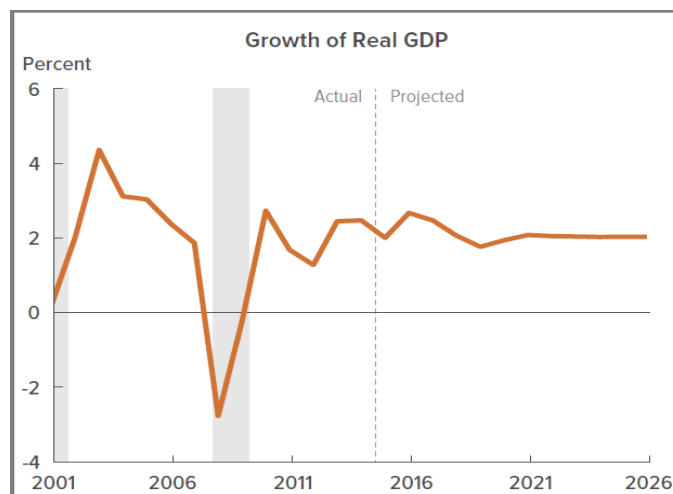




JANUARY 20, 2016

Ten Things to Know about CBO's Updated Budget and Economic Outlook Summary

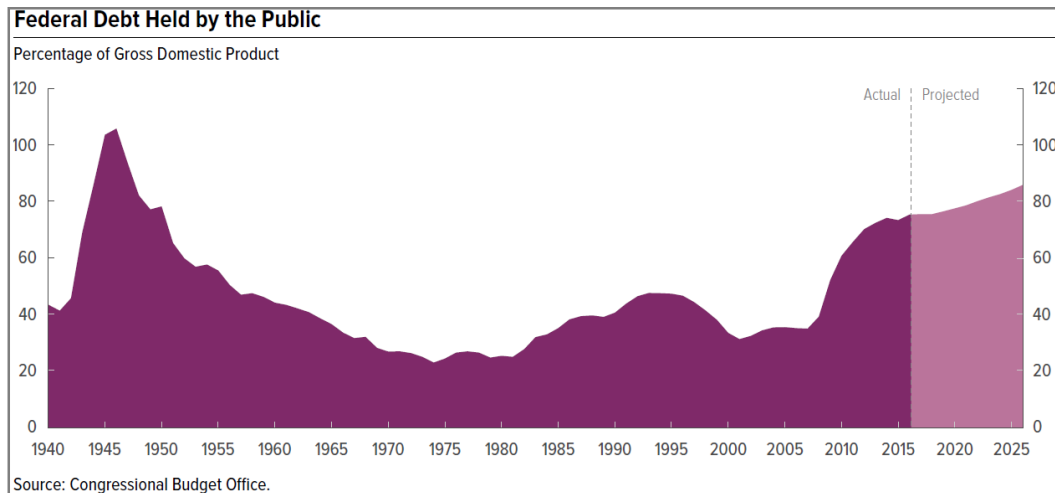
1. **Coming deficits will be more than 20 percent larger than previously forecast.** Expected deficits over the decade are \$1.5 trillion higher than the \$7 trillion that the Congressional Budget Office (CBO) projected in August.¹
2. **Deficits are poised to increase for the first time since 2009.**² Slower-than-expected economic growth combined with increased spending on federal programs and interest on our national debt are responsible for the ballooning deficits of the future. CBO projects that deficit growth will begin outpacing economic growth once again in 2019.³
3. **Trillion-dollar deficits on the horizon.** CBO expects deficits to start rising in 2016, one year earlier than August projections, and predicts trillion-dollar deficits will return in 2022, three years earlier than previously expected.⁴
4. **Tax relief is not the main driver of the deficit.** Contrary to the claims of some, revenue changes from the tax relief recently passed by Congress account for only 28 percent of the deficit increase. Increased spending (including outlays from refundable credits), dampened economic expectations, and technical changes account for 72 percent of the increase. Of the technical changes, CBO boosted projected spending on Medicaid from new Obamacare enrollees and spending on veterans' benefits.⁵
5. **Economic growth will be weaker than expected.** Ten-year real gross domestic product (GDP) growth projections were revised downward from 2.3 percent average annual growth to 2.1 percent.⁶ CBO now projects that sluggish growth in productivity will last longer than expected over the next ten years, leading to potential and real GDP levels 3 percent lower than projected in August.⁷



Source: Congressional Budget Office

6. **Lower expectations of growth in the economy, wages, and corporate profits make deficits and debt worse.**⁸ In turn, soaring debt will prevent capital stock and productivity from reaching their potential, promising to handcuff lawmakers in times of economic distress, and will increase the likelihood of a fiscal crisis.⁹

7. **Debt held by the public is now projected to be \$22.4 trillion in 2025.** This represents a \$1.3 trillion increase over CBO’s August 2015 estimate and brings the average annual increase to \$1 trillion.¹⁰



8. **Debt will reach levels never before seen in the United States.** Over the next decade, cumulative deficits will drive debt held by the public to a level more than twice its 50-year average.¹¹ If current law remains in place, debt held by the public in 30 years will be one and a half times the size of the economy—the highest percentage ever recorded in the United States. Our rising debt will become increasingly painful as spending on interest skyrockets when interest rates continue to normalize.
9. **In just ten years, 99 percent of revenue will go to mandatory and net interest spending.** Mandatory spending will increase 68 percent by 2026. Net interest payments will have more than tripled. As a result, these two categories of spending will consume 99 percent of government revenues, crowding out funds for other important priorities like national defense and medical research.¹²
10. **Healthcare programs are driving the increase in mandatory spending.** According to CBO, federal spending on major health care programs accounts for more than 60 percent of the projected growth in mandatory outlays. Spending on Medicare, Medicaid, subsidies for health insurance purchased through Obamacare, and the Children’s Health Insurance Program in 2016 will be 11 percent greater than they were in 2015.¹³

¹ “Summary of the Budget and Economic Outlook: 2016 to 2026,” Congressional Budget Office, January 19, 2016, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51129-2016_Outlook_Summary.pdf, p. 5.

² CBO, 2016, p. 1.

³ CBO, 2016, p. 2.

⁴ CBO, 2016, p. 2, compared with: “An Update to the Budget and Economic Outlook: 2015 to 2025,” Congressional Budget Office, August 25, 2015, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50724-BudEconOutlook.pdf>, p. 1.

⁵ CBO, 2016, p. 5.

⁶ Staff calculations, “August 2015 Baseline Forecast—Data Release (Fiscal Year),” and “CBO’s Summary of the Budget and Economic Outlook: 2016 to 2026,” Summary Figure 2.

⁷ CBO, 2016, p. 8.

⁸ CBO, 2016, p. 5.

⁹ CBO, 2016, p. 4.

¹⁰ CBO, 2016, p.2, compared with: CBO, 2015, p. 74.

¹¹ CBO, 2016, p. 4.

¹² CBO, 2016, p. 2.

¹³ CBO, 2016, p.3.