Congressional Budget Office

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Federal Mandatory Spending for Means-Tested Programs, 2008 to 2028

In its adjusted April 2018 baseline, the Congressional Budget Office projected that if current laws generally remained unchanged, total mandatory spending would amount to $2.8 trillion in 2018 and grow to $4.9 trillion in 2028.[1] The average annual rate of growth over the coming decade would be 5.8 percent, compared with an average rate of 4.6 percent recorded over the past 10 years.

Means-tested programs (which provide cash payments or other forms of assistance to people with relatively low income or few assets) currently account for a little more than a quarter of all mandatory spending. The largest means-tested mandatory programs are Medicaid, the earned income and child tax credits (which are refundable), the Supplemental Nutrition Assistance Program (SNAP), and the Supplemental Security Income program. The largest non–means-tested programs are Social Security, most of Medicare, and the federal civilian and military retirement programs.

Mandatory spending on means-tested programs is projected to grow more slowly than spending for non–means-tested programs. CBO projects that under current law, outlays for means-tested mandatory programs would grow over the next decade at an average annual rate of 4.4 percent, whereas spending for non–means-tested mandatory programs would grow at an average annual rate of 6.3 percent (see Table 1 on page 4).[2]

Those growth rates are boosted by shifts in the timing of certain payments. Because October 1, 2017 (the first day of fiscal year 2018), fell on a weekend, an estimated $40 billion in mandatory payments that were due on that day were instead made at the end of September 2017. As a result, mandatory outlays in 2018 were reduced by the amount of those payments. Similarly, mandatory outlays in 2028 will be boosted by the shift of an estimated $83 billion in payments from fiscal year 2029 to 2028 because October 1, 2028, also falls on a weekend. If not for those shifts, mandatory outlays for means-tested programs over the next decade would grow at an average rate of 4.2 percent, compared with 5.9 percent for non–means-tested programs.

1. CBO's April 2018 baseline is described in Congressional Budget Office, *The Budget and Economic Outlook: 2018 to 2028* (April 2018), www.cbo.gov/publication/53651. Since then, CBO has made a number of relatively small adjustments to its projections, which are described in Congressional Budget Office, *An Analysis of the President's 2019 Budget* (May 2018), p. 11, www.cbo.gov/publication/53884. Mandatory spending is governed by statutory criteria and is not normally controlled by the annual appropriation process.

2. The tables in this report exclude means-tested discretionary programs (such as the Section 8 housing assistance programs and the Low Income Home Energy Assistance Program), which are controlled by annual appropriation acts. However, each table shows discretionary spending for the Federal Pell Grant Program as a memorandum item because that program has discretionary and mandatory components and the amount of the mandatory component depends in part on the amount of discretionary funding. Spending for the student loan program is generally not considered to be means-tested, although that program has means-tested components.

Note: Unless otherwise specified, all years referred to in this report are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Numbers may not sum to totals because of rounding.

In CBO's adjusted baseline (after the shifts in the timing of payments are excluded), average annual growth in outlays for means-tested programs over the 2019–2028 period is well below the 5.7 percent that the agency estimates for the same programs over the 2009–2018 period (see Table 2 on page 5).[3] In contrast, the rate of growth projected for non–means-tested programs (which CBO estimates will average 4.4 percent between 2009 and 2018) is 1.5 percentage points higher over the coming decade, largely because of the aging of the population.

Historic and projected growth rates are affected by changes in law and the economy. For example, several mandatory programs have been or are scheduled to be significantly affected by changes in law over the next 10 years. The 2007–2009 recession and the ensuing recovery also have exerted an influence on growth rates. As a result, important aspects of the programs may differ significantly from their past, and those differences may be the source of some of the variation between the growth rates of the past 10 years and those in the coming decade.

Outlays for several programs—Medicaid, the Children's Health Insurance Program (CHIP), subsidies for health insurance purchased through the marketplaces established under the Affordable Care Act (ACA), certain Medicare payments, SNAP, and the refundable portions of the earned income and child tax credits—have been or will be significantly affected by program changes that unfold over time:

- **Medicaid** spending rose by 35 percent from 2008 to 2010 both because of enrollment growth and as a result of a temporary increase in the federal matching rate. (The federal government and the states share the cost of the program.) After dropping off subsequently, spending rose because of the expansion of Medicaid coverage under the ACA. As that change was phased in, spending for the program increased by 32 percent from 2013 to 2015. Spending for the program has risen more slowly since then—increasing by 5 percent in 2016 and 2 percent in 2017, largely because of flattening growth in enrollment and slow growth in per capita costs. Growth in 2018 is also projected to be about 2 percent. In CBO's baseline, the rate of growth in Medicaid spending averages 5.5 percent annually over the 2019–2028 period, which is closer to long-run average growth for the program.

- Payments of **subsidies for health insurance purchased through the marketplaces established under the ACA** began in January 2014 and totaled $39 billion in fiscal year 2017. They are projected to grow by 20 percent in 2018, largely as a result of increases in premiums for plans in the health insurance marketplaces. Over the 2019–2028 period, the average growth in spending is projected to lessen considerably, to just over 5 percent per year, as subsidized enrollment declines slightly and spending per beneficiary rises at a rate that is similar to the growth in the costs of providing medical care.

- Spending for the **low-income-subsidy component of Medicare's Part D prescription drug program** is projected to grow at an average annual rate of about 7 percent (after an adjustment to exclude shifts in timing) between 2018 and 2028 (close to the growth rate of total outlays in the Part D program). Increases in the number of beneficiaries account for about one-fourth of that growth; the introduction of new, relatively expensive prescription drugs along with higher prices for existing prescription drugs accounts for the rest. By comparison, such outlays will have risen by an average of about 6 percent per year between 2008 and 2018 (after an adjustment to exclude shifts in timing).

- In CBO's baseline, spending for **CHIP** totals $16 billion in 2018 and 2019, more than double the program's outlays in 2008. It dips after 2019, totaling $13 billion in 2021, primarily because the average federal matching rate for the program is scheduled to decrease from 93 percent to 70 percent over that time. (The federal government and the states share the cost of the program.) Spending for CHIP inches back up during the second half of the projection period, reaching $16 billion in 2028 (the same amount as in 2018), primarily because of increasing costs per enrollee.

- Outlays for the refundable portion of the **earned income and child tax credits** have generally grown slowly over the past decade, increasing from

3. The average annual growth rate over the 2019–2028 period encompasses growth in outlays from the amounts estimated for 2018 to the amounts projected for 2028. Similarly, average annual growth over the 2009–2018 period encompasses growth in outlays from the amounts recorded for 2008 to the amounts estimated for 2018.

$75 billion in 2008 to $80 billion in 2018, CBO estimates—an average annual increase of 0.7 percent.[4] CBO projects that spending for those two tax credits will jump to $92 billion in 2019, mostly because of temporary provisions in Public Law 115-97 (the major tax legislation enacted in December 2017) that expanded the child tax credit. After 2019, outlays for those tax credits are projected to grow slowly, reaching $98 billion in 2026, before dropping to about $85 billion in 2027 and 2028 as the provisions that expanded the child tax credit expire. In total, outlays for those tax credits are projected to increase by an average of 0.6 percent per year from 2018 to 2028, although there are significant increases and decreases in spending in the intervening years.

- **SNAP** spending increased markedly during and shortly after the recession—roughly doubling between 2008 and 2011—as more people became eligible for benefits. In addition, the American Recovery and Reinvestment Act of 2009 temporarily raised the maximum benefit under the program. The combination of higher enrollment and an increased benefit caused outlays to peak at $83 billion in 2013, compared with a total of $39 billion in 2008. Spending has fallen since then because subsequent legislation eliminated the increase in the maximum benefit (as of October 31, 2013) and because the program's caseload (which peaked in 2014) has declined. Nevertheless, outlays remain well above the 2008 level. Under current law, CBO projects, enrollment would continue to fall in each year of the projection period. However, increases in the cost of food are likely to offset the decline in enrollment, so outlays for the program are projected to rise by 0.2 percent per year, on average. By comparison, SNAP outlays grew by an average of nearly 6 percent per year over the 2009–2018 period.

In contrast, spending for family support and foster care programs has remained stable over the past decade, ranging between $30 billion and $35 billion in each year from 2008 to 2018, and CBO projects that stability to continue over the projection period. Outlays for the category are projected to grow very little, primarily because funding for some programs, including Temporary Assistance for Needy Families, is capped under current law. As a result, outlays for those programs increase by 0.7 percent a year, on average, through 2028 in CBO's baseline projections.

Finally, because of the unusual budgetary treatment of the Pell grant program—which has mandatory and discretionary components—the growth rates for the mandatory portions of that program give incomplete information. The bulk of the funding is provided annually in appropriation acts and thus is discretionary. In recent years, spending for the program also has included two mandatory components that have allowed the discretionary budget authority provided by the regular appropriation acts to remain well below the full cost of the program.

In keeping with procedures that govern CBO's baseline, the projection for the discretionary portion of the Pell grant program is based on the budget authority appropriated for fiscal year 2018, adjusted for inflation. (That projection of discretionary spending is shown as a memorandum item in each table.) Thus, the baseline projections for discretionary and mandatory spending for Pell grants do not represent an estimate of the expected future costs of the program; such projections would need to account for other factors, including award amounts, eligibility, and enrollment.

4. Refundable tax credits 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 and that payment is recorded as an outlay in the budget. Refundable tax credits also affect the budget, to a lesser extent, by reducing tax revenues; those revenue effects are not shown in the tables in this report.

This Congressional Budget Office report was requested by the Chairman of the House Committee on the Budget. In keeping with CBO's mandate to provide objective, impartial analysis, the report makes no recommendations. Barry Blom prepared the report with guidance from Theresa Gullo and Christina Hawley Anthony and with contributions from other analysts.

Robert Sunshine reviewed the report, Kate Kelly edited it, and Jorge Salazar prepared it for publication. An electronic version is available on CBO's website (www.cbo.gov/publication/53922).

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Table 1.

Mandatory Outlays in CBO's Adjusted April 2018 Baseline

Billions of Dollars

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average Annual Growth (Percent) 2019–2028
Means-Tested Programs												
Health care programs												
Medicaid	383	401	417	437	465	493	524	554	587	620	655	5.5
Health insurance subsidies[a,b]	47	52	55	62	69	71	72	74	73	75	78	5.2
Medicare Part D low-income subsidies	28	31	33	36	42	42	42	49	53	57	65	9.0
Children's Health Insurance Program	16	16	14	13	13	13	14	14	15	15	16	*
Subtotal	473	500	520	547	589	620	652	692	727	767	813	5.6
Income security programs												
Earned income and child tax credits[b,c]	80	92	93	93	94	95	96	97	98	84	85	0.6
SNAP	69	66	65	65	65	65	65	66	67	69	70	0.2
Supplemental Security Income	51	57	58	60	67	64	60	68	70	72	81	4.6
Family support and foster care[d]	32	32	32	33	33	33	34	34	34	34	34	0.7
Child nutrition[e]	23	24	25	27	28	29	30	32	33	35	36	4.5
Subtotal	256	272	274	277	286	286	286	297	303	294	307	1.8
Veterans' pensions	5	6	6	6	6	6	6	6	6	7	8	4.7
Pell grants[f]	7	8	8	8	8	8	8	8	8	8	8	1.3
Subtotal, Means-Tested Programs	**742**	**785**	**807**	**838**	**889**	**920**	**952**	**1,002**	**1,044**	**1,076**	**1,136**	**4.4**
Non–Means-Tested Programs[g]	2,053	2,191	2,325	2,480	2,683	2,791	2,897	3,119	3,311	3,502	3,789	6.3
Total Mandatory Outlays[g]	**2,794**	**2,976**	**3,132**	**3,318**	**3,572**	**3,712**	**3,849**	**4,122**	**4,355**	**4,578**	**4,925**	**5.8**
Memorandum:												
Pell Grants (Discretionary)[h]	22	25	29	24	24	25	25	26	26	27	27	2.0
Means-Tested Programs, Adjusted to Exclude Timing Shifts	749	785	807	838	880	920	961	1,002	1,044	1,076	1,125	4.2
Non–Means-Tested Programs, Adjusted to Exclude Timing Shifts	2,086	2,191	2,325	2,480	2,634	2,787	2,950	3,119	3,311	3,502	3,717	5.9

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

These projections are generally the same as those reported in Congressional Budget Office, *The Budget and Economic Outlook: 2018 to 2028* (April 2018), www.cbo.gov/publication/53651. Since then, CBO has made a number of small changes to its baseline budget projections, including those for health insurance subsidies. For more details, see Congressional Budget Office, *An Analysis of the President's 2019 Budget* (May 2018), p. 11, www.cbo.gov/publication/53884.

The average annual growth rate over the 2019–2028 period encompasses growth in outlays from the amount estimated for 2018 through the amount projected for 2028.

Projections of spending for benefit programs exclude administrative costs that are classified as discretionary but generally include administrative costs that are classified as mandatory.

Because October 1, 2017 (the first day of fiscal year 2018), fell on a weekend, certain federal payments that were due on that date were instead made at the end of September 2017 and thus were recorded in the previous fiscal year. October 1 will fall on a weekend again in 2028, and the same shift in certain federal payments will occur. If not for those shifts, spending for Medicare Part D low-income subsidies would have increased at an average annual rate of 7.4 percent, and spending for both Supplemental Security Income and veterans' pensions would have increased by an average of 3.0 percent per year over the 2019–2028 period in CBO's baseline projections.

SNAP = Supplemental Nutrition Assistance Program; * = between -0.05 percent and zero.

Footnotes for this table appear on page 6.

Table 2.

Mandatory Outlays, 2008 to 2018

Billions of Dollars

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Est., 2018	Average Annual Growth (Percent), 2009–2018
Means-Tested Programs												
Health care programs												
Medicaid	201	251	273	275	251	265	301	350	368	375	383	6.6
Health insurance subsidies[a,b]	0	0	0	0	0	0	13	27	31	39	47	n.a.
Medicare Part D low-income subsidies	17	19	21	24	20	22	22	24	29	29	28	5.1
Children's Health Insurance Program	7	8	8	9	9	9	9	9	14	16	16	8.6
Subtotal	225	277	302	308	279	297	346	411	443	459	473	7.7
Income security programs												
Earned income and child tax credits[b,c]	75	67	77	78	77	79	82	81	81	79	80	0.7
SNAP	39	56	70	77	80	83	76	76	73	70	69	5.8
Supplemental Security Income	41	45	47	53	47	53	54	55	59	55	51	2.3
Family support and foster care[d]	32	33	35	33	30	32	31	31	31	31	32	*
Child nutrition[e]	14	15	16	17	18	19	19	21	22	22	23	5.2
Subtotal	201	216	246	259	253	265	262	263	266	258	256	2.4
Veterans' pensions	4	4	4	5	5	5	6	5	6	6	5	3.0
Pell grants[f]	1	2	4	14	12	16	8	10	6	6	7	29.3
Subtotal, Means-Tested Programs	**430**	**500**	**556**	**586**	**549**	**583**	**622**	**689**	**720**	**728**	**742**	**5.6**
Non–Means-Tested Programs[g]	1,350	1,788	1,554	1,649	1,710	1,753	1,754	1,866	1,945	2,044	2,053	4.3
Total Mandatory Outlays[g]	**1,780**	**2,288**	**2,110**	**2,235**	**2,259**	**2,336**	**2,376**	**2,555**	**2,665**	**2,772**	**2,794**	**4.6**
Memorandum:												
Pell Grants (Discretionary)	15	13	20	21	21	17	23	20	22	21	22	4.3
Means-Tested Programs, Adjusted to Exclude Timing Shifts	430	500	556	580	555	583	622	689	714	728	749	5.7
Non–Means-Tested Programs, Adjusted to Exclude Timing Shifts	1,350	1,788	1,554	1,627	1,731	1,753	1,754	1,866	1,915	2,041	2,086	4.4

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

The average annual growth rate over the 2009–2018 period encompasses growth in outlays from the amount recorded in 2008 through the amount estimated for 2018.

Data on spending for benefit programs exclude administrative costs that are classified as discretionary but generally include administrative costs that are classified as mandatory.

Because October 1, 2017 (the first day of fiscal year 2018), fell on a weekend, certain federal payments that were due on that date were instead made at the end of September 2017 and thus were recorded in the previous fiscal year. If not for those shifts, spending for Medicare Part D low-income subsidies would have increased at an average annual rate of 5.9 percent, spending for Supplemental Security Income would have increased by 3.1 percent per year, and spending for veterans' pensions would have increased by 3.9 percent annually over the 2009–2018 period.

SNAP = Supplemental Nutrition Assistance Program; * = between zero and 0.05 percent; n.a. = not applicable.

Footnotes for this table appear on page 6.

Footnotes for Tables 1 and 2:

a. Differs from the amounts reported for 2017 through 2028 in the line “Health insurance subsidies and related spending” in Table 2-2 of *The Budget and Economic Outlook: 2018 to 2028* in that it reflects some relatively small changes CBO has made to its projections since that report was published. In addition, the amounts shown exclude payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrollees) and reinsurance (amounts paid to plans that enroll people with high health care costs). Spending for grants to states to establish health insurance marketplaces also is excluded.

b. Does not include amounts that reduce tax receipts.

c. Differs from the amounts reported for 2017 through 2028 in the line “Earned income, child, and other tax credits” in Table 2-2 of *The Budget and Economic Outlook: 2018 to 2028* in that it excludes other tax credits that were included in that table.

d. Includes Temporary Assistance for Needy Families, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.

e. Differs from the amounts reported for 2017 through 2028 in the line “Child nutrition” in Table 2-2 of *The Budget and Economic Outlook: 2018 to 2028* in that it excludes outlays related to the Funds for Strengthening Markets program (also known as Section 32) and to the Commodity Assistance Program.

f. Includes mandatory spending designed to reduce the discretionary budget authority needed to support the maximum award amount set in the appropriation act plus mandatory spending that, by formula, increases the total maximum award above the amount set in the appropriation act.

g. Does not include offsetting receipts and outlays associated with federal interest payments.

h. The discretionary baseline does not represent a projection of expected costs for the discretionary portion of the Federal Pell Grant Program. As with all other discretionary programs, the budget authority is calculated by inflating the budget authority appropriated for fiscal year 2018. Outlays for future years are based on those amounts of budget authority and also reflect a temporary surplus of budget authority provided in 2018.