
Appendix B: Changes in CBO’s Long-Term Budget Projections Since September 2020

Overview

This appendix compares the Congressional Budget Office’s current extended baseline projections over the 2021–2050 period with the projections the agency published in September 2020.¹ The differences, which are generally small, are attributable to changes in law, changes to the agency’s projections of demographic and economic factors, and the availability of more recent data.

In CBO’s current projections:

- Measured as a percentage of gross domestic product (GDP), *federal debt held by the public* is projected to be slightly lower in most years than the agency projected last year. That debt is now projected to rise from 102 percent of GDP in 2021 to 195 percent in 2050. The 2021 amount is 2 percentage points lower than CBO projected in September 2020, and the 2050 amount is the same.
- *Spending* is higher as a percentage of GDP in 2021 than it was in last year’s projections, lower in the near term, and then similar thereafter.
- *Revenues* as a percentage of GDP are higher by 0.5 percentage points in 2021 than projected last year, higher over the next few years, and then similar thereafter.
- As a result of those revisions, *total deficits* and *primary deficits* (that is, total deficits excluding net spending for interest) as a percentage of GDP are now larger in 2021, generally smaller in the near term, and then similar thereafter (see Figure B-1).

This appendix also describes changes in CBO’s projections for the two Social Security trust funds—the Old-Age and Survivors Insurance (OASI) Trust Fund and the Disability Insurance (DI) Trust Fund. Those trust funds will be exhausted later than the agency projected last year. In addition, the appendix discusses changes in the agency’s analysis of the sensitivity of its budget projections to changes in the average interest rate on federal debt held by the public.

The extended baseline projections presented in this report follow the agency’s baseline budget projections for the first 10 years and then extend most of the baseline concepts for an additional 20 years. Those projections incorporate the budgetary and economic effects of the 2020–2021 coronavirus pandemic and associated measures taken to limit in-person interaction. They also reflect the economic and budgetary effects of laws enacted as of January 12, 2021, which contain provisions to address the public health emergency and to support households, businesses, and state and local governments.²

Changes in Projected Spending

In CBO’s extended baseline projections, total spending is higher as a percentage of GDP in 2021 than it was in last year’s projections, lower in the near term, and then similar thereafter. Like total spending, noninterest spending as a percentage of GDP is higher in 2021, lower in the near term than it was in last year’s projections, and generally the same thereafter. In the second and third decades of the projection period, all the major components of non-interest spending—that is, spending for Social Security, the major federal health care programs, other mandatory

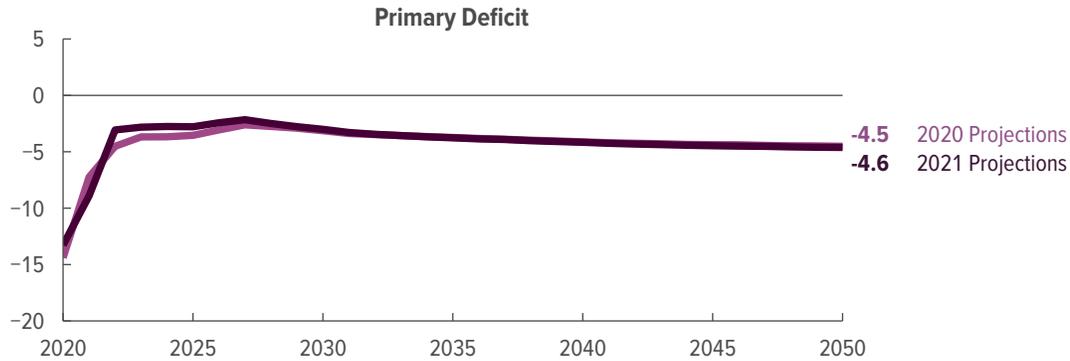
1. See Congressional Budget Office, *The 2020 Long-Term Budget Outlook* (September 2020), www.cbo.gov/publication/56516. Because most of last year’s projections ended in 2050, this appendix generally makes comparisons only through that year. For changes in projections of demographic and economic factors since 2020, see Appendix A of this report. For further information on budgetary projections for the first 10 years, see Congressional Budget Office, *Additional Information About the Budget Outlook: 2021 to 2031* (forthcoming on March 5, 2021), www.cbo.gov/publication/56996.

2. Provisions enacted in response to the pandemic were included in the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116-123), the Families First Coronavirus Response Act (P.L. 116-127), the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136), the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139), the Paycheck Protection Program Flexibility Act of 2020 (P.L. 116-142), and divisions M, N, and EE of the Consolidated Appropriations Act, 2021 (P.L. 116-260).

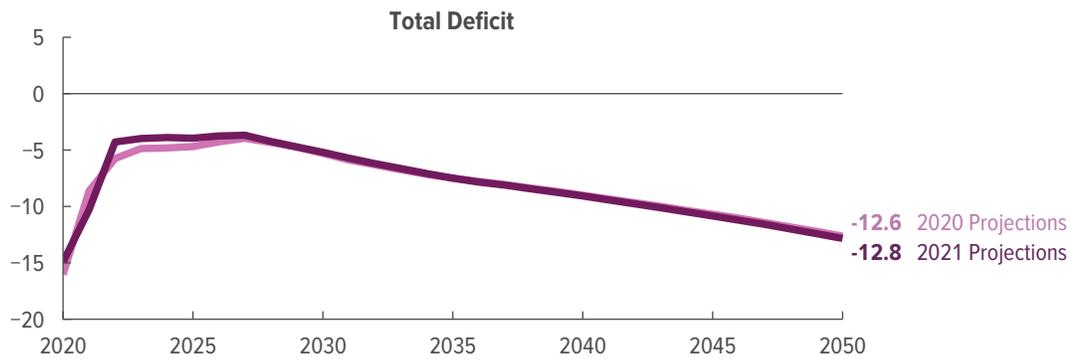
Figure B-1.

CBO's 2020 and 2021 Extended Baseline Projections of Deficits and Federal Debt Held by the Public

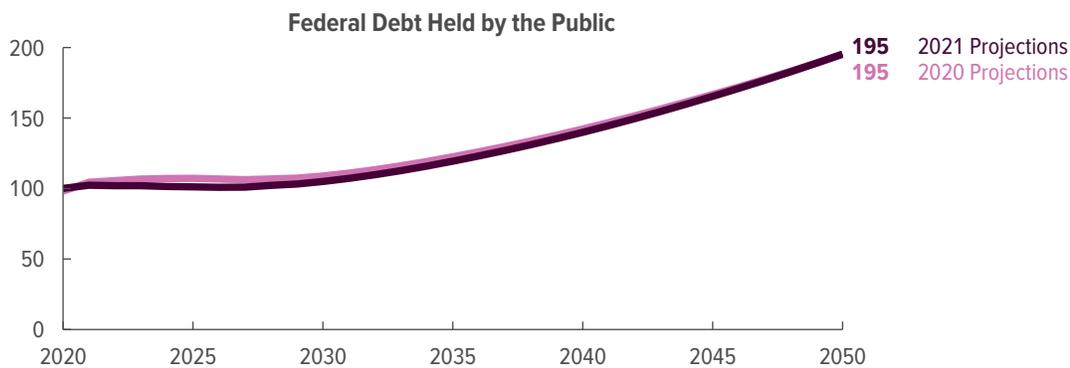
Percentage of Gross Domestic Product



In CBO's current projections, primary deficits as a percentage of GDP are generally smaller over the near term than they were in last year's projections; thereafter, primary deficits are projected to be roughly the same as they were projected to be last year.



CBO has generally decreased its projections of total deficits in the near term but has changed its projections for subsequent years only slightly.



Measured as a percentage of GDP, federal debt is now projected to be slightly lower in most years than CBO projected last year.

Data source: Congressional Budget Office. See www.cbo.gov/publication/56977#data.

The extended baseline projections, which generally reflect current law, follow CBO's 10-year baseline budget projections and then extend most of the concepts underlying those projections for the rest of the long-term projection period.

Primary deficits exclude net spending for interest.

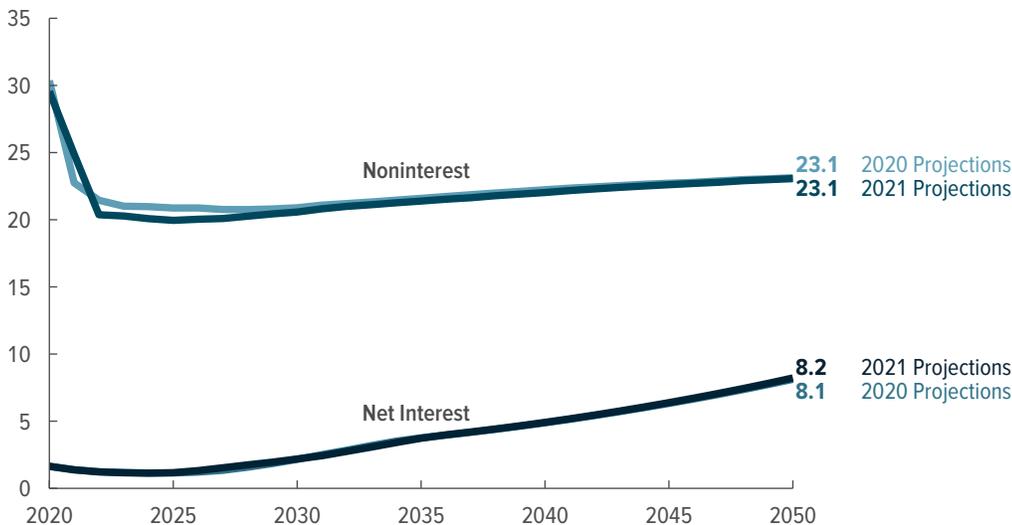
GDP = gross domestic product.



Figure B-2.

CBO's 2020 and 2021 Extended Baseline Projections of Outlays

Percentage of Gross Domestic Product



Compared with last year's projections, noninterest spending as a percentage of GDP in CBO's current extended baseline projections is generally lower in the near term and roughly the same thereafter.

Net spending for interest measured as a percentage of GDP is roughly the same as it was in last year's projections.

Data source: Congressional Budget Office. See www.cbo.gov/publication/56977#data.

The extended baseline projections, which generally reflect current law, follow CBO's 10-year baseline budget projections and then extend most of the concepts underlying those projections for the rest of the long-term projection period.

GDP = gross domestic product.

spending, and discretionary spending—changed slightly as a share of GDP (see Table B-1).³

Net spending for interest measured as a percentage of GDP is 1.4 percent of GDP in 2021, the same as it was in last year's projections; it is roughly the same in the long term as projected last year (see Figure B-2).

Changes in Projected Revenues

Compared with last year's projections, federal revenues as a percentage of GDP in this year's projections are higher

3. Spending on the government's major health care programs consists of spending for Medicare, Medicaid, and the Children's Health Insurance Program, as well as outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and related spending. Other mandatory spending includes outlays for retirement programs for federal civilian and military employees, certain programs for veterans, certain refundable tax credits, the Supplemental Nutrition Assistance Program, and all other mandatory programs aside from Social Security and the health care programs described above. Discretionary spending encompasses an array of federal activities that are funded through or controlled by appropriations. That category includes most defense spending, outlays for highway programs, and spending for many other nondefense activities, such as elementary and secondary education, housing assistance, international affairs, and the administration of justice.

in 2021 (by 0.5 percentage points), higher in the next few years, and then similar thereafter (see Figure B-3 on page 50). In the second and third decades of the projection period, the major components of total revenues—that is, individual income tax revenues, payroll tax revenues, and corporate income tax revenues—changed slightly as a share of GDP relative to CBO's projections from September 2020.

Changes in Projected Debt and Deficits

Measured as a percentage of GDP, federal debt held by the public is projected to be slightly lower in most years than the agency projected last year. In CBO's current projections, that debt rises from 102 percent of GDP in 2021 to 195 percent in 2050; last year, CBO projected that it would rise from 104 percent of GDP in 2021 to 195 percent in 2050.

Since last year, CBO's projections of primary deficits are larger in 2021, and then smaller over the near term, reducing the agency's projections of federal debt. Primary deficits are now projected to be 8.9 percent of GDP in 2021 and to average 2.8 percent of GDP from 2022 to 2031—1.7 percentage points larger in 2021 and 0.5 percentage points smaller from 2022 to 2031 than they

Table B-1.

CBO's 2020 and 2021 Projections of Revenues, Outlays, Deficits, and Federal Debt Held by the Public in Selected Years

Percentage of Gross Domestic Product

	2021	2032	2042	2050
Revenues				
Individual income taxes				
2020 projections	7.5	9.5	10.0	10.3
2021 projections	7.7	9.4	9.9	10.3
Payroll taxes				
2020 projections	5.9	5.8	5.8	5.7
2021 projections	6.0	5.8	5.7	5.7
Corporate income taxes				
2020 projections	0.6	1.2	1.2	1.3
2021 projections	0.7	1.2	1.2	1.2
Other ^a				
2020 projections	1.5	1.1	1.2	1.3
2021 projections	1.4	1.1	1.2	1.3
Total Revenues				
2020 projections	15.5	17.7	18.2	18.6
2021 projections	16.0	17.5	18.0	18.4
Outlays				
Mandatory				
Social Security				
2020 projections	5.4	6.1	6.3	6.3
2021 projections	5.2	6.1	6.2	6.3
Major health care programs ^b				
2020 projections	6.1	7.2	8.5	9.2
2021 projections	5.8	7.2	8.5	9.3
Other ^c				
2020 projections	3.7	2.2	2.1	2.0
2021 projections	6.3	2.2	2.0	1.9
Subtotal, Mandatory				
2020 projections	15.2	15.6	16.9	17.5
2021 projections	17.3	15.4	16.8	17.5

Continued

averaged over that period in last year's projections. After the first decade, primary deficits are now projected to be similar to what they were projected to be last year.

As a result of those revisions, projected total deficits as a percentage of GDP are now larger in 2021, generally smaller in the near term, and then generally similar thereafter (see Figure B-1 on page 46). In the current projections, deficits are 10.3 percent of GDP in 2021 and average 4.4 percent of GDP from 2022 to 2031—1.7 percentage points larger in 2021 and 0.5 percentage points smaller than their average over that period in last year's projections. By 2050, total deficits are now projected to be 12.8 percent of GDP, 0.2 percentage points larger than they were in last year's projections.

Changes in the Social Security Trust Funds

CBO projects that if current laws governing the Social Security program's taxes and benefits did not change, the OASI trust fund would be exhausted in calendar year 2032, and the DI trust fund would be exhausted in calendar year 2035. Those dates are later than the agency projected last September, by one year and by nine years, respectively. If the OASI and DI trust funds were combined, the projected exhaustion date would be in calendar year 2032, which is one year later than CBO projected in 2020.

Since last year, the agency has boosted its projections of income credited to the OASI trust fund by 4.4 percent

Table B-1.

Continued

CBO's 2020 and 2021 Projections of Revenues, Outlays, Deficits, and Federal Debt Held by the Public in Selected Years

Percentage of Gross Domestic Product	2021	2032	2042	2050
Discretionary				
2020 projections	7.6	5.6	5.6	5.6
2021 projections	7.6	5.6	5.5	5.5
Net interest				
2020 projections	1.4	2.8	5.4	8.1
2021 projections	1.4	2.8	5.5	8.2
Total Outlays				
2020 projections	24.1	24.0	27.9	31.2
2021 projections	26.3	23.7	27.8	31.3
Deficit				
2020 projections	-8.6	-6.3	-9.7	-12.6
2021 projections	-10.3	-6.2	-9.8	-12.8
Federal Debt Held by the Public				
2020 projections	104	113	152	195
2021 projections	102	110	150	195
Memorandum:				
Noninterest Spending				
2020 projections	22.7	21.2	22.4	23.1
2021 projections	24.9	21.0	22.3	23.1
Primary Deficit^d				
2020 projections	-7.2	-3.5	-4.2	-4.5
2021 projections	-8.9	-3.5	-4.3	-4.6

Data source: Congressional Budget Office. See www.cbo.gov/publication/56977#data.

- a. Consists of excise taxes, remittances to the Treasury from the Federal Reserve System, customs duties, estate and gift taxes, and miscellaneous fees and fines.
- b. Consists of spending for Medicare (net of premiums and other offsetting receipts), Medicaid, and the Children's Health Insurance Program, as well as outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and related spending.
- c. Includes the refundable portions of the earned income tax credit, the child tax credit, and the American Opportunity Tax Credit.
- d. Excludes net spending for interest.

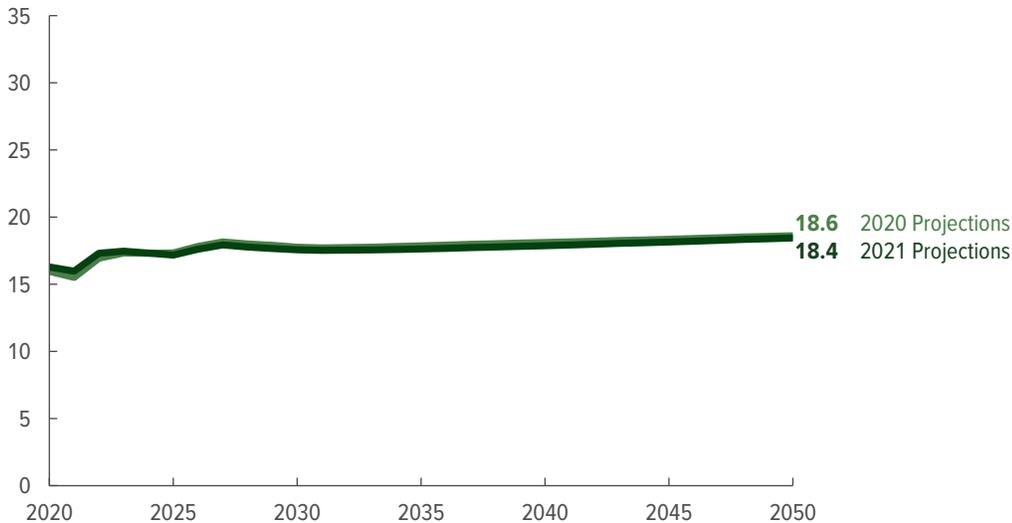
over the 2021–2032 period, mainly because of higher payroll tax revenues associated with the stronger economy reflected in the current projections. However, the agency has also increased its projected expenditures from the fund; those are now 1.3 percent higher over that period than projected last year. Those increases stem primarily from higher estimates of cost-of-living adjustments and higher projections of average wages, which offset the effect of fewer OASI beneficiaries during that period. The increases in projected income more than offset the increases in projected expenditures from the fund, leading to the later projected exhaustion date for the OASI trust fund.

In this year's projections, income credited to the DI trust fund from 2021 to 2035 is higher by 4.1 percent than the agency projected last year, primarily because of the stronger economy and higher payroll tax revenues that CBO now projects. The projected expenditures from the DI trust fund are lower from 2021 through 2035—in total, by 0.6 percent—than the agency projected last year. CBO revised those projections downward mainly because DI caseloads have been smaller than anticipated in recent months, which led the agency to reduce its projection of the number of DI beneficiaries. Those downward revisions to the number of DI beneficiaries are partially offset by higher estimates of cost-of-living adjustments and higher projections of average wages. The

Figure B-3.

CBO's 2020 and 2021 Extended Baseline Projections of Revenues

Percentage of Gross Domestic Product



In CBO's current extended baseline projections, federal revenues measured as a percentage of GDP are higher in the next few years than they were in last year's projections and similar to last year's projections thereafter.

Data source: Congressional Budget Office. See www.cbo.gov/publication/56977#data.

The extended baseline projections, which generally reflect current law, follow CBO's 10-year baseline budget projections and then extend most of the concepts underlying those projections for the rest of the long-term projection period.

GDP = gross domestic product.

projections of increased income and decreased expenditures lead to the later projected exhaustion date for the DI trust fund.

All told, CBO's projections of income credited to the combined OASDI trust funds are 4.4 percent higher over the 2021–2032 period than they were last year, and its projections of expenditures are 1.1 percent higher. Because the increases in projected income more than offset the increases in projected expenditures, CBO now anticipates that the exhaustion date for the combined trust funds will be one year later than the agency expected last year.

Changes in the Sensitivity Analysis of CBO's Budget Projections

CBO has modified the way it varies the average interest rate on federal debt held by the public to show the

sensitivity of its budget projections to such changes. Last year, the agency projected federal debt as a share of GDP under two scenarios: In one, the average interest rate on federal debt was 1.0 percentage point higher (before accounting for macroeconomic effects) than CBO's central estimates for all years in its extended baseline projection period; in the other, the interest rate was 1.0 percentage point lower. However, deviations in the average interest rate on federal debt from the central estimate are likely to be small in the near term and to grow gradually over time. This year, the agency projects federal debt as a share of GDP under two different scenarios: In each, the federal borrowing rate is increased or lowered, respectively, by an additional 5 basis points per year (before accounting for macroeconomic effects) relative to the agency's central estimate.⁴

4. A basis point is one one-hundredth of a percentage point.