

Table 2-8.
Sources of Growth in Mandatory Spending (By fiscal year, in billions of dollars)

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|----------|----------|----------|----------|----------|
| Projected 1995 Spending | 845 | 845 | 845 | 845 | 845 |
| Sources of Growth | | | | | |
| Growth in caseloads | 15 | 28 | 41 | 55 | 68 |
| Cost-of-living adjustments | 10 | 26 | 43 | 62 | 80 |
| Other automatic increases in benefits ^a | 6 | 15 | 24 | 32 | 41 |
| Other increases in Medicaid and Medicare ^b | 20 | 38 | 60 | 85 | 112 |
| Other growth in average Social Security benefits ^c | 5 | 8 | 11 | 15 | 20 |
| Irregular number of benefit payments ^d | -3 | 0 | 0 | 0 | 5 |
| Change in outlays of credit reform liquidating accounts | -1 | -3 | -4 | -6 | -7 |
| Other | <u>2</u> | <u>3</u> | <u>5</u> | <u>9</u> | <u>9</u> |
| Total | 53 | 117 | 181 | 252 | 327 |
| Projected Spending | 899 | 962 | 1,026 | 1,097 | 1,173 |

SOURCE: Congressional Budget Office.

- Automatic increases in Food Stamp benefits, Medicare reimbursement rates, and the earned income tax credit under formulas specified by law.
- All growth not attributed to caseloads and automatic increases in reimbursement rates.
- All growth not attributed to caseloads and cost-of-living adjustments.
- Supplementary Security Income and veterans' compensation and pensions will pay 11 months of benefits in 1996, 13 in 2000, and 12 in other years.

dating accounts, set up to record the continuing cash flows from loans obligated or guaranteed before 1992, when credit reform first applied to new loans.

Why Does Mandatory Spending Grow? Spending for entitlement and mandatory programs has nearly doubled over the past decade, prompting many proposals to curtail costs. Some favor a mechanical approach for curbing growth--simply limiting annual growth in outlays, for example, to the sum of growth in caseloads plus inflation and enforcing the limit through across-the-board cutbacks. Such an approach skirts the need to reexamine the justification for each program and probe why some appear to be growing disproportionately.³ More targeted approaches would expand the principle of means-test-

ing by paring back benefits to less needy recipients--by making more benefits subject to income taxation, phasing out benefits depending on beneficiaries' total income, or simply barring the most affluent recipients altogether from eligibility.⁴ The Bipartisan Commission on Entitlement Reform recently considered whether to scale back promises to future beneficiaries but ultimately issued no recommendations to do so.

Why does such spending grow as fast as it does in the CBO baseline? One convenient way of analyzing such growth is to break it down by its major cause--growth in caseloads, automatic increases in benefits, growing use of medical services, and other factors (see Table 2-8).

3. Congressional Budget Office, "Mandatory Spending: Trends and Sources of Growth," CBO Staff Memorandum (July 1992).

4. Congressional Budget Office, *Reducing Entitlement Spending* (September 1994).

Mounting caseloads account for about one-quarter of the growth in entitlement programs--driving up spending by an estimated \$15 billion in 1996 and \$68 billion in 2000, compared with this year's outlays. More than half of that growth is concentrated in the Social Security, Medicare, and Supplemental Security Income programs and is largely traceable to the continued "greying" of the U.S. population and the growing prevalence of disability. Much of the rest of the growth is in Medicaid. Among the "big three" programs, caseload growth--even without other changes--is expected to push up outlays in 2000 by 7 percent relative to 1995 in both Social Security and Medicare and by 20 percent in Medicaid.

Automatic increases in benefits account for about one-third of the growth in entitlement programs. All of the major retirement programs grant automatic cost-of-living adjustments (COLAs) to their beneficiaries. COLAs, which are pegged to the overall consumer price index, are expected to average more than 3 percent a year through 2000. In 1995, outlays for programs with COLAs are already more than \$400 billion, and COLAs are expected to add an extra \$10 billion in 1996 and \$80 billion in 2000. Recent studies have suggested that the consumer price index overestimates the true level of inflation facing consumers. A change in the methods of collecting data on prices or calculating the index, or a legislative change that tied COLAs to something less than the increase in the consumer price index, could substantially reduce the projected costs of automatic increases in benefit programs. In addition, tax collections could be increased; tax brackets, the personal exemption, and the standard deduction are automatically adjusted for changes in the consumer price index. The potential overestimate of inflation by the index, and the possible savings from changes in the index itself or the use of the index in adjusting benefits or taxes, are discussed in more detail in Box 2-1.

Several other programs--chiefly food stamps, the two Medicare programs (Hospital Insurance and Supplementary Medical Insurance), and the earned income tax credit--are also automatically indexed to inflation (except for the EITC, the consumer price index is not the measure of inflation used for those programs). The first program pays annual adjustments according to changes in the Department of Ag-

riculture's Thrifty Food Plan index. Medicare's payments to providers (primarily hospitals and physicians) also climb, by law, in step with specialized price indexes for the medical sector. Moreover, the maximum EITC payment and the income thresholds above which the EITC begins to be phased out are automatically adjusted for inflation. Those indexation practices contribute an extra \$6 billion in outlays in 1996 and \$41 billion in 2000. The Medicaid program, however, is not reflected in those figures. The federal government essentially pays an agreed-upon share of the bills submitted to it by state programs, which obviously rise with inflation. Unlike Medicare, however, Medicaid has no federal reimbursement schedules that rise automatically. Medicaid thus falls into a category of programs that are indirectly, not directly, linked to inflation.

Another third or so of the growth in entitlement spending stems from increases in Medicare and Medicaid costs that cannot be attributed to growth in caseloads or automatic adjustments in reimbursements. First, as just noted, Medicaid grows with inflation even though it is not formally indexed. Second, the health programs have faced steadily rising costs per participant, a trend known in Medicare jargon as "use" or "intensity"--a combination of more services per participant, more technological sophistication, and so forth. The residual growth in Medicare and Medicaid amounts to \$20 billion in 1996 and \$112 billion in 2000.

In most retirement programs, the average benefit grows faster than the COLA alone would explain. Social Security is a prime example. Social Security benefits are tied to retirees' earnings during their working years, adjusted for increases in the cost of living since they retired. Because earnings have gone up faster than the cost of living, the average benefit for a new retiree exceeds the average monthly check of a long-time retiree whose last earnings may have been a decade or two ago and who has been getting only cost-of-living adjustments since then. In addition, the growth in participation in the labor force by women means that more new retirees get benefits based on their own earnings rather than a smaller, spouse's benefit. In Social Security alone, such phenomena are estimated to add \$5 billion in 1996 and \$20 billion by 2000.

Box 2-1.**The CPI as a Measure of the Change in the Cost of Living**

The consumer price index (CPI) probably overstates the increase in the cost of living.¹ Although the amount of overstatement is not known with certainty, the empirical evidence to date, which addresses many but not all of the potential areas of mismeasurement, indicates that the CPI has probably grown faster than the cost of living by between 0.2 and 0.8 percentage points in recent years. Other potential areas of mismeasurement that have not been subjected to empirical examination may offset or add to the overstatement that the empirical studies have found.

The Bureau of Labor Statistics (BLS), which compiles the CPI, is well aware of the possibility of an overstatement. In fact, the estimates of the overstatement depend largely on research conducted by the BLS. However, there is no obvious, simple way to correct the overstatement. The compilation of the CPI is a massive undertaking, requiring extensive surveys and periodic revisions, and there are numerous theoretical and practical difficulties associated with measuring changes in the cost of living. Over the years the BLS has sought to improve the CPI, but some problems defy easy or inexpensive solutions.

The overstatement occurs because a fixed market basket of goods, such as that tracked for purposes of calculating the CPI, will not fully represent current shopping patterns, and adjustments for improvements in the quality of goods are hard to make. The CPI does not reflect how, when the price of one item rises relative to others, people can change their mix of purchases, thereby reducing somewhat the adverse effect of the price increase on their standard of living. For example, the survey on which the CPI is based does not reflect the extent to which consumers have sought out lower-cost

stores such as warehouses or have shifted to lower-cost substitutes such as generic instead of brand name drugs. In addition, the items sampled for price quotes appear to be too heavily weighted toward items whose prices increase more rapidly.

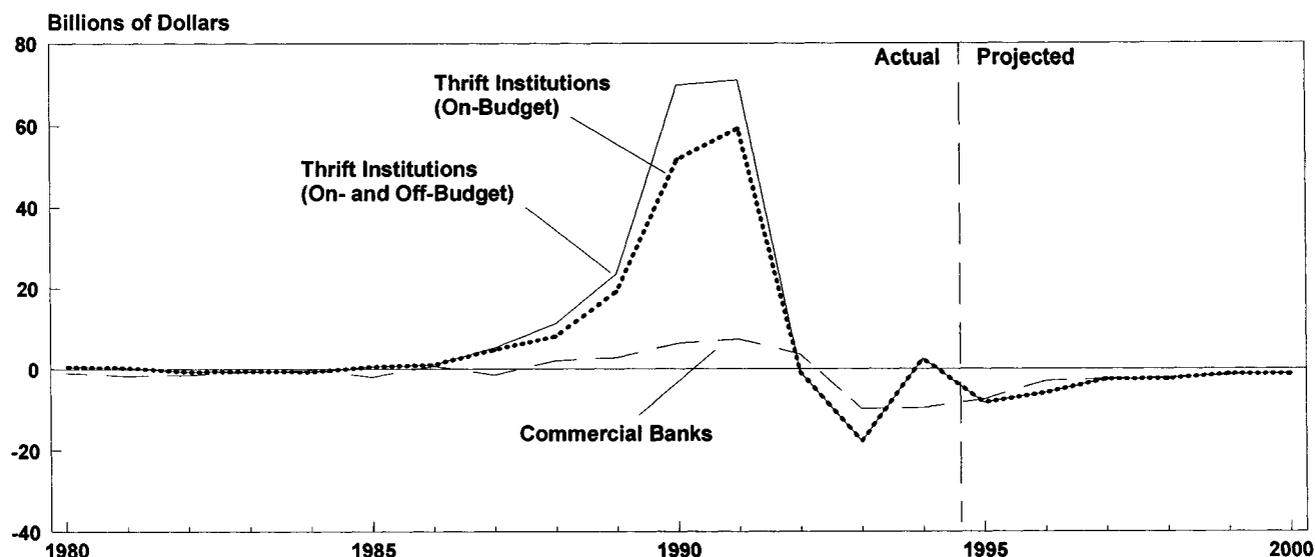
Price increases should be adjusted for changes in quality, and it appears that the CPI on balance underestimates improvements in quality. For example, if the durability of a tire increases, the price should reflect that increase in quality. Adjusting for changes in the quality of most goods and services--such as the quality of audio equipment or a physician's ability to make a correct diagnosis--is difficult to do, however, and the calculation of the CPI does not adjust for a change in quality for many of items used in the survey.

Because the CPI determines the size of the cost-of-living adjustment provided by a number of federal benefit programs and is used to adjust parameters in the personal income tax, the budget is substantially affected by any significant overstatement in its calculation. If the CPI grew 0.5 percentage points slower than the baseline assumes, but all other aspects of the economic forecast were unchanged, by 2000 tax collections would be about \$9 billion higher and spending would be \$13 billion lower than CBO currently projects. Including the debt-service effects of the cumulative savings, the deficit in 2000 would be about \$25 billion lower.

Social Security accounts for almost three-quarters of the effect on indexed federal outlays, and four other programs--the outlay portion of the earned income tax credit, Supplemental Security Income, Military Retirement, and Civil Service Retirement--together account for about 20 percent of the remaining effect. Revenues would be higher because personal income tax brackets, the personal exemption, and the standard deduction are indexed to the CPI. If the CPI grows at a slower pace, the brackets move up less rapidly and a greater percentage of total income is taxed at the higher marginal rates.

1. See Congressional Budget Office, "Is the Growth of the CPI a Biased Measure of Changes in the Cost of Living?" CBO Paper (October 1994).

Figure 2-3.
Deposit Insurance Spending (By fiscal year)



SOURCE: Congressional Budget Office.

NOTE: Off-budget outlays for thrift institutions refer to the net borrowing of the Financing Corporation and the Resolution Funding Corporation, government-sponsored enterprises set up exclusively to borrow funds to pay for resolutions of failed savings and loan institutions.

Depending on calendar flukes, three programs-- Supplemental Security Income and veterans' compensation and pensions--may pay 11, 12, or 13 monthly checks in a fiscal year.⁵ That practice dampens outlays in 1996 and swells them in 2000. Finally, other growth in benefit programs has many causes: rising benefits for new retirees in the Civil Service, Military, and Railroad Retirement programs (fundamentally the same phenomenon as in Social Security); larger average benefits in unemployment compensation, a program that lacks an explicit COLA provision but that pays amounts that are automatically linked to the recent earnings of its beneficiaries; increases in family support costs, largely at the discretion of state governments; and others. All of those factors together, however, contribute just \$9 billion of the total \$300 billion-plus increase between 1995 and 2000. In sum, growth in caseloads, automatic adjustments for inflation, and growing use of medical services are the prime factors pushing up

outlays for entitlement and mandatory spending by almost 40 percent between 1995 and 2000.

Deposit Insurance

Deposit insurance played havoc with budget projections in the late 1980s and early 1990s. It barely registered in the budget totals before then, since for many years income to the deposit insurance funds roughly equaled the modest costs of covering failed institutions. That basically held true even in the early 1980s, when the first savings and loan crisis occurred--triggered by restrictions on institutions' investments and on the interest they could pay to depositors. But the choices made then to relax regulation and to delay shutdowns of troubled institutions proved to be costly. Deposit insurance outlays shot up to a record \$66 billion in 1991, and would have been even higher had policymakers not finessed the costs by creating a so-called government-sponsored enterprise to borrow for the effort (see Figure 2-3). Outlays then plunged to \$3 billion in 1992, and the agencies actually recorded negative outlays (that is, net receipts) of \$28 billion in 1993 and \$7 billion in

5. The number of monthly benefit payments made during a fiscal year depends on whether October 1, the first day of the fiscal year, falls on a work day. If October 1 falls on a weekend, October benefit payments are made on the last working day of September.

1994, indicating that their income from liquidations and other sources far exceeded their disbursements.

Not surprisingly, this extraordinarily volatile category of spending has been one of the biggest sources of uncertainty in Congressional budget projections over the past few years (see Appendix B). Those violent swings appear to be over. CBO expects that this category will continue to record net negative outlays, as documented in Table 2-9.

Savings and Loan Institutions. The Resolution Trust Corporation (RTC), the principal agency heading the savings and loan cleanup since 1989, suffered several prolonged interruptions in funding but finally got the green light in December 1993 to finish its

task. During the droughts in funding, notably from April 1992 until December 1993, the RTC had very limited authority to incur losses. It was largely confined to selling off its portfolio of assets and to tackling the occasional institution that could be closed or merged at little or no cost to the government. Hence, the RTC recorded negative outlays in both 1992 and 1993.

With permission to wrap up its work, the RTC again incurred net outlays (amounting to \$4 billion) in 1994. In July 1995, the RTC will turn over responsibility for future resolutions to the Savings Association Insurance Fund (SAIF), which inherits a much-shrunken but healthier industry.

Table 2-9.
Outlays for Deposit Insurance in the CBO Baseline (By fiscal year, in billions of dollars)

| | Actual 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|----------------|----------|----------|----------|----------|----------|----------|
| Savings and Loan-Related Outlays | | | | | | | |
| Resolution Trust Corporation | 4 | -9 | -6 | -2 | -2 | -1 | -1 |
| Savings Association Insurance Fund | -1 | -1 | a | a | a | a | a |
| FSLIC Resolution Fund | <u>a</u> | <u>2</u> | <u>a</u> | <u>a</u> | <u>a</u> | <u>a</u> | <u>a</u> |
| Total | 3 | -8 | -6 | -2 | -2 | -1 | -1 |
| Bank-Related and Other Outlays | | | | | | | |
| Bank Insurance Fund | -9 | -8 | -3 | -2 | -2 | -2 | -1 |
| Other ^b | <u>a</u> | <u>a</u> | <u>a</u> | <u>a</u> | <u>a</u> | <u>a</u> | <u>a</u> |
| Total | -10 | -8 | -3 | -3 | -2 | -2 | -1 |
| Total Deposit Insurance | | | | | | | |
| Total | -7 | -16 | -9 | -5 | -5 | -3 | -3 |

SOURCE: Congressional Budget Office.

a. Less than \$500 million.

b. Primarily activities of the National Credit Union Administration.

The total tab for the RTC lies somewhere between the sunniest and gloomiest projections made during its early years. CBO now estimates the total value of losses covered by the RTC and its successor through 2000 at about \$90 billion (expressed, by convention, in 1990 dollars). Such calculations exclude disbursements for working capital--funds that the government needs temporarily when it acquires troubled institutions but ultimately recoups when assets are sold. Together with about \$60 billion in losses covered by the Federal Savings and Loan Insurance Corporation and its successor, the FSLIC Resolution Fund--the fund charged with resolving institutions already in government hands before the RTC's creation--the total cost of the cleanup comes to about \$150 billion.

Four and a half years ago, CBO feared that the RTC's costs alone could be as high as \$185 billion, and some outside experts were even more pessimistic. (The Bush Administration, in contrast, originally stated that \$50 billion would be sufficient.) The extraordinarily favorable interest rate environment of the early 1990s is a major reason that the pessimists were pleasantly surprised. For several years, financial institutions enjoyed paying relatively low short-term rates on deposits even as they earned higher rates on their loans and other investments--enabling them to build up their capital or find merger partners more readily. Legislation passed after the RTC's creation further tightened regulatory procedures and required financial institutions to bolster their levels of capital. Also, the industry's shrinkage has eased conditions for survivors, as the most recklessly managed institutions were purged.

However, the RTC's successor, the Savings Association Insurance Fund, may encounter rough sailing. The Bank Insurance Fund, which covers commercial banks, is sufficiently flush with reserves that it is expected to slash insurance premiums for its members drastically in late calendar year 1995. SAIF-covered institutions will not benefit from such a premium cut. Their fund must continue to beef up its reserves even as it pays approximately \$800 million a year in interest on bonds that were issued in the 1980s to help pay savings and loan cleanup costs from that period. As a result, the thrift institutions that are stuck in SAIF will be at a competitive disadvantage. Among the possible consequences for the

institutions are difficulty in raising capital and greater reliance on nondeposit liabilities (such as borrowing from Federal Home Loan Banks), which further narrows the assessable base for premiums--hampering SAIF's ability to build up reserves as required by law.

Commercial Banks. Anxiety about the condition of commercial banks has abated. The government's fund for insuring commercial banks incurred positive outlays in 1988 through 1992 but is now back in the black. In both 1993 and 1994, the Bank Insurance Fund took in almost \$10 billion a year more than it spent, with a smaller excess (\$8 billion) expected in 1995. The fund's reserves are robust enough that CBO expects that its premium rates will be reduced significantly later this year, as permitted by law.

Offsetting Receipts

Offsetting receipts are income that the government records as negative spending. All are either intragovernmental (reflecting payments from one part of the federal government to another) or proprietary (reflecting voluntary payments from the public in exchange for goods or services).

A decision to collect more (or less) in offsetting receipts usually requires a change in the underlying laws generating such collections. In that regard, and in being subject to the pay-as-you-go discipline, offsetting receipts are more like mandatory spending and revenues than like discretionary appropriations.

About one-half of offsetting receipts are intrabudgetary transfers that represent agencies' contributions for their employees' retirement (see Table 2-10). Those contributions are paid primarily to Social Security, Hospital Insurance, the Military Retirement Trust Fund, and the Civil Service Retirement Trust Fund (including the newer Federal Employees Retirement System, which covers civil servants hired since 1983). Some contribution rates are set by statute; others are determined by boards of actuaries. Failing to charge agencies at all for those costs would clearly let them understate their personnel costs, as future retirement benefits are an important part of compensation for the 4½ million current military,

civilian, and postal employees of the U.S. government. To avoid such a perverse result, the budget treats the payments as part of agency budgets and the deposits in retirement funds as offsetting receipts. Those transfers thus wash out in the budgetary totals, leaving only the funds' disbursements--for retirement benefits and administrative costs--reflected in total outlays.

The biggest proprietary receipt collected by the government is premiums from the 35-plus million people who enroll in Supplementary Medical Insurance (Part B of Medicare), which primarily covers physician and outpatient charges. Premium collections from the elderly and disabled grow from an estimated \$20 billion in 1995 to \$28 billion in

2000, as the monthly charge climbs from \$46.10 now to an estimated \$59.00 in 2000. OBRA-93 temporarily reimposed the requirement that premiums cover one-quarter of the costs of SMI. But it stipulated that no beneficiary may suffer a dollar reduction in his or her Social Security check in any January, when the Social Security COLA and the SMI premium hike (usually deducted from the check) simultaneously take effect. Since the typical beneficiary gets a Social Security COLA that exceeds the scheduled increase in the SMI premium, that protection has not barred fairly steep premium increases for most recipients. That provision of OBRA, however, expires after 1998, and premiums will revert to growing no faster than the Social Security COLA.

Table 2-10.
CBO Baseline Projections for Offsetting Receipts (By fiscal year, in billions of dollars)

| Category | Actual 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|--|----------------|------------|------------|------------|------------|------------|------------|
| Employer Share of Employee Retirement | | | | | | | |
| Social Security | -6 | -6 | -7 | -7 | -8 | -8 | -9 |
| Military Retirement | -13 | -12 | -11 | -11 | -11 | -11 | -11 |
| Other ^a | <u>-16</u> | <u>-16</u> | <u>-16</u> | <u>-17</u> | <u>-18</u> | <u>-19</u> | <u>-20</u> |
| Subtotal | -35 | -34 | -34 | -36 | -36 | -38 | -39 |
| Medicare Premiums | -18 | -20 | -21 | -22 | -25 | -27 | -28 |
| Energy-Related Receipts ^b | -5 | -5 | -5 | -5 | -5 | -4 | -4 |
| Natural Resource-Related Receipts ^c | -3 | -3 | -3 | -3 | -3 | -3 | -3 |
| Electromagnetic Spectrum Auctions | d | -6 | -1 | d | d | -1 | d |
| Other | <u>-9</u> | <u>-9</u> | <u>-9</u> | <u>-10</u> | <u>-10</u> | <u>-9</u> | <u>-9</u> |
| Total | -69 | -77 | -73 | -76 | -79 | -82 | -84 |

SOURCE: Congressional Budget Office.

- a. Primarily Civil Service Retirement.
- b. Includes proceeds from sales of power, various fees, and receipts from the naval petroleum reserves and Outer Continental Shelf.
- c. Includes timber and mineral receipts and various user fees.
- d. Less than \$500 million.

Other proprietary receipts come mostly from charges for energy, minerals, and timber and various fees levied on users of government property or services. A new entry--receipts from the Federal Communications Commission's auction of portions of the electromagnetic spectrum for use by telecommunications companies--is expected to bring in \$6 billion in 1995.

Net Interest

For the four years between 1991 and 1994, net interest costs were remarkably flat at about \$200 billion a year even as the government added \$1 trillion in debt. The government saved handsomely by refinancing its maturing debt at interest rates that were the lowest in three decades. That stability is now past: interest costs are expected to shoot up by almost \$30 billion a year in both 1995 and 1996 and by smaller amounts thereafter (see Table 2-11).

Even in the early 1990s, net interest costs were about 3 percent of GDP--two to three times the typical levels of the 1960s and 1970s. Because interest rates were so low, that growth is traceable squarely to the vastly bigger federal debt. The debt held by the public now stands at almost 52 percent of GDP, twice its level of the mid-1970s.

Interest costs are not governed by any provisions of the Budget Enforcement Act because they are not directly controllable. Rather, interest depends on the government's debt and on interest rates. The Congress and the President influence the former by making decisions about taxes and spending and hence about borrowing. Beyond that, they exert no direct control over interest rates, which are determined by market forces and Federal Reserve policy.

Interest rates have a powerful effect on budget projections, as illustrated in Appendix C. If interest rates are 1 percentage point higher in 1995 through 2000 than CBO assumes, net interest costs will be greater by about \$5 billion in 1995 and \$50 billion in 2000. The extra costs stem from the huge volumes of new financing and the rollover of existing debt by the Treasury.

In May 1993, the Treasury Department announced that it would shift some of its borrowing from longer- to shorter-term instruments. The move was a modest one; the government continues to borrow in a wide range of maturities ranging from three months to 30 years. That move was expected to save money though it marginally heightens the government's sensitivity to fluctuations in interest rates.⁶ Contrary to some common misperceptions, the rise in interest rates since May 1993 has not wiped out the rather small savings that were expected from the shift. CBO estimated at the time that the switch would save about \$7 billion over the 1993-1998 period and has no reason to revise that estimate materially. The saving occurs because long-term interest rates are typically higher than short-term rates. Despite the intervening rise in interest rates of all maturities, the difference between the short- and long-term rates remains, leaving the estimated savings largely intact. In fact, CBO's analysis showed that over any reasonably long period--such as five or ten years--the policy shift was extremely likely, although not certain, to save money.

CBO projects that net interest costs will climb gradually to \$310 billion in 2000, up more than 50 percent from the 1994 figure (see Table 2-11). Growth in debt held by the public--bills, notes, bonds, and other securities sold to raise cash--accounts for four-fifths of that growth, and higher interest rates essentially account for the rest. Higher rates principally affect the one-quarter of debt that carries maturities of one year or less; rates on three-month Treasury bills, for example, are expected to level off at 5.1 percent, up almost 1½ percentage points from their 1994 level.

Net or Gross? Net interest is the most useful measure of the government's current debt-service costs. Some budget watchers stress gross interest (and its counterpart, the gross federal debt) instead of net interest (and its counterpart, debt held by the public). But that choice exaggerates the government's debt-service burden because it overlooks billions of dollars in interest income received by the government.

6. Congressional Budget Office, *Federal Debt and Interest Costs* (May 1993).

Table 2-11.
CBO Baseline Projections for Interest Costs and Federal Debt (By fiscal year)

| | Actual 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|--|----------------|------------|------------|------------|------------|------------|--------------|
| Net Interest Outlays (Billions of dollars) | | | | | | | |
| Interest on Public Debt (Gross interest) ^a | 296 | 339 | 371 | 385 | 400 | 421 | 444 |
| Interest Received by Trust Funds | | | | | | | |
| Social Security | -29 | -35 | -39 | -45 | -50 | -55 | -61 |
| Other trust funds ^b | <u>-57</u> | <u>-62</u> | <u>-63</u> | <u>-63</u> | <u>-64</u> | <u>-64</u> | <u>-64</u> |
| Subtotal | -86 | -96 | -103 | -108 | -113 | -119 | -125 |
| Other Interest ^c | <u>-8</u> | <u>-8</u> | <u>-8</u> | <u>-7</u> | <u>-7</u> | <u>-8</u> | <u>-8</u> |
| Total, Net Interest Outlays | 203 | 235 | 260 | 270 | 279 | 294 | 310 |
| Federal Debt, End of Year (Billions of dollars) | | | | | | | |
| Gross Federal Debt | 4,644 | 4,942 | 5,280 | 5,641 | 6,001 | 6,392 | 6,814 |
| Debt Held by Government Accounts | | | | | | | |
| Social Security | 420 | 488 | 561 | 640 | 724 | 813 | 909 |
| Other government accounts ^b | <u>792</u> | <u>836</u> | <u>882</u> | <u>924</u> | <u>960</u> | <u>989</u> | <u>1,014</u> |
| Total | 1,212 | 1,325 | 1,443 | 1,563 | 1,684 | 1,803 | 1,923 |
| Debt Held by the Public | 3,432 | 3,617 | 3,838 | 4,077 | 4,317 | 4,589 | 4,891 |
| Debt Subject to Limit ^d | 4,605 | 4,902 | 5,240 | 5,599 | 5,959 | 6,349 | 6,771 |
| Federal Debt as a Percentage of GDP | | | | | | | |
| Debt Held by the Public | 51.8 | 51.4 | 52.1 | 52.6 | 53.0 | 53.5 | 54.3 |

SOURCE: Congressional Budget Office.

NOTE: Projections of interest and debt assume compliance with the discretionary spending caps in the Budget Enforcement Act. Discretionary spending is assumed to rise with inflation after the caps expire in 1998.

- a. Excludes interest costs of debt issued by agencies other than the Treasury (primarily the Tennessee Valley Authority).
- b. Principally Civil Service Retirement, Military Retirement, Medicare, unemployment insurance, and the Highway and the Airport and Airway trust funds.
- c. Primarily interest on loans to the public and to the Resolution Trust Corporation and the Bank Insurance Fund.
- d. Differs from the gross federal debt primarily because most debt issued by agencies other than the Treasury is excluded from the debt limit.

The government has sold more than \$3.4 trillion of securities to finance its cumulative deficits. But it has also issued more than \$1 trillion of securities to its own trust funds--mainly Social Security and the other retirement funds. Those securities represent the past surpluses of those trust funds, and their total amount grows roughly in step with the projected surpluses depicted earlier (see Table 2-2 on page 29). The funds can redeem the securities when needed to pay benefits; in the meantime, the government both

pays and collects the interest thereon. It also receives interest income from loans and cash balances. Broadly speaking, gross interest encompasses all interest paid by the government (even to its own funds) and ignores all interest income. Net interest, in contrast, is the net flow to those outside government.

Net interest is only about two-thirds as big as gross interest. CBO estimates that the government will pay \$339 billion in gross interest costs this year.

Box 2-2. The Debt Limit

Sometime next summer or fall, the Congress will need to raise the statutory limit on federal debt (which applies to securities issued to federal trust funds as well as those sold in the credit markets to raise cash). The current limit, last hiked in the Omnibus Budget Reconciliation Act of 1993 (OBRA-93), is \$4.9 trillion. Almost \$300 billion worth of room was left at the end of fiscal year 1994, but most or all will be used up in 1995 (see table below).

No one can predict when the Treasury will hit the debt limit. Relatively small errors in projecting either of

Growth in Debt Subject to Limit (By fiscal year, in billions of dollars)

| | Actual 1994 | 1995 | 1996 |
|---|----------------|-------|-------|
| Debt Subject to Limit, Start of Year | 4,316 | 4,605 | 4,902 |
| Changes | | | |
| Deficit | 203 | 176 | 207 |
| Trust fund surplus | 95 | 107 | 118 |
| Other ^a | -9 | 13 | 12 |
| Total | 290 | 296 | 338 |
| Debt Subject to Limit, End of Year | 4,605 | 4,902 | 5,240 |

SOURCE: Congressional Budget Office.

a. Changes in Treasury cash balances, net transactions of credit financing accounts, and other miscellaneous factors.

the major determinants--the deficit or the trust fund surplus--can easily swing the date by a month or two. But the period beginning in late July through about mid-November looks like the one to watch. The last day of every month--July 31, August 31, and so forth--is always a big borrowing day for the Treasury. So is the so-called mid-quarter refunding, a large package of securities that will be issued on August 15 and again on November 15. September is normally a surplus month, typically enabling the Treasury to pay down some debt and easing pressure on the debt ceiling. But large transfers to federal trust funds will take place on September 29 (the last weekday of fiscal year 1995) and October 2 (the first of fiscal 1996), and those investments will count against the limit. As the debt ceiling draws closer, budget analysts and participants in financial markets will watch such daily patterns with an eagle eye.

The debt limit is the quintessential "must-pass" legislation. Failure to enact it bodes a government shutdown or default. Increases may be for any duration; over the last decade, they have ranged from three days to two years. They may also be freestanding or attached to other legislation. Increases in the debt ceiling have sometimes been joined to deficit reduction packages or reforms in the budget process. Increases were contained in the Balanced Budget and Emergency Deficit Control Act of 1985 (better known as Gramm-Rudman-Hollings), its successor in 1987, the Budget Enforcement Act of 1990, and OBRA-93. And many other attempts were made to attach legislation--often unrelated to the budget--to the debt ceiling bill. Many analysts view the debt limit as archaic. The debt is merely an outgrowth of decisions that the Congress makes about federal spending and revenues. Before the Congressional Budget Act of 1974, the Congress never voted explicitly on those totals, but now it does.

Of that amount, however, \$96 billion is simply credited to trust funds and does not leave the government or add to the deficit. And the government collects \$8 billion in other interest income. Net interest costs therefore total \$235 billion.

Debt Subject to Limit. The Congress sets a limit on the Treasury's authority to issue debt. That ceiling applies to securities issued to federal trust funds as

well as those sold to the public. Hence, debt subject to limit is practically identical to the gross federal debt, which is why that figure, though less useful than debt held by the public, is more familiar. (The minor differences between gross debt and debt subject to limit are chiefly attributable to securities issued by agencies other than the Treasury, such as the Tennessee Valley Authority, that are exempt from the limit.)

Table 2-12.
CBO Baseline Projections for Revenues, by Source (By fiscal year)

| Source | Actual 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|-------------------------------|----------------|------------|------------|------------|------------|------------|------------|
| In Billions of Dollars | | | | | | | |
| Individual Income | 543 | 594 | 628 | 656 | 693 | 731 | 772 |
| Corporate Income | 140 | 149 | 151 | 155 | 161 | 167 | 173 |
| Social Insurance | 461 | 494 | 517 | 539 | 565 | 590 | 618 |
| Excise | 55 | 56 | 56 | 57 | 58 | 59 | 59 |
| Estate and Gift | 15 | 16 | 17 | 18 | 19 | 19 | 20 |
| Customs Duties | 20 | 21 | 21 | 21 | 21 | 22 | 23 |
| Miscellaneous | <u>22</u> | <u>25</u> | <u>28</u> | <u>29</u> | <u>30</u> | <u>30</u> | <u>31</u> |
| Total | 1,257 | 1,355 | 1,418 | 1,475 | 1,546 | 1,618 | 1,697 |
| On-budget | 922 | 998 | 1,043 | 1,084 | 1,135 | 1,187 | 1,245 |
| Off-budget ^a | 335 | 357 | 375 | 392 | 411 | 431 | 452 |
| As a Percentage of GDP | | | | | | | |
| Individual Income | 8.2 | 8.4 | 8.5 | 8.5 | 8.5 | 8.5 | 8.6 |
| Corporate Income | 2.1 | 2.1 | 2.1 | 2.0 | 2.0 | 2.0 | 1.9 |
| Social Insurance | 7.0 | 7.0 | 7.0 | 7.0 | 6.9 | 6.9 | 6.9 |
| Excise | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Estate and Gift | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Customs Duties | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Miscellaneous | <u>0.3</u> | <u>0.4</u> | <u>0.4</u> | <u>0.4</u> | <u>0.4</u> | <u>0.4</u> | <u>0.3</u> |
| Total | 19.0 | 19.3 | 19.2 | 19.0 | 19.0 | 18.9 | 18.8 |
| On-budget | 13.9 | 14.2 | 14.2 | 14.0 | 13.9 | 13.9 | 13.8 |
| Off-budget ^a | 5.1 | 5.1 | 5.1 | 5.1 | 5.0 | 5.0 | 5.0 |

SOURCE: Congressional Budget Office.

a. Social Security

In OBRA-93, the Congress raised the limit on public debt to \$4.9 trillion. The new Congress will need to raise that figure sometime near the end of fiscal year 1995 (see Box 2-2).

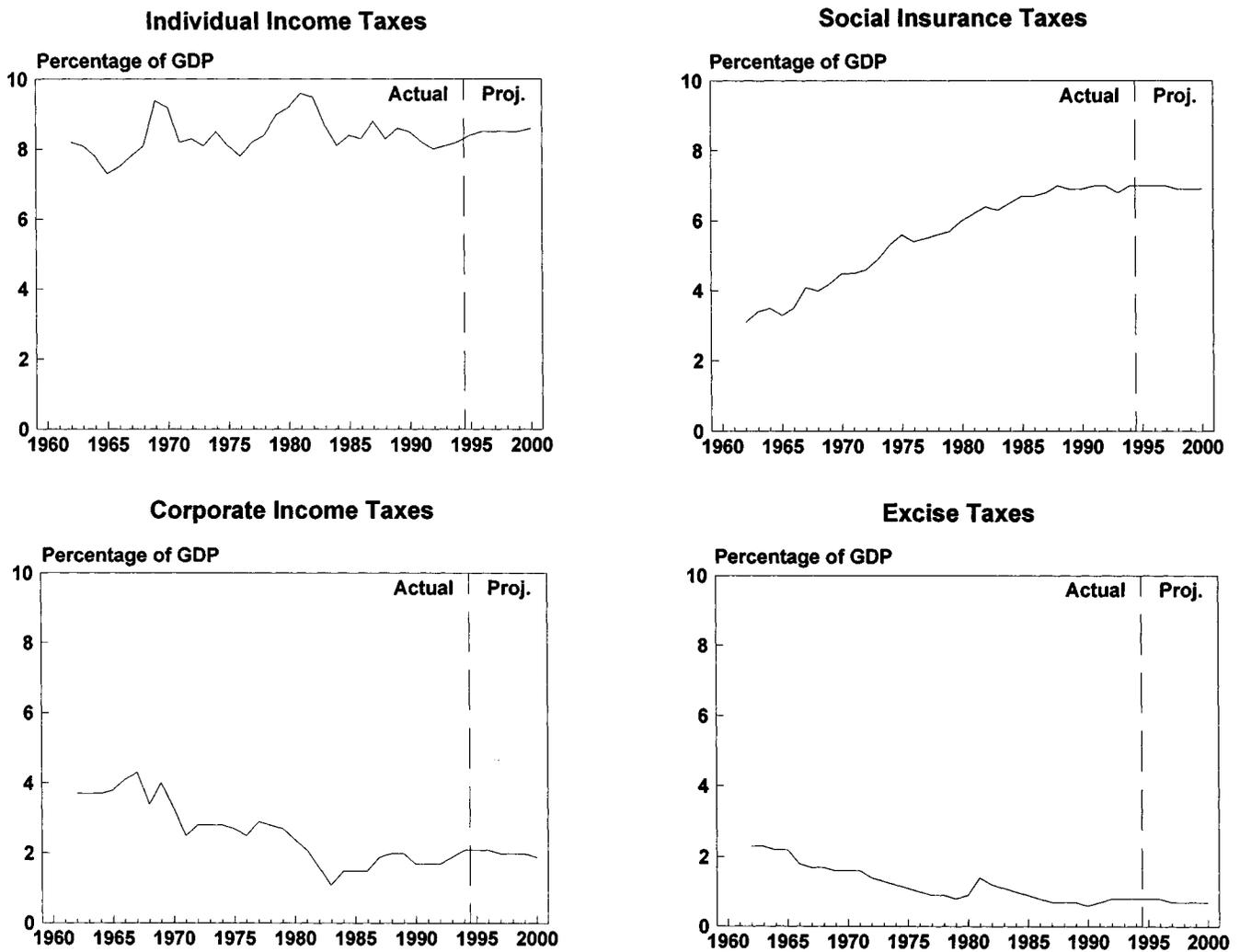
years, slipping to 18.8 percent of GDP by 2000 (see Table 2-12).

In relation to GDP, revenues will be slightly higher than typical levels of the past three decades. In 1960 through 1994, revenues averaged 18.6 percent of GDP. In only a few years did they reach or top 19 percent, and those years were unusual for one reason or another. In 1969 and 1970, taxes were hiked to help finance the Vietnam War; in 1979 through 1982--before the Reagan Administration's tax cut and the subsequent indexing of tax brackets to

The Revenue Outlook

Federal revenues are expected to be \$1,355 billion, or 19.3 percent of GDP, in 1995. They are projected to grow less rapidly than the economy in the next five

Figure 2-4.
Revenues by Source as a Share of GDP



SOURCE: Congressional Budget Office.

the price level--high inflation pushed up revenues; in 1987, taxpayers rushed to realize capital gains before tax reform, which repealed preferential rates on such income, took effect; and in 1989, collections were jointly boosted by final payments from the first full year of tax reform and by a strong economy. Last year, taxes once again reached 19 percent of GDP--the result of a robust economy and of OBRA-93. And they are expected to stay at or above 19 percent of GDP through 1998.

In an echo of the story on outlays, however, underneath the overall stability of the revenue-to-GDP ratio are some striking shifts in composition over the last three decades (see Figure 2-4). The most visible are the government's increased reliance since the 1960s on social insurance contributions, chiefly for Social Security and Medicare's Hospital Insurance (now about 7 percent of GDP), and its diminished reliance over that period on corporate income taxes and excise taxes (now about 2 percent and 1 percent of GDP, respectively). Those trends have not continued in recent years, however; social insurance contributions have been close to 7 percent of GDP since the mid-1980s. Over that same period, excise taxes have been more or less constant as a percent of GDP, and corporate income tax collections have actually gone up. Individual income taxes, the biggest contributor to government coffers, have mostly fluctuated in the range of 8 percent to 9 percent of GDP for more than three decades.

Baseline Projections

In the baseline, individual income taxes are the only source that is expected to grow even modestly as a share of GDP--from 8.2 percent in 1994 to 8.6 percent in 2000. Half of that increase occurs in 1995, when the full effects of OBRA-93 will truly be felt. (The act boosted revenues significantly in 1994, but its effects remained muted because the Congress permitted taxpayers to pay the extra first-year liability in three annual installments instead of all at once.) After 1995, the ratio of individual income taxes to GDP inches up as real economic growth gradually pushes income earners into higher tax brackets.

Social insurance taxes essentially hang onto their share of GDP--7 percent--in the projections. The slight decline (to 6.9 percent) occurs principally from the taxes that finance unemployment benefits. The states, which retain a great deal of latitude in setting taxes and benefits, will be free to reduce their tax rates as the unemployment trust fund is replenished. Furthermore, the Federal Unemployment Tax Act (FUTA) applies only to the first \$7,000 of each covered worker's salary--a figure that remains unchanged despite economic growth--and a FUTA surtax expires at the end of 1998.

The corporate income tax was 2.1 percent of GDP in 1994 but is expected to drift down to 1.9 percent in 2000, mirroring a decline in corporate profits as a share of GDP. Similarly, excise taxes--which were bolstered by increases in taxes on transportation fuels and by other provisions of OBRA-93--slip marginally as a share of GDP, mainly because most excise taxes are fixed in dollar rather than in percentage terms. Among small revenue sources, one--customs duties--contains a hidden story. Such receipts were expected to climb faster than GDP, in tandem with growing volumes of trade. But ratification of the Uruguay Round of GATT cut them by roughly \$4 billion a year by the late 1990s--enough to hold them to a constant 0.3 percent of GDP.

Expiring Provisions

CBO's baseline projections for revenues assume that current tax law remains unchanged. The projections take into account that some provisions are scheduled to change or expire during the 1995-2000 period. In general, the baseline assumes that those changes and expirations occur on schedule. One category of taxes--excise taxes dedicated to trust funds--constitutes the sole exception to this rule. CBO assumes that those taxes will be extended even if they are scheduled to expire (an assumption that is specified by the Balanced Budget Act). The current baseline thus assumes that several taxes will be extended: those devoted to the Highway Trust Fund, the Airport and Airway Trust Fund, the Hazardous Substance Superfund, and the Leaking Underground Storage

Table 2-13.
Effect of Extending Tax Provisions That Have Recently Expired or Will Expire in 1995 Through 2000
(By fiscal year, in billions of dollars)

| Tax Provision | Expiration Date | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|-----------------|------|------|------|------|------|------|
| Expired Provision | | | | | | | |
| Health Insurance Deduction for the Self-Employed | 12/31/93 | -0.5 | -0.4 | -0.5 | -0.5 | -0.6 | -0.6 |
| Deduction for Contributions to Private Foundations | 12/31/94 | a | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Targeted Jobs Tax Credit | 12/31/94 | -0.1 | -0.2 | -0.3 | -0.4 | -0.4 | -0.5 |
| Exclusion for Employer-Provided Education Assistance | 12/31/94 | -0.2 | -0.5 | -0.6 | -0.6 | -0.7 | -0.7 |
| Orphan Drug Tax Credit | 12/31/94 | a | a | a | a | a | a |
| Provisions Expiring in 1995 | | | | | | | |
| Deny Deduction for Some Noncomplying Health Plans | 5/12/95 | -0.1 | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 |
| Credit for Research and Experimentation | 6/30/95 | -0.2 | -0.9 | -1.3 | -1.6 | -1.9 | -2.2 |
| Rules for Allocation of Expenses for Research and Experimentation | 7/31/95 | -0.2 | -0.5 | -0.5 | -0.5 | -0.6 | -0.6 |
| Extension of Generalized System of Preferences | 7/31/95 | -0.1 | -0.5 | -0.5 | -0.4 | -0.4 | -0.4 |
| Commercial Aviation Exemption for the 4.3 Cent per Gallon Tax on Transportation Fuels | 9/30/95 | n.a. | -0.4 | -0.4 | -0.5 | -0.5 | -0.5 |
| Corporate Tax Dedicated to Superfund | 12/31/95 | n.a. | 0.3 | 0.5 | 0.5 | 0.6 | 0.6 |
| Provisions Expiring in 1996 | | | | | | | |
| Nonconventional Fuels Credit for Fuel from Biomass and Coal | 12/31/96 | n.a. | n.a. | a | a | a | a |
| Provisions Expiring in 1998 | | | | | | | |
| FUTA Surtax of 0.2 Percentage Points | 12/31/98 | n.a. | n.a. | n.a. | n.a. | 0.9 | 1.2 |
| Provisions Expiring in 1999 | | | | | | | |
| Recreational Trails Uses of Gasoline and Diesel, 2.5 Cents per Gallon | 9/30/99 | n.a. | n.a. | n.a. | n.a. | n.a. | a |
| Motorboat and Small Engine Gasoline, 2.5 Cents per Gallon | 9/30/99 | n.a. | n.a. | n.a. | n.a. | n.a. | a |
| Railroad Uses of Diesel Fuel, 1.25 Cents per Gallon | 9/30/99 | n.a. | n.a. | n.a. | n.a. | n.a. | a |
| Luxury Tax on Passenger Vehicles | 12/31/99 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.4 |
| Noncommercial Motorboat Diesel Fuel, 20.1 Cents per Gallon | 12/31/99 | n.a. | n.a. | n.a. | n.a. | n.a. | a |

SOURCE: Joint Committee on Taxation.

NOTES: No provisions are scheduled to expire in 1997. The list does not include expiring excise taxes dedicated to trust funds that are assumed to be extended.

n.a. = not applicable; FUTA = Federal Unemployment Tax Act.

a. Less than \$50 million.

Tank Trust Fund. By 2000, those taxes--assuming that they are extended at today's rates--contribute \$33 billion of CBO's baseline revenues, or more than half of the total excise taxes.

All other temporary provisions of the tax code, in contrast, are assumed to expire on schedule. Five tax preferences have expired recently--one at the end of 1993 and four at the end of 1994 (see Table 2-13). If the Congress extended all five preferences permanently, baseline revenues would be smaller by about \$1.9 billion in 2000.

Thirteen other tax provisions are slated to expire between 1995 and 1999. Five provisions that lose revenues expire this year. Extending them and a credit that expires in 1996 would cost about \$3.9 billion in 2000, relative to the baseline. Extending the other seven--including the corporate tax dedicated to Superfund that expires later this year--would raise almost \$2.3 billion in 2000.

The Budget Outlook Through 2005

The Congressional Budget Act of 1974 requires CBO to do five-year estimates of the budget outlook and of budgetary legislation. But there is a demand for longer-term extrapolations, particularly in light of the current debate over a constitutional amendment to balance the budget. Under current spending and taxing policies, CBO projects that the deficit will top \$400 billion in 10 years--more than twice today's level (see Table 2-14). That projection assumes that discretionary spending resumes growing with inflation after 1998, when the caps expire. (The effects of freezing such spending instead are spelled out below.) Because the economy will grow, the deficit will not climb quite as dramatically in relation to GDP. Still, it inches up fairly steadily, from 2.5 percent of GDP in 1995 to 3.6 percent in 2005.

CBO's extended budget projections are more streamlined than its five-year baseline. Instead of producing a detailed 10-year projection for every program and activity, CBO tries to gauge apparent trends in broad areas of the budget.

Why Does the Deficit Grow?

Discretionary spending decidedly does not explain why the deficit grows as a percentage of GDP. Such spending is held in check by the caps through 1998. Discretionary spending thus falls a full percentage point in relation to GDP between now and 1998--from 7.7 percent to 6.7 percent. Even if such spending is permitted to resume growing no faster than inflation after 1998, it would continue to slip as a percentage of GDP--to 6 percent in 2005.

Revenues also do not account for growing deficits after 2000. Although revenues slowly drift down from 19.3 percent of GDP in 1995 to 18.8 percent by 2000, they remain steady at that level through 2005.

The growing deficits, therefore, stem from entitlement spending, particularly by the major health care programs. Although growth has slowed somewhat, spending for both Medicaid and Medicare is still projected to rise by 10 percent a year through 2005, propelling them to a combined 6 percent of GDP by that time (up from 3.8 percent today). Those two big health care programs overtake in size another entitlement program--Social Security--by 2000 and even catch up to total discretionary spending by 2005. In relation to GDP, Social Security benefits barely change from today's level of 4.7 percent. In 2005, the final year of this extended projection, the first members of the baby-boom generation will still be several years away from eligibility for Social Security retirement benefits and Medicare.

Net interest is the only other major category of spending that rises in relation to GDP, though modestly--from 3.3 percent today to 3.5 percent in 2005. That increase results more from the government's large and growing debt than from any projected jump in interest rates. The debt held by the public reaches nearly \$6.8 trillion in 2005, or about 58 percent of GDP. The nation has not experienced such a large ratio of debt to GDP since 1955, when most of the debt still represented money borrowed to help pay for World War II. At that time, of course, the debt-to-GDP ratio was headed down instead of up.

At the end of fiscal year 1994, two large federal trust funds--Social Security and Medicare Hospital

Table 2-14.
The Budget Outlook Through 2005 With Discretionary Inflation After 1998 (By fiscal year)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| In Billions of Dollars | | | | | | | | | | | |
| Revenues | 1,355 | 1,418 | 1,475 | 1,546 | 1,618 | 1,697 | 1,787 | 1,880 | 1,978 | 2,082 | 2,191 |
| Outlays | | | | | | | | | | | |
| Discretionary | 544 | 549 | 548 | 547 | 566 | 585 | 605 | 626 | 647 | 669 | 692 |
| Mandatory | | | | | | | | | | | |
| Social Security | 334 | 352 | 371 | 390 | 411 | 433 | 456 | 481 | 507 | 534 | 563 |
| Medicare | 176 | 196 | 217 | 238 | 262 | 286 | 314 | 344 | 379 | 417 | 460 |
| Medicaid | 90 | 100 | 111 | 123 | 136 | 149 | 164 | 179 | 196 | 214 | 234 |
| Civil Service and Military Retirement | 66 | 68 | 71 | 75 | 80 | 83 | 87 | 91 | 96 | 100 | 105 |
| Other | 179 | 183 | 192 | 199 | 208 | 220 | 224 | 231 | 239 | 247 | 256 |
| Subtotal | 845 | 899 | 962 | 1,026 | 1,097 | 1,173 | 1,245 | 1,328 | 1,417 | 1,513 | 1,617 |
| Deposit insurance | -16 | -9 | -5 | -5 | -3 | -3 | -3 | -3 | -3 | -3 | -4 |
| Net interest | 235 | 260 | 270 | 279 | 294 | 310 | 325 | 344 | 365 | 387 | 412 |
| Offsetting receipts | -77 | -73 | -76 | -79 | -82 | -84 | -88 | -93 | -97 | -102 | -106 |
| Total | 1,531 | 1,625 | 1,699 | 1,769 | 1,872 | 1,981 | 2,084 | 2,202 | 2,329 | 2,465 | 2,611 |
| Deficit | 176 | 207 | 224 | 222 | 253 | 284 | 297 | 322 | 351 | 383 | 421 |
| Social Security Surplus | 69 | 73 | 78 | 84 | 90 | 96 | 104 | 111 | 119 | 128 | 137 |
| Hospital Insurance Surplus | 3 | -2 | -7 | -12 | -19 | -25 | -32 | -39 | -48 | -59 | -71 |
| Debt Held by the Public | 3,617 | 3,838 | 4,077 | 4,317 | 4,589 | 4,891 | 5,207 | 5,547 | 5,917 | 6,318 | 6,757 |
| As a Percentage of GDP | | | | | | | | | | | |
| Revenues | 19.3 | 19.2 | 19.0 | 19.0 | 18.9 | 18.8 | 18.8 | 18.8 | 18.8 | 18.8 | 18.8 |
| Outlays | | | | | | | | | | | |
| Discretionary | 7.7 | 7.4 | 7.1 | 6.7 | 6.6 | 6.5 | 6.4 | 6.3 | 6.2 | 6.1 | 6.0 |
| Mandatory | | | | | | | | | | | |
| Social Security | 4.7 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 |
| Medicare | 2.5 | 2.7 | 2.8 | 2.9 | 3.1 | 3.2 | 3.3 | 3.5 | 3.6 | 3.8 | 4.0 |
| Medicaid | 1.3 | 1.4 | 1.4 | 1.5 | 1.6 | 1.7 | 1.7 | 1.8 | 1.9 | 1.9 | 2.0 |
| Civil Service and Military Retirement | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Other | 2.5 | 2.5 | 2.5 | 2.4 | 2.4 | 2.4 | 2.4 | 2.3 | 2.3 | 2.2 | 2.2 |
| Subtotal | 12.0 | 12.2 | 12.4 | 12.6 | 12.8 | 13.0 | 13.1 | 13.3 | 13.5 | 13.7 | 13.9 |
| Deposit insurance | -0.2 | -0.1 | -0.1 | -0.1 | a | a | a | a | a | a | a |
| Net interest | 3.3 | 3.5 | 3.5 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.5 | 3.5 | 3.5 |
| Offsetting receipts | -1.1 | -1.0 | -1.0 | -1.0 | -1.0 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 |
| Total | 21.8 | 22.1 | 21.9 | 21.7 | 21.8 | 22.0 | 22.0 | 22.1 | 22.2 | 22.3 | 22.5 |
| Deficit | 2.5 | 2.8 | 2.9 | 2.7 | 3.0 | 3.1 | 3.1 | 3.2 | 3.3 | 3.5 | 3.6 |
| Social Security Surplus | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.2 | 1.2 |
| Hospital Insurance Surplus | a | a | -0.1 | -0.1 | -0.2 | -0.3 | -0.3 | -0.4 | -0.5 | -0.5 | -0.6 |
| Debt Held by the Public | 51.4 | 52.1 | 52.6 | 53.0 | 53.5 | 54.3 | 54.9 | 55.6 | 56.4 | 57.2 | 58.1 |

SOURCE: Congressional Budget Office.
a. Less than 0.05 percent of GDP.