

# CBO's Role and Most Recent Long-Term Budget Projections

December 6, 2023

Presentation at a Meeting of the National Conference  
of State Legislatures' Budget Working Group

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For information about the meeting, see <https://tinyurl.com/5n8rd9nn>.



**CBO Was Created by the  
Congressional Budget and  
Impoundment Control Act of 1974**



## **CBO's Role**

CBO was established to give the Congress a stronger role in budget matters.

The agency provides analysis of budgetary and economic issues that is objective and impartial. It is strictly nonpartisan and does not make policy recommendations.

CBO follows processes that are specified in statute or that it has developed in concert with the budget committees and Congressional leadership. CBO's chief responsibility under the Budget Act is to help the Budget Committees with the matters under their jurisdiction.



## **CBO's Organization**

The agency's Director is appointed jointly by the Speaker of the House and the President pro tempore of the Senate and has a four-year term.

CBO has about 270 employees. They are hired solely on the basis of professional competence, without regard to political affiliation. Most have advanced degrees.

CBO's organization consists of the Office of the Director and nine divisions:

- Budget Analysis
- Financial Analysis
- Health Analysis
- Labor, Income Security, and Long-Term Analysis
- Macroeconomic Analysis
- Management, Business, and Information Services
- Microeconomic Studies
- National Security
- Tax Analysis



# **CBO Provides Budget and Economic Analysis to Support the Congressional Budget Process**



# CBO Provides Baseline Budget and Economic Projections

CBO prepares, and periodically updates, a 10-year budget baseline that serves as a benchmark for measuring the effects of proposed legislation.

The baseline reflects the assumption that current laws governing spending and revenues generally remain unchanged, and it relies on CBO's forecasts of key economic factors.

Table 1.

CBO's Baseline Budget Projections, by Category

	Actual, 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total 2024– 2028	Total 2024– 2033
In Billions of Dollars														
<b>Revenues</b>														
Individual income taxes	2,632	2,525	2,475	2,517	2,768	3,019	3,123	3,248	3,380	3,517	3,652	3,806	13,902	31,505
Payroll taxes	1,484	1,562	1,633	1,703	1,778	1,849	1,920	1,993	2,068	2,147	2,226	2,307	8,884	19,625
Corporate income taxes	425	475	479	489	495	494	506	514	520	527	527	539	2,462	5,089
Other	357	252	261	266	276	295	370	387	400	416	436	450	1,469	3,558
<b>Total</b>	<b>4,897</b>	<b>4,815</b>	<b>4,848</b>	<b>4,974</b>	<b>5,317</b>	<b>5,658</b>	<b>5,919</b>	<b>6,142</b>	<b>6,368</b>	<b>6,607</b>	<b>6,841</b>	<b>7,102</b>	<b>26,716</b>	<b>59,777</b>
On-budget	3,831	3,681	3,652	3,719	4,006	4,295	4,504	4,674	4,846	5,027	5,204	5,407	20,176	45,334
Off-budget <sup>a</sup>	1,066	1,133	1,196	1,255	1,311	1,363	1,415	1,468	1,522	1,580	1,637	1,695	6,540	14,443
<b>Outlays</b>														
Mandatory	4,133	3,980	3,828	4,023	4,205	4,400	4,738	4,760	5,120	5,386	5,675	6,141	21,195	48,277
Discretionary	1,664	1,712	1,845	1,939	1,995	2,055	2,112	2,153	2,209	2,260	2,313	2,373	9,947	21,255
Net interest	476	663	745	773	835	912	1,003	1,084	1,165	1,252	1,350	1,440	4,268	10,559
<b>Total</b>	<b>6,273</b>	<b>6,354</b>	<b>6,418</b>	<b>6,735</b>	<b>7,035</b>	<b>7,367</b>	<b>7,854</b>	<b>7,997</b>	<b>8,494</b>	<b>8,898</b>	<b>9,338</b>	<b>9,955</b>	<b>35,409</b>	<b>80,091</b>
On-budget	5,192	5,142	5,094	5,314	5,529	5,776	6,170	6,223	6,614	6,908	7,230	7,734	27,884	62,593
Off-budget <sup>a</sup>	1,081	1,212	1,324	1,421	1,506	1,591	1,683	1,774	1,880	1,990	2,107	2,221	7,526	17,498
<b>Deficit</b>	<b>-1,376</b>	<b>-1,539</b>	<b>-1,571</b>	<b>-1,761</b>	<b>-1,718</b>	<b>-1,709</b>	<b>-1,934</b>	<b>-1,855</b>	<b>-2,126</b>	<b>-2,291</b>	<b>-2,496</b>	<b>-2,852</b>	<b>-8,693</b>	<b>-20,314</b>
On-budget	-1,361	-1,461	-1,442	-1,595	-1,524	-1,481	-1,666	-1,549	-1,768	-1,881	-2,026	-2,327	-7,708	-17,259
Off-budget <sup>a</sup>	-15	-79	-129	-165	-195	-228	-268	-306	-358	-410	-470	-526	-986	-3,055
Primary Deficit <sup>b</sup>	-900	-877	-826	-988	-883	-797	-931	-771	-961	-1,039	-1,147	-1,412	-4,425	-9,755
Debt Held by the Public	24,252	25,767	27,388	29,246	31,054	32,866	34,895	36,830	39,015	41,347	43,861	46,709	n.a.	n.a.

For additional information, see [www.cbo.gov/data/budget-economic-data](https://www.cbo.gov/data/budget-economic-data).



# CBO Prepares Estimates of the Effects of Legislative Proposals

CBO is required to produce a cost estimate for nearly every bill approved by a full committee. The agency usually produces 600 to 800 cost estimates each year.

Those estimates include the impact of federal mandates on state, local, and tribal governments.

CBO also fulfills thousands of requests for technical assistance as lawmakers draft legislation.

Furthermore, CBO tracks appropriation actions.



September 23, 2022

<b>H.R. 3304, Advancing Uniform Transportation Opportunities for Veterans Act</b> As ordered reported by the House Committee on Veterans' Affairs on September 21, 2022			
By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	167	-43
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	167	-43
Spending Subject to Appropriation (Outlays)	0	0	0
Statutory pay-as-you-go procedures apply?	Yes	<b>Mandate Effects</b>	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No



## **CBO's Assessments Are Based on Detailed Analysis**

CBO bases its assessments on:

- A detailed understanding of federal programs and revenue sources;
- An examination of the relevant research literature;
- Analysis of data reported by federal statistical agencies and other groups;
- Consultation with outside experts in academia, think tanks, industry groups, the private sector, and federal, state, and local agencies; and
- Discussion with CBO's Panel of Economic Advisers and Panel of Health Advisers.





# **Accessing Data From Federal Agencies**



## **To Fulfill Its Mission, CBO Accesses a Wide Array of Data From Federal Agencies**

**Publicly available information** is generally easy to access and is usually well-documented.

Other information is acquired upon request through **informal cooperation** with federal agencies.

CBO's analysts sometimes use information obtained through **formal agreements** with federal agencies.



## **Restricted-Access Data are Critical to Some Key Models Used in Producing CBO's Estimates**

When arranging to use restricted-access data, CBO generally aims for:

- Continual and long-running access;
- Secure access from CBO's offices (or from home, in the work-from-home environment); and
- Clear and well-understood processes that are similar among agencies.



## **The 2023 Long-Term Outlook for the Federal Budget**

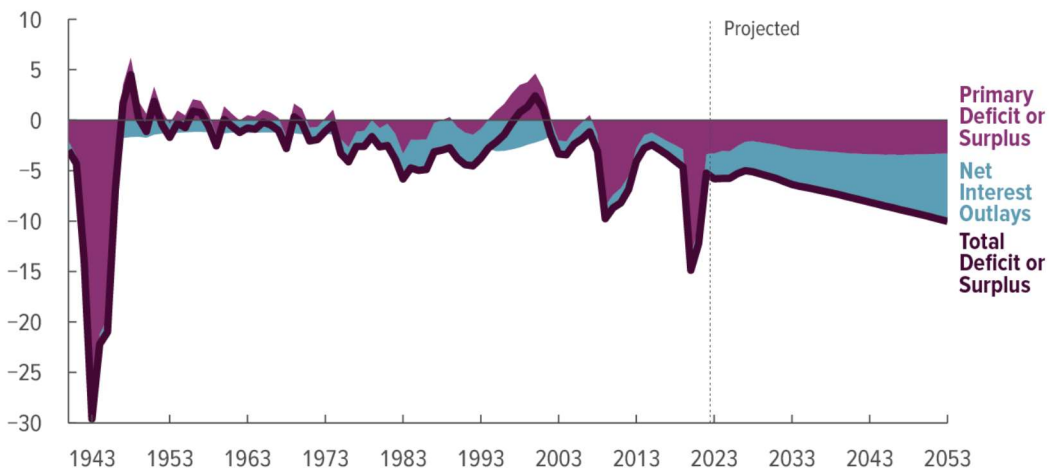
Each year, CBO provides the Congress with its projections of what the federal budget and the economy would look like over the next 30 years if current laws generally remained unchanged.

Those projections show the estimated effects of demographic trends, economic developments, and health care costs on federal spending, revenues, deficits, and debt.



## Total Deficits, Primary Deficits, and Net Interest

Percentage of Gross Domestic Product

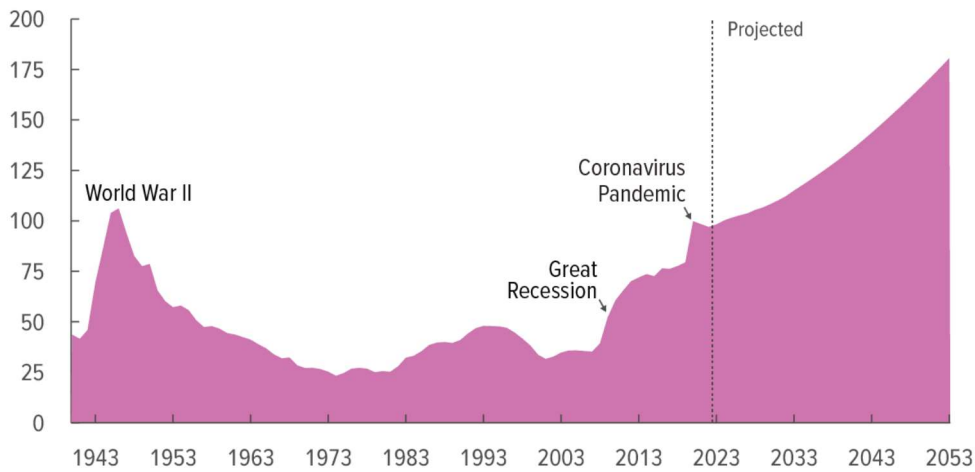


Primary deficits, which exclude net interest costs, equal 3.3 percent of gross domestic product (GDP) in both 2023 and 2053. Combined with rising interest rates, those large and sustained primary deficits cause net outlays for interest to almost triple in relation to GDP.



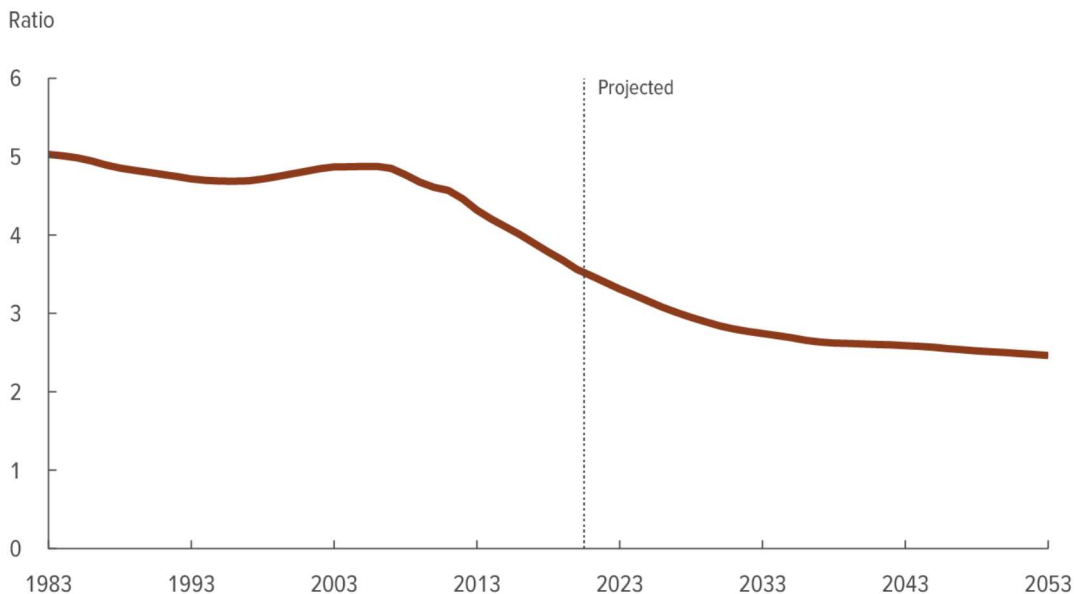
## Federal Debt Held by the Public

Percentage of Gross Domestic Product



In CBO's projections, debt rises in relation to GDP over the next three decades, exceeding any previously recorded level—and it is on track to continue growing after 2053.

## Size of the Population Ages 20 to 64 in Relation to the Population Age 65 or Older



In CBO's projections, the number of people ages 20 to 64 measured in relation to the number of people age 65 or older declines.

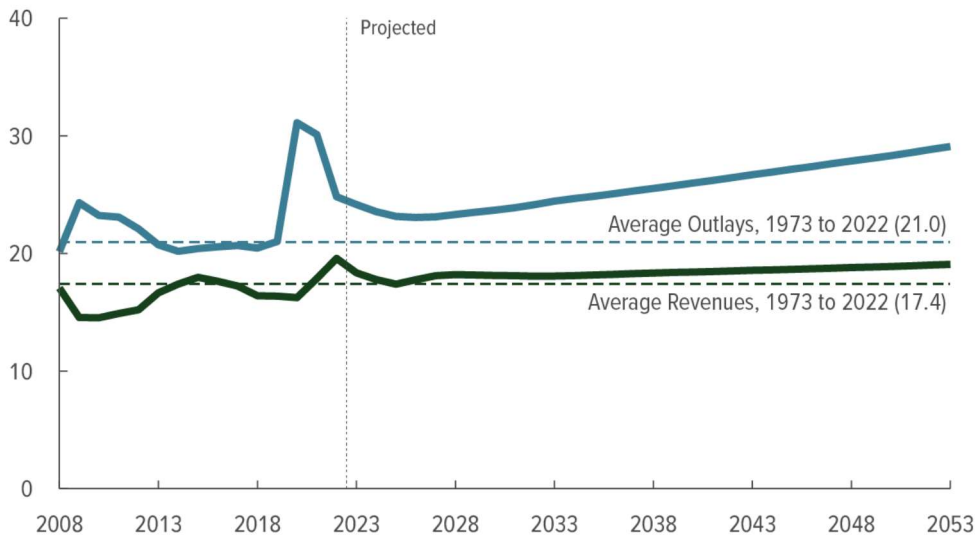
In particular, the number of people in the younger age group—who are more likely to work and who generally pay more in taxes—grows more slowly than the number of people in the older age group—who are less likely to work, generally pay less in taxes, and are generally eligible for Social Security and Medicare.





## Total Outlays and Revenues

Percentage of Gross Domestic Product



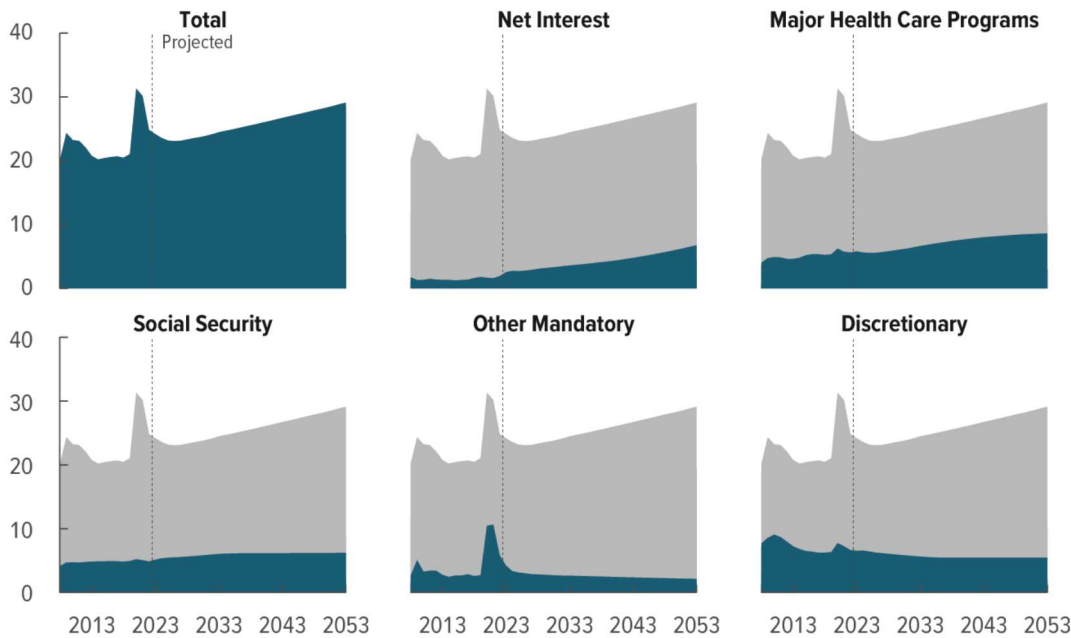
In most years, growth in outlays is projected to outpace growth in revenues, resulting in widening budget deficits.





# Outlays, by Category

Percentage of Gross Domestic Product



Rising interest rates and mounting debt cause net outlays for interest to increase from 2.5 percent of GDP in 2023 to 6.7 percent in 2053.

Outlays for the major health care programs rise from 5.8 percent of GDP to 8.6 percent as the average age of the population increases and health care costs grow.

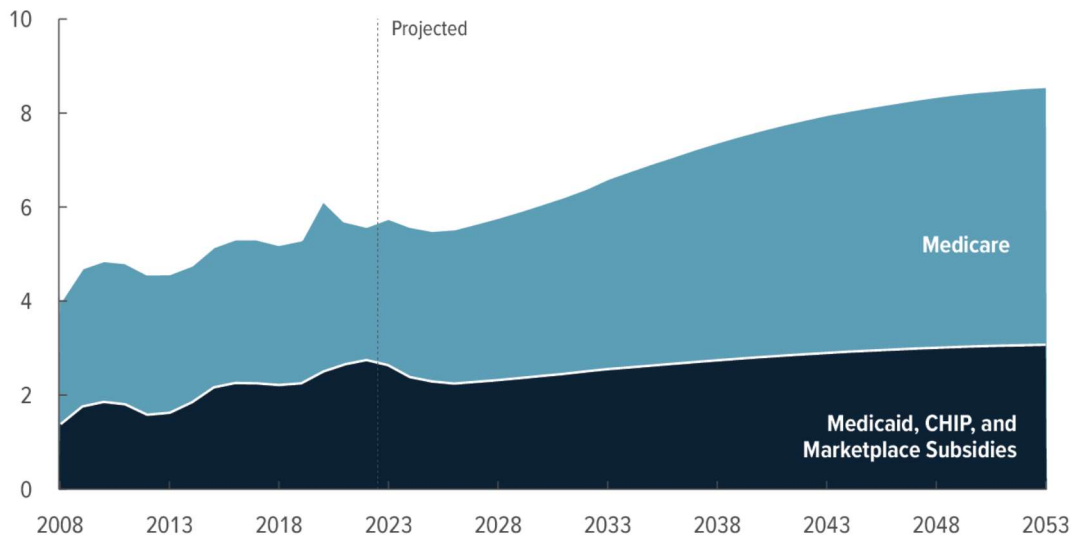
The aging of the population also pushes up outlays for Social Security, which increase from 5.1 percent of GDP to 6.2 percent.

Outlays for major health care programs consist of spending on 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. “Other Mandatory” consists of all mandatory spending other than that for Social Security and the major health care programs. It includes the refundable portions of the earned income tax credit, the child tax credit, and the American Opportunity Tax Credit.



## Composition of Outlays for the Major Health Care Programs

Percentage of Gross Domestic Product



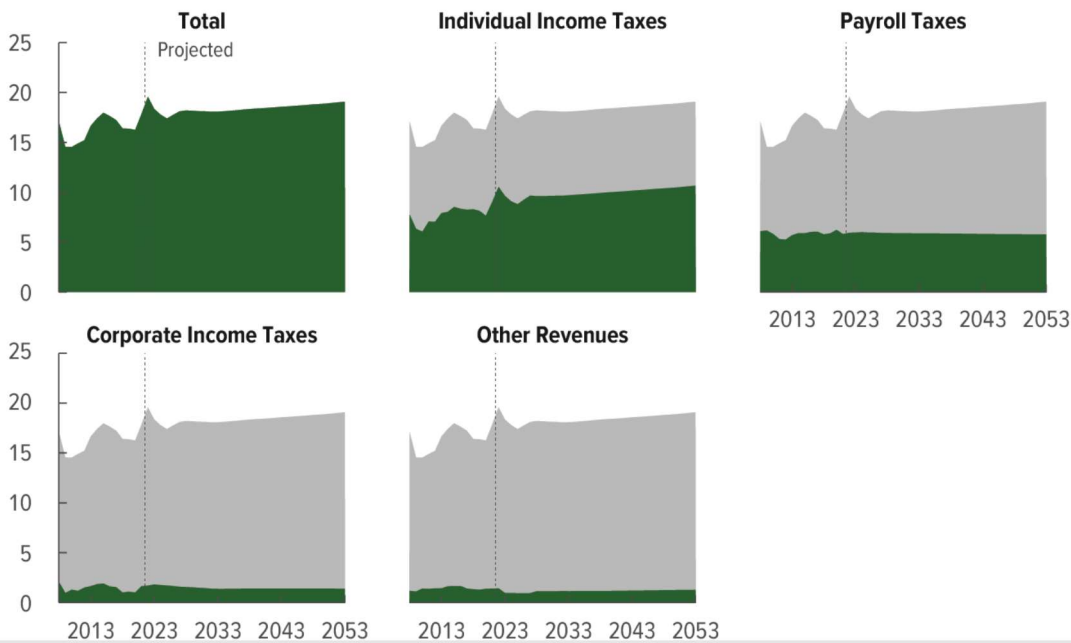
Spending on Medicare is projected to account for more than four-fifths of the increase in spending on the major health care programs over the next 30 years.

Outlays for Medicare are net of premiums and other offsetting receipts. "Marketplace Subsidies" refers to outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and related spending. CHIP = Children's Health Insurance Program.



## Revenues, by Source

Percentage of Gross Domestic Product



From 2023 to 2053, total revenues, measured as a percentage of GDP, grow by about 1 percentage point. Individual income taxes account for nearly all of that growth.

Receipts from payroll and corporate taxes decline by small amounts in relation to GDP over the 30-year period.



## **Uncertainty of CBO's Long-Term Projections**

CBO's economic projections are subject to a high degree of uncertainty. For instance, the possibility that growth in the labor force or in productivity could be faster or slower than expected makes CBO's projections of labor market conditions and economic output uncertain. Other key sources of uncertainty are future monetary policy and the path of interest rates.

CBO's long-term demographic projections are subject to significant uncertainty because, compounded over many years, even small changes in rates of fertility, mortality, or net immigration could greatly affect outcomes later in the projection period.

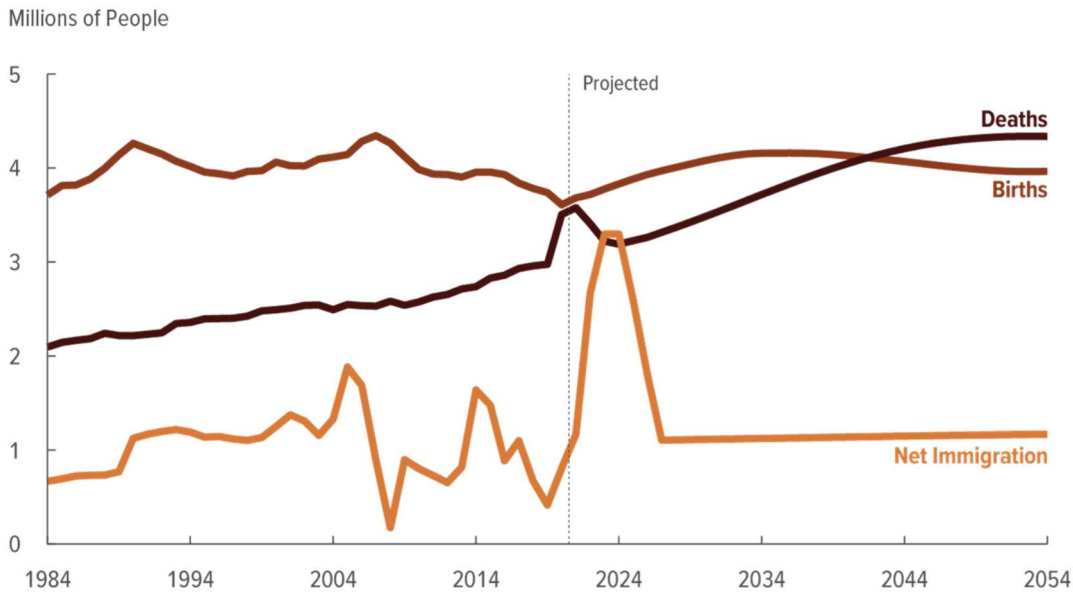


## **CBO's Preliminary 2024 Demographic Projections**

Each year, CBO provides the Congress with its projections of what population growth would look like over the next 30 years if current laws generally remained unchanged. That growth is determined by births, deaths, and net immigration.



## Births, Deaths, and Net Immigration



In CBO's preliminary projections, fertility rates remain lower than the replacement rate (the fertility rate required for a generation to exactly replace itself in the absence of immigration), mortality rates generally continue to decline, and immigration becomes an increasingly important part of overall population growth.