



CONGRESSIONAL BUDGET OFFICE

The Budget Outlook for 2017 to 2027 in 20 Slides

January 2017

For more details, see www.cbo.gov/publication/52370.

If appropriations for the full year match those in the continuing resolution and no further changes are made to current laws governing taxes or spending . . .

. . . the federal **budget deficit** in 2017 will total \$559 billion, or 2.9 percent of GDP, CBO estimates.

Total Deficits or Surpluses

Percentage of GDP



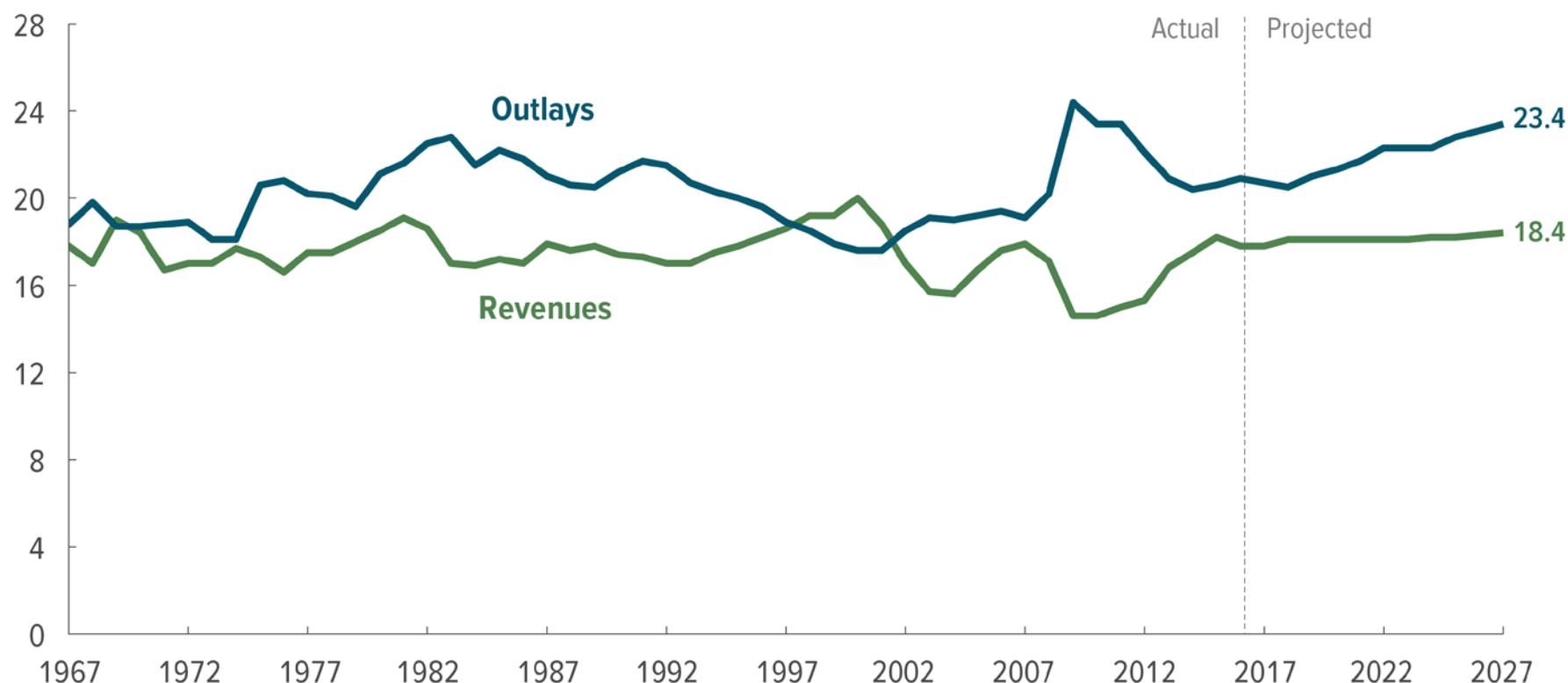
By 2027, if current laws remained generally unchanged, the deficit would reach 5.0 percent of GDP, far exceeding its 50-year average.

Over the next decade, budget deficits would eventually follow an upward trajectory:

Growth in revenues would be outpaced by growth in spending for retirement and health care programs that target older people and for interest on the federal debt.

Total Revenues and Outlays

Percentage of GDP

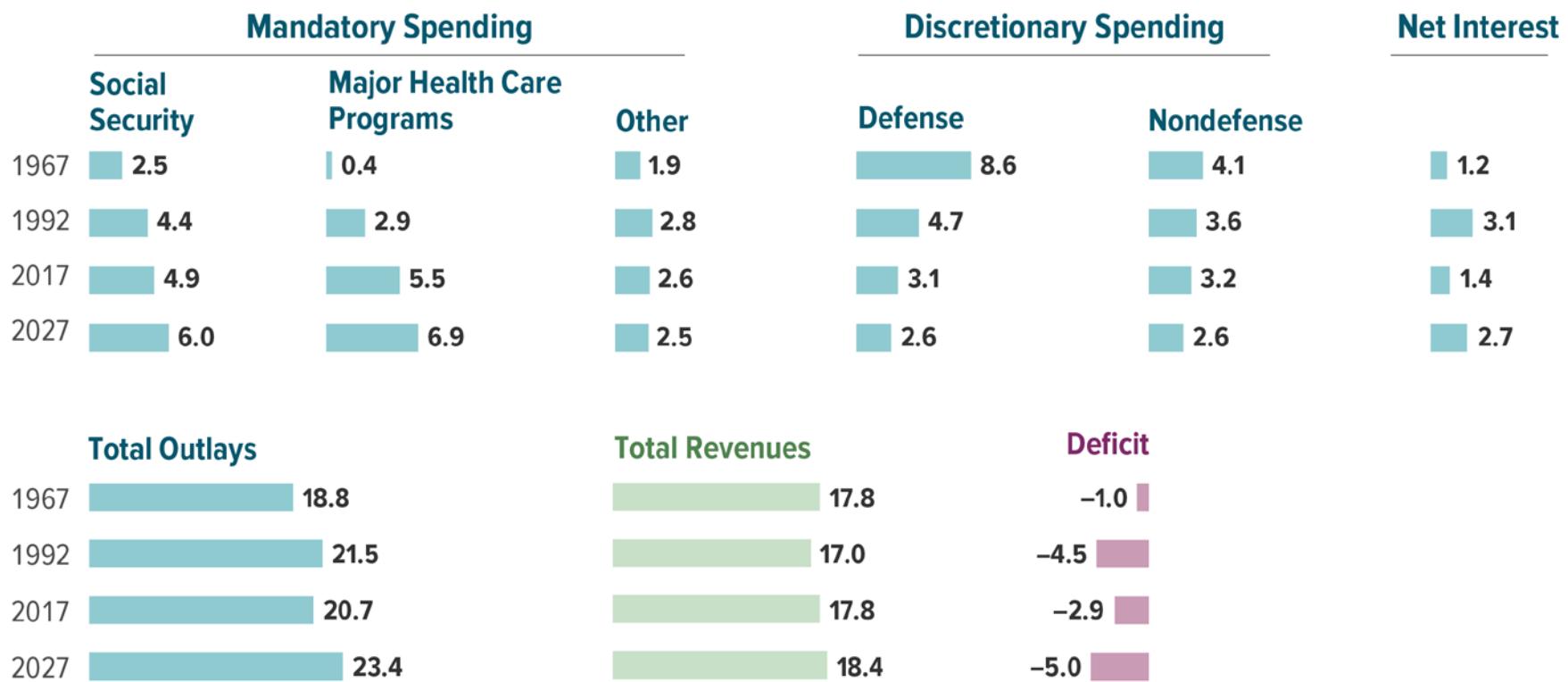


Under current law, revenues would rise by about 4 percent a year, on average, but outlays would rise faster—by about 5 percent a year, on average (in nominal dollars). By the end of the 10-year projection period, revenues would total 18.4 percent of GDP, whereas outlays would total 23.4 percent.

The composition of the budget has fundamentally changed over the past 50 years, and that trend would continue under current law.

Spending and Revenues Projected in CBO's Baseline, Compared With Actual Values 25 and 50 Years Ago

Percentage of GDP

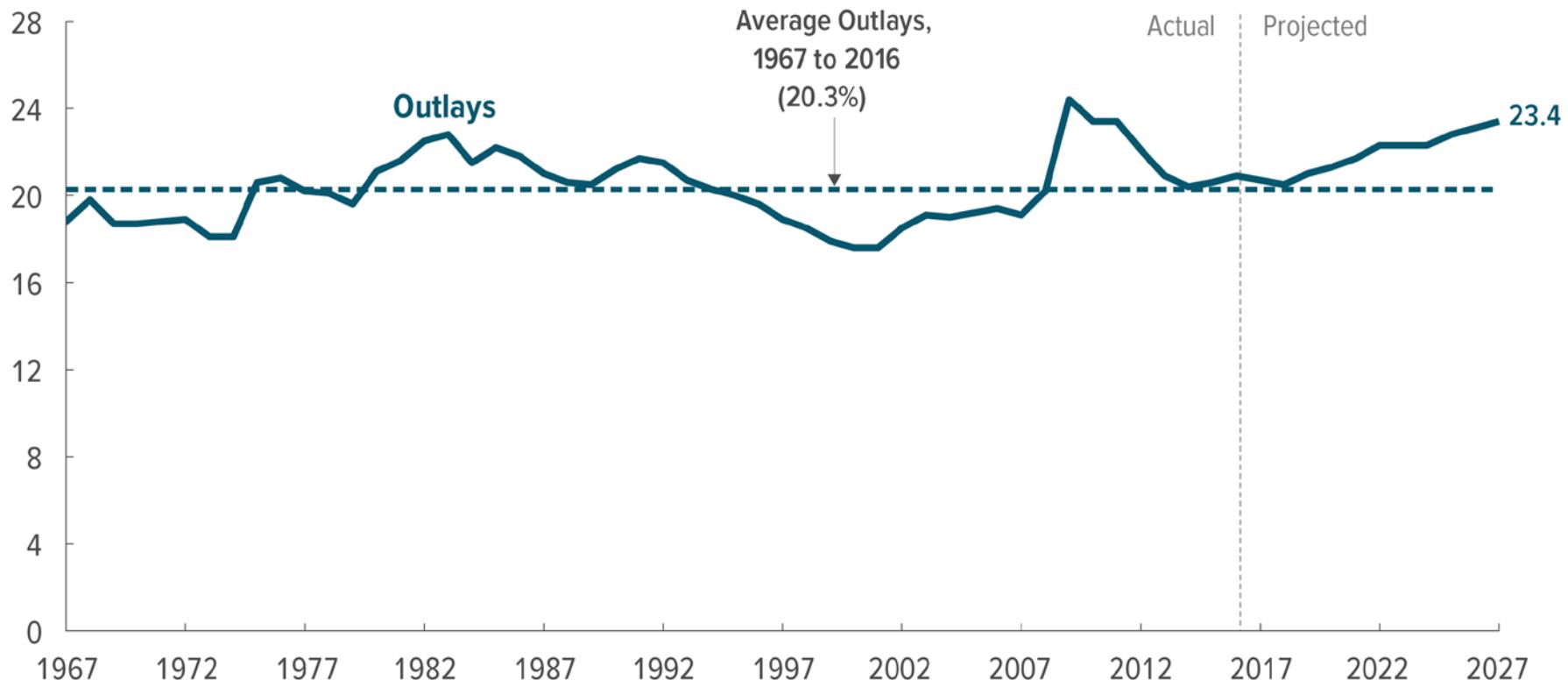


As a percentage of GDP, spending for Social Security and the major health care programs is projected to be much greater, and outlays from appropriations for defense and other programs much smaller, than they have been in the past.

What Is the Outlook for Spending?

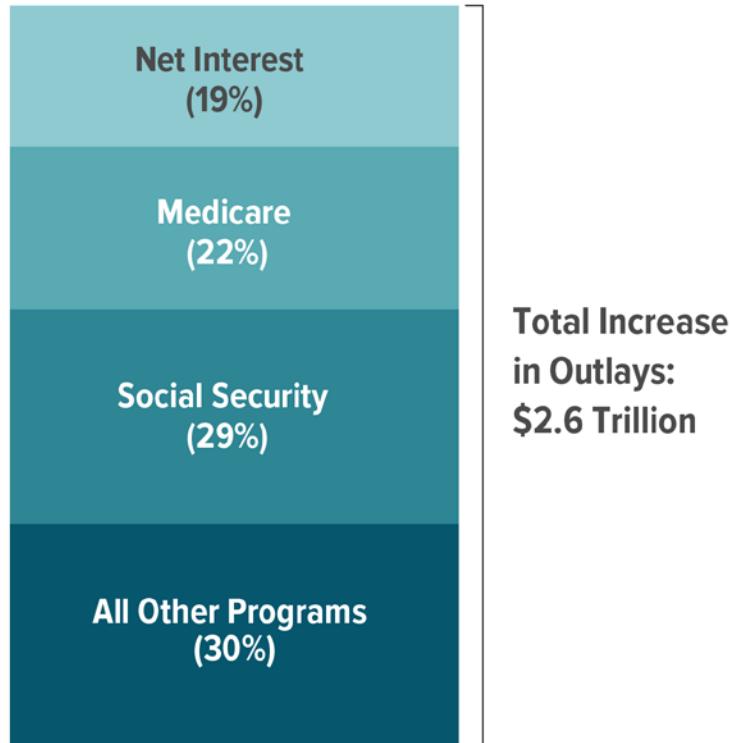
Total Outlays

Percentage of GDP



In CBO's projections, outlays remain near 21 percent of GDP for the next few years, which is higher than their 50-year average of 20.3 percent. Later in the coming decade, outlays would rise to 23.4 percent of GDP.

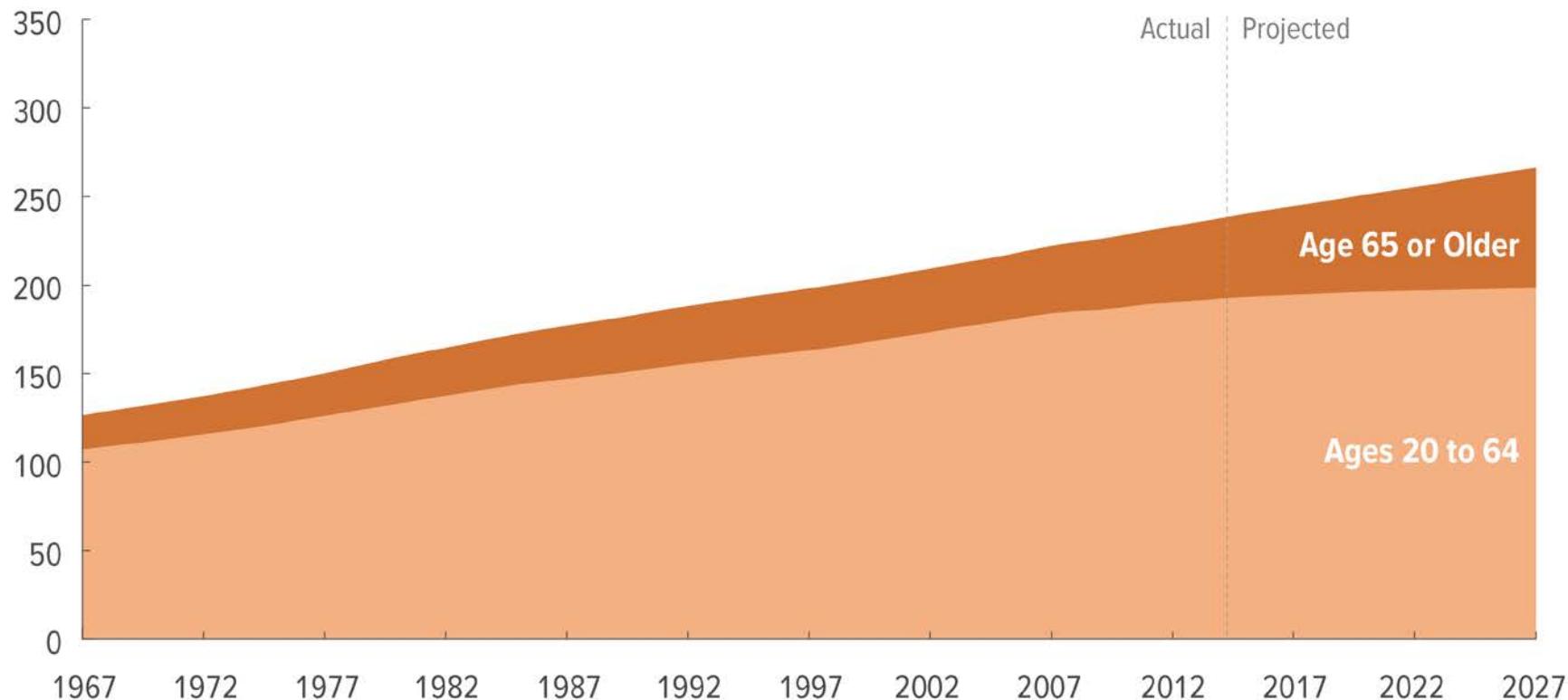
Components of the Total Increase in Outlays in CBO's Baseline Between 2017 and 2027



Three components of the budget—Social Security, Medicare, and net interest—would account for 70 percent of the total increase in outlays, in nominal terms, over the coming decade. Social Security and Medicare alone would account for more than half of the increase—mainly because of the aging of the population and rising health care costs per person.

Population, by Age Group

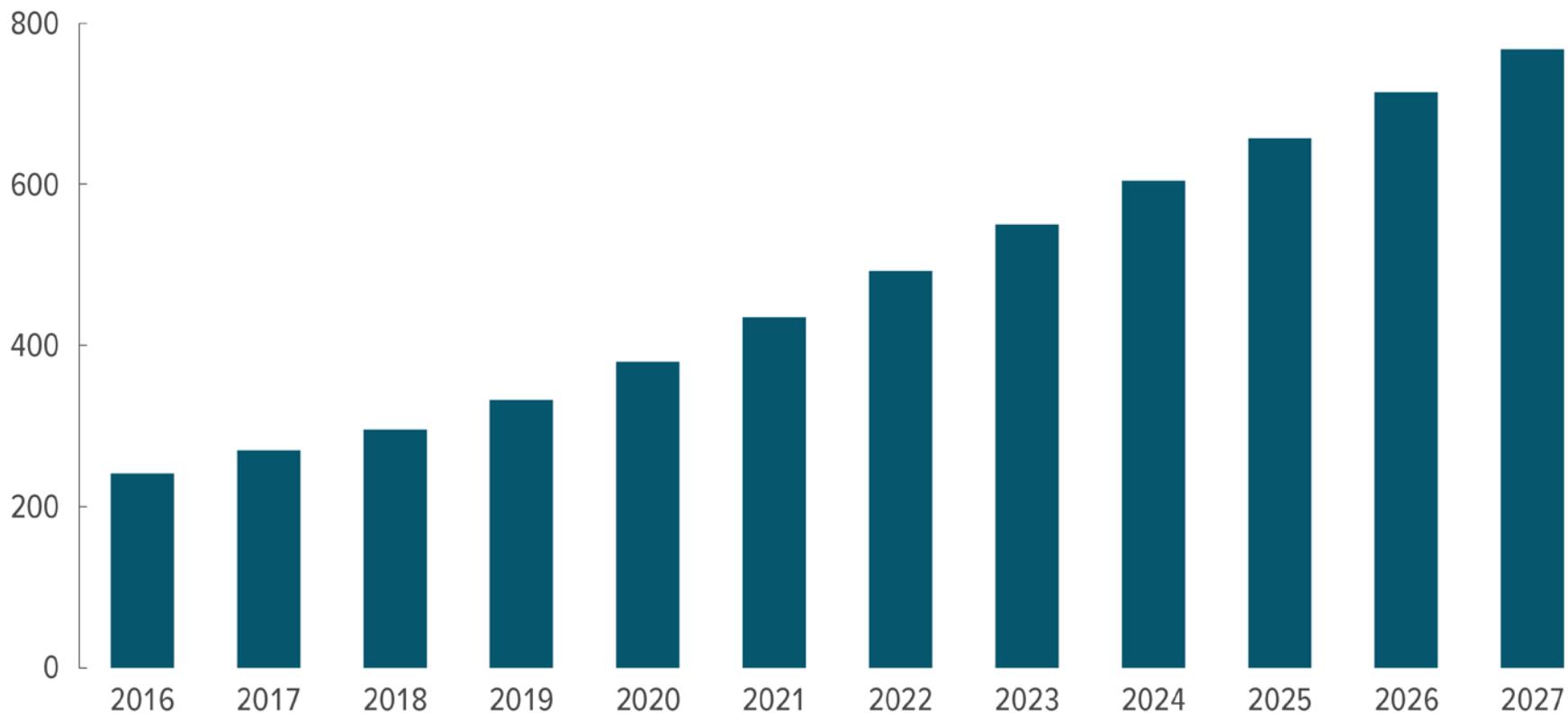
Millions of People



The number of people age 65 or older in the United States—now more than twice what it was 50 years ago—is expected to grow by more than a third over the next 10 years. Thus, enrollment in Social Security and Medicare would continue to rise. By 2027, spending for people age 65 or older by those two programs—as well as by Medicaid and by military and federal civilian retirement programs—would account for 45 percent of all federal noninterest spending.

Projected Net Interest Outlays

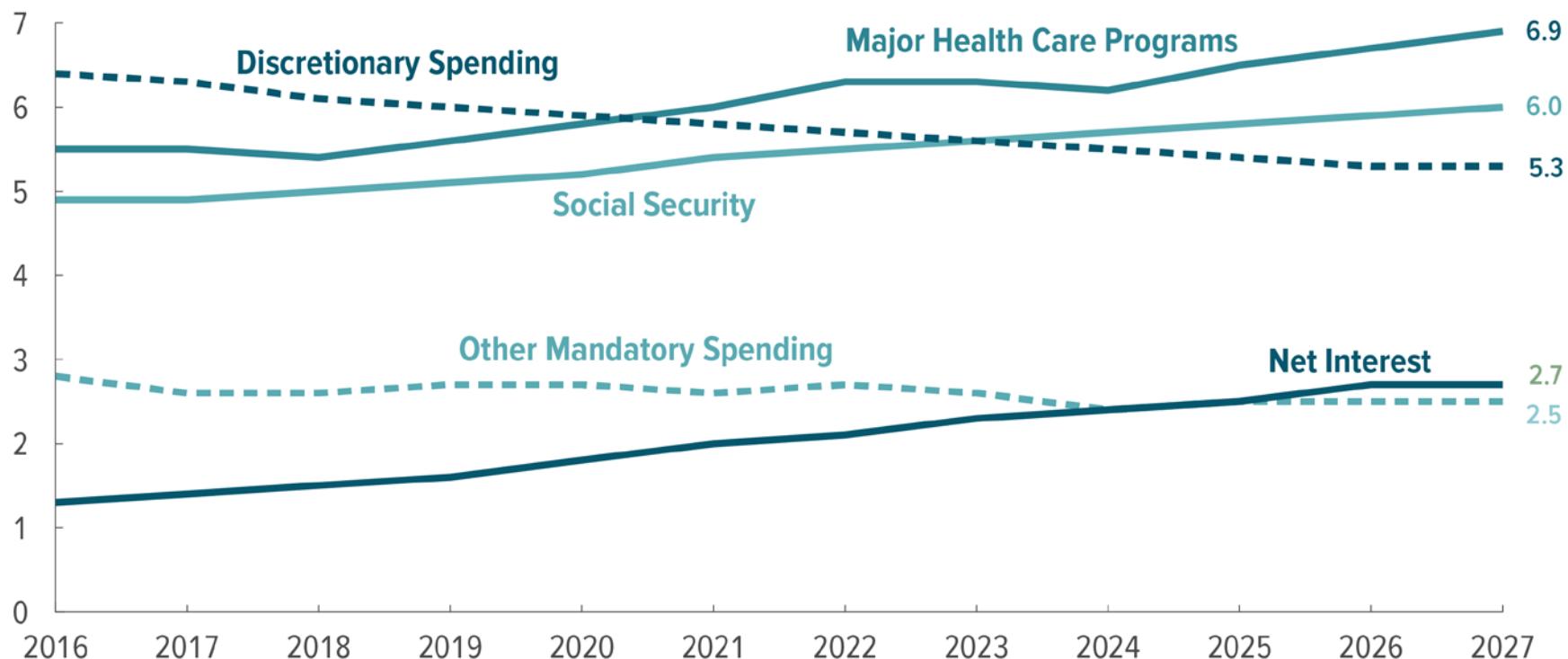
Billions of Dollars



Because of rising interest rates and, to a lesser extent, growing federal debt held by the public, the government's interest payments on that debt are projected to rise sharply over the next 10 years—nearly tripling in nominal terms and almost doubling relative to GDP.

Projected Outlays for Major Budget Categories

Percentage of GDP

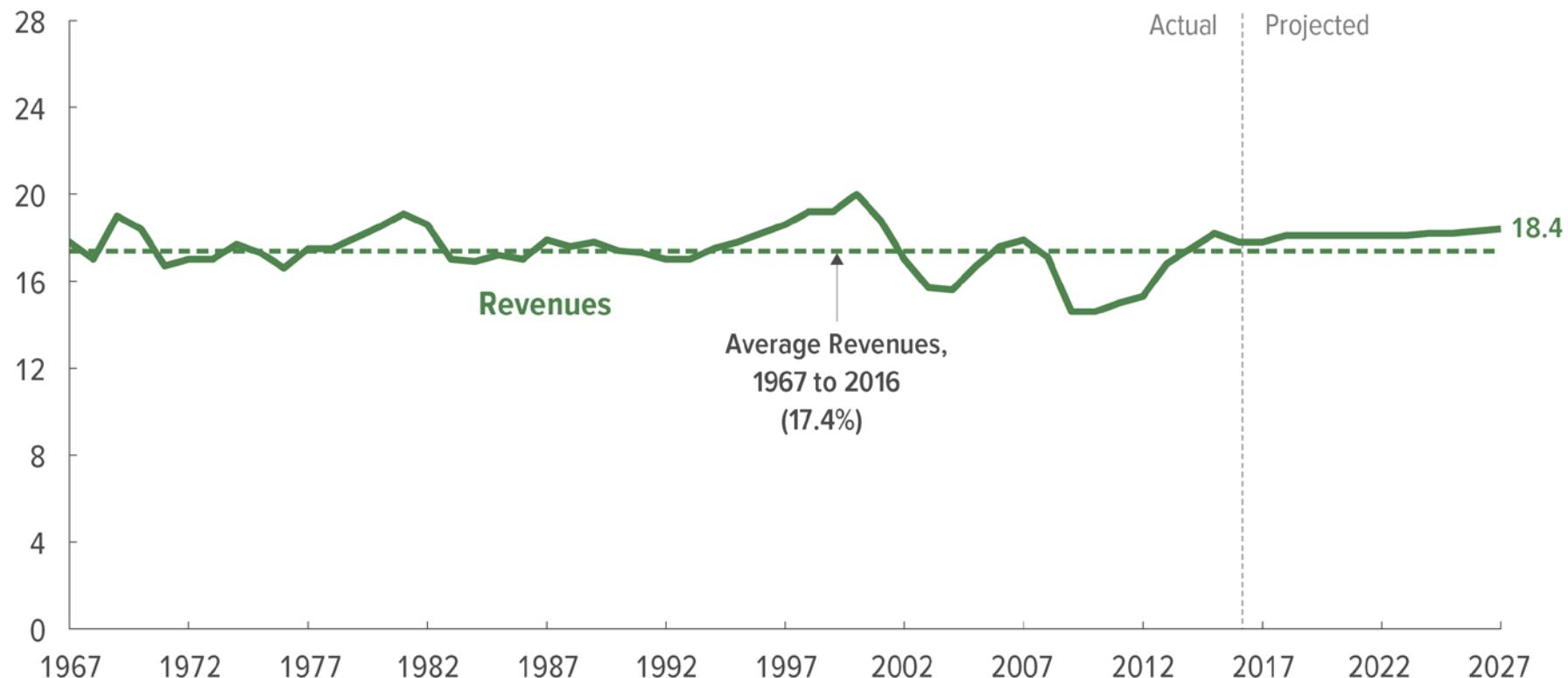


By 2027, discretionary spending is projected to drop to its lowest share of GDP in any year to date since 1962 (the earliest year for which such data have been reported). That reduction occurs because most discretionary funding is capped through 2021 at amounts that increase more slowly than the projected growth of the economy.

What Is the Outlook for Revenues?

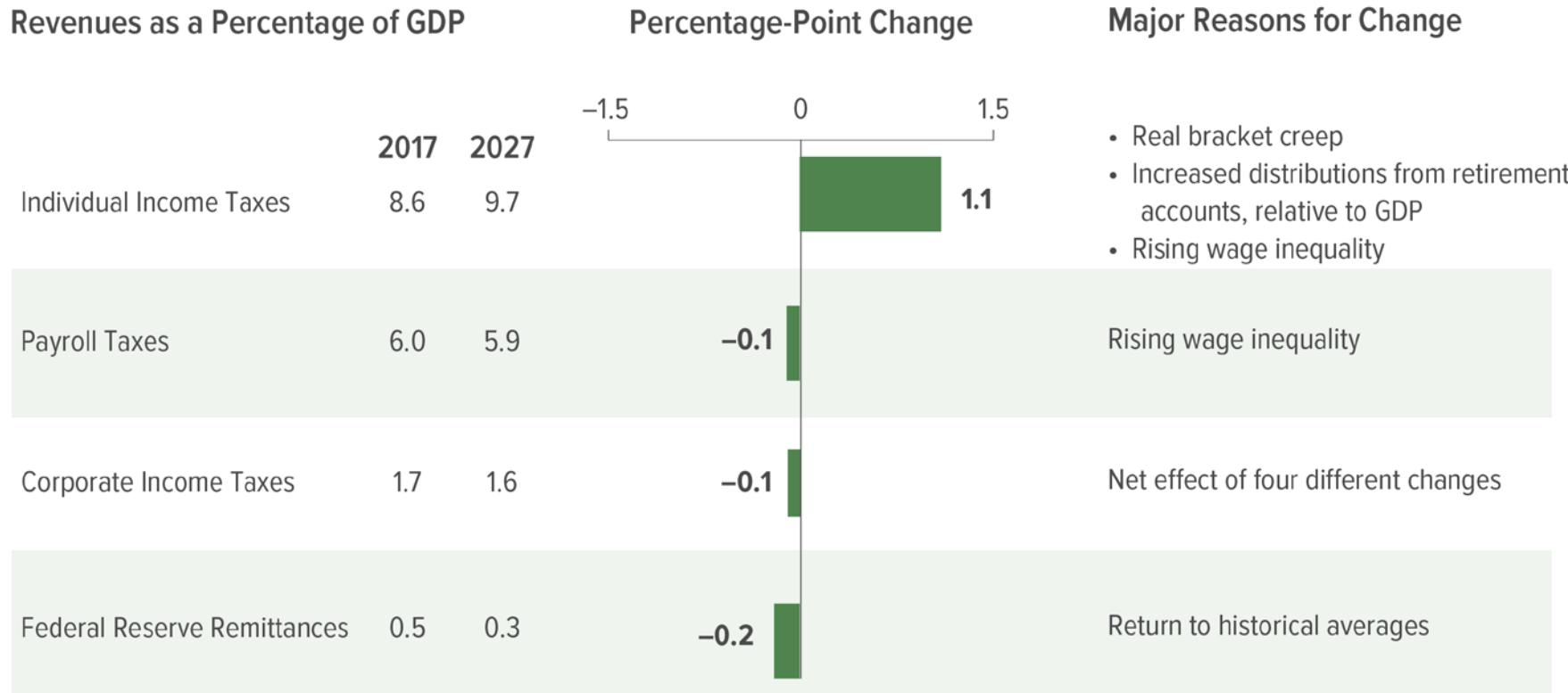
Total Revenues

Percentage of GDP



Revenues are projected to rise by about 4 percent a year (in nominal dollars), on average, increasing from 17.8 percent of GDP in 2017 to 18.4 percent of GDP in 2027—about a percentage point above their 50-year average.

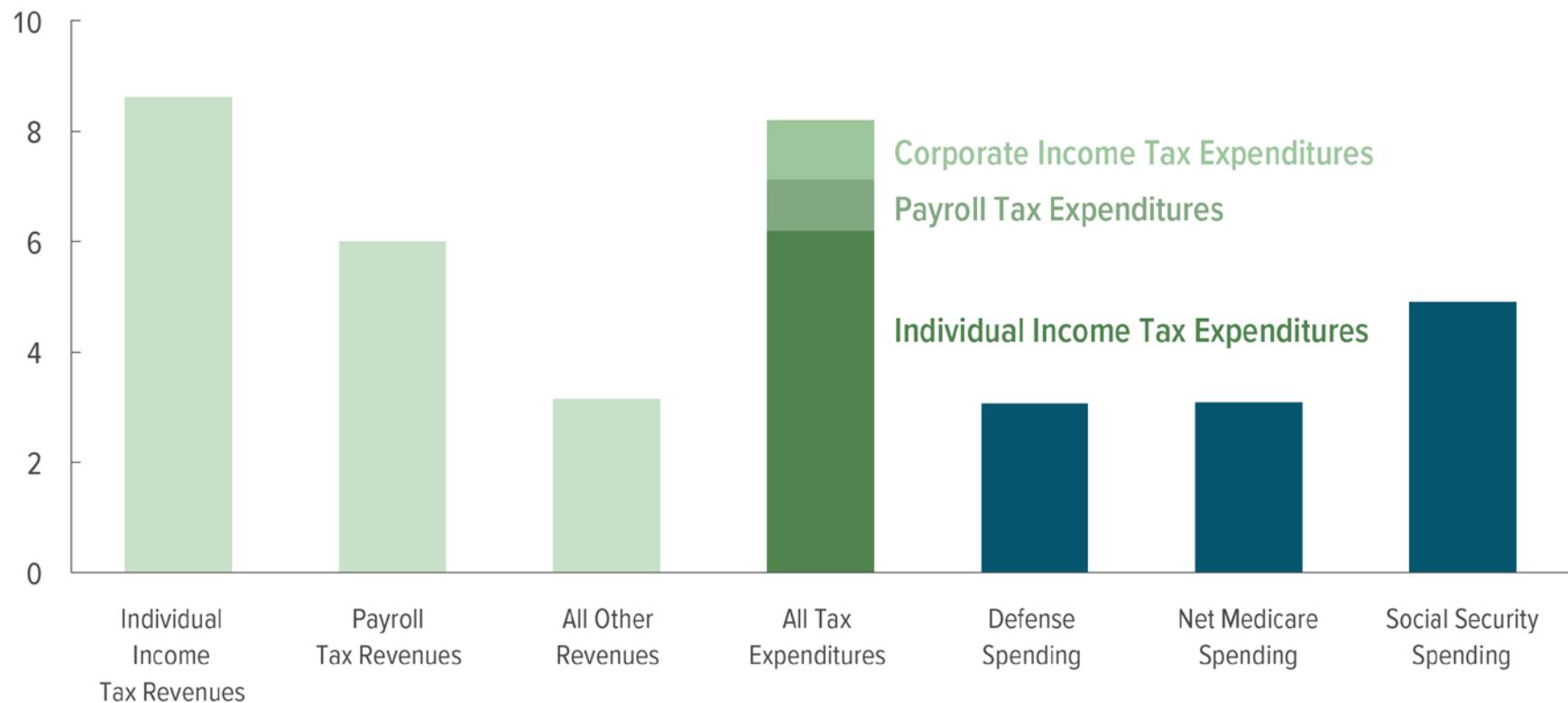
Major Changes in Projected Revenues From 2017 to 2027



Only revenues from individual income taxes would grow faster than the economy over the course of the decade.

Tax Expenditures and Other Budget Categories in 2017

Percentage of GDP



Tax expenditures, projected to total more than \$1.5 trillion (or more than 8 percent of GDP) in 2017, cause revenues to be lower than they would be otherwise, and, like spending programs, contribute to the deficit. Such tax expenditures would equal nearly half of all federal revenues projected for 2017.

This figure is based on estimates by the staff of the Joint Committee on Taxation. Tax expenditures are provisions in law that resemble government spending in that they provide financial assistance for particular activities or to certain entities or groups of people.

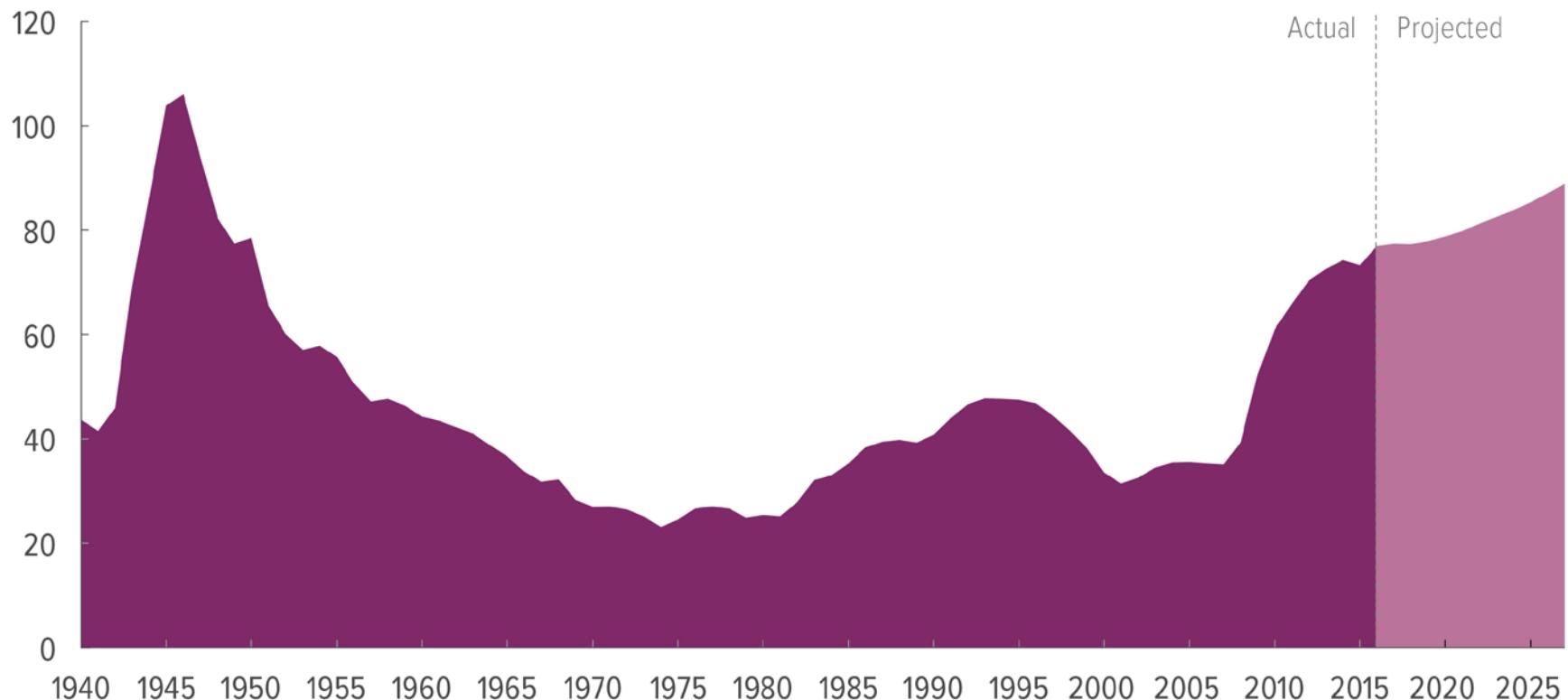
What Is the Outlook for Debt?

From 2017 to 2027, federal debt held by the public is projected to rise from \$15 trillion to \$25 trillion—that is, from 77 percent to 89 percent of GDP.

That percentage in 2027 would be the highest since 1947 and more than twice the average over the past five decades.

Federal Debt Held by the Public

Percentage of GDP



High and rising federal debt would have serious negative consequences for the nation, including increasing federal spending for interest payments, restraining economic growth in the long term, giving policymakers less flexibility to respond to unexpected challenges, and eventually increasing the risk of a fiscal crisis.

To put the federal budget on a sustainable path for the long term, lawmakers would have to make major changes to tax policies, spending policies, or both—

- **By reducing spending for large benefit programs,**
- **By letting revenues rise more than they would under current law, or**
- **By adopting some combination of those approaches.**

About This Document

Leigh Angres, Christine Bogusz, and Maureen Costantino prepared these slides based on the work of many analysts at CBO.

For more details about the agency's latest budget projections as well as the most recent economic forecast, see *The Budget and Economic Outlook: 2017 to 2027* (January 2017), www.cbo.gov/publication/52370.