



Congressional Budget Office

April 12, 2016

CBO's Contributions to Fiscal Transparency

8th Annual Meeting of OECD Parliamentary Budget Officials
and Independent Fiscal Institutions

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Deputy Director

CBO provides analysis of budgetary and economic issues that is **objective** and **impartial**. The agency is strictly **nonpartisan**.

All of CBO's official cost estimates and analytic reports are posted on its website.

CBO Promotes Fiscal Transparency Through Its Many Products

CBO produces a monthly report on budgetary developments for the current fiscal year.



Monthly Budget Review for February 2016

The federal budget deficit was \$352 billion for the first five months of fiscal year 2016, the Congressional Budget Office estimates—\$34 billion less than the shortfall recorded in the same span last year. Receipts were 5 percent higher than they were at this time a year ago, and outlays were 2 percent higher. If not for shifts in the timing of certain payments (which otherwise would have fallen on a weekend), the deficit for the first five months of fiscal year 2016 would have been about the same as it was last year.

Budget Totals, October–February (Billions of dollars)			
	Actual, FY 2015	Preliminary, FY 2016	Estimated Change
Receipts	1,186	1,247	62
Outlays	1,572	1,599	27
Deficit	□387	□352	34

Sources: Congressional Budget Office, Department of the Treasury. Based on the *Monthly Treasury Statement* for January 2016 and the *Daily Treasury Statements* for February 2016.
FY = fiscal year.

Total Receipts: Up by 5 Percent in the First Five Months of Fiscal Year 2016
Receipts through February total of \$1,247 billion, CBO estimates—\$62 billion more than the amount for the same period last year. The changes between last year and this year were as follows:

- II Individual income taxes and payroll (social insurance) taxes together rose by \$57 billion (or 6 percent).
 - o An increase of \$43 billion (or 5 percent) in amounts withheld from workers' paychecks accounted for most of that gain. Growth in wages and salaries probably explains that increase.
 - o Nonwithheld receipts, largely reflecting payments for the 2015 tax year, rose by \$12 billion (or 9 percent). Almost half of the increase occurred in January, when individuals made their last quarterly payment of estimated taxes for 2015.
 - o Income tax refunds decreased by \$3 billion (or 3 percent).
- II Corporate income taxes declined by about \$11 billion (or 11 percent). About two thirds of that decline occurred in December, when most corporations made their first quarterly estimated payment of those taxes in the current fiscal year. That decline may not indicate, however, that corporate profits have dropped. Comparing last year's tax payments with this year's has been complicated by the enactment in December 2015 of the Consolidated Appropriations Act, 2016 (Public Law 114-113), and by the enactment in December 2014 of the Tax Increase Prevention Act of 2014 (Division A of P.L. 113-295). Each of those laws retroactively extended, to the beginning of the calendar year in which it was enacted, various provisions that reduced tax liabilities, and they may have affected the timing of tax payments for each calendar year to different degrees. Most corporations must make their

Note: The amounts shown include the surplus or deficit in the Social Security trust funds and the net cash flow of the Postal Service, which are off-budget. Numbers may not add up to totals because of rounding.



Monthly Budget Review for January 2016

The federal budget deficit was \$165 billion for the first four months of fiscal year 2016, the Congressional Budget Office estimates—\$29 billion less than the shortfall recorded in the same span last year. Receipts were 3 percent higher than they were at this time a year ago, and outlays were about the same. If not for shifts in the timing of certain payments (which otherwise would have fallen on a weekend), the deficit for the first four months of fiscal year 2016 would have been \$10 billion larger than it was last year.

If lawmakers enact no further legislation affecting spending or revenues this year, the federal government will end fiscal year 2016 with a deficit of \$544 billion, or 2.9 percent of gross domestic product (GDP). CBO estimates, up from \$439 billion, or 2.5 percent of GDP, in 2015. An estimated \$43 billion of this year's projected increase in the deficit will result from a shift in the timing of some payments that the government would ordinarily have made in fiscal year 2017 but that will instead be made in fiscal year 2016, because October 1, 2016—the first day of fiscal year 2017—falls on a weekend. If not for that shift, the projected deficit in 2016 would be \$500 billion, or 2.7 percent of GDP. (For more details about CBO's most recent budget projections, see [The Budget and Economic Outlook: 2016 to 2026](#).)

Budget Totals, October–January (Billions of dollars)			
	Actual, FY 2015	Preliminary, FY 2016	Estimated Change
Receipts	1,046	1,079	33
Outlays	1,240	1,244	4
Deficit	-194	-165	29

Sources: Congressional Budget Office, Department of the Treasury. Based on the *Monthly Treasury Statement* for December 2015 and the *Daily Treasury Statements* for January 2016.
FY = fiscal year.

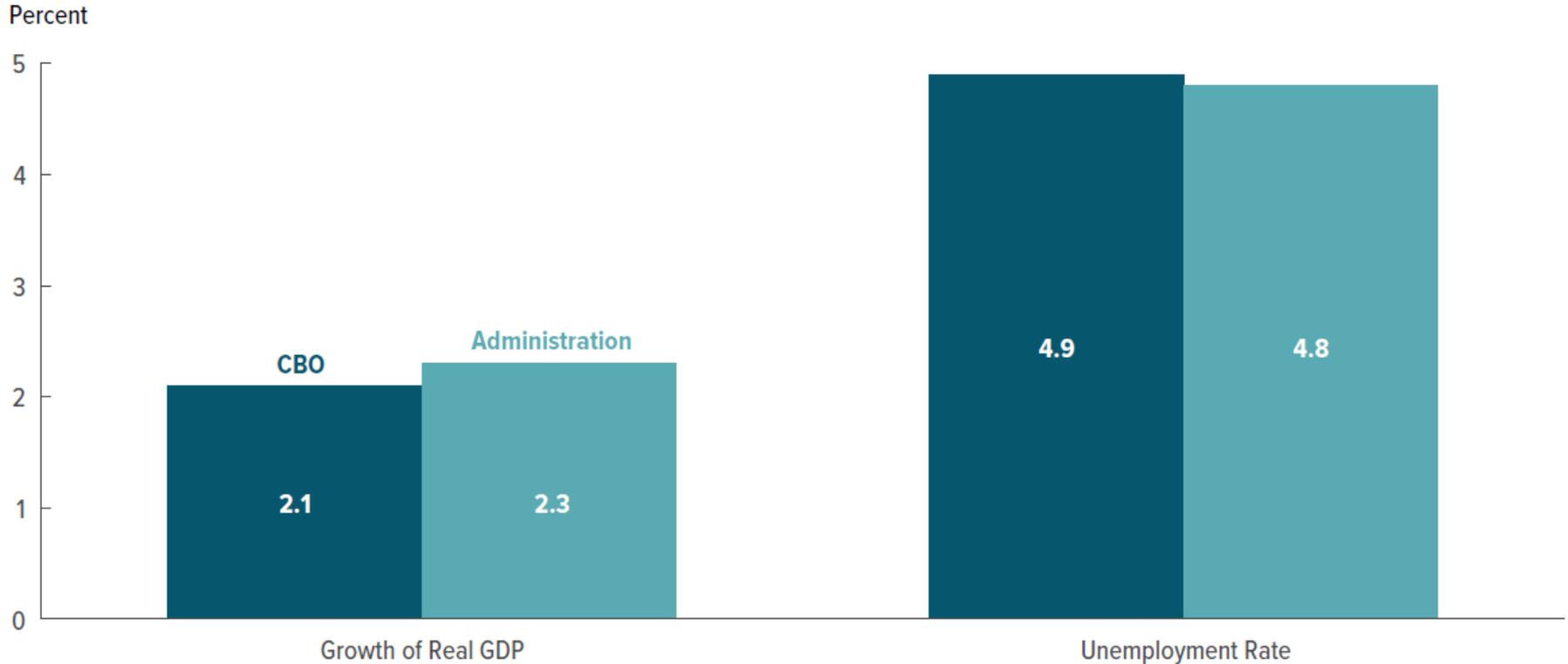
Total Receipts: Up by 3 Percent in the First Four Months of Fiscal Year 2016
Receipts through January total of \$1,079 billion, CBO estimates—\$33 billion more than the amount for the same period last year. The largest changes between last year and this year were in the following categories:

- II Individual income taxes and payroll (social insurance) taxes together rose by \$33 billion (or 4 percent).
 - o An increase of \$23 billion (or 3 percent) in amounts withheld from workers' paychecks accounted for the bulk of that gain. Growth in wages and salaries probably explains that increase.
 - o Nonwithheld receipts, largely from the last quarterly payments of estimated taxes for 2015, which were due in January, rose by \$9 billion (or 7 percent).
 - o Income tax refunds were \$2 billion lower than they had been the previous year. Most tax refunds will be paid from February through April.
- II Corporate income taxes declined by about \$13 billion (or 12 percent). For most corporations, the first quarterly payment of estimated taxes in the current fiscal year was

Note: The amounts shown include the surplus or deficit in the Social Security trust funds and the net cash flow of the Postal Service, which are off-budget. Numbers may not add up to totals because of rounding.

CBO produces detailed economic forecasts, usually twice a year, and compares them with those produced by other government agencies and private-sector economists.

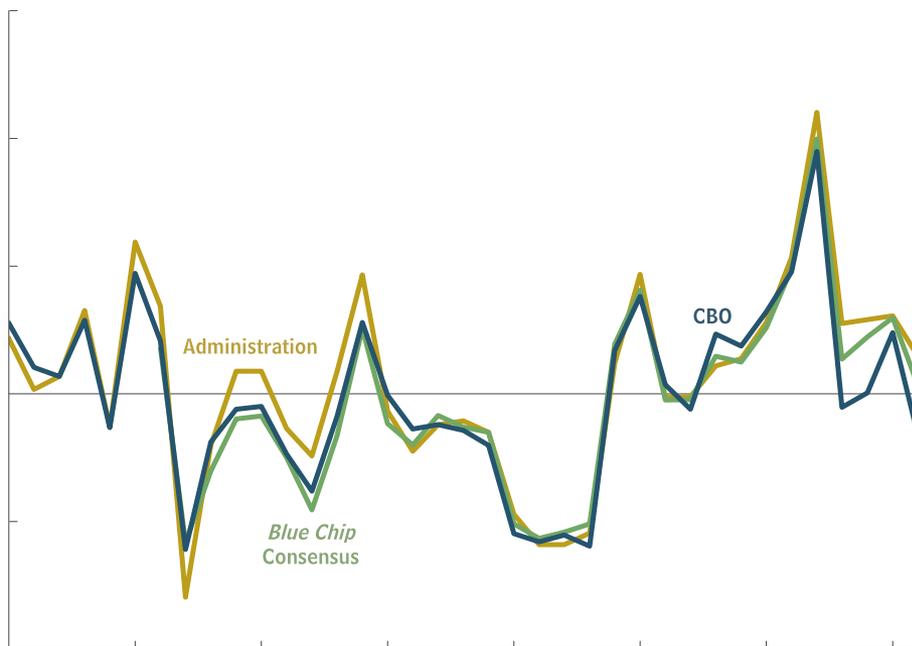
Comparison of Economic Projections by CBO and the Administration, 2017 to 2026



Sources: Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026* (January 2016); Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2017: Analytical Perspectives* (February 2016).

CBO

CBO's Economic Forecasting Record: 2015 Update



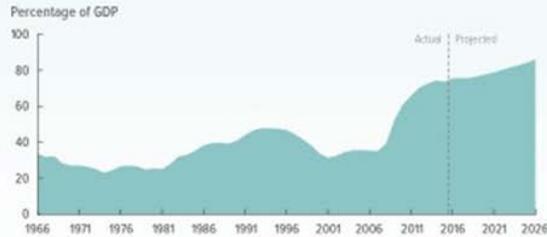
FEBRUARY 2015

CBO prepares 10-year “baseline” budget projections, generally assuming that current laws governing taxes and spending remain in place.

Those projections are widely reported and widely used as a basis for discussions of budget policy.

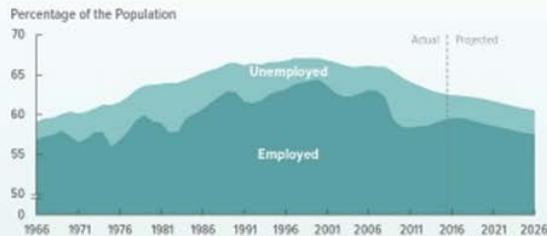
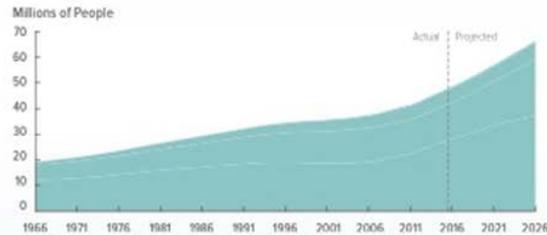
CBO

The Budget and Economic Outlook: 2016 to 2026



In CBO's projections, growing deficits drive up **debt** over the next decade, as spending rises and revenues remain relatively flat as a share of the economy.

Spending for Social Security and Medicare increases as the number of **people age 65 or older** grows.



Because retiring baby boomers reduce the percentage of the population in the **labor force**, the economy expands more moderately in later years after growing solidly this year and next.

JANUARY 2016

Comparison of CBO's and the Administration's Baselines

Billions of Dollars

	Actual, 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total	
													2017- 2021	2017- 2026
CBO's March 2016 Baseline														
Revenues	3,250	3,364	3,508	3,645	3,772	3,931	4,082	4,247	4,423	4,615	4,825	5,042	18,937	42,089
Outlays	3,688	3,897	4,058	4,194	4,482	4,729	4,972	5,290	5,504	5,709	6,051	6,385	22,434	51,373
Deficit	-438	-534	-550	-549	-710	-798	-890	-1,043	-1,080	-1,094	-1,226	-1,343	-3,497	-9,283
Administration's February 2016 Baseline														
Revenues	3,250	3,336	3,477	3,615	3,783	4,006	4,204	4,400	4,593	4,801	5,012	5,247	19,084	43,137
Outlays	3,688	3,950	4,113	4,334	4,658	4,923	5,197	5,521	5,760	5,986	6,338	6,687	23,225	53,517
Deficit	-438	-615	-636	-719	-875	-917	-994	-1,121	-1,167	-1,185	-1,325	-1,440	-4,141	-10,380
Difference Between CBO's Baseline and the Administration's Baseline														
Revenues	n.a.	28	31	31	-12	-75	-122	-153	-169	-186	-187	-205	-147	-1,048
Outlays	n.a.	-53	-55	-140	-176	-194	-225	-231	-256	-277	-287	-302	-791	-2,144
Deficit^a	n.a.	81	86	171	165	120	103	78	87	91	99	97	644	1,097

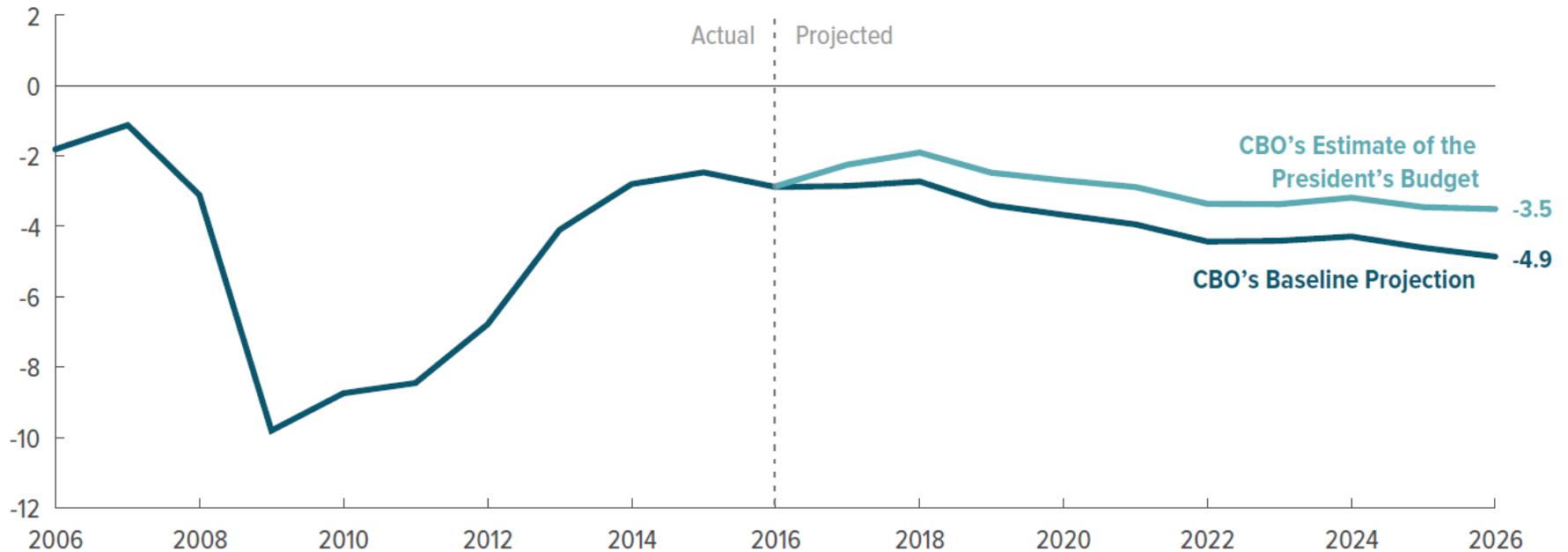
Sources: Congressional Budget Office, *Updated Budget Projections, 2016 to 2026* (March 2016); Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2017* (February 2016).

a. Positive numbers denote that the Administration's deficit estimate is higher than CBO's.

CBO prepares an analysis of the President's proposed budget, using its own economic projections and estimating models (rather than the Administration's).

Deficits Projected in CBO's Baseline and Under the President's Budget

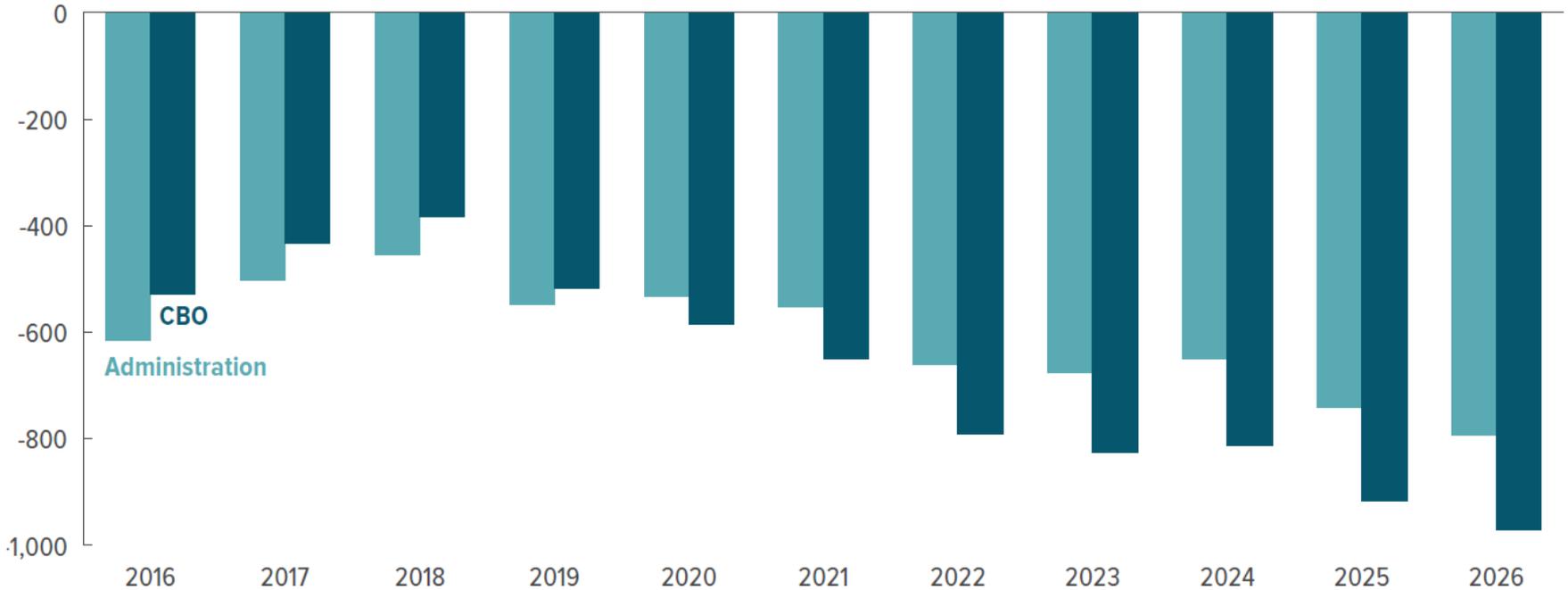
Percentage of Gross Domestic Product



Source: Congressional Budget Office, *An Analysis of the President's 2017 Budget* (March 2016).

Comparison of CBO's and the Administration's Estimates of the Deficit Under the President's 2017 Budget

Billions of Dollars

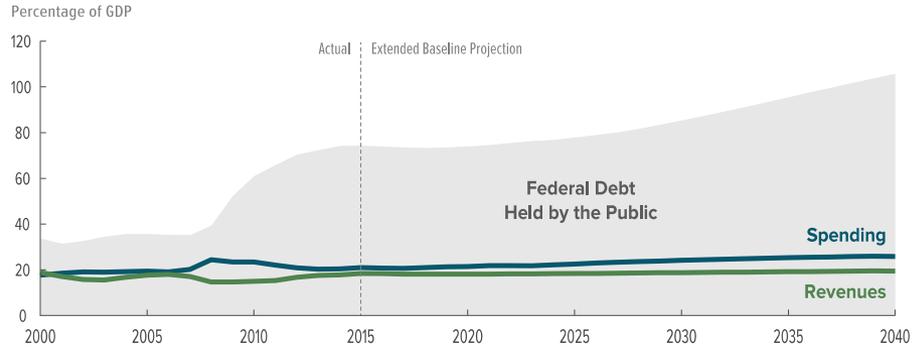


Sources: Congressional Budget Office, *An Analysis of the President's 2017 Budget* (March 2016); Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2017* (February 2016).

CBO also prepares 25-year budget projections, which more fully reflect long-term economic and demographic trends.

CBO

The 2015 Long-Term Budget Outlook



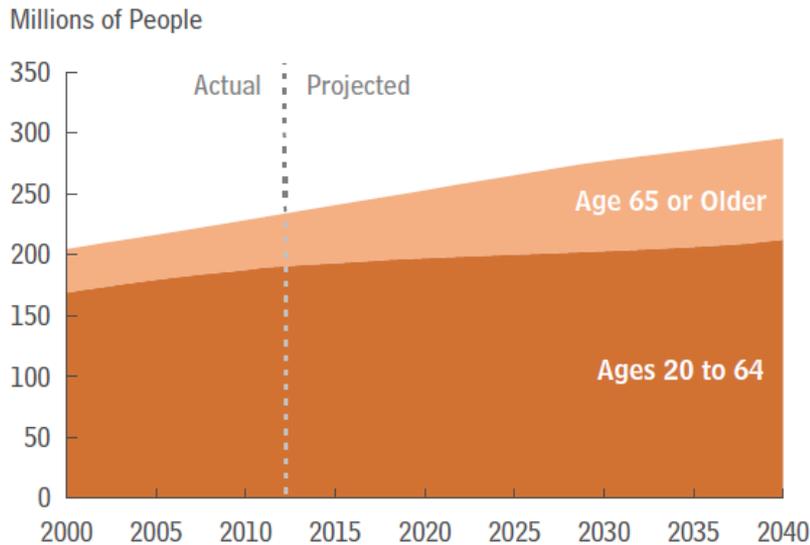
If Lawmakers Aimed for Debt in 2040 to Equal . . .

Its 50-Year Average of 38% of GDP . . .	Its Current Level of 74% of GDP . . .
How Much Would They Need to Increase Revenues or Reduce Noninterest Spending per Year?	
2.6% of GDP, which is equal to a 14% ↑ Increase in Revenues or 13% ↓ Cut in Spending	1.1% of GDP, which is equal to a 6% ↑ Increase in Revenues or 5½% ↓ Cut in Spending

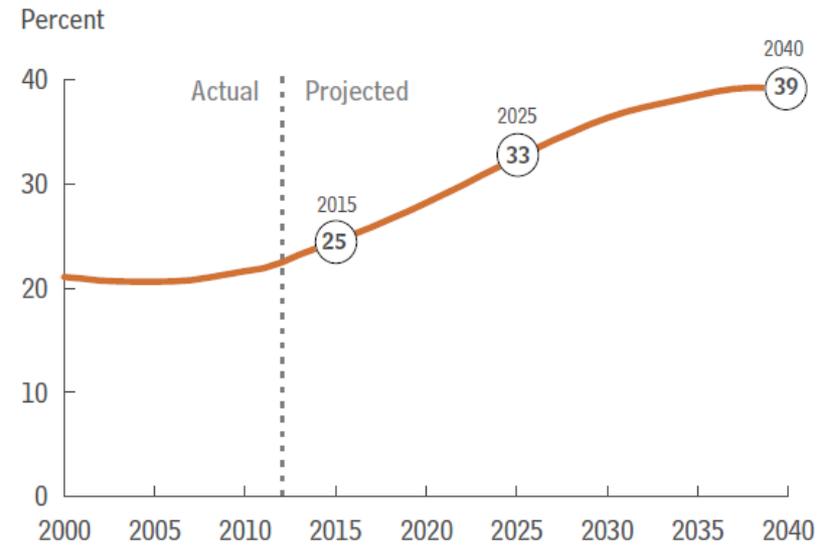
JUNE 2015

Changes in the Population, by Age Group

The number of people age 65 or older is expected to rise by 76 percent over the projection period, whereas the number between the ages of 20 and 64 will rise by just 10 percent.



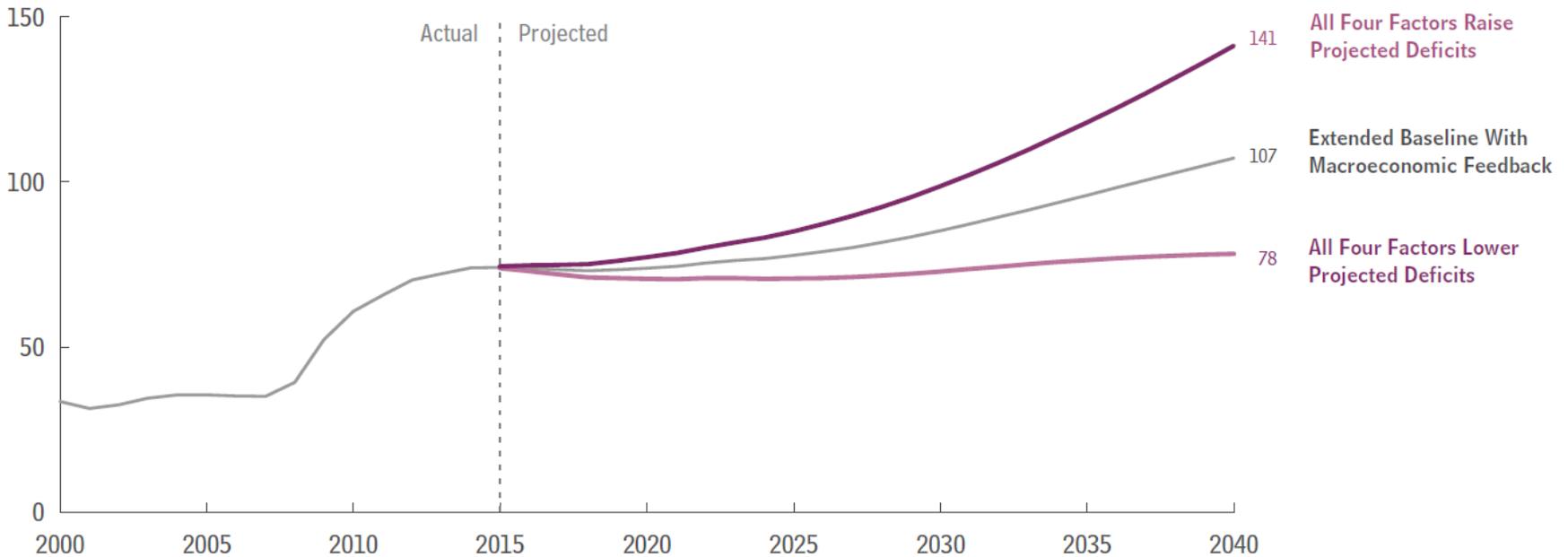
Thus, by 2040, the proportion of the older to the younger group of people will have risen from the current 25 percent to nearly 40 percent.



Source: Congressional Budget Office, *The 2015 Long-Term Budget Outlook* (June 2015).

Federal Debt Given Different Rates of Mortality Decline, Productivity Growth, Interest, and Growth of Federal Health Care Spending

Percentage of Gross Domestic Product



Source: Congressional Budget Office, *The 2015 Long-Term Budget Outlook* (June 2015).

The Size of Policy Changes Needed Over 25 Years to Make Federal Debt Meet Two Possible Goals in 2040

If Lawmakers Aimed for . . .

Debt in 2040 to Equal Its 50-Year Average of **38%** of GDP . . .

Debt in 2040 to Equal Its Current Level of **74%** of GDP . . .

How Much Would They Need to Increase Revenues or Reduce Noninterest Spending per Year?

2.6% of GDP, which is equal to a
14% ↑ Increase in **Revenues**
 or
13% ↓ Cut in **Spending**

1.1% of GDP, which is equal to a
6% ↑ Increase in **Revenues**
 or
5½% ↓ Cut in **Spending**

What Would That Increase in Revenues or Reduction in Noninterest Spending Amount to in 2016?

\$480 billion, which is equal to **\$1,450** per person

\$210 billion, which is equal to **\$650** per person

What If the Changes Were Increases (of Equal Percentage) in All Types of Revenues?

 **+\$1,700**

One effect in 2016 is that, on average, **taxes on households** would be higher than under current law.

 **+\$750**

Values are for households in the middle fifth of the income distribution. Those taxes are projected to be \$12,300 under current law.

What If the Changes Were Cuts (of Equal Percentage) in All Types of Noninterest Spending?

 **-\$2,400**

One effect is that **initial Social Security benefits** would be lower than under current law.

 **-\$1,050**

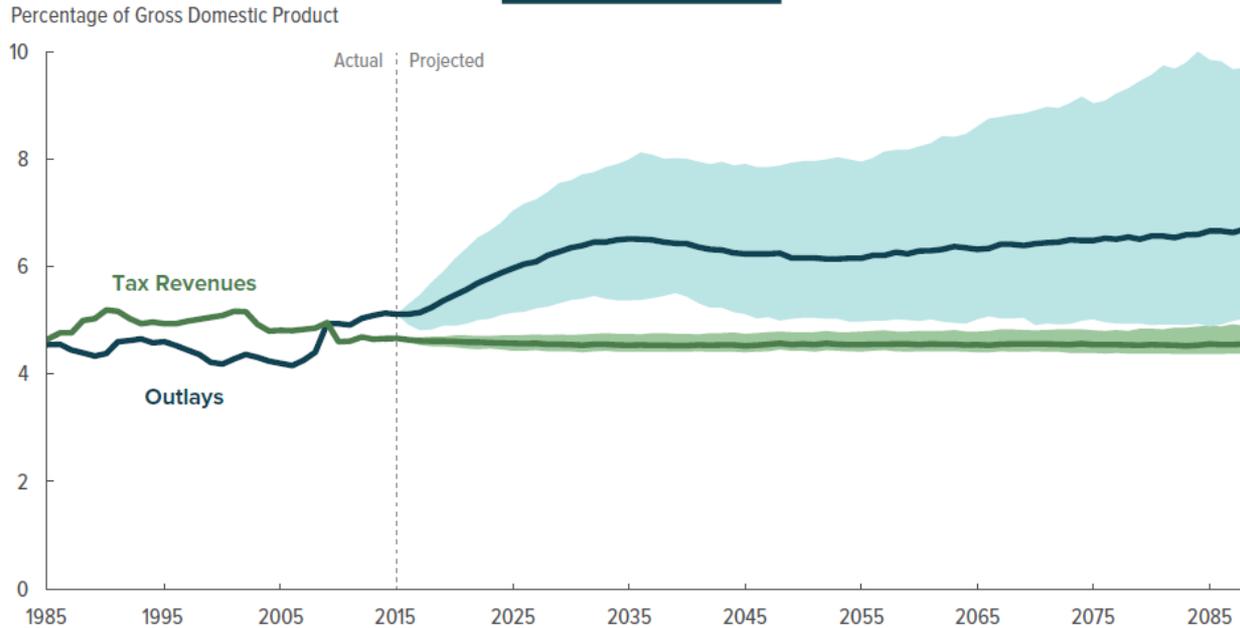
Values are averages for people in the middle fifth of the lifetime earnings distribution who were born in the 1950s and who would claim benefits at age 65. Those benefits are projected to be \$18,650 (in 2016 dollars) under current law.

Source: Congressional Budget Office, *The 2015 Long-Term Budget Outlook* (June 2015).

To more clearly illuminate long-term demographic challenges, CBO prepares 75-year projections for the Social Security program.

CBO

CBO's 2015 Long-Term Projections for Social Security: Additional Information

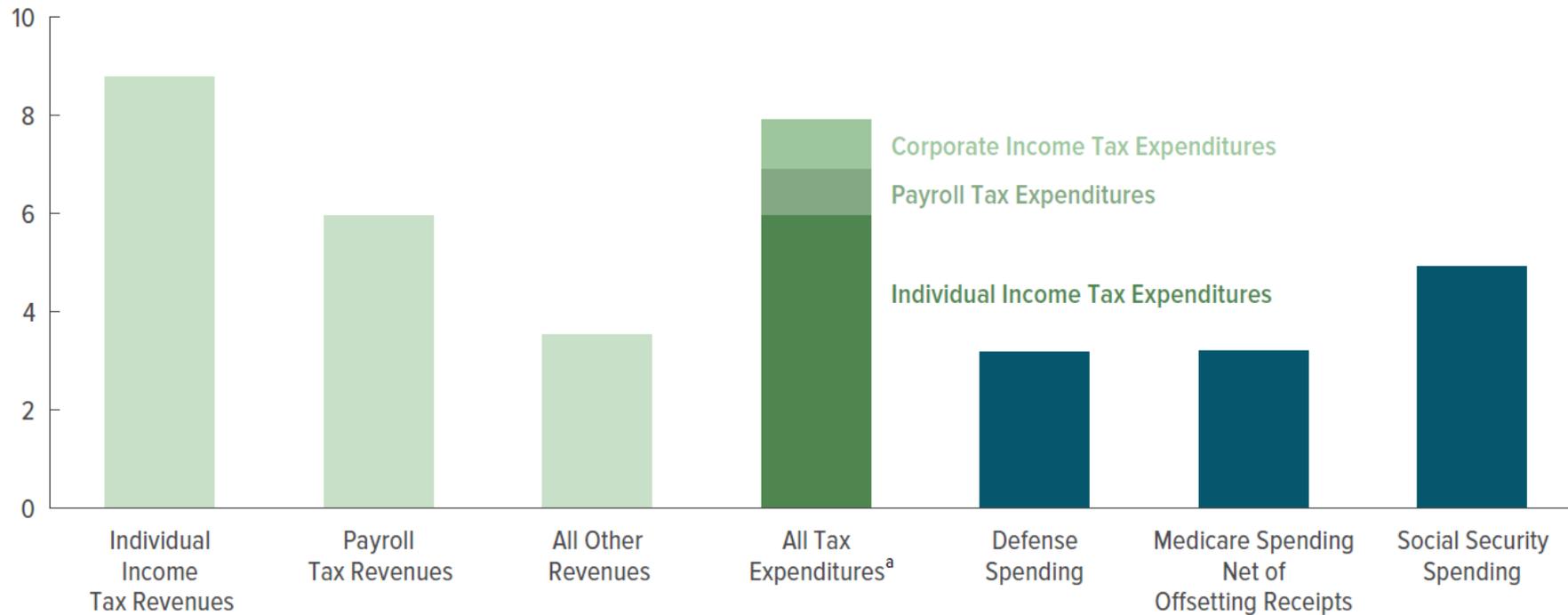


DECEMBER 2015

CBO also shows the effects of major tax preferences, which are not readily apparent in budget reports.

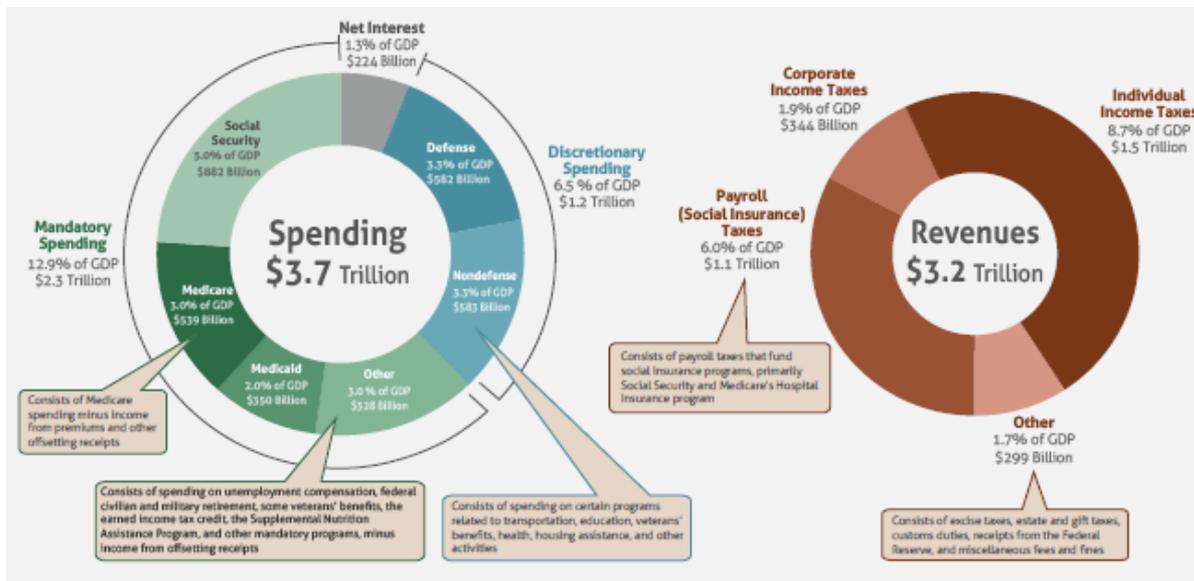
Revenues, Tax Expenditures, and Selected Components of Spending in 2016

Percentage of Gross Domestic Product



Source: Congressional Budget Office, *The Budget and Economic Outlook, 2016 to 2026* (January 2016).

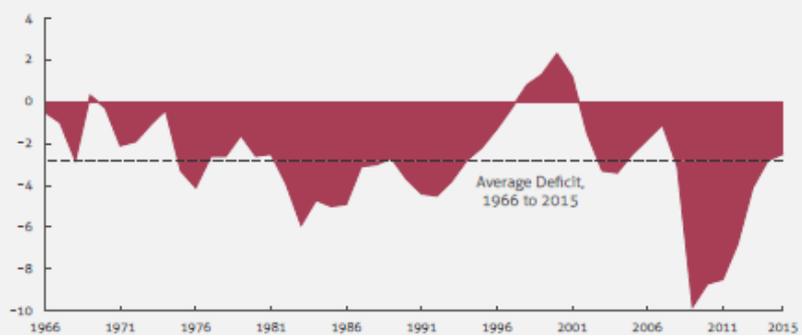
CBO strives to present budget information in ways that are easy to understand.



CATEGORIES of the BUDGET	Mandatory Spending	Discretionary Spending	Net Interest	Revenues
	Consists primarily of benefit programs for which laws set eligibility rules and benefit formulas	Consists of spending that lawmakers control through annual appropriation acts	Consists of the government's interest payments on debt held by the public, offset by interest income the government receives	Consists of funds collected from the public that arise from the government's exercise of its sovereign powers

Federal Deficits, 1966 to 2015

Percentage of Gross Domestic Product



Annual Deficit or Surplus = Revenues - Outlays

To fund government spending in years of deficits, the government borrows from individuals, businesses, or other countries by selling them Treasury securities.

Source: Congressional Budget Office, "The Federal Budget in 2015" (infographic, January 2016).

CBO Posts Its Projections



ABOUT CBO

» Products

- » Major Recurring Reports
- » **Budget and Economic Data**
- » Baseline Projections for Selected Programs

» Processes

» Transparency

» Objectivity

» Organization and Staffing

» History

» Career Opportunities

- » Jobs
- » Visiting Scholars
- » Internships
- » Days
- » People
- » Benefits
- » Recruiting Events

» Business Opportunities

» Contact Information

Budget and Economic Data

CBO regularly publishes data to accompany some of its key reports. These data have been published in the **Budget and Economic Outlook and Updates** and in their associated supplemental material, except for that from the **Long-Term Budget Outlook**.

BUDGET

- » 10-Year Budget Projections
- » Long-Term Budget Projections
- » Historical Budget Data
- » 10-Year Trust Fund Projections
- » Detailed Revenue Projections
- » Spending Projections, by Budget Account
- » Estimates of Automatic Stabilizers

ECONOMIC

- » 10-Year Economic Projections
- » Potential GDP and Underlying Inputs

10-Year Budget Projections

Projections of spending and revenues by category and of deficits and debt held by the public.

Mar 2016	Jan 2016	Aug 2015	Mar 2015	Jan 2015	Aug 2014	Apr 2014	
Feb 2014	May 2013	Feb 2013	Aug 2012	Mar 2012	Jan 2012	Aug 2011	
Jan 2011	Aug 2010	Jan 2010	Aug 2009	Mar 2009	Jan 2009	Sep 2008	
Jan 2008	Aug 2007	Jan 2007					



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Baseline Projections for Selected Programs

CBO publishes detailed information underlying its 10-Year budget projections for selected programs up to three times a year.

EDUCATION

- » Pell Grant Programs
- » Student Loan Programs

HEALTH

- » Children's Health Insurance Program
- » Federal Subsidies for Health Insurance (Includes Effects of the Affordable Care Act)
- » Medicaid
- » Medicare

OTHER PROGRAMS

- » Federal Programs that Guarantee Mortgages
- » Highway Trust Fund Accounts
- » USDA Mandatory Farm Programs

SOCIAL SECURITY AND PENSIONS

- » Military Retirement
- » Pension Benefit Guaranty Corporation
- » Railroad Retirement
- » Social Security Disability Insurance
- » Social Security Old-Age and Survivors Insurance
- » Social Security Trust Fund

OTHER INCOME SECURITY

- » Child Nutrition Programs
- » Child Support Collections
- » Child Support Enforcement
- » Foster Care and Adoption Assistance
- » Supplemental Nutrition Assistance Program
- » Supplemental Security Income
- » Temporary Assistance for Needy Families
- » Unemployment Compensation