Congressional Budget Office

MARCH 2012

Updated Budget Projections: Fiscal Years 2012 to 2022

In conjunction with its analysis of the President's budget, which will be issued in a few days, the Congressional Budget Office (CBO) has updated the baseline budget projections that it released in January.[1] CBO has not revised its assessment of the economic outlook since January; however, the new baseline projections incorporate the budgetary effects of recently enacted legislation and updated technical assumptions based on new information (such as data about spending and revenues so far this year and program details released in conjunction with the President's budget). This report summarizes CBO's updated baseline budget projections and describes how they differ from the projections that the agency published two months earlier.[2]

CBO's current estimate of the budget deficit for fiscal year 2012—$1.2 trillion—is $93 billion larger than the deficit projected in January. Conversely, CBO's baseline projection of the cumulative deficit for the 10-year period from 2013 to 2022 is $186 billion smaller than the amount projected in January—a decrease equal to about 0.1 percent of gross domestic product (GDP) over that period. The fundamental story about the federal budget has not changed: Although the deficit is starting to shrink, it remains very large by historical standards. How much and how quickly it declines will depend in part on how well the economy performs over the next few years. Probably more critical, though, will be the fiscal policy choices made by lawmakers as they face the substantial changes to tax and spending policies that are slated to take effect within the next year under current law.

1. Those projections were published in Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2012 to 2022* (January 2012).

2. Supplemental information about CBO's new baseline is available on the agency's Web site (www.cbo.gov).

CBO's Baseline Budget Projections

As specified in law, and to provide a benchmark against which potential legislation can be measured, CBO constructs its baseline estimates of federal revenues and spending under the assumption that current laws generally remain unchanged. On that basis, the federal budget is projected to show a deficit of nearly $1.2 trillion in 2012 (see Table 1). Relative to the nation's gross domestic product, that shortfall will equal 7.6 percent—about 1 percentage point less than the deficit recorded last year but still higher than any deficit between 1946 and 2008. In CBO's baseline, deficits are projected to drop markedly in the next few years and to average 1.4 percent of GDP over the 2013–2022 period. With deficits small relative to the size of the economy, the amount of federal debt held by the public is projected to drop from nearly 76 percent of GDP in 2013 to 61 percent in 2022—still higher than in any year between 1953 and 2009.

Much of that projected decline occurs because, under current law, revenues will rise considerably as a share of GDP—from 15.8 percent in 2012 to 19.8 percent in 2014 and 21.2 percent in 2022. In particular, in CBO's baseline, revenues shoot up by more than 30 percent over the next two years, mostly because of the recent or scheduled expirations of tax provisions—such as those that reduce income and payroll tax rates and limit the reach of the alternative minimum tax (AMT)—and the imposition of new taxes, fees, and penalties that are scheduled to go into effect. Revenues are projected to keep rising relative to GDP after 2014 under current law, largely because increases in taxpayers' real (inflation-adjusted) income will push more income into higher tax brackets and because more taxpayers will become subject to the AMT. (An alternative fiscal scenario, which incorporates the assumptions that almost all expiring tax provisions are extended, that the AMT continues to be indexed for

Table 1.

CBO's Baseline Budget Projections

	Actual, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total 2013-2017	Total 2013-2022
							In Billions of Dollars							
Revenues														
Individual income taxes	1,091	1,159	1,465	1,604	1,777	1,927	2,082	2,219	2,364	2,520	2,681	2,849	8,854	21,486
Social insurance taxes	819	825	953	1,020	1,080	1,145	1,213	1,277	1,336	1,397	1,459	1,525	5,410	12,405
Corporate income taxes	181	251	321	386	448	473	467	461	450	449	452	459	2,095	4,365
Other	212	221	230	273	285	293	305	315	333	353	370	385	1,385	3,142
Total	**2,303**	**2,456**	**2,968**	**3,283**	**3,589**	**3,838**	**4,066**	**4,272**	**4,484**	**4,719**	**4,962**	**5,218**	**17,744**	**41,398**
On-budget	1,738	1,899	2,293	2,551	2,816	3,016	3,194	3,352	3,519	3,708	3,907	4,115	13,871	32,473
Off-budget[a]	566	556	675	731	773	822	872	919	965	1,011	1,056	1,102	3,873	8,925
Outlays														
Mandatory	2,026	2,101	2,129	2,225	2,361	2,534	2,633	2,742	2,923	3,096	3,283	3,535	11,882	27,462
Discretionary	1,347	1,303	1,219	1,195	1,198	1,220	1,233	1,250	1,283	1,312	1,343	1,381	6,065	12,634
Net interest	230	224	233	248	286	343	401	454	503	544	573	604	1,511	4,189
Total	**3,603**	**3,627**	**3,580**	**3,668**	**3,846**	**4,097**	**4,267**	**4,447**	**4,708**	**4,953**	**5,200**	**5,520**	**19,457**	**44,285**
On-budget	3,104	3,124	2,941	2,959	3,091	3,296	3,417	3,547	3,754	3,939	4,123	4,377	15,704	35,443
Off-budget[a]	499	503	639	709	755	801	850	900	954	1,014	1,077	1,143	3,754	8,841
Deficit (-) or Surplus	**-1,300**	**-1,171**	**-612**	**-385**	**-257**	**-259**	**-201**	**-175**	**-224**	**-234**	**-237**	**-303**	**-1,713**	**-2,887**
On-budget	-1,367	-1,224	-647	-408	-275	-279	-223	-194	-235	-231	-216	-262	-1,833	-2,971
Off-budget[a]	67	53	36	23	18	21	22	19	11	-3	-21	-41	119	84
Debt Held by the Public	10,128	11,347	12,068	12,556	12,909	13,263	13,560	13,820	14,123	14,432	14,741	15,115	n.a.	n.a.
Memorandum:														
Gross Domestic Product	14,954	15,508	15,914	16,575	17,618	18,704	19,708	20,661	21,616	22,603	23,614	24,655	88,519	201,666
							As a Percentage of Gross Domestic Product							
Revenues														
Individual income taxes	7.3	7.5	9.2	9.7	10.1	10.3	10.6	10.7	10.9	11.1	11.4	11.6	10.0	10.7
Social insurance taxes	5.5	5.3	6.0	6.2	6.1	6.1	6.2	6.2	6.2	6.2	6.2	6.2	6.1	6.2
Corporate income taxes	1.2	1.6	2.0	2.3	2.5	2.5	2.4	2.2	2.1	2.0	1.9	1.9	2.4	2.2
Other	1.4	1.4	1.4	1.6	1.6	1.6	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6
Total	**15.4**	**15.8**	**18.7**	**19.8**	**20.4**	**20.5**	**20.6**	**20.7**	**20.7**	**20.9**	**21.0**	**21.2**	**20.0**	**20.5**
On-budget	11.6	12.2	14.4	15.4	16.0	16.1	16.2	16.2	16.3	16.4	16.5	16.7	15.7	16.1
Off-budget[a]	3.8	3.6	4.2	4.4	4.4	4.4	4.4	4.4	4.5	4.5	4.5	4.5	4.4	4.4
Outlays														
Mandatory	13.6	13.5	13.4	13.4	13.4	13.5	13.4	13.3	13.5	13.7	13.9	14.3	13.4	13.6
Discretionary	9.0	8.4	7.7	7.2	6.8	6.5	6.3	6.1	5.9	5.8	5.7	5.6	6.9	6.3
Net interest	1.5	1.4	1.5	1.5	1.6	1.8	2.0	2.2	2.3	2.4	2.4	2.5	1.7	2.1
Total	**24.1**	**23.4**	**22.5**	**22.1**	**21.8**	**21.9**	**21.7**	**21.5**	**21.8**	**21.9**	**22.0**	**22.4**	**22.0**	**22.0**
On-budget	20.8	20.1	18.5	17.9	17.5	17.6	17.3	17.2	17.4	17.4	17.5	17.8	17.7	17.6
Off-budget[a]	3.3	3.2	4.0	4.3	4.3	4.3	4.3	4.4	4.4	4.5	4.6	4.6	4.2	4.4
Deficit (-) or Surplus	**-8.7**	**-7.6**	**-3.8**	**-2.3**	**-1.5**	**-1.4**	**-1.0**	**-0.8**	**-1.0**	**-1.0**	**-1.0**	**-1.2**	**-1.9**	**-1.4**
On-budget	-9.1	-7.9	-4.1	-2.5	-1.6	-1.5	-1.1	-0.9	-1.1	-1.0	-0.9	-1.1	-2.1	-1.5
Off-budget[a]	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.1	*	*	-0.1	-0.2	0.1	*
Debt Held by the Public	67.7	73.2	75.8	75.8	73.3	70.9	68.8	66.9	65.3	63.9	62.4	61.3	n.a.	n.a.

Source: Congressional Budget Office.

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

a. Off-budget surpluses or deficits comprise surpluses or deficits in the Social Security trust funds and the net cash flow of the Postal Service.

inflation, and that certain other changes are made to current law, is discussed below.)

Federal spending is projected to decline modestly as a percentage of GDP in the next several years under the assumptions of CBO's baseline, as the economy expands and statutory caps constrain discretionary appropriations. Spending turns upward relative to GDP in later years because of increasing expenses generated by the aging of the population and rising costs for health care. Outlays are projected to average 22.0 percent of GDP over the 2013–2022 period—lower than the 23.4 percent that CBO estimates for 2012 but still elevated by historical standards. Spending resulting from the American Recovery and Reinvestment Act of 2009 (Public Law 111-5) will continue to ebb over the next few years, as will outlays for unemployment compensation and other benefits that tend to increase during economic downturns. In addition, caps on discretionary spending and other procedures established in the Budget Control Act of 2011 (P.L. 112-25) will hold down the growth of federal outlays. In the baseline, discretionary spending is projected to decline to 5.6 percent of GDP by 2022—the lowest level in the past 50 years. The factors constraining outlays will be partially offset by increases in spending for mandatory programs, particularly Social Security, Medicare, Medicaid, and other federal health care programs. In all, mandatory spending is projected to climb from 13.4 percent of GDP in 2013 to 14.3 percent in 2022.[3]

Although the deficits projected under current law are much smaller than the shortfalls seen in the past few years, the federal budget remains out of balance throughout the next decade in CBO's baseline. The resulting accumulation of federal debt, combined with rising interest rates, drives up the projected cost of financing that debt; in CBO's baseline, net interest costs jump from 1.4 percent of GDP this year to 2.5 percent in 2022.

Budget Projections Under an Alternative Fiscal Scenario

CBO's baseline projections are heavily influenced by changes in tax and spending policies that are embodied in current law—changes that in some cases represent a significant departure from recent policies. As a result, those projections show much higher revenues and lower outlays than would occur if the lower tax rates that are now in effect were extended and if provisions that limit future spending were eased. To illustrate the budgetary consequences of maintaining the tax and spending policies that have recently been in effect, CBO has also produced projections under an "alternative fiscal scenario." That scenario incorporates the following assumptions:

- Expiring tax provisions (other than the current reduction in the payroll tax rate for Social Security) are extended;
- The AMT is indexed for inflation after 2011;
- Medicare's payment rates for physicians' services are held constant at their current level (rather than dropping by an estimated 27 percent in January 2013 and more thereafter, as scheduled under current law); and
- The automatic spending reductions required by the Budget Control Act, which are set to take effect in January 2013, do not occur (although the original caps on discretionary appropriations in that law are assumed to remain in place).

Under that alternative fiscal scenario, deficits over the 2013–2022 period would be much higher, averaging 5.3 percent of GDP rather than the 1.4 percent reflected in CBO's baseline projections (see Table 2 on page 4 and Figure 1 on page 6). Instead of declining to 61 percent of GDP, debt held by the public would climb to 93 percent in 2022, the highest percentage since just after World War II (see Figure 2 on page 7).

Over the longer term, budgetary challenges will remain even if the fiscal policies specified by current law come to pass—and the challenges will be much more acute if those policies do not remain in place. Under both CBO's baseline and its alternative fiscal scenario, the aging of the population and rising costs for health care will push spending for Social Security, Medicare, Medicaid, and other federal health care programs considerably higher as a percentage of GDP. If that rising level of spending is coupled with revenues that are held close to their average percentage of GDP for the past 40 years (rather than being allowed to increase, as under current law), the resulting deficits will push federal debt to unsupportable levels. To prevent that outcome, policymakers will have to substantially restrain the growth of spending for those

3. Because of a shift in the timing of certain payments, projected mandatory spending in 2022 is about $42 billion (or 0.2 percent of GDP) higher than it would be otherwise.

Table 2.

Deficits Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total 2013-2017	Total 2013-2022
							In Billions of Dollars						
							CBO's March 2012 Baseline						
Revenues	2,456	2,968	3,283	3,589	3,838	4,066	4,272	4,484	4,719	4,962	5,218	17,744	41,398
Outlays	3,627	3,580	3,668	3,846	4,097	4,267	4,447	4,708	4,953	5,200	5,520	19,457	44,285
Deficit	**-1,171**	**-612**	**-385**	**-257**	**-259**	**-201**	**-175**	**-224**	**-234**	**-237**	**-303**	**-1,713**	**-2,887**
Debt Held by the Public at the End of the Year	11,347	12,068	12,556	12,909	13,263	13,560	13,820	14,123	14,432	14,741	15,115	n.a.	n.a.
							Alternative Fiscal Scenario						
Revenues	2,432	2,660	2,873	3,147	3,378	3,583	3,760	3,943	4,139	4,341	4,550	15,641	36,374
Outlays	3,627	3,660	3,826	4,030	4,312	4,520	4,739	5,046	5,338	5,635	5,999	20,348	47,105
Deficit	**-1,195**	**-1,000**	**-953**	**-883**	**-934**	**-936**	**-979**	**-1,104**	**-1,199**	**-1,294**	**-1,449**	**-4,707**	**-10,731**
Debt Held by the Public at the End of the Year	11,370	12,479	13,536	14,515	15,545	16,577	17,641	18,823	20,098	21,462	22,983	n.a.	n.a.
							As a Percentage of Gross Domestic Product						
							CBO's March 2012 Baseline						
Revenues	15.8	18.7	19.8	20.4	20.5	20.6	20.7	20.7	20.9	21.0	21.2	20.0	20.5
Outlays	23.4	22.5	22.1	21.8	21.9	21.7	21.5	21.8	21.9	22.0	22.4	22.0	22.0
Deficit	**-7.6**	**-3.8**	**-2.3**	**-1.5**	**-1.4**	**-1.0**	**-0.8**	**-1.0**	**-1.0**	**-1.0**	**-1.2**	**-1.9**	**-1.4**
Debt Held by the Public at the End of the Year	73.2	75.8	75.8	73.3	70.9	68.8	66.9	65.3	63.9	62.4	61.3	n.a.	n.a.
							Alternative Fiscal Scenario						
Revenues	15.7	16.7	17.3	17.9	18.1	18.2	18.2	18.2	18.3	18.4	18.5	17.7	18.0
Outlays	23.4	23.0	23.1	22.9	23.1	22.9	22.9	23.3	23.6	23.9	24.3	23.0	23.4
Deficit	**-7.7**	**-6.3**	**-5.8**	**-5.0**	**-5.0**	**-4.8**	**-4.7**	**-5.1**	**-5.3**	**-5.5**	**-5.9**	**-5.3**	**-5.3**
Debt Held by the Public at the End of the Year	73.3	78.4	81.7	82.4	83.1	84.1	85.4	87.1	88.9	90.9	93.2	n.a.	n.a.

Continued

programs, raise revenues above their historical share of GDP, or pursue some combination of those two approaches.

Changes in CBO's Baseline Projections Since January 2012

The recent revisions to CBO's baseline projections include estimates of the effects of legislation enacted in the past two months as well as so-called technical changes—revisions that occur for reasons other than new laws or updated economic information. (As it typically does for its March baseline projections, CBO has used the same set of economic assumptions developed for the January baseline.) CBO now estimates that, without further changes to tax and spending laws, the deficit for 2012 will be $93 billion larger than the $1.1 trillion figure projected in January; however, CBO's new baseline projections show a cumulative deficit for the following 10 years that is $186 billion smaller than the $3.1 trillion total projected in January. As a result, CBO now projects deficits totaling about $2.9 trillion over the 2013–2022 period under the assumptions of the baseline. In contrast, under the alternative fiscal scenario described above,

Table 2. **Continued**

Deficits Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total 2013-2017	Total 2013-2022
Memorandum:													
Deficit: Alternative Fiscal Scenario Minus CBO's March 2012 Baseline													
In billions of dollars	-23	-388	-568	-627	-676	-736	-804	-879	-965	-1,056	-1,147	-2,994	-7,845
As a percentage of GDP	-0.2	-2.4	-3.4	-3.6	-3.6	-3.7	-3.9	-4.1	-4.3	-4.5	-4.7	-3.4	-3.9
Policy Alternatives That Affect the Tax Code (Billions of dollars)													
Effect on revenues	-23	-309	-410	-442	-460	-483	-511	-541	-579	-621	-668	-2,104	-5,024
Effect on outlays	0	1	39	41	42	43	43	43	42	42	42	166	378
Effect on the deficit[a]	-23	-309	-449	-483	-502	-526	-554	-584	-622	-663	-710	-2,270	-5,403

Source: Congressional Budget Office.

Notes: The alternative fiscal scenario incorporates the assumptions that all expiring tax provisions (other than the payroll tax reduction), including those that expired at the end of December 2011, are instead extended; that the alternative minimum tax is indexed for inflation after 2011 (starting at the 2011 exemption amount); that Medicare's payment rates for physicians' services are held constant at their current level; and that the automatic enforcement procedures specified by the Budget Control Act of 2011 do not take effect. Outlays under the alternative fiscal scenario also include the incremental interest costs associated with projected additional borrowing.

n.a. = not applicable; GDP = gross domestic product.

a. Negative numbers indicate an increase in the deficit.

deficits would total $10.7 trillion over that period (about $250 billion less than CBO projected in January for that scenario).

The changes in the outlook for 2012 since January stem almost entirely from the enactment of legislation, which added $100 billion to the estimated deficit for this year. In contrast, the changes in the projections for the 2013–2022 period result mainly from technical estimating revisions, which have reduced projected deficits over those years by a total of $208 billion (see Table 3 on page 8).

Legislative Changes

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that recent legislative actions will increase deficits by $100 billion in 2012 and by $22 billion over the 2013–2022 period. Nearly all of that effect comes from enactment of the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96).

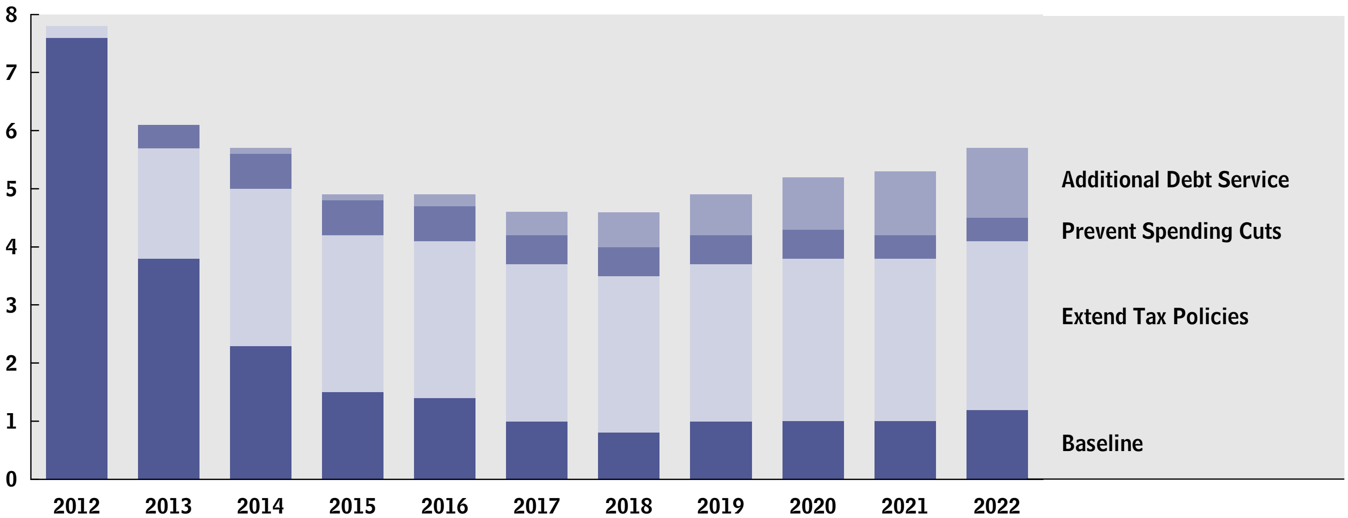
Among its revenue provisions, P.L. 112-96 extended for 10 months (through December 2012) the 2 percentage-point cut in the payroll tax rate for Social Security that first went into effect in January 2011; that extension reduces projected revenues by an estimated $70 billion in 2012 and $23 billion in 2013. Starting in January 2013, P.L. 112-96 will require future federal employees to make larger contributions to their retirement plan, adding $15 billion to projected revenues over the 2013–2022 period. In addition, the law repealed a number of scheduled changes to rules governing the timing of estimated tax payments by corporations; the most significant of those repeals is projected to reduce revenues by $42 billion in 2014 and increase them by the same amount during the 2015–2017 period.

Enactment of P.L. 112-96 also affects outlays. The law extended emergency unemployment benefits through December 2012, at an estimated total cost of $30 billion in 2012 and 2013. It also temporarily delayed a scheduled reduction in Medicare's payment rates for physicians and made other changes to the Medicare program, at a net cost of $10 billion over the 2012–2022 period. In the other direction, P.L. 112-96 authorized new auctions of licenses to use the electromagnetic spectrum, which (after accounting for the spending of some of the auction

Figure 1.

Deficits Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

(Percentage of gross domestic product)



Source: Congressional Budget Office.

Note: "Extend Tax Policies" reflects the assumptions in the alternative fiscal scenario that expiring tax provisions (other than the payroll tax reduction) are instead extended and that the alternative minimum tax is indexed for inflation. "Prevent Spending Cuts" involves holding Medicare's payment rates for physicians' services at their current level (rather than permitting them to drop, as scheduled under current law) and preventing the cuts to federal spending that will occur under the automatic enforcement procedures of the Budget Control Act of 2011 from taking effect (but leaving in place the original caps on discretionary appropriations in that law). "Additional Debt Service" is the amount of interest payments on the additional debt issued to the public that would result from those policies in the alternative fiscal scenario.

receipts) will lower net outlays by $15 billion over the next 10 years. Other, smaller effects of the new law include certain cuts in federal spending for health care (such as a $5 billion reduction in spending by the Prevention and Public Health Fund over the 2013–2022 period) and a decrease of $3 billion over 10 years in the Postal Service's contributions for its employees' retirement (for employees who start in 2013 or later).

All told, the effects of P.L. 112-96—combined with minor budgetary effects of other legislation—add $100 billion to the estimated deficit for 2012 and decrease projected deficits by $10 billion over the 2013–2022 period (the net result of a $17 billion reduction in mandatory spending and a $7 billion reduction in revenues). As a result, federal borrowing and interest payments on federal debt will be greater than they would be without the new legislation. CBO estimates that interest payments on that additional borrowing will boost deficits by another $32 billion between 2013 and 2022.

Technical Changes

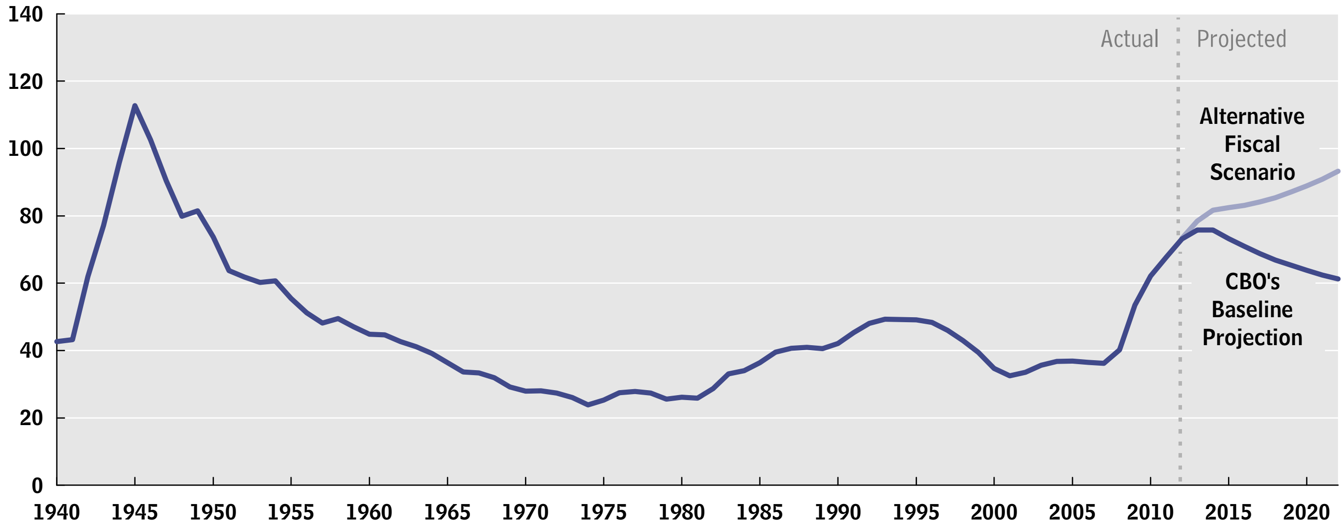
Overall, technical updates have lowered CBO's estimate of the deficit in 2012 by $7 billion and its baseline projections of deficits for the following 10 years by a total of $208 billion. Increases in projected revenues—totaling $3 billion in 2012 and $226 billion over the 2013–2022 period—represent the largest changes. For both revenues and outlays, the most significant technical revisions stem from updated estimates for the insurance coverage provisions of the Affordable Care Act (ACA).[4] (For more details about those revisions, see Congressional Budget

4. As used in this report, ACA refers to the Patient Protection and Affordable Care Act (P.L. 111-148) and the amendments made to that law by the health care provisions of the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152). CBO and JCT did not complete the process of updating their 2011 estimates of the budgetary effects of the ACA's provisions related to health insurance coverage in time for the January 2012 *Budget and Economic Outlook*. Thus, the updated estimates for the ACA described here reflect changes in CBO's economic forecast since January 2011 as well as technical changes made since early 2011.

Figure 2.

Federal Debt Held by the Public Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

(Percentage of gross domestic product)



Source: Congressional Budget Office.

Note: The alternative fiscal scenario incorporates the assumptions that all expiring tax provisions (other than the payroll tax reduction), including those that expired at the end of December 2011, are instead extended; that the alternative minimum tax is indexed for inflation after 2011 (starting at the 2011 exemption amount); that Medicare's payment rates for physicians' services are held constant at their current level; and that the automatic enforcement procedures specified by the Budget Control Act of 2011 do not take effect. The budgetary effects under the alternative fiscal scenario also include the incremental interest costs associated with projected additional borrowing.

Office, *Updated Estimates for the Insurance Coverage Provisions of the Affordable Care Act*, issued on March 13, 2012.)

Revenues. Updates to estimates for the ACA's health care provisions account for most of the $229 billion increase in projected revenues between 2012 and 2022 attributable to technical factors. CBO and JCT have lowered their estimates of the number of people who will receive health insurance coverage through an employer and the number of people who will receive such coverage through newly established insurance exchanges. As a result of those and other changes, CBO's current baseline incorporates lower projections of tax credits for individuals who purchase health insurance through the exchanges and for small businesses that provide health insurance to their employees, as well as higher projections of penalty payments by people who do not obtain health insurance and businesses that do not provide it. Moreover, because fewer employers are expected to contribute to premium payments for their employees' health insurance (such payments are not subject to individual income or payroll taxes), a larger share of total compensation is now expected to be in the form of wages and salaries (which are subject to taxation). CBO's baseline projections include additional revenues from that shift in the composition of taxable compensation.

Outlays. Technical updates since January have had only small net effects on CBO's spending projections, reducing estimated outlays in 2012 by $4 billion and increasing projected outlays over the 2013–2022 period by a total of $19 billion. Over that 10-year period, higher projected spending for Medicaid is mostly offset by lower projected spending for Social Security and net interest.

CBO has boosted its projection of Medicaid outlays over the 2013–2022 period by a total of $143 billion (or 3 percent). That change stems in part from an increase in CBO and JCT's estimate of the number of low-income people who will qualify for Medicaid under the ACA and from an increase in the projected federal share of costs for

Table 3.

Changes in CBO's Baseline Projections of the Deficit Since January 2012

(Billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total 2013-2017	Total 2013-2022
Deficit in CBO's January 2012 Baseline	-1,079	-585	-345	-269	-302	-220	-196	-258	-280	-279	-339	-1,721	-3,072
Legislative Changes													
Changes in Revenues	-70	-23	-42	5	37	4	2	-2	7	3	3	-19	-7
Changes in Outlays													
Mandatory outlays													
Unemployment compensation	20	10	*	*	*	*	*	*	*	*	*	10	10
Medicare	9	5	-1	-1	*	*	*	*	*	-1	-1	3	1
Spectrum auctions	0	3	*	-3	-4	-4	-3	-2	-1	-1	*	-8	-15
Other	*	1	-1	-2	-1	-1	-1	-1	-1	-5	-1	-5	-14
Subtotal	29	19	-2	-6	-5	-5	-4	-4	-2	-7	-1	1	-17
Debt service	*	1	2	3	3	3	4	4	4	4	5	11	32
All Changes in Outlays	30	20	-1	-3	-2	-2	-1	*	2	-2	3	12	15
Total Legislative Changes[a]	**-100**	**-43**	**-41**	**8**	**38**	**6**	**2**	**-3**	**5**	**5**	*****	**-31**	**-22**
Technical Changes													
Changes in Revenues	3	3	11	17	17	23	26	30	32	33	33	71	226
Changes in Outlays													
Mandatory outlays													
Medicaid	-4	-5	8	15	18	19	18	19	18	17	17	54	143
Social Security	-1	-1	-1	-1	-2	-2	-3	-3	-4	-4	-6	-7	-26
Other	6	-6	5	-1	-3	-2	2	-7	-5	5	11	-7	-1
Subtotal	2	-13	12	12	14	15	18	8	9	18	23	40	116
Discretionary outlays	-5	-1	-1	-1	*	*	-1	-1	-1	-1	*	-3	-7
Net interest													
Debt service	*	*	*	-1	-2	-2	-3	-5	-7	-9	-11	-5	-41
Other	-1	1	*	2	*	-2	-5	-9	-11	-12	-13	1	-49
Subtotal	-1	1	*	1	-1	-4	-9	-14	-18	-21	-25	-4	-90
All Changes in Outlays	-4	-13	10	12	12	10	8	-6	-10	-3	-3	32	19
Total Technical Changes[a]	**7**	**16**	**1**	**4**	**5**	**13**	**18**	**36**	**42**	**37**	**36**	**39**	**208**
All Changes													
Total Impact on the Deficit[a]	**-93**	**-27**	**-40**	**12**	**43**	**19**	**21**	**34**	**46**	**42**	**36**	**8**	**186**
Revenues	-67	-20	-31	21	54	27	28	28	39	36	37	52	219
Outlays	-26	-7	-10	-9	-10	-8	-8	6	7	6	-1	-44	-33
Deficit in CBO's March 2012 Baseline	**-1,171**	**-612**	**-385**	**-257**	**-259**	**-201**	**-175**	**-224**	**-234**	**-237**	**-303**	**-1,713**	**-2,887**

Source: Congressional Budget Office.

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

a. Negative numbers indicate an increase in the deficit, and positive numbers indicate a decrease.

those who enroll.[5] Other, smaller effects result from incorporating updated information about enrollment and spending for components of Medicaid.

CBO has reduced its projection of outlays for Social Security over the 2013–2022 period by $26 billion (or 0.2 percent) for technical reasons. CBO now estimates that the number of people receiving benefits under Social Security's Old-Age and Survivors Insurance program will be slightly smaller than previously projected, whereas the average benefit will be slightly larger. In addition, CBO now expects average award amounts for new beneficiaries in Social Security's Disability Insurance program to grow more slowly than previously projected.

Other changes include a $7 billion reduction in projected spending for Medicare over the 2013–2022 period. That decrease results from a $107 billion reduction in projected spending for prescription drug benefits under Part D of Medicare—primarily reflecting an increase in the number of high-volume drugs with generic substitutes available and changes in drug utilization—largely offset by increases in projected spending for benefits covered under Parts A (hospital insurance) and B (medical insurance) of Medicare. In its projections for Parts A and B, CBO has increased the Medicare Advantage program's share of both enrollment and spending. In its previous baseline, CBO anticipated that enrollment in Medicare Advantage plans would decline from 11.2 million people in 2013 to 8.7 million in 2021. Because of unanticipated increases in enrollment for 2012 (and an expectation that enrollment will remain higher than previously estimated), CBO now projects that enrollment in those plans will total 13.3 million in 2013 and about 11 million in both 2021 and 2022.

Technical changes have directly lowered CBO's estimate of net interest costs over the 2013–2022 period by $49 billion. Most of that decrease is attributable to a shift in the mix of securities that the Treasury is expected to issue (from longer-term securities and inflation-protected securities to short-term securities), partly offset by lower projections of interest receipts unrelated to Treasury borrowing.

In addition, because the various technical changes described above have reduced CBO's estimate of the deficit in 2012 by $7 billion and its baseline deficit projections for the 2013–2022 period by $167 billion, the amount of debt held by the public is now projected to be smaller than it would be otherwise. That change in debt reduces projected debt-service costs by a total of $41 billion between 2013 and 2020, bringing the total decrease in baseline deficits over that period because of technical changes to $208 billion.

5. The change in projected spending for Medicaid reported here differs from the change shown in CBO's report *Updated Estimates for the Insurance Coverage Provisions of the Affordable Care Act*. The change discussed here applies to projected outlays for the entire Medicaid program—not just the outlays related to the ACA—and it encompasses revisions made to the projections between January and March 2012. CBO's report on estimates of the insurance coverage provisions of the ACA deals only with that legislation and compares the estimates in the March 2012 baseline with estimates from the March 2011 baseline—the last time that detailed information about CBO and JCT's estimates of the coverage provisions of the ACA was published.

This document is one of a series of reports on the state of the budget that the Congressional Budget Office 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. Christina Hawley Anthony of CBO's Budget Analysis Division prepared the report, with assistance from Amber Marcellino and Mark Booth, under the supervision of Jeffrey Holland, Theresa Gullo, Holly Harvey, Peter Fontaine, and Frank Sammartino. The estimates described here were the work of many analysts at CBO and 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 Web site (www.cbo.gov).

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