

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

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**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 275 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 | 2024– 2033 |
| In Billions of Dollars | | | | | | | | | | | | | | |
| Revenues | | | | | | | | | | | | | | |
| 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 |
| Total | 4,897 | 4,815 | 4,848 | 4,974 | 5,317 | 5,658 | 5,919 | 6,142 | 6,368 | 6,607 | 6,841 | 7,102 | 26,716 | 59,777 |
| 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 ^a | 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 |
| Outlays | | | | | | | | | | | | | | |
| 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 |
| Total | 6,273 | 6,354 | 6,418 | 6,735 | 7,035 | 7,367 | 7,854 | 7,997 | 8,494 | 8,898 | 9,338 | 9,955 | 35,409 | 80,091 |
| 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 ^a | 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 |
| Deficit | | | | | | | | | | | | | | |
| 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 ^a | -15 | -79 | -129 | -165 | -195 | -228 | -268 | -306 | -358 | -410 | -470 | -526 | -986 | -3,055 |
| Primary Deficit ^b | -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. |



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

H.R. 3304, Advancing Uniform Transportation Opportunities for Veterans Act 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 | Mandate Effects | |
| 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.

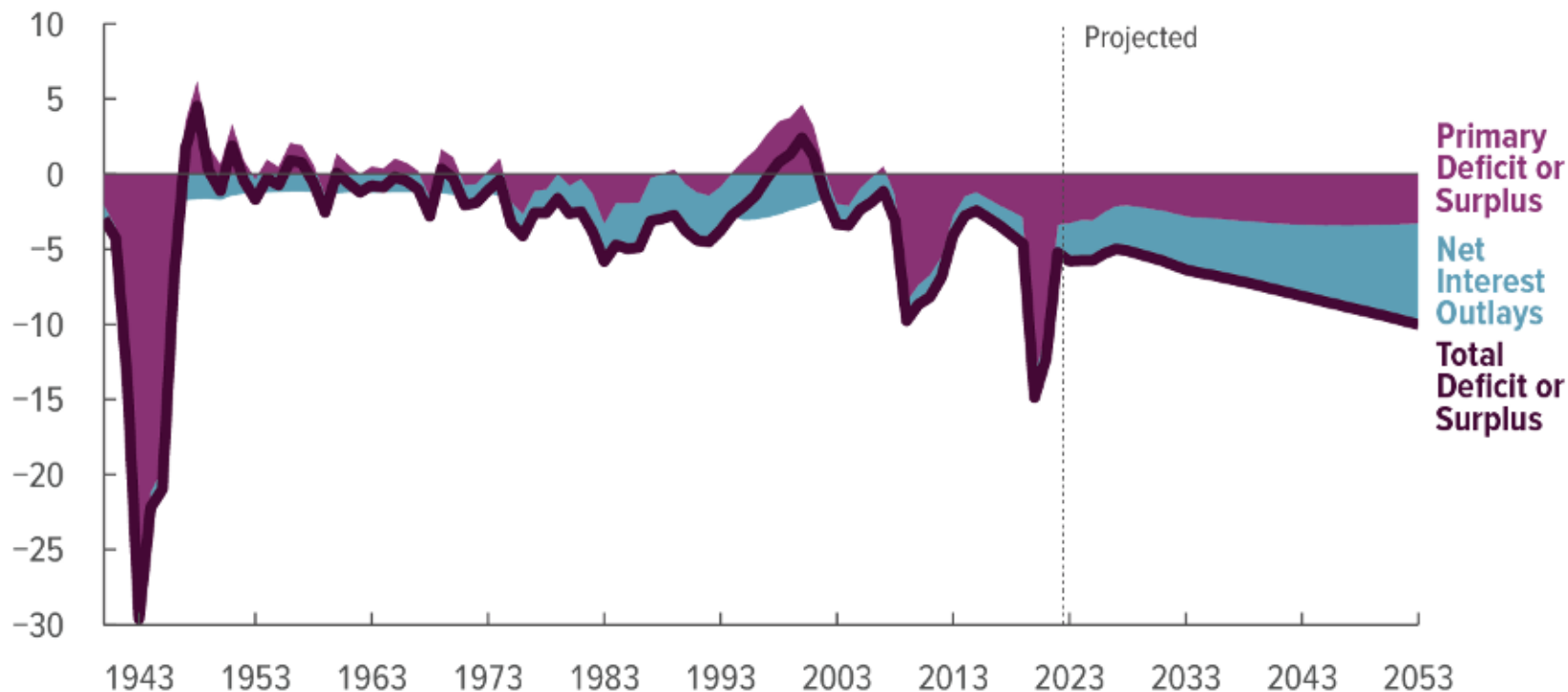
The 2023 Long-Term Outlook for the Federal Budget

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

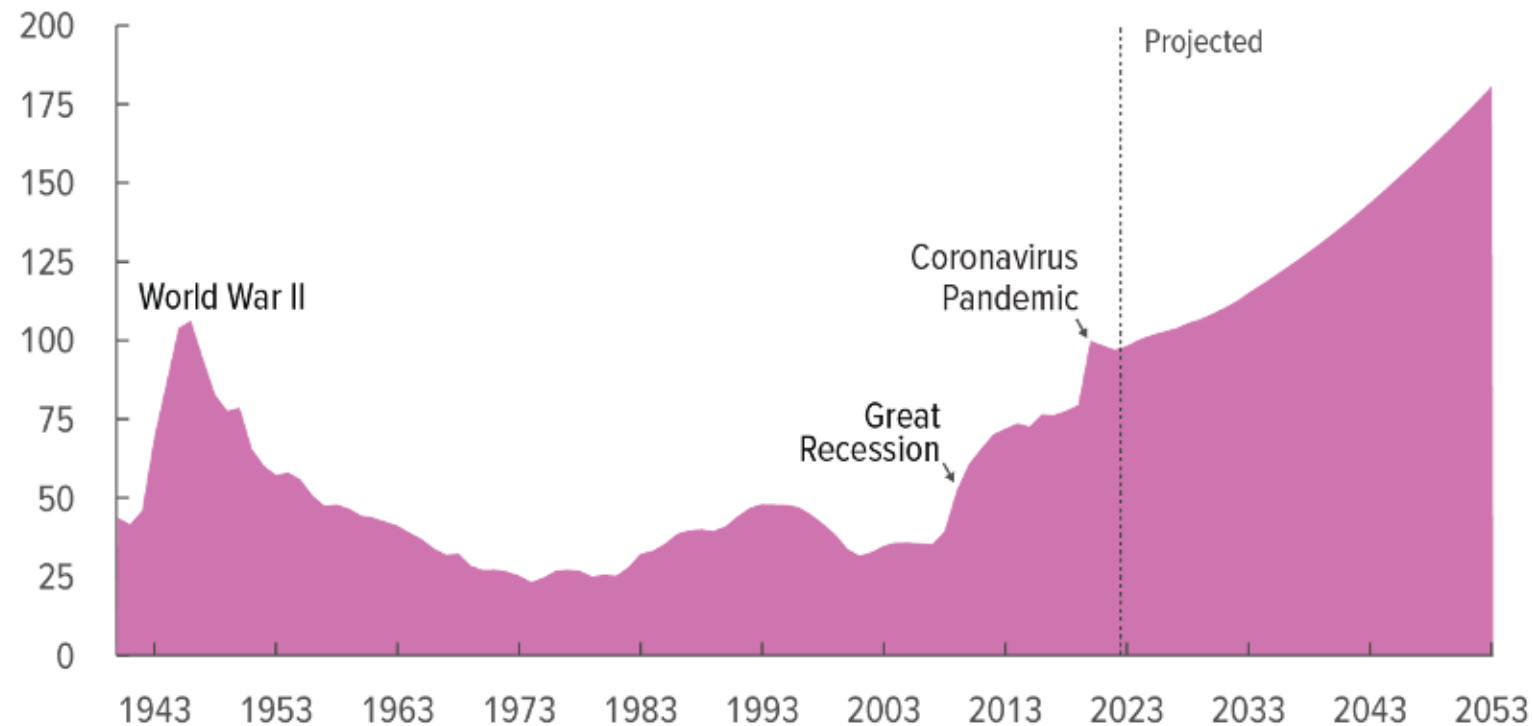
Percentage of Gross Domestic Product



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.

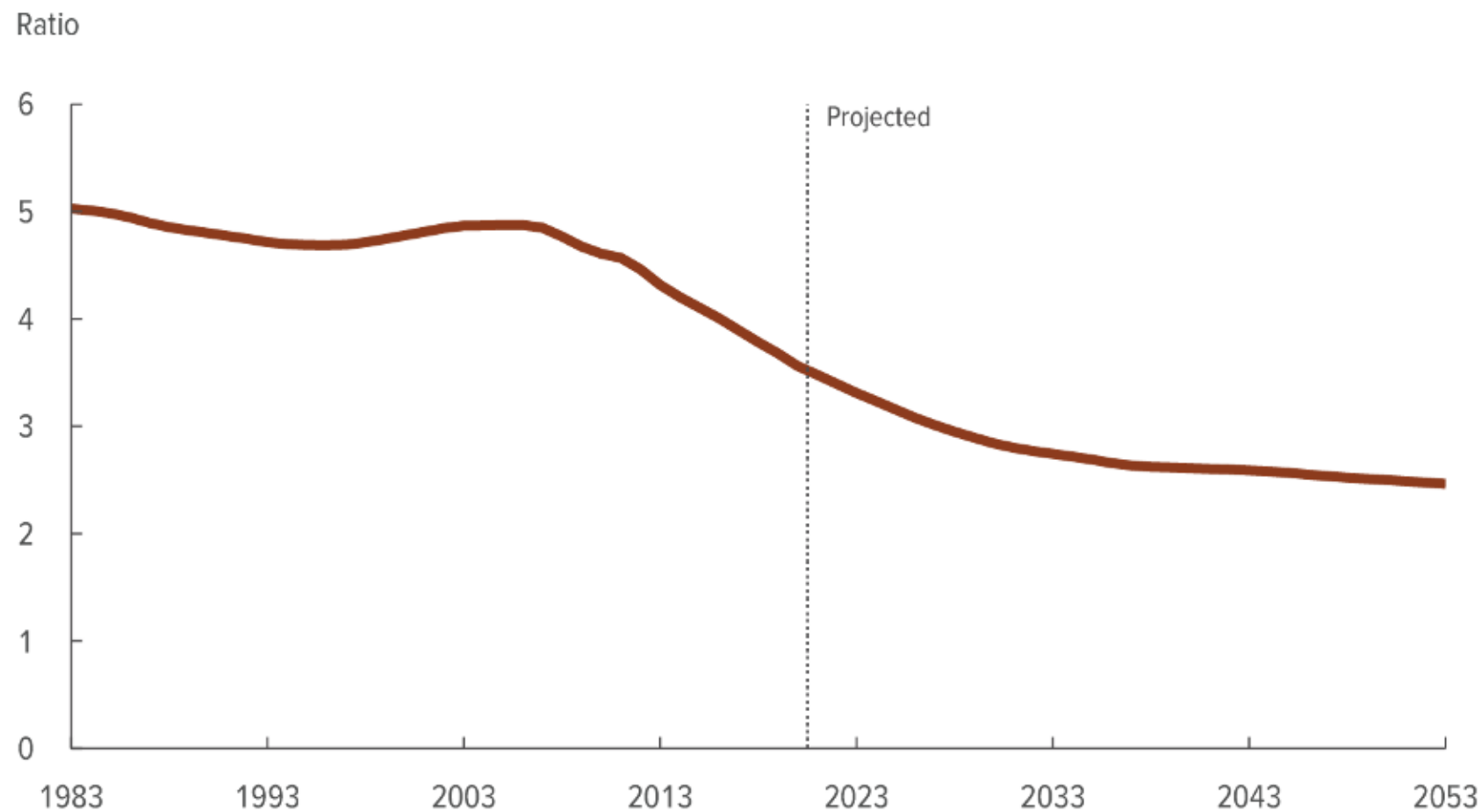
Federal Debt Held by the Public

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



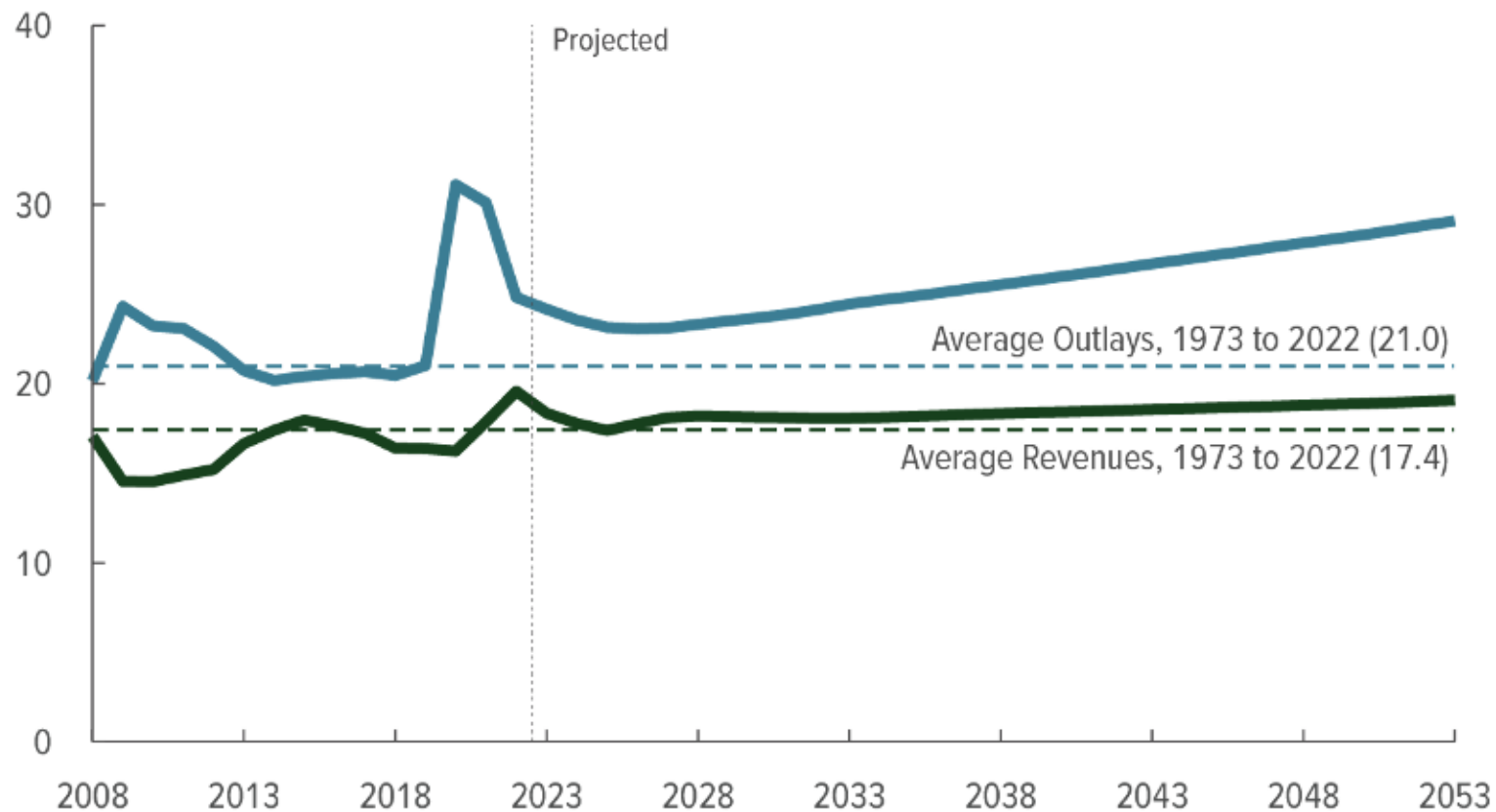
In CBO's projections, the number of people ages 20 to 64 measured in relation to the number of people age 65 or older declines.

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

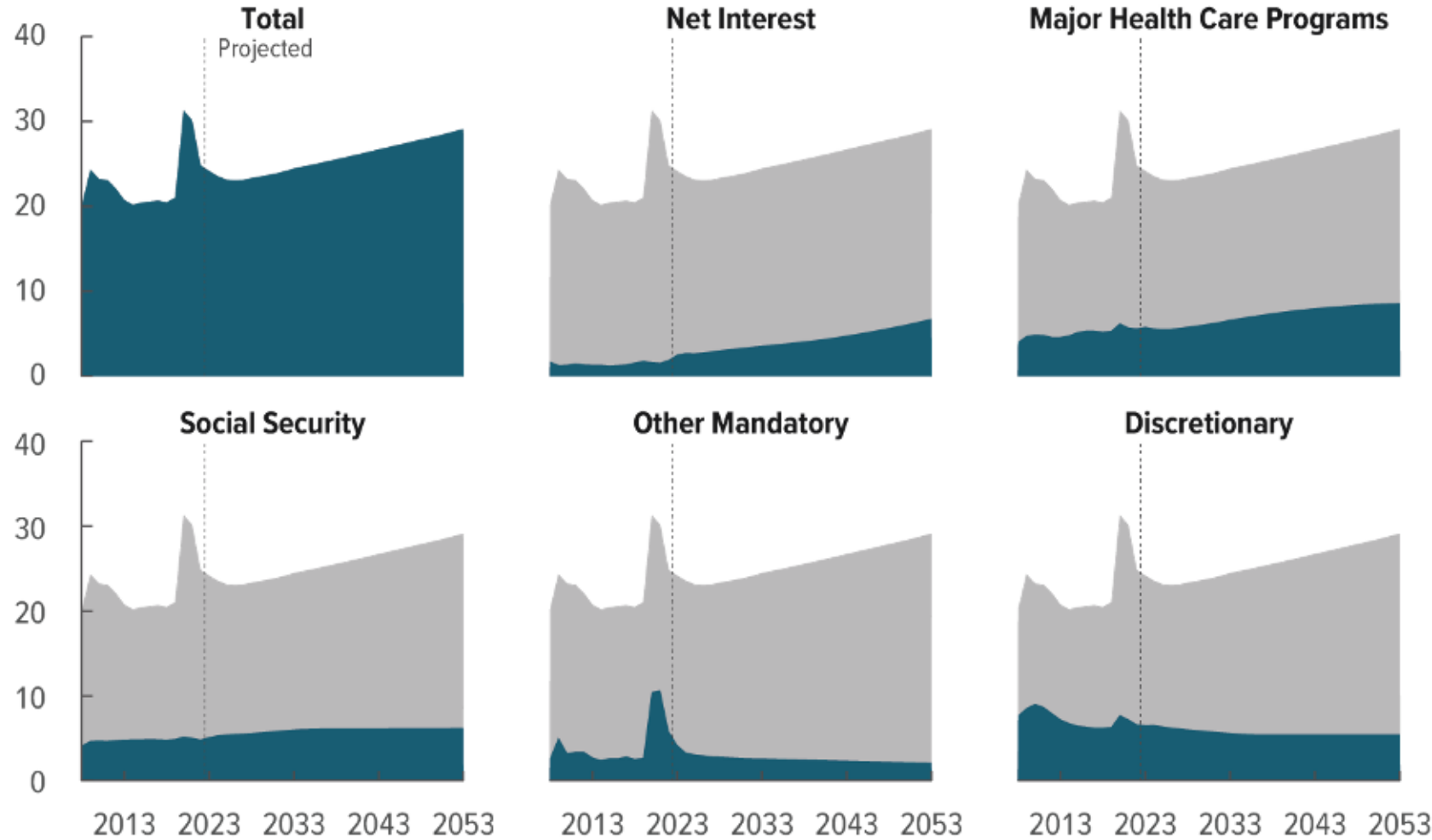
Percentage of Gross Domestic Product



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.

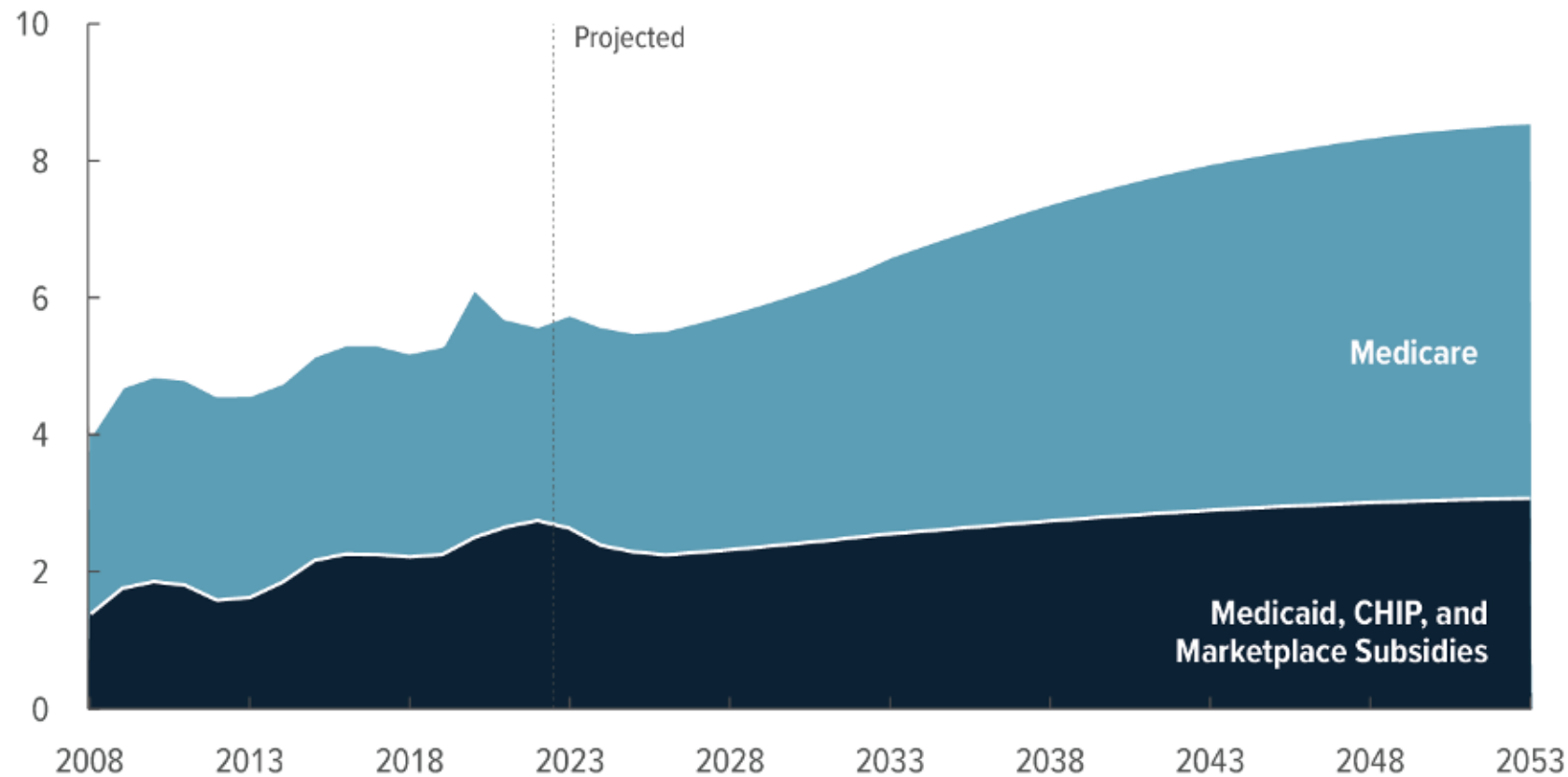
Outlays for the major health care programs rise from 5.8 percent of GDP to 8.6 percent as the average age of the population increases and health care costs grow.

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

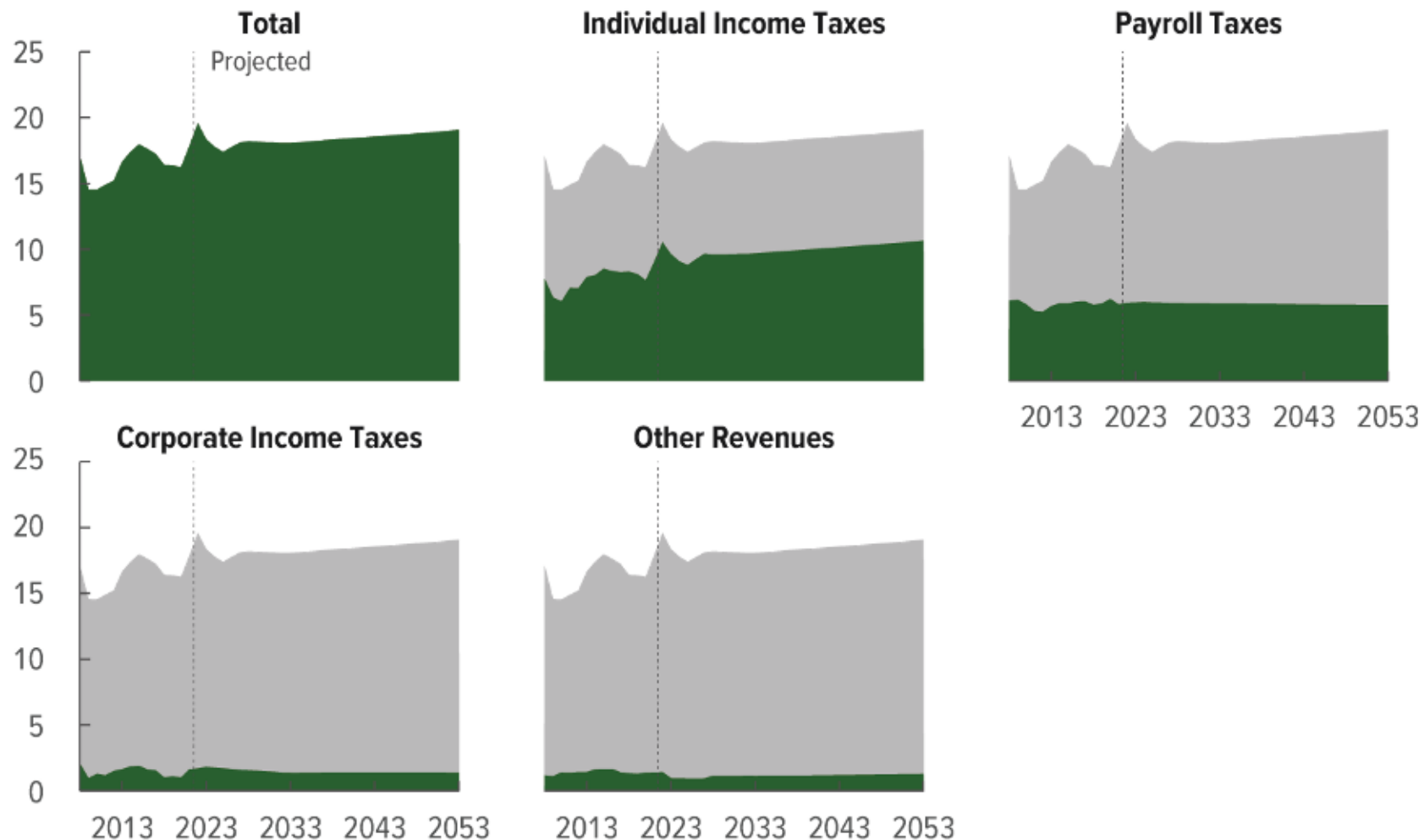
Percentage of Gross Domestic Product



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.

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.

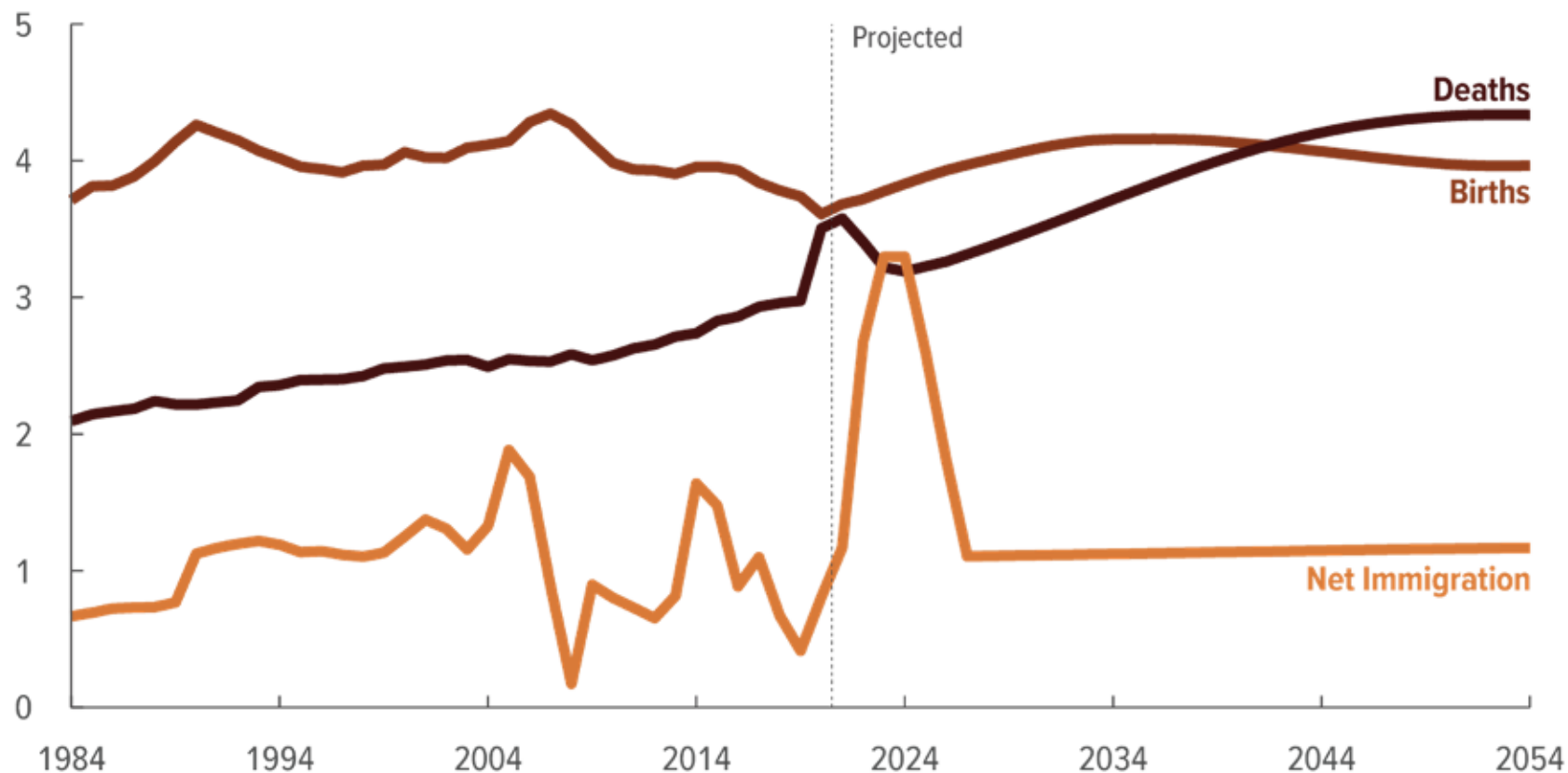
CBO's long-term demographic projections are subject to significant uncertainty because, compounded over many years, even small changes in rates of fertility, mortality, or net immigration could greatly affect outcomes later in the projection period.

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

Millions of People



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.