Medicare Slowed?* Working Paper 2013-06 (Congressional Budget Office, August 22, 2013), [www.cbo.gov/publication/44513](http://www.cbo.gov/publication/44513). That analysis reviews the observed slowdown in growth in Medicare spending from the 2000–2005 period to the 2007–2010 period. It suggests that demand for health care by Medicare beneficiaries was not measurably diminished by the financial turmoil and recession and that, instead, much of the slowdown in spending growth was caused by other factors affecting beneficiaries' demand for care and by changes in providers' behavior.

specifies that annual increases in payment rates for physicians' services will range between zero and 0.75 percent during the 2016–2026 period. (Before that law was enacted, payment rates had been scheduled to drop by 21 percent in April 2015 and to be raised or lowered by small amounts thereafter.) In addition, program rules constrain annual increases in payment rates for Medicare services apart from those provided by physicians by adjusting for changes in productivity in the economy overall. Under CBO's economic projections, those payment rates are expected to increase by about 2 percent per year on average—roughly 1 percentage point lower than the rate at which prices of inputs to Medicare services are projected to increase.

**Medicaid.** Medicaid is a joint federal and state program that funds medical care for certain low-income, elderly, and disabled people. The federal government shares costs for approved services, as well as administrative costs, with states; the federal share varies from state to state but averaged about 57 percent in most years before 2014. (During some economic downturns, the federal government's share has temporarily increased.)

Beginning in January 2014, the Affordable Care Act (ACA) gave states the option of expanding eligibility for their Medicaid programs to people with income at or below 138 percent of the federal poverty guidelines. By the end of 2015, 30 states and the District of Columbia had expanded their programs. The federal government pays a greater share of the costs incurred by enrollees who were made eligible for Medicaid in those states than it does for traditional enrollees: The federal share for those newly eligible enrollees is 100 percent through 2016 and declines thereafter, falling to 90 percent in 2020. In 2015, the federal government's overall share of Medicaid expenditures was about 63 percent.

Federal outlays for Medicaid totaled \$350 billion in 2015, 16 percent more than spending for the program in 2014. CBO estimates that about two-thirds of that increase resulted from enrollment of people who were newly eligible because of the ACA and from the greater share of costs paid by the federal government for those new enrollees.<sup>12</sup> Under current law, CBO projects, federal spending for Medicaid will jump by almost 9 percent this year as more people in those states that have expanded Medicaid eligibility enroll in the program. The average number of people enrolled in Medicaid on a monthly basis is expected to rise from 76 million in 2015 to

77 million in 2016. By 2026, 80 percent of the people who meet the new eligibility criteria will live in states that have extended Medicaid coverage, CBO anticipates; Medicaid enrollment in that year is projected to be 85 million.

Overall, federal spending for Medicaid from 2017 to 2026 is projected to increase more slowly than it has over the past two years, largely because the rapid growth in enrollment that occurred during the initial stage of the expansion of coverage authorized by the ACA will have slowed. Over that period, CBO projects, spending per beneficiary would grow at an average annual rate of 5 percent. In real terms (adjusted for inflation using the price index for personal consumption expenditures), Medicaid spending per enrollee is expected to increase at an average annual rate of 3 percent between 2017 and 2026. By 2026, federal outlays for Medicaid are projected to total \$642 billion, or about 2.3 percent of GDP (up from 2.1 percent of GDP in 2016).

**Exchange Subsidies and Related Spending.** Individuals and families can purchase private health insurance coverage through marketplaces known as exchanges that are operated by the federal government, by state governments, or through a partnership between federal and state governments. Subsidies of purchases made through those exchanges fall into two categories: subsidies to cover a portion of participants' health insurance premiums and subsidies to reduce their cost-sharing amounts (out-of-pocket payments required under insurance policies). The first category of subsidies is available to people with household income between 100 percent and 400 percent of the federal poverty guidelines who meet certain other conditions, while the second category is available to those who are eligible for premium subsidies, have a household income between 100 percent and 250 percent of the federal poverty guidelines, and enroll in an eligible plan.<sup>13</sup>

12. Provisions of the ACA also led many people who were previously eligible for Medicaid to enroll. CBO cannot, however, precisely determine the share of total growth in Medicaid enrollment between 2014 and 2015 attributable to such people because there is no way to know whether new enrollees who would have been eligible in the absence of the ACA would have signed up had it not been enacted.

13. In order to be eligible for cost-sharing subsidies, people must enroll in a plan that pays about 70 percent of the costs of covered benefits (sometimes referred to as a silver plan).

Related spending consists of grants to states for establishing health insurance exchanges and outlays for risk adjustment and reinsurance. Outlays for exchange subsidies and related spending are projected to rise from \$38 billion in 2015 to \$56 billion in 2016 and to \$109 billion by 2026.

Exchange subsidies make up the largest portion of that spending: Outlays are projected to total \$39 billion in 2016 (up from \$27 billion in 2015) and to reach \$93 billion by 2026. (In addition, a portion of the subsidies for health insurance premiums will be provided in the form of reductions in recipients' tax payments.)<sup>14</sup> During calendar year 2015, an estimated 8 million people per month, on average, received subsidies for health insurance purchased through the exchanges.<sup>15</sup>

On the basis of information about 2015 enrollment and information available as of the end of December 2015 on 2016 enrollment, CBO and the staff of the Joint Committee on Taxation (JCT) estimate that about 11 million people per month, on average, will receive such subsidies in calendar year 2016. Additionally, the agencies project that about 2 million people who are not eligible for subsidies will purchase coverage through an exchange, bringing the total number of people enrolled in coverage through exchanges in any given month to 13 million, on average.<sup>16</sup> (The enrollment projections and other factors underlying the estimates of exchange subsidies provided in this report for years after 2016 have not been updated since March 2015, except to incorporate the effects of enacted legislation.)<sup>17</sup>

14. The subsidies for health insurance premiums are structured as refundable tax credits; the portions of such credits that exceed taxpayers' other income tax liabilities are classified as outlays, whereas the portions that reduce tax payments are classified as reductions in revenues.

15. Estimates reflect the average enrollment in each month over the course of a calendar year and include spouses and dependents covered under family policies; they include residents of the 50 states and District of Columbia who are younger than 65. In the March 2015 baseline, CBO and the staff of the Joint Committee on Taxation (JCT) projected that an average of about 8 million people per month would receive exchange subsidies in 2015. Additionally, the agencies projected that about 3 million people would not be eligible for subsidies but would purchase coverage through an exchange, bringing the total number of people enrolled in coverage purchased through exchanges in any given month to 11 million, on average. CBO and JCT now estimate that about 9.5 million people enrolled in coverage purchased through the exchanges, on average, during 2015 and that 8 million of those enrollees received subsidies.

CBO estimates that outlays for grants to states for exchange operations will be about \$1 billion in 2016. Because funds for new grants needed to be obligated by the end of 2014, spending of such grants is winding down. In CBO's baseline, outlays associated with grants for operating state exchanges decline to zero by 2019.

In accordance with the ACA, new programs requiring the federal government to make payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrollees) and for reinsurance (amounts paid to plans that enroll individuals who end up with high costs) became effective for insurance issued in 2014. The two programs are intended to spread more widely some of the risk that health insurers face when selling health insurance through the exchanges or in other individual or small-group markets. Outlays for the two programs totaled \$9 billion in 2015, the first year in which payments were made; this year, they are expected to amount to \$16 billion. Those payments are offset by associated revenues. Under current law, the risk adjustment program is permanent, but the reinsurance program is authorized only for insurance issued through 2016 (although spending associated with the program is expected to continue for an additional year).

**Children's Health Insurance Program.** 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. The program is jointly financed by the federal government and the states and is administered by the states within broad federal guidelines. Total federal spending for CHIP was approximately \$9 billion in 2015 and is expected to

16. Previously, CBO and JCT projected that an average of about 15 million people per month would receive exchange subsidies in 2016 and that an additional 6 million people would purchase unsubsidized coverage through an exchange, bringing the total number of people enrolled in coverage purchased through exchanges in any given month to 21 million, on average. Most of the unsubsidized people who are no longer expected to purchase insurance through an exchange are expected to purchase insurance directly from an insurer instead.

17. Because of the limited scope of the current update, this report does not include an appendix with updated estimates of the insurance coverage provisions analogous to the one published last March; see Congressional Budget Office, *Updated Budget Projections: 2015 to 2025* (March 2015), Appendix, [www.cbo.gov/publication/49973](http://www.cbo.gov/publication/49973). In March 2016, CBO and JCT will update their projections of exchange enrollment and subsidies to incorporate actual 2015 enrollment, information on 2016 enrollment, CBO's recent economic forecast, and other data.

rise to \$13 billion in 2016. That projected growth stems almost entirely from an increase in the federal match rate that went into effect in January of this year. Without that change in the match rate, federal spending for CHIP would be about \$9 billion in 2016, CBO estimates.

Funding for CHIP is authorized through 2017. Following the rules governing baseline projections, CBO assumes in its baseline that funding for the program after 2017 is set at about \$6 billion a year (that is, at the annualized rate of the second of the semiannual allotments for 2017), almost \$7 billion less than the outlays estimated for 2017, when the program is fully funded. Nevertheless, annual spending for CHIP is projected to reach \$11 billion in 2018 because some of the funds allocated to states in previous years will be spent in that year; outlays are projected to fall to about \$6 billion in 2019 and remain at that amount in subsequent years. Nearly 6 million people will be enrolled in CHIP on an average monthly basis in 2016 and 2017, CBO estimates. Enrollment drops in subsequent years in CBO's baseline projections, mostly because funding is assumed to decline after 2017.

### Income Security

The federal government makes various payments to people and government entities in order to assist the poor, the unemployed, and others in need. Mandatory spending for those purposes totaled \$302 billion in 2015. Under current law, that spending is projected to rise modestly in 2016 to \$307 billion and then to grow at an average annual rate of about 2 percent. By 2026, income-security outlays are projected to be \$376 billion, or 1.4 percent of GDP.

**Earned Income, Child, and Other Tax Credits.** Refundable tax credits for income security, like those for health insurance premiums discussed above, reduce a filer's overall income tax liability; if the credit exceeds the rest of the filer's income tax liability, the government pays all or some portion of that excess to the taxpayer.<sup>18</sup> Those payments—including the ones made for the refundable portions of the earned income tax credit (EITC), the child tax credit, and the American Opportunity Tax Credit (AOTC)—are categorized as outlays. The EITC is a fully refundable credit available primarily to people with earnings and income that fall below established maximums.

18. For more information, see Congressional Budget Office, *Refundable Tax Credits* (January 2013), [www.cbo.gov/publication/43767](http://www.cbo.gov/publication/43767).

The child tax credit is a partially refundable credit (limited to 15 percent of earnings over a predetermined threshold) available to qualifying families with dependent children. The AOTC allows certain individuals (including those who owe no taxes) to claim a credit for college expenses. Outlays for those credits totaled \$85 billion in 2015.

Under current law, by 2026 outlays for refundable tax credits would total \$103 billion, CBO projects. That projection incorporates the permanent extension—recently enacted in the Consolidated Appropriations Act, 2016 (P.L. 114-113)—of the AOTC and of the expansions of the child tax credit and the EITC that were first enacted in 2009 and that had been set to expire at the end of 2017. The tax credits also affect the budget, to a lesser extent, by reducing tax revenues. However, the portion of the refundable tax credits that reduces revenues is not reported separately in the federal budget.

**Supplemental Nutrition Assistance Program.** Outlays for SNAP, which provides benefits to help people in low-income households purchase food, held steady at \$76 billion in 2015.<sup>19</sup> CBO estimates that the program's spending will decline slightly this year, to \$75 billion, and that 45 million people will receive those benefits. The number of people collecting SNAP benefits, which increased dramatically in the wake of the most recent recession, is anticipated to continue to decline gradually over the coming years as the economy strengthens. Average per-person benefits are expected to remain the same in 2016 as they were last year, but they are projected to increase thereafter because of adjustments for inflation in prices of food. On the basis of the assumption (specified by the rules governing baseline projections) that the program will be extended after it expires at the end of fiscal year 2018, CBO projects that by 2026, 33 million people will be enrolled in SNAP and the program's outlays will total \$74 billion.

**Supplemental Security Income.** SSI provides cash benefits to people with low income who are elderly or disabled.<sup>20</sup> Outlays for SSI rose by about 1 percent in 2015, to \$55 billion. According to CBO's estimates, under current

19. For more information on SNAP, see Congressional Budget Office, *The Supplemental Nutrition Assistance Program* (April 2012), [www.cbo.gov/publication/43173](http://www.cbo.gov/publication/43173).

20. For more information on SSI, see Congressional Budget Office, *Supplemental Security Income: An Overview* (December 2012), [www.cbo.gov/publication/43759](http://www.cbo.gov/publication/43759).



law spending for that program would increase at an average annual rate of about 2 percent over the coming decade. In CBO's projections, the number of beneficiaries for SSI edges up at an average annual rate of less than half of 1 percent; most of the anticipated growth in spending for that program through 2026 stems from COLA increases. Under current law, spending for SSI benefits is estimated to be \$74 billion in 2026.

**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. In 2015, outlays for unemployment compensation were \$33 billion, about 0.2 percent of GDP. That amount is well below the high-water mark of such spending during the recent recession: In 2010, outlays for unemployment compensation peaked at \$159 billion, in part because of the exceptionally high unemployment rate and in part because of legislation that significantly expanded benefits for individuals who had been unemployed for long periods. In CBO's estimates, outlays for unemployment compensation grow at an average annual rate of nearly 6 percent (reflecting fluctuations in unemployment and growth in the labor force and wages, which serve as the basis for benefits); measured as a share of GDP, those outlays remain at their current level throughout the projection period. By 2026, outlays for the program would, under current law, amount to \$55 billion, CBO projects.

**Family Support and Foster Care.** Spending for family support programs—grants to states that help fund welfare programs, foster care and adoption assistance, child support enforcement, and the Child Care Entitlement—is expected to remain about the same as last year, roughly \$31 billion, in 2016. Spending for those programs is projected to rise only gradually through 2026, at an average annual rate of about 1 percent.

Funding for two major components of family support is capped: The primary Temporary Assistance for Needy Families (TANF) program is limited to roughly \$17 billion annually (although some additional funding is available if a state's unemployment rate or SNAP caseload exceeds certain thresholds), and funding for the Child Care Entitlement is capped at just under \$3 billion per year.<sup>21</sup> Under current law, the primary TANF program and the Child Care Entitlement are funded only through the end of this fiscal year, but CBO's baseline reflects the assumption (as

specified in the Deficit Control Act) that such funding will continue throughout the projection period.

Outlays for federal grants to states for foster care and adoption assistance and for child support enforcement are expected to remain near the 2015 amounts—about \$7 billion and \$4 billion, respectively—in 2016. CBO estimates that, under current law, spending for the two programs would increase modestly over the coming decade and amount to \$10 billion and \$5 billion, respectively, in 2026.

**Child Nutrition.** CBO projects that federal spending for child nutrition—which provides cash and commodities for meals and snacks in schools, day care settings, and summer programs—will rise by 4 percent in 2016, to \$23 billion.<sup>22</sup> Much of that growth stems from an increase in the number of free lunches served in the school lunch program. CBO anticipates that growth in the number of meals provided and in reimbursement rates would lead to spending increases averaging 4 percent per year from 2017 through 2026, boosting total spending to \$34 billion in 2026.<sup>23</sup>

### Civilian and Military Retirement

Retirement and survivors' benefits for federal civilian employees (along with benefits provided through several smaller retirement programs for employees of various government agencies and for retired railroad workers) amounted to \$105 billion in 2015. Under current law, such outlays would grow by about 3 percent annually over the next 10 years, CBO projects, reaching \$146 billion in 2026.

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. (CBO's projections reflect the

21. For more information on the TANF program, see Congressional Budget Office, *Temporary Assistance for Needy Families: Spending and Policy Options* (January 2015), [www.cbo.gov/publication/49887](http://www.cbo.gov/publication/49887).

22. For more information on federal spending for child nutrition, see Congressional Budget Office, *Child Nutrition Programs: Spending and Policy Options* (September 2015), [www.cbo.gov/publication/50737](http://www.cbo.gov/publication/50737).

23. Spending for child nutrition includes roughly \$1 billion in outlays each year related to the Funds for Strengthening Markets program (also known as Section 32), which, among other things, provides funds to purchase commodities that are distributed to schools as part of the child nutrition programs.

assumption that federal salaries will rise in accordance with the employment cost index for wages and salaries of workers in private industry.) One factor that is restraining growth in spending for retirement benefits is the ongoing, gradual replacement of the Civil Service Retirement System (CSRS) with the Federal Employees Retirement System (FERS). FERS covers employees hired after 1983 and provides a smaller defined benefit than that provided by CSRS. FERS recipients are, however, eligible for Social Security benefits on the basis of their federal employment, whereas CSRS employees are not. In addition, under FERS, employees' contributions to the federal Thrift Savings Plan are matched in part by their employing agencies (but those matching funds are categorized as discretionary costs—not mandatory—because they come out of annual appropriations to the agencies).

The federal government also provides annuities to personnel who retire from the military and their survivors. Outlays for those annuities totaled \$57 billion in 2015. Most of the annual growth in those outlays results from COLAs and increases in military basic pay. Like their civilian counterpart, outlays for military retirement annuities are projected to grow over the next 10 years by an average of about 3 percent per year, rising to \$74 billion in 2026.

### **Veterans' Benefits**

Mandatory spending for veterans' benefits includes disability compensation, readjustment benefits, pensions, insurance, housing assistance, and burial benefits. Outlays for those benefits totaled \$92 billion in 2015, of which roughly 75 percent represented disability compensation. That amount does not include most federal spending for veterans' health care, which is funded by discretionary appropriations.

Spending for mandatory veterans' benefits is projected to swell by 19 percent in 2016, to \$110 billion. Nearly 40 percent of that increase arises because of the shift in payments that results in 13 monthly payments in 2016 rather than 12; without that shift in payments, the increase in outlays would be about 12 percent. Such growth occurs because CBO anticipates significant increases in both the number of veterans receiving disability compensation and the average benefit payment. CBO expects the number of beneficiaries to grow because the Department of Veterans Affairs (VA) has implemented increasingly effective initiatives to reduce its backlog of applications. In addition, the average disability rating (that is, the rating of the severity of the disability

that a veteran either incurred or aggravated during active military service on which his or her benefits are based) now approaches 50 percent for veterans currently on the rolls and appears to be continuing its steady rise; therefore, CBO expects that newly rated veterans will enter the VA system with higher disability ratings than those in previous years, which will result in a higher average benefit payment per veteran.

Under current law, growth in mandatory spending for veterans' benefits is projected to grow more slowly after 2016, at an average rate of about 3 percent a year between 2016 and 2026, causing outlays to rise to \$146 billion in 2026. CBO projects slower growth because the VA is expected to largely eliminate its claims backlog over the next several years, causing the flow of new veterans receiving disability compensation to decline.

### **Other Mandatory Spending**

Other mandatory spending includes outlays for agricultural support and some smaller health care programs, net outlays for deposit insurance, subsidy costs for student loans, and other payments. Outlays in some of those categories fluctuate markedly from year to year and may be either positive or negative.

**Agricultural Support.** Mandatory spending for agricultural programs totaled \$13 billion in 2015. Spending for agricultural support is projected to average \$16 billion per year between 2016 and 2026 on the basis of the assumption (specified in the Deficit Control Act) that the current programs that are scheduled to expire during that period will be extended.

**Deposit Insurance.** Net outlays for deposit insurance were negative last year: The program's collections (premiums paid by financial institutions) exceeded its disbursements (the cost of resolving failed institutions) by \$13 billion. In CBO's baseline projections, premium payments continue to exceed amounts spent on failed institutions, and net outlays for deposit insurance range from  $-\$11$  billion to  $-\$15$  billion annually over the coming decade.

**Medicare-Eligible Retiree Health Care Fund.** The Department of Defense's Medicare-Eligible Retiree Health Care Fund (MERHCF) provides health care benefits, mainly through the TRICARE for Life program, to retirees of the uniformed services (and to their dependents and surviving spouses) who are eligible for Medicare. Outlays for those benefits totaled \$10 billion

in 2015. Over the coming decade, spending from MERHCF is projected to rise at an average annual rate of roughly 5 percent, reaching \$16 billion in 2026.

**Fannie Mae and Freddie Mac.** In September 2008, the government placed Fannie Mae and Freddie Mac, two institutions that facilitate the flow of funding for home loans nationwide, into conservatorship.<sup>24</sup> Because the Administration considers Fannie Mae and Freddie Mac to be nongovernmental entities for federal budgeting purposes, it records the Treasury's payments to those entities as outlays in the budget and reports payments by those entities to the Treasury, such as those made in 2015 and expected in 2016, as offsetting receipts. (For further details, see page 80.)

In contrast to the Administration, CBO projects the budgetary impact of the two entities' operations in future years as if they were being conducted by a federal agency because of the degree of management and financial control that the government exercises over them.<sup>25</sup> CBO therefore estimates 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 and shows those costs as federal outlays in the year of issuance. Those outlays are projected to amount to \$12 billion from 2017 through 2026.

**Higher Education.** Mandatory outlays for higher education fall into three categories: the net costs (on a present-value basis) of student loans originated in a given year, which are frequently estimated to be negative (because expected repayments exceed expected costs); a portion of the costs of Pell grants provided in that year; and spending for some smaller programs.<sup>26</sup> In 2015, total mandatory outlays for higher education were \$22 billion. That amount included the following: the budgetary effects of student loans originated last year, which amounted to –\$6 billion (on a present-value basis); an increase of \$18 billion in the estimated cost of direct and guaranteed loans originated in previous years (also on a present-value basis); and mandatory spending for Pell grants, which totaled \$10 billion.<sup>27</sup>

24. Conservatorship is the legal process in which an entity is appointed to establish control and oversight of a company to put it in a sound and solvent condition.

25. See Congressional Budget Office, *CBO's Budgetary Treatment of Fannie Mae and Freddie Mac* (January 2010), [www.cbo.gov/publication/41887](http://www.cbo.gov/publication/41887).

In 2016, CBO estimates, the net costs for new student loans will be –\$13 billion, mandatory spending for the Federal Pell Grant Program will be \$7 billion, and other spending will be \$0.4 billion, resulting in net mandatory outlays for higher education of –\$6 billion. In later years, projected mandatory outlays for higher education trend from modestly negative to around zero. In those years, under current law, rising interest rates would, in CBO's estimation, increase the subsidy cost of student loans (making it less negative) to the point that the negative outlays for new student loans would roughly offset the cost of mandatory spending for Pell grants and other higher education programs. (The projected outlays for 2016 and subsequent years do not include any potential revision to the estimated subsidy costs of loans or guarantees made before 2016.)

**Additional Mandatory Spending Programs.** Other mandatory spending is projected to rise from \$55 billion in 2015 to \$63 billion in 2016 and then continue rising

---

26. CBO calculates the subsidy costs for student loans following the procedures specified in the Federal Credit Reform Act of 1990 (FCRA). Under FCRA accounting, the discounted present value of expected income from federal student loans made during the 2016–2026 period is projected to exceed the discounted present value of the government's costs. (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 today; 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 based on an updated assessment of the present value of the cash flows associated with the outstanding loans or loan guarantees.

FCRA accounting does not, however, consider all costs borne by the government. In particular, it omits market risk—the risk taxpayers face because federal receipts from payments on student loans tend to be low when economic and financial conditions are poor and resources are therefore more valuable. Fair-value accounting methods account for such risk, so the program's savings are less (or its costs are greater) under fair-value accounting than they are under FCRA accounting. For further discussion, see Congressional Budget Office, *Fair-Value Accounting for Federal Credit Programs* (March 2012), [www.cbo.gov/publication/43027](http://www.cbo.gov/publication/43027), and *Costs and Policy Options for Federal Student Loan Programs* (March 2010), [www.cbo.gov/publication/21018](http://www.cbo.gov/publication/21018).

27. Under current law, the Federal Pell Grant Program also receives funding from discretionary appropriations. For 2015, those appropriations totaled \$22 billion.



by an average of about 1 percent annually over the rest of the decade. Included in such spending are outlays for a number of different programs; some of those outlays are associated with significant offsetting receipts or revenues collected by the federal government. For example, an average of \$15 billion in mandatory outlays each year from 2016 through 2026 is related to the administration of justice, including some activities of the Department of Homeland Security. Most of that spending is offset by revenues and by fees, penalties, fines, and forfeited assets that are credited in the budget as offsetting receipts. An additional \$11 billion in annual outlays over the next 10 years stems from the Universal Service Fund and is offset in the federal budget by revenues of similar amounts.<sup>28</sup> Other mandatory spending projected in the coming decade includes the following outlays:

- \$6 billion per year for conservation activities on private lands;
- \$6 billion per year for grants to states for social services, such as vocational rehabilitation;
- About \$4 billion per year in subsidy payments to state and local governments related to the Build America Bonds program for infrastructure improvements; and
- About \$3 billion per year in payments to states and territories, primarily from funds generated from mineral production on federal land.

### 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 outlays (that is, as credits against direct spending). Such receipts include beneficiaries' premiums for Medicare, 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 2015 and 2016 only), and various fees paid by users of public property and services.

CBO estimates that offsetting receipts will fall from \$256 billion in 2015 to \$237 billion in 2016. That drop is primarily due to receipts from the Federal Communications Commission's 2015 auction for licenses to use a portion of the electromagnetic spectrum. Some of the proceeds from that auction were collected in 2015 and reduced outlays by \$30 billion that year. CBO estimates that additional proceeds from that auction will also reduce outlays in 2016, by \$11 billion. Over the coming decade, offsetting receipts are projected to increase by 4 percent each year, on average, rising to \$350 billion by 2026 (see Table 3-2 on page 68).

Some offsetting receipts come from sources outside of the federal government, and some are intragovernmental transfers. For example, offsetting receipts for Medicare and for natural resources are paid from sources outside the government, whereas offsetting receipts for federal employees' retirement benefits and for the Medicare-Eligible Retiree Health Care Fund are intragovernmental.

**Medicare.** Offsetting receipts for Medicare are primarily composed of premiums paid by Medicare beneficiaries, but they also include recoveries of overpayments made to providers and payments made by states to cover a portion of the prescription drug costs for low-income beneficiaries. In 2015, those receipts totaled \$94 billion, constituting one-third of all offsetting receipts and covering about 15 percent of gross Medicare spending. Over the coming years, CBO estimates that a larger share of beneficiaries in Parts B and D will pay higher premiums based on their income. As a result, offsetting receipts for Medicare are projected to rise more rapidly than outlays for benefits—at a rate of nearly 8 percent annually, compared with the 6 percent growth rate expected for outlays—and to total \$210 billion in 2026.

**Federal Employees' Retirement.** In 2015, \$68 billion in offsetting receipts consisted of intragovernmental transfers from federal agencies to the federal funds from which employees' retirement benefits are eventually paid (mostly trust funds for Social Security and for military and civilian retirement). Those payments from agencies' operating accounts to the funds have no net effect on federal outlays. Such payments are projected to grow by nearly 3 percent per year, on average, CBO estimates, reaching \$88 billion in 2026.

28. Created by the Telecommunications Act of 1996, the Universal Service Fund (USF) redistributes income from interstate telecommunications carriers to other carriers that provide services to high-cost areas, low-income households, schools, libraries, and nonprofit health care providers in rural areas. The cash flows from the USF appear in the budget—fund collections, as revenues, and amounts distributed from the fund, as direct spending.

**Natural Resources.** Receipts stemming from the extraction of natural resources—most significantly oil, natural gas, and minerals—from federally owned lands totaled \$11 billion in 2015. By 2026, those receipts are projected to be \$17 billion. The royalty payments included in that category fluctuate depending on the price of the commodity extracted.

**Medicare-Eligible Retiree Health Care Fund.** Intragovernmental transfers are also made to the Department of Defense’s MERHCF. Contributions to the fund are made annually on an accrual basis in an amount sufficient to cover the increase in the estimated future costs of retirement benefits for active-duty service members. Such payments totaled \$7 billion in 2015 and, because of rising health care costs, are projected to grow to \$12 billion by 2026. As with transfers to the federal retirement funds, these transfers have no net effect on total outlays.

**Fannie Mae and Freddie Mac.** In the first few years after they were placed into conservatorship, the Treasury made payments to Fannie Mae and Freddie Mac; however, over the past few years, those entities have been making payments to the government. The Administration has recorded the payments by the government as outlays and the payments to the government from those two entities as offsetting receipts. To match the reporting for the current year in the *Monthly Treasury Statements*, CBO adopts the Administration’s presentation for 2016, but for later years, because of the extent of the government’s control over the two entities, CBO treats them as if they were government agencies and considers their transactions with the Treasury to be intragovernmental (and therefore computes the cost of the programs on a net present-value basis and records those costs as mandatory outlays).

In 2015, the Treasury made no payments to those entities and received payments from them totaling \$23 billion. CBO estimates that net payments from those entities to the Treasury will amount to \$20 billion in 2016.

### 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 for programs created before and after the Balanced Budget Act of 1997 (P.L. 105-33). All direct spending programs that predate

that act and have current-year outlays greater than \$50 million are assumed to continue in CBO’s baseline projections. For programs established after 1997, continuation is assessed program by program, 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, trade adjustment assistance for workers, child nutrition, family preservation and support, and most farm subsidies. 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 that COLA will continue accounts for about \$1 trillion in outlays between 2017 and 2026, most of which are for SNAP and TANF (see Table 3-3 on page 82). That amount represents about 3 percent of all mandatory spending net of offsetting receipts.

### Discretionary Spending

Roughly one-third of federal outlays in 2016 will stem from budget authority provided in annual appropriation acts.<sup>29</sup> That funding—referred to as discretionary—translates into outlays when the money is spent. Although some appropriations (for example, those designated for employees’ salaries) are spent quickly, others (such as those intended for major construction projects) are disbursed over several years. In any given year, discretionary outlays include spending from new budget authority and from budget authority provided in previous appropriations.

Several transportation programs have an unusual budgetary treatment: Their budget authority is provided in authorizing legislation, rather than in appropriation acts, but their spending is constrained by *obligation limitations* imposed by appropriation bills. Consequently, their budget authority is considered mandatory, but their outlays are

29. Budget authority is the authority provided by law to incur financial obligations that will result in immediate or future outlays of federal funds. Budget authority may be provided in an appropriation act or an authorization act and may take the form of a direct appropriation of funds from the Treasury, borrowing authority, contract authority, entitlement authority, or authority to obligate and expend offsetting collections or receipts. Offsetting collections and receipts are shown as negative budget authority and outlays.

discretionary. (The largest of those programs is the Federal-Aid Highway program, which is funded from the Highway Trust Fund.) As a result, total discretionary outlays in the budget are greater than total discretionary budget authority. In some cases, the amounts of those obligation limitations are added to discretionary budget authority to produce a measure of the total *funding* provided for discretionary programs.

The Budget Control Act of 2011 established caps on discretionary spending through 2021 and provided for automatic spending reductions that further reduced those levels. Such limits have since been modified in subsequent legislation; most recently, the Bipartisan Budget Act of 2015 canceled the automatic reductions in discretionary spending for 2016 and 2017 and set caps for those years that are \$50 billion and \$30 billion higher, respectively, than they would have been if the automatic reductions had occurred. In CBO's baseline projections, most appropriations for the 2016–2021 period are assumed to be constrained by the modified caps. For the period from 2022 through 2026, CBO assumes that those appropriations will grow at the rate of inflation from the amounts estimated for 2021.<sup>30</sup>

By law, however, the caps are adjusted upward when appropriations are provided for certain purposes. Specifically, budget authority provided for military and diplomatic operations in Afghanistan and elsewhere that have been designated as overseas contingency operations (or OCO), responses to events designated as emergencies, disaster relief, or initiatives designed to enhance program integrity by reducing overpayments in some benefit programs leads to increases in the caps (although funding for program integrity and disaster relief is subject to certain limits).<sup>31</sup> CBO developed projections for such funding by assuming that it would grow at the rate of inflation from the amounts appropriated for 2016 and remain within the statutory constraints for program integrity efforts and disaster relief.

30. CBO develops projections of discretionary spending by first inflating the appropriations provided for specific activities in 2016 (or for subsequent years through advance appropriations) and then reducing total projected defense and nondefense funding by the amounts necessary to bring them in line with the caps. In CBO's baseline, discretionary funding related to federal personnel is inflated using the employment cost index for wages and salaries; other discretionary funding is adjusted using the gross domestic product price index.

31. Initiatives related to program integrity identify and reduce improper payments for benefit programs such as DI, SSI, Medicare, Medicaid, and CHIP.

Under those assumptions about budget authority, discretionary outlays in CBO's baseline increase in 2016 (largely because the caps are higher than those in effect last year), increase slightly in 2017, and fall slightly in 2018. Starting in 2019, discretionary outlays grow by an average of 2.2 percent each year through 2026. As a share of GDP, discretionary outlays in CBO's baseline projections fall from 6.5 percent in 2016 to 5.2 percent in 2026, a smaller share than in any year since 1962, the first year for which comparable data are available (see Figure 3-4 on page 84).

### Discretionary Appropriations and Outlays in 2016

The caps for 2016 total \$1,066.6 billion—\$548.1 billion for defense programs and \$518.5 billion for nondefense programs.<sup>32</sup> The Consolidated Appropriations Act, 2016, provided discretionary budget authority totaling \$1,168 billion—\$101 billion more than the sum of the two caps (see Table 3-4 on page 85).<sup>33</sup> That additional amount of budget authority includes \$74 billion for activities designated as OCO and \$9 billion in other funding that triggers cap adjustments, bringing the 2016 cap to a revised total of \$1,150 billion, CBO estimates. The remaining \$18 billion in budget authority in excess of the adjusted caps stems from changes to mandatory programs, enacted in the Consolidated Appropriations Act, to keep funding within limits set by the caps. (When such reductions in mandatory funding are included in appropriation acts, the savings are credited for budget enforcement purposes against the full amount of discretionary funding provided in those acts.) In CBO's baseline, those changes to mandatory programs are reflected in the relevant mandatory accounts, and the full amount of discretionary budget authority is shown in the discretionary accounts.

In total, discretionary budget authority for 2016 is 4.7 percent more than the \$1,116 billion appropriated for 2015. Assuming that no additional appropriations are made, CBO estimates that discretionary outlays will increase in 2016 to about \$1,198 billion, which is 2.8 percent—or \$33 billion—more than such outlays in 2015 and equal to 6.5 percent of GDP. That sum

32. See Congressional Budget Office, *Final Sequestration Report for Fiscal Year 2016* (December 2015), [www.cbo.gov/publication/51038](http://www.cbo.gov/publication/51038).

33. Obligation limitations for transportation programs in 2016 total an additional \$56 billion, which is roughly \$3 billion more than the amount legislated for 2015.

Table 3-3.

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

Billions of Dollars

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total	
												2017-2021	2017-2026
<b>Supplemental Nutrition Assistance Program</b>													
Budget authority	0	0	0	73	72	72	72	72	72	73	75	217	581
Outlays	0	0	0	70	72	72	72	72	72	73	74	215	579
<b>Temporary Assistance for Needy Families</b>													
Budget authority	0	17	17	17	17	17	17	17	17	17	17	86	173
Outlays	0	13	16	17	17	17	17	17	17	17	17	79	166
<b>Veterans' Compensation COLAs</b>													
Budget authority	0	1	2	4	7	9	13	14	16	20	23	23	108
Outlays	0	1	2	4	6	9	12	14	15	19	22	22	106
<b>Commodity Credit Corporation<sup>a</sup></b>													
Budget authority	0	0	0	2	2	9	8	9	9	10	10	13	61
Outlays	0	0	0	1	1	8	8	9	9	10	10	10	56
<b>Children's Health Insurance Program</b>													
Budget authority	0	0	6	6	6	6	6	6	6	6	6	23	51
Outlays	0	0	6	6	6	6	6	6	6	6	6	23	51
<b>Child Care Entitlements to States</b>													
Budget authority	0	3	3	3	3	3	3	3	3	3	3	15	29
Outlays	0	2	3	3	3	3	3	3	3	3	3	14	28
<b>Rehabilitation Services</b>													
Budget authority	0	0	0	0	0	0	0	4	4	4	4	0	16
Outlays	0	0	0	0	0	0	0	2	4	4	4	0	14
<b>Child Nutrition<sup>b</sup></b>													
Budget authority	0	1	1	1	1	1	1	1	1	1	1	4	10
Outlays	0	1	1	1	1	1	1	1	1	1	1	4	9
<b>Promoting Safe and Stable Families</b>													
Budget authority	0	*	*	*	*	*	*	*	*	*	*	2	3
Outlays	0	*	*	*	*	*	*	*	*	*	*	1	3

Continued

represents the first increase in discretionary outlays following their gradual decline over the 2010–2015 period.

**Defense Discretionary Funding and Outlays.** Budget authority provided for defense discretionary programs in 2016 totals \$607 billion—3.6 percent more than the 2015 amount of \$586 billion. (Almost all defense spending is categorized as discretionary.) That amount includes \$59 billion in appropriations designated for OCO, \$6 billion (or 8.7 percent) less than the sum provided in 2015; the funding provided for OCO includes some amounts intended to be used for regular activities of the Defense Department. The latest drop in defense funding designated for OCO continues a marked decline in such

funding, which has fallen by 63 percent (in nominal terms) since 2010. Excluding the amounts for OCO, funding for defense in 2016 is \$27 billion (or 5.1 percent) higher than it was last year. As a whole, CBO estimates that discretionary outlays for defense programs will total \$589 billion in 2016—1.1 percent more than the 2015 amount (but that increase is 0.4 percent if adjusted for shifts in the timing of certain payments). As a share of GDP, however, such outlays will fall by 0.1 percentage point to 3.2 percent, the lowest level since 2002.

Three major categories of funding for the Department of Defense account for most of the defense appropriation for 2016 (as they have in preceding years): Operation

Table 3-3.

Continued

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

Billions of Dollars

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total		
												2017-2021	2017-2026	
Trade Adjustment Assistance for Workers <sup>c</sup>														
Budget authority	0	0	0	0	0	0	0	1	1	1	1	0	3	
Outlays	0	0	0	0	0	0	0	*	1	1	1	0	3	
Ground Transportation Programs Not Subject to Annual Obligation Limitations														
Budget authority	0	0	0	0	0	1	1	1	1	1	1	1	4	
Outlays	0	0	0	0	0	*	1	1	1	1	1	0	3	
Ground Transportation Programs Controlled by Obligation Limitations <sup>d</sup>														
Budget authority	0	0	0	0	0	50	50	50	50	50	50	50	302	
Outlays	0	0	0	0	0	0	0	0	0	0	0	0	0	
Air Transportation Programs Controlled by Obligation Limitations <sup>d</sup>														
Budget authority	2	3	3	3	3	3	3	3	3	3	3	17	34	
Outlays	0	0	0	0	0	0	0	0	0	0	0	0	0	
Natural Resources														
Budget authority	0	0	0	0	0	0	0	0	0	0	0	0	0	
Outlays	0	*	*	*	*	*	*	*	*	*	*	*	*	
<b>Total</b>														
<b>Budget authority</b>	<b>2</b>	<b>25</b>	<b>33</b>	<b>110</b>	<b>112</b>	<b>172</b>	<b>175</b>	<b>182</b>	<b>184</b>	<b>190</b>	<b>194</b>	<b>451</b>	<b>1,376</b>	
<b>Outlays</b>	<b>0</b>	<b>16</b>	<b>28</b>	<b>101</b>	<b>107</b>	<b>116</b>	<b>120</b>	<b>125</b>	<b>129</b>	<b>135</b>	<b>140</b>	<b>368</b>	<b>1,018</b>	

Source: Congressional Budget Office.

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

- Agricultural commodity price and income supports and conservation programs under the Agricultural Act of 2014 generally expire after 2018. 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 Balanced Budget and Emergency Deficit Control Act of 1985 that indicates that the baseline should incorporate the assumption that the provisions of the Agricultural Act of 2014 remain in effect.
- Includes the Summer Food Service program and states' administrative expenses.
- Excludes the cost of extending Reemployment Trade Adjustment Assistance.
- Authorizing legislation for those programs provides contract authority, which is counted as mandatory budget authority. However, because the programs' spending is subject to obligation limitations specified in annual appropriation acts, outlays are considered discretionary.

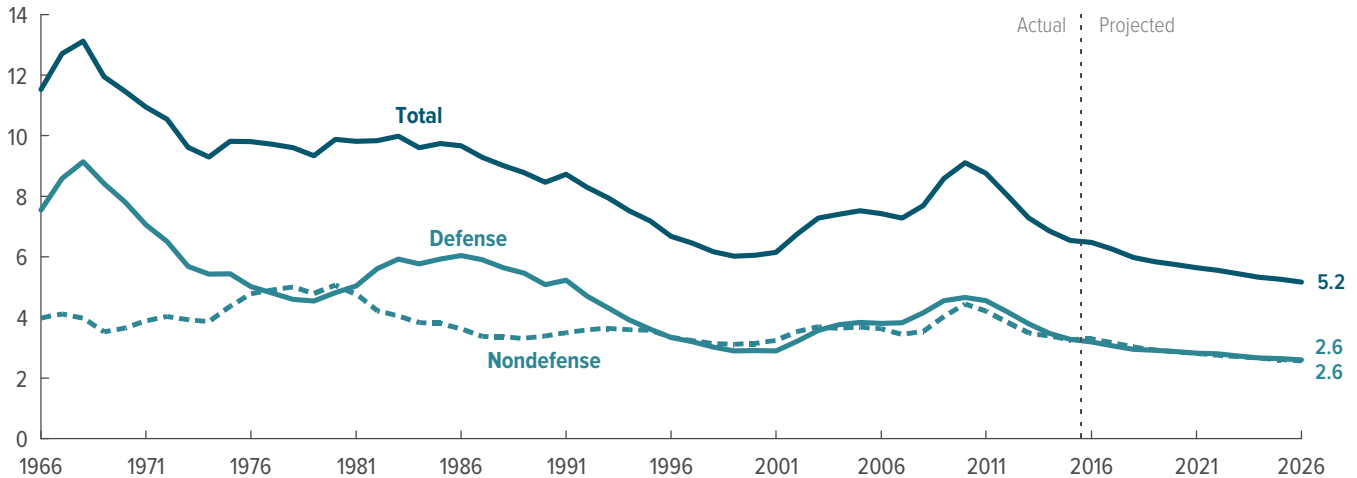
and maintenance (\$244 billion), military personnel (\$139 billion), and procurement (\$119 billion) account for 83 percent of total funding. Research and development (\$69 billion) accounts for an additional 11 percent of total funding for defense. The remaining 6 percent of the appropriation comprises funding for military construction, family housing, and other Department of Defense programs (\$9 billion); funding for atomic energy activities, primarily within the Department of Energy (\$19 billion); and funding for various defense-related programs in other departments and agencies (\$8 billion).

**Nondefense Discretionary Funding and Outlays.** Non-defense discretionary programs encompass a broad array of activities, including transportation, education grants, housing assistance, health-related research, veterans' health care, most homeland security activities, the federal justice system, foreign aid, and environmental protection. Funding for nondefense programs in 2016 totals \$618 billion. That amount represents \$561 billion in appropriations and \$56 billion in obligation limitations for several ground and air transportation programs. The 2016 amount is \$37 billion (or 6.3 percent) more than

Figure 3-4.

**Discretionary Outlays, by Category**

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

the funding provided in 2015. CBO anticipates that non-defense discretionary outlays will rise from \$583 billion in 2015 to \$609 billion in 2016—an increase of 4.4 percent. As a share of GDP, however, those outlays will remain at the 2015 level of 3.3 percent in 2016.

Seven broad budget categories (referred to as budget functions) account for about 80 percent of the \$618 billion in resources provided in 2016 for nondefense discretionary activities (see Table 3-5). Activities related to education, training, employment, and social services received \$94 billion, claiming 15 percent of total non-defense discretionary funding.<sup>34</sup> Transportation programs accounted for \$89 billion (including appropriations and obligation limitations), or 14 percent of the total. Programs related to veterans' benefits and services received \$72 billion (or 12 percent); income-security programs received \$67 billion (or 11 percent); and health programs received \$60 billion (or 10 percent). Programs related to international affairs and to administration of justice each accounted for \$55 billion, or 9 percent of total nondefense discretionary spending.<sup>35</sup>

34. 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.

35. Some significant income-security programs, such as unemployment compensation and TANF, are not reflected in that total because they are included in mandatory spending.

**Projections for 2017 Through 2026**

CBO's projections reflect the assumption that most discretionary appropriations will be constrained at levels specified in the Budget Control Act of 2011 (as modified)—including the automatic spending reductions required by that act—and that the caps will be adjusted to accommodate additional appropriations designated for OCO and other activities that are not constrained by the caps.

For 2017, the caps are now set at \$551 billion for defense and \$519 billion for nondefense activities, for a total of \$1,070 billion—about \$3 billion (or 0.3 percent) higher than the 2016 caps (prior to adjustments for appropriations for OCO and other activities not constrained by the caps). In addition, for 2017 CBO projects funding totaling \$85 billion (equal to the 2016 amounts after they are adjusted for inflation) for OCO and other activities not constrained by the caps, bringing total projected discretionary appropriations for that year to \$1,154 billion—\$611 billion for defense and \$543 billion for nondefense activities. Those amounts represent a \$4 billion (or 0.7 percent) increase in defense appropriations and an \$18 billion (or 3.2 percent) reduction in nondefense funding for a total net reduction of \$14 billion (or 1.2 percent) from the 2016 appropriation. Most of that reduction occurs because the budget authority enacted for 2016 includes the amount that was offset by reductions in mandatory programs; similar actions are not assumed in the baseline for subsequent years. (However,

Table 3-4.

**Changes in Discretionary Budget Authority From 2015 to 2016**

Billions of Dollars

	Actual, 2015	Estimated, 2016	Percentage Change
<b>Defense</b>			
Funding constrained by caps	521	548	5.1
Overseas contingency operations	64	59	-8.7
Other cap adjustments	*	0	n.a.
Subtotal	586	607	3.6
<b>Nondefense</b>			
Funding constrained by caps	507	537	5.9
Overseas contingency operations	9	15	60.9
Other cap adjustments	13	9	-29.6
Subtotal	530	561	5.9
<b>Total Discretionary Budget Authority</b>			
Funding constrained by caps	1,029	1,085	5.5
Overseas contingency operations	74	74	**
Other cap adjustments	13	9	-30.2
<b>Total</b>	<b>1,116</b>	<b>1,168</b>	<b>4.7</b>

Source: Congressional Budget Office.

Excludes budgetary resources provided by obligation limitations for certain ground and air transportation programs.

Budget authority designated as an emergency requirement or provided for overseas contingency operations leads to an increase in the caps, as does budget authority provided for some types of disaster relief or for certain program integrity initiatives.

n.a. = not applicable; \* = between zero and \$500 million; \*\* = between zero and 0.05 percent.

since 2012, the first year when caps specified in the Budget Control Act applied to discretionary spending, the amount of such mandatory offsets included in annual appropriation acts has averaged about \$18 billion a year.)

CBO estimates that the caps for 2018 (before adjustments for OCO and other activities not constrained by the caps) will total \$1,065 billion—about \$5 billion (or 0.5 percent) less than the 2017 caps.<sup>36</sup> All told, discretionary appropriations for both defense and non-defense programs in 2018 are projected to fall below their 2017 levels, by about \$1 billion and \$3 billion, respectively (about a 0.3 percent decline overall), and total \$1,151 billion. Starting in 2019, the caps—and total discretionary appropriations—are projected to grow at an average rate of 2.5 percent per year.

Under those assumptions regarding the caps, CBO estimates, discretionary outlays would increase by 0.7 percent in 2017, primarily as a result of spending

from the larger appropriations in 2016. Discretionary outlays are then projected to dip by 0.2 percent in 2018, mirroring the slight reduction in the caps for that year. In CBO's baseline projections, discretionary outlays grow at an average rate of about 2.2 percent annually over the 2019–2026 period, following the projected growth in funding. Because that pace is well below the expected growth rate of nominal GDP, discretionary outlays are projected to fall steadily in relation to the size of the economy, from 6.5 percent of GDP in 2016 to 5.2 percent in 2026.

**Alternative Paths for Discretionary Spending**

Total funding for discretionary activities in 2016 will amount to about \$1,224 billion, CBO estimates—\$1,168 billion in budget authority and \$56 billion in transportation-related obligation limitations. In CBO's baseline projections, discretionary funding is projected for subsequent years on the basis of the amounts and procedures prescribed in the Budget Control Act of 2011 (as amended). If the policies governing discretionary appropriations changed, funding could differ greatly from the baseline projections. To illustrate such potential

36. See Congressional Budget Office, *Final Sequestration Report for Fiscal Year 2016* (December 2015), [www.cbo.gov/publication/51038](http://www.cbo.gov/publication/51038).

Table 3-5.

**Changes in Nondefense Discretionary Funding From 2015 to 2016**

Billions of Dollars

Budget Function	Actual, 2015	Estimated, 2016	Change
Education, Training, Employment, and Social Services	92	94	3
Transportation <sup>a</sup>	85	89	4
Veterans' Benefits and Services	64	72	8
Income Security	66	67	2
Health	56	60	3
Administration of Justice	52	55	3
International Affairs	51	55	4
Natural Resources and Environment	35	37	3
General Science, Space, and Technology	29	31	2
Community and Regional Development	17	18	1
General Government	19	18	-1
Medicare	6	7	*
Agriculture	6	6	*
Social Security	5	6	1
Energy	5	6	1
Commerce and Housing Credit	-6	-3	3
<b>Total</b>	<b>581</b>	<b>618</b>	<b>37</b>

Source: Congressional Budget Office.

\* = between zero and \$500 million.

a. Includes budgetary resources provided by obligation limitations for certain ground and air transportation programs.

differences, CBO has estimated the budgetary consequences of three alternative paths for discretionary funding (see Table 3-6).

For the first alternative scenario, CBO assumed that most discretionary funding and obligation limitations would grow at the rate of inflation after 2016—an assumption that is consistent with the guidelines in the Deficit Control Act regarding account-level baseline projections. If that occurred, discretionary outlays would grow steadily by an average of 2.4 percent a year and surpass CBO's baseline projections by \$757 billion (or 5.8 percent) over the 2017–2026 period; discretionary spending would equal 5.5 percent of GDP in 2026.

The second scenario reflects the assumption that most discretionary budget authority and obligation limitations—including funding designated for OCO and other activities that are exempt from caps—would be frozen at the 2016 level for the entire projection period.<sup>37</sup> In that case, discretionary outlays would remain relatively flat

over the 10-year period, total \$746 billion (or 5.7 percent) less than those projected in the baseline, and fall to 4.4 percent of GDP by 2026.

Finally, CBO projected what would occur if lawmakers canceled the automatic reductions in the discretionary caps prescribed by the Budget Control Act. (In this scenario, projections of funding designated for OCO and other activities that are not constrained by the caps are assumed to grow with inflation unless constrained by other provisions of the Budget Control Act.) Overall, results under this scenario are similar to those under the scenario in which appropriations are assumed to grow with inflation: Total outlays over the 2017–2026 period exceed the amount projected in CBO's baseline by \$764 billion (or 5.9 percent).

**Net Interest**

In 2015, net outlays for interest were \$223 billion, about \$6 billion less than the amount spent in 2014. However, CBO estimates that net outlays will increase by almost \$32 billion in 2016, to a total of \$255 billion, rising from 1.3 percent of GDP in 2015 to 1.4 percent in 2016.

37. Some items, such as offsetting collections and payments made by the Treasury on behalf of the Department of Defense's TRICARE for Life program, would not be held constant.



Table 3-6.

**CBO's Projections of Discretionary Spending Under Selected Policy Alternatives**

Billions of Dollars

	Actual, 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total	
													2017- 2021	2017- 2026
<b>CBO's January 2016 Baseline (Budget Control Act Caps and Automatic Enforcement Procedures in Effect Through 2021)</b>														
Budget Authority														
Defense	586	607	611	610	624	640	655	671	687	704	722	739	3,140	6,663
Nondefense	530	561	543	540	554	568	581	595	610	625	641	657	2,786	5,916
Total	1,116	1,168	1,154	1,150	1,178	1,208	1,236	1,266	1,298	1,330	1,363	1,396	5,926	12,579
Outlays														
Defense	582	589	592	593	609	623	638	657	669	680	702	719	3,055	6,481
Nondefense	583	609	614	610	613	624	636	649	664	679	695	710	3,098	6,494
Total	1,165	1,198	1,206	1,203	1,222	1,248	1,274	1,307	1,332	1,358	1,397	1,429	6,152	12,975
<b>Increase Discretionary Appropriations at the Rate of Inflation After 2016<sup>a</sup></b>														
Budget Authority														
Defense	586	607	620	635	650	666	682	699	717	734	753	772	3,254	6,928
Nondefense	530	561	577	592	608	624	640	657	673	691	708	726	3,041	6,496
Total	1,116	1,168	1,197	1,227	1,258	1,290	1,323	1,356	1,390	1,425	1,461	1,497	6,295	13,423
Outlays														
Defense	582	589	598	611	631	648	664	685	697	709	732	750	3,151	6,724
Nondefense	583	609	632	648	659	675	691	707	723	740	759	776	3,304	7,009
Total	1,165	1,198	1,229	1,258	1,290	1,323	1,355	1,392	1,420	1,449	1,490	1,526	6,455	13,732
<b>Freeze Most Discretionary Appropriations at the 2015 Amount<sup>b</sup></b>														
Budget Authority														
Defense	586	607	607	608	608	609	609	610	610	611	611	612	3,041	6,095
Nondefense	530	561	566	567	567	568	569	569	569	569	569	567	2,837	5,678
Total	1,116	1,168	1,173	1,174	1,176	1,177	1,178	1,178	1,179	1,179	1,180	1,179	5,878	11,773
Outlays														
Defense	582	589	590	591	598	600	601	605	602	598	603	603	2,980	5,992
Nondefense	583	609	625	628	625	625	625	624	623	622	621	619	3,129	6,237
Total	1,165	1,198	1,215	1,220	1,223	1,226	1,226	1,229	1,224	1,220	1,224	1,222	6,109	12,229
<b>Prevent the Automatic Spending Reductions Specified in the Budget Control Act<sup>c</sup></b>														
Budget Authority														
Defense	586	607	611	664	678	693	709	726	744	762	781	800	3,355	7,170
Nondefense	530	561	543	578	590	603	616	631	647	663	679	696	2,930	6,246
Total	1,116	1,168	1,154	1,242	1,268	1,297	1,325	1,357	1,391	1,425	1,461	1,497	6,285	13,416
Outlays														
Defense	582	589	592	627	655	673	689	712	724	737	760	778	3,236	6,946
Nondefense	583	609	614	630	643	657	670	684	699	715	732	748	3,215	6,792
Total	1,165	1,198	1,206	1,257	1,298	1,331	1,359	1,396	1,423	1,451	1,492	1,526	6,451	13,739

Source: Congressional Budget Office.

Nondefense discretionary outlays are usually higher 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 not considered discretionary.

- These estimates reflect the assumption that most appropriations will not be constrained by caps and will instead grow at the rate of inflation from their 2016 level. Discretionary funding related to federal personnel is inflated using the employment cost index for wages and salaries; other discretionary funding is adjusted using the gross domestic product price index.
- This option reflects the assumption that appropriations generally would be frozen at the 2016 level through 2026. Some items, such as offsetting collections and payments made by the Treasury on behalf of the Department of Defense's TRICARE for Life program, would not be held constant.
- The Budget Control Act of 2011 specified that if lawmakers did not enact legislation originating from the Joint Select Committee on Deficit Reduction that would reduce projected deficits by at least \$1.2 trillion, automatic procedures would go into effect to reduce both discretionary and mandatory spending during the 2013–2021 period (and mandatory spending through 2025). Those procedures take the form of equal cuts (in dollar terms) in funding for defense and nondefense programs. The Bipartisan Budget Act of 2015 canceled those procedures for 2016 and 2017, but they will take effect again in 2018 and reduce discretionary spending over the 2018–2021 period. In its projections for the 2022–2025 period, CBO assumes that appropriations will grow at the rate of inflation from the amounts estimated for 2021.

Net interest outlays are dominated by the interest paid to holders of the debt that the Department of the Treasury 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. Other federal accounts also pay and receive interest for various reasons.<sup>38</sup>

The federal government's interest payments depend primarily on market interest rates and the amount of debt held by the public; however, other factors, such as the rate of inflation for Treasury Inflation-Protected Securities and the maturity structure of outstanding securities, also affect interest costs. (For example, longer-term securities generally pay higher interest than do shorter-term securities.) Interest rates are determined by a combination of market forces and the policies of the Federal Open Market Committee. Debt held by the public is determined mostly by cumulative budget deficits, which depend on policy choices about noninterest spending and revenues as well as on economic conditions and other factors. At the end of 2015, debt held by the public reached \$13.1 trillion, and in CBO's baseline, it is projected to total \$23.8 trillion in 2026. (For detailed projections of debt held by the public, see Table 3-1 on page 64.)

Although debt held by the public surged in the past few years to its highest levels relative to GDP since the early 1950s, the government's interest costs measured as a percentage of GDP have remained low because interest rates on Treasury securities have been remarkably low. Average rates on 3-month Treasury bills plummeted from nearly 5 percent in 2007 to 0.1 percent in 2010 and have remained at or below 0.1 percent since then. Similarly, average rates on 10-year Treasury notes dropped from nearly 5 percent in 2007 to a low of 1.9 percent in 2012; since then, those rates have generally remained steady, increasing slightly in 2015 to 2.2 percent. As a result of those low rates, outlays for net interest fell from 1.7 percent of GDP in 2007 to 1.3 percent in 2015, even though debt held by the public increased by 160 percent over that period. By comparison, such outlays averaged about 3 percent of GDP in the 1980s and 1990s.

38. See Congressional Budget Office, *Federal Debt and Interest Costs* (December 2010), [www.cbo.gov/publication/21960](http://www.cbo.gov/publication/21960).

### Baseline Projections of Net Interest

Net interest costs consist of gross interest (the amounts paid on all of the Treasury's debt issuances) minus interest payments received by trust funds (which are intragovernmental transfers) and from other sources. Under CBO's baseline assumptions, net interest costs are projected to more than triple over the next decade—surging from \$255 billion in 2016 to \$830 billion in 2026. One reason for that increase is that debt held by the public is projected to rise by 70 percent (in nominal terms) over the next 10 years (see Figure 3-5).<sup>39</sup> More significantly, the interest rate paid on 3-month Treasury bills is anticipated to increase from 0.04 percent in the last quarter of 2015 to 3.2 percent by mid-2019 (and remain there through 2026); the interest rate on 10-year Treasury notes is projected to rise from 2.2 percent in the last quarter of 2015 to 4.1 percent by late 2019 (and remain there through 2026). (For a more detailed discussion of CBO's forecast for interest rates, refer to Chapter 2.) As a result, under current law, net interest outlays are projected to reach 3.0 percent of GDP in 2026.

### Gross Interest

In 2015, interest paid by the Treasury on all of its debt issuances totaled \$402 billion (see Table 3-7). More than one-third of that total, \$141 billion, represents payments to trust funds within the federal government; the remainder is paid to owners of Treasury debt issued to the public. In CBO's baseline, gross interest payments increase to \$437 billion in 2016 and total \$1.1 trillion in 2026. About 70 percent of that amount is interest paid on debt held by the public.

### Interest Received by Trust Funds

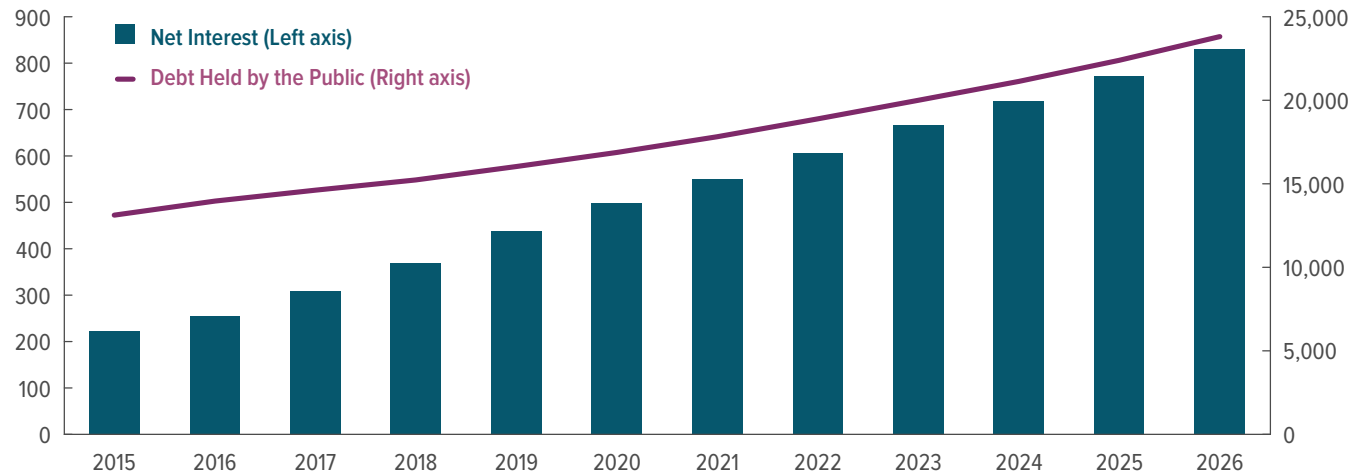
As of the end of 2015, the Treasury has issued \$5.0 trillion in securities to federal trust funds and other government accounts. Trust funds are the predominant holders of such securities, owning 90 percent of them. The interest paid on those securities has no net effect on federal spending because it is credited to accounts elsewhere in the budget. In 2016, trust funds will be credited with \$141 billion of such intragovernmental interest, CBO estimates, mostly for the trust funds for Social Security, military retirement, civil service retirement, and disability insurance. The intragovernmental interest credited to the

39. Debt held by the public does not include securities issued by the Treasury to federal trust funds and other government accounts. Those securities are included as part of the measure of gross debt. (For further details, see Chapter 1.)

Figure 3-5.

**Projected Debt Held by the Public and Net Interest**

Billions of Dollars



Source: Congressional Budget Office.

trust funds is projected to peak at \$161 billion in 2021 as interest rates rise and then decline to \$151 billion in 2026 as the balances held by the funds decrease.

**Other Interest**

CBO anticipates that the government will record \$40 billion in net receipts of other interest in 2016 and projects that such receipts will total \$619 billion over the 2017–2026 period, representing the net result of many transactions, both collections and payments of interest.

The largest interest collections come from the government's credit financing accounts, which were established

to record the cash transactions related to federal direct loan and loan guarantee programs. For those programs, net subsidy costs are recorded in the budget, but the cash flows that move through the credit financing accounts are not. Credit financing accounts both pay interest to and receive interest from Treasury accounts that appear in the budget, but on net, they pay more interest to the Treasury than they receive from it. CBO estimates that net receipts from the credit financing accounts will total \$32 billion in 2016; in CBO's baseline, they steadily increase to \$54 billion in 2026. Interest payments associated with the direct student loan program dominate those totals.

Table 3-7.

**Federal Interest Outlays Projected in CBO's Baseline**

Billions of Dollars

	Actual,											Total		
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
Interest on Treasury Debt Securities (Gross interest) <sup>a</sup>	402	437	498	569	650	716	774	831	891	946	1,000	1,059	3,207	7,933
Interest Received by Trust Funds														
Social Security	-96	-92	-87	-88	-89	-89	-88	-85	-82	-78	-72	-64	-441	-822
Other <sup>b</sup>	-45	-49	-56	-61	-69	-71	-73	-74	-75	-78	-81	-87	-330	-726
Subtotal	-141	-141	-144	-148	-157	-160	-161	-159	-157	-156	-154	-151	-770	-1,547
Other Interest <sup>c</sup>	-38	-40	-46	-51	-54	-57	-61	-64	-67	-70	-74	-77	-267	-619
NRRIT Investment Income (Non-Treasury holdings) <sup>d</sup>	*	*	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-8
<b>Net Interest Outlays</b>	<b>223</b>	<b>255</b>	<b>308</b>	<b>369</b>	<b>438</b>	<b>498</b>	<b>551</b>	<b>607</b>	<b>666</b>	<b>719</b>	<b>772</b>	<b>830</b>	<b>2,165</b>	<b>5,759</b>

Source: Congressional Budget Office.

NRRIT = National Railroad Retirement Investment Trust; \* = between -\$500 million and \$500 million.

a. Excludes interest costs on debt issued by agencies other than the Treasury (primarily the Tennessee Valley Authority).

b. Mainly the Civil Service Retirement, Military Retirement, Medicare, and Unemployment Insurance Trust Funds.

c. Primarily interest on loans to the public.

d. Earnings on investments by the NRRIT, an entity created to manage and invest assets of the Railroad Retirement program.