Congressional Budget Office

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Federal Mandatory Spending for Means-Tested Programs, 2009 to 2029

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.[1] The largest means-tested mandatory programs are Medicaid, the earned income and child tax credits (which are refundable and thus affect outlays), the Supplemental Nutrition Assistance Program (SNAP), and the Supplemental Security Income program. The largest non–means-tested mandatory programs are Social Security, most of Medicare, and the federal civilian and military retirement programs.

In its May 2019 baseline, the Congressional Budget Office projected that if current laws generally remained unchanged, mandatory spending on means-tested programs would 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 4.0 percent, whereas spending for non–means-tested mandatory programs would grow at an average annual rate of 5.8 percent (see Table 1 on page 5).[2] Those growth rates have been adjusted to exclude the effects of shifts in the timing of certain federal payments.[3]

Comparing Historical and Projected Growth Rates

Historical 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 specified in law over the next 10 years. The 2007–2009 recession and the ensuing recovery also have influenced growth rates. As a result, important aspects of the programs may differ significantly from their past, and those differences may be the

1. 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.

3. When October 1—the first day of a fiscal year—falls on a weekend, certain payments that are due on that date are made at the end of September and, as a result, are recorded in the previous fiscal year. Such shifts affected, or will affect, outlays in fiscal years 2011, 2012, 2016–2018, 2022–2024, 2028, and 2029. The discussion of CBO's projections in this report reflects adjustments to remove the effects of those timing shifts.

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 in the text and tables may not sum to totals because of rounding.

source of some of the variation between the growth rates of the past 10 years and those in the coming decade.

In CBO's May 2019 baseline, total mandatory spending is $3.0 trillion in 2019 and it grows to $5.0 trillion in 2029 (after the shifts in the timing of certain payments are excluded).[4] The average annual rate of growth over the coming decade would be 5.4 percent, compared with an average rate of 2.7 percent recorded over the past 10 years.

Between 2009 and 2019, CBO projects, the growth rate of outlays for means-tested programs will average 4.5 percent annually (see Table 2 on page 6). That rate is 0.4 percentage points greater than the rate CBO projects for those programs over the 2020–2029 period.[5] That difference is affected by the unusual circumstances that existed in 2009. The American Recovery and Reinvestment Act of 2009 (ARRA), enacted in response to the 2007–2009 recession, boosted means-tested outlays in 2009 by about $37 billion. If not for those outlays (which have fallen to an estimated $1 billion in 2019), the average annual growth rate between 2009 and 2019 would be 5.3 percent, CBO estimates, about 1.2 percentage points greater than the growth rate projected for such outlays over the 2020–2029 period.

In contrast, the rate of growth projected for non–means-tested programs will average 2.1 percent between 2009 and 2019, CBO estimates, 3.7 percentage points less than the growth rate the agency projects for such programs over the coming decade. That average rate is also affected by the unusual circumstances that existed in 2009. Outlays for non–means-tested programs were unusually high in that year, primarily as a result of federal policies implemented in response to the recession and the associated turmoil in the financial markets. In particular, three initiatives—the Troubled Asset Relief Program, payments from the Treasury to Fannie Mae and Freddie Mac, and the enactment of ARRA—boosted mandatory outlays for non–means-tested programs by about $290 billion in 2009.[6] (CBO estimates that non–means-tested outlays stemming from those three initiatives will total $5 billion in 2019.) If those outlays are excluded, the annual growth rate between 2009 and 2019 would be 3.9 percent. Over the coming decade, non–means-tested outlays are projected to grow faster—at an annual average of 5.8 percent—largely because of the aging of the population.

Growth Rates for Major Means-Tested Programs

Outlays for several means-tested 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 nearly 25 percent in 2009 and increased by about 9 percent in 2010, both because of enrollment growth and as a result of a temporary increase in the federal matching rate initially provided in ARRA. (The federal government and the states share the program's cost.) After dropping off subsequently when the increased federal matching rate ended, spending rose because of the expansion of Medicaid coverage under the ACA. As that change was phased in, spending increased by 32 percent between 2013 and 2015. Spending has risen more slowly since then, increasing at an average rate of nearly 4 percent, largely because of flattening growth in enrollment and slow growth in per capita costs—growth in 2019 is projected to remain at about 4 percent. In CBO's baseline projections, the rate of growth in Medicaid spending averages 5.5 percent annually over the 2020–2029 period. By comparison, Medicaid outlays grew by an average of 4.9 percent per year over the 2010–2019 period.[7]

- Payments of **subsidies for health insurance purchased through the marketplaces established under the ACA** began in January 2014 and totaled $46 billion

4. Those amounts exclude the effects of offsetting receipts. See Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (May 2019), www.cbo.gov/publication/55151.

5. The average annual growth rate over the 2020–2029 period encompasses growth in outlays from the amounts estimated for 2019 to the amounts projected for 2029. Similarly, average annual growth over the 2010–2019 period encompasses growth in outlays from the amounts recorded for 2009 to the amounts estimated for 2019.

6. That number excludes the effect of payments from Fannie Mae and Freddie Mac to the Treasury Department, which are classified as offsetting receipts. Such receipts totaled $4 billion in 2009.

7. Excluding ARRA-related outlays, growth in Medicaid spending over the 2010–2019 period will average 6.3 percent, CBO estimates.

in fiscal year 2018. Those payments are projected to grow by 7 percent in 2019, largely because of increases in premiums for plans purchased in the health insurance marketplaces over the past two calendar years. Over the 2020–2029 period, average growth in spending is projected to lessen considerably, to just over 3 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 nearly 8 percent (after an adjustment to exclude shifts in timing) between 2019 and 2029 (close to the growth rate for total outlays in the Part D program). Increases in the number of beneficiaries account for about one-fourth of that growth; higher prices for existing prescription drugs account for the rest. By comparison, such outlays will have risen by an average of about 3 percent per year between 2009 and 2019 (after an adjustment to exclude shifts in timing).

- Spending for **CHIP** is estimated to total $18 billion in 2019, more than double the program's outlays in 2009. In CBO's baseline, it dips slightly over the next few years, totaling $14 billion in 2022, 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 program's cost.) Spending for CHIP rises during the second half of the projection period, reaching $19 billion in 2029—slightly more than outlays in 2018—primarily because of increasing costs per enrollee.

- Outlays for the refundable portion of the **earned income and child tax credits** totaled $67 billion in 2009 and increased to $77 billion in 2010, largely as a result of a provision in ARRA that increased eligibility for the refundable portion of the child tax credit.[8] Outlays remained near $80 billion in each year through 2018. CBO projects that spending for those two tax credits will jump to $87 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. Despite that increase, spending has grown at an average annual rate of less than 3 percent over the 2010–2019 period. After 2019, outlays for those tax credits are projected to grow slowly, reaching $93 billion in 2026, before dropping to $81 billion in 2027 following the expiration of provisions that expanded the child tax credit.

- **SNAP** spending increased markedly from $56 billion in 2009 to $83 billion in 2013. That growth reflects the combination of higher enrollment as more people became eligible for benefits during the recession and a temporary increase in the maximum benefit under the program put in place by ARRA. 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 2013) has declined. Nevertheless, outlays remain above the 2009 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 almost 1 percent per year, on average. By comparison, SNAP outlays grew by an average of nearly 2 percent per year over the 2010–2019 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 each year from 2009 to 2019; 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 0.8 percent per year, on average, through 2029 in CBO's baseline projections.

Finally, because of the unusual budgetary treatment of the **Federal 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. However, spending for the program includes two mandatory components that have allowed the discretionary

8. 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 by reducing tax revenues; those revenue effects are not shown in the tables in this report.

budget authority provided by the regular appropriation acts to remain well below the full cost of the program.

In keeping with procedures that govern construction of CBO's baseline, the projection for the discretionary portion of the Pell grant program is based on the budget authority appropriated for fiscal year 2019, 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.

This Congressional Budget Office report was requested by the Ranking Member of the House Committee on the Budget. Previous editions are available at https://go.usa.gov/xmJUR. 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 Casey Labrack and Jorge Salazar prepared it for publication. An electronic version is available on CBO's website (www.cbo.gov/publication/55347).

CBO seeks feedback to make its work as useful as possible. Please send comments to communications@cbo.gov.

Phillip L. Swagel
Director

Table 1.

Mandatory Outlays in CBO's May 2019 Baseline, Adjusted to Exclude the Effects of Timing Shifts

Billions of Dollars

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Average Annual Growth (Percent), 2020–2029
Means-Tested Programs												
Health care programs												
Medicaid	405	418	438	464	492	521	552	585	619	655	694	5.5
Health insurance subsidies[a,b]	49	50	50	52	55	57	60	63	63	65	67	3.1
Medicare Part D low-income subsidies[c]	25	27	30	32	35	38	40	44	47	50	54	7.8
Children's Health Insurance Program	18	16	14	14	15	16	16	17	18	18	19	0.6
Subtotal	497	512	531	562	597	631	669	708	747	789	834	5.3
Income security programs												
Earned income and child tax credits[b,d]	87	88	88	89	90	91	92	93	81	82	82	-0.6
SNAP	65	64	64	64	65	65	66	67	68	70	71	0.9
Supplemental Security Income[c]	56	57	58	60	62	64	66	68	70	73	74	2.9
Family support and foster care[e]	32	33	33	33	34	34	34	34	35	35	35	0.8
Child nutrition[f]	24	25	26	27	28	29	31	32	33	35	36	4.4
Subtotal	264	266	269	274	278	283	288	294	287	294	299	1.3
Veterans' pensions[c]	5	5	5	5	5	5	5	5	5	5	5	0.6
Pell grants[g]	7	7	7	7	7	8	8	8	8	8	8	1.7
Subtotal, Means-Tested Programs[c]	**773**	**791**	**812**	**848**	**888**	**927**	**970**	**1,014**	**1,048**	**1,096**	**1,147**	**4.0**
Non–Means-Tested Programs[c,h]	2,207	2,307	2,454	2,620	2,769	2,932	3,098	3,279	3,466	3,680	3,888	5.8
Total Mandatory Outlays[c,h]	**2,980**	**3,098**	**3,267**	**3,468**	**3,656**	**3,859**	**4,068**	**4,293**	**4,513**	**4,775**	**5,035**	**5.4**
Memorandum:												
Pell Grants (Discretionary)[i]	23	25	29	24	24	24	25	26	26	27	27	1.9

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

These projections are the same as those reported in Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (May 2019), www.cbo.gov/publication/55151.

The average annual growth rate over the 2020–2029 period encompasses growth in outlays from the amount estimated for 2019 through the amount projected for 2029.

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

SNAP = Supplemental Nutrition Assistance Program.

Footnotes for this table appear on page 7.

Table 2.

Mandatory Outlays, 2009–2019, Adjusted to Exclude the Effects of Timing Shifts

Billions of Dollars

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Est., 2019	Average Annual Growth (Percent), 2010–2019
Means-Tested Programs												
Health care programs												
Medicaid	251	273	275	251	265	301	350	368	375	389	405	4.9
Health insurance subsidies[a,b]	0	0	0	0	0	13	27	31	39	46	49	n.a.
Medicare Part D low-income subsidies[c]	19	21	22	22	22	22	24	27	29	28	25	3.0
Children's Health Insurance Program	8	8	9	9	9	9	9	14	16	17	18	9.1
Subtotal	277	302	306	282	297	346	411	441	459	480	497	6.0
Income security programs												
Earned income and child tax credits[b,d]	67	77	78	77	79	82	81	81	79	77	87	2.7
SNAP	56	70	77	80	83	76	76	73	70	68	65	1.6
Supplemental Security Income[c]	45	47	49	51	53	54	55	55	55	55	56	2.2
Family support and foster care[e]	33	35	33	30	32	31	31	31	31	32	32	-0.3
Child nutrition[f]	15	16	17	18	19	19	21	22	22	23	24	4.5
Subtotal	216	246	255	257	265	262	263	262	258	256	264	2.0
Veterans' pensions[c]	4	4	5	5	5	6	5	5	5	5	5	2.1
Pell grants[g]	2	4	14	12	16	8	10	6	6	6	7	10.9
Subtotal, Means-Tested Programs[c]	**500**	**556**	**580**	**555**	**583**	**622**	**689**	**714**	**728**	**747**	**773**	**4.5**
Non–Means-Tested Programs[c,h]	1,788	1,554	1,628	1,730	1,753	1,754	1,866	1,915	2,042	2,075	2,207	2.1
Total Mandatory Outlays[c,h]	**2,288**	**2,110**	**2,208**	**2,286**	**2,336**	**2,376**	**2,555**	**2,628**	**2,769**	**2,822**	**2,980**	**2.7**
Memorandum:												
Means-Tested Programs, Adjusted to Exclude ARRA	462	490	542	542	574	614	688	712	726	746	772	5.3
Non–Means-Tested Programs, Adjusted to Exclude ARRA, Fannie Mae and Freddie Mac, and TARP	1,497	1,541	1,610	1,674	1,746	1,747	1,855	1,903	2,032	2,065	2,201	3.9
Pell Grants (Discretionary)	13	20	21	21	17	23	20	22	21	22	23	6.1

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

The average annual growth rate over the 2010–2019 period encompasses growth in outlays from the amount recorded in 2009 through the amount projected for 2019.

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

ARRA = American Recovery and Reinvestment Act of 2009; SNAP = Supplemental Nutrition Assistance Program; TARP = Troubled Asset Relief Program; n.a. = not applicable.

Footnotes for this table appear on page 7.

Footnotes for Tables 1 and 2:

a. Differs from the amounts reported for 2018 through 2029 in the line "Health insurance subsidies and related spending" in Table 5 of *Updated Budget Projections: 2019 to 2029*. 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) are excluded, as is spending for grants to states to establish health insurance marketplaces.

b. Excludes amounts that reduce tax receipts.

c. When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would ordinarily have been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays shown in this table for affected programs have been adjusted to exclude the effects of those timing shifts in 2011, 2012, 2016–2018, 2022–2024, 2028, and 2029.

d. Differs from the amounts reported for 2018 through 2029 in the line "Earned income, child, and other tax credits" in Table 5 of *Updated Budget Projections: 2019 to 2029*. Other tax credits included in that table are excluded here.

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

f. Differs from the amounts reported for 2018 through 2029 in the line "Child nutrition" in Table 5 of *Updated Budget Projections: 2019 to 2029*. Outlays for the Funds for Strengthening Markets program (also known as section 32 funds) and for the Commodity Assistance Program are excluded.

g. 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.

h. Excludes offsetting receipts and outlays associated with federal interest payments.

i. Those amounts are not an estimate of future 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 2019. Outlays for future years are based on those amounts of budget authority and also reflect a temporary surplus of budget authority provided in 2019.