



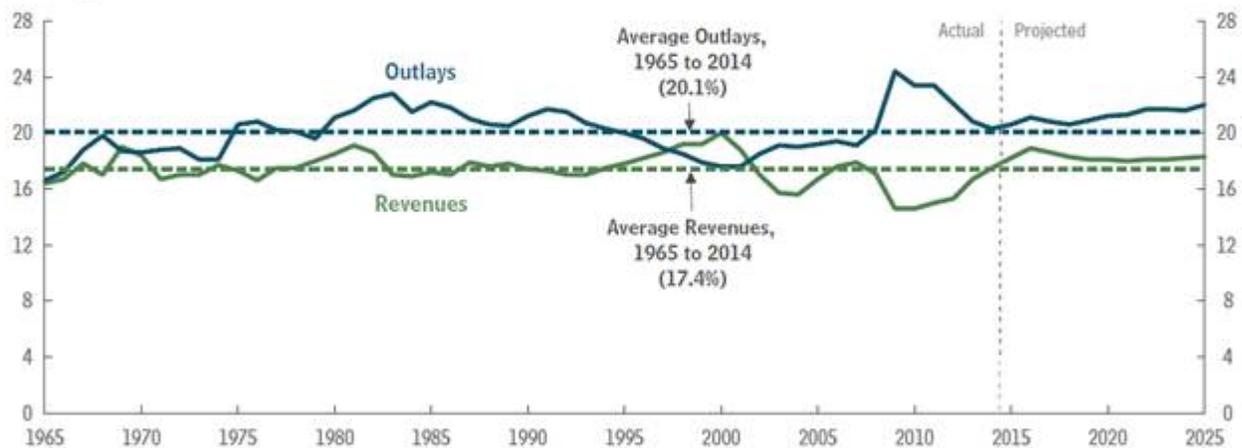
5 Things to Know about CBO'S Updated Budget and Economic Outlook

1. **Trillion-dollar deficits are just around the bend.** Cumulative deficits over the next 10 years will total \$7 trillion. In fact, annual deficits are expected to return to over \$1 trillion by the end of the decade.¹ This rise in deficits will fuel an increase in debt held by the public to 77% of GDP, or roughly twice the 50-year average, by the end of the 10-year projection period.²
2. **\$8 trillion in national debt will be added in the coming decade.**³ High debt is perilous. Our high and rising debt will become increasingly painful to American taxpayers as spending on interest skyrockets when interest rates normalize. Soaring debt will also prevent our economy from reaching its full potential, particularly in the areas of business investment and productivity, and promises to handcuff lawmakers in times of economic distress. Policymakers will have little ammunition with which to combat another downturn as fiscal stimulus and accommodative policies have played out with no reserves for the next crisis.⁴
3. **Lower defense spending drives a slowdown in outlays.** This year, federal spending is projected to increase from \$3.5 trillion to \$3.7 trillion—or 20.6% of GDP.⁵ CBO expects that outlays from annual appropriations will be \$17 billion less in 2015 compared to last year; however, most of that difference is attributable to a 2% decrease in defense spending.^{6,7} In addition, tax expenditures—most of which are carve-outs that pick winners and losers through the tax code—are expected to total a whopping \$1.5 trillion, or 8.1% of GDP, this year alone.⁸

Total Revenues and Outlays

Projected deficits in CBO's baseline remain about the same for the next several years but then increase as mandatory spending and interest payments rise while revenues remain essentially steady relative to gross domestic product.

Percentage of Gross Domestic Product

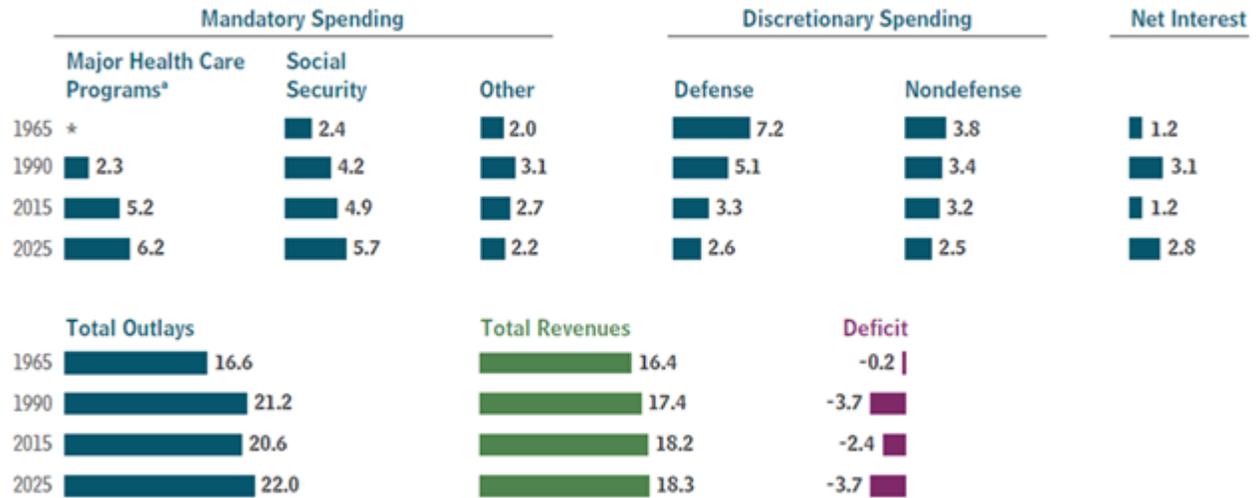


Source: Congressional Budget Office.

4. **Obamacare subsidies will increase by nearly 50% in 2015 and 600% by 2025.** Spending on exchange subsidies and other healthcare entitlement programs is expected to rise by \$110 billion (12%) over last year's levels.¹⁰ According to CBO, Obamacare will continue to affect the labor market by raising the effective tax rate on earnings and "thus reducing the amount of labor that some workers choose to supply."¹¹
5. **Higher debt service costs lurk.** The \$706 billion decrease in expected cumulative outlays over the next ten years is mainly driven by assumptions of continued accommodative monetary policy. Of that decline, over 60% is a direct result of CBO lowering forecasted interest rates.¹²

Spending and Revenues Projected in CBO's Baseline, Compared With Actual Values in 1965 and 1990

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

Note: * = between zero and 0.05 percent.

a. Medicare, Medicaid, the Children's Health Insurance Program, and subsidies for health insurance purchased through exchanges and related spending. (Medicare spending is net of premiums paid by beneficiaries and other offsetting receipts.)

Full report at <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50724-BudEconOutlook.pdf>.

¹ "An Update to the Budget and Economic Outlook: 2015 to 2025," Congressional Budget Office, August 25, 2015, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50724-BudEconOutlook.pdf>, p. 11.

² P. 9.

³ P. 11.

⁴ Jon Hilsenrath and Nick Timiraos, "U.S. Lacks Ammo for Next Economic Crisis," *The Wall Street Journal*, August 17, 2015, <http://www.wsj.com/articles/u-s-lacks-ammo-for-next-economic-crisis-1439865442>

⁵ CBO, p. 1.

⁶ P. 16.

⁷ P. 2.

⁸ P. 18.

⁹ P. 12.

¹⁰ P. 1.

¹¹ P. 33.

¹² P. 28.

¹³ P. 22.