

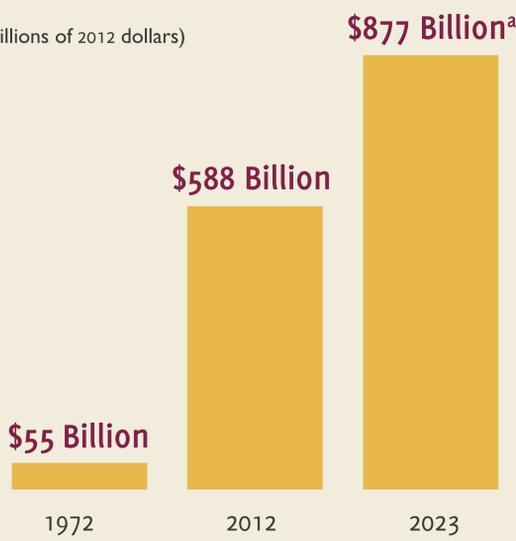
Federal Means-Tested Programs and Tax Credits

provide cash payments or assistance with health care, nutrition, education, housing, or other needs to people with relatively low income or few assets.

In the past 40 years, spending on the government's major means-tested programs and tax credits grew more than tenfold (excluding the effects of inflation).

Over the next decade, spending on those programs will continue to rise under current law, CBO projects, driven mainly by growth in health care programs.

(Billions of 2012 dollars)

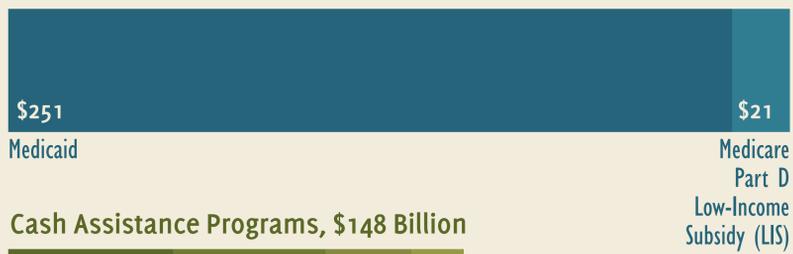


a. Excludes housing assistance programs (which, unlike the other programs shown here, rely on annual appropriations for all of their funding; the size of those appropriations will depend on future actions by lawmakers). Federal spending for those programs totaled \$5 billion in 1972 and \$36 billion in 2012.

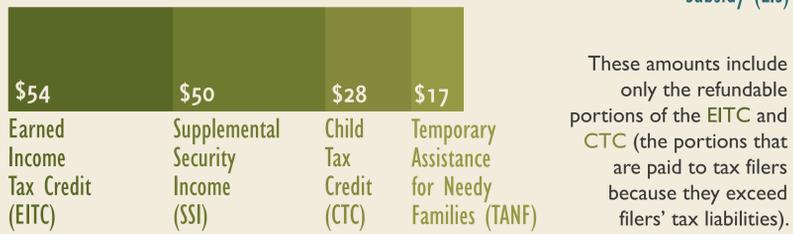
Distribution of Spending in 2012

(Billions of 2012 dollars)

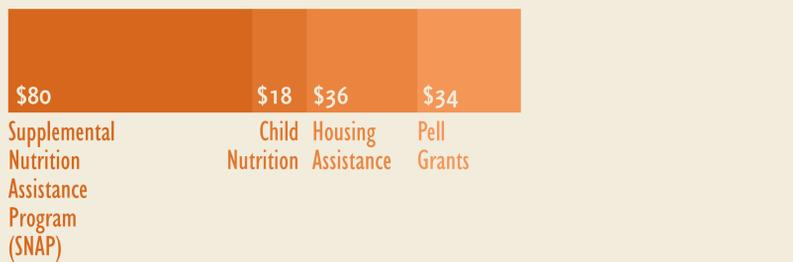
Health Care Programs, \$272 Billion



Cash Assistance Programs, \$148 Billion

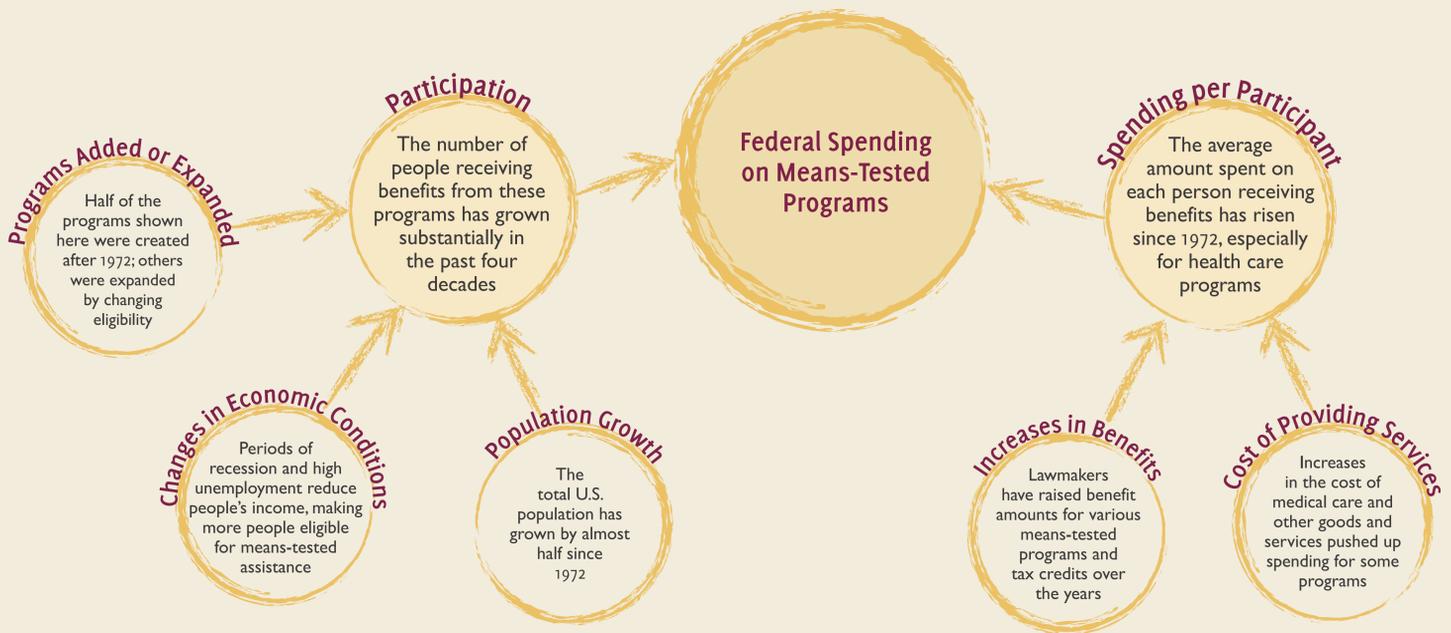


Nutrition, Housing, and Education Programs, \$168 Billion



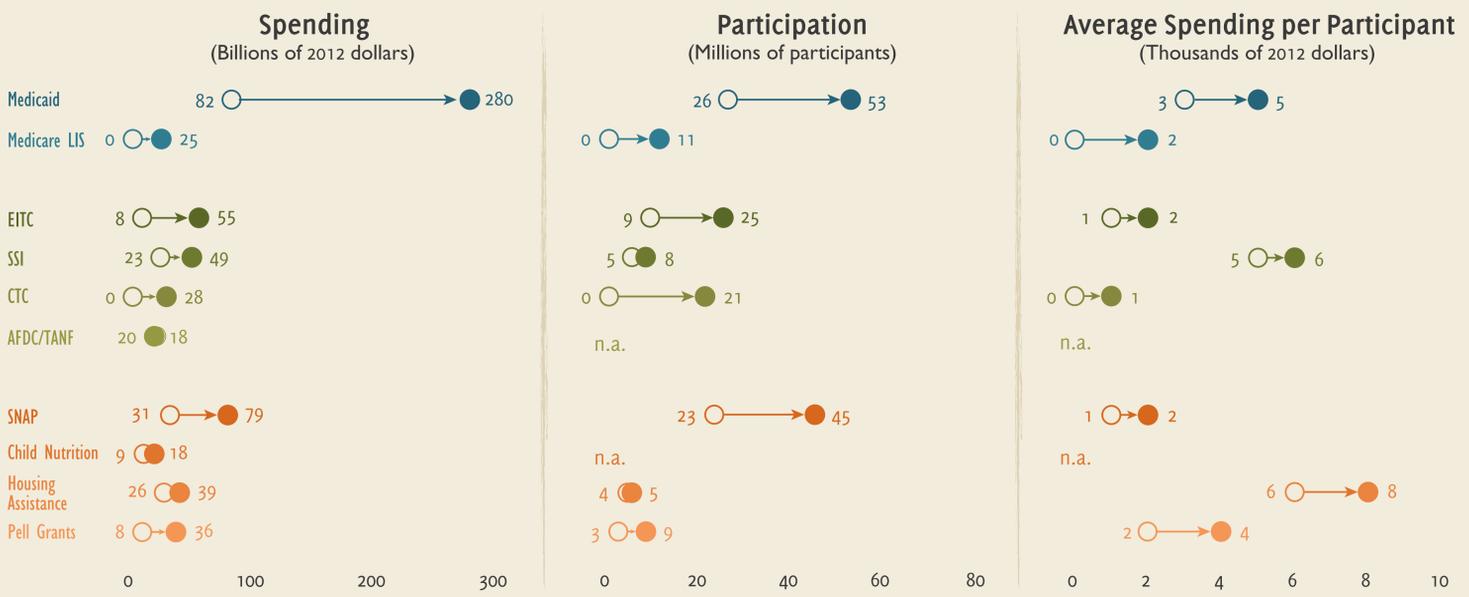
What Explains Changes in Spending?

Two forces have driven the growth of spending on means-tested programs and tax credits since 1972: increases in the number of people participating in those programs and increases in spending per participant. Both of those increases are the result of multiple factors.



Changes in Spending Between 1991 and 2011

Excluding the effects of inflation, total federal spending on major means-tested programs and tax credits more than tripled over the two decades from 1991 to 2011 (the latest year for which participation data are available). Spending for Medicaid grew by the largest amount, partly because participation in the program doubled during that period. Participation also doubled for SNAP, and average spending per participant rose for all of the programs for which data are available.



Projected Changes in Spending Between 2012 and 2023

(Billions of 2012 dollars)

If current laws do not change, federal spending on Medicaid and other means-tested programs that provide health care will shoot up over the next 10 years, CBO projects (even after adjusting for inflation). But inflation-adjusted spending on most of the other means-tested programs and tax credits is projected to decline under current law.



Notes: Starting in 2014, Medicaid eligibility is expected to be extended in many states to people with income near or below the poverty level. In addition, some people with low or moderate income will qualify for federal subsidies to help them buy health insurance through new insurance exchanges.