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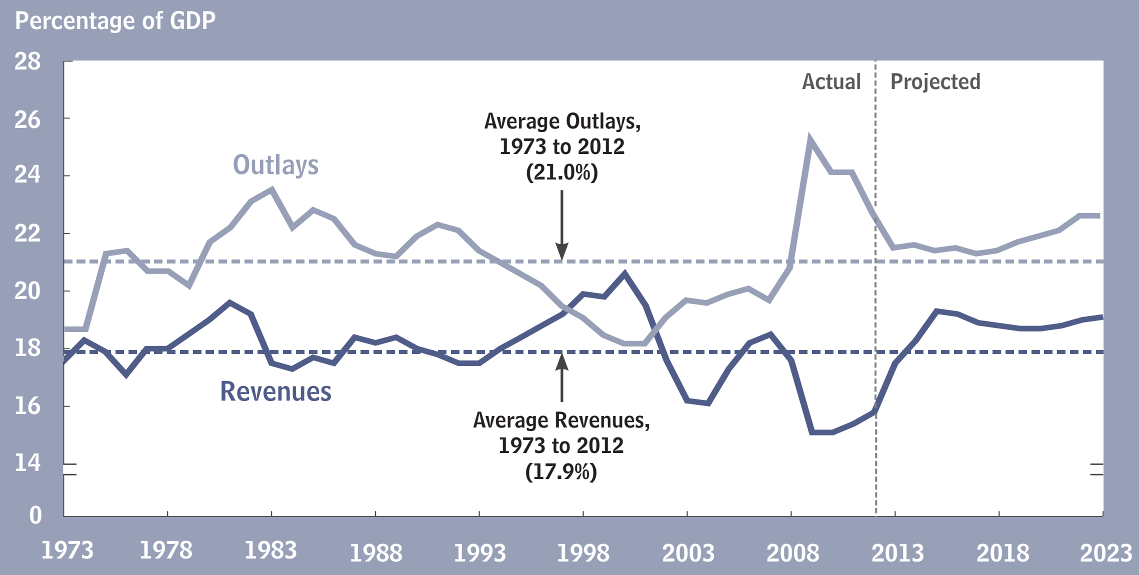
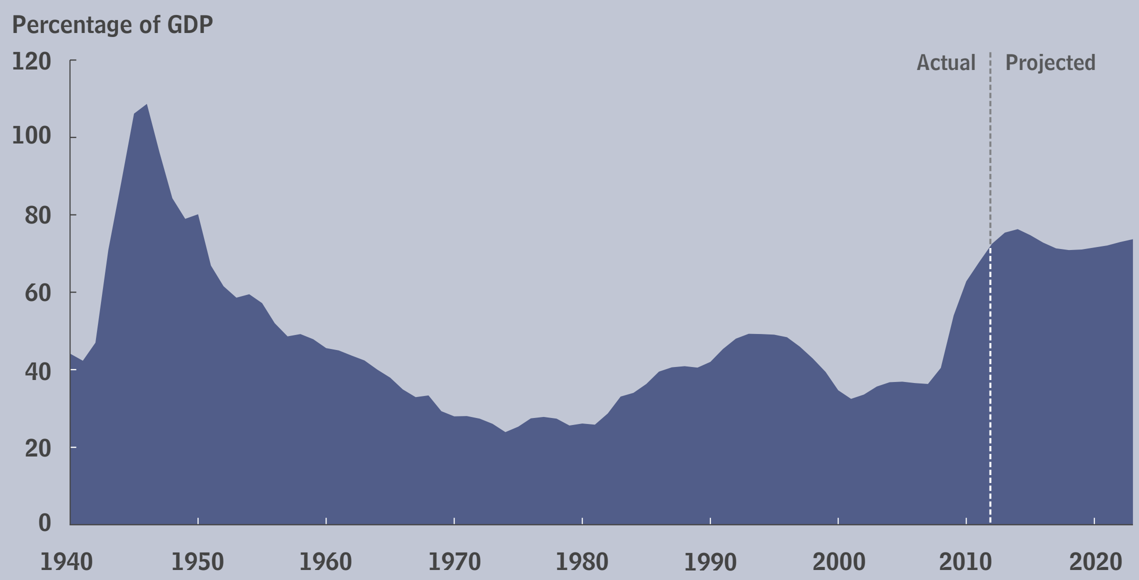
CBO

Updated Budget Projections: Fiscal Years 2013 to 2023



Total Revenues and Outlays

Federal Debt Held by the Public



MAY 2013

Notes

Unless otherwise indicated, years referred to in this report are federal fiscal years (which run from October 1 to September 30).

Numbers in the text and tables may not add up to totals because of rounding.

Supplemental data for this analysis are available on CBO's website (www.cbo.gov).

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Contents

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Overview

If the current laws that govern federal taxes and spending do not change, the budget deficit will shrink this year to $642 billion, the Congressional Budget Office (CBO) estimates, the smallest shortfall since 2008. Relative to the size of the economy, the deficit this year—at 4.0 percent of gross domestic product (GDP)—will be less than half as large as the shortfall in 2009, which was 10.1 percent of GDP.

Because revenues, under current law, are projected to rise more rapidly than spending in the next two years, deficits in CBO's baseline projections continue to shrink, falling to 2.1 percent of GDP by 2015 (see Table 1 on page 8). However, budget shortfalls are projected to increase later in the coming decade, reaching 3.5 percent of GDP in 2023, because of the pressures of an aging population, rising health care costs, an expansion of federal subsidies for health insurance, and growing interest payments on federal debt. By comparison, the deficit averaged 3.1 percent of GDP over the past 40 years and 2.4 percent in the 40 years before fiscal year 2008, when the most recent recession began. During the next 10 years, both revenues and outlays are projected to be above their 40-year averages as a percentage of GDP (see Figure 1 on page 9).

For the 2014–2023 period, deficits in CBO's baseline projections total $6.3 trillion. With such deficits, federal debt held by the public is projected to remain above 70 percent of GDP—far higher than the 39 percent average seen over the past four decades. (As recently as the end of 2007, federal debt equaled 36 percent of GDP.) Under current law, the debt is projected to decline from about 76 percent of GDP in 2014 to slightly below 71 percent in 2018 but then to start rising again; by 2023, if current laws remain in place, debt will equal 74 percent of GDP and continue to be on an upward path (see Figure 2 on page 9).

Such high and rising debt later in the coming decade would have serious negative consequences: When interest rates return to higher (more typical) levels, federal spending on interest payments would increase substantially. Moreover, because federal borrowing reduces national saving, over time the capital stock would be smaller and total wages would be lower than they would be if the debt was reduced. In addition, lawmakers would have less flexibility than they would have if debt levels were lower to use tax and spending policy to respond to unexpected challenges. Finally, a large debt increases the risk of a fiscal crisis, during which investors would lose so much confidence in the government's ability to manage its budget that the government would be unable to borrow at affordable rates.

CBO's estimate of the deficit for this year is about $200 billion below the estimate that it produced in February 2013, mostly as a result of higher-than-expected revenues and an increase in payments to the Treasury by Fannie Mae and Freddie Mac.[1] For the 2014–2023 period, CBO now projects a cumulative deficit that is $618 billion less than it projected in February. That reduction results mostly from lower projections of spending for Social Security, Medicare, Medicaid, and interest on the public debt.

CBO's Baseline Budget Projections

CBO's baseline projections are not meant to be a forecast of future outcomes. CBO constructs its baseline in accordance with provisions set forth in the Balanced Budget and Emergency Deficit Control Act of 1985 and the Congressional Budget and Impoundment Control Act of

1. CBO's previous projections were published in Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023* (February 2013), www.cbo.gov/publication/43907.

1974. As specified in law, CBO's baseline projections are constructed under the assumption that current laws generally remain unchanged; in that way, they can serve as a benchmark against which potential changes in law can be measured. However, even if federal laws remained unchanged for the next decade, actual budgetary outcomes would differ from CBO's baseline projections, perhaps significantly, because of unanticipated changes in economic conditions and other factors that would affect federal revenues and spending.

Revenues

Under current law, revenues are expected to increase by 15 percent in 2013, about 4 percentage points more than CBO projected in February and substantially more than the expected growth of about 3 percent in nominal GDP this year. As a result, revenues in CBO's baseline will climb from 15.8 percent of GDP in 2012 to 17.5 percent in 2013, which is slightly below their average of 17.9 percent of GDP over the past 40 years. Revenues have increased robustly so far this year in part because of the expiration of the 2 percentage-point payroll tax cut in January 2013. In addition, receipts of individual income taxes have been boosted by three factors:

- Beginning in January, tax rates on personal income above certain thresholds went up;
- Some high-income taxpayers realized more income late in calendar year 2012 in anticipation of changes in tax law and therefore paid taxes on that income in fiscal year 2013; and
- Personal income rose for reasons not related to the changes in tax provisions.

CBO also attributes some of the growth in revenues this year to increases in the average tax rate on domestic economic profits, which boosted receipts from corporate income taxes.[2]

CBO projects that revenues will increase further under current law, to 18.3 percent of GDP in 2014 and 19.3 percent in 2015, and then remain near 19 percent of GDP from 2016 through 2023. About half of the expected increase in revenues over the next two years stems from changes in tax rules, such as the scheduled expiration at the end of December 2013 of enhanced depreciation deductions allowed for certain business investments. Accounting for the other half of the expected increase in revenues are factors related mainly to the strengthening economy, including increases relative to GDP in some components of taxable income (such as wages and salaries, capital gains realizations, proprietors' income, and domestic economic profits) and a continued rise in the average tax rate on domestic economic profits to more normal levels.

CBO projects that revenues will grow at close to the same rate as GDP after 2015. Individual income tax receipts are projected to rise relative to GDP as increases in taxpayers' real (inflation-adjusted) income push more income into higher tax brackets; in contrast, corporate income tax receipts and remittances to the U.S. Treasury from the Federal Reserve are projected to fall relative to GDP.

Outlays

The Deficit Control Act requires that CBO make its projections for most mandatory programs under the assumption that current laws continue unchanged. For that reason, CBO's baseline projections of mandatory spending reflect the automatic spending reductions required by the Budget Control Act of 2011 (Public Law 112-25) and expected changes in the economy, demographics, and other factors. For discretionary spending, CBO's baseline incorporates the caps put in place by the Budget Control Act and accounts for further reductions in those caps under the law's automatic enforcement procedures. On that basis, total outlays are projected to decline slightly relative to GDP through 2015 and then to rise in most years through 2023, reaching 22.6 percent of GDP—above the 21.0 percent of GDP that has been the average for the past 40 years.

Mandatory Spending. CBO projects that mandatory spending (net of offsetting receipts, which are certain collections that are treated as reductions in outlays) will increase from $2.2 trillion in 2014 to $3.6 trillion by 2023 (see Table 2 on page 10). Between 2014 and 2021, mandatory spending is projected to remain about the same as a share of the economy—between 13.1 percent and 13.5 percent. But under current law, mandatory spending will accelerate in the final two years of the projection period, reaching 14.0 percent of GDP in

2. The average tax rate is the ratio of corporate income taxes paid to domestic economic profits. An increase in that measure typically occurs because taxable corporate profits increase faster than domestic economic profits. Domestic economic profits do not take into account certain factors that affect corporate income taxes, such as deductions of bad debts, income from firms' capital gains realizations, and deductions for accelerated depreciation.

2022, CBO estimates.[3] During the past 40 years, mandatory spending has averaged 10.2 percent of GDP.

Most mandatory spending consists of outlays for Social Security and the federal government's major health care programs.[4] By 2023, net outlays for those components of mandatory spending will total $3.0 trillion, CBO projects, and will account for more than half of all federal spending, growing from 10.1 percent of GDP in 2014 to 11.6 percent in 2023 (see Figure 3 on page 12).

In CBO's baseline projections:

- Spending for Social Security and Medicare is projected to remain relatively stable as a share of GDP over most of the projection period. That spending begins to rise relative to GDP in the final few years of the period, however, with Social Security outlays reaching 5.5 percent and net Medicare outlays totaling 3.5 percent by 2023, compared with 4.9 percent and 3.0 percent, respectively, in 2012.

- Federal outlays for Medicaid rise steadily as a share of GDP over the next 10 years, from 1.8 percent in 2014 to 2.1 percent in 2023, by CBO's estimate. That rise is attributable in part to expected increases in the cost of Medicaid benefits per beneficiary and in part to the fact that many states are expected to expand Medicaid coverage significantly under provisions of the Affordable Care Act.[5]

- Spending on subsidies that will help people purchase health insurance through exchanges (which will become available starting in 2014 for individuals and families who meet income and other eligibility criteria), along with related spending, is projected to increase from 0.1 percent of GDP in 2014 to 0.5 percent 10 years from now.[6]

Discretionary Spending. For 2013, CBO estimates that $1.15 trillion in budget authority has been provided for discretionary programs (see Table 3 on page 13). That total comprises the $1.21 trillion provided in appropriation acts reduced by $64 billion to reflect the sequestration (cancellation of budgetary resources) that was ordered by the Office of Management and Budget under the provisions of the Budget Control Act.[7]

Following the rules governing the baseline, CBO projects that discretionary budget authority will total $1.11 trillion in 2014, 3 percent less than the funding estimated for 2013 (see Table 4 on page 14). That drop occurs mainly because the automatic spending reductions in 2014—which will lower the caps on discretionary spending for that year—will be larger than those in 2013. In CBO's baseline, appropriations for programs not constrained by those caps—overseas contingency operations, activities receiving emergency designations, disaster relief, and spending designed to enhance program integrity by reducing overpayments in certain benefit programs—are assumed to grow with inflation from the amounts provided in 2013. With that combination of compliance with the funding caps for "regular" appropriations and inflation adjustments for programs that are unconstrained by the caps, discretionary budget authority would rise by about 2 percent a year, on average, from 2014 to 2023 under CBO's baseline assumptions.

Discretionary outlays in CBO's baseline are projected to fall from $1.29 trillion in 2012 to $1.21 trillion in 2013, a drop of almost 6 percent. In the baseline, those outlays

3. Under CBO's baseline, mandatory outlays are projected to remain steady at 14.0 percent of GDP in 2022 and 2023. That result stems largely from a shift in the timing of certain payments. Because both October 1, 2022, and October 1, 2023, fall on weekends, certain payments that are due on those days will instead be made at the end of September, thus shifting them into the previous fiscal year. Without that timing shift, mandatory outlays would increase from 13.7 percent of GDP in 2022 to 13.9 percent in 2023 under CBO's baseline.

4. Major health care programs include Medicare, Medicaid, the Children's Health Insurance Program, and subsidies for the purchase of health insurance through newly established exchanges (and related spending).

5. The Affordable Care Act comprises the Patient Protection and Affordable Care Act (P.L. 111-148) and the health care provisions of the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152) and, in the case of this document, the effects of subsequent related judicial decisions, statutory changes, and administrative actions.

6. The subsidies to be provided through new health insurance exchanges will also reduce revenues. Taking the spending and revenue portions together, the total cost of the exchange subsidies and related spending is projected to be 0.6 percent of GDP in 2023.

7. On March 1, 2013, the Administration ordered a sequestration of both discretionary and mandatory budgetary resources for fiscal year 2013; see Office of Management and Budget, *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013* (March 1, 2013, http://go.usa.gov/TMKz (pdf, 1.3 MB). After that report was released, final appropriations for this fiscal year were enacted, and the amount of the sequestration was reduced for certain accounts by a total of nearly $5 billion.

fall further in 2014—to $1.17 trillion (a reduction of another 4 percent). By 2023, such outlays would total $1.41 trillion under CBO's baseline assumptions. Measured as a share of GDP, discretionary outlays are projected to drop from 8.3 percent in 2012 to 5.5 percent in 2023; over the past 40 years, such outlays have averaged 8.6 percent.

Interest and Debt. The increase in debt, along with an anticipated substantial rise in interest rates as the economy strengthens, is expected to sharply boost interest payments. CBO projects that, under current law, the government's net interest spending will more than double as a share of GDP in the coming decade—from 1.4 percent in 2014 to 3.2 percent in 2023, a percentage that has been exceeded only once in the past 50 years.

Debt held by the public consists mostly of securities that the Treasury issues to raise cash to fund the federal government's activities and to pay off its maturing liabilities. The amount the Treasury borrows by selling securities (net of the amount of maturing securities that it redeems) is influenced primarily by the annual budget deficit. In addition, the Treasury needs to borrow to provide financing for student loans and other credit programs; CBO projects that such additional borrowing, often called other means of financing, will average $69 billion per year during the 2014–2023 period (see Table 5 on page 16).

After accounting for all of the government's borrowing needs, CBO projects that, under current law, debt held by the public will increase from 73 percent of GDP at the end of fiscal year 2012 to 75 percent at the end of this year and 76 percent at the end of 2014. Under the assumptions that govern CBO's baseline, debt will fall to a low of 71 percent of GDP in 2018 and then rise for the remainder of the projection period, measuring 74 percent of GDP at the end of 2023.

Lawmakers have suspended the previous limit on the amount of debt that the Treasury can issue to the public and government accounts through May 18, 2013. On May 19, the debt limit will be raised to its previous value—$16.394 trillion—plus the amount of borrowing that occurred while the limit was suspended (that is, from early February to May 18). If no further action is taken before May 19, the Treasury will resort to what are known as extraordinary measures for managing cash and borrowing to allow the government to continue operating normally. To avoid defaulting on the federal government's obligations, the debt ceiling will need to be raised before those extraordinary measures are exhausted, most likely in October or November.

Alternative Assumptions About Fiscal Policy. Alternative fiscal policies would lead to different budget outcomes than those indicated by the baseline. For example, the baseline projections of spending for overseas contingency operations are derived from an extrapolation of the amount of funding provided for such operations this year. In coming years, the funding required for overseas contingency operations—in Afghanistan or other countries—may be smaller than the amounts in the baseline if the number of deployed troops and the pace of operations diminish over time.[8] Such lower funding would reduce outlays relative to CBO's baseline projections. Likewise, CBO's baseline includes an extrapolation of $39 billion in funding (including the effects of sequestration) declared an emergency requirement in response to Hurricane Sandy; removing that extrapolation would reduce discretionary outlays by $291 billion over the 2014–2023 period relative to CBO's baseline projections.

In the other direction, if the automatic spending reductions in place through 2021 were reversed, in whole or in part, projected outlays would be higher than the amounts shown in the baseline. Similarly, if the Congress and the President decided to extend tax provisions that are scheduled to expire over the next decade without making offsetting changes in other tax policies, revenues would be lower than those in the baseline. The expiring tax provisions include one that allows an immediate deduction for businesses of 50 percent of the cost of new investments in equipment and also include certain aspects of refundable tax credits.

In recent years, CBO has presented an alternative fiscal scenario that illustrated the impact on projected deficits and debt of maintaining policies that were then in place but that were scheduled to change under then-current law. Many components of the alternative fiscal scenario (including many with the largest budgetary effects) have now been made permanent. The remaining components consist of holding constant Medicare's payment rates for

8. In CBO's baseline, budget authority for overseas contingency operations in 2013 totals $93 billion (including the effects of sequestration). Outlays projected in the baseline for such operations total $999 billion over the 2014–2023 period.

physicians' services (now scheduled to be reduced in January 2014), undoing the automatic spending reductions scheduled for 2014 through 2021, and extending certain expiring tax provisions. If lawmakers were to make those changes to current law, and if other changes in policies with offsetting effects on budget deficits were not enacted, deficits and debt would be higher than the amounts shown in CBO's current baseline. Relative to the baseline projections for 2014 to 2023, deficits would rise by a total of $2.4 trillion (including debt-service costs) to yield cumulative deficits of $8.8 trillion. Debt held by the public would reach 83 percent of GDP by the end of 2023, the largest share since 1948.

Changes in CBO's Baseline Projections Since February 2013

The deficit that CBO now estimates for 2013, in the absence of further changes to tax and spending laws, is $203 billion smaller than the $845 billion figure projected in February. CBO's new baseline projections for the 2014–2023 period show cumulative deficits that are $618 billion less than the 10-year shortfall of $7.0 trillion the agency projected in February. Those revisions are all categorized as technical changes—revisions that are made for reasons other than updated economic information or the enactment of new laws. For example, changes in estimates of the rate at which a program will obligate and spend funds or adjustments to projected participation rates for benefit programs are shown as technical changes. CBO's updated budget projections use the same economic projections that the agency had developed for the February baseline, and legislation enacted since February has not had a significant effect on the budget totals.[9]

The decline in the projected deficit for 2013 stems largely from a boost in estimated revenues as well as from expected payments to the Treasury by Fannie Mae and Freddie Mac. The changes in CBO's baseline for the 2014–2023 period result mainly from lower projections of outlays (primarily for Social Security, Medicare, and Medicaid). As a result of those changes, CBO now projects that, under current law, debt held by the public will total 74 percent of GDP in 2023, down from the 77 percent the agency projected in February.

Revenues

CBO has raised its revenue projections by $105 billion (or about 4 percent) for 2013 and by $95 billion (or 0.2 percent) for the following 10 years (see Table 6 on page 17). Those increases stem primarily from higher-than-expected collections of individual and corporate income taxes this year. CBO believes that the causes of the higher collections are largely temporary, so it has increased projected revenues in subsequent years by much smaller amounts.

Receipts from individual income taxes this year are now estimated to be $69 billion (or 5 percent) higher than CBO anticipated in February. The higher-than-expected collections mainly represent amounts that were paid with income tax filings in April 2013. Although the specific reasons for the added collections will not be known until detailed information from tax returns becomes available over the next year, the unexpected payments probably reflect higher taxable income in 2012, in part because higher-income taxpayers realized more income than CBO expected in anticipation of increased tax rates for tax year 2013. CBO expects that taxable personal income will revert to its historical level relative to GDP in coming years.

CBO has raised its estimate of corporate tax receipts in 2013 by $40 billion (or 16 percent). Those collections reflect tax liabilities from 2012 and 2013. As is the case with the collections of individual income taxes, the sources of the recent payments of corporate income taxes will not be known until information from tax returns becomes available in the future. CBO projected in February that the average tax rate on domestic economic profits would increase over the next several years to a level more consistent with the historical average. The recent strength in corporate tax receipts probably represents a faster-than-expected reversion, rather than a long-term change in the average tax rate. Hence, CBO has boosted its estimate of corporate tax receipts in 2014 and 2015 by smaller amounts and left its projections for subsequent years unchanged.

Changes in estimated revenues associated with the health insurance coverage provisions of the Affordable Care Act

9. The new baseline encompasses the effects of the Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6), which was enacted after the release of CBO's February baseline. However, the February baseline had already incorporated assumptions about aggregate amounts of discretionary spending that were very similar to the amounts resulting from the law, and the small remaining differences were difficult to distinguish from the effects of sequestration.

increased projected revenues by about $24 billion between 2014 and 2023. That change is the net result of two partially offsetting revisions—an increase of $138 billion in estimated revenues because smaller subsidies in the form of tax reductions are now expected to be provided for the purchase of insurance through the new exchanges and a decrease of $114 billion in estimated revenues resulting from other technical changes.[10]

Outlays

Updates since February have reduced estimated outlays in the current year and the following 10-year period by $98 billion and $522 billion, respectively. The reduction over the 10-year period accounts for about 1 percent of total outlays.

Most of the change in the current year results from a $95 billion increase in estimated payments from Fannie Mae and Freddie Mac (which would be recorded in the budget as offsetting receipts). The companies are required to make quarterly payments to the Treasury in amounts related to their net worth; CBO increased its estimates of those payments for 2013 after certain accounting changes significantly raised the entities' estimated net worth for this year.

Changes over the 2014–2023 period are almost entirely composed of reductions in projected outlays for three mandatory programs—Social Security, Medicare, and Medicaid—and for net interest costs.

Social Security. CBO has decreased its projection of outlays for Social Security over the 2014–2023 period by $86 billion (or 1 percent); three-fourths of the reduction occurred in the Disability Insurance program. On the basis of recent months' application and award rates and average payments, CBO expects that fewer individuals will be newly awarded Disability Insurance benefits through 2015 and that average award amounts and retroactive benefits will be lower than previously projected for those years. However, for the final five years of the baseline period, CBO anticipates that the program will make more awards to new beneficiaries and that the reduction in average retroactive benefits will begin to taper off. In addition, because of more recent information on benefit payments for Old-Age and Survivors Insurance, CBO expects that the number of people receiving benefits under that program will be slightly smaller than previously estimated, lowering benefit payments in all years of the projection period; that reduction was partially offset by a slight increase in the amount of the average expected benefit.

Medicare. CBO's current projection of net mandatory spending for Medicare is $85 billion (or 1.2 percent) lower over the 2014–2023 period than it projected in February 2013. The major components of that change are a reduction of $143 billion in projected gross spending for benefits, partially offset by reductions of $48 billion in collections of offsetting receipts and $10 billion in Medicare savings as a result of sequestration. (Those changes in projected Medicare savings from sequestration are largely offset by compensating changes in estimated spending for other programs.) In particular, additional data on spending in 2013 caused CBO to reduce projected spending by about 1 percent for Medicare benefits this year and over the 2014–2023 period. Compared with amounts in the February 2013 baseline, estimated spending for Medicare benefits over the 2014–2023 period is lower for all major components of the program—Part A (hospital insurance), Part B (medical insurance), and Part D (outpatient prescription drug benefits).

Medicaid. CBO reduced projected spending for Medicaid between 2014 and 2023 by $77 billion (or 2 percent) relative to its February 2013 estimates. That drop represents the net effect of a number of adjustments. The largest change is a reduction in spending for long-term care services. CBO lowered estimated spending for such services over the 2014–2023 period by $119 billion on the basis of an analysis of recent growth in such spending, which slowed from an average annual growth rate of 6 percent between 1999 and 2009 to a rate of 2 percent over the past three years.

10. The reduction in exchange subsidies that take the form of tax reductions arises from two main factors: One is that more people are projected to obtain coverage through Medicaid and fewer through the exchanges than previously estimated (see the Medicaid discussion below), which lowers the projected total amount of exchange subsidies; the other is that a larger share of the exchange subsidies is projected to take the form of outlays, which further lowers projected exchange subsidies that take the form of tax reductions. The other technical changes are a $58 billion reduction in estimated revenues owing to the excise tax on high-premium insurance plans (from incorporating more recent data on the premiums firms pay) and a $56 billion reduction in projected revenues stemming mostly from a shift in the expected mix of taxable and nontaxable compensation.

Partially offsetting the reduction in projected spending for long-term care services were a number of changes, mostly to projected Medicaid enrollment, that together increased estimated spending by $42 billion over the 2014–2023 period. In 2023, for example, CBO now projects average monthly Medicaid enrollment that is roughly 6 percent greater than it estimated in February. Those changes stem primarily from two factors:

- Updated data on current enrollment (which is higher than previously projected), and
- An increase in the proportion of potentially newly eligible Medicaid beneficiaries who will reside in states that are expected to choose to fully extend Medicaid coverage under the Affordable Care Act (reflecting recent developments with state governments).[11]

The reductions in CBO's projections of spending for Medicare and Medicaid continue a recent trend. During the past several years, health care spending has grown much more slowly both nationally and for federal programs than it did historically and more slowly than CBO had projected. As a result, in 2012, federal spending for Medicare and Medicaid was about 5 percent below the amount that CBO had estimated in March 2010. In response to the observed slowdown, CBO has made a series of downward adjustments to its projections of spending for Medicare and Medicaid. From the March 2010 baseline to the current baseline, CBO has lowered its estimates of federal spending for the two programs in 2020 for technical reasons by about $225 billion—in particular, by $138 billion for Medicare and by $89 billion for Medicaid—or by roughly 15 percent for each program. Those reductions mostly reflect the slower growth in the programs' spending in recent years.

Net Interest. CBO has reduced its projection of net interest costs over the 2014–2023 period by $193 billion. Most of that decrease ($173 billion) is attributable to lower projected debt-service costs as a result of smaller deficits. The remaining $20 billion stems mainly from modifications to CBO's assumptions about the mix of securities that the Treasury is expected to issue to finance future deficits.

11. CBO currently expects that, by 2023, 70 percent of such newly eligible Medicaid beneficiaries will reside in states that choose to fully extend Medicaid coverage (that is, making eligible most nonelderly people with income below 138 percent of the federal poverty level), 10 percent will reside in states that partially extend Medicaid, and 20 percent will reside in states that do not expand Medicaid at all. The increase in CBO's estimate of the proportion of potentially newly eligible Medicaid beneficiaries who will reside in states that are expected to fully extend coverage under the Affordable Care Act, along with other small modeling changes, led to a net decrease in the number of people expected to take up health insurance through exchanges and thus in the projected total amount of exchange subsidies. At the same time, as discussed above, the share of those subsidies that is projected to take the form of outlays was increased. In all, those factors turned out to be almost exactly offsetting over the 2014–2023 period, so projected outlays for exchange subsidies are nearly unchanged relative to the February 2013 estimate.

Table 1.

CBO's Baseline Budget Projections

	Actual, 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2014-2018	Total 2014-2023
							In Billions of Dollars							
Revenues														
Individual income taxes	1,132	1,333	1,380	1,558	1,691	1,826	1,942	2,051	2,168	2,291	2,422	2,560	8,398	19,890
Social insurance taxes	845	952	1,020	1,066	1,126	1,192	1,253	1,309	1,366	1,428	1,492	1,559	5,656	12,811
Corporate income taxes	242	291	380	455	489	511	512	498	492	493	499	506	2,348	4,836
Other	230	237	262	319	300	249	237	245	253	282	319	333	1,367	2,800
Total	**2,450**	**2,813**	**3,042**	**3,399**	**3,606**	**3,779**	**3,943**	**4,103**	**4,280**	**4,494**	**4,732**	**4,959**	**17,769**	**40,336**
On-budget	1,881	2,144	2,311	2,634	2,796	2,919	3,038	3,155	3,289	3,459	3,653	3,834	13,698	31,089
Off-budget[a]	570	670	731	765	811	860	905	948	990	1,034	1,079	1,125	4,071	9,247
Outlays														
Mandatory	2,031	2,020	2,196	2,326	2,519	2,633	2,737	2,893	3,053	3,225	3,470	3,617	12,412	28,670
Discretionary	1,285	1,213	1,168	1,187	1,206	1,229	1,250	1,286	1,316	1,347	1,386	1,415	6,041	12,790
Net interest	220	223	237	264	313	398	497	573	644	703	764	823	1,710	5,216
Total	**3,537**	**3,455**	**3,602**	**3,777**	**4,038**	**4,261**	**4,485**	**4,752**	**5,012**	**5,275**	**5,620**	**5,855**	**20,163**	**46,677**
On-budget	3,030	2,816	2,890	3,022	3,235	3,408	3,581	3,793	3,993	4,191	4,468	4,628	16,135	37,207
Off-budget[a]	508	640	712	755	803	853	904	959	1,020	1,084	1,153	1,226	4,027	9,469
Deficit (-) or Surplus	**-1,087**	**-642**	**-560**	**-378**	**-432**	**-482**	**-542**	**-648**	**-733**	**-782**	**-889**	**-895**	**-2,394**	**-6,340**
On-budget	-1,149	-672	-579	-388	-440	-489	-542	-637	-704	-732	-815	-794	-2,437	-6,118
Off-budget[a]	62	30	19	10	8	7	1	-11	-29	-50	-74	-102	44	-222
Debt Held by the Public	11,281	12,036	12,685	13,156	13,666	14,223	14,827	15,537	16,330	17,168	18,118	19,070	n.a.	n.a.
Memorandum:														
Gross Domestic Product	15,549	16,034	16,646	17,632	18,792	19,959	20,943	21,890	22,854	23,842	24,858	25,910	93,972	213,326
							As a Percentage of Gross Domestic Product							
Revenues														
Individual income taxes	7.3	8.3	8.3	8.8	9.0	9.2	9.3	9.4	9.5	9.6	9.7	9.9	8.9	9.3
Social insurance taxes	5.4	5.9	6.1	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Corporate income taxes	1.6	1.8	2.3	2.6	2.6	2.6	2.4	2.3	2.2	2.1	2.0	2.0	2.5	2.3
Other	1.5	1.5	1.6	1.8	1.6	1.2	1.1	1.1	1.1	1.2	1.3	1.3	1.5	1.3
Total	**15.8**	**17.5**	**18.3**	**19.3**	**19.2**	**18.9**	**18.8**	**18.7**	**18.7**	**18.8**	**19.0**	**19.1**	**18.9**	**18.9**
On-budget	12.1	13.4	13.9	14.9	14.9	14.6	14.5	14.4	14.4	14.5	14.7	14.8	14.6	14.6
Off-budget[a]	3.7	4.2	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Outlays														
Mandatory	13.1	12.6	13.2	13.2	13.4	13.2	13.1	13.2	13.4	13.5	14.0	14.0	13.2	13.4
Discretionary	8.3	7.6	7.0	6.7	6.4	6.2	6.0	5.9	5.8	5.6	5.6	5.5	6.4	6.0
Net interest	1.4	1.4	1.4	1.5	1.7	2.0	2.4	2.6	2.8	2.9	3.1	3.2	1.8	2.4
Total	**22.7**	**21.5**	**21.6**	**21.4**	**21.5**	**21.3**	**21.4**	**21.7**	**21.9**	**22.1**	**22.6**	**22.6**	**21.5**	**21.9**
On-budget	19.5	17.6	17.4	17.1	17.2	17.1	17.1	17.3	17.5	17.6	18.0	17.9	17.2	17.4
Off-budget[a]	3.3	4.0	4.3	4.3	4.3	4.3	4.3	4.4	4.5	4.5	4.6	4.7	4.3	4.4
Deficit (-) or Surplus	**-7.0**	**-4.0**	**-3.4**	**-2.1**	**-2.3**	**-2.4**	**-2.6**	**-3.0**	**-3.2**	**-3.3**	**-3.6**	**-3.5**	**-2.5**	**-3.0**
On-budget	-7.4	-4.2	-3.5	-2.2	-2.3	-2.4	-2.6	-2.9	-3.1	-3.1	-3.3	-3.1	-2.6	-2.9
Off-budget[a]	0.4	0.2	0.1	0.1	*	*	*	-0.1	-0.1	-0.2	-0.3	-0.4	*	-0.1
Debt Held by the Public	72.6	75.1	76.2	74.6	72.7	71.3	70.8	71.0	71.5	72.0	72.9	73.6	n.a.	n.a.

Source: Congressional Budget Office.

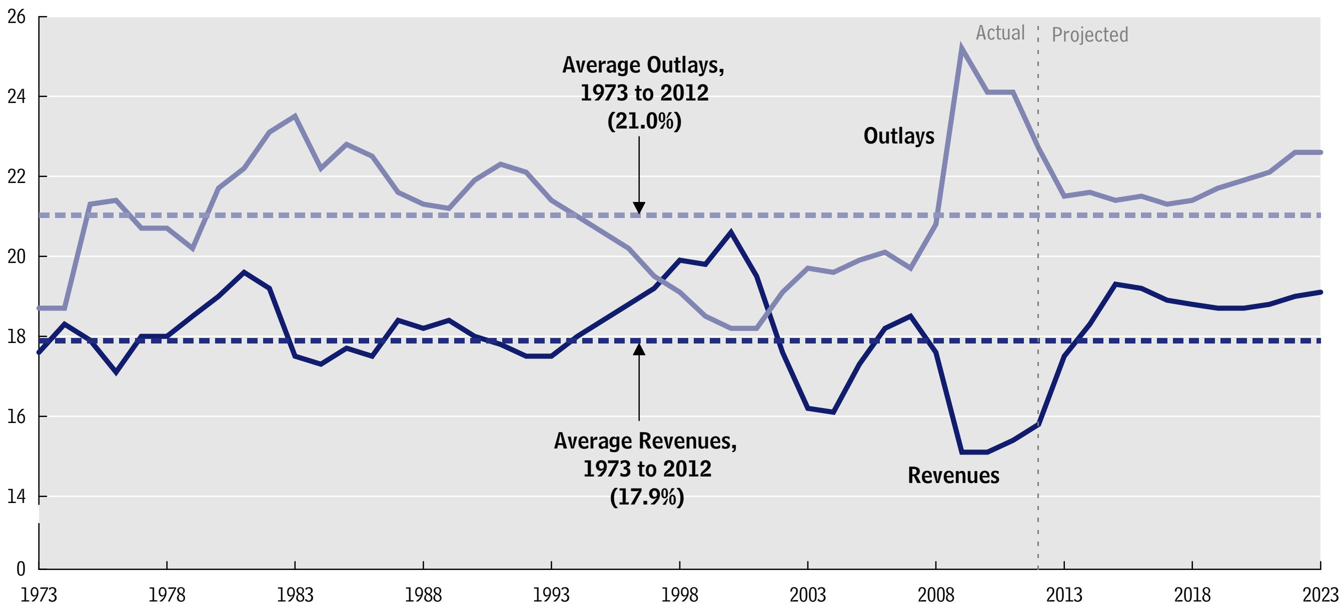
Note: n.a. = not applicable; * = between zero and 0.05 percent.

a. The revenues and outlays of the Social Security trust funds and the net cash flow of the Postal Service are classified as off-budget.

Figure 1.

Total Revenues and Outlays

(Percentage of gross domestic product)

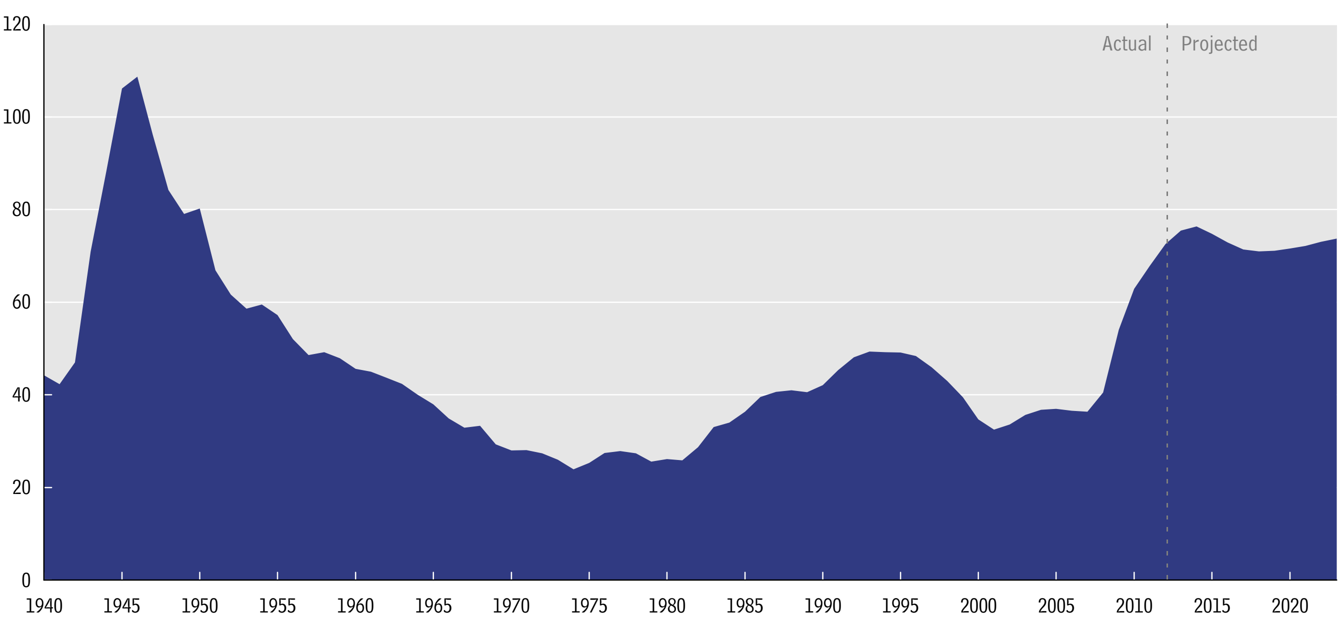


Source: Congressional Budget Office.

Figure 2.

Federal Debt Held by the Public

(Percentage of gross domestic product)



Source: Congressional Budget Office.

Table 2.

Mandatory Outlays Projected in CBO's Baseline

(Billions of dollars)

	Actual, 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2014-2018	Total 2014-2023
Social Security														
Old-Age and Survivors Insurance	632	668	704	745	790	839	892	949	1,011	1,073	1,138	1,207	3,970	9,349
Disability Insurance	136	141	145	149	154	160	165	171	178	187	197	207	773	1,714
Subtotal	768	809	848	894	944	999	1,057	1,121	1,189	1,260	1,335	1,414	4,743	11,062
Health Care Programs														
Medicare[a]	551	586	597	615	671	695	722	794	849	911	1,018	1,064	3,301	7,938
Medicaid	251	265	298	328	369	396	418	441	466	493	521	554	1,808	4,283
Health insurance subsidies and related spending	*	1	23	44	76	95	104	108	115	122	128	135	341	949
MERHCF	9	9	9	10	10	11	12	12	13	14	15	16	51	122
Children's Health Insurance Program	9	9	14	15	8	6	6	6	6	6	6	6	49	77
Other	7	8	7	25	22	28	27	29	30	31	32	33	109	263
Subtotal[a]	827	878	947	1,037	1,157	1,231	1,288	1,391	1,479	1,576	1,719	1,808	5,659	13,632
Income Security														
Supplemental Nutrition Assistance Program	80	83	80	79	79	78	77	76	75	74	73	73	394	764
Supplemental Security Income	47	53	54	55	61	59	55	62	64	66	74	70	284	622
Unemployment compensation	92	70	52	45	43	42	43	46	49	53	56	58	225	488
Earned income and child tax credits	77	77	80	82	82	83	84	73	74	75	77	78	410	787
Family support[b]	24	24	25	25	25	25	25	25	25	25	25	25	123	248
Child nutrition	19	20	21	22	23	24	25	26	27	28	29	30	116	255
Foster care	7	7	7	7	7	7	7	8	8	8	8	8	35	75
Miscellaneous tax credits[c]	7	6	6	6	6	6	7	0	0	0	0	0	31	31
Subtotal	354	341	325	321	328	323	322	315	321	329	342	343	1,619	3,270
Federal Civilian and Military Retirement														
Civilian[d]	87	91	93	95	98	101	105	108	111	115	119	122	492	1,067
Military	49	54	56	57	63	61	58	64	66	68	75	72	294	639
Other	7	7	7	7	7	7	8	9	10	10	10	10	36	86
Subtotal	144	152	155	159	168	169	171	181	187	193	204	205	822	1,792
Veterans[e]														
Income security	56	65	70	72	81	78	74	82	83	84	92	86	375	801
Other	12	14	13	13	14	14	14	16	16	17	19	19	69	156
Subtotal	68	79	83	85	95	92	88	97	100	101	111	105	443	957
Other Programs														
Agriculture	12	25	14	16	16	16	15	16	16	16	16	16	77	157
Troubled Asset Relief Program	25	-9	-1	2	1	1	*	*	*	*	0	0	3	3
Higher education	-19	-36	-20	-20	-12	-3	3	4	3	3	2	2	-52	-37
Deposit insurance	7	6	-10	-10	-11	-12	-13	-18	-18	-12	-14	-14	-55	-132
Other	58	-18	59	56	58	57	53	52	51	50	58	57	283	551
Subtotal	82	-32	41	43	53	58	60	54	52	57	62	61	256	542

Continued

Table 2. **Continued**

Mandatory Outlays Projected in CBO's Baseline

(Billions of dollars)

	Actual, 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2014-2018	Total 2014-2023
Offsetting Receipts														
Medicare[f]	-85	-90	-92	-94	-100	-108	-117	-125	-133	-143	-156	-170	-510	-1,237
Federal share of federal employees' retirement														
Social Security	-16	-16	-16	-17	-18	-18	-19	-20	-21	-21	-22	-23	-88	-195
Military retirement	-22	-21	-21	-21	-22	-23	-24	-25	-26	-27	-28	-29	-111	-243
Civil service retirement and other	-30	-29	-30	-31	-32	-33	-34	-35	-37	-38	-40	-41	-159	-351
Subtotal	-67	-66	-67	-69	-71	-74	-77	-80	-83	-86	-89	-93	-358	-789
Receipts related to natural resources	-13	-15	-14	-14	-15	-14	-15	-19	-17	-18	-18	-18	-73	-163
MERHCF	-11	-9	-7	-8	-9	-9	-10	-10	-11	-12	-12	-13	-43	-101
Other	-33	-27	-22	-29	-32	-33	-30	-31	-31	-32	-27	-27	-146	-293
Subtotal	-210	-207	-203	-214	-226	-239	-248	-265	-275	-290	-303	-320	-1,130	-2,584
Total	**2,031**	**2,020**	**2,196**	**2,326**	**2,519**	**2,633**	**2,737**	**2,893**	**3,053**	**3,225**	**3,470**	**3,617**	**12,412**	**28,670**
Memorandum:														
Mandatory Spending Excluding Offsetting Receipts	2,241	2,227	2,399	2,540	2,745	2,872	2,986	3,158	3,328	3,516	3,773	3,937	13,542	31,254
Medicare Spending Net of Offsetting Receipts	466	496	505	521	572	587	605	669	717	768	861	894	2,791	6,700
Spending for Major Health Care Programs Net of Offsetting Receipts[g]	726	771	840	909	1,024	1,083	1,133	1,224	1,303	1,388	1,516	1,590	4,989	12,010

Source: Congressional Budget Office.

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

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

a. Excludes offsetting receipts from premium payments and amounts paid by states from savings on Medicaid's prescription drug costs.

b. Includes Temporary Assistance for Needy Families and various programs that involve payments to states for child support enforcement and family support, child care entitlements, and research to benefit children.

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

d. Includes Civil Service, Foreign Service, Coast Guard, and other, smaller retirement programs as well as annuitants' health care benefits.

e. Income security includes veterans' compensation, pensions, and life insurance programs. Other benefits are primarily education subsidies.

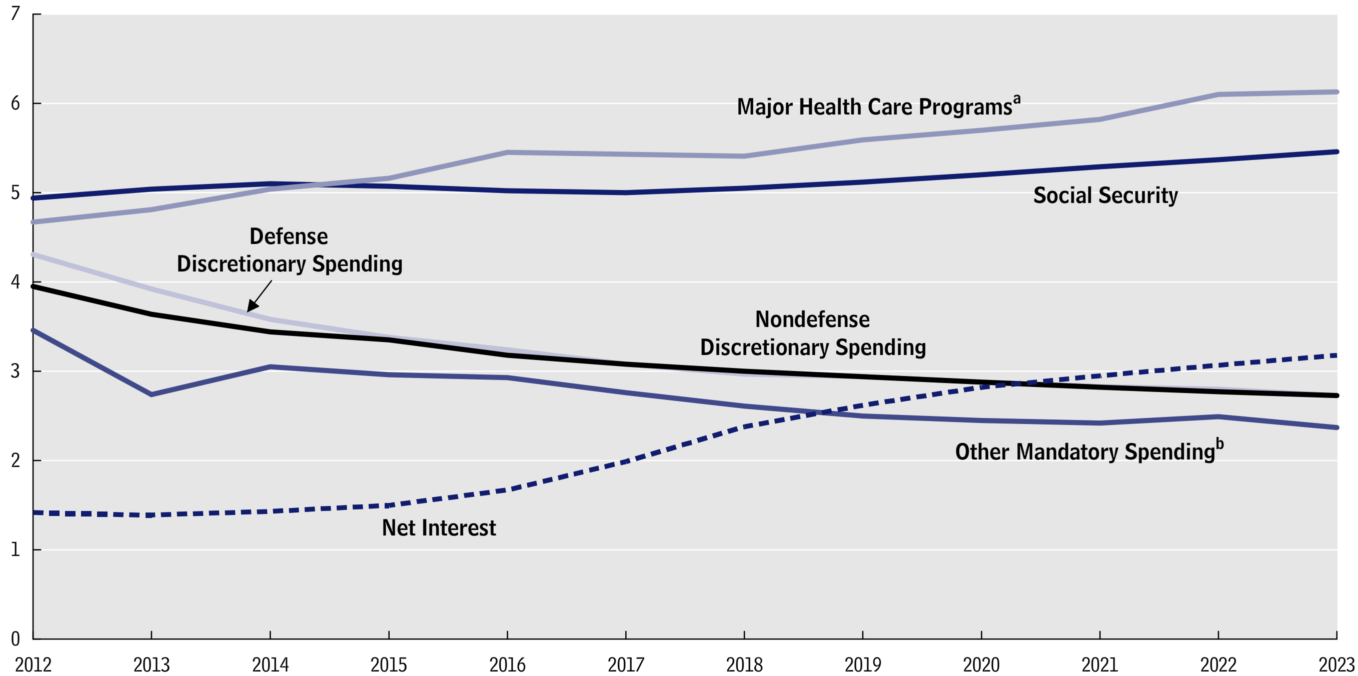
f. Includes Medicare premiums and amounts paid by states from savings on Medicaid's prescription drug costs.

g. Includes Medicare (net of receipts from premiums), Medicaid, the Children's Health Insurance Program, and subsidies offered through new health insurance exchanges and related spending.

Figure 3.

Projected Spending for Major Budget Categories

(Percentage of gross domestic product)



Source: Congressional Budget Office.

a. Includes Medicare (net of receipts from premiums), Medicaid, the Children's Health Insurance Program, and subsidies offered through new health insurance exchanges and related spending.

b. Other than mandatory spending for major health care programs and Social Security.

Table 3.

Discretionary Budget Authority for Fiscal Year 2013

(Billions of dollars)

	Before Sequestration	Amount Sequestered[a]	After Sequestration
Discretionary Budget Authority Subject to the Caps Established by the Budget Control Act[b]	1,043	n.a.	n.a.
Adjustments to Budget Authority as Estimated by CBO When Legislation Was Enacted[c]	14	n.a.	n.a.
Budget Authority Subject to the Caps With Modifications to Original Scoring	1,057	-55	1,002
Adjustments to the Caps			
Overseas contingency operations[d]	99	-5	93
Emergency requirements[e]	41	-2	39
Disaster relief[f]	12	-1	11
Program integrity[g]	*	*	*
Total	152	-8	144
Total Discretionary Budget Authority in CBO's Baseline	**1,209**	**-64**	**1,145**

Source: Congressional Budget Office.

Note: n.a. = not applicable; * = between -$500 million and $500 million.

a. The amount sequestered includes a reduction in unobligated balances for defense programs. After final appropriations for 2013 were enacted, the Administration reduced its original calculation of the sequestration of discretionary budget authority by a total of nearly $5 billion. Subtracting the amount sequestered in 2013 from the caps specified in the Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, would result in a total of $988 billion in budget authority for 2013.

b. The amount shown here is budget authority as estimated by CBO when appropriations were enacted. The caps on discretionary budget authority for 2013 apply to security spending ($684 billion) and nonsecurity spending ($359 billion). The security category comprises discretionary appropriations for the Departments of Defense, Homeland Security, and Veterans' Affairs; the National Nuclear Security Administration; the intelligence community management account (Treasury account 95-0401-0-1-054); and discretionary accounts related to international affairs (budget function 150). The nonsecurity category comprises all other discretionary appropriations.

c. The amount of budget authority in CBO's baseline is $14 billion more than the amount that CBO estimated when appropriations were enacted, for two main reasons. First, about $19 billion in savings from changes to mandatory programs included in the final appropriation act were credited against discretionary spending when the legislation was enacted; in CBO's baseline, those savings appear in their normal mandatory accounts. Second, current estimates of the receipts of the Federal Housing Administration are about $5 billion higher than the amounts initially credited to the legislation. The figures in this table are based on provisions of the Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6), and the Disaster Relief Appropriations Act, 2013 (P.L. 113-2).

d. This category consists of funding for war-related activities in Afghanistan or for similar activities.

e. This category consists mostly of funding for relief and recovery from Hurricane Sandy that was designated as an emergency requirement by the Congress. About $5 billion in funding related to Hurricane Sandy was declared disaster relief, and about $3 billion was not declared either as an emergency requirement or as disaster relief. This category also contains $0.5 billion in rescissions of previous emergency funding, resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111–203).

f. For the purposes of adjustments to the caps, "disaster relief" refers to activities carried out pursuant to section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5122(2)); such activities may result from a natural disaster that causes damage of sufficient severity to warrant federal assistance.

g. Program integrity initiatives identify and reduce overpayments in benefit programs, such as Disability Insurance, Supplemental Security Income, Medicare, Medicaid, and the Children's Health Insurance Program. For 2013, funding for program integrity initiatives thus far has been provided only for Disability Insurance and Supplemental Security Income.

Table 4.

Discretionary Spending Projected in CBO's Baseline

(Billions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total, 2014-2023
						Budget Authority					
Defense											
Caps established by the Budget Control Act, including automatic spending reductions[a]	498	512	523	536	549	562	576	590	605	621	5,573
Adjustments to the caps[b]											
Overseas contingency operations[c]	84	86	88	90	92	94	96	98	101	103	933
Emergency designation[d]	*	*	*	*	*	*	*	*	*	*	1
Subtotal, Adjustments	84	86	88	90	92	94	96	99	101	103	934
Total, Defense	**582**	**598**	**611**	**626**	**641**	**656**	**673**	**689**	**706**	**724**	**6,507**
Nondefense											
Caps established by the Budget Control Act, including automatic spending reductions[a]	469	483	493	504	517	531	544	557	571	586	5,255
Adjustments to the caps[b]											
Overseas contingency operations[c]	11	11	12	12	12	12	13	13	13	14	123
Disaster relief[e]	11	12	10	8	9	8	9	10	10	10	97
Emergency designation[d]	40	40	41	42	43	44	45	46	47	48	438
Program integrity[f]	*	*	1	1	1	1	1	1	1	1	6
Subtotal, Adjustments	63	64	64	63	65	65	67	69	71	72	663
Total, Nondefense	**531**	**547**	**557**	**567**	**581**	**596**	**611**	**626**	**642**	**658**	**5,917**
All Defense and Nondefense Budget Authority											
Caps established by the Budget Control Act, including automatic spending reductions[a]	967	995	1,016	1,040	1,066	1,093	1,120	1,147	1,177	1,207	10,828
Adjustments to the caps[b]	147	150	152	153	157	160	164	168	172	175	1,597
Total Discretionary Budget Authority	**1,114**	**1,145**	**1,168**	**1,193**	**1,223**	**1,252**	**1,284**	**1,315**	**1,348**	**1,383**	**12,424**

Continued

Source: Congressional Budget Office.

Note: * = between zero and $500 million.

a. The Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, specifies caps on discretionary appropriations through 2021. CBO has extrapolated the totals for 2022 and 2023 on the basis of its projected rates of inflation for wages and prices. Automatic spending reductions, which are already incorporated into CBO's projections, are slated to reduce the caps for 2014 through 2021.

b. The statutory caps do not constrain funding for overseas contingency operations, emergencies, disaster relief, and certain program integrity initiatives (which identify and reduce overpayments in some benefit programs); the caps are therefore adjusted to accommodate funding for those purposes.

Table 4. **Continued**

Discretionary Spending Projected in CBO's Baseline

(Billions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total, 2014-2023
						Outlays[g]					
Defense											
Outlays under the caps with automatic spending reductions[a]	526	516	523	527	534	551	564	577	597	607	5,523
Adjustments to the caps[b]											
Overseas contingency operations[c]	70	80	85	88	89	92	94	96	99	101	893
Emergency designation[d]	*	*	*	*	*	*	*	*	*	*	1
Subtotal, Adjustments	70	80	85	88	89	92	94	96	99	101	894
Total, Defense	**596**	**596**	**608**	**615**	**623**	**643**	**658**	**674**	**696**	**708**	**6,417**
Nondefense											
Outlays under the caps with automatic spending reductions[a]	552	559	555	563	572	584	597	610	624	639	5,855
Adjustments to the caps[b]											
Overseas contingency operations[c]	6	8	10	11	11	11	12	12	12	13	106
Disaster relief[e]	3	6	8	10	9	9	9	9	9	9	81
Emergency designation[d]	10	18	24	31	34	38	40	42	44	45	326
Program integrity[f]	*	*	1	1	1	1	1	1	1	1	6
Subtotal, Adjustments	20	32	43	51	55	59	61	64	66	67	518
Total, Nondefense	**572**	**591**	**597**	**614**	**627**	**643**	**658**	**673**	**690**	**706**	**6,373**
All Defense and Nondefense Budget Authority											
Outlays under the caps with automatic spending reductions[a]	1,079	1,075	1,078	1,091	1,106	1,135	1,160	1,187	1,221	1,247	11,378
Adjustments to the caps[b]	89	112	128	139	145	151	156	160	165	168	1,412
Total Discretionary Outlays	**1,168**	**1,187**	**1,206**	**1,229**	**1,250**	**1,286**	**1,316**	**1,347**	**1,386**	**1,415**	**12,790**

c. This category consists of funding for war-related activities in Afghanistan or for similar activities.

d. This category consists mostly of funding for relief and recovery from Hurricane Sandy that was designated as an emergency requirement by the Congress. About $5 billion in funding related to Hurricane Sandy was declared disaster relief, and about $3 billion was not declared either as an emergency requirement or as disaster relief. This category also contains $0.5 billion in rescissions of previous emergency funding, resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111–203).

e. For the purposes of adjustments to the caps, "disaster relief" refers to activities carried out pursuant to section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5122(2)); such activities may result from a natural disaster that causes damage of sufficient severity to warrant federal assistance. Under the Deficit Control Act, as amended, the limits on discretionary budget authority can be raised to reflect funding for disaster relief. However, the total increase in the cap in any year for that reason can be no more than the average funding for disaster relief over the previous 10 years (excluding the highest and lowest amounts) plus any amount by which the prior year's appropriation was below the maximum allowable cap adjustment for that year. In CBO's baseline, such funding exceeds the average, beginning in 2016; the required reduction in the cap adjustment is included in the totals shown for disaster relief.

f. Program integrity initiatives identify and reduce overpayments in benefit programs, such as Disability Insurance, Supplemental Security Income, Medicare, Medicaid, and the Children's Health Insurance Program. For 2013, funding for program integrity initiatives thus far has been provided only for Disability Insurance and Supplemental Security Income.

g. Outlays for the 2014–2023 period include the effects of sequestration in 2013.

Table 5.

Federal Debt Projected in CBO's Baseline

(Billions of dollars)

	Actual, 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt Held by the Public at the Beginning of the Year	10,128	11,281	12,036	12,685	13,156	13,666	14,223	14,827	15,537	16,330	17,168	18,118
Changes in Debt Held by the Public												
Deficit	1,087	642	560	378	432	482	542	648	733	782	889	895
Other means of financing	66	113	89	93	78	74	63	61	60	57	62	56
Total	1,153	755	649	471	510	556	605	710	793	838	950	952
Debt Held by the Public at the End of the Year	11,281	12,036	12,685	13,156	13,666	14,223	14,827	15,537	16,330	17,168	18,118	19,070
Memorandum:												
Debt Held by the Public at the End of the Year (As a percentage of GDP)	72.6	75.1	76.2	74.6	72.7	71.3	70.8	71.0	71.5	72.0	72.9	73.6
Debt Held by the Public Excluding Financial Assets[a]												
In billions of dollars	10,391	11,031	11,565	11,924	12,334	12,793	13,311	13,935	14,643	15,400	16,262	17,130
As a percentage of GDP	66.8	68.8	69.5	67.6	65.6	64.1	63.6	63.7	64.1	64.6	65.4	66.1
Gross Federal Debt[b]	16,051	16,887	17,616	18,185	18,805	19,529	20,321	21,200	22,148	23,125	24,173	25,228
Debt Subject to Limit[c]	16,027	16,863	17,591	18,160	18,779	19,503	20,295	21,173	22,120	23,096	24,144	25,198

Source: Congressional Budget Office.

Note: GDP = gross domestic product.

a. Subtracts from debt held by the public the value of outstanding student loans and other credit transactions, financial assets (such as preferred stock) purchased from institutions participating in the Troubled Asset Relief Program, cash balances, and other financial instruments.

b. Comprises federal debt held by the public and Treasury securities held by federal trust funds and other government accounts.

c. The amount of federal debt that is subject to the overall limit set in law. Debt subject to limit differs from gross federal debt because most debt issued by agencies other than the Treasury and the Federal Financing Bank is excluded from the debt limit. The debt limit was most recently set at $16.4 trillion but has been suspended through May 18, 2013. On May 19, the debt limit will be raised to its previous level plus the amount of borrowing that occurred while the limit was suspended.

Table 6.

Changes in CBO's Baseline Projections of the Deficit Since February 2013

(Billions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2014-2018	Total 2014-2023
Deficit in CBO's February 2013 Baseline	-845	-616	-430	-476	-535	-605	-710	-798	-854	-957	-978	-2,661	-6,958
Changes in Revenues													
Individual income taxes	69	25	19	17	16	13	11	10	9	10	12	90	143
Corporate income taxes	40	24	7	0	0	0	0	0	0	0	0	31	31
Social insurance taxes	-1	-2	-3	-3	-3	-4	-5	-6	-6	-6	-5	-14	-42
Other	-3	-8	3	1	*	-2	-4	-5	-6	-7	-9	-7	-37
All Changes in Revenues	**105**	**39**	**26**	**15**	**14**	**6**	**2**	*****	**-2**	**-2**	**-2**	**100**	**95**
Changes in Outlays													
Mandatory													
Social Security	-2	-6	-8	-9	-9	-9	-10	-10	-9	-9	-8	-40	-86
Net Medicare	-6	-4	-8	-7	-8	-15	-11	-12	-11	-1	-9	-41	-85
Medicaid	*	1	-3	-3	-4	-5	-8	-10	-13	-15	-18	-13	-77
Fannie Mae and Freddie Mac[a]	-95	-2	*	2	1	*	-2	-2	-2	-3	-3	1	-11
Other	7	2	2	*	-1	-2	-1	-1	-2	-3	-3	1	-9
Subtotal	-97	-9	-16	-16	-21	-30	-32	-34	-38	-31	-41	-92	-267
Discretionary	*	-2	-2	-3	-4	-7	-7	-8	-9	-10	-9	-18	-62
Net interest													
Debt service	*	-2	-3	-5	-10	-15	-20	-23	-28	-32	-36	-35	-173
Other	-1	-4	-5	-5	-4	-4	-1	*	*	1	2	-22	-20
Subtotal	-1	-6	-8	-10	-14	-20	-20	-23	-28	-31	-34	-57	-193
All Changes in Outlays	**-98**	**-16**	**-26**	**-29**	**-39**	**-57**	**-60**	**-65**	**-75**	**-71**	**-84**	**-168**	**-522**
Total Effect on the Deficit[b]	**203**	**56**	**51**	**44**	**53**	**63**	**62**	**66**	**72**	**68**	**82**	**267**	**618**
Deficit in CBO's May 2013 Baseline	-642	-560	-378	-432	-482	-542	-648	-733	-782	-889	-895	-2,394	-6,340

Source: Congressional Budget Office.

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

a. To provide CBO's best estimate of what the Treasury will ultimately report as the federal deficit for the current year, CBO's baseline includes an estimate of net cash transactions between the Treasury and Fannie Mae and Freddie Mac for fiscal year 2013. For 2014 through 2023, CBO's baseline shows the projected subsidy costs of credit assistance offered by Fannie Mae and Freddie Mac.

b. Positive numbers indicate a decrease in the deficit.

About This Document

This document is one of a series of reports on the state of the budget that the Congressional Budget Office (CBO) issues each year. It satisfies the requirement of section 202(e) of the Congressional Budget and Impoundment Control Act of 1974 that CBO submit to the Committees on the Budget periodic reports about fiscal policy and its baseline projections of the federal budget. Amber Marcellino of CBO's Budget Analysis Division prepared the report, with assistance from Mark Booth, and with guidance from Jeffrey Holland, Theresa Gullo, Holly Harvey, Peter Fontaine, and Frank Sammartino. The estimates described here were the work of more than 100 people at CBO and many people on the staff of the Joint Committee on Taxation. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. It and other CBO publications are available on the agency's website (www.cbo.gov).

Douglas W. Elmendorf
Director

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