

Congressional Briefing on the Budget Dilemma

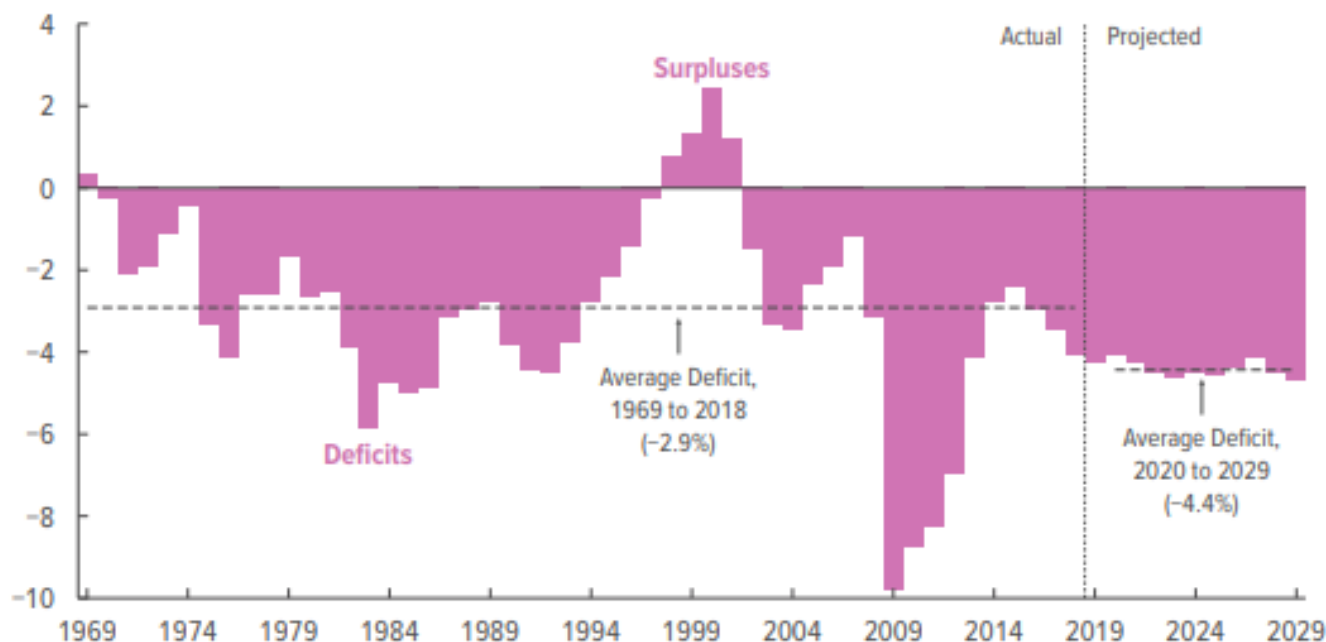
February 2019

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Figure 1-1.

Total Deficits and Surpluses

Percentage of Gross Domestic Product



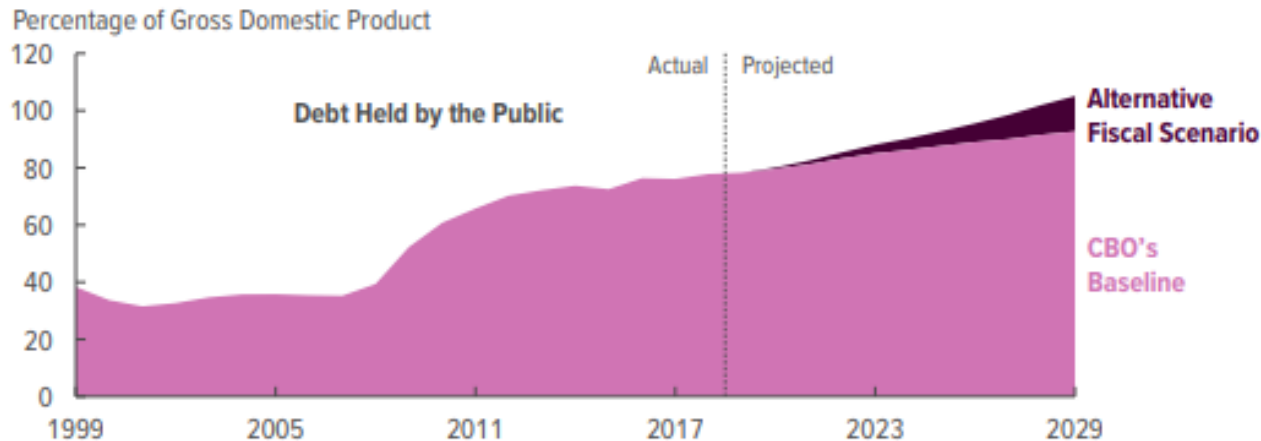
Deficits as a percentage of gross domestic product are projected to remain relatively stable over the coming decade. They exceed their 50-year average throughout the 2020–2029 period.

Source: Congressional Budget Office.

When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. All projections presented here have been adjusted to exclude the effects of those timing shifts. Historical amounts have been adjusted as far back as the available data will allow.

Debt

Federal debt held by the public is projected to reach \$16.6 trillion at the end of 2019. Relative to the size of the economy, that amount—at 78 percent of GDP—would be nearly twice its average over the past 50 years. By 2029, debt is estimated to reach \$28.7 trillion, or 93 percent of GDP—a higher level than at any time since just after World War II. It would continue to grow after 2029, reaching about 150 percent of GDP by 2049.



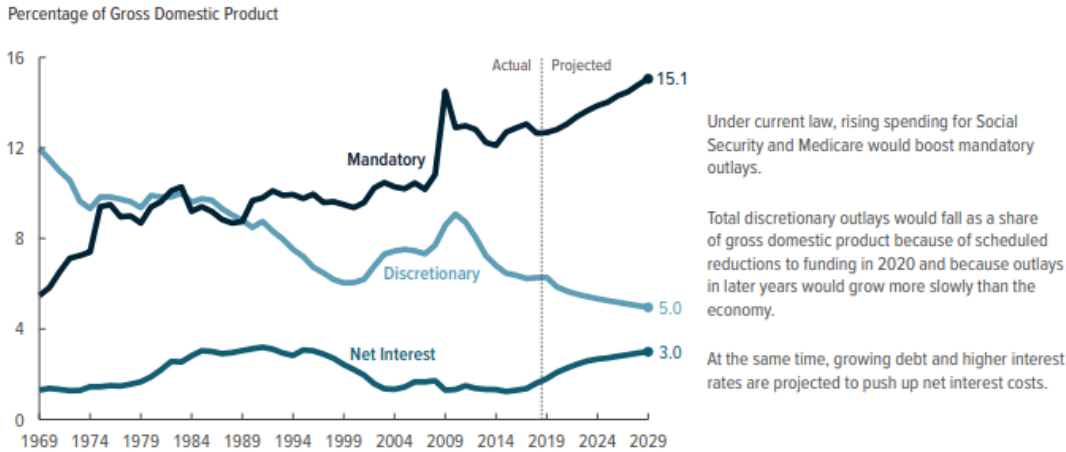
See Figure 5-3

In addition to its projections of outcomes under current law, CBO analyzed an alternative fiscal scenario in which substantial tax increases and discretionary spending cuts would not take place as scheduled; instead, major policies that are currently in place would be maintained. Under that scenario, federal debt would rise to 105 percent of GDP in 2029.

Revenues

In CBO's baseline projections, revenues total \$3.5 trillion in 2019, or 16.5 percent of GDP, and rise to 18.3 percent of GDP in 2029. Over the past 50 years, revenues averaged 17.4 percent of GDP.

Figure 3-1.
Outlays, by Type of Spending



Note: In 2048 Net Interest would pass Social Security as a cost.

Source: Congressional Budget Office, using data from the Office of Management and Budget.

When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays have been adjusted to exclude the effects of those shifts.

Revenues, by Major Source



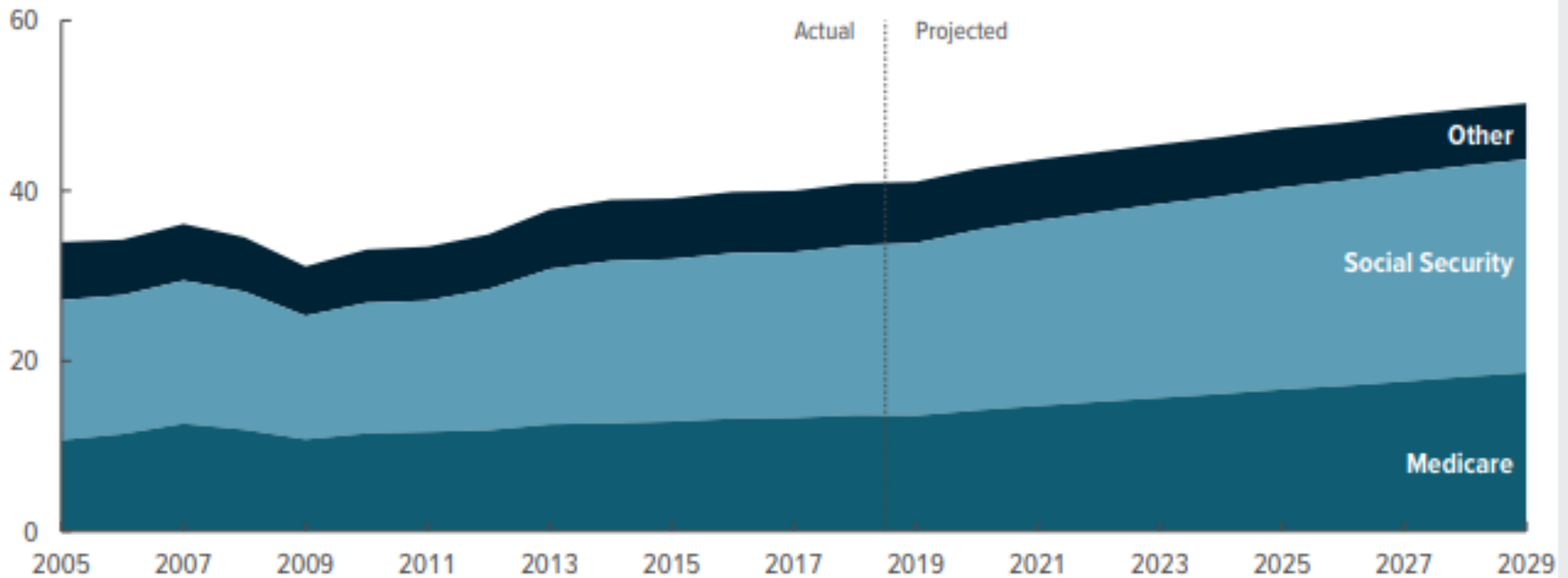
Over the next decade, individual income taxes as a share of gross domestic product are projected to rise sharply following the expiration of certain temporary tax provisions at the end of 2025.

Source: Congressional Budget Office.

a. Consists of excise taxes, remittances to the Federal Reserve System, customs duties, estate and gift taxes, and miscellaneous fees and fines.

Outlays for People Age 65 or Older as a Share of Total Noninterest Outlays

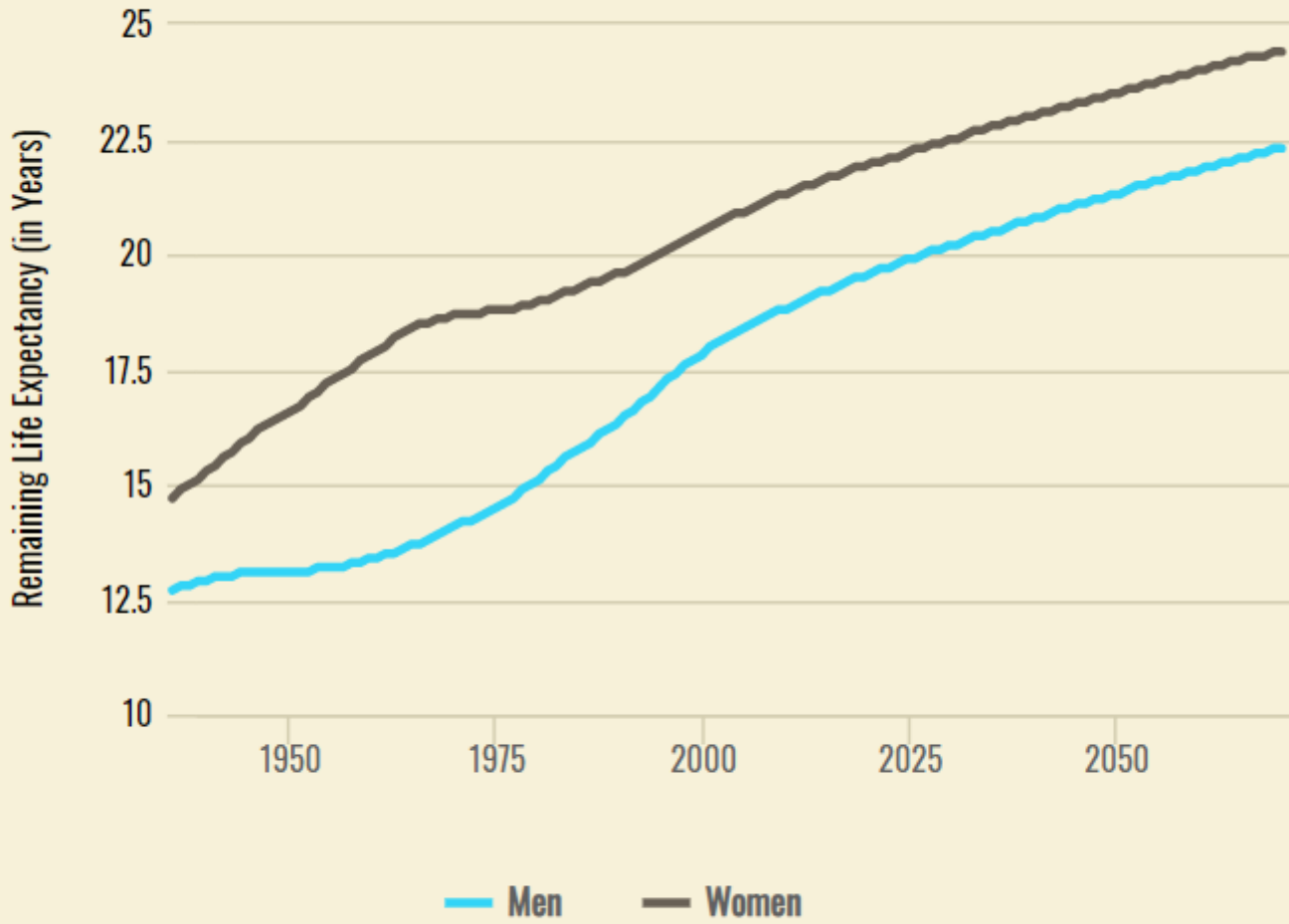
Percentage of Federal Noninterest Outlays



Source: Congressional Budget Office.

The figure includes outlays for Medicare, Social Security, basic military health care and pension benefits, additional health care and cash benefits available to veterans age 65 or older, health and pension benefits provided to federal civilian retirees, the Supplemental Nutrition Assistance Program, Medicaid, Supplemental Security Income, and various forms of housing assistance.

Life Expectancy at Age 65

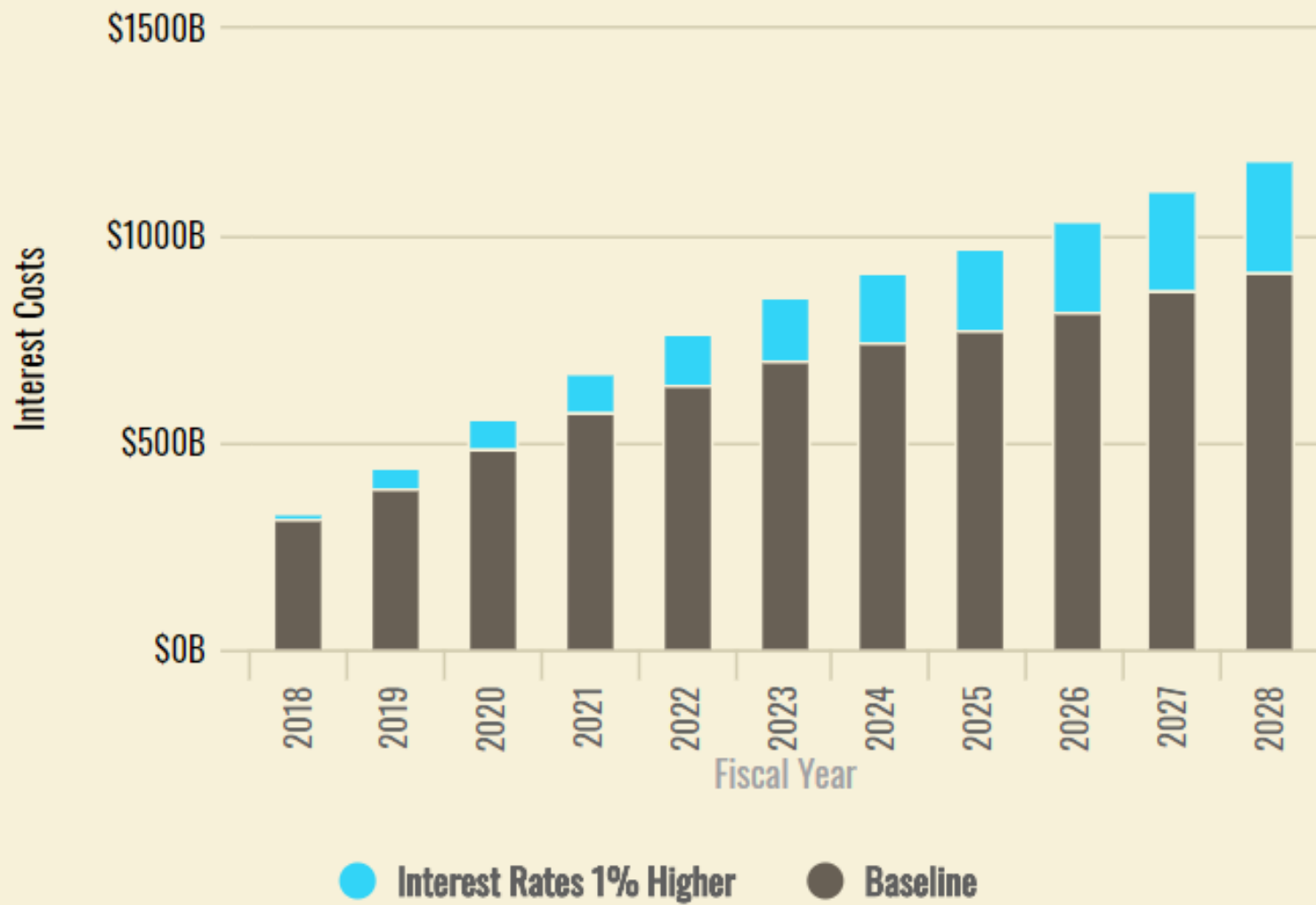


In 2070:
24 Women
22 Men

In 1940:
14 Women
12 Men

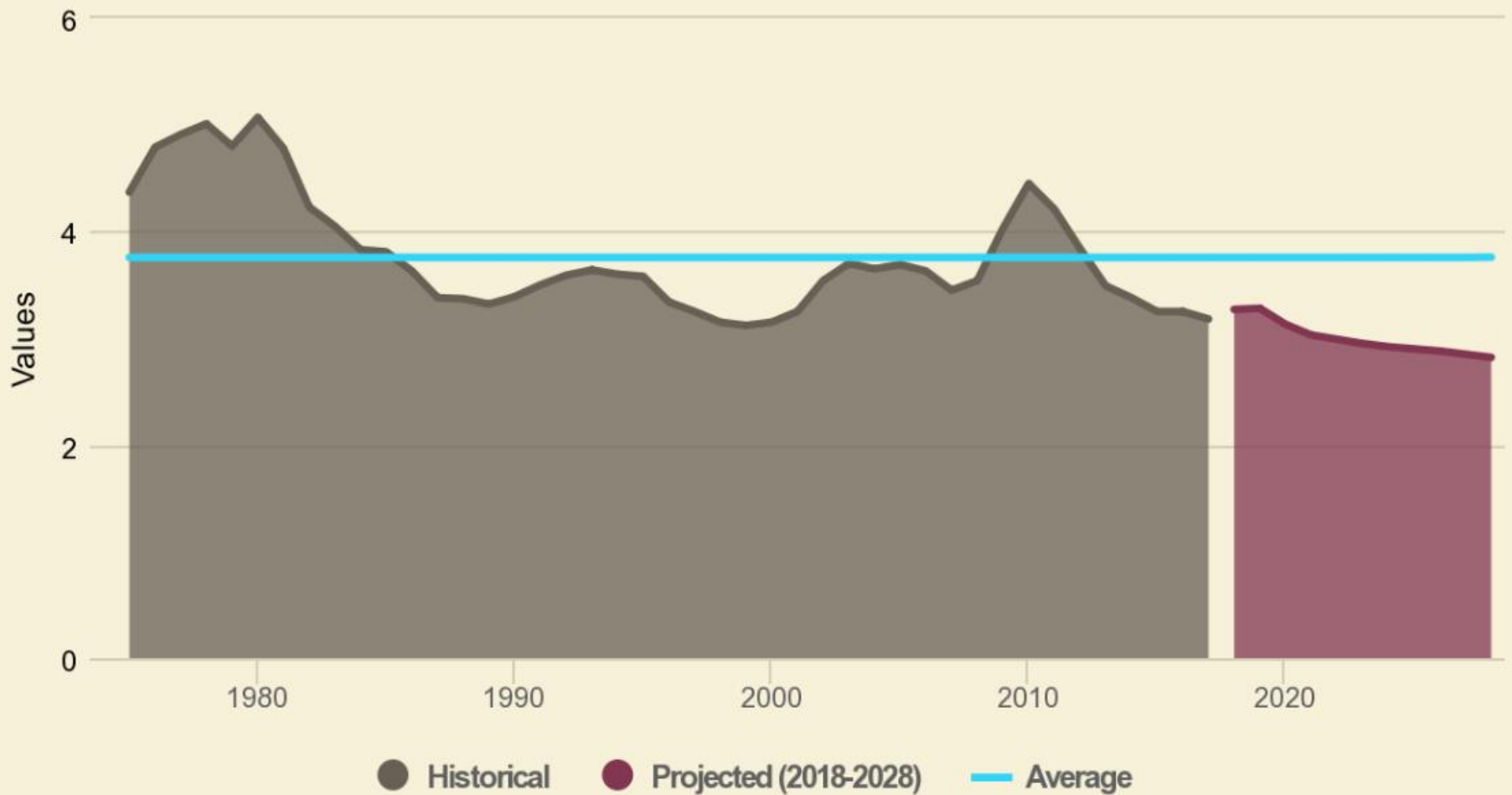
Source: Social Security Trustees Report, 2017

Interest Costs Will Grow



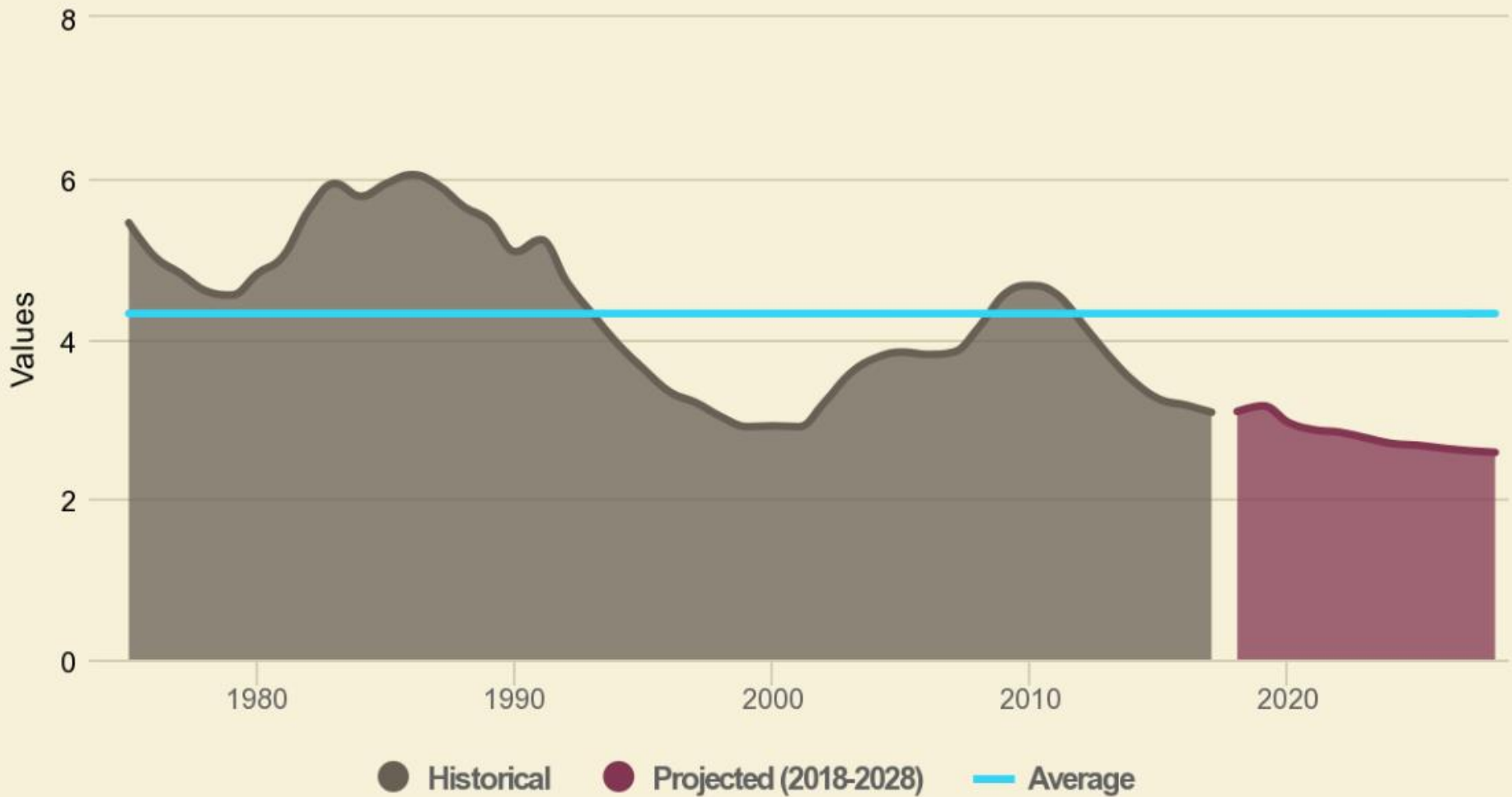
Source: CBO Budget and Economic Outlook, April 2018 & Jan 2017

Non-Defense Discretionary Spending



Source: CBO Budget and Economic Outlook, April 2018

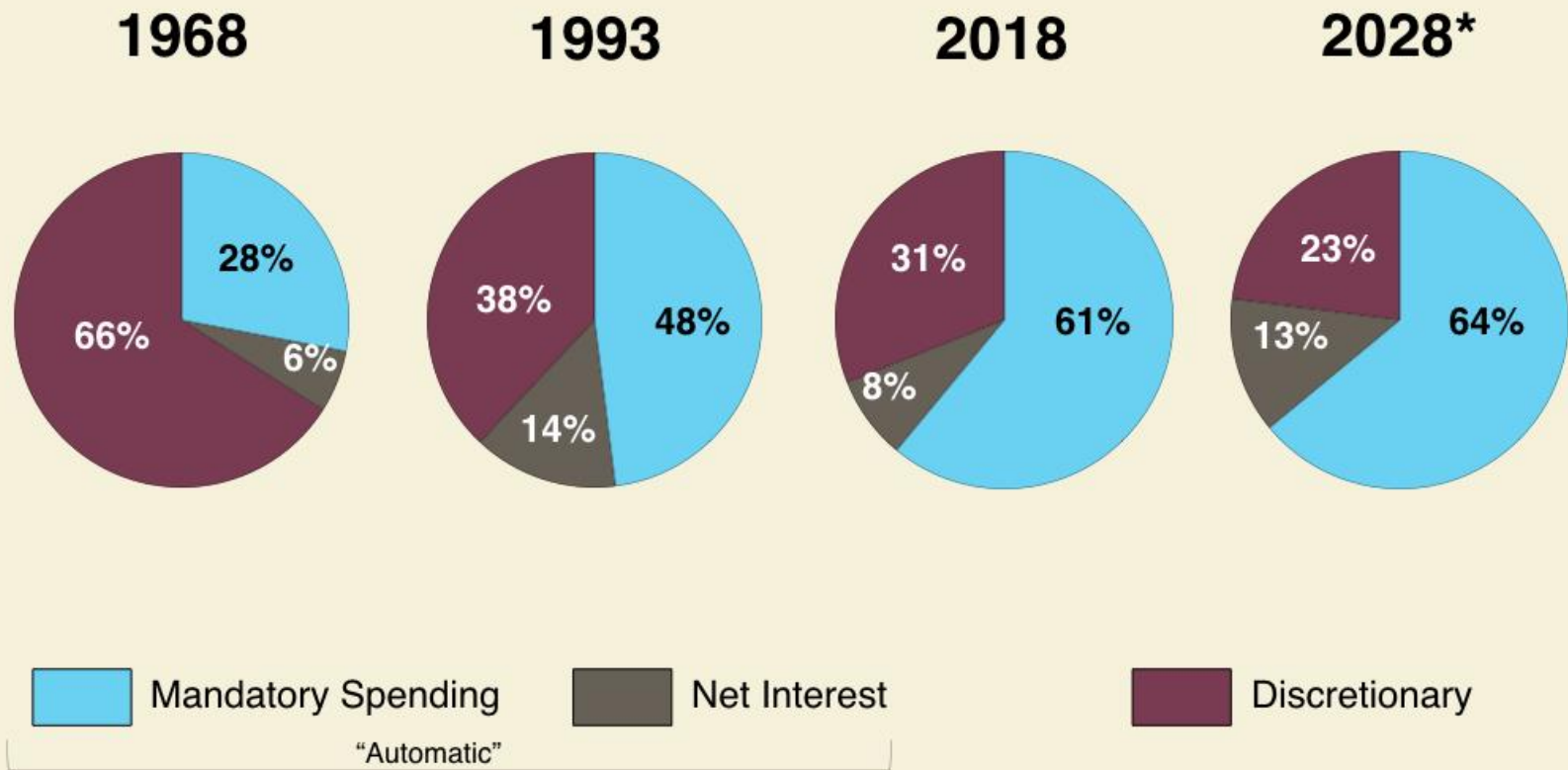
Defense Discretionary Spending



Source: CBO Budget and Economic Outlook, April 2018

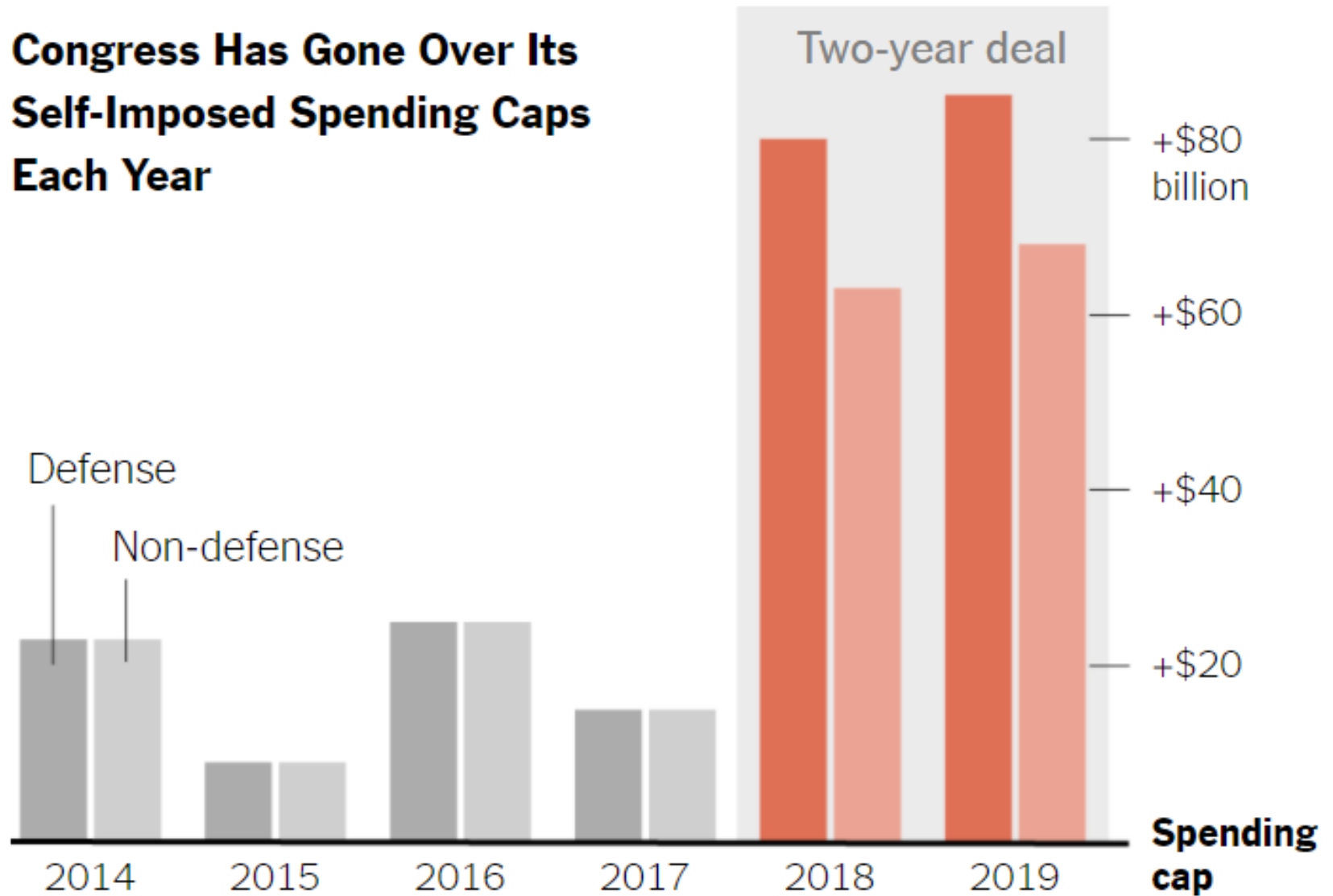


Automatic Expenditures Are Consuming a Growing Share of the Budget

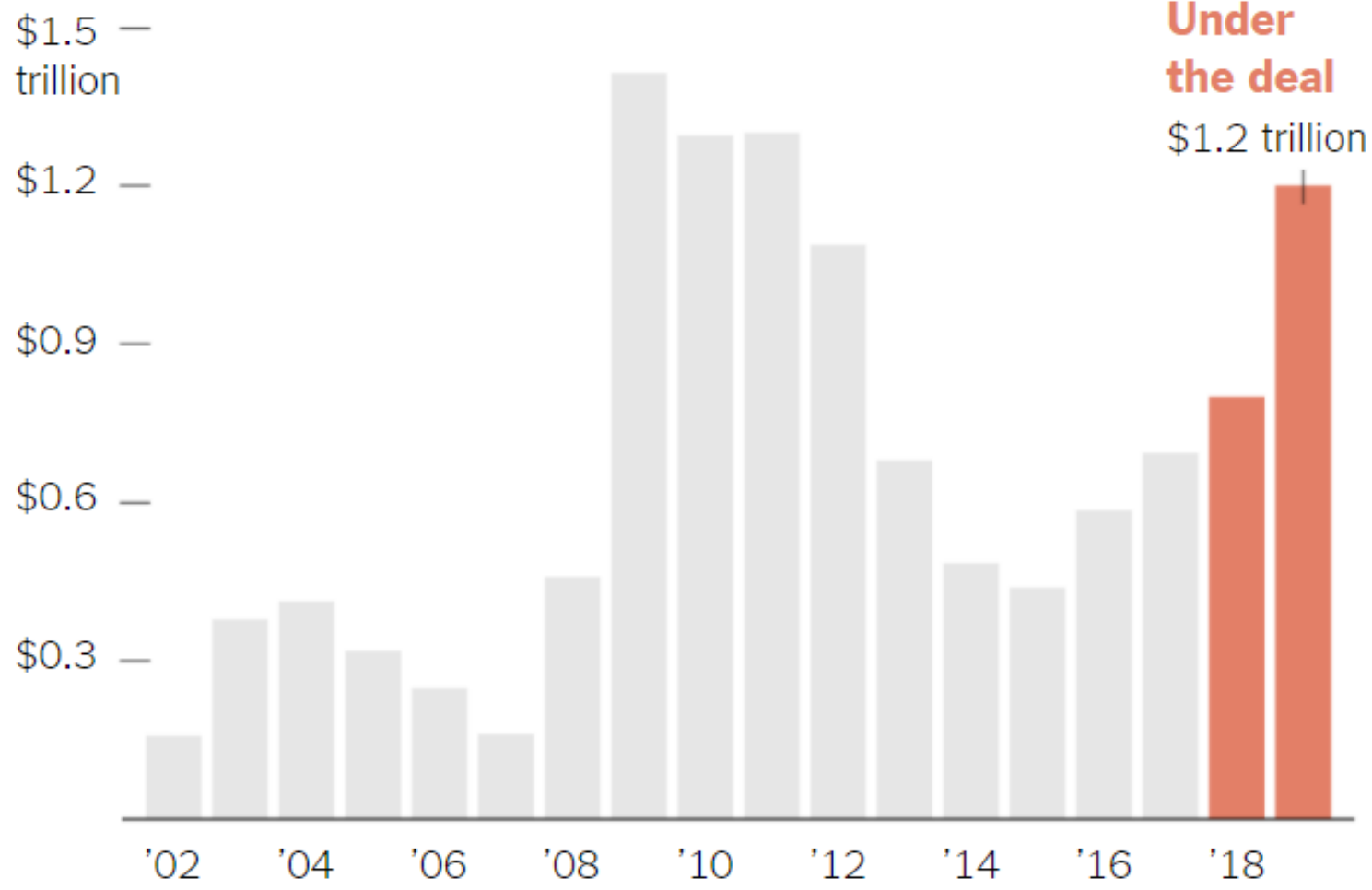


*Projected
Source: Congressional Budget Office, April 2018.

Congress Has Gone Over Its Self-Imposed Spending Caps Each Year



Annual Budget Deficits



The New York Times | Sources: Committee for a Responsible Federal Budget; Congressional Budget Office

Table I. Discretionary Budget Authority Limits Under the BCA as Amended, August 2011-Present

(in billions of nominal dollars)

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
BCA	Aug. 2011	Defense	555	546	556	566	577	590	603	616	630	644
		Nondefense	507	501	510	520	530	541	553	566	578	590
Auto. Enforcement	Jan. 2012	Defense	555	492	501	511	522	535	548	561	575	589
		Nondefense	507	458	472	483	493	505	517	531	545	557
ATRA	Jan. 2013	Defense	555	518	497	511	522	535	548	561	575	589
		Nondefense	507	484	469	483	494	505	518	532	545	558
BBA 2013	Dec. 2013	Defense	555	518	520	521	523	536	549	562	576	590
		Nondefense	507	484	492	492	493	504	516	530	543	556
BBA 2015	Nov. 2015	Defense	555	518	520	521	548	551	549	562	576	590
		Nondefense	507	484	492	492	518	519	516	530	543	555
BBA 2018 (Current)	Feb. 2018	Defense	555	518	520	521	548	551	629	647	576	591
		Nondefense	507	484	492	492	518	519	579	597	542	555

Sources: CBO, letter to the Honorable John A. Boehner and Honorable Harry Reid estimating the impact on the deficit of the Budget Control Act of 2011, August 2011; CBO, Final Sequestration Report for Fiscal Year 2012, January 2012; CBO, Final Sequestration Report for Fiscal Year 2013, March 2013; CBO, Final Sequestration Report for Fiscal Year 2014, January 2014; CBO, Final Sequestration Report for Fiscal Year 2016, December 2015; CBO, Sequestration Update Report: August 2017, August 2017; CBO, Cost Estimate for Bipartisan Budget Act of 2018, February 2018.

Exhibit 4.

Share of Workers and Share of Earnings Below the OASDI Taxable Maximum

Percent



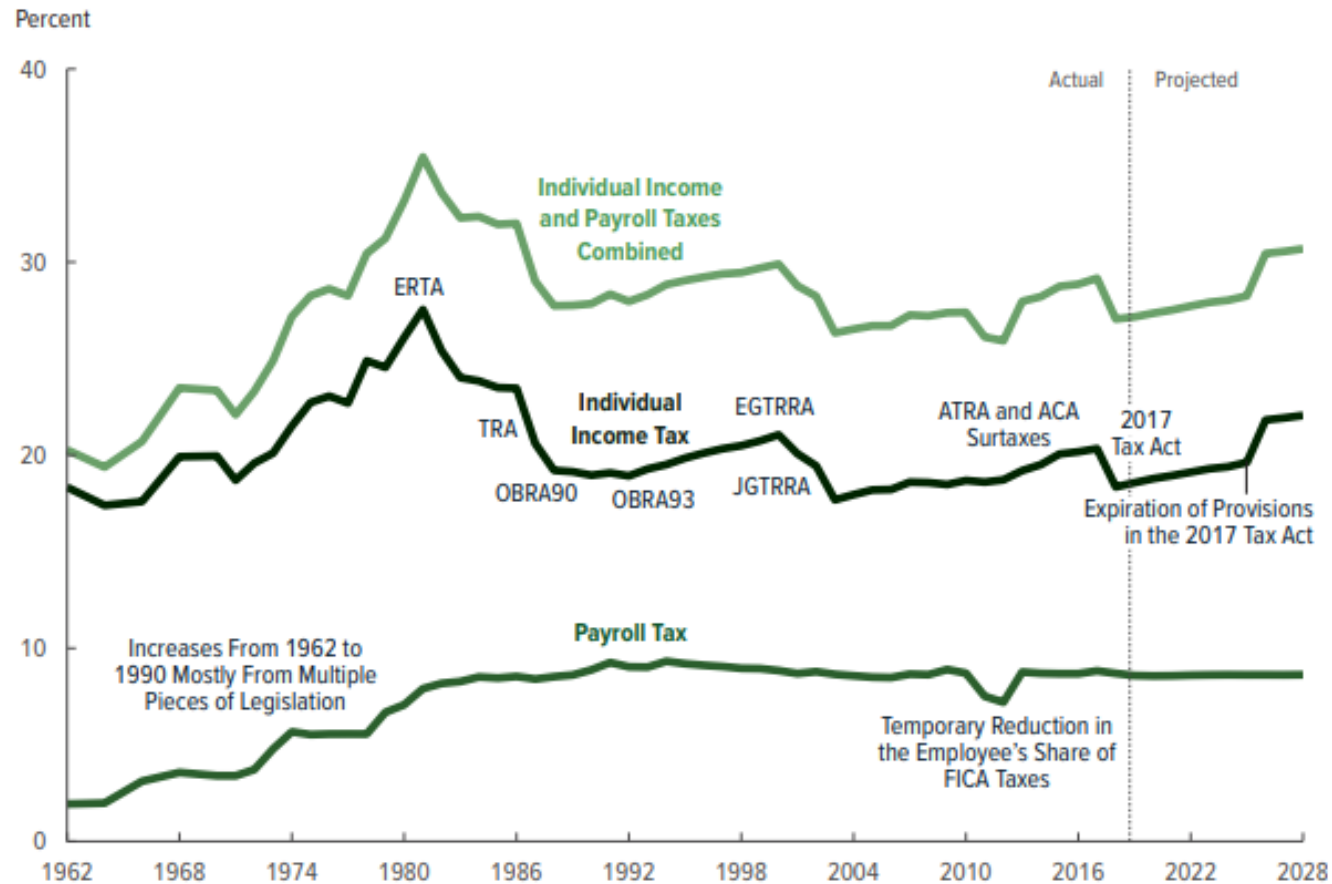
Source: Congressional Budget Office, using individual income tax data collected by the Internal Revenue Service's Statistics of Income Division.

Projections are consistent with those in CBO's *The Budget and Economic Outlook: 2018 to 2028*, published in April 2018.

OASDI = Old-Age, Survivors, and Disability Insurance.

Summary Figure 1.

Marginal Tax Rates on Labor Income Under the Individual Income and Payroll Tax Systems



Source: Congressional Budget Office, using individual income tax data collected by the Internal Revenue Service’s Statistics of Income Division.

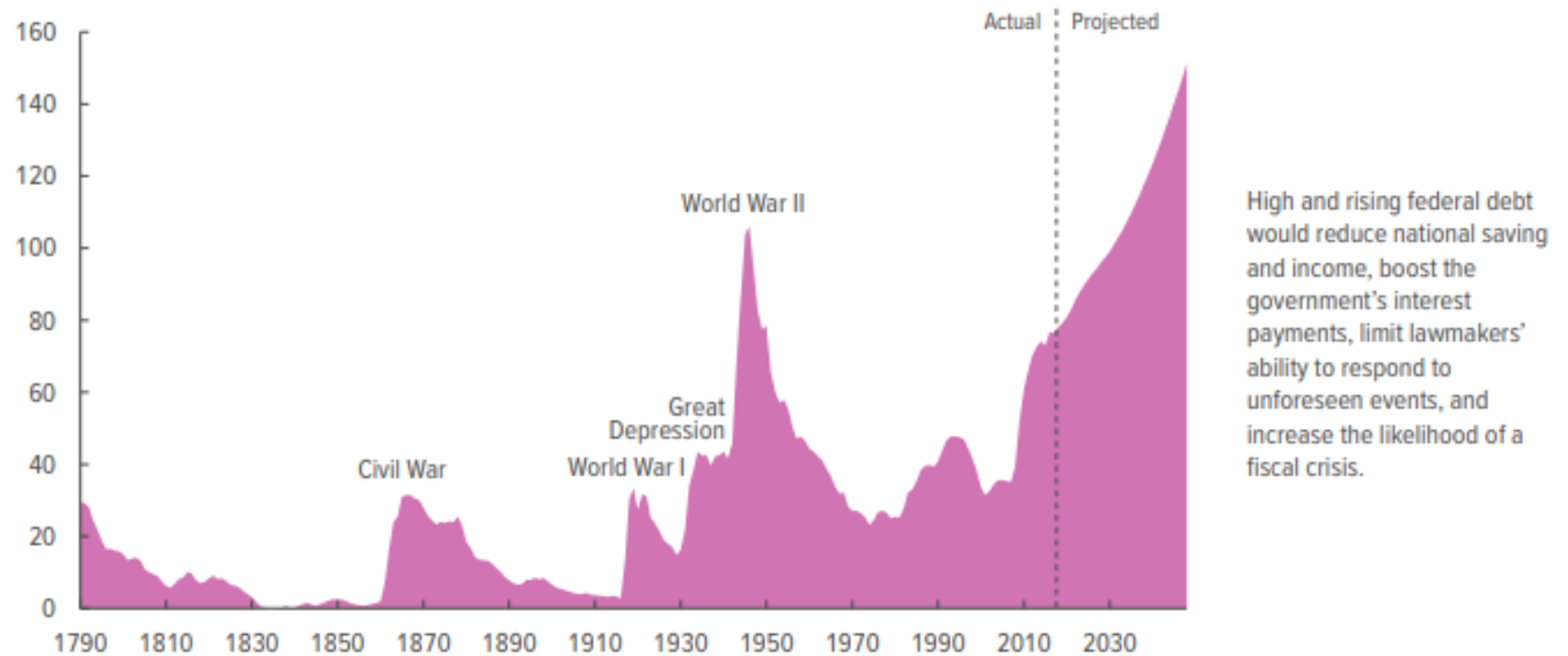
The economywide marginal tax rate is the change in taxes divided by the change in labor income that follows from a 1 percent increase in labor income for each tax return. For details, see Appendix B.

Labor income consists primarily of wages and salaries but also includes nonwage compensation such as employers’ contributions to employment-based health insurance. For details, see Appendix B.

Figure 3.

Federal Debt Held by the Public

Percentage of Gross Domestic Product



High and rising federal debt would reduce national saving and income, boost the government's interest payments, limit lawmakers' ability to respond to unforeseen events, and increase the likelihood of a fiscal crisis.

Source: Congressional Budget Office.

In 2034 debt would exceed record of 106% set in 1946.