

Proposal in the President's Budget Request for Fiscal Year 2014 to Use the Chained CPI for Certain Mandatory Programs and the Tax Code Starting in 2015

The estimates are subject to change, depending on legislative language.

(Billions of dollars, by fiscal year, relative to CBO's May 2013 Baseline)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
Changes in Direct Spending (Outlays)												
<u>Social Security (off-budget)</u>												
Switch to Chained CPI	0	-1.6	-3.9	-6.4	-9.1	-11.8	-14.5	-17.3	-20.1	-23.0	-21.0	-107.8
Benefit Enhancement	<u>0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.5</u>	<u>3.5</u>	<u>5.5</u>	<u>8.0</u>	<u>0.0</u>	<u>18.5</u>
Subtotal, Social Security	0	-1.6	-3.9	-6.4	-9.1	-11.8	-13.0	-13.8	-14.6	-15.0	-21.0	-89.2
<u>Other COLA Programs</u>												
Civil Service Retirement	0	-0.1	-0.3	-0.5	-0.7	-0.9	-1.0	-1.2	-1.3	-1.4	-1.7	-7.5
Military Retirement	0	-0.1	-0.3	-0.4	-0.5	-0.7	-0.8	-1.0	-1.3	-1.3	-1.3	-6.4
Veterans Compensation	0	-0.1	-0.3	-0.5	-0.6	-0.8	-1.0	-1.2	-1.6	-1.6	-1.5	-7.9
Other COLA Programs	0	*	*	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.3	-1.2
SNAP & SSI Offsets ^a	<u>0</u>	<u>*</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.3</u>	<u>0.4</u>	<u>0.5</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>3.0</u>
Subtotal, COLA Programs	0	-0.3	-0.9	-1.3	-1.7	-2.2	-2.7	-3.1	-3.8	-4.1	-4.2	-20.0
<u>Other Direct Spending</u>												
Refundable Tax Credits ^b	0	0.0	-0.3	-0.7	-1.3	-1.7	-2.0	-2.7	-3.2	-3.5	-2.2	-15.3
Medicare	0	-0.1	-0.2	-0.3	-0.4	-0.6	-1.0	-1.4	-1.7	-2.0	-1.0	-7.8
Other Federal Spending	<u>0</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>-0.1</u>	<u>-0.2</u>	<u>-0.3</u>	<u>-0.4</u>	<u>*</u>	<u>-1.0</u>
Subtotal, Other	0	-0.1	-0.5	-1.0	-1.7	-2.3	-3.2	-4.3	-5.2	-6.0	-3.2	-24.1
Total, Direct Spending	0	-2.0	-5.2	-8.7	-12.5	-16.3	-18.8	-21.2	-23.5	-25.0	-28.4	-133.2
Changes in Revenues												
Total, Revenues	0	1.0	2.7	5.7	7.6	9.7	13.6	16.8	19.6	22.9	17.0	99.5
Net Decrease (-) in the Deficit												
Total, Deficits	0	-3.0	-7.9	-14.4	-20.1	-26.0	-32.4	-38.0	-43.1	-47.9	-45.4	-232.7
On-Budget	0	-1.4	-4.0	-8.0	-11.0	-14.1	-19.3	-24.1	-28.3	-32.6	-24.4	-142.9
Off-Budget	0	-1.6	-3.9	-6.4	-9.1	-11.8	-13.0	-13.9	-14.8	-15.3	-21.0	-89.8

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

Notes: * = between -\$50 million and \$50 million; Numbers may not add up to totals because of rounding.

CPI = Consumer Price Index; COLA = cost of living adjustment;

SNAP = the Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income.

The President's request includes a proposal to replace the consumer price index (CPI) with the chained CPI for certain adjustments that are statutorily tied to the CPI in mandatory programs and the tax code. The proposal exempts several programs from the switch to chained CPI and includes a benefit enhancement for those who rely on Social Security for long periods of time. For programs not specified in the President's request, CBO assumes they would be treated in the same manner as similar programs that were specified.

The chained CPI is a measure of inflation calculated by the Bureau of Labor Statistics that is designed to account fully for changes in spending patterns, such as responses to changes in the prices of different goods. CBO estimates that the annual update for inflation using the chained CPI-U (the chained consumer price index for all urban consumers) would be 0.25 percentage points less, on average, than the update using the CPI-U (the consumer price index for all urban consumers) or CPI-W (the consumer price index for urban wage earners and clerical workers), based on the historical differences between the chained CPI-U and the CPI-U or CPI-W. The actual difference in any year could vary noticeably from that average.

- a. CBO estimates that the proposal would reduce income to individuals who also receive benefits under SNAP or SSI. Because these benefits are calculated based on a formula that considers income, a decrease in income will increase SNAP or SSI benefits.
- b. Earned income credit and child credit.