



October 3, 2019

The 2019 Long-Term Budget Outlook

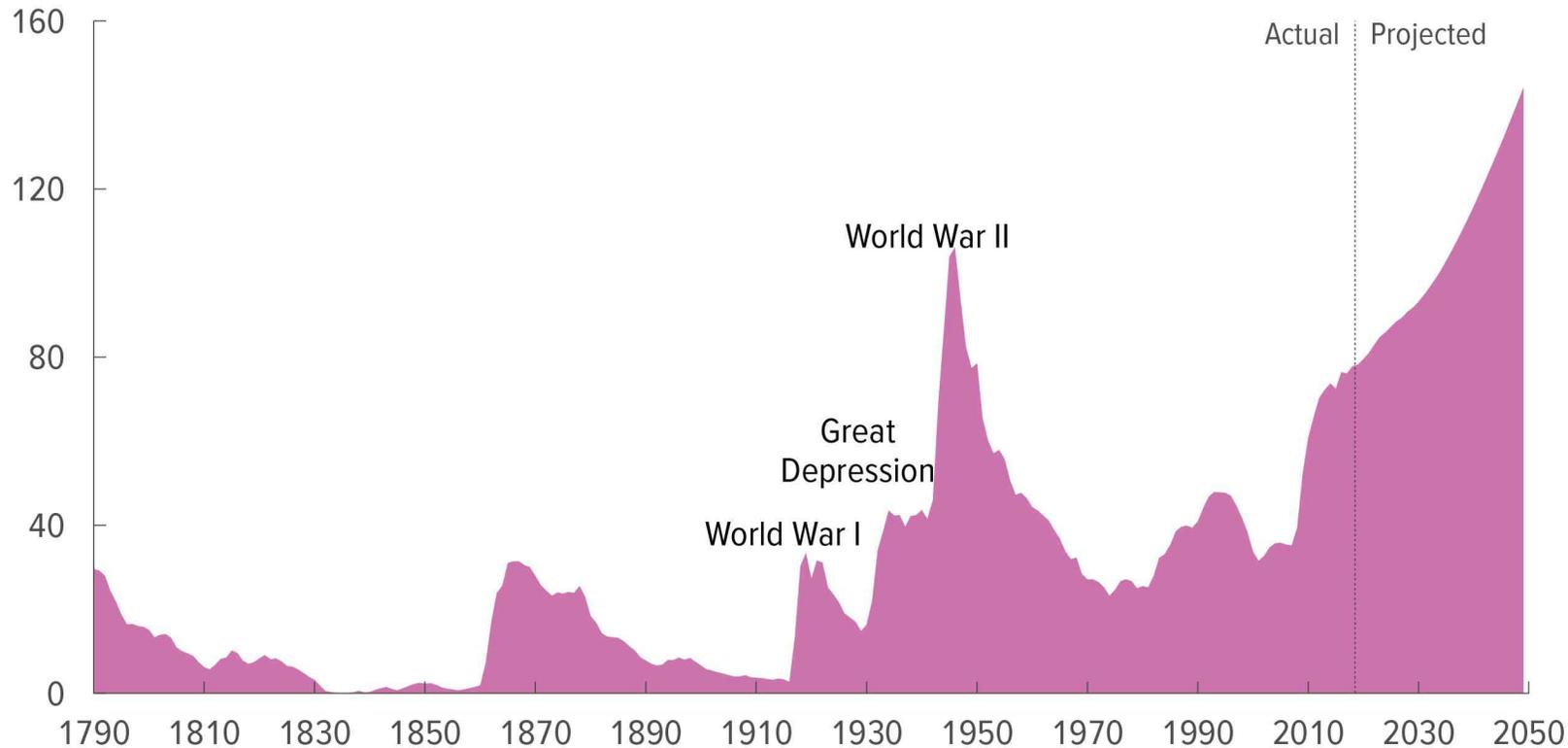
National Association of State Budget Officers

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Federal Debt Held by the Public Since 1790

Percentage of Gross Domestic Product



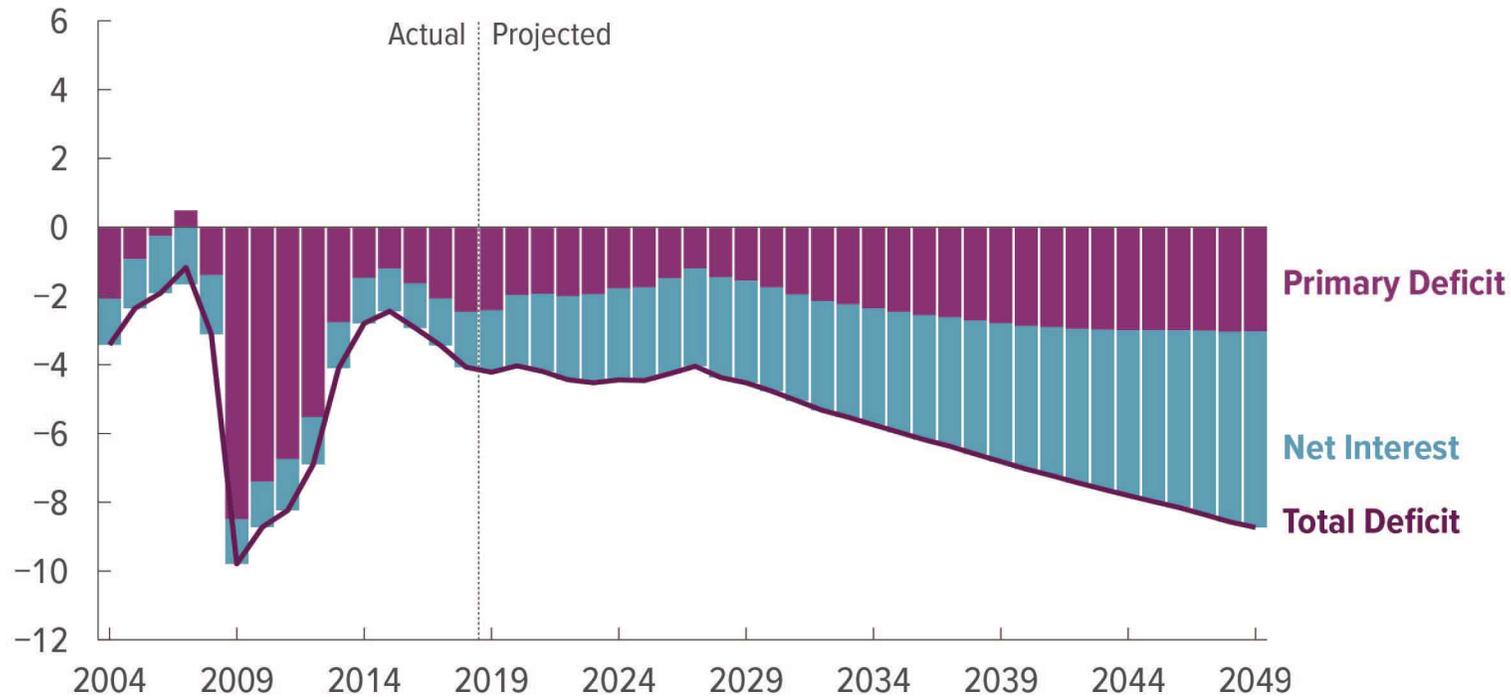
Federal debt held by the public is at its highest level since shortly after World War II—78 percent of gross domestic product (GDP).

In CBO's projections, it grows sharply over the next 30 years, reaching 144 percent of GDP by 2049, an unprecedented level.

Such large and growing debt poses substantial risks for the nation and presents policymakers with significant challenges.

Total Deficit, Primary Deficit, and Net Interest

Percentage of Gross Domestic Product

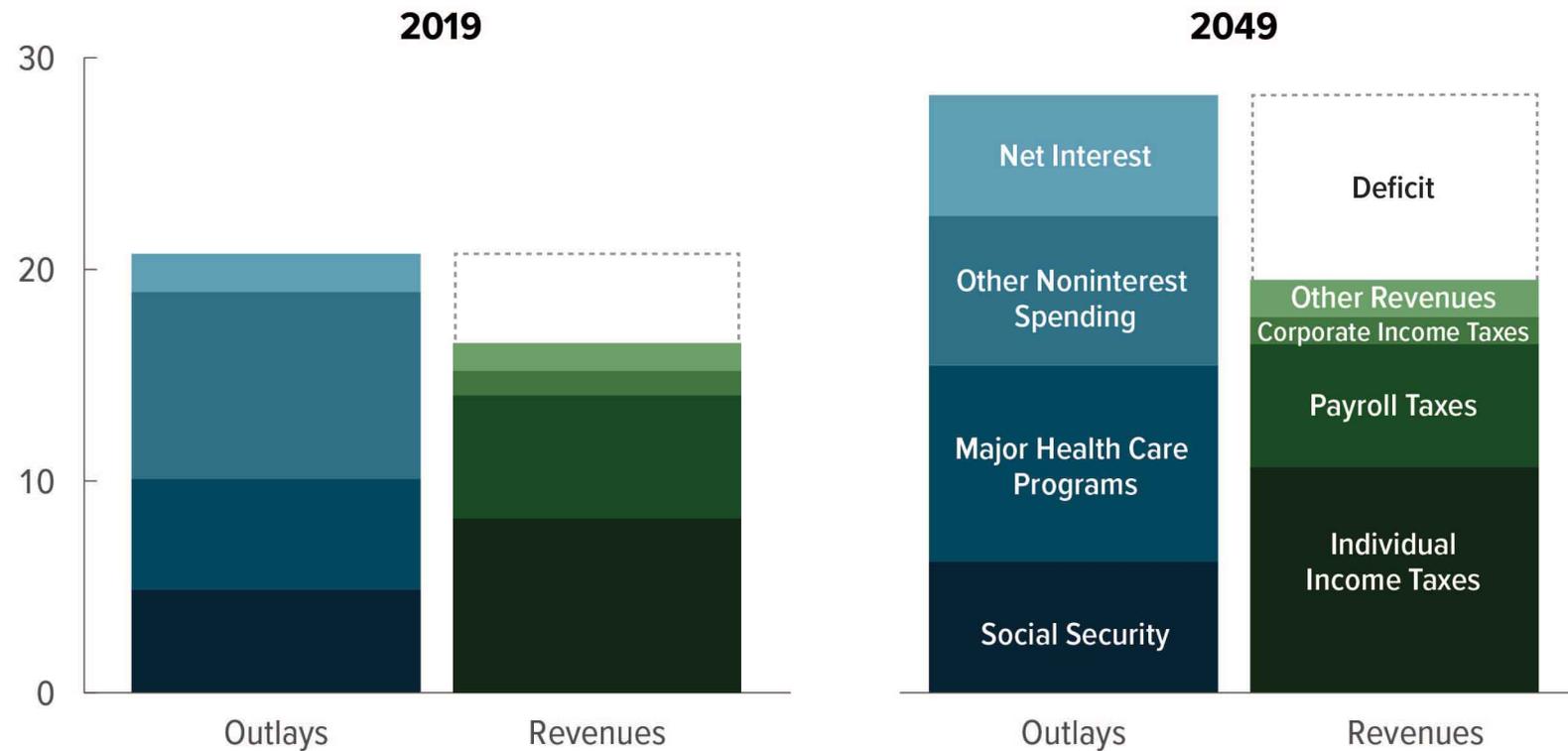


In CBO's extended baseline projections, deficits grow from 4.2 percent of GDP in 2019 to 8.7 percent in 2049, driving up debt.

Net spending for interest on debt accounts for more than half of the growth in total deficits.

The Federal Budget in 2019 and 2049

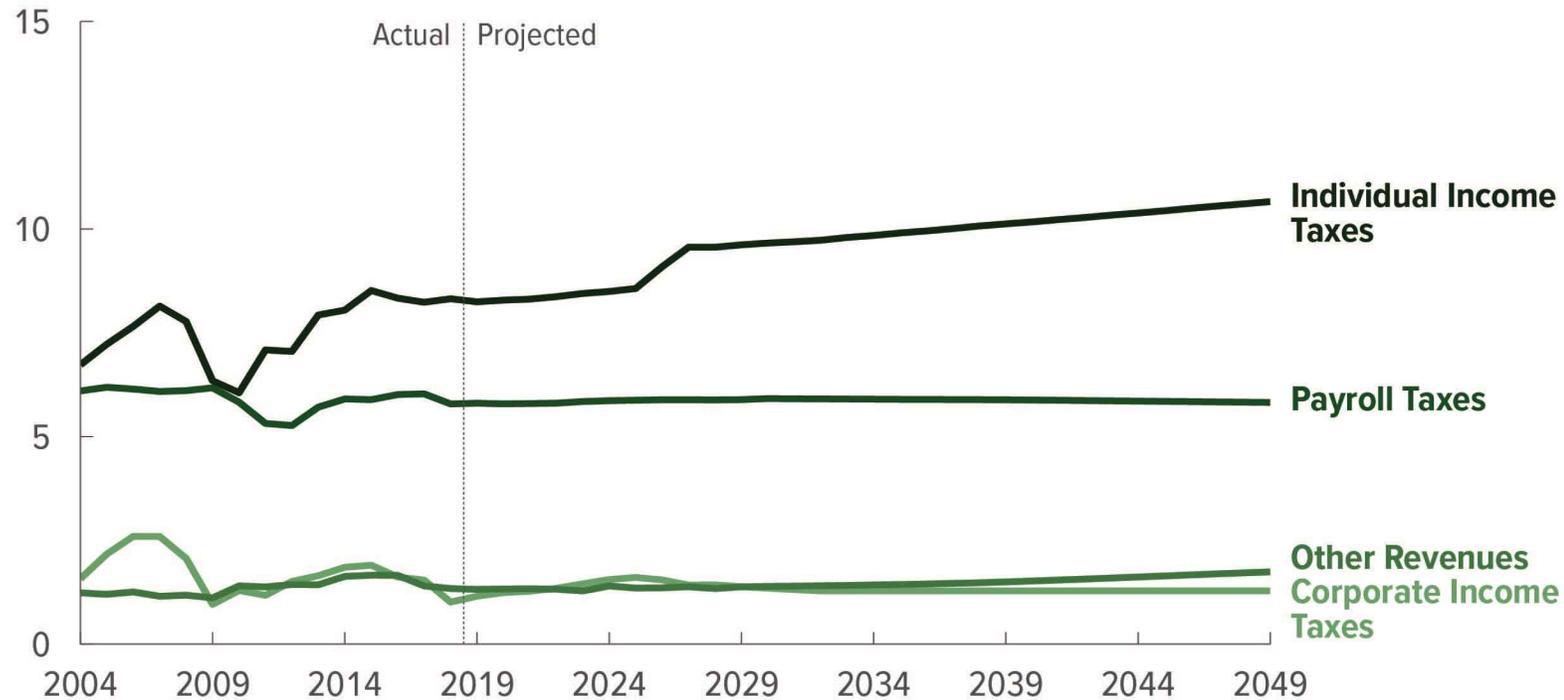
Percentage of Gross Domestic Product



Deficits increase because growth in spending outpaces growth in revenues.

Federal Revenues

Percentage of Gross Domestic Product

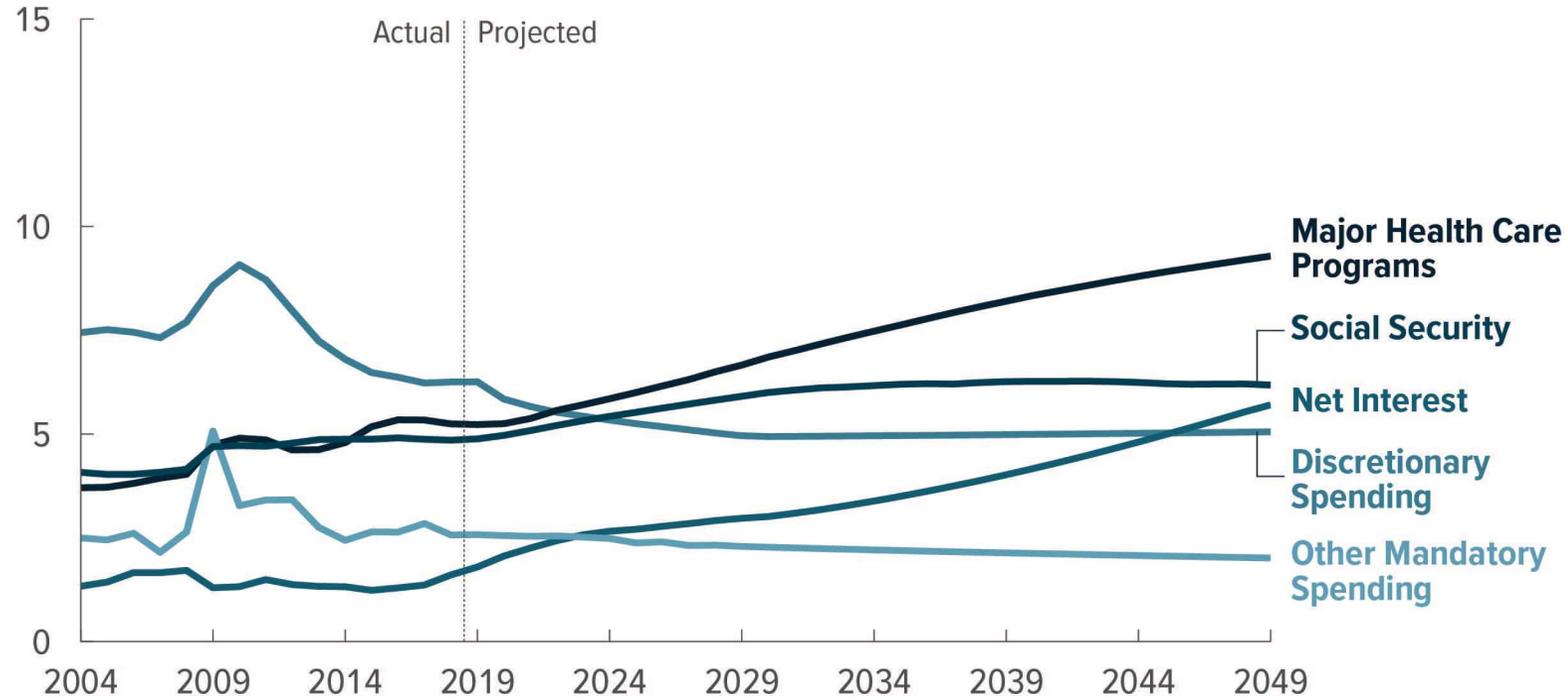


Increases in receipts from individual income taxes account for most of the rise in total revenues.

Receipts from all other sources combined increase slightly as a percentage of GDP.

Federal Outlays

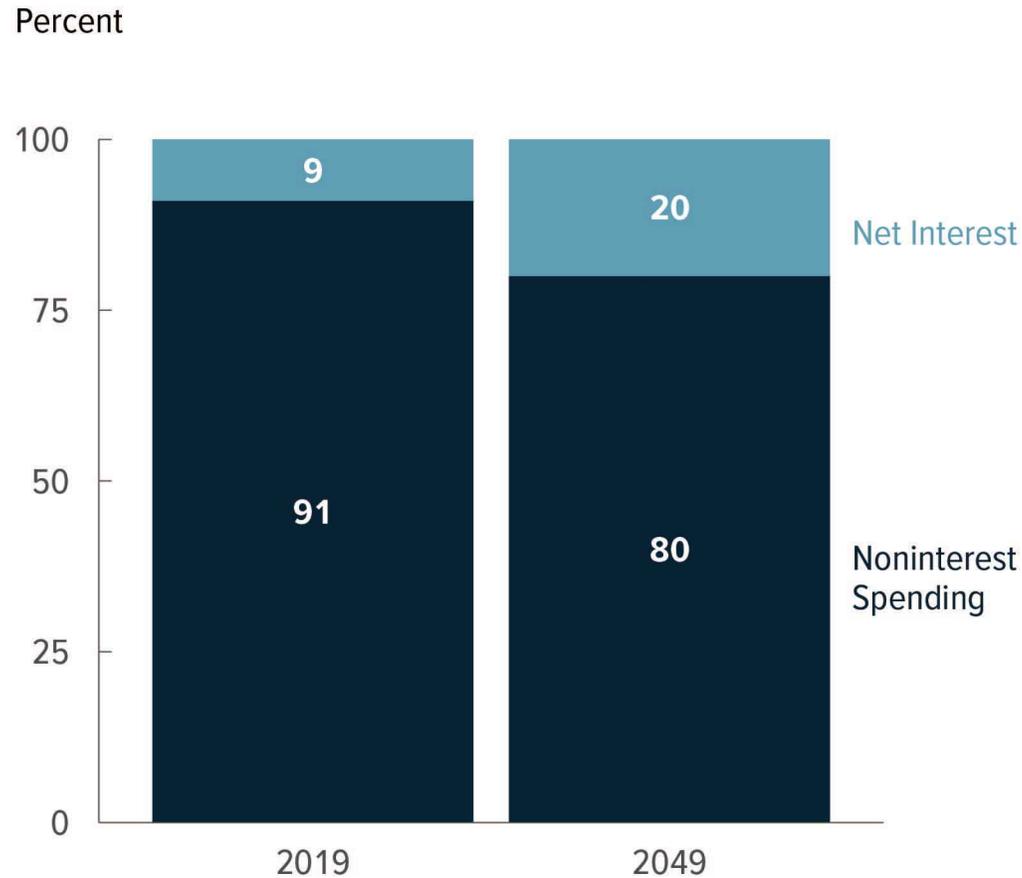
Percentage of Gross Domestic Product



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 discretionary and other mandatory spending.

Composition of Federal Outlays

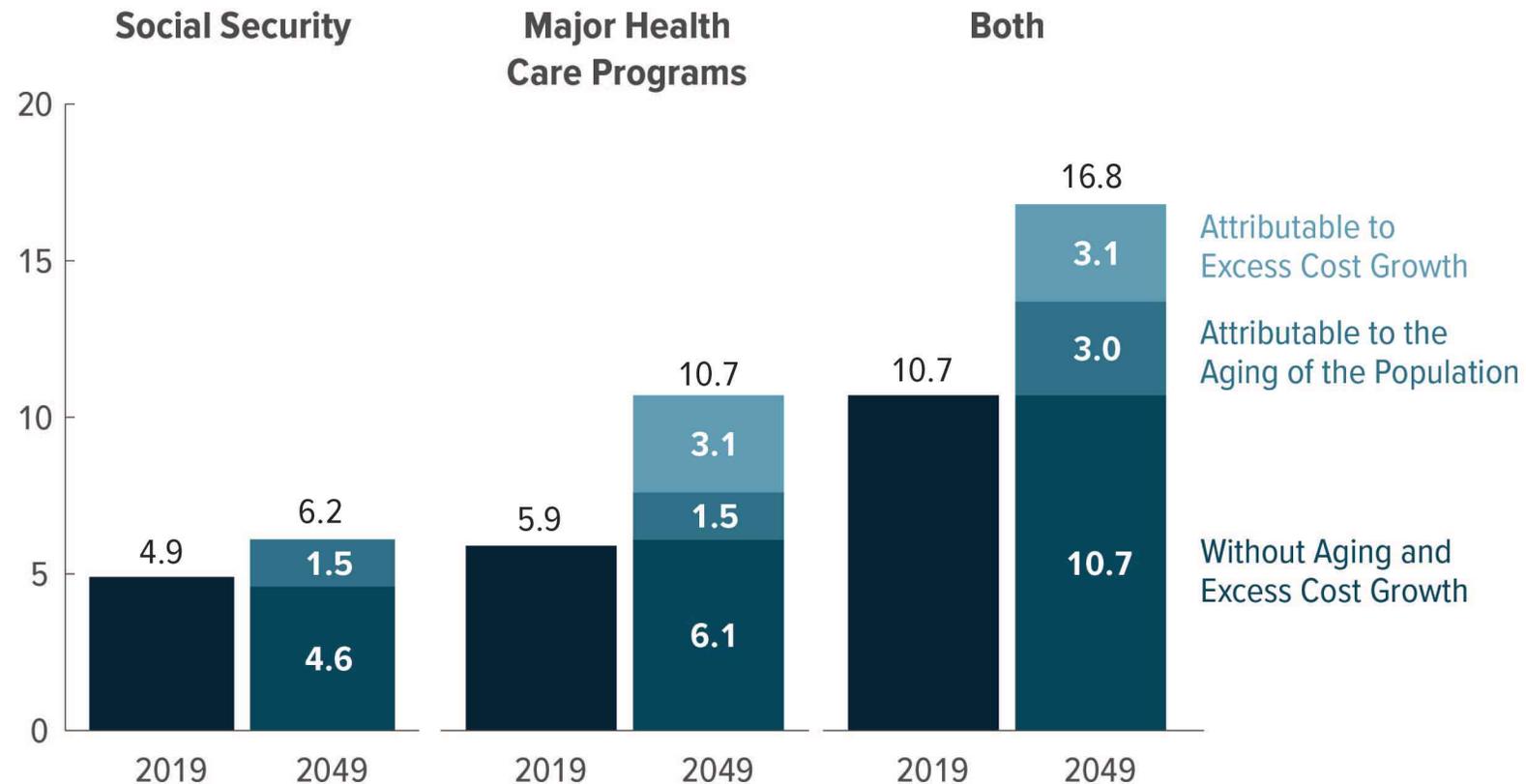


The federal government's net interest costs are projected to climb sharply as interest rates rise from their currently low levels and as debt accumulates.

Projected net outlays for interest more than double as a share of total federal spending by 2049.

Spending for Social Security and the Major Health Care Programs in 2019 and 2049

Percentage of Gross Domestic Product

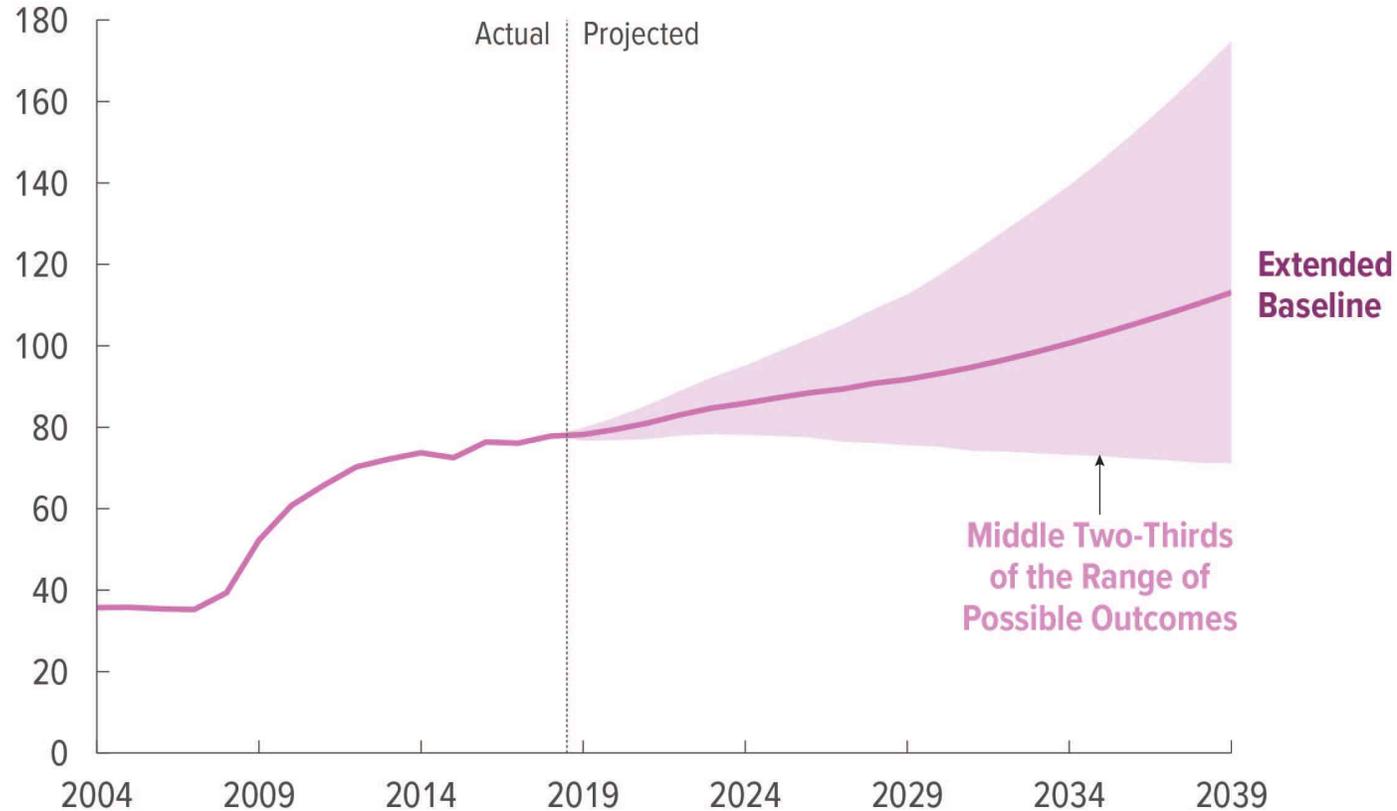


About half of the increase in total spending for Social Security and the major health care programs results from the aging of the population. The other half results from rising health care costs per beneficiary (excess cost growth).

All of the spending growth for Social Security and about one-third of the growth in health care programs result from aging. The remaining two-thirds of the spending growth for health programs results from excess cost growth.

Uncertainty in CBO's Projections of Federal Debt Held by the Public

Percentage of Gross Domestic Product

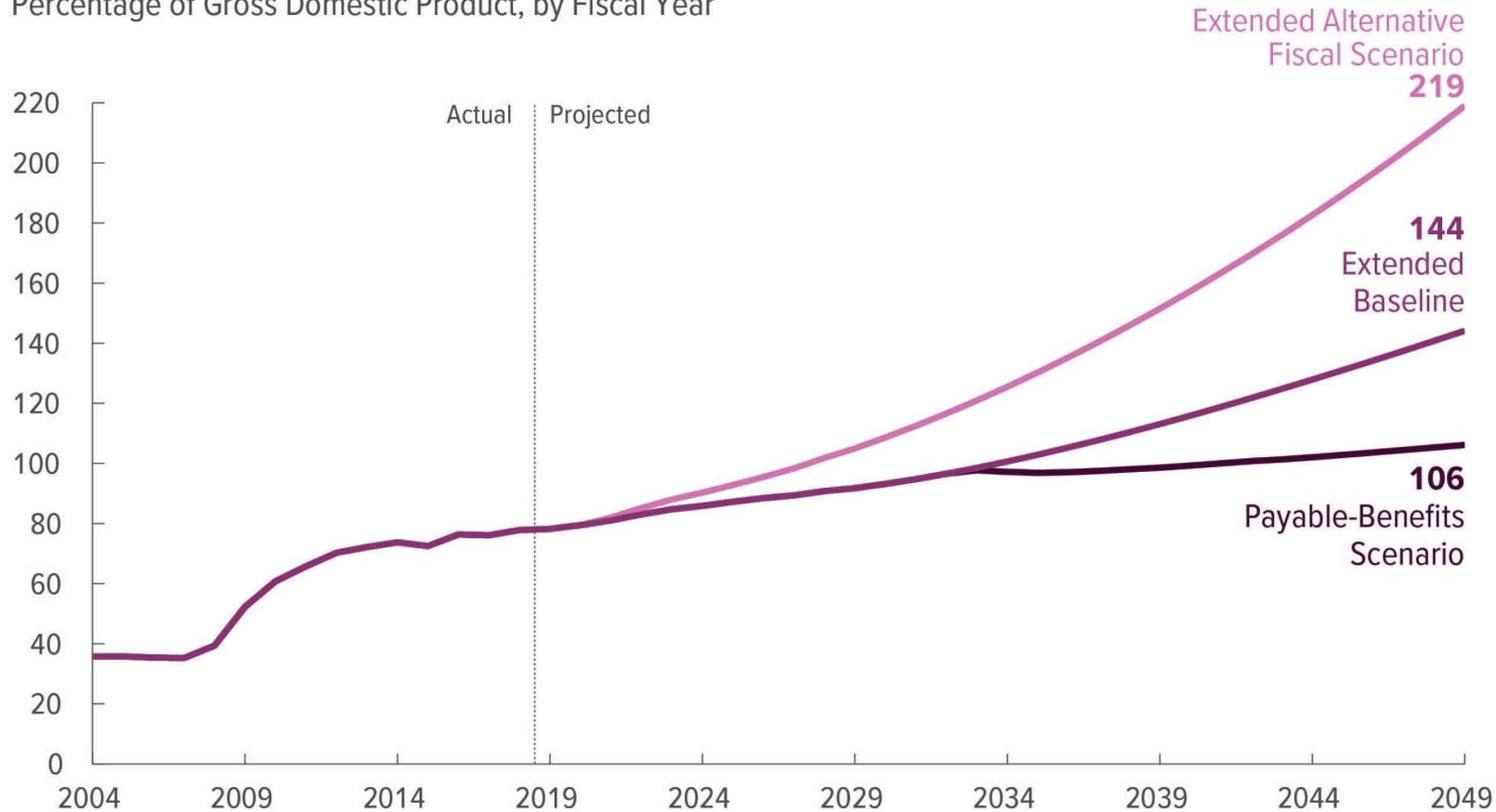


Even if economic and demographic factors differed from CBO's projections, in 20 years, federal debt would probably be much higher than it is today.

CBO estimates that there is a two-thirds chance that federal debt would be between 71 percent and 175 percent of GDP in 2039 if current laws generally remained unchanged.

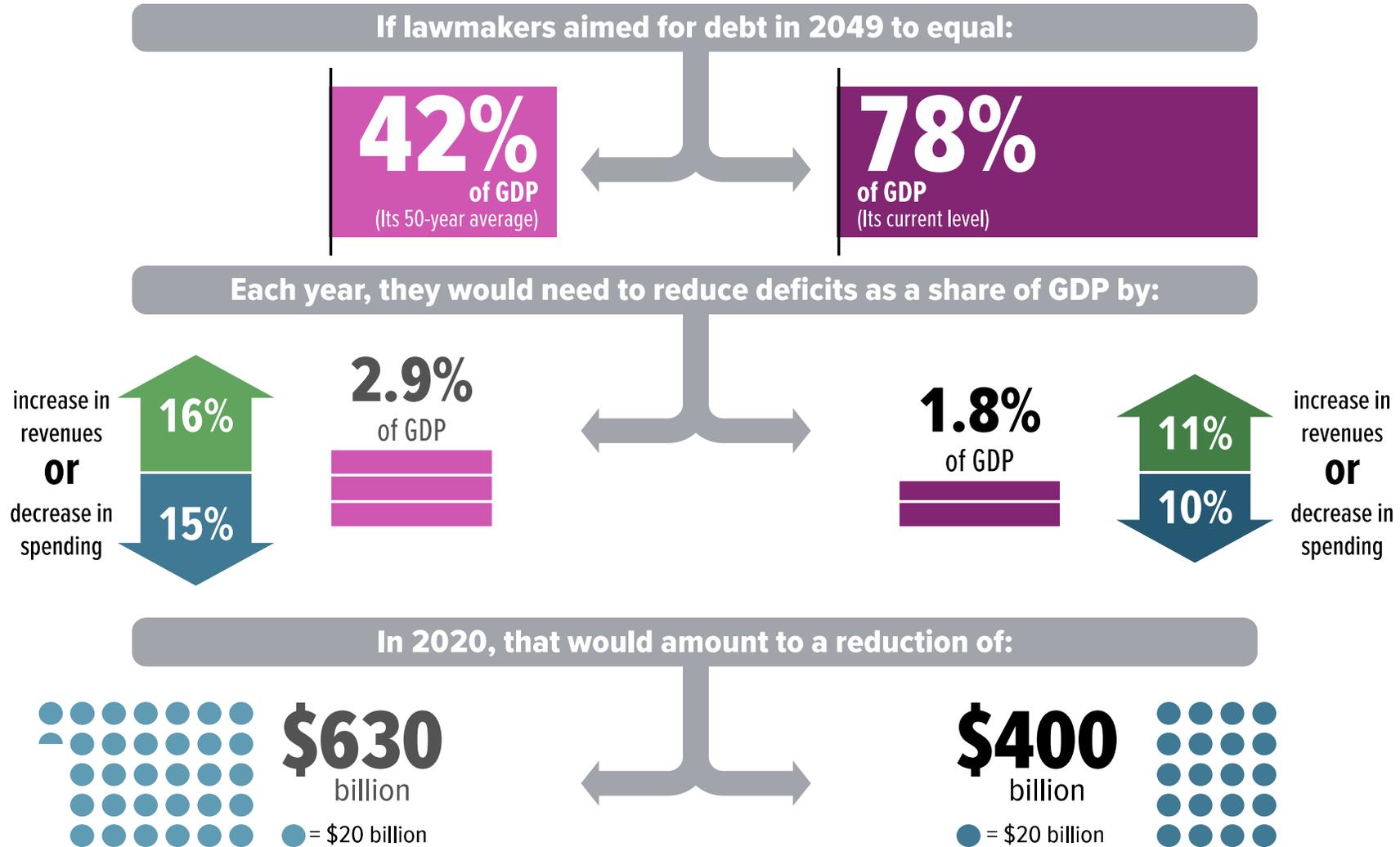
Debt Under Three Scenarios

Percentage of Gross Domestic Product, by Fiscal Year



Debt would be greater under the extended alternative fiscal scenario, and less under the payable-benefits scenario, than it is in the extended baseline projections.

The Size of Policy Changes Needed to Make Federal Debt Meet Two Possible Goals in 2049

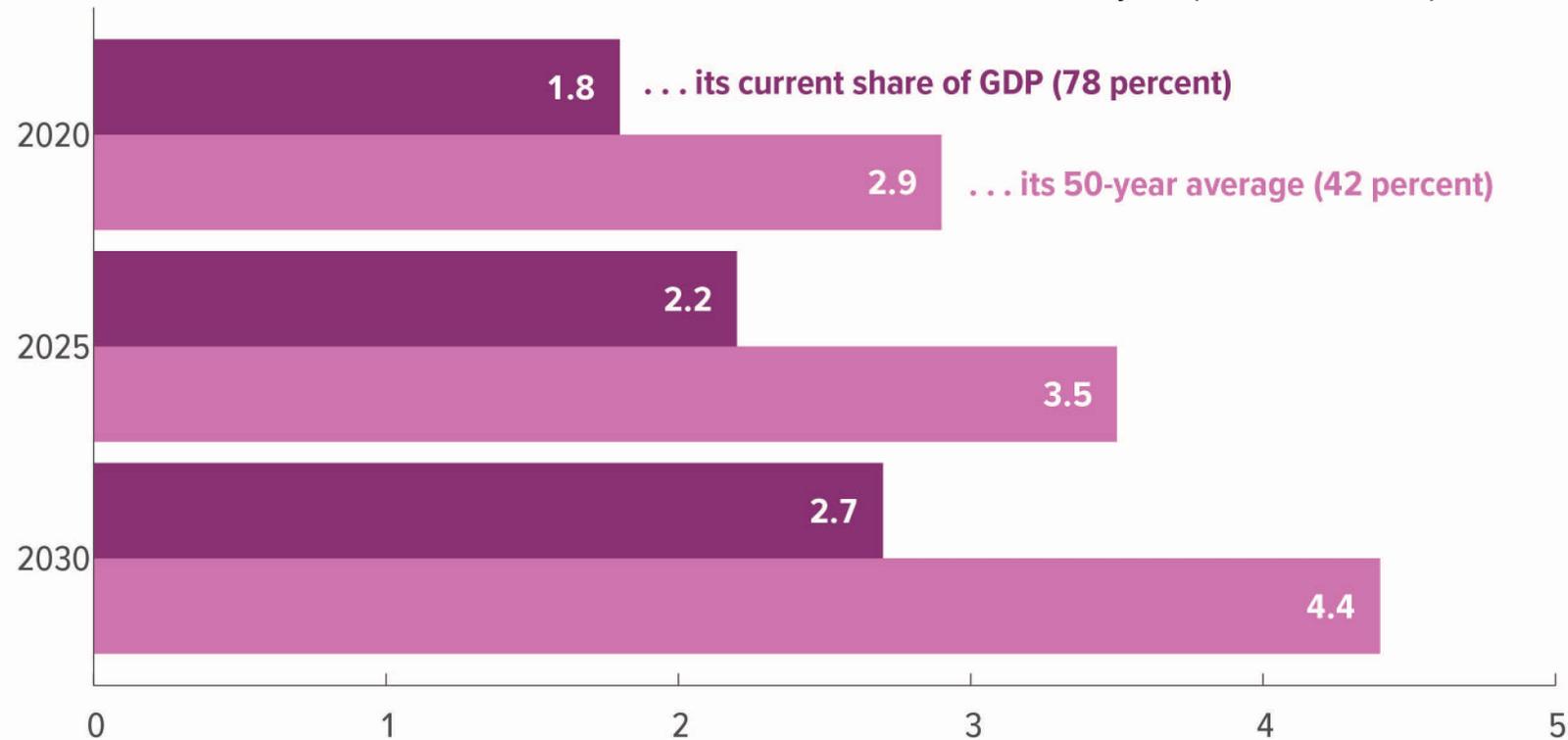


How Timing Affects the Size of Policy Changes Needed to Make Federal Debt Meet Two Possible Goals in 2049

Percentage of Gross Domestic Product

Starting Year

The reduction in each year's primary deficit needed to make federal debt held by the public in 2049 equal . . .



The longer lawmakers waited to implement those policies, the larger the annual deficit reductions would need to be.

Moreover, the later such policy changes occurred, the more the burden would rest on younger generations.

About This Presentation

The report from which these slides are drawn, *The 2019 Long-Term Budget Outlook*, is based on CBO's most recent 10-year projections.

The economic projections were published in Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029* (January 2019), www.cbo.gov/publication/54918.

The budget projections were published in Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (May 2019), www.cbo.gov/publication/55151.