



Congressional Budget Office

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Overview of the Federal Budget

Presentation to the Maryland Association of CPAs, Inc.

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This presentation provides 10-year budget projections published in *Updated Budget Projections: 2015 to 2025* (March 2015), www.cbo.gov/publication/49973, economic forecasts from *The Budget and Economic Outlook: 2015 to 2025* (January 2015), www.cbo.gov/publication/49892, and longer-term budget projections from *Budgetary and Economic Outcomes Under Paths for Federal Revenues and Noninterest Spending Specified by Chairman Price, March 2015* (March 2015), www.cbo.gov/publication/49977.

CBO's History and Mission

- Created by the Congressional Budget and Impoundment Control Act of 1974
- Provides objective, timely, and nonpartisan analysis for budget and economic decisions
- Most work supports the activities of committees rather than individual Members of Congress

CBO's Organization and Staffing

- CBO has about 230 full-time employees.
- The director is appointed by the Speaker of the House and the President pro tempore.
- The director appoints all CBO staff based solely on professional competence, not political affiliation.
- Over 70 percent of CBO's professional staff have advanced degrees in economics, public policy, or a related field.

CBO's Responsibilities

CBO Helps Congress to:

- Develop a budget plan
- Stay within its budget plan
- Assess the impact of federal mandates
- Consider issues related to the budget and to economic policy

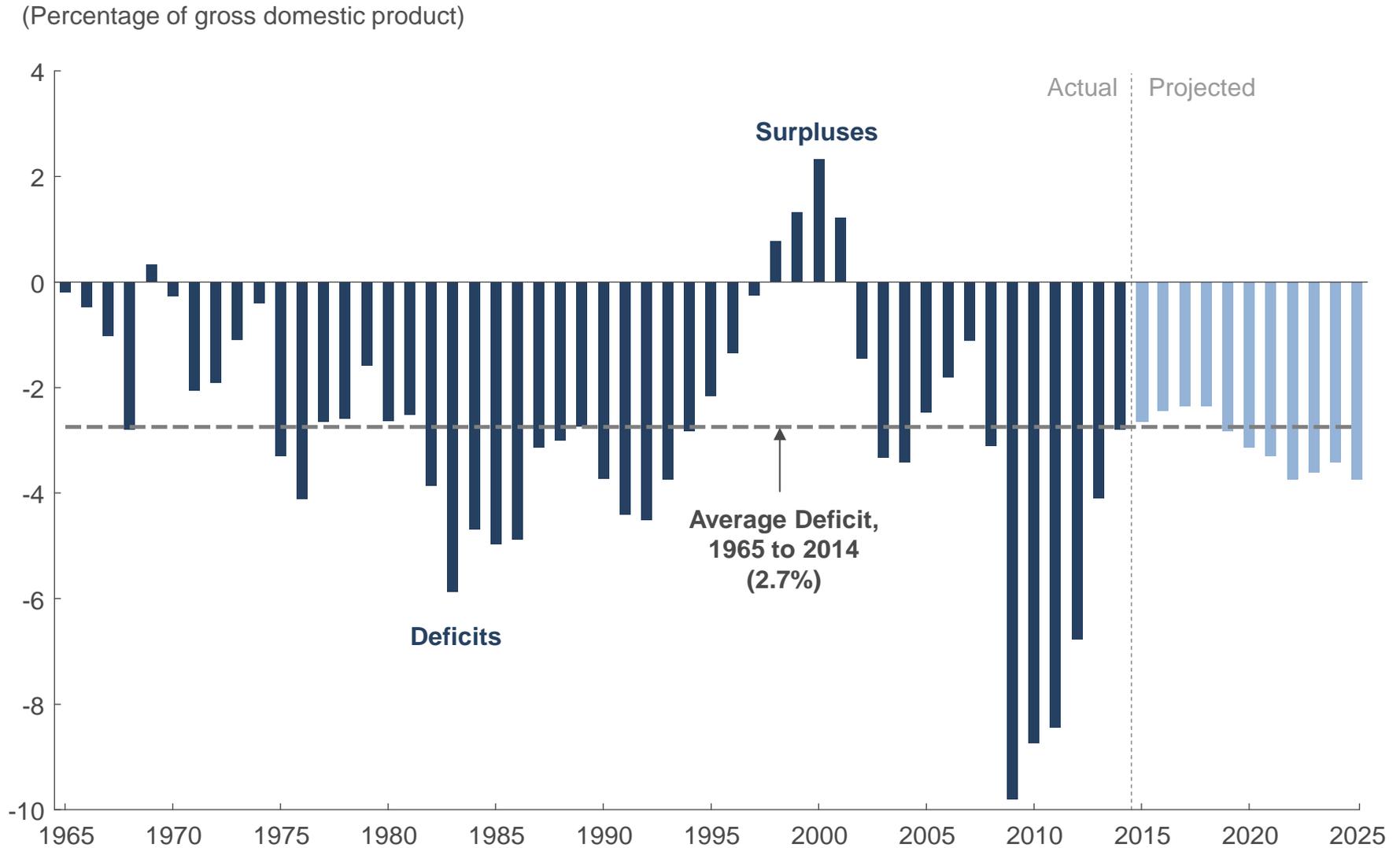
CBO's Products

- Annual baseline
- Analysis of the President's budget
- Cost estimates
- Scorekeeping tabulations
- Long-term budget outlook
- Budget options
- Reports and testimony on budget and economic issues

What CBO Does *Not* Do

- Make policy recommendations
 - Strictly nonpartisan; no judgments about a legislative proposal's merits
- Write legislation
 - Instead evaluates different proposals and options
- Implement programs and regulations and enforce budget rules
 - The executive branch does that
- Audit spending or receipts
 - GAO does that

Total Deficits or Surpluses

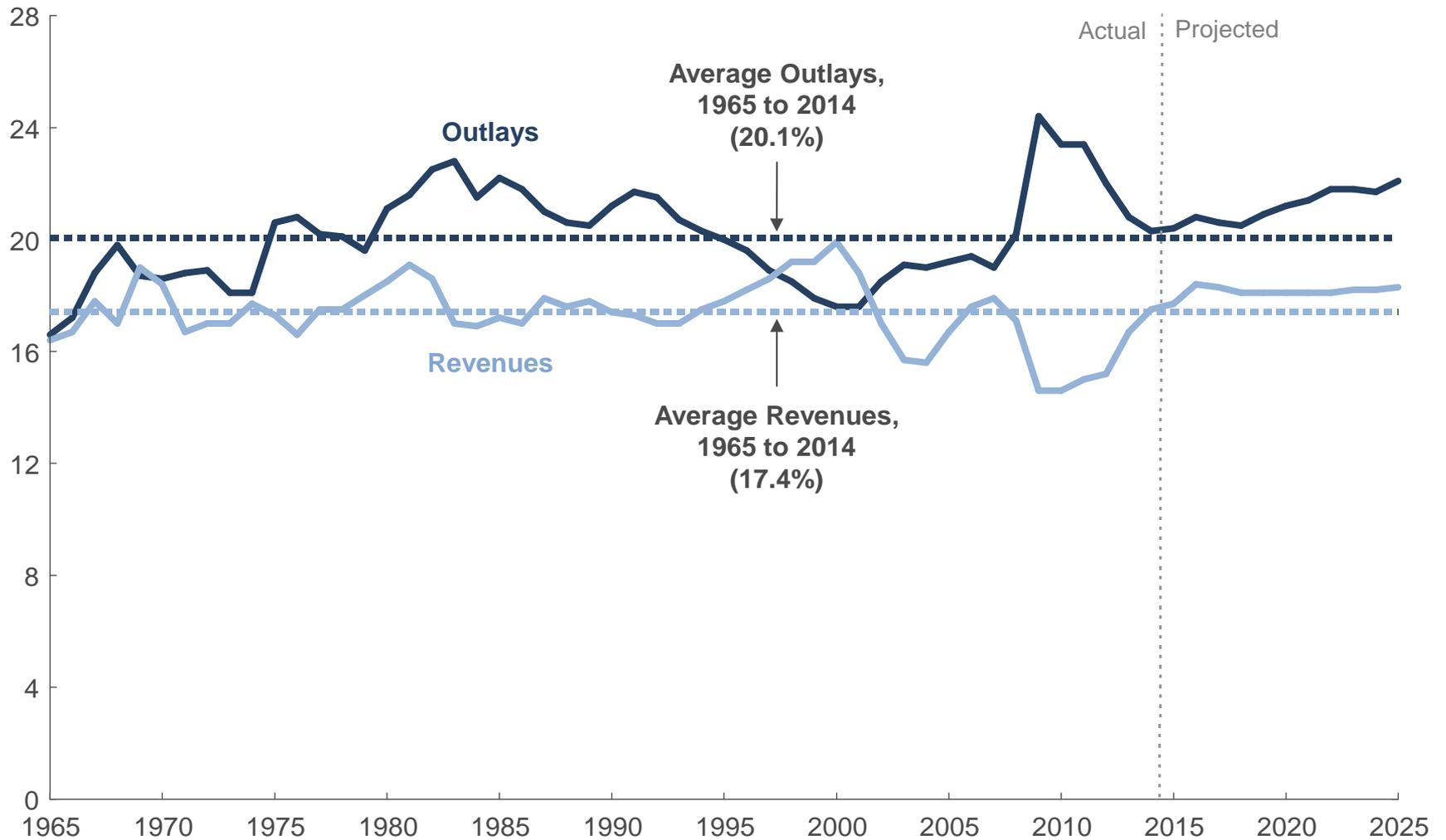


Budget Totals, 2009, 2013, 2015-2016

	Billions of Dollars				Percentage of GDP			
	Actual		Baseline		Actual		Baseline	
	2009	2013	2015	2016	2009	2013	2015	2016
Total Revenues	2,105	2,775	3,191	3,470	14.6	16.7	17.7	18.4
Total Outlays	3,518	3,455	3,677	3,925	24.4	20.8	20.4	20.8
Total Deficit	-1,413	-680	-486	-455	-9.8	-4.1	-2.7	-2.4

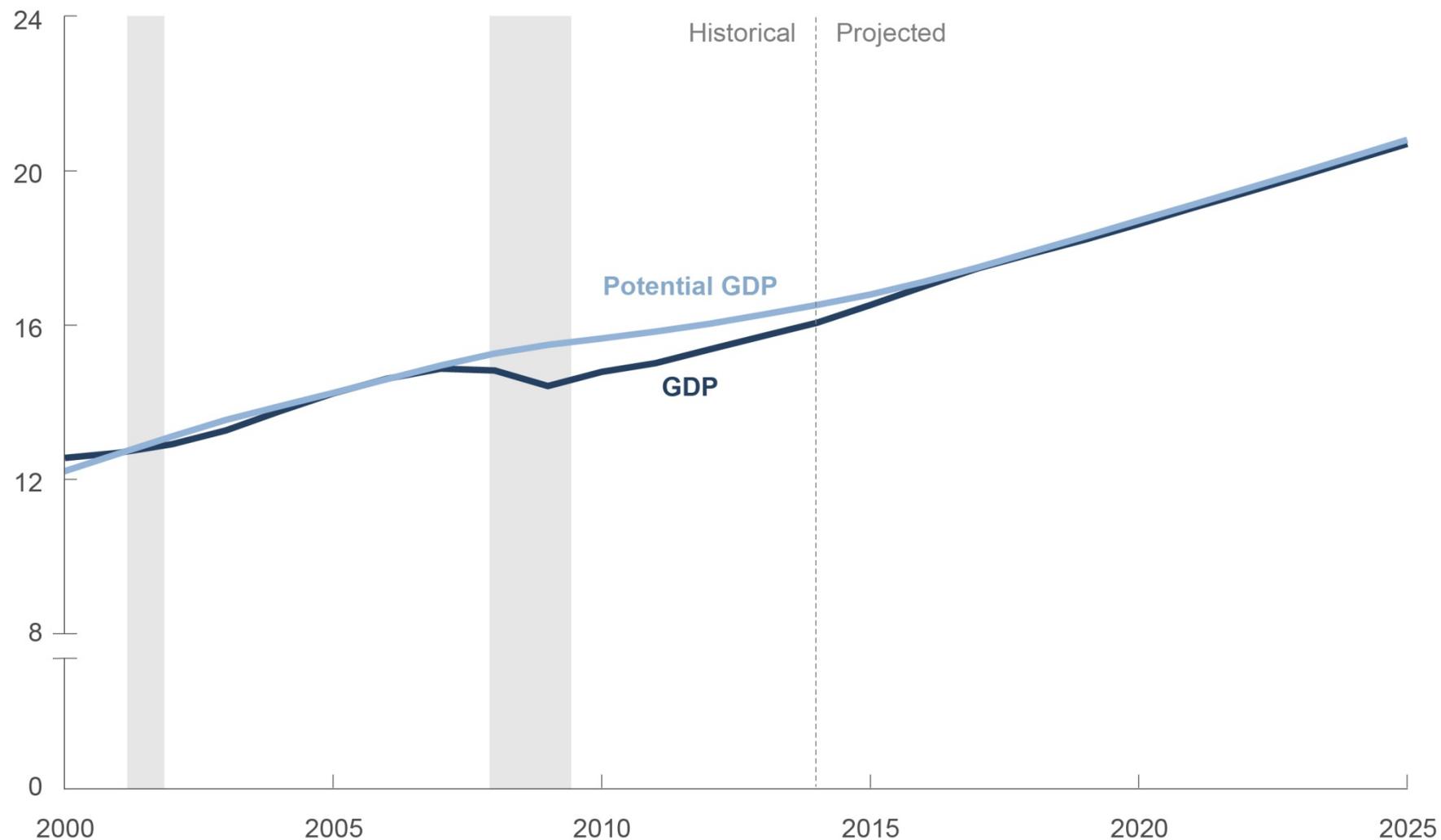
Total Revenues and Outlays

(Percentage of gross domestic product)



GDP and Potential GDP

(Trillions of 2009 dollars)

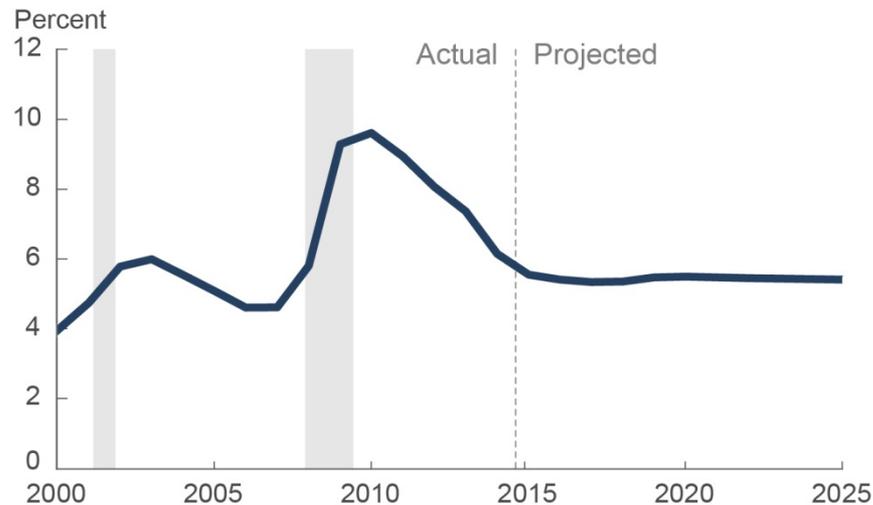


Actual Values and CBO's Projections of Key Economic Indicators

Real GDP Growth



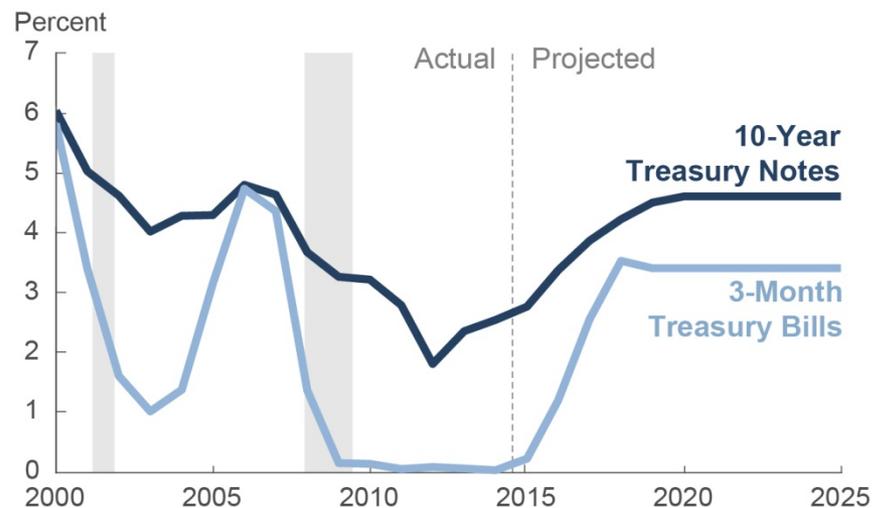
Unemployment Rate



Inflation

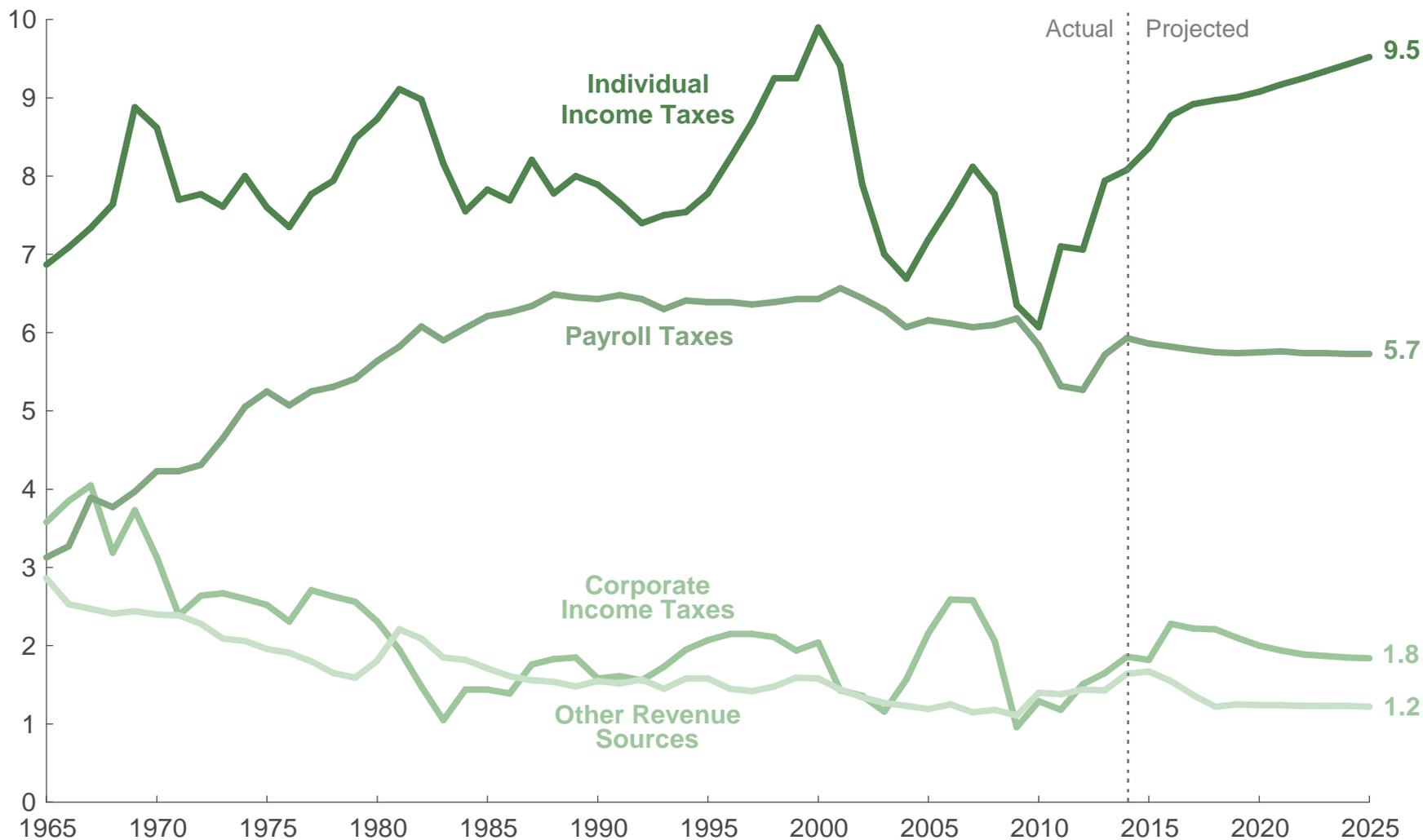


Interest Rates



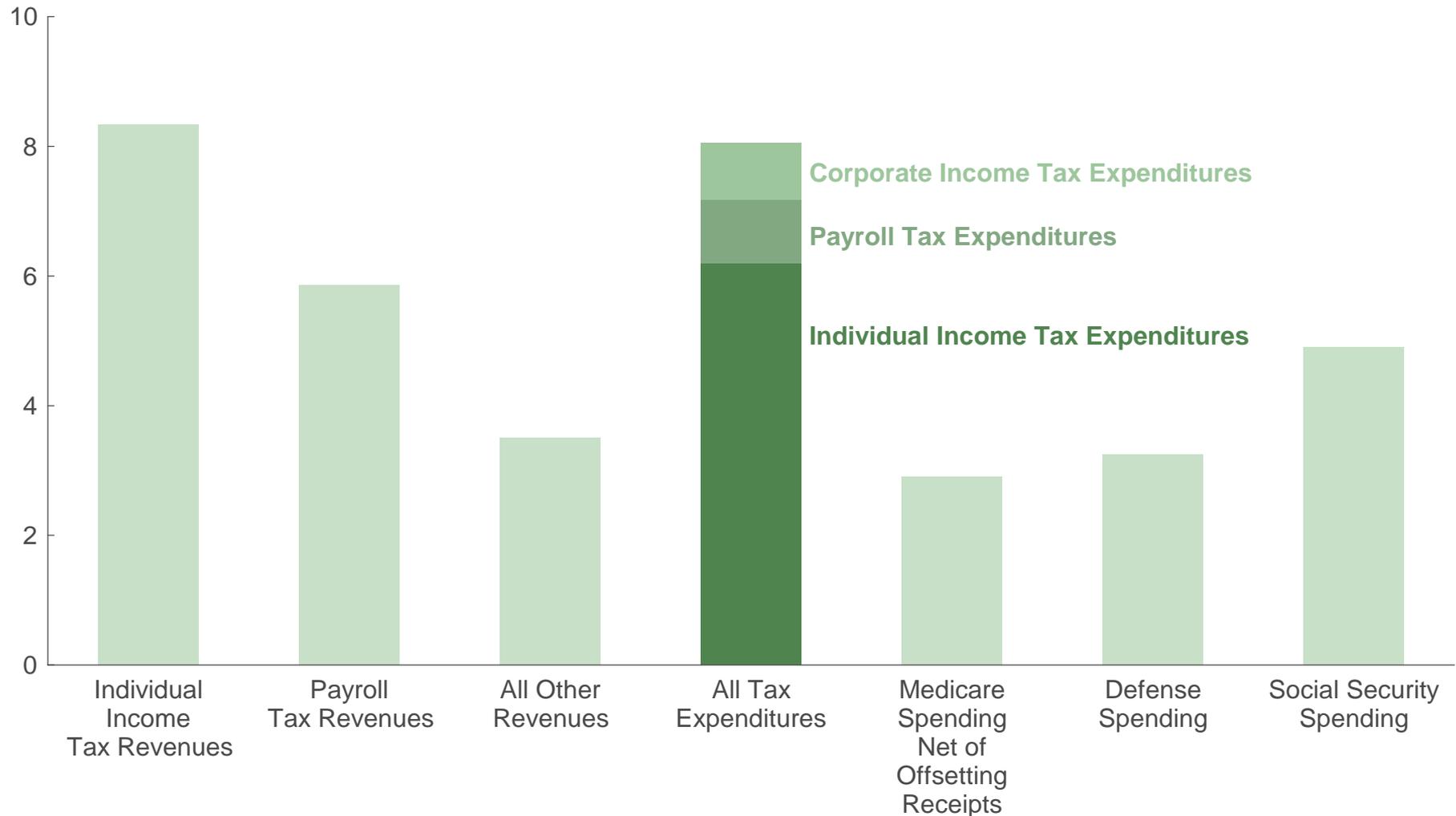
Revenues, by Major Source

(Percentage of gross domestic product)



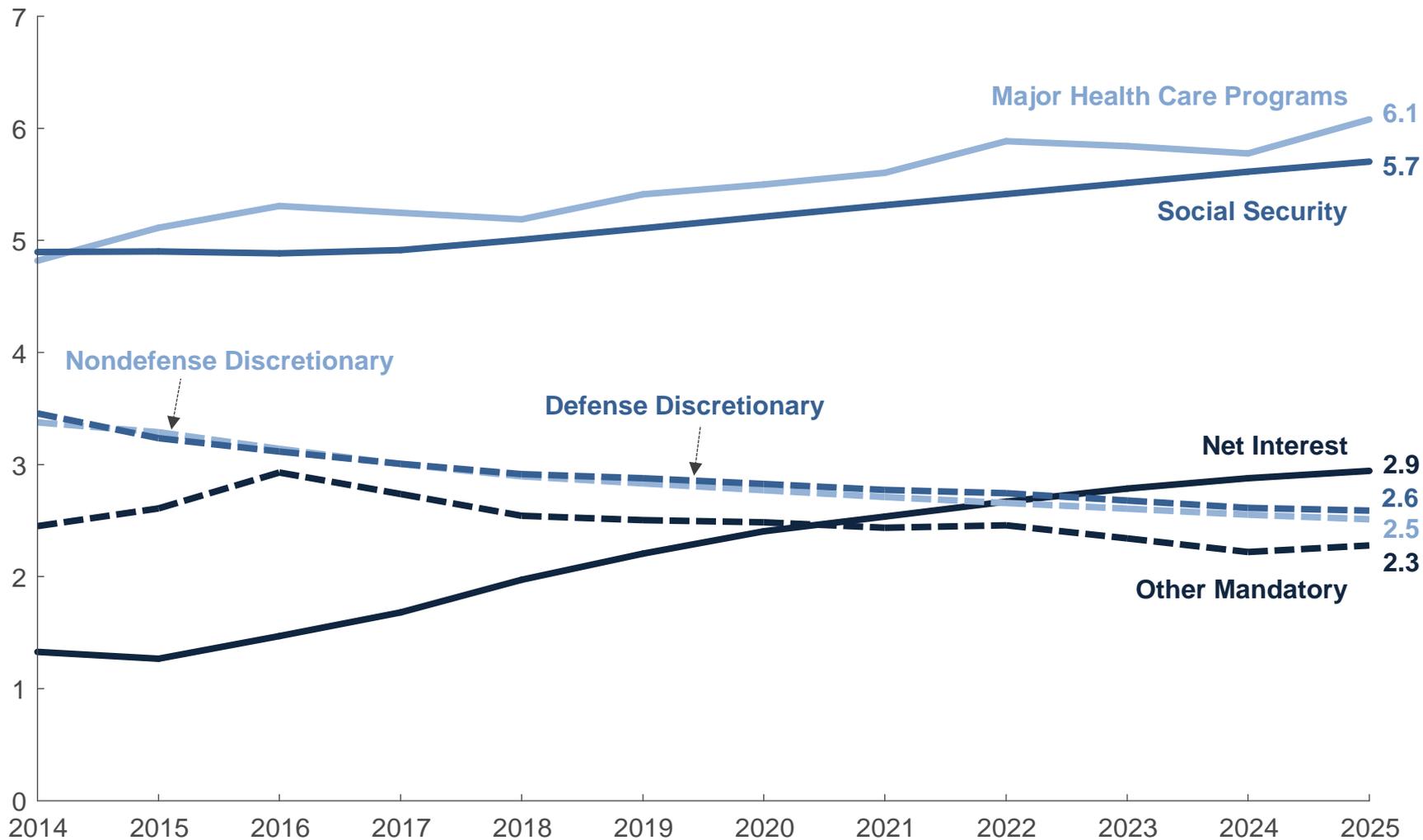
Revenues, Tax Expenditures, and Selected Components of Spending in 2015

(Percentage of gross domestic product)

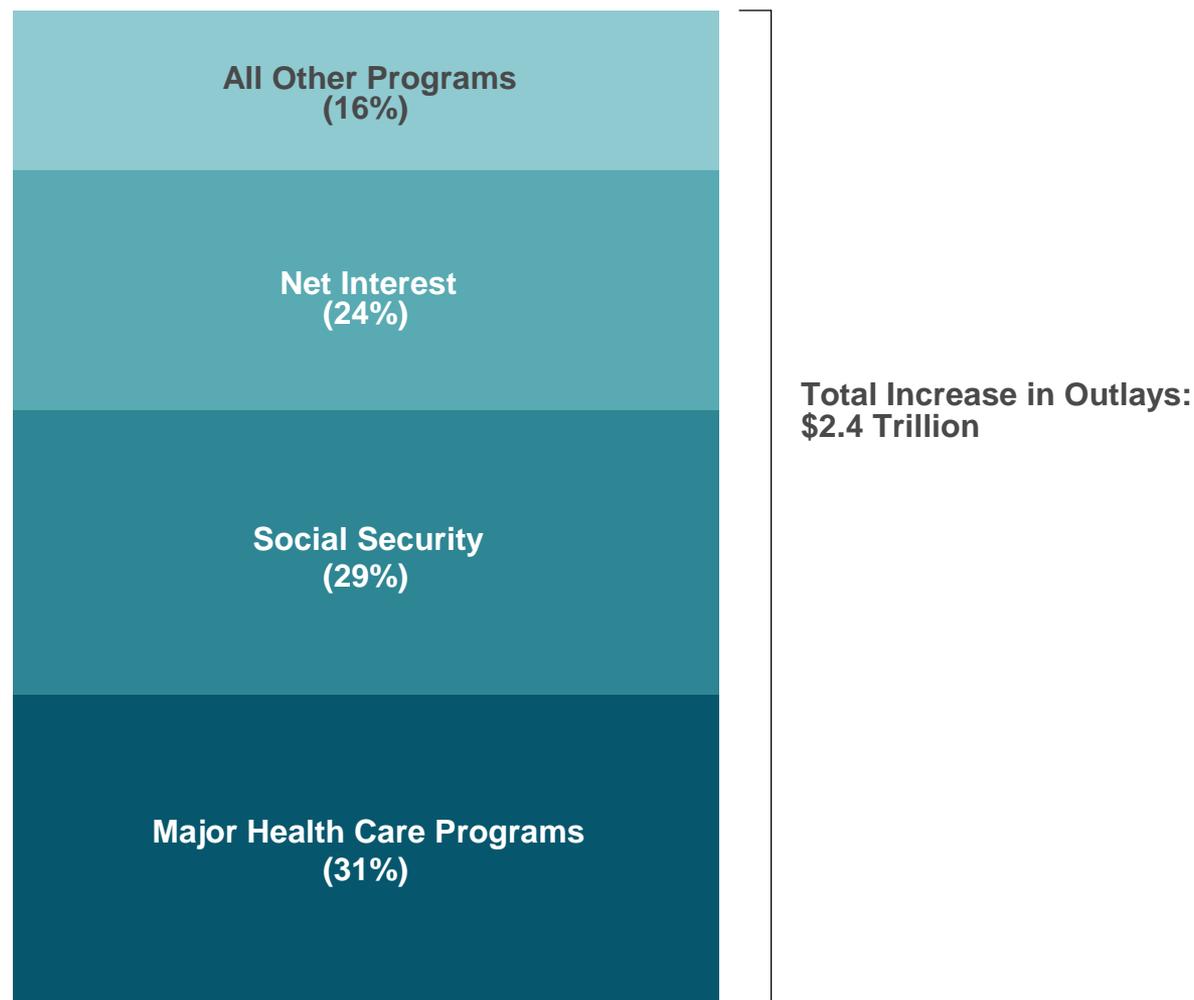


Projected Spending in Major Budget Categories

(Percentage of gross domestic product)

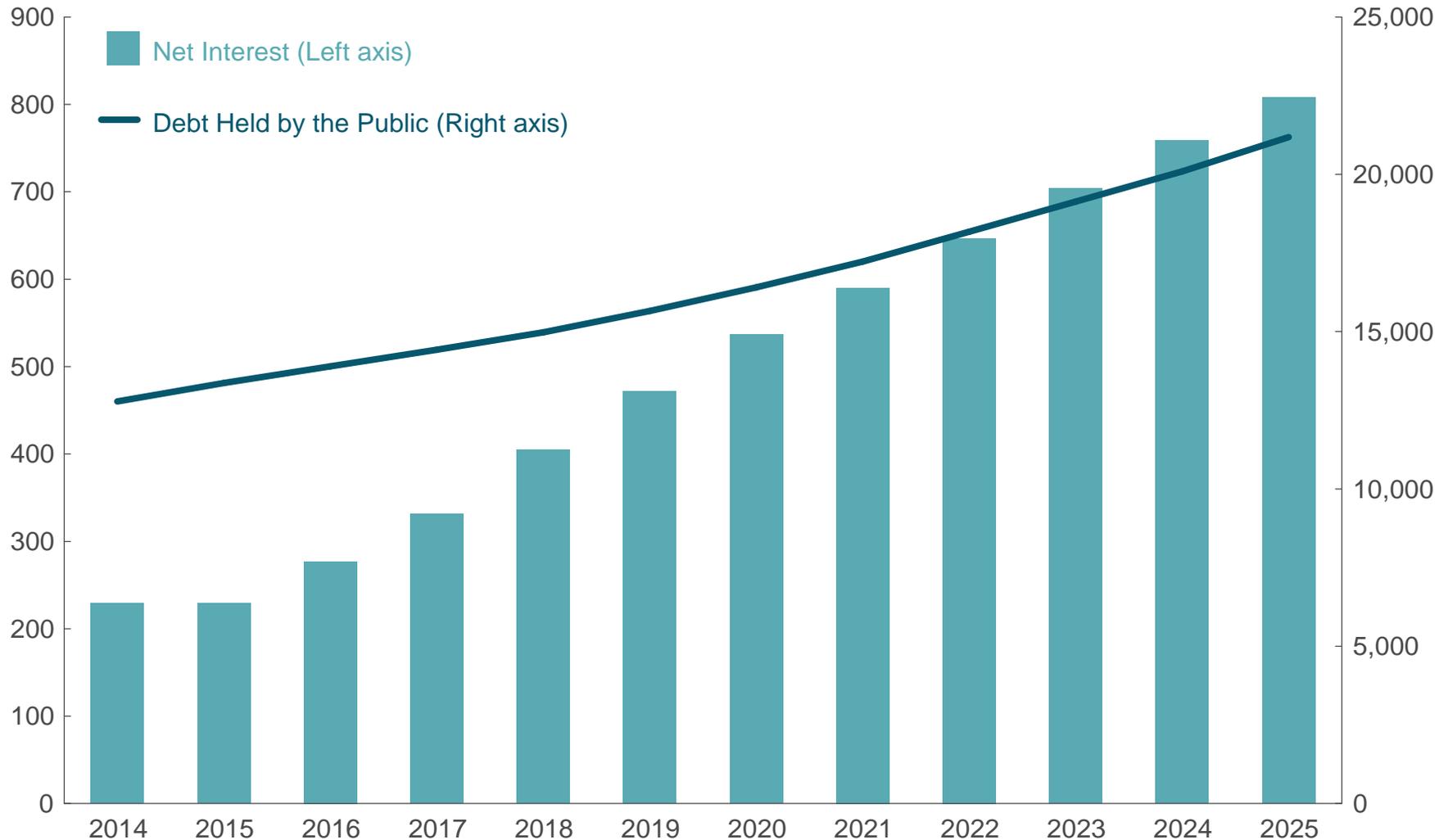


Components of the Total Increase in Outlays in CBO's Baseline Between 2015 and 2025



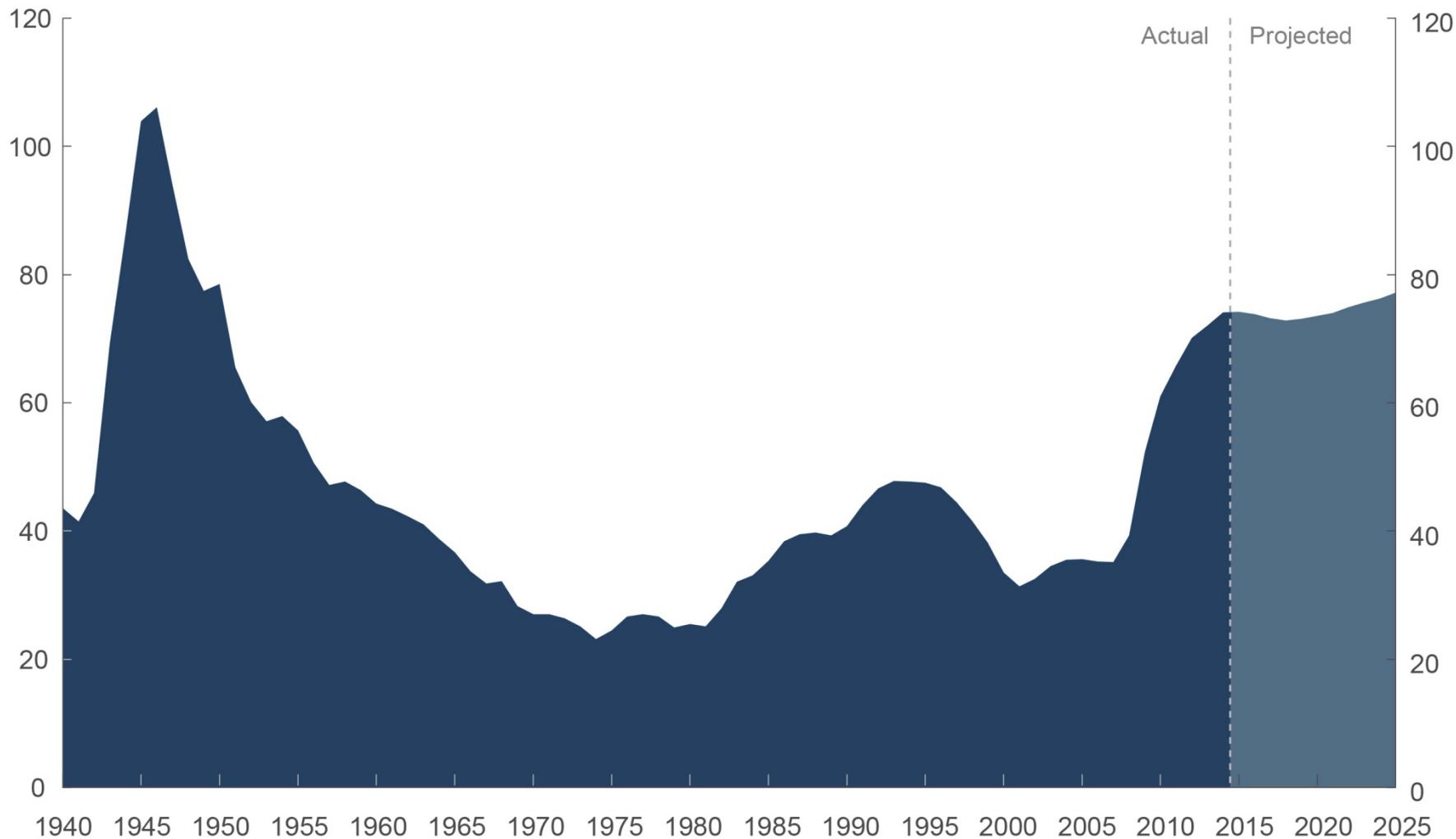
Projected Debt Held by the Public and Net Interest

(Billions of dollars)



Federal Debt Held by the Public

(Percentage of gross domestic product)

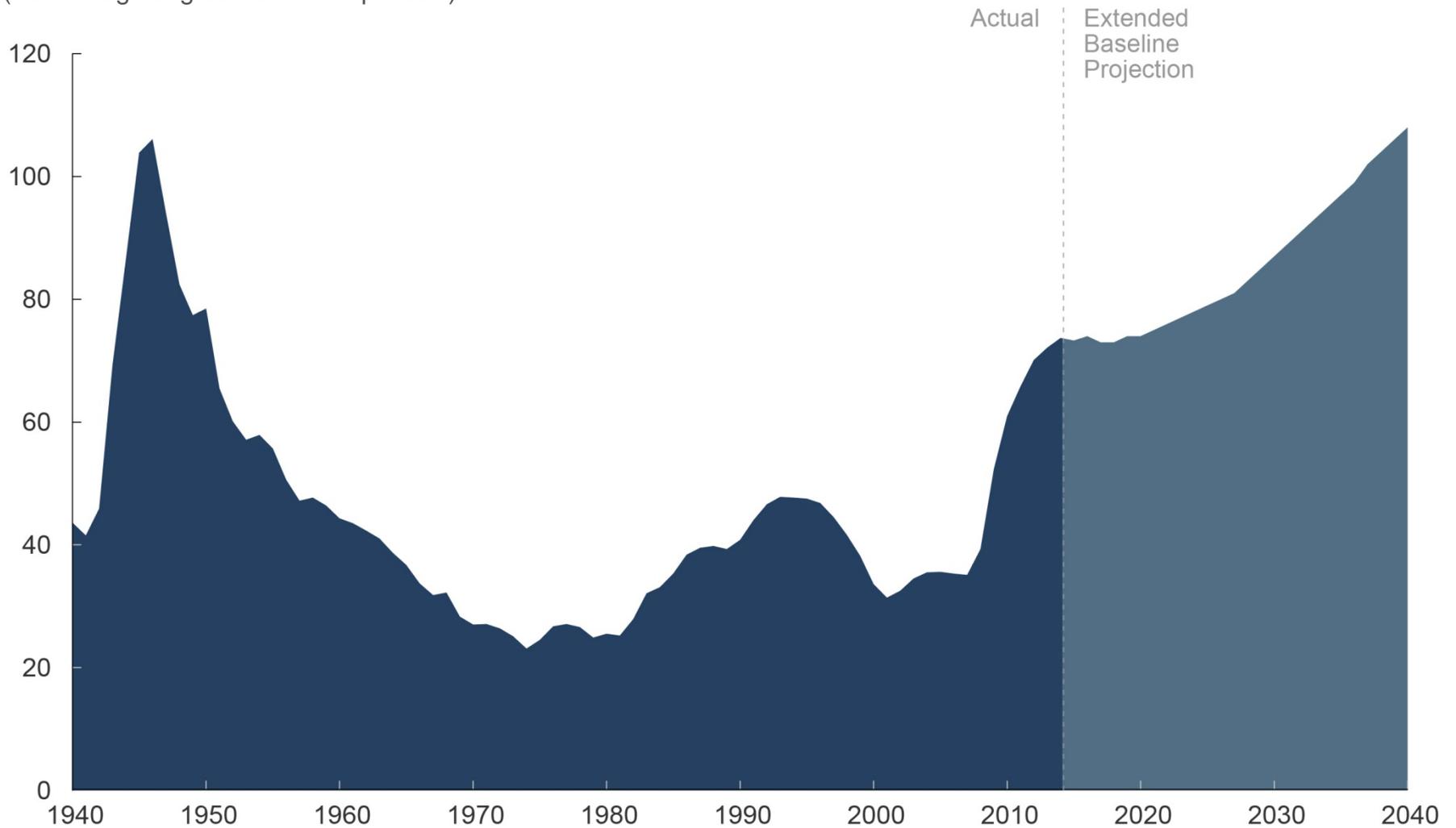


Why Does Rising Federal Debt Matter?

- Boosts interest costs, putting more pressure on the rest of the budget and making it more difficult to constrain future deficits
- Restrains economic growth and people's income in the long term
- Limits the ability of the government to respond to future challenges
- Increases the risk of a fiscal crisis

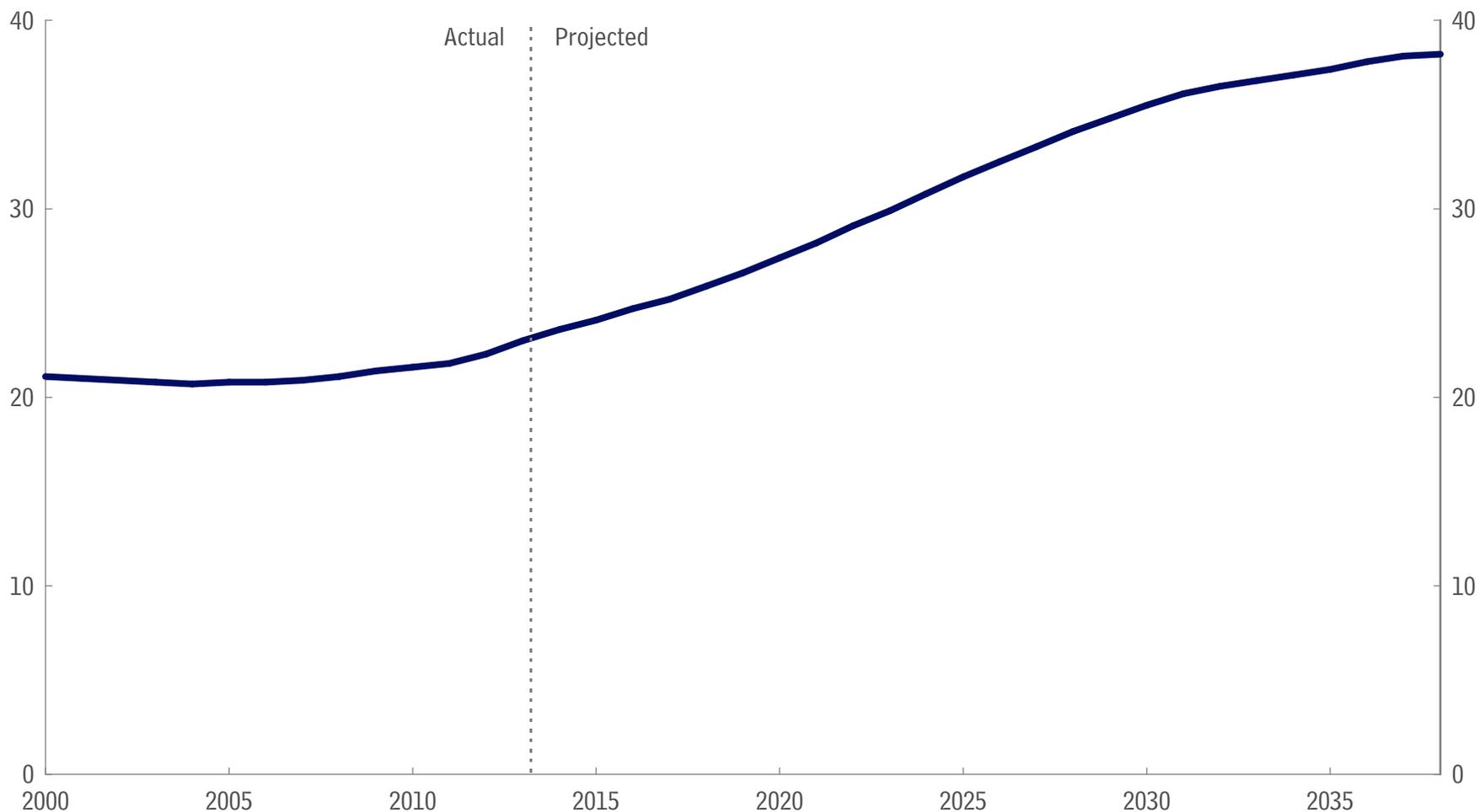
Federal Debt Held by the Public

(Percentage of gross domestic product)



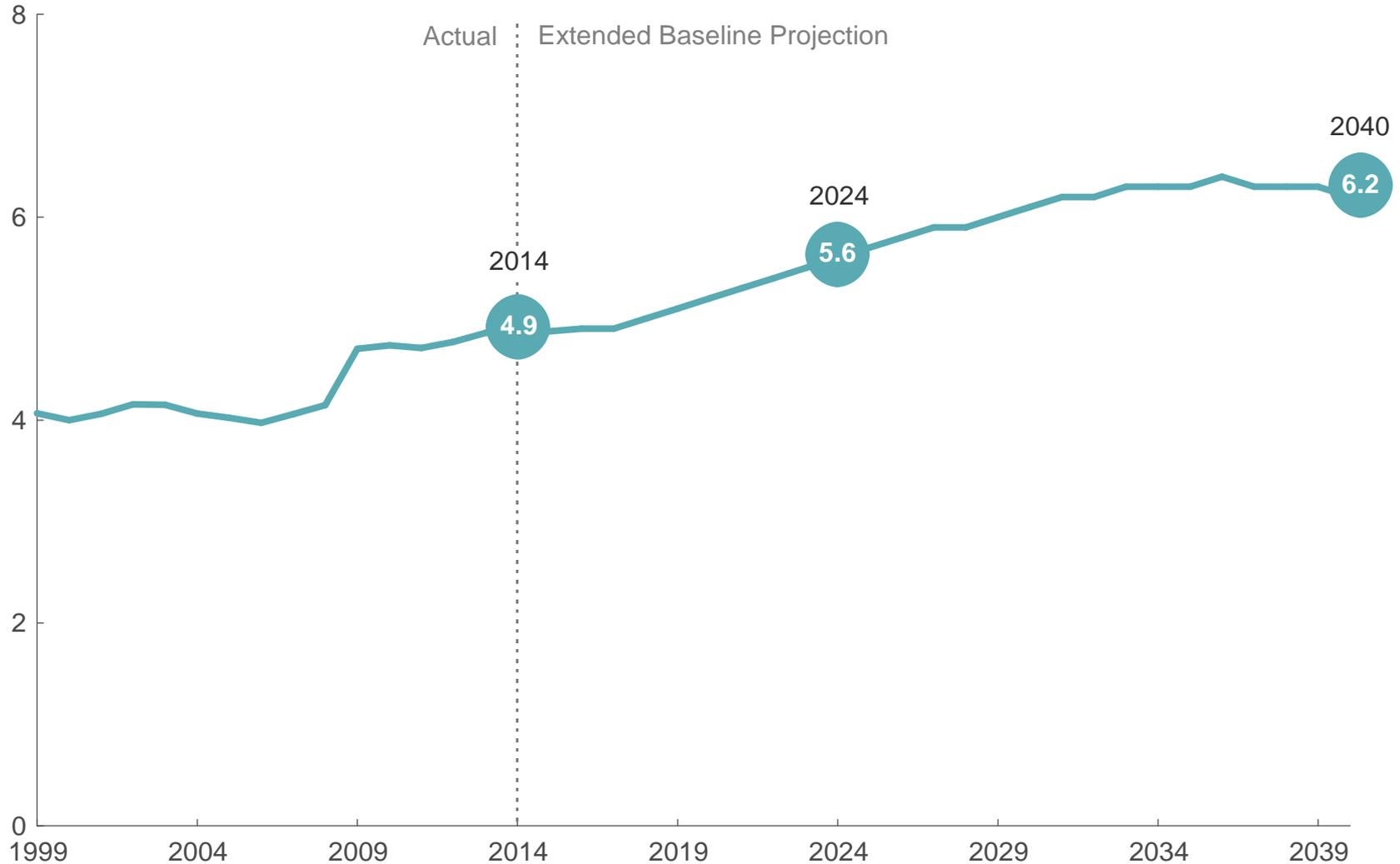
Population Age 65 or Older as a Share of the Population Ages 20 to 64

(Percent)



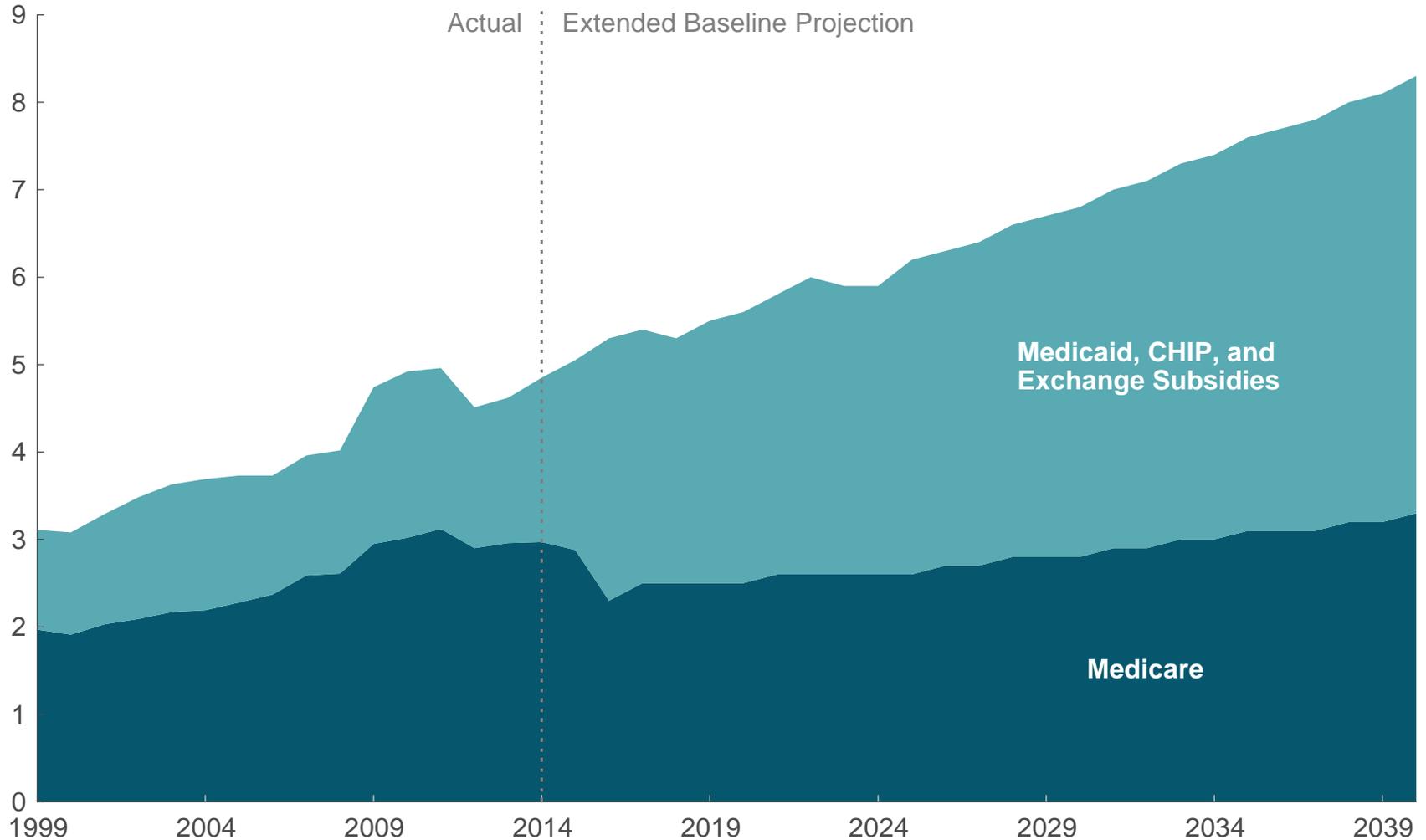
Spending for Social Security Under CBO's Extended Baseline

(Percentage of gross domestic product)



Federal Spending on the Major Health Care Programs, by Category

(Percentage of gross domestic product)



Conclusion

Given the aging of the population and rising costs for health care, attaining a sustainable federal budget will require the United States to deviate from the policies of the past 50 years in at least one of the following ways:

- Letting revenues rise more than they would under current law
- Reducing spending for large benefit programs to below the projected amounts

Changes in spending for other federal activities could affect the magnitude of the changes needed in taxes or large benefit programs but would not eliminate the need to make such changes.