
Appendix B: The 10-Year Outlook for Major Federal Trust Funds

Overview

The federal government uses several accounting mechanisms to link earmarked receipts (that is, money designated for a specific purpose) with corresponding expenditures. One of those mechanisms is trust funds.¹ When the receipts designated for trust funds exceed the amounts needed for expenditures, the funds are credited with nonmarketable debt instruments known as Government Account Series (GAS) securities, which are issued by the Treasury. At the end of fiscal year 2021, trust funds held \$5.4 trillion in such securities (see Table B-1).² (Unless indicated otherwise, all the years discussed in this appendix are federal fiscal years.)

The federal budget has numerous trust funds, although most of the money credited to them goes to fewer than a dozen. By far the largest trust funds are Social Security's Old-Age and Survivors Insurance (OASI) Trust Fund and the funds dedicated to the government's retirement programs for its military and civilian personnel.

According to the Congressional Budget Office's current baseline budget projections, the balances held by federal trust funds will rise by \$357 billion in fiscal year 2022 (see Table B-2). That amount is \$259 billion more than the \$98 billion surplus the agency estimated for the trust funds as a whole in July 2021, when it

last published its baseline budget projections for those funds.³ The change in CBO's estimate was largely driven by two factors: a \$118 billion transfer to the Highway Trust Fund from the Treasury's general fund (required by the Infrastructure Investment and Jobs Act, or IJA, Public Law 117-58), and more tax income credited to the OASI Trust Fund.

Spending from all the trust funds combined is projected to exceed their collective income starting in 2025. That deficit grows to \$505 billion by 2032. Over the 2023–2032 period, the trust funds are projected to incur a deficit of \$1.9 trillion, on net, mostly because of growing shortfalls in the OASI Trust Fund.

If the Congress did not act to address the shortfalls, the balances in two trust funds would be exhausted within the next 10 years, CBO projects: the Highway Trust Fund (in 2027) and Medicare's Hospital Insurance (HI) Trust Fund (in 2030). No provisions in law dictate the funds' procedures once their balances are depleted. If that happened, the government would continue to collect excise and payroll taxes designated for the funds and the funds would continue to make payments, but the government would not have the legal authority to make payments in excess of receipts. Thus, the government would no longer be able to pay the amounts scheduled or projected under current law.⁴

1. Other mechanisms serving that purpose are special funds (such as the fund that the Department of Defense uses to finance its health care program for military retirees) and revolving funds (such as the Federal Employees' Group Life Insurance fund).

2. Debt issued in the form of GAS securities is included in a measure of federal debt called gross debt. Because that debt is intragovernmental in nature, it is not included in the measure called debt held by the public. For a discussion of different measures of federal debt, see Congressional Budget Office, *Federal Debt: A Primer* (March 2020), www.cbo.gov/publication/56165.

3. Congressional Budget Office, "10-Year Trust Fund Projections" (supplemental material for *The Budget and Economic Outlook: 2021 to 2031*, July 2021), www.cbo.gov/data/budget-economic-data#5.

4. For more information about the legal issues related to exhaustion of a trust fund, see Barry F. Huston, *Social Security: What Would Happen If the Trust Funds Ran Out?* Report RL33514, version 32 (Congressional Research Service, October 2021), <https://go.usa.gov/xEtaw>. See also Congressional Budget Office, *The 2021 Long-Term Budget Outlook* (March 2021), www.cbo.gov/publication/56977.

Table B-1.

CBO's Baseline Projections of Trust Fund Balances

Billions of Dollars

	Actual, 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Social Security												
Old-Age and Survivors Insurance	2,756	2,713	2,640	2,529	2,379	2,199	1,984	1,725	1,417	1,059	647	181
Disability Insurance	98	114	135	157	178	197	213	232	253	275	299	324
Subtotal	2,854	2,828	2,775	2,686	2,557	2,395	2,197	1,957	1,670	1,334	946	505
Medicare												
Supplementary Medical Insurance (Parts B and D)	171	178	165	165	163	174	187	175	214	229	248	269
Hospital Insurance (Part A) ^{a,b}	136	159	162	176	163	145	122	65	49	0	0	0
Subtotal	307	337	328	342	327	318	309	240	264	229	248	269
Military Retirement												
Civilian Retirement ^c	948	1,035	1,059	1,084	1,110	1,138	1,167	1,198	1,231	1,265	1,298	1,332
Unemployment Insurance	53	80	101	120	124	125	121	117	109	99	89	64
Highway and Mass Transit ^a	21	130	113	90	62	30	0	0	0	0	0	0
Airport and Airway	16	15	19	24	29	34	40	47	54	61	69	78
Railroad Retirement (Treasury holdings) ^d	3	2	2	2	2	2	2	2	2	2	2	2
Other ^e	122	124	126	129	131	134	136	139	142	145	149	152
Total Trust Fund Balance	5,355	5,713	5,812	5,893	5,887	5,855	5,671	5,410	5,203	4,880	4,558	4,173
Memorandum:												
Railroad Retirement (Non-Treasury holdings) ^d	24	22	21	20	18	17	16	14	13	12	11	9

Data source: Congressional Budget Office. See www.cbo.gov/publication/57950#data.

These balances are for the end of the fiscal year and include only securities invested in Treasury holdings.

- In keeping with the rules in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, CBO's baseline projections incorporate the assumption that scheduled payments will continue to be made in full after the trust fund has been exhausted, although there is no legal authority to make such payments. Because the manner in which those payments continued would depend on future legislation, if the trust fund is projected to be exhausted, the table shows zero rather than a cumulative negative balance after the exhaustion date.
- CBO now projects that the Hospital Insurance Trust Fund will be exhausted in 2030, three years later than the agency projected in July 2021, mainly because of an increase in the projected amount of income into the trust fund from payroll tax revenues.
- Includes trust funds for civil service retirement and foreign service retirement, as well as several smaller retirement funds.
- The Railroad Retirement and Survivors' Improvement Act of 2001 established an entity, the National Railroad Retirement Investment Trust, that is allowed to invest in non-Treasury securities, such as stocks and corporate bonds.
- Consists primarily of trust funds for federal employees' health and life insurance, the Superfund program (which is responsible for cleaning up sites contaminated with hazardous materials), and various insurance programs for veterans.

How Trust Funds Work

When a trust fund receives income that is not needed immediately to pay benefits or cover other expenses, the Treasury issues GAS securities in that amount to the fund and then uses the extra cash to finance the government's activities, just as it uses other revenues. As a result, the government borrows less from the public than it would without that extra net income. The reverse happens when a trust fund's income falls short of its expenses; in that case, the fund returns the GAS securities to the Treasury, which then must borrow from the public to make the necessary payments from the fund.

The balance of a trust fund at any given time is a measure of the historical relationship between the related program's receipts and expenditures. That balance (in the form of GAS securities) is an asset for the individual program, such as Social Security, but a liability for the rest of the government. The resources to redeem a trust fund's securities—and thereby pay for benefits or other spending—in some future year must be generated through taxes, income from other governmental sources, or borrowing from the public in that future year. Trust funds have legal meaning in that their balances are a measure of the amounts that the government has the legal authority to spend for certain purposes under current law, but they

Table B-2.

CBO's Baseline Projections of Trust Fund Deficits and Surpluses

Billions of Dollars

	Actual, 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total	
													2023– 2027	2023– 2032
Social Security														
Old-Age and Survivors Insurance	-55	-42	-73	-111	-150	-180	-214	-260	-307	-359	-412	-466	-729	-2,532
Disability Insurance	1	16	21	22	21	19	16	19	21	22	24	25	99	210
Subtotal	-55	-26	-53	-89	-129	-161	-198	-240	-287	-337	-388	-441	-630	-2,322
Medicare														
Supplementary Medical Insurance (Parts B and D)	83	7	-13	*	-2	10	13	-12	40	14	19	21	8	91
Hospital Insurance (Part A) ^a	2	22	4	14	-13	-19	-23	-57	-16	-49	-53	-74	-37	-286
Subtotal	85	30	-9	14	-15	-8	-10	-69	24	-35	-34	-53	-28	-195
Military Retirement	116	130	126	130	127	134	19	13	21	13	12	13	536	608
Civilian Retirement ^b	-36	87	25	25	26	28	29	31	32	34	34	34	133	297
Unemployment Insurance	3	27	22	18	5	1	-4	-4	-8	-9	-10	-25	41	-16
Highway and Mass Transit ^c	9	108	-17	-23	-28	-32	-37	-39	-41	-42	-44	-45	-136	-347
Airport and Airway	8	*	4	5	5	5	6	6	7	7	8	9	25	62
Other ^c	-1	2	2	2	2	2	3	3	3	3	3	4	12	27
Total Trust Fund Deficit (-) or Surplus	129	357	99	81	-6	-32	-191	-300	-248	-365	-418	-505	-49	-1,885
Intragovernmental Transfers to Trust Funds ^d	890	957	976	989	1,071	1,160	1,116	1,210	1,213	1,315	1,387	1,487	5,312	11,923
Net Budgetary Impact of Trust Fund Programs	-761	-600	-876	-908	-1,077	-1,192	-1,308	-1,509	-1,461	-1,680	-1,805	-1,992	-5,361	-13,808

Data source: Congressional Budget Office. See www.cbo.gov/publication/57950#data.

Negative numbers indicate that the trust funds' transactions add to total budget deficits.

* = between -\$500 million and zero.

- CBO projects that this trust fund will be exhausted during the 2022–2032 period. However, in keeping with the rules in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, CBO's baseline projections incorporate the assumption that scheduled payments will continue to be made in full after the trust fund has been exhausted, although there is no legal authority to make such payments. The manner in which those payments continued would depend on future legislation.
- Includes trust funds for civil service retirement and foreign service retirement, as well as several smaller retirement funds.
- Consists primarily of trust funds for railroad workers' retirement, federal employees' health and life insurance, the Superfund program (which is responsible for cleaning up sites contaminated with hazardous materials), and various insurance programs for veterans.
- Includes interest paid to trust funds, payments from the Treasury's general fund to the Supplementary Medical Insurance Trust Fund, the government's share of payments for federal employees' retirement, lump-sum payments to the trust funds for civil service and military retirement, taxes on Social Security benefits, and smaller miscellaneous payments.

have little relevance in an economic or budgetary sense unless the limits of that authority are reached.

Trust Funds' Effects on the Budget

To assess how all federal activities, taken together, affect the economy and financial markets, it is useful to include the cash receipts and expenditures of trust funds in the budget totals, along with the receipts and expenditures of

other federal programs. CBO, the Office of Management and Budget, and other fiscal analysts generally follow that practice.

Some of the trust funds' income is in the form of intra-governmental transfers. Those transfers shift resources from one category of the budget to another and have no net effect on revenues, outlays, the budget deficit, or the

government's borrowing needs. Those transfers include interest credited to the trust funds; payments from the Treasury's general fund to cover most of the costs of payments for outpatient medical services (including payments to physicians) and for prescription drugs under Parts B and D of Medicare; and the government's share of payments for federal employees' retirement programs. Transfers have also been made to protect trust funds from the financial effects of certain policies, most notably to offset the reduction in Social Security payroll taxes during calendar years 2011 and 2012. (At that time, withholding tax rates were temporarily reduced to provide an economic stimulus by increasing workers' take-home pay.) Intragovernmental transfers are projected to total \$1.0 trillion in 2022 and to reach \$1.5 trillion in 2032.

Excluding those transfers and counting only income from sources outside the government (such as payroll taxes and Medicare premiums), CBO estimates that the trust fund programs' spending will exceed designated receipts by \$600 billion in 2022. That difference—the amount that the programs add to federal deficits—is projected to be \$876 billion in 2023 and to grow to \$2.0 trillion in 2032.

Those estimates are calculated following procedures specified in section 257(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). Specifically, that law requires CBO to assume that the federal government will make required payments in full, regardless of the status of the trust funds.

Social Security's Trust Funds

Social Security provides benefits to retired workers, their families, and some survivors of deceased workers through the OASI program; it also provides benefits to some people with disabilities and their families through the Disability Insurance (DI) program. Those benefits are financed mainly through payroll taxes that are collected on workers' earnings at a rate of 12.4 percent—half of which is paid by the worker and half by the employer. Of that 12.4 percent tax, 10.6 percentage points is credited to the OASI trust fund and the remaining 1.8 percentage points to the DI trust fund.

Old-Age and Survivors Insurance

The OASI trust fund, which held \$2.8 trillion in GAS securities at the end of 2021, is by far the largest federal

trust fund. CBO projects that the fund's annual income, excluding interest on those securities, will steadily rise from \$967 billion in 2022 to \$1.5 trillion in 2032 (see Table B-3).⁵ Expenditures from the fund are projected to be \$1.1 trillion in 2022—exceeding noninterest income by \$107 billion—and to grow more quickly than noninterest income over the next 10 years, rising to \$2.0 trillion in 2032.

With expenditures growing by an average of about 6 percent a year and noninterest income (mostly from payroll taxes) increasing by an average of about 4 percent a year, the annual cash flows of the OASI program, excluding interest credited to the trust fund, would add to federal deficits in every year of the coming decade by amounts reaching \$478 billion in 2032, CBO estimates (see Figure B-1, top panel). Even with interest receipts included, the OASI trust fund is projected to record deficits that, in CBO's baseline projections, reach \$466 billion in 2032. CBO projects that under current law, the balance of the OASI trust fund would decline to less than \$200 billion at the end of 2032 and would be exhausted in the following year.

Those projections are similar to the projections in CBO's July 2021 *Budget and Economic Outlook*. Even though the 10-year projection period has shifted forward by one year since then, the projected balance at the end of 2031 has changed little because both projected income and projected spending have increased by similar amounts.

Disability Insurance

The DI trust fund is much smaller than the OASI trust fund; its balance at the end of 2021 was \$98 billion. Under CBO's current baseline projections, the annual income of the DI fund, excluding interest, is projected to grow gradually, reaching \$237 billion in 2032 (see Table B-3). As with the OASI fund, expenditures from the DI fund are projected to increase steadily over the next decade—but more slowly, by about 4 percent a year—rising from \$144 billion in 2022 to \$222 billion in 2032. Noninterest income credited to the DI trust fund roughly matched expenditures in 2021; the DI

5. Although the federal government is an employer, it does not pay taxes. Instead, to cover the employer's share of the Social Security payroll tax for federal workers, it makes an intragovernmental transfer from the general fund of the Treasury to the OASI and DI trust funds. That transfer is included in the income line in Table B-3.

Table B-3.

CBO's Baseline Projections of Balances in the OASI, DI, and HI Trust Funds

Billions of Dollars

	Actual, 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total	
													2023– 2027	2023– 2032
OASI Trust Fund														
Beginning-of-Year Balance	2,811	2,756	2,713	2,640	2,529	2,379	2,199	1,984	1,725	1,417	1,059	647	n.a.	n.a.
Income (Excluding interest)	865	967	1,041	1,089	1,129	1,178	1,226	1,274	1,324	1,375	1,429	1,484	5,663	12,549
Expenditures	-991	-1,074	-1,175	-1,257	-1,332	-1,408	-1,486	-1,576	-1,668	-1,764	-1,863	-1,962	-6,656	-15,490
Noninterest Deficit	-126	-107	-133	-168	-203	-230	-260	-302	-344	-389	-434	-478	-994	-2,941
Interest received	71	65	60	57	53	49	45	42	37	30	22	12	265	409
Total Deficit (-) or Surplus	-55	-42	-73	-111	-150	-180	-214	-260	-307	-359	-412	-466	-729	-2,532
End-of-Year Balance	2,756	2,713	2,640	2,529	2,379	2,199	1,984	1,725	1,417	1,059	647	181	n.a.	n.a.
DI Trust Fund														
Beginning-of-Year Balance	97	98	114	135	157	178	197	213	232	253	275	299	n.a.	n.a.
Income (Excluding interest)	142	157	170	177	183	190	197	205	212	220	229	237	918	2,021
Expenditures	-143	-144	-152	-159	-167	-176	-187	-192	-199	-206	-214	-222	-841	-1,874
Noninterest Deficit (-) or Surplus	-2	13	18	18	17	14	11	13	13	14	15	15	77	147
Interest received	3	3	3	4	4	5	6	6	7	8	9	10	22	63
Total Deficit (-) or Surplus	1	16	21	22	21	19	16	19	21	22	24	25	99	210
End-of-Year Balance	98	114	135	157	178	197	213	232	253	275	299	324	n.a.	n.a.
HI Trust Fund^a														
Beginning-of-Year Balance	134	136	159	162	176	163	145	122	65	49	0	0	n.a.	n.a.
Income (Excluding interest)	359	413	409	426	443	464	488	509	531	555	579	604	2,230	5,008
Expenditures	-360	-393	-410	-417	-461	-488	-516	-570	-549	-605	-632	-678	-2,291	-5,325
Noninterest Deficit	-1	19	-1	9	-18	-24	-28	-60	-18	-50	-53	-74	-61	-317
Interest received	2	3	4	5	5	5	5	3	2	1	0	0	25	31
Total Deficit (-) or Surplus	2	22	4	14	-13	-19	-23	-57	-16	-49	-53	-74	-37	-286
End-of-Year Balance	136	159	162	176	163	145	122	65	49	0	0	0	n.a.	n.a.

Data source: Congressional Budget Office. See www.cbo.gov/publication/57950#data.

Balances shown are invested in Government Account Series securities issued by the Treasury.

DI = Disability Insurance; HI = Hospital Insurance; OASI = Old-Age and Survivors Insurance; n.a. = not applicable.

a. In keeping with the rules in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, CBO's baseline projections incorporate the assumption that scheduled payments will continue to be made in full after the trust fund has been exhausted, although there is no legal authority to make such payments. Because the manner in which those payments continued would depend on future legislation, the table shows zero rather than a cumulative negative balance in the trust fund after the exhaustion date. For the same reason, the table shows zero interest received rather than an interest payment, which reflects the assumption that future legislation would not require the funds to pay financing costs.

trust fund is projected to have noninterest surpluses in each of the next 10 years (see Figure B-1, middle panel).

CBO had previously projected that, if current laws generally did not change, the DI trust fund's balance would remain stable at about \$100 billion through the end of the 10-year projection period. The agency now projects that the balance will grow to more than \$300 billion by 2032. In CBO's estimation, that projected increase

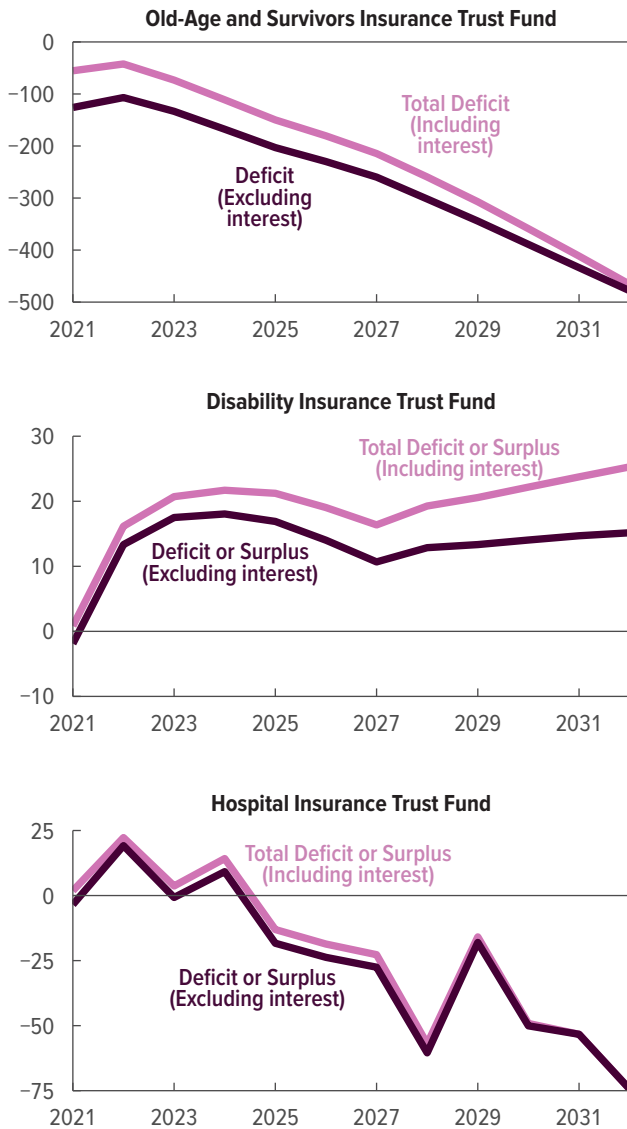
results from more payroll taxes being paid into the trust fund (primarily because of higher wages) and fewer outlays for DI benefits (mainly owing to a decrease in the projected number of DI beneficiaries).⁶

6. For details on changes CBO has made to its baseline projections since July 2021, see Appendix A.

Figure B-1.

CBO's Baseline Projections of Annual Deficits and Surpluses in the OASI, DI, and HI Trust Funds

Billions of Dollars



Data source: Congressional Budget Office. See www.cbo.gov/publication/57950#data.

DI = Disability Insurance; HI = Hospital Insurance; OASI = Old-Age and Survivors Insurance.

Trust Funds for Federal Employees' Retirement Programs

After Social Security, the largest trust fund balances at the end of 2021 were held by the Military Retirement Trust Fund (\$1.0 trillion) and by various civilian

employee retirement funds (a total of \$0.9 trillion).⁷ Those accounts are mainly funded through transfers from federal agencies, payroll deductions from workers, and supplemental payments from the Treasury. Unlike Social Security's OASI fund and Medicare's trust funds (discussed next), those retirement funds are projected to have surpluses throughout the coming decade. In CBO's baseline projections, the combined annual surpluses total \$217 billion in 2022, average around \$150 billion per year through 2026, and then average roughly \$45 billion per year through 2032.

Of the cumulative growth in the funds' projected balances over the 10-year period, about two-thirds is attributable to the Military Retirement Trust Fund (see Table B-1 on page 126). In CBO's current baseline projections, the balance of the Military Retirement Trust Fund increases by an average of 4 percent annually over the coming decade, reaching nearly \$1.8 trillion in 2032. (Most of that increase occurs by 2026.) That fund's growth, particularly through 2026, stems from additional payments that the Treasury is required to make in those years to increase the size of the fund so that it aligns better with projected liabilities. Balances in the civilian retirement funds are projected to grow more slowly, increasing by an average of less than 3 percent annually over the next decade and totaling roughly \$1.3 trillion at the end of 2032.

Medicare's Trust Funds

Payments for Medicare benefits are made from two trust funds. The Supplementary Medical Insurance (SMI) Trust Fund is used to make payments for services provided under Parts B and D of the Medicare program, and the HI trust fund is used to make payments under Part A of Medicare.⁸

Supplementary Medical Insurance Trust Fund

The SMI trust fund, the larger of Medicare's two trust funds, contains two separate accounts. One pays for physicians' services and other health care provided on an outpatient basis under Part B of Medicare (Medical

7. Those civilian retirement funds include the Civil Service Retirement Trust Fund, the Foreign Service Retirement Trust Fund, and several smaller retirement funds.

8. Part C of Medicare (known as Medicare Advantage) specifies the rules under which private health care plans can assume responsibility for, and be paid for, providing benefits covered under Parts A and B.



Insurance), and the other pays for prescription drug benefits under Part D.

Most of the SMI trust fund's income comes in the form of transfers from the general fund of the Treasury, which are automatically adjusted to cover the differences between the program's spending and specified revenues. (In 2021, for example, transfers to the SMI fund accounted for about 75 percent of its income.) Thus, the balance in the SMI fund cannot be exhausted.

The funding mechanisms used for the two accounts differ slightly.

- The Part B portion of the SMI fund is financed mainly through transfers from the general fund of the Treasury and through monthly premium payments from Medicare beneficiaries. The basic monthly premium for Part B is set to cover approximately 25 percent of the program's expected spending (and is adjusted to maintain a contingency reserve to cover unexpected spikes in spending). Beneficiaries with relatively high income pay a larger premium. The amount transferred from the general fund equals about three times the amount expected to be collected from basic premiums minus the amount collected from the income-related premiums, fees from drug manufacturers, and interest income.
- The Part D portion of the SMI fund is financed mainly through transfers from the general fund, monthly premium payments from beneficiaries, and transfers from states (which are based on the number of people in a state who would have received prescription drug coverage under Medicaid in the absence of Part D). The basic monthly premium for Part D is set to cover 25.5 percent of the program's estimated spending if all participants paid it. But low-income people who receive subsidies available under Part D are not required to pay Part D premiums, and most other beneficiaries pay their premiums directly to their Part D plan. As a result, receipts are projected to cover less than 25.5 percent of the government's costs even though higher-income participants in Part D pay the government a larger premium. The amount transferred from the general fund is set to cover total expected spending for benefits and administrative costs net of the amounts transferred from states and collected from basic and income-related premiums.

At the end of 2021, the SMI fund held \$171 billion in GAS securities. Those holdings are projected to increase to \$269 billion in 2032. That increase reflects the Centers for Medicare & Medicaid Services's (CMS's) goal of maintaining a contingency reserve that is between 15 percent and 20 percent of annual spending for Part B.

Hospital Insurance Trust Fund

The HI trust fund, which had a balance of \$136 billion at the end of 2021, is the smaller of Medicare's two funds. It is used to make payments to hospitals and providers of post-acute care services under Part A of the Medicare program. The fund's income is derived primarily from the Medicare payroll tax (which amounts to 2.9 percent of workers' earnings, divided equally between the worker and the employer, or 3.8 percent for certain high-income earners). In 2021, that tax accounted for 83 percent of the \$359 billion in noninterest income credited to the HI trust fund. An additional 7 percent came from part of the income taxes on Social Security benefits collected from beneficiaries. The remaining 10 percent of the HI trust fund's noninterest income consisted of premiums paid by beneficiaries; amounts recovered from overpayments to providers; fines, penalties, and other amounts collected by the Health Care Fraud and Abuse Control program; and other transfers and appropriations. In addition, the trust fund is credited with interest on its balances; that interest amounted to \$2.5 billion in 2021.

The HI trust fund's noninterest income is projected to increase from \$413 billion in 2022 to \$604 billion in 2032—an average annual increase of about 4 percent (see Table B-3 on page 129). But annual expenditures from the fund are projected to grow more rapidly—at an average annual rate of 6 percent—rising from \$393 billion in 2022 to \$678 billion in 2032.⁹ If current laws governing the program remained in place and full benefits continued to be paid, expenditures would outstrip income in all years from 2025 through 2032, CBO estimates (see Figure B-1 on page 130, bottom panel).

The HI trust fund is projected to become exhausted in 2030, three years later than CBO estimated in

9. When October 1 (the first day of the fiscal year) falls on a weekend, as it will in calendar years 2022, 2023, and 2028, some Medicare payments that would ordinarily have been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year.

July 2021.¹⁰ The later exhaustion date results primarily from the agency's projections of higher payroll tax revenues.

After the date of exhaustion, CMS could not make payments in excess of the available receipts. However, because CBO's baseline projections must incorporate the assumption that CMS would continue to pay HI benefits in full, CBO projects that outlays would exceed receipts by \$49 billion in 2030, an amount that would increase to \$74 billion in 2032.

Following its exhaustion, if the trust fund's outlays were limited to its income, expenditures in 2031 would be 8 percent below the amounts scheduled under current law, and they would be 11 percent below those amounts in 2032, CBO estimates. It is unclear what changes CMS could make to operate the Part A program under those circumstances.

Highway Trust Fund

The Highway Trust Fund comprises two accounts: the highway account, which funds the construction of highways and the enforcement of highway safety programs, and the transit account, which funds mass transit programs. Revenues credited to the Highway Trust Fund are derived primarily from excise taxes on gasoline and certain other motor fuels.¹¹ Most of those taxes are

scheduled to expire after 2028. (However, the baseline projections are required by law to reflect the assumption that expiring excise taxes dedicated to a trust fund will be extended—in this case, beyond 2028.) Almost all spending from the fund is controlled by limitations on obligations set in appropriation acts.

From 2008 through 2021, the fund's outlays exceeded its revenues by a total of \$159 billion. As a result, lawmakers have authorized a series of transfers to the Highway Trust Fund to avoid delaying payments to state and local governments. The most recent transfer, in November 2021, of \$118 billion from the general fund of the Treasury to the Highway Trust Fund, was authorized by section 80103 of the IIJA. Including that amount, the transfers since 2008 have totaled over \$275 billion.

In CBO's baseline projections, the obligation limitations that control most of the spending from the trust fund are assumed to increase each year at the rate of inflation. Under that assumption, both the highway account and the transit account would be exhausted in 2027, four years later than CBO projected in July 2021; the later date is the result of the 2021 transfer from the general fund.

If the fund was exhausted, its spending would then be limited to no more than it collected in receipts. In 2028, the first year after the fund's projected exhaustion, its outlays would be 47 percent below the amounts in the baseline projections, CBO estimates. The gap between the fund's revenues and spending would increase after that; by 2032, the reduction in spending would amount to over 50 percent.

10. Congressional Budget Office, "10-Year Trust Fund Projections" (supplemental material for *The Budget and Economic Outlook: 2021 to 2031*, July 2021), www.cbo.gov/data/budget-economic-data#5.

11. The other revenues credited to the Highway Trust Fund come from excise taxes on trucks and trailers, on truck tires, and on the use of certain kinds of vehicles.