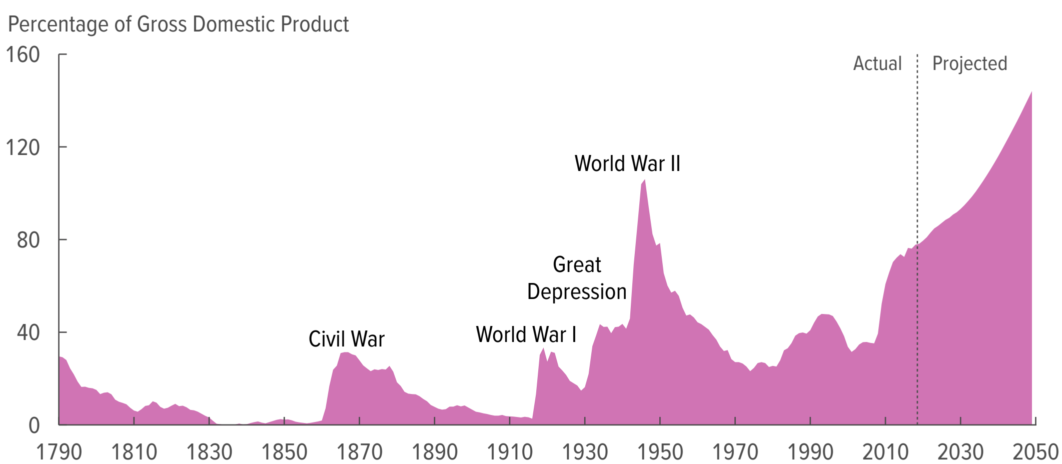
A Visual Summary of
The 2019 Long-Term Budget Outlook

Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

June 2019

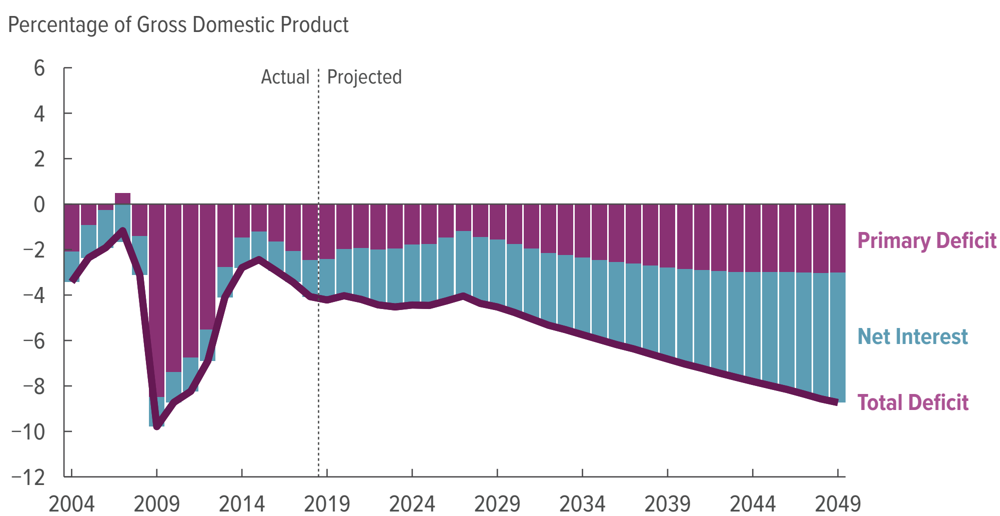
Each year, the Congressional Budget Office issues a set of long-term budget projections—that is, projections of what federal spending, revenues, deficits, and debt would be for the next 30 years if current laws generally did not change. CBO calls them extended baseline projections. This year's projections of federal debt are slightly lower than last year's, mainly because CBO has reduced its projections of discretionary and net interest spending. Those reductions are partially offset by a small reduction in projected revenues.

Debt and Deficits



See Figure 1-1

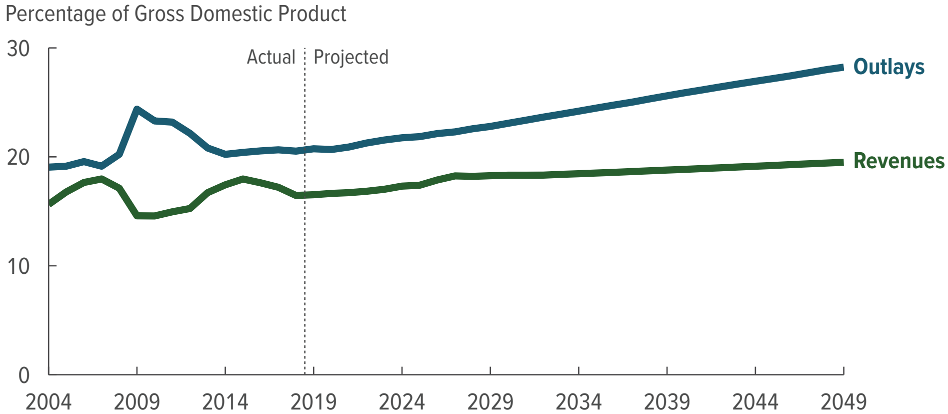
In CBO's projections, federal debt held by the public totals 144 percent of gross domestic product (GDP) in 2049, an unprecedented level.



See Figure 1-4

Deficits grow from 4.2 percent of GDP in 2019 to 8.7 percent in 2049, driving up debt. Net spending for interest on debt accounts for most of the growth in total deficits.

Debt and Deficits (Continued)

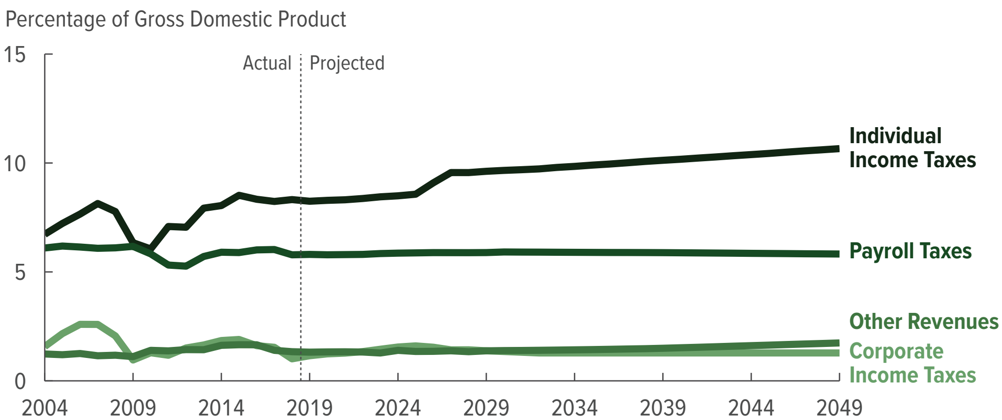


See Figure 1-3

Deficits grow because growth in spending outpaces growth in revenues.

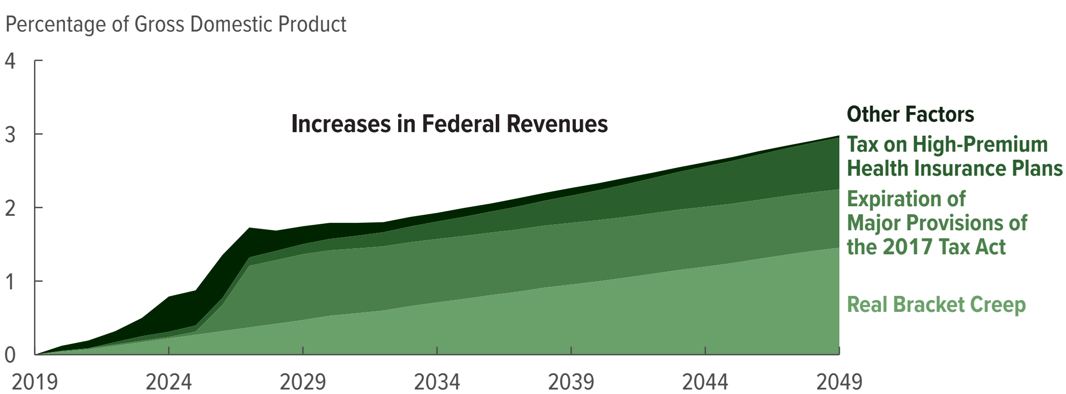
Revenues

In CBO's projections, federal revenues increase as a percentage of GDP—from 16.5 percent in 2019 to 19.5 percent in 2049.



See Figure 1-3

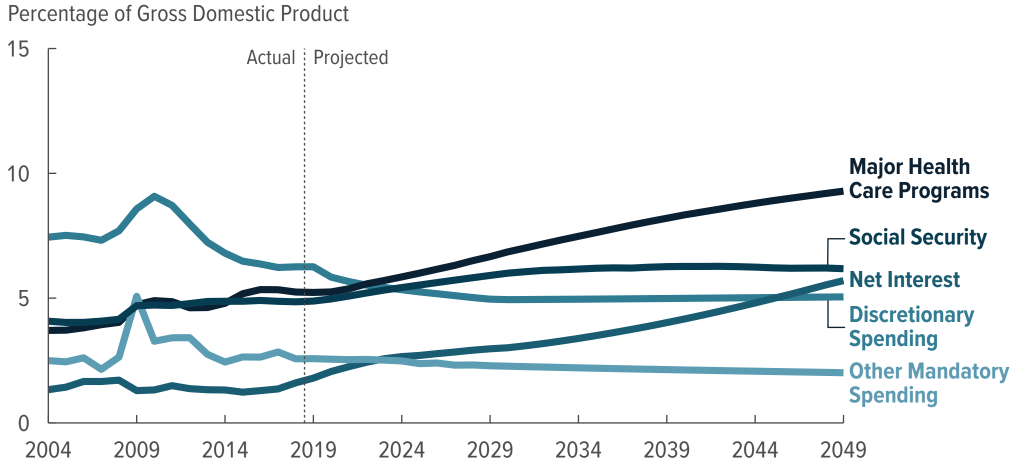
Increases in receipts from individual income taxes account for most of the rise in total revenues.



See Figure 1-13

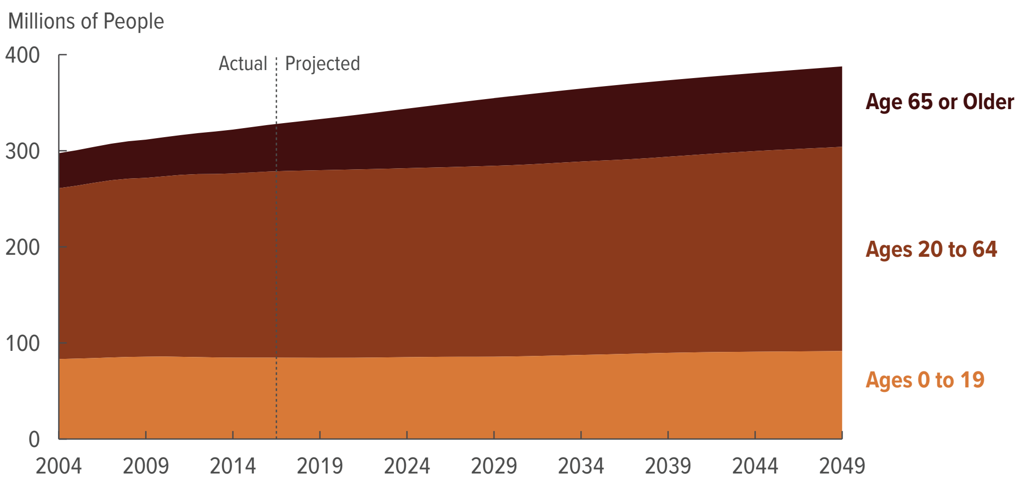
The largest source of growth in tax revenues is real bracket creep—the process in which, as income rises faster than inflation, a larger proportion of income becomes subject to higher tax rates.

Spending Federal spending grows from 20.7 percent of GDP today to 28.2 percent in 2049.



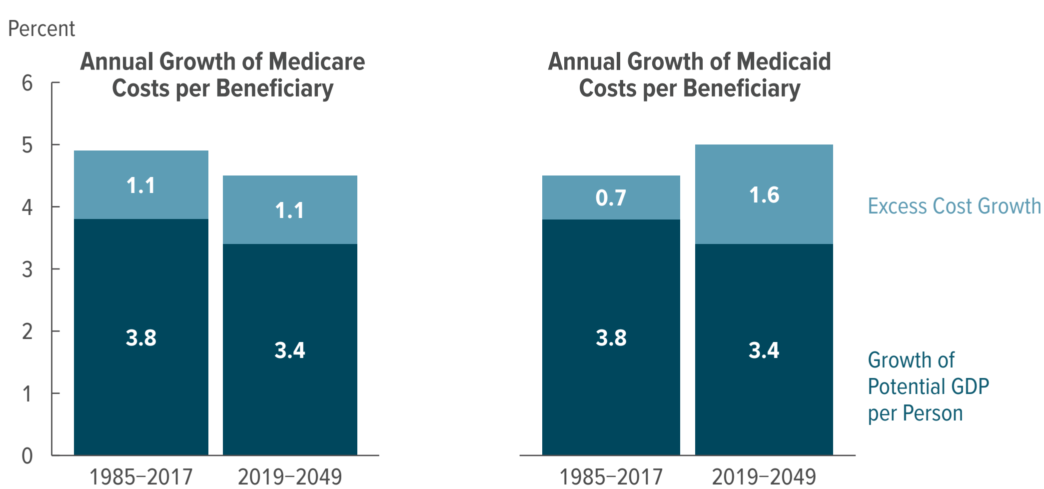
See Figure 1-3

Spending increases, as a percentage of GDP, for net interest, the major health care programs, and Social Security. That spending growth is partially offset by declining spending for other programs.



See Figure 1-5

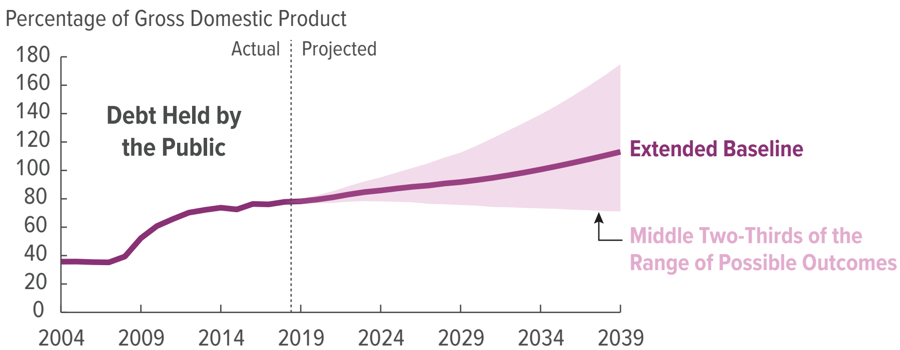
Much of the spending growth for Social Security and Medicare results from the aging of the population. As baby boomers age and as life expectancy continues to increase, the percentage of the population age 65 or older will grow significantly, boosting the number of beneficiaries of those programs.



See Figure 1-11

Growth in spending on Medicare and the other major health care programs is also driven by rising health care costs per beneficiary, as it has been in the past. Excess cost growth is the extent to which growth in health care costs per person, adjusted to remove the effects of aging, exceeds growth in potential GDP (the economy's maximum sustainable output) per person.

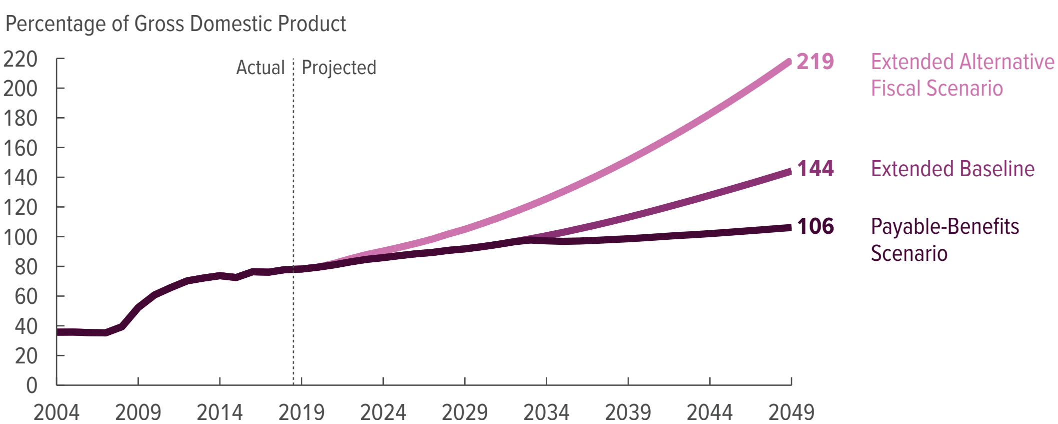
Uncertainty



See Figure 1-15

The economic and demographic variables used to construct CBO's projections are uncertain. But even if their values differed from those underlying the extended baseline projections, in 20 years, federal debt would probably be much higher than it is today, if current laws generally remained unchanged.

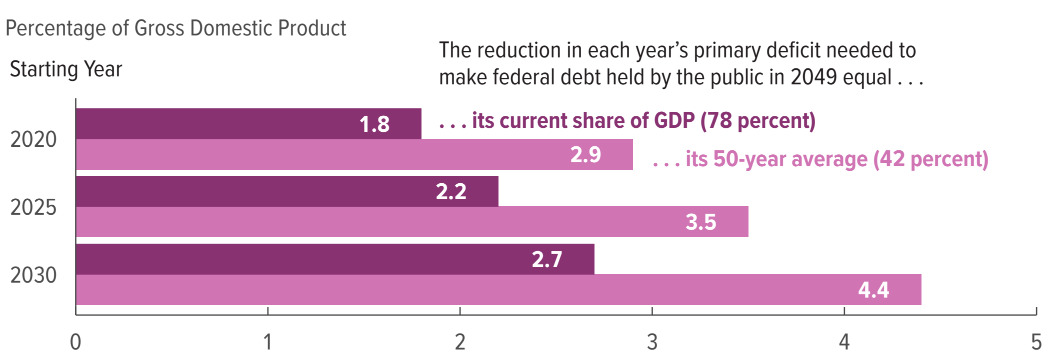
Alternative Scenarios



See Figure 2-1

In relation to the extended baseline projections, debt would be greater under an extended alternative fiscal scenario (in which certain major policies now in place would be maintained) and less under a payable-benefits scenario (in which Social Security benefits would be limited to the program's total annual revenues after 2032).

Various Goals for Deficit Reduction



See Figure 2-3

The longer policymakers waited to reduce primary deficits, the larger those reductions would have to be.