



# Congressional Budget Office

April 25, 2014

## 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: 2014 to 2024* (April 2014), [www.cbo.gov/publication/45229](http://www.cbo.gov/publication/45229), economic forecasts from *The Budget and Economic Outlook* (February 2014), [www.cbo.gov/publication/45010](http://www.cbo.gov/publication/45010), and longer term budget projections based on 10-year budget projections from May 2013 from *The 2013 Long-Term Budget Outlook* (September 2013), [www.cbo.gov/publication/44521](http://www.cbo.gov/publication/44521).

# CBO's History and Mission

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- Formed under 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

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- CBO has about 225 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

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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

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- 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

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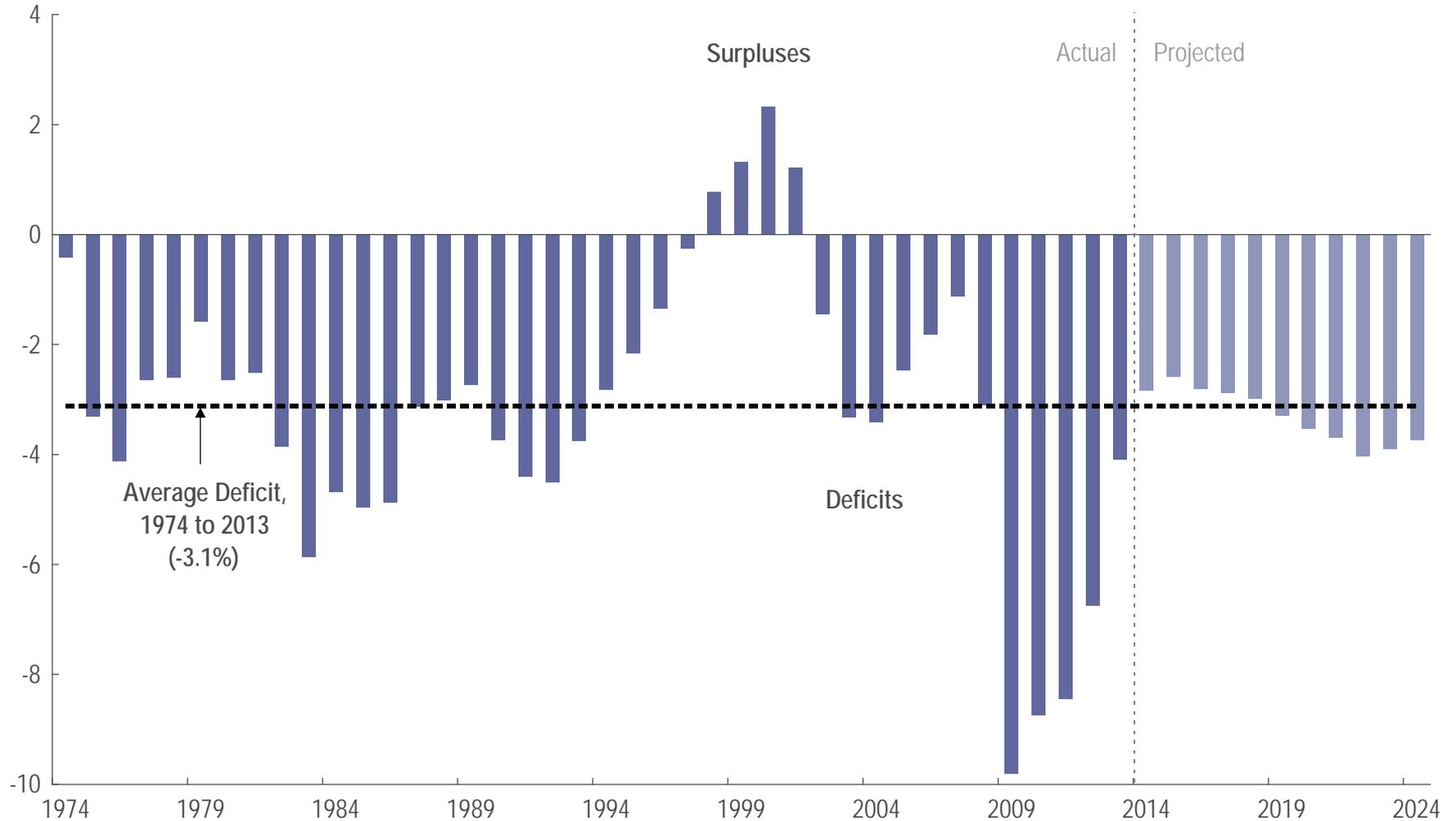
- Make policy recommendations
  - Strictly nonpartisan; no judgments about a legislative proposal's merits
- Write legislation
  - Instead evaluates different proposals and options
- Implement programs and regulations and enforce budget rules
  - The executive branch does that
- Audit spending or receipts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

# Budget Totals, 2009, 2013 - 2015

	Billions of Dollars				Percentage of GDP			
	Actual, 2009	Actual, 2013	Baseline		Actual, 2009	Actual, 2013	Baseline	
			2014	2015			2014	2015
Total Revenues	2,105	2,775	3,032	3,305	14.6	16.7	17.6	18.2
Total Outlays	3,518	3,455	3,523	3,774	24.4	20.8	20.4	20.8
Total Deficit	-1,413	-680	-492	-469	-9.8	-4.1	-2.8	-2.6

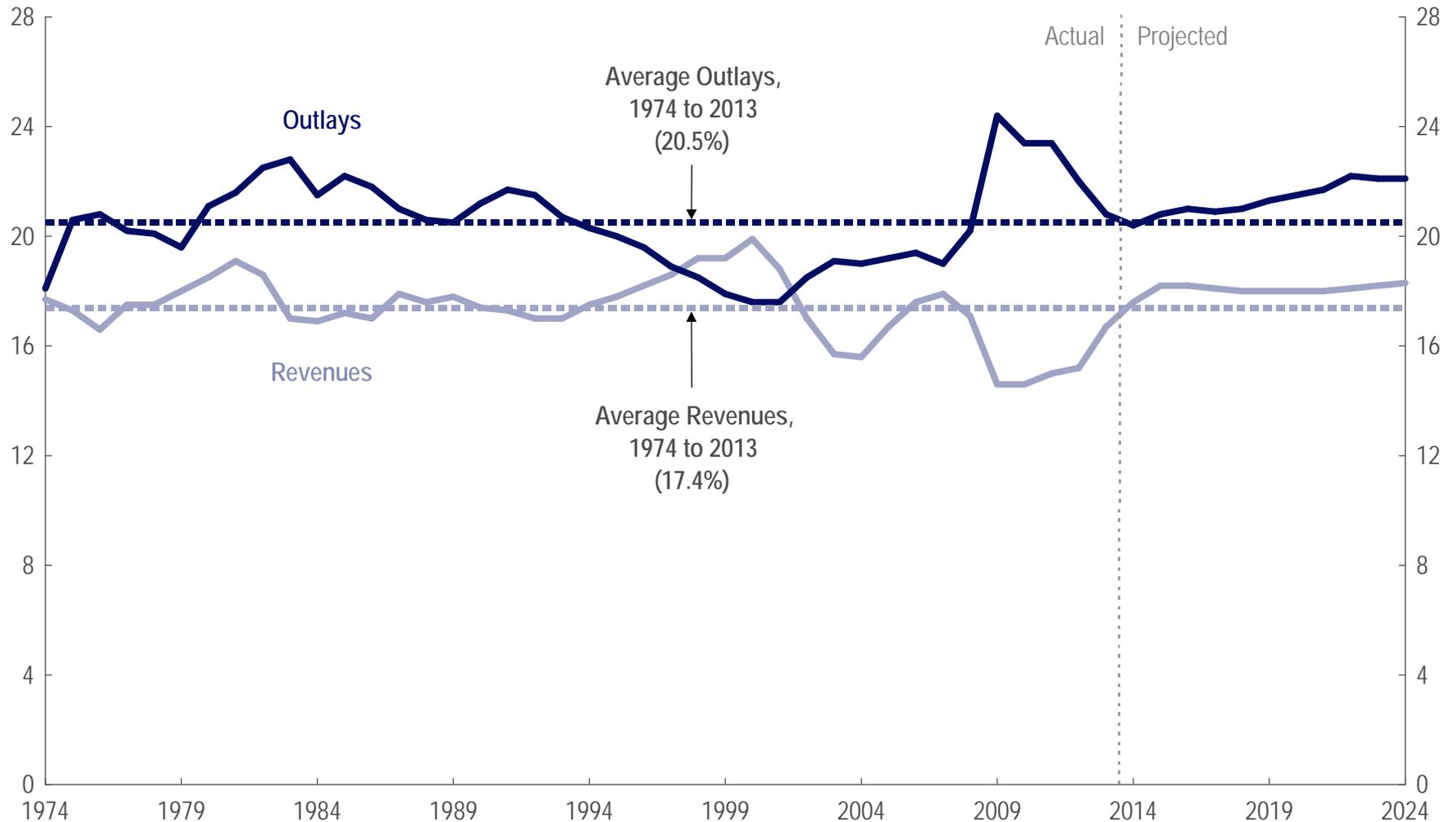
# Total Deficits or Surpluses

(Percentage of gross domestic product)



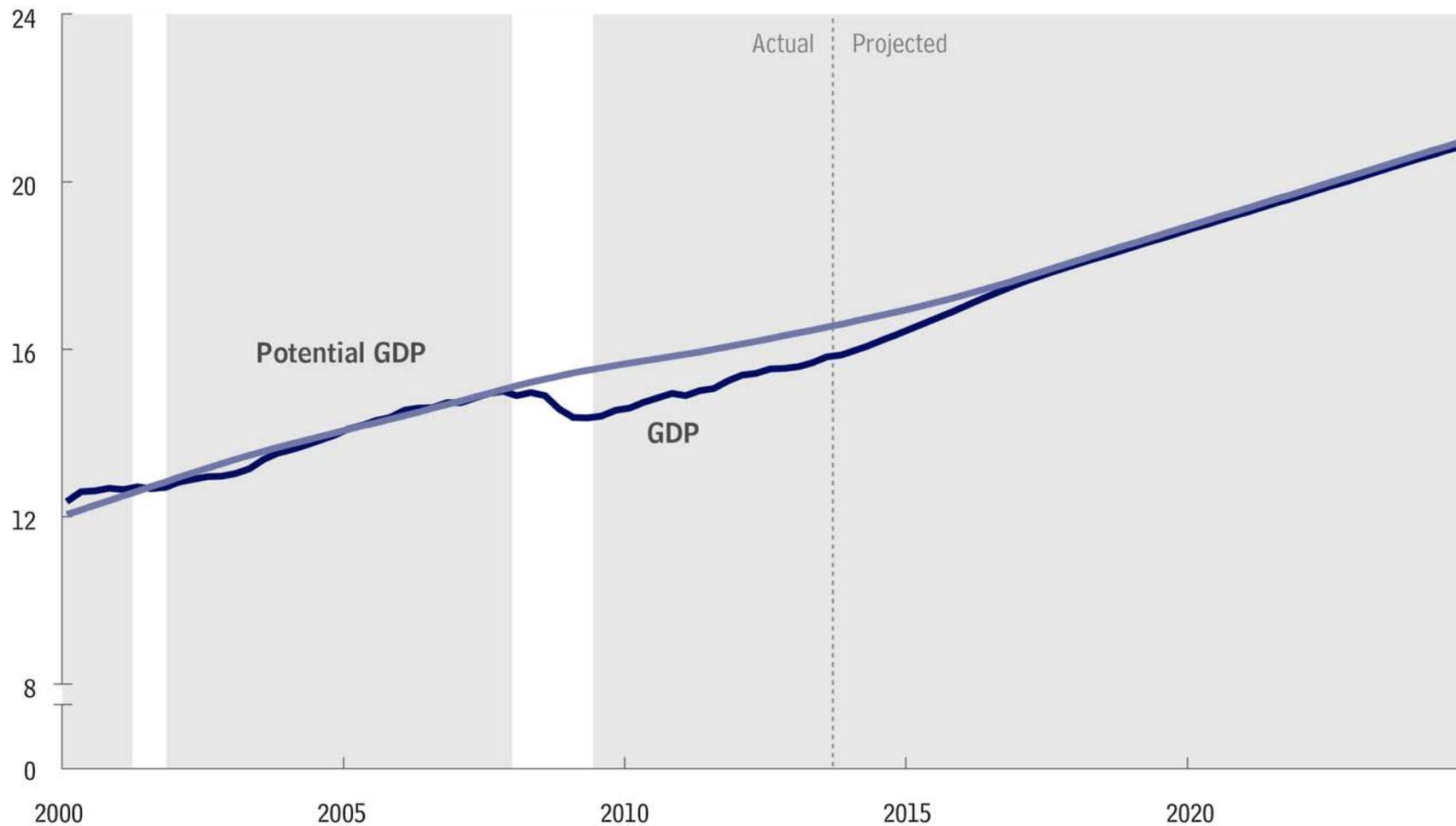
# Total Revenues and Outlays

(Percentage of gross domestic product)

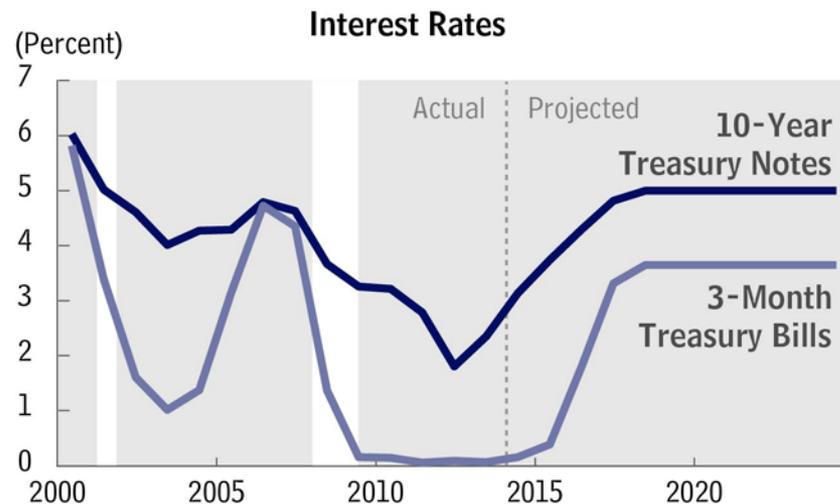
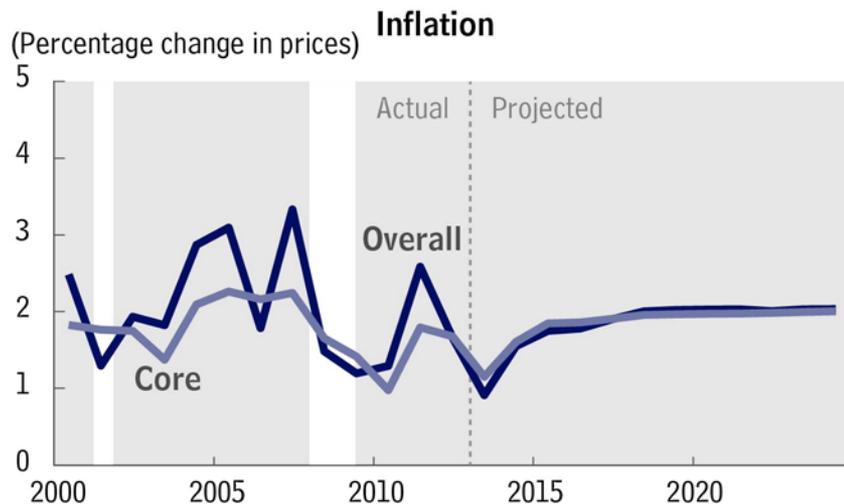
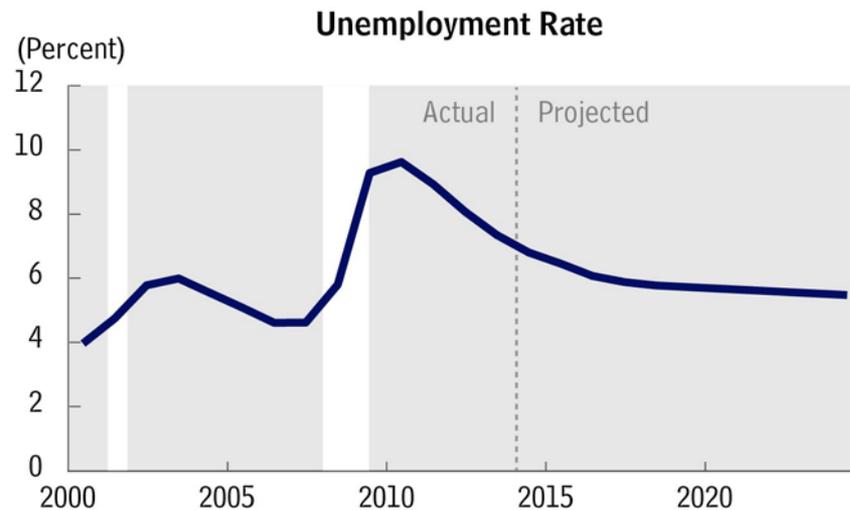
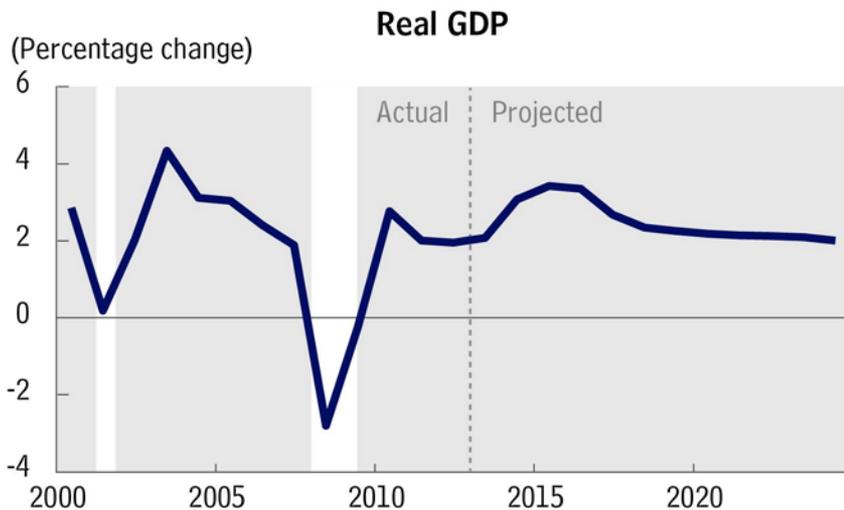


# GDP and Potential GDP

(Trillions of 2009 dollars)

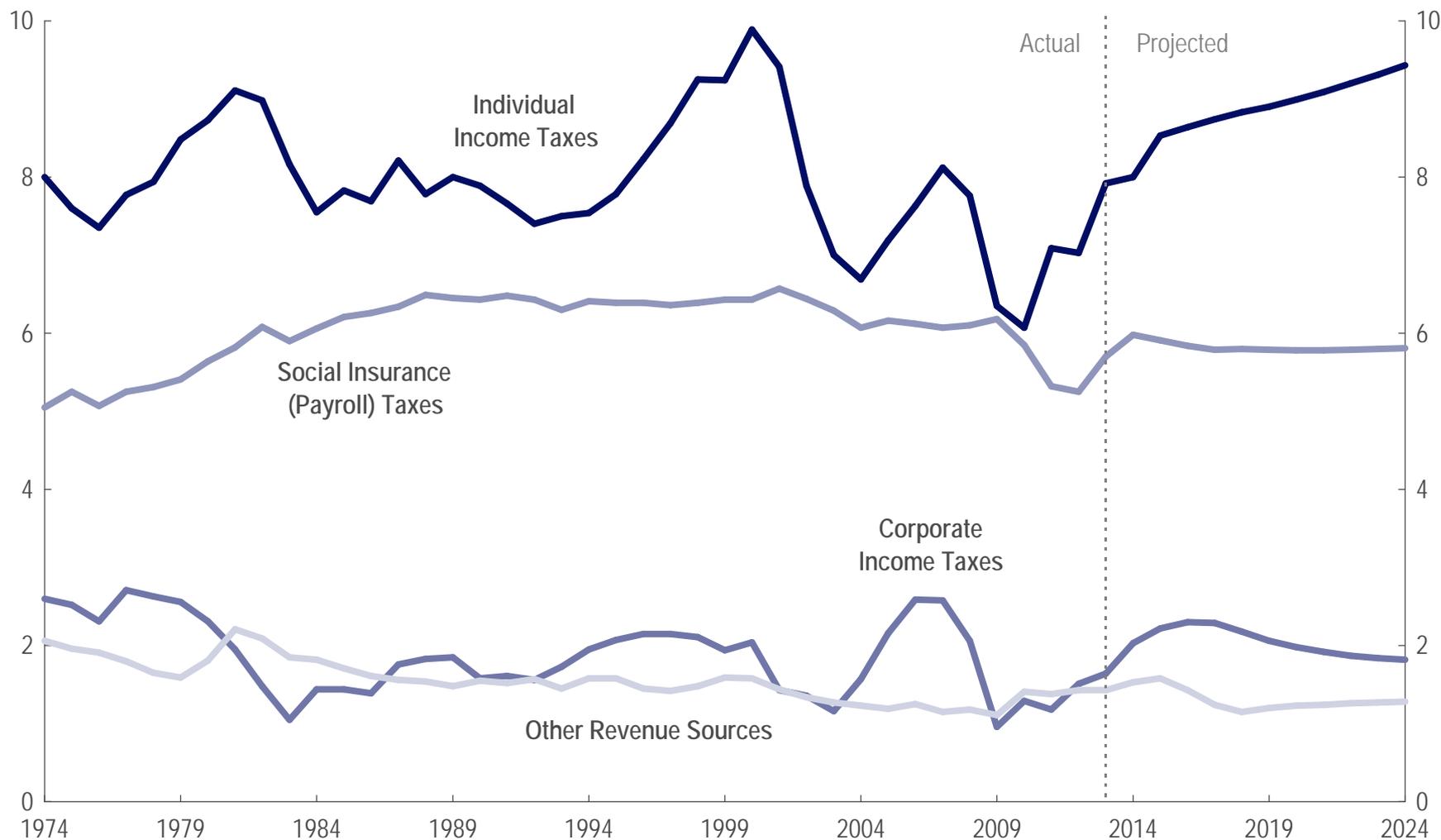


# Actual Values and CBO's Projections of Key Economic Indicators (as of February 2014)



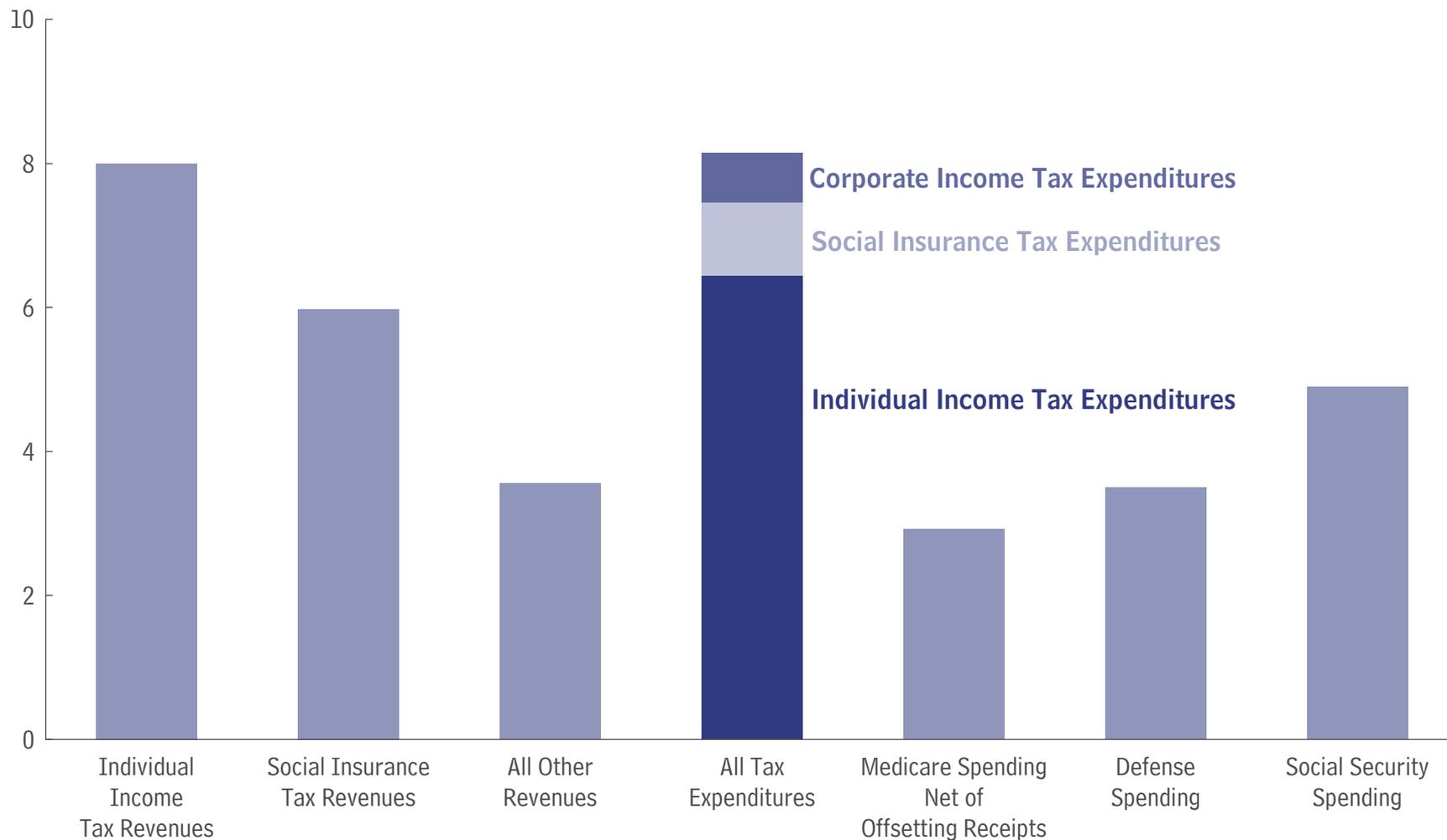
# Revenues, by Major Source

(Percentage of gross domestic product)



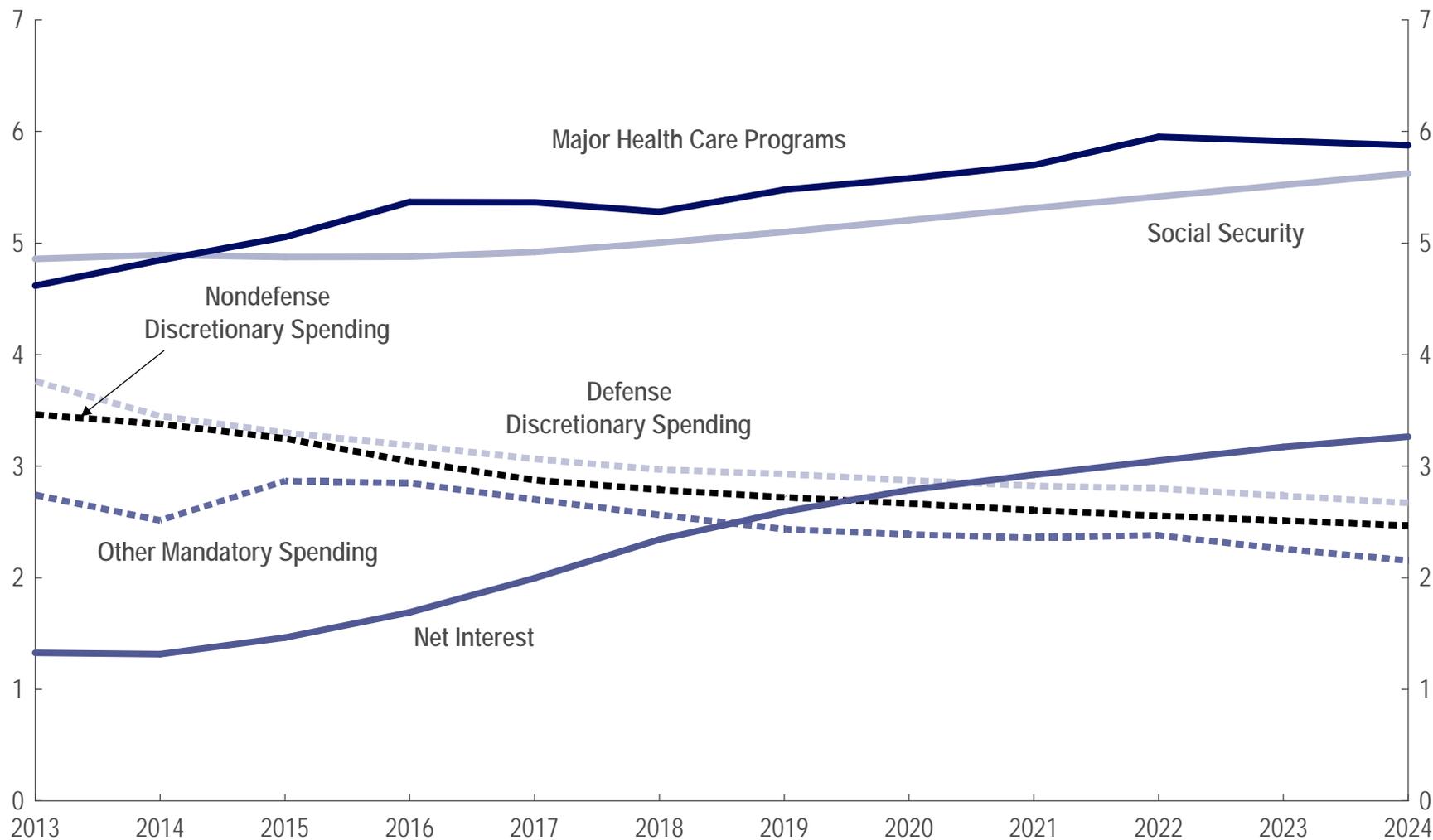
# Revenues, Tax Expenditures, and Selected Components of Spending in 2014 (February 2014 baseline)

(Percentage of gross domestic product)



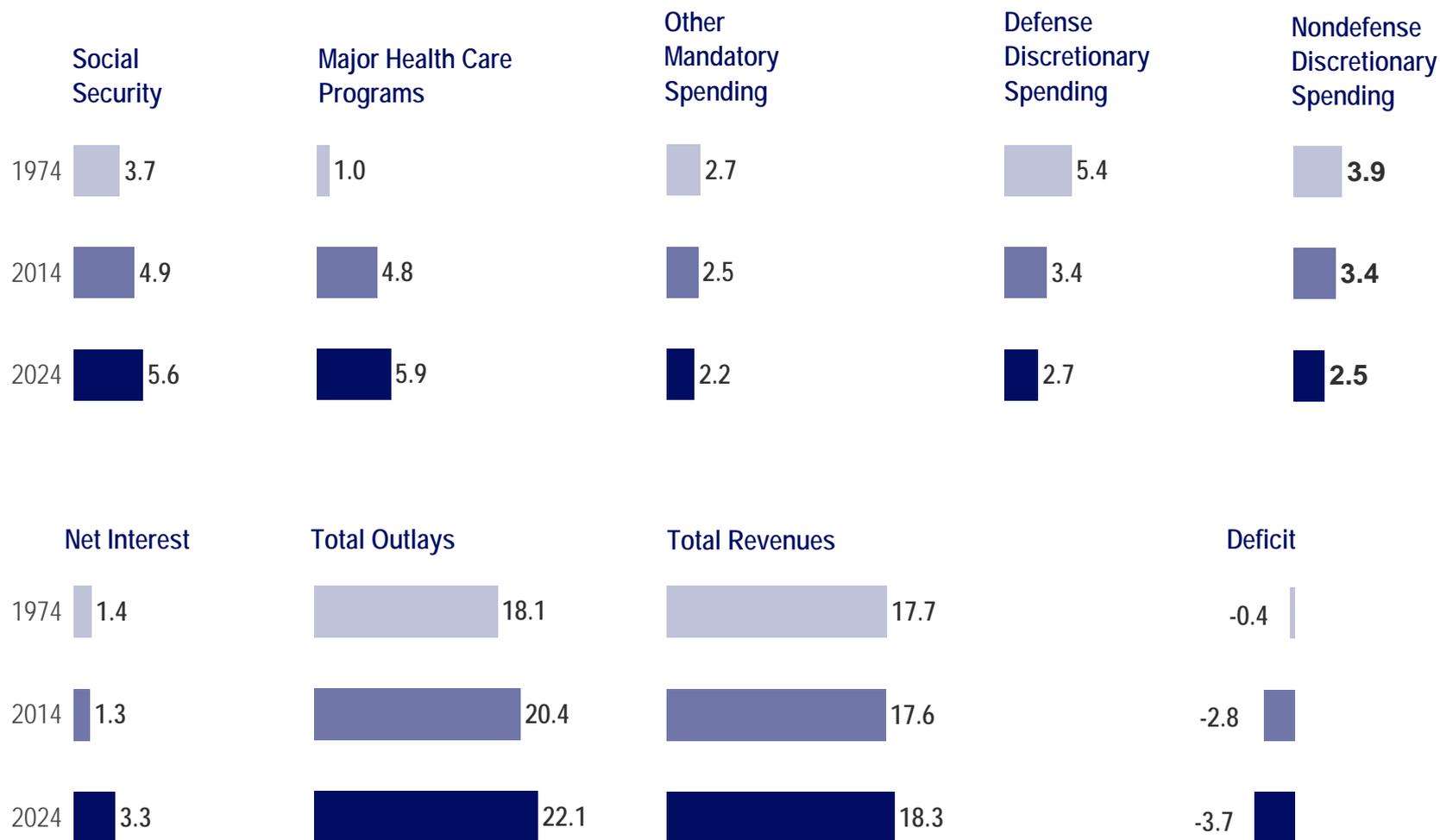
# Projected Spending in Major Budget Categories

(Percentage of gross domestic product)



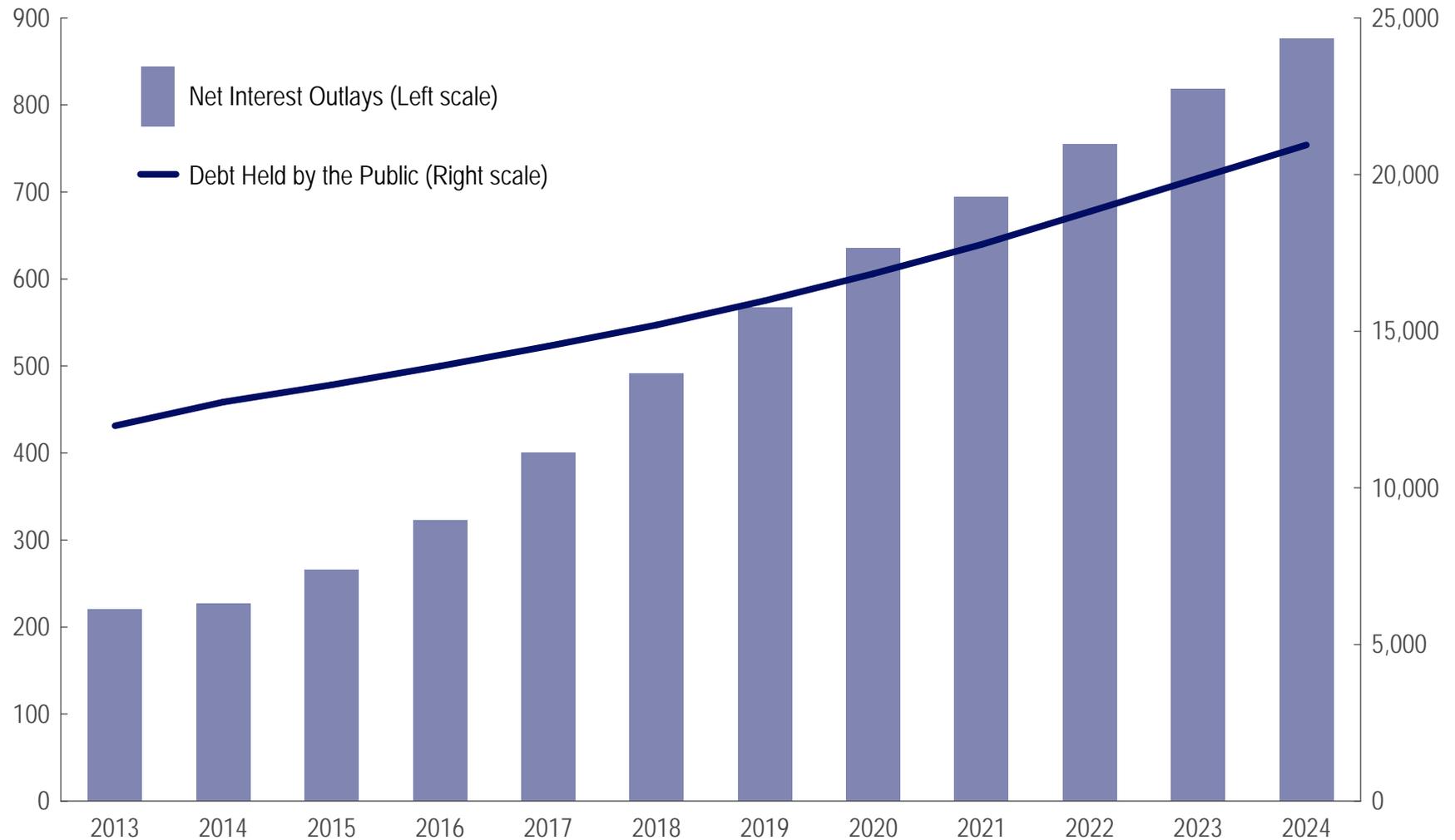
# Spending and Revenues Projected in CBO's Baseline, Compared with Levels in 1974

(Percentage of gross domestic product)



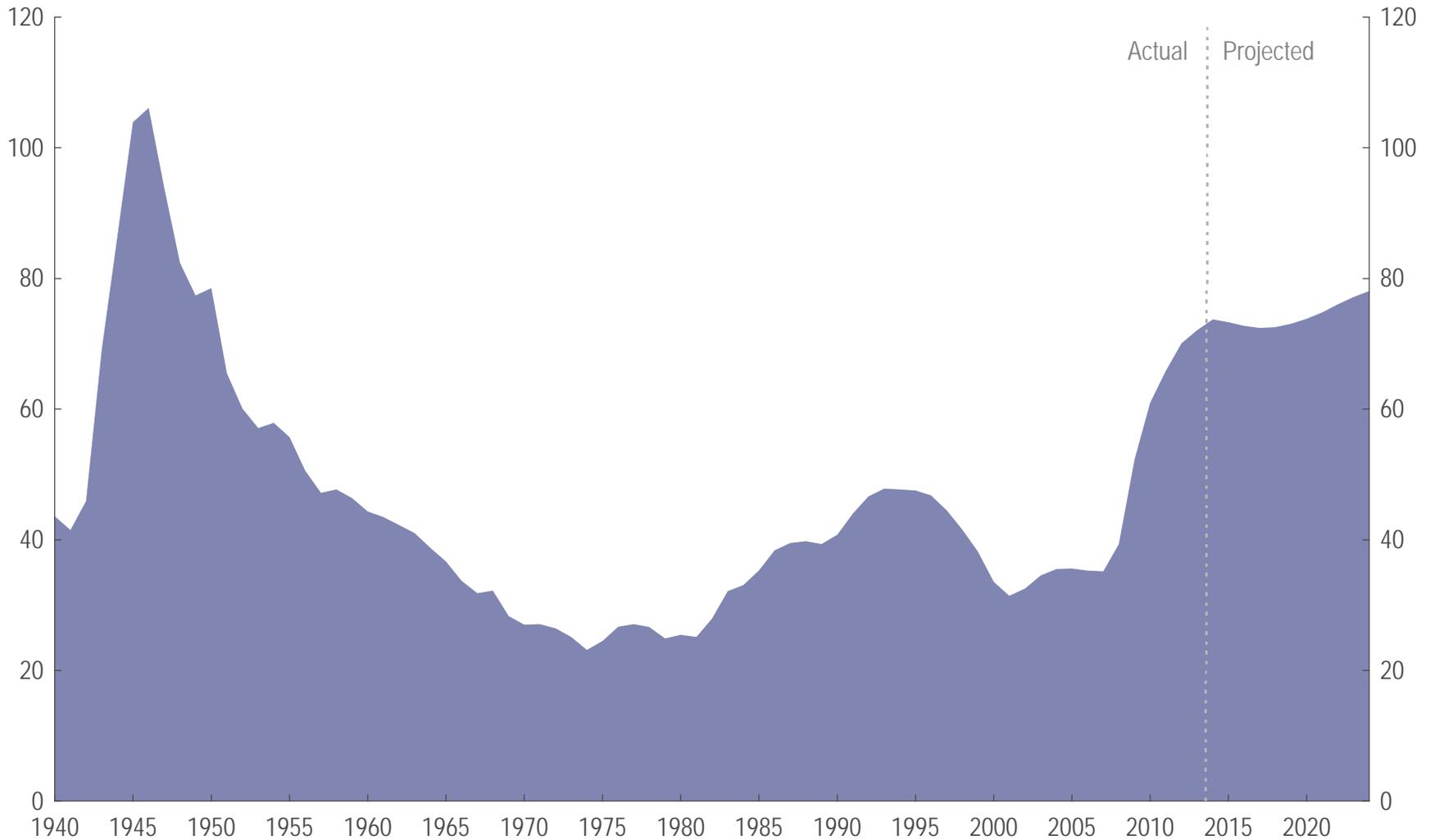
# Projected Debt Held by the Public and Net Interest Outlays

(Billions of dollars)



# Federal Debt Held by the Public

(Percentage of gross domestic product)



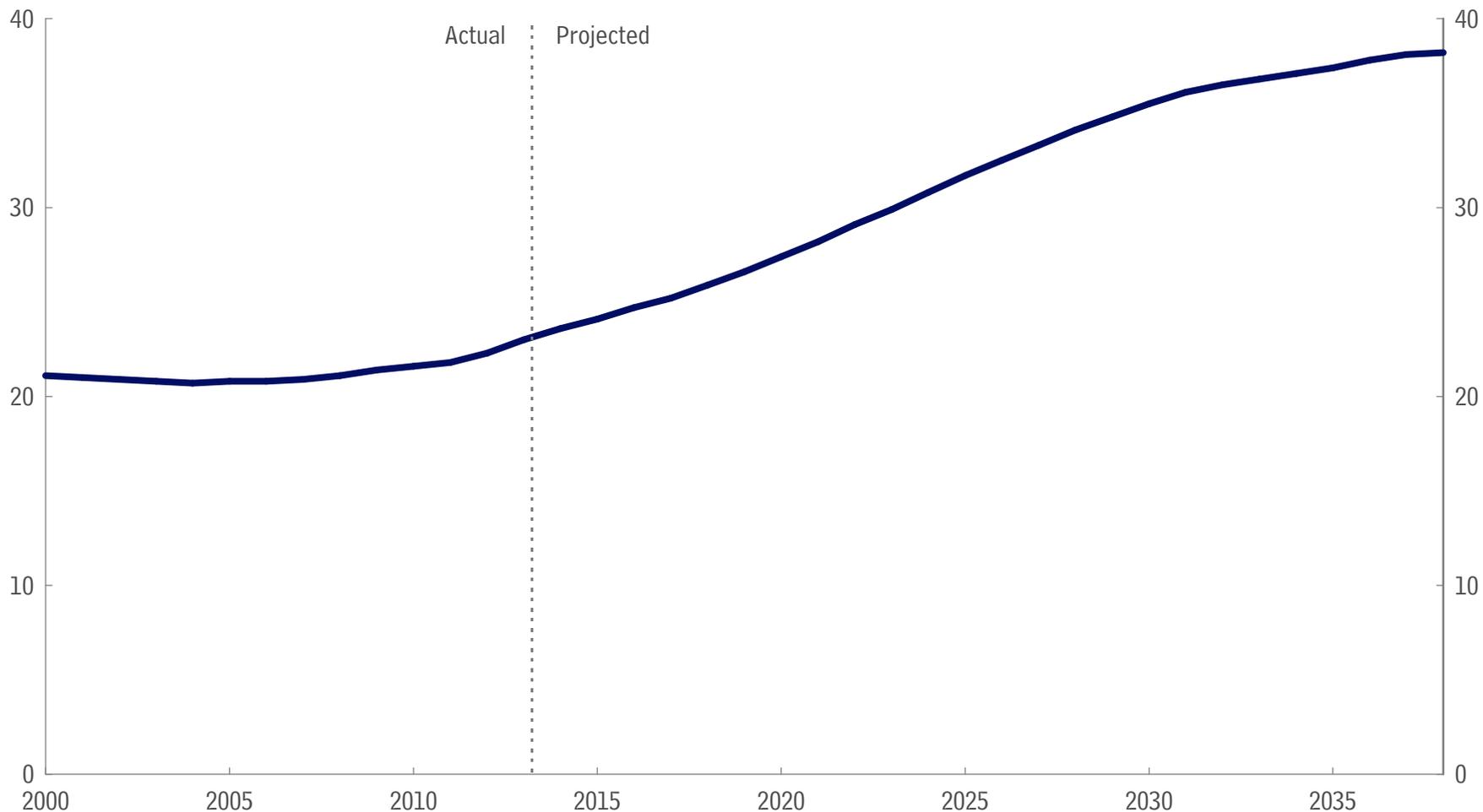
# Why Does Rising Federal Debt Matter?

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- High interest costs boost budget deficits and make it more difficult to meet any chosen targets for budget deficits and debt.
- Crowding out of saving and investment lowers future output and income relative to what would otherwise occur.
- The ability of the government to respond to future challenges is reduced.
- The risk of a sharp jump in interest rates (perhaps related to flight from U.S. Treasuries or U.S. assets more generally) is heightened.

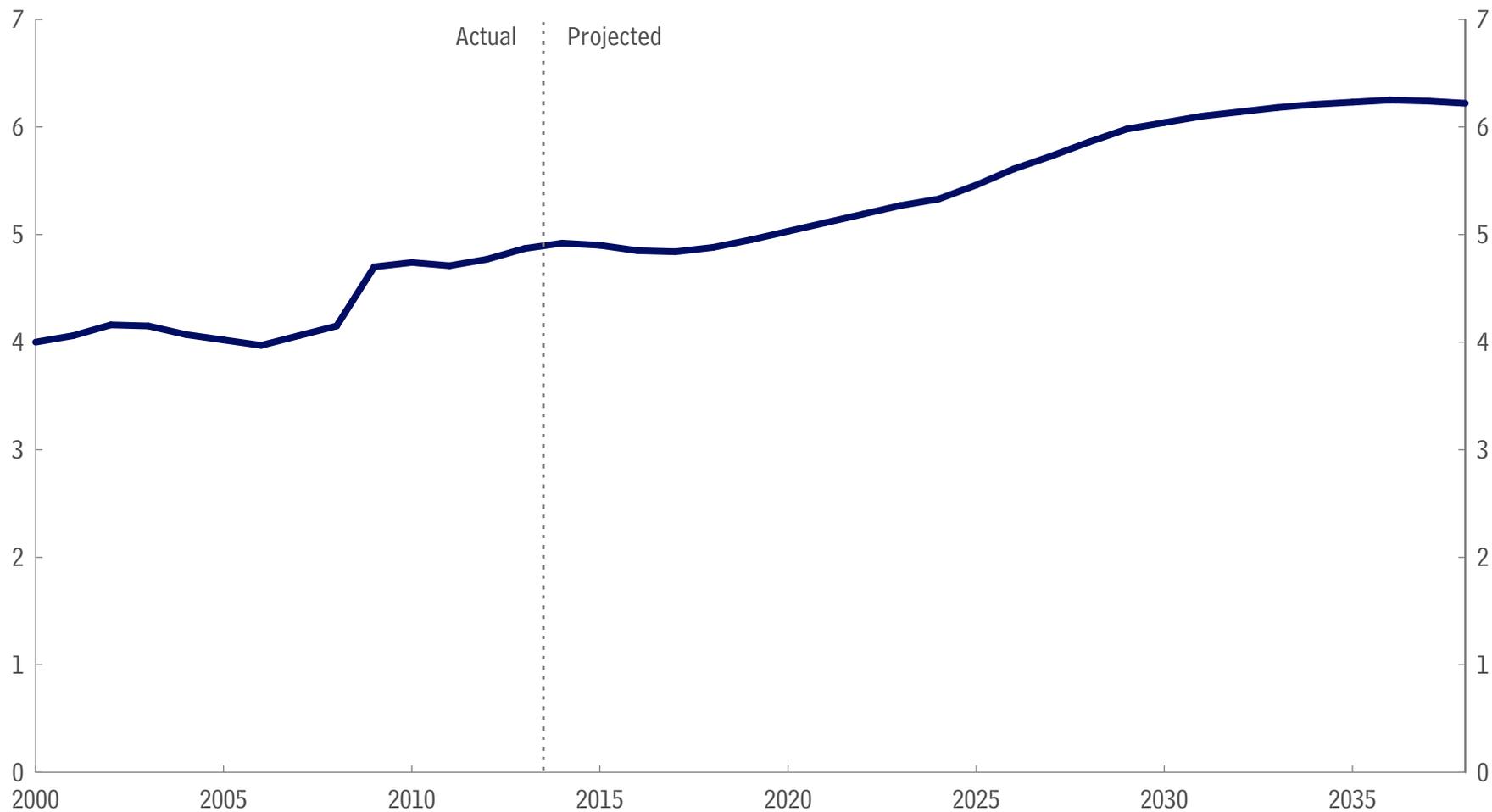
# Population Age 65 or Older as a Share of the Population Ages 20 to 64

(Percent)



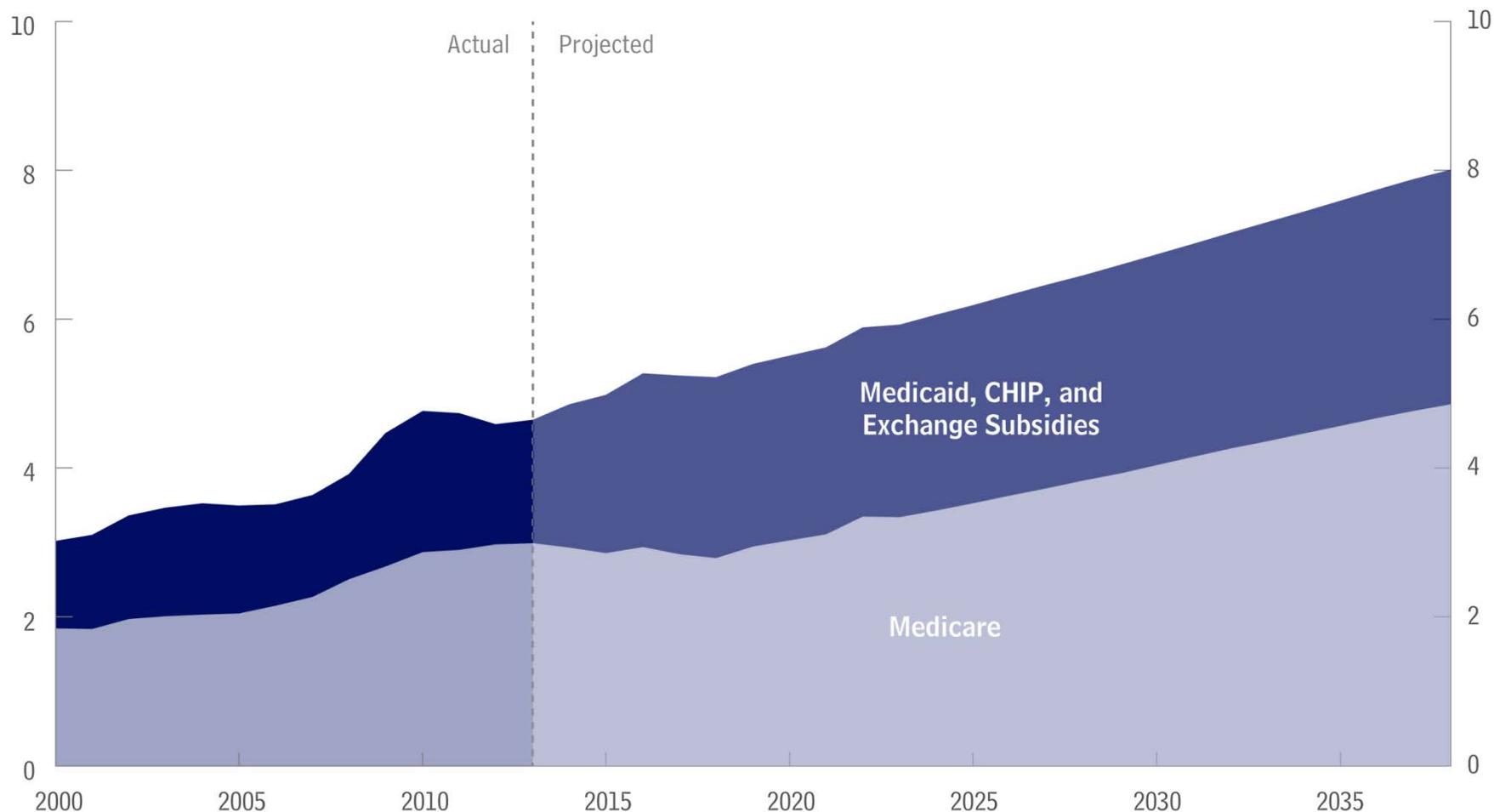
# Spending for Social Security Under CBO's Extended Baseline

(Percentage of gross domestic product)



# Federal Spending on Major Health Care Programs, by Category, Under CBO's Extended Baseline

(Percentage of gross domestic product)



# Conclusion

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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 40 years in some combination of the following ways:

- Letting revenues rise more than they would under current law
- Reducing spending for large benefit programs 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.