

# The Budget Outlook

If current laws remain in place, the federal budget deficit will total \$468 billion in fiscal year 2015, the Congressional Budget Office estimates, slightly less than the deficit of \$483 billion posted for fiscal year 2014. This will mark the sixth consecutive year in which the deficit—at 2.6 percent of gross domestic product (GDP)—has declined relative to the size of the economy since peaking at 9.8 percent in 2009 (see Figure 1-1). Nevertheless, debt held by the public will remain at 74 percent of GDP in 2015, CBO estimates, about the same as last year but higher than in any year between 1951 and 2013.

CBO constructs its 10-year baseline projections of federal revenues and spending under the assumption that current laws generally remain unchanged, following rules for those projections set in law.<sup>1</sup> That approach reflects the fact that CBO's baseline is not intended to be a forecast of budgetary outcomes; rather, it is meant to provide a neutral benchmark that policymakers can use to assess the potential effects of policy decisions.

Under that assumption:

- Revenues as a share of GDP are projected to grow by two-thirds of one percentage point over the next year—from 17.7 percent in 2015 to 18.4 percent in 2016—and then remain near that level through 2025. The jump next year results primarily from the expiration of certain tax provisions that reduce tax liabilities; if all of those provisions were extended, as they have regularly been in recent years, the increase in revenues from 2015 to 2016 would be much smaller, and revenues throughout the projection period would be lower as a share of GDP.

1. Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act) specifies the rules for developing baseline projections.

- Outlays as a share of GDP are projected to rise significantly more than revenues over the coming decade—by two percentage points, from 20.3 percent in 2015 to 22.3 percent in 2025. The increase in outlays reflects substantial growth in the cost of benefit programs that are targeted toward the elderly, related to health care, or both, as well as a sharp rise in payments of interest on the government's debt; those increases would more than offset a significant projected decline in discretionary spending relative to the size of the economy.
- The projected deficit remains roughly stable as a percentage of GDP at about 2.5 percent through 2018 and then starts on an upward trajectory, growing from 3.0 percent of GDP in 2019 to 4.0 percent in 2025 (see Table 1-1). By the end of that period, CBO projects, annual deficits would be well above the average of 2.7 percent of GDP over the past 50 years.<sup>2</sup>

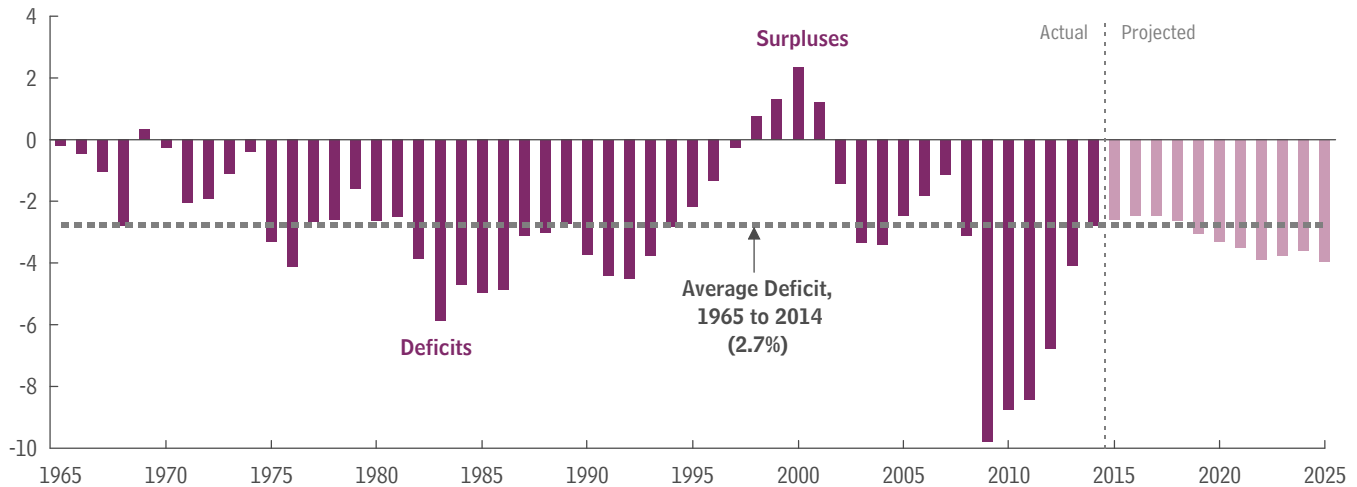
That pattern of initially stable deficits followed by higher deficits for the remainder of the projection period would cause debt held by the public to follow a similar trajectory. Relative to the nation's output, debt held by the

2. In previous publications, CBO has generally cited a 40-year historical average for various categories of the federal budget. CBO has lengthened the period to cover the past 50 years in part because sufficient historical data are now available to allow for such calculations. (Data for certain categories of spending within the federal budget—such as for mandatory and discretionary outlays—are only available beginning in 1962.) In addition, the longer period captures years with both unusually high and unusually low values for most budget categories without giving excessive weight to any of those years. Using different historical periods would produce different averages, however. For example, the average deficit over the past 40 years was 3.2 percent of GDP, and the average for the 40 years ending in 2007—thus excluding the deficits recorded during the most recent recession and its aftermath—was noticeably lower at 2.3 percent of GDP.

**Figure 1-1.****Total Deficits or Surpluses**

As percentages of gross domestic product, projected deficits in CBO's baseline hold steady through 2018 but then grow as mandatory spending and interest payments rise and revenues remain essentially flat.

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

public is projected to be roughly constant between 2015 and 2020 but to rise thereafter, reaching 79 percent of GDP at the end of 2025.

Although federal debt relative to the size of the economy is projected to increase only modestly over the next decade, it is already high by historical standards: As recently as the end of 2007, debt held by the public was equal to just 35 percent of GDP, but by 2012 it had ballooned to 70 percent of GDP. Throughout the 10-year period that CBO's baseline projections span, federal debt remains greater relative to GDP than at any time since just after World War II. Such high and rising debt would have serious negative consequences for both the economy and the federal budget, including the following:

- When interest rates rise to more typical levels, as CBO expects will happen in the next few years (see Chapter 2), federal spending on interest payments will increase considerably.
- When the federal government borrows, it increases the overall demand for funds, which generally raises the cost of borrowing and reduces lending to businesses and other entities; the eventual result would be a smaller stock of capital and lower output and income than would otherwise be the case, all else being equal.

- The large amount of debt might restrict policymakers' ability to use tax and spending policies to respond to unexpected future challenges, such as economic downturns or financial crises.
- Continued growth in the debt might lead investors to doubt the government's willingness or ability to pay its obligations, which would require the government to pay much higher interest rates on its borrowing.<sup>3</sup>

Projected deficits and debt for the coming decade reflect some of the long-term budgetary challenges facing the nation. The aging of the population, the rising costs of health care, and the expansion in federal subsidies for health insurance that is now under way will substantially boost federal spending on Social Security and the government's major health care programs relative to GDP over the next 10 years. Moreover, the pressures of an aging population and rising costs of health care will continue to increase during the following decades. Unless the laws governing those programs are changed—or the increased spending is accompanied by corresponding reductions in

3. For a discussion of the consequences of elevated debt, see Congressional Budget Office, *Choices for Deficit Reduction: An Update* (December 2013), pp. 9–10, [www.cbo.gov/publication/44967](http://www.cbo.gov/publication/44967).

**Table 1-1.****Deficits Projected in CBO's Baseline**

Billions of Dollars

	Actual,												Total	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
Revenues	3,021	3,189	3,460	3,588	3,715	3,865	4,025	4,204	4,389	4,591	4,804	5,029	18,652	41,670
Outlays	3,504	3,656	3,926	4,076	4,255	4,517	4,765	5,018	5,337	5,544	5,754	6,117	21,540	49,310
<b>Total Deficit</b>	<b>-483</b>	<b>-468</b>	<b>-467</b>	<b>-489</b>	<b>-540</b>	<b>-652</b>	<b>-739</b>	<b>-814</b>	<b>-948</b>	<b>-953</b>	<b>-951</b>	<b>-1,088</b>	<b>-2,887</b>	<b>-7,641</b>
Net Interest	229	227	276	332	410	480	548	606	664	722	777	827	2,046	5,643
Primary Deficit <sup>a</sup>	-254	-241	-191	-157	-130	-172	-191	-208	-283	-231	-173	-261	-841	-1,998
<b>Memorandum (As a percentage of GDP):</b>														
Total Deficit	-2.8	-2.6	-2.5	-2.5	-2.6	-3.0	-3.3	-3.5	-3.9	-3.8	-3.6	-4.0	-2.8	-3.3
Primary Deficit <sup>a</sup>	-1.5	-1.3	-1.0	-0.8	-0.6	-0.8	-0.9	-0.9	-1.2	-0.9	-0.7	-0.9	-0.8	-0.9
Debt Held by the Public at the End of the Year	74.1	74.2	73.8	73.4	73.3	73.7	74.3	75.0	76.1	76.9	77.7	78.7	n.a.	n.a.

Source: Congressional Budget Office.

Note: GDP = gross domestic product; n.a. = not applicable.

a. Excludes net interest.

other spending relative to GDP, by sufficiently higher tax revenues, or by a combination of those changes—debt will rise sharply relative to GDP after 2025.<sup>4</sup>

In addition, holding discretionary spending within the limits required under current law—an assumption that underlies these projections—may be quite difficult. The caps on discretionary budget authority established by the Budget Control Act of 2011 (Public Law 112-25) and subsequently amended will reduce such spending to an unusually small amount relative to the size of the economy.<sup>5</sup> With those caps in place, CBO projects, discretionary spending will equal 5.1 percent of GDP in 2025; by comparison, the lowest share for discretionary spending in any year since 1962 (the earliest year for which such data have been reported) was 6.0 percent in 1999, and that share has averaged 8.8 percent over the past 50 years. (Nevertheless, total federal spending would constitute a

larger share of GDP than its average during the past 50 years because of higher spending on Social Security, Medicare, Medicaid, other health insurance subsidies for low-income people, and interest payments on the debt.) Because the allocation of discretionary spending is determined by annual appropriation acts, lawmakers have not yet decided which specific government services and benefits would be reduced or constrained to meet the overall limits.

The baseline budget outlook has changed little since August 2014, when CBO last published its 10-year projections.<sup>6</sup> At that time, deficits projected under current law totaled about 3 percent of GDP over the 2015–2024 period, or \$7.2 trillion. In CBO's latest baseline, deficits are projected to be about \$175 billion smaller over those 10 years but still total about 3 percent of GDP. The agency has reduced its projection of total revenues by 1.0 percent through 2024, but projected outlays have decreased by 1.2 percent. Revisions to the economic

4. For a more detailed discussion of the long-term budget situation, see Congressional Budget Office, *The 2014 Long-Term Budget Outlook* (July 2014), [www.cbo.gov/publication/45471](http://www.cbo.gov/publication/45471).

5. Budget authority is the authority provided by law to incur financial obligations that will result in immediate or future outlays of federal funds.

6. For CBO's previous baseline budget projections, see Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2014 to 2024* (August 2014), [www.cbo.gov/publication/45653](http://www.cbo.gov/publication/45653).

outlook account for roughly half of the change in both categories.

Although CBO's baseline does not incorporate potential changes in law, this chapter shows how some alternative policies would affect the budget over the next 10 years. For example, CBO has constructed a policy alternative under which funding for overseas contingency operations—that is, military operations and related activities in Afghanistan and other countries—would continue to decline through 2019 and then grow at the rate of inflation through 2025. Under that alternative, spending for such operations over the 2016–2025 period would be about \$450 billion less than the amount projected in the baseline (which incorporates the assumption that funding grows at the rate of inflation throughout the projection period). Other alternative policies would result in larger deficits than those in the baseline. For example, continuing certain tax policies that were recently extended through 2014 but have since expired would lower revenues by about \$900 billion over the 2016–2025 period. (For more details, see “Alternative Assumptions About Fiscal Policy” on page 23.)

## A Review of 2014

In fiscal year 2014, the budget deficit dropped once again, to \$483 billion—nearly 30 percent less than the \$680 billion shortfall recorded in 2013. Revenues rose by \$246 billion (or 9 percent) and outlays increased by \$50 billion (or 1 percent). As a percentage of GDP, the deficit dropped from 4.1 percent in 2013 to 2.8 percent in 2014.

### Revenues

Receipts from each of the major revenue sources—individual income taxes, payroll taxes, and corporate income taxes—and remittances from the Federal Reserve all rose relative to the size of the economy in 2014. Total revenues increased from 16.7 percent of GDP in 2013 to 17.5 percent in 2014, close to the average for the past 50 years of 17.4 percent.<sup>7</sup>

Individual income taxes, the largest revenue source, rose by \$78 billion (or 6 percent), from 7.9 percent of GDP in 2013 to 8.1 percent in 2014. That percentage of GDP

is the highest since 2007 and is larger than the percentage recorded in any other year since 2001. The increase in receipts largely reflected gains in both 2013 and 2014 in wages and salaries as well as in nonwage income. The gains in wages also boosted payroll taxes, the second largest revenue source, which increased by \$76 billion (or 8 percent), from 5.7 percent of GDP to 5.9 percent. Part of that increase occurred because the rate for employees' share of the Social Security payroll tax that was in effect during the first quarter of fiscal year 2014—that is, October 2013 through December 2013—was higher than that in effect during the same period the year before, following the expiration of the 2 percentage-point cut in that rate at the end of calendar year 2012.

Revenues from corporate income taxes and remittances from the Federal Reserve also rose relative to GDP. Corporate tax receipts increased by \$47 billion (or 17 percent) in 2014, from 1.6 percent of GDP to 1.9 percent, reflecting growth in taxable profits. Remittances to the Treasury from the Federal Reserve rose by \$23 billion (or 31 percent), from 0.5 percent of GDP to 0.6 percent, mostly because the central bank's portfolio of securities was larger and the yield on that portfolio was higher. Those remittances are the largest ever, both in dollars and as a share of GDP.

### Outlays

After declining over the preceding two years, federal spending rose in 2014—by \$50 billion—to \$3.5 trillion. Nevertheless, at 20.3 percent of GDP, outlays were lower as a share of the nation's output than in any year since 2008. By comparison, outlays have averaged 20.1 percent of GDP over the past 50 years.<sup>8</sup>

**Mandatory Spending.** After remaining largely unchanged over the previous three years, outlays for mandatory programs (which include spending for benefit programs and certain other payments to people, businesses, nonprofit institutions, and state and local governments) rose by \$65 billion (or 3.2 percent) in 2014. By comparison, mandatory outlays grew at an average annual rate of 5.6 percent during the preceding decade (between 2003 and 2013).

*Major Health Care Programs.* Federal spending for the major health care programs—Medicare (net of receipts

7. Looking at different historical periods, total revenues averaged 17.3 percent of GDP over the past 40 years and 17.7 percent over the 40 years ending in 2007.

8. Total outlays averaged 20.5 percent of GDP over the past 40 years and 19.9 percent over the 40 years ending in 2007.

from premiums and certain payments from states), Medicaid, the Children's Health Insurance Program, and subsidies offered through health insurance exchanges and related spending—equaled \$831 billion in 2014, \$63 billion (or 8.3 percent) more than the total for such spending in 2013. The largest increase was for Medicaid outlays, which grew by \$36 billion (or 13.6 percent) last year, mostly because a little more than half the states expanded eligibility for Medicaid coverage under the provisions of the Affordable Care Act (ACA).<sup>9</sup> Similarly, subsidies for health insurance purchased through the exchanges that were established by the ACA first became available in January 2014. Outlays for those subsidies, along with related spending, totaled \$15 billion last year; in 2013, related spending was only \$1 billion (primarily for grants to states to establish exchanges).

In contrast, Medicare outlays continued to grow at a modest rate in 2014. In total, outlays for that program rose by \$14 billion (or 2.8 percent) last year, slightly higher than the rate of growth in 2013 (after adjusting for a shift in the timing of certain payments) and less than the rate of growth in the number of Medicare beneficiaries. Over the past four years, Medicare spending has grown at an average annual rate of only 3.1 percent, compared with average annual growth of 3.6 percent in the number of beneficiaries.

Outlays for the Children's Health Insurance Program totaled \$9 billion in both 2013 and 2014.

*Social Security.* Outlays for Social Security totaled \$845 billion in 2014, \$37 billion (or 4.6 percent) more than payments in 2013. Beneficiaries received a 1.5 percent cost-of-living adjustment in January (which applied to three-quarters of the fiscal year); the increase in the previous year was 1.7 percent. In addition, the number of people receiving benefits grew by 2.0 percent.

*Fannie Mae and Freddie Mac.* Payments to the Treasury from Fannie Mae and Freddie Mac dropped from \$97 billion in 2013 to \$74 billion in 2014. That reduction was primarily the result of differences in the timing and magnitude of revaluations of certain tax assets held by each entity. Those reassessments boosted the net worth of both entities and increased the size of the payments to the Treasury from Fannie Mae and

Freddie Mac. Fannie Mae's revaluation increased its fiscal 2013 payment to Treasury by about \$50 billion; Freddie Mac's revaluation boosted its fiscal 2014 payment by about half that amount. Such payments are recorded as reductions in outlays.

*Higher Education.* Mandatory outlays for higher education include the net (negative) subsidies for direct student loans issued in the current year, revisions to the subsidy costs of loans made in previous years, and mandatory spending for the Federal Pell Grant Program. Last year, the Treasury recorded outlays of -\$12 billion for those higher education programs, compared with outlays of -\$26 billion recorded in 2013—thereby accounting for a net increase in outlays of \$14 billion. Most of that net increase occurred because in 2014 there was a small upward revision to the subsidy costs of loans made in previous years while in 2013 there was a large downward revision.

Outlays were negative for direct student loans because, over the life of the loans made in 2014, the expected amounts received by the government are greater than the expected payments by the government, as measured on a discounted present-value basis—pursuant to the Federal Credit Reform Act.<sup>10</sup> In particular, the interest rates charged to borrowers of student loans are well above the interest rates the federal government pays to borrow money; therefore, even after accounting for anticipated loan defaults, the federal government is expected to receive more (on a present-value basis) in loan repayments and interest than it disburses for such loans.

*Federal Housing Administration's Loan Guarantee Programs.* In 2013, the Department of Housing and Urban Development recorded mandatory outlays of nearly \$33 billion related to the Federal Housing Administration's loan guarantee programs. That outlay total for 2013 mostly reflects the revisions to the estimated costs

9. See Appendix B for more information about the provisions of the ACA that affect health insurance coverage.

10. Under that act, a program's subsidy costs are calculated by subtracting the discounted present value of the government's projected receipts from the discounted present value of its projected payments. The estimated subsidy costs can be increased or decreased in subsequent years to reflect updated assessments of the payments and receipts associated with the program. Present value is a single number that expresses a flow of current and future income (or payments) in terms of an equivalent lump sum received (or paid) today. The present value depends on the rate of interest (the discount rate) that is used to translate future cash flows into current dollars.

of guarantees provided in previous years. (Such revisions in the estimated costs of prior loan guarantees are recorded each year.) In 2014, the department recorded a much smaller increase in such costs, only \$0.7 billion—a year-over-year reduction in mandatory outlays of \$32 billion.

*Unemployment Compensation.* Spending for unemployment compensation dropped for the fourth consecutive year in 2014. The authority to pay emergency benefits expired at the end of December 2013, and the number of people receiving first-time payments of regular unemployment benefits fell to 7.2 million from 8.1 million the year before. As a result, outlays for unemployment compensation dropped by \$25 billion last year, to \$44 billion, equal to the program's spending in 2008.

*Deposit Insurance.* In 2014, the premium payments that insured financial institutions made to the Federal Deposit Insurance Corporation (FDIC) throughout the year exceeded the FDIC's spending by \$14 billion (thereby reducing the government's net outlays by that amount). In contrast, net outlays for deposit insurance in 2013 totaled a positive \$4 billion, in part because financial institutions prepaid in 2010 the premiums that would otherwise have been due during the first half of 2013. In addition, some excess premiums that had previously been paid by certain institutions were refunded in 2013; no such refunds were paid in 2014. As a result, net outlays for deposit insurance decreased by \$18 billion in 2014.

**Discretionary Spending.** Discretionary outlays fell by \$23 billion (or 2.0 percent) in 2014—the fourth consecutive year that such outlays have declined. Defense outlays dropped by \$30 billion (or 4.8 percent), marking the third consecutive year of decline after increasing at an average annual rate of 6 percent over the previous five years. Spending was down across all major categories, and about 80 percent of the overall decline was attributable to reduced spending by the Army. Measured as a share of GDP, outlays for defense were 3.5 percent in 2014, down from 3.8 percent in 2013.

In contrast, nondefense discretionary outlays rose for the first time since 2010, increasing by \$7 billion (or 1.1 percent) last year. A \$7 billion decrease in the receipts credited to the Federal Housing Administration boosted net discretionary outlays by that amount. Spending for Pell grants and campus-based aid was also \$7 billion higher than in the previous year. In the other direction, spending

from funds provided in the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5) dropped by \$8 billion in 2014. (By the end of 2014, roughly 95 percent of the discretionary funding provided by ARRA had been spent.)

**Net Interest.** Outlays for the budget category “net interest” consist of interest paid on Treasury securities and other interest that the government pays minus the interest that it collects from various sources. Such outlays rose from \$221 billion in 2013 to \$229 billion in 2014, an increase of nearly 4 percent. Because interest rates over the past few years have been very low by historical standards, those amounts are similar to the net interest outlays 15 to 20 years ago, when the government's debt was much smaller.

## The Budget Outlook for 2015

If there are no changes in laws governing taxes and spending, the budget deficit will decline by \$16 billion in fiscal year 2015, to \$468 billion, CBO estimates (see Table 1-2). At 2.6 percent of GDP, this year's deficit will be close to the average recorded over the past 50 years.

### Revenues

CBO projects that if current laws remain unchanged, revenues will increase by \$168 billion (or 5.6 percent) in 2015, reaching \$3.2 trillion. As a share of GDP, revenues are projected to edge up from 17.5 percent in 2014 to 17.7 percent in 2015, a little above the average recorded over the past 50 years.

The anticipated increase in revenues as a percentage of GDP in 2015 stems primarily from an expected increase in individual income tax receipts—to 8.3 percent of GDP, from 8.1 percent in 2014. That rise largely reflects two factors: an increase in average tax rates (total taxes as a percentage of total income) as economic growth increases people's income faster than the inflation-indexed tax brackets grow (the phenomenon called real bracket creep) and growth in distributions from tax-deferred retirement accounts, whose balances have been boosted in the past few years by strong stock market gains.

A number of provisions that reduce tax liabilities expired at the end of 2014, a development that would ordinarily increase corporate and individual income tax payments starting this year. But those provisions had previously

**Table 1-2.****CBO's Baseline Budget Projections**

	Actual, 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total	
													2016-	2016-
													2020	2025
<b>In Billions of Dollars</b>														
<b>Revenues</b>														
Individual income taxes	1,395	1,503	1,644	1,746	1,832	1,919	2,017	2,124	2,235	2,352	2,477	2,606	9,158	20,952
Payroll taxes	1,024	1,056	1,095	1,136	1,179	1,227	1,281	1,337	1,391	1,449	1,508	1,573	5,917	13,175
Corporate income taxes	321	328	429	437	453	450	447	450	459	472	488	506	2,216	4,591
Other	282	302	292	269	251	269	280	293	305	318	330	345	1,361	2,952
<b>Total</b>	<b>3,021</b>	<b>3,189</b>	<b>3,460</b>	<b>3,588</b>	<b>3,715</b>	<b>3,865</b>	<b>4,025</b>	<b>4,204</b>	<b>4,389</b>	<b>4,591</b>	<b>4,804</b>	<b>5,029</b>	<b>18,652</b>	<b>41,670</b>
On-budget	2,285	2,426	2,667	2,763	2,858	2,974	3,099	3,242	3,389	3,550	3,722	3,906	14,362	32,171
Off-budget <sup>a</sup>	736	763	793	824	857	891	926	962	1,001	1,040	1,081	1,124	4,291	9,499
<b>Outlays</b>														
Mandatory	2,096	2,255	2,475	2,563	2,653	2,816	2,968	3,137	3,363	3,486	3,616	3,891	13,474	30,967
Discretionary	1,179	1,175	1,176	1,182	1,193	1,221	1,248	1,276	1,310	1,336	1,361	1,400	6,019	12,701
Net interest	229	227	276	332	410	480	548	606	664	722	777	827	2,046	5,643
<b>Total</b>	<b>3,504</b>	<b>3,656</b>	<b>3,926</b>	<b>4,076</b>	<b>4,255</b>	<b>4,517</b>	<b>4,765</b>	<b>5,018</b>	<b>5,337</b>	<b>5,544</b>	<b>5,754</b>	<b>6,117</b>	<b>21,540</b>	<b>49,310</b>
On-budget	2,798	2,914	3,143	3,244	3,366	3,570	3,752	3,938	4,185	4,314	4,441	4,715	17,075	38,667
Off-budget <sup>a</sup>	706	742	784	832	889	948	1,012	1,080	1,152	1,230	1,313	1,402	4,465	10,643
<b>Deficit (-) or Surplus</b>	<b>-483</b>	<b>-468</b>	<b>-467</b>	<b>-489</b>	<b>-540</b>	<b>-652</b>	<b>-739</b>	<b>-814</b>	<b>-948</b>	<b>-953</b>	<b>-951</b>	<b>-1,088</b>	<b>-2,887</b>	<b>-7,641</b>
On-budget	-513	-489	-476	-481	-508	-595	-653	-696	-796	-764	-719	-809	-2,713	-6,496
Off-budget <sup>a</sup>	30	21	9	-8	-32	-57	-87	-118	-152	-190	-232	-279	-174	-1,144
Debt Held by the Public	12,779	13,359	13,905	14,466	15,068	15,782	16,580	17,451	18,453	19,458	20,463	21,605	n.a.	n.a.
<b>Memorandum:</b>														
Gross Domestic Product	17,251	18,016	18,832	19,701	20,558	21,404	22,315	23,271	24,261	25,287	26,352	27,456	102,810	229,438
<b>As a Percentage of Gross Domestic Product</b>														
<b>Revenues</b>														
Individual income taxes	8.1	8.3	8.7	8.9	8.9	9.0	9.0	9.1	9.2	9.3	9.4	9.5	8.9	9.1
Payroll taxes	5.9	5.9	5.8	5.8	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.8	5.7
Corporate income taxes	1.9	1.8	2.3	2.2	2.2	2.1	2.0	1.9	1.9	1.9	1.9	1.8	2.2	2.0
Other	1.6	1.7	1.5	1.4	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
<b>Total</b>	<b>17.5</b>	<b>17.7</b>	<b>18.4</b>	<b>18.2</b>	<b>18.1</b>	<b>18.1</b>	<b>18.0</b>	<b>18.1</b>	<b>18.1</b>	<b>18.2</b>	<b>18.2</b>	<b>18.3</b>	<b>18.1</b>	<b>18.2</b>
On-budget	13.2	13.5	14.2	14.0	13.9	13.9	13.9	13.9	14.0	14.0	14.1	14.2	14.0	14.0
Off-budget <sup>a</sup>	4.3	4.2	4.2	4.2	4.2	4.2	4.1	4.1	4.1	4.1	4.1	4.1	4.2	4.1
<b>Outlays</b>														
Mandatory	12.2	12.5	13.1	13.0	12.9	13.2	13.3	13.5	13.9	13.8	13.7	14.2	13.1	13.5
Discretionary	6.8	6.5	6.2	6.0	5.8	5.7	5.6	5.5	5.4	5.3	5.2	5.1	5.9	5.5
Net interest	1.3	1.3	1.5	1.7	2.0	2.2	2.5	2.6	2.7	2.9	3.0	3.0	2.0	2.5
<b>Total</b>	<b>20.3</b>	<b>20.3</b>	<b>20.8</b>	<b>20.7</b>	<b>20.7</b>	<b>21.1</b>	<b>21.4</b>	<b>21.6</b>	<b>22.0</b>	<b>21.9</b>	<b>21.8</b>	<b>22.3</b>	<b>21.0</b>	<b>21.5</b>
On-budget	16.2	16.2	16.7	16.5	16.4	16.7	16.8	16.9	17.2	17.1	16.9	17.2	16.6	16.9
Off-budget <sup>a</sup>	4.1	4.1	4.2	4.2	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1	4.3	4.6
<b>Deficit (-) or Surplus</b>	<b>-2.8</b>	<b>-2.6</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-2.6</b>	<b>-3.0</b>	<b>-3.3</b>	<b>-3.5</b>	<b>-3.9</b>	<b>-3.8</b>	<b>-3.6</b>	<b>-4.0</b>	<b>-2.8</b>	<b>-3.3</b>
On-budget	-3.0	-2.7	-2.5	-2.4	-2.5	-2.8	-2.9	-3.0	-3.3	-3.0	-2.7	-2.9	-2.6	-2.8
Off-budget <sup>a</sup>	0.2	0.1	*	*	-0.2	-0.3	-0.4	-0.5	-0.6	-0.8	-0.9	-1.0	-0.2	-0.5
Debt Held by the Public	74.1	74.2	73.8	73.4	73.3	73.7	74.3	75.0	76.1	76.9	77.7	78.7	n.a.	n.a.

Source: Congressional Budget Office.

Note: n.a. = not applicable; \* = between -0.05 and 0.05 percent.

a. The revenues and outlays of the Social Security trust funds and the net cash flow of the Postal Service are classified as off-budget.

been set to expire at the end of 2013 and were retroactively extended for a year by the Tax Increase Prevention Act of 2014 (Division A of P.L. 113-295), which was enacted in December 2014. Because that extension occurred so late in the year, some corporate and, to a much lesser extent, individual taxpayers probably made tax payments in 2014 that will be refunded this year when they file tax returns.

### Outlays

In the absence of changes to laws governing federal spending, outlays in 2015 will total \$3.7 trillion, CBO estimates, \$152 billion more than spending in 2014. That rise would represent an increase of 4.3 percent, about half a percentage point less than the average rate of growth experienced between 2003 and 2013. Outlays are projected to total 20.3 percent of GDP this year, the same percentage as in 2014.

**Mandatory Spending.** Under current law, spending for mandatory programs will rise by \$158 billion (or 7.6 percent) in 2015, CBO estimates, amounting to 12.5 percent of GDP, up from the 12.2 percent recorded in 2014.

*Major Health Care Programs.* Outlays for the federal government's major health care programs will increase by \$82 billion (or nearly 10 percent) this year, CBO estimates. Medicaid spending is expected to continue its recent trend of strong growth, primarily because of the optional expansion of coverage authorized by the ACA. CBO expects that more people in states that have already expanded Medicaid eligibility under the ACA will enroll in the program and that more states will expand Medicaid eligibility. All told, CBO projects that, under current law, enrollment in the program will increase by about 4 percent and outlays will climb by \$34 billion (or about 11 percent) in 2015; the projected rate of growth in outlays is less than the 14 percent increase recorded in 2014 but well above the 6 percent rate of growth experienced in 2013.

Similarly, subsidies that help people who meet income and other eligibility criteria purchase health insurance through exchanges and meet their cost-sharing requirements, along with related spending, are expected to increase by \$30 billion this year, reaching a total of \$45 billion (see Appendix B). That growth largely reflects a significant increase in the number of people expected to purchase coverage through exchanges in 2015 and the

fact that subsidies for that coverage will be available for the entire fiscal year in 2015. (Last year the subsidies did not become available until January 2014.)

CBO estimates that Medicare's outlays will continue to grow slowly in 2015 under current law, increasing by \$17 billion (or 3.4 percent). The projected growth rate is a little higher than last year's rate but about half the average annual increase of roughly 7 percent experienced between 2003 and 2013. That projection of spending for Medicare reflects the assumption that the fees that physicians receive for their services will be reduced by about 21 percent in April 2015 as required under current law. If lawmakers override those scheduled reductions—as they have routinely done in the past—and keep physician fees at their current levels instead, spending on Medicare in 2015 will be \$6 billion more than the amount projected in CBO's baseline.

*Fannie Mae and Freddie Mac.* Transactions between the Treasury and Fannie Mae and Freddie Mac will again reduce federal outlays in 2015, CBO estimates, but by nearly \$50 billion less than in 2014. The payments from those entities to the Treasury are projected to total \$26 billion this year, compared with \$74 billion last year. That drop is partly because Freddie Mac's payments were boosted by nearly \$24 billion in fiscal year 2014 as a result of a onetime revaluation of certain tax assets. In addition, financial institutions are expected to make fewer payments to Fannie Mae and Freddie Mac in 2015 to settle allegations of fraud in connection with residential mortgages as well as certain other securities.

*Social Security.* CBO anticipates that, under current law, Social Security outlays will increase by \$38 billion (or 4.5 percent) in 2015, a rate of increase similar to last year's growth. This January's cost-of-living adjustment was slightly higher (1.7 percent) than the increase in January 2014, whereas the projected growth in the number of beneficiaries (1.9 percent) is slightly lower.

*Receipts From Spectrum Auctions.* Under current law, the Federal Communications Commission (FCC) intermittently auctions licenses to use the electromagnetic spectrum for commercial purposes. CBO estimates that net offsetting receipts from such auctions will total \$41 billion in 2015, compared with \$1 billion for licenses auctioned last year. In 2014, the FCC auctioned a set of licenses that were primarily of value to a single firm. By contrast, the licenses auctioned in fiscal year



2015 covered more bandwidth and had more desirable characteristics than those offered in 2014, which spurred intense competition among several large telecommunications firms, driving up receipts to the government.

**Discretionary Spending.** Discretionary budget authority enacted for 2015 totals \$1,120 billion, which is \$13 billion (or 1 percent) less than such funding totaled in 2014. Although the limits set for budget authority for defense by the Bipartisan Budget Act of 2013 (P.L. 113-67) were about the same in 2015 as they were in 2014, overall funding for defense declined by \$20 billion (or 3.3 percent) this year because of a reduction in appropriations for overseas contingency operations, which are not constrained by those caps. Funding for nondefense discretionary programs is \$8 billion (or 1.5 percent) higher than in 2014.

If no additional appropriations are enacted for this year, discretionary outlays will fall by \$4 billion (or 0.3 percent) from the 2014 amounts, CBO projects. Defense outlays will again decline in 2015, largely because spending for overseas contingency operations will drop. All told, defense spending is expected to fall by \$13 billion (or 2.2 percent), about half the rate of decrease recorded in 2014. The largest reductions are for procurement, operation and maintenance, and personnel; outlays for each category are expected to decline by \$4 billion. As a result, defense outlays will total \$583 billion in 2015, CBO estimates.

Outlays for nondefense programs are expected to rise by \$9 billion (or 1.5 percent) this year, to a total of \$592 billion. That amount is the net result of a number of relatively small increases and decreases to various programs.

**Net Interest.** Outlays for net interest will be nearly unchanged in 2015, falling by \$3 billion (or 1 percent), to \$227 billion, CBO estimates, primarily because Treasury interest rates remain very low. At 1.3 percent of GDP, such outlays would be well below their 50-year average of 2.0 percent.

## CBO's Baseline Budget Projections for 2016 to 2025

CBO constructs its baseline in accordance with provisions set forth in the Balanced Budget and Emergency Deficit Control Act of 1985 and the Congressional Budget and Impoundment Control Act of 1974. For the

most part, those laws require that the agency's baseline projections incorporate the assumption that current laws governing taxes and spending in future years remain in place.

Under that assumption, CBO projects that the budget deficit would remain near 2.5 percent of GDP through 2018. But beginning in 2019, the deficit is projected to increase in most years, both in dollar terms and as a share of the economy, reaching 4.0 percent of GDP by 2025.

The pattern of stable deficits over the next several years followed by generally rising deficits through 2025 is the result, in part, of shifts in the timing of certain payments from one fiscal year to another because scheduled payment dates will fall on a weekend; without those shifts, the deficit would reach a low of 2.3 percent of GDP in 2016 and then increase throughout the rest of the projection period.<sup>11</sup>

### Revenues

If current laws remain unchanged, revenues are estimated to increase by 8.5 percent in 2016—in part because various tax provisions that had expired at the end of 2013 were recently extended through 2014 and have subsequently expired again (see Chapter 4 for more details on those changes). As a result, revenues are anticipated to rise to 18.4 percent of GDP in 2016, an increase of 0.7 percentage points.

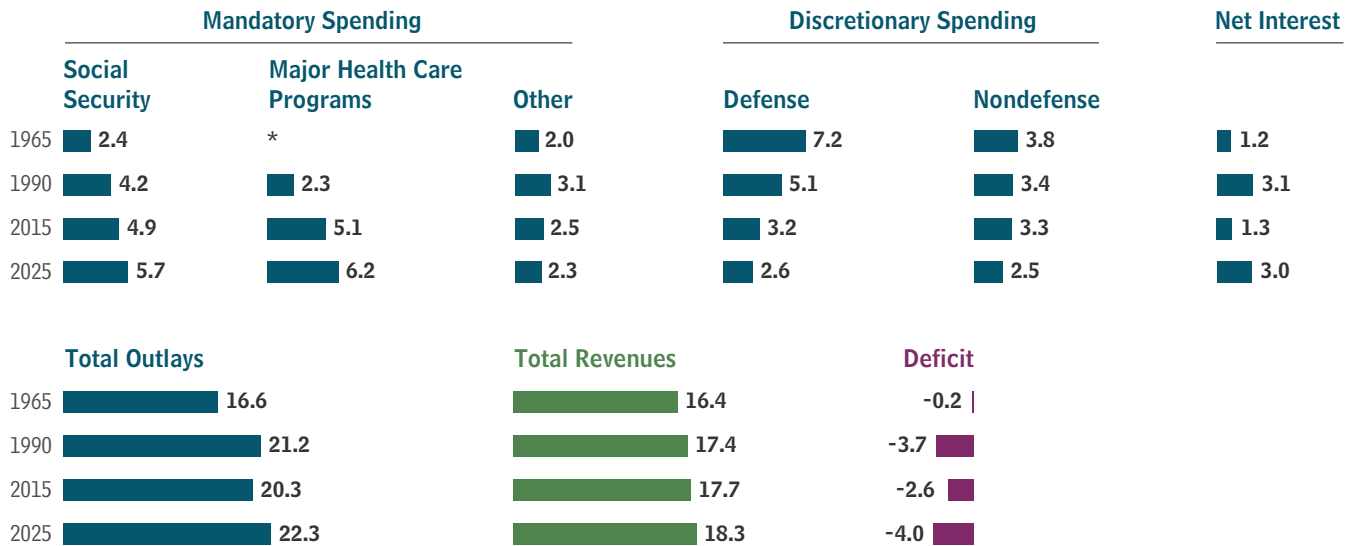
From 2017 through 2025, revenues in CBO's baseline remain between 18.0 and 18.3 percent of GDP, largely reflecting offsetting movements in individual and corporate income taxes and remittances from the Federal Reserve. Individual income taxes are projected to generate increasing revenues relative to the size of the economy, growing from 8.7 percent of GDP in 2016 to 9.5 percent in 2025. The increase stems mostly from real bracket creep, a phenomenon in which growth in real, or inflation-adjusted, income of individuals pushes more income into higher tax brackets. In addition, taxable distributions from tax-deferred retirement accounts are expected to grow more rapidly than GDP as the population ages in coming years. Labor income is also projected to grow

11. Because October 1 will fall on a weekend in 2016, 2017, 2022, and 2023, certain payments that are due on those days will instead be made at the end of September, thus shifting them into the previous fiscal year.

**Figure 1-2.**

**Spending and Revenues Projected in CBO’s Baseline, Compared With Levels in 1965 and 1990**

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

Notes: Major health care programs consist of 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.)

\* = between zero and 0.05 percent.

faster than GDP over this period, further boosting income tax collections.

In contrast, corporate income tax receipts and remittances from the Federal Reserve are projected to decline relative to the size of the economy after this year or next. Corporate income tax receipts are projected to decline as a share of GDP after 2016 largely because of an anticipated drop in domestic economic profits relative to GDP, the result of growing labor costs and rising interest payments on businesses’ debt. Remittances from the Federal Reserve, which have been very high by historical standards since 2010 because of changes in the size and composition of the central bank’s portfolio of securities, decline to more typical levels in CBO’s projections starting in 2016.

**Outlays**

Outlays in CBO’s baseline grow to nearly 21 percent of GDP in 2016, remain roughly steady as a share of GDP through 2018, and then follow an upward trend, reaching 22.3 percent of GDP by 2025.<sup>12</sup> Although the 10-year baseline projections do not fully reflect the

long-term budgetary pressures facing the United States, those pressures are evident in the path of federal outlays over the next decade. Because of the aging of the population, rising health care costs, and a significant expansion in eligibility for federal subsidies for health insurance, outlays for Social Security and the federal government’s major health care programs are projected to rise substantially relative to the size of the economy over the next 10 years (see Figure 1-2). In addition, growing debt and rising interest rates will boost net interest payments. Specifically, in CBO’s baseline:

- Outlays for Social Security are projected to remain at 4.9 percent of GDP in 2016 and 2017 but then climb to 5.7 percent of GDP by 2025.
- Outlays for the major health care programs— Medicare (net of receipts from premiums and certain payments from states), Medicaid, the Children’s

12. Without the shifts in the timing of certain payments, outlays would increase relative to GDP in each year of the projection period, CBO estimates.

Health Insurance Program, and subsidies offered through health insurance exchanges and related spending—soon exceed outlays for Social Security. Spending for those programs is estimated to total 5.3 percent of GDP in 2016 and to grow rapidly in coming years, reaching 6.2 percent of GDP in 2025.

- Net interest equals 1.5 percent of GDP in 2016, but rising interest rates and mounting debt cause that total to double as a percentage of GDP by 2025.

Those three components of the budget account for nearly 85 percent of the total increase in outlays (in nominal terms) over the coming decade (see Figure 1-3). By the end of the projection period, they would be the largest categories of spending in the budget.

In contrast, under current law, all other spending will decrease from 9.2 percent of GDP in 2016 to 7.4 percent in 2025, CBO projects. That decline is projected to occur because spending for many of the other mandatory programs is expected to rise roughly with inflation (which is projected to be well below the rate of growth of nominal GDP) and because most discretionary funding is capped through 2021 at amounts that increase more slowly than GDP.

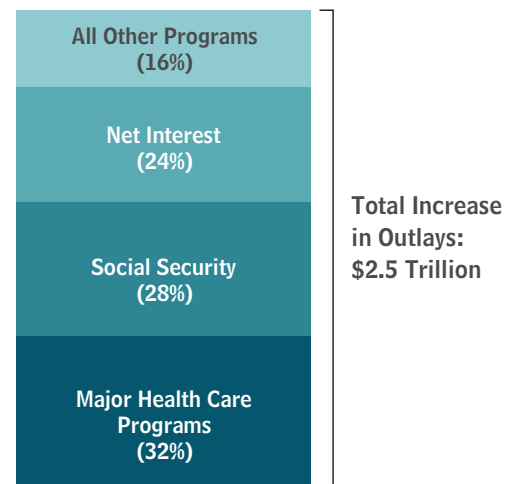
**Mandatory Spending.** The Deficit Control Act requires CBO's projections for most mandatory programs to be made in keeping with the assumption that current laws continue unchanged.<sup>13</sup> Thus, CBO's baseline projections for mandatory spending reflect expected changes in the economy, demographics, and other factors, as well as the across-the-board reductions in certain mandatory programs that are required under current law.

Mandatory spending (net of offsetting receipts, which reduce outlays) is projected to increase by close to 10 percent in 2016, reaching 13.1 percent of GDP. That growth is partially the result of a few unusual circumstances:

13. The Deficit Control Act specifies some exceptions. For example, spending programs whose authorizations are set to expire are assumed to continue if they have outlays of more than \$50 million in the current year and were established at or before enactment of the Balanced Budget Act of 1997. Programs established after that law was enacted are not automatically assumed to continue but are considered individually by CBO in consultation with the House and Senate Budget Committees.

**Figure 1-3.**

### Components of the Total Increase in Outlays in CBO's Baseline Between 2015 and 2025



Source: Congressional Budget Office.

Note: Major health care programs consist of 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.)

- Receipts from the auctioning of licenses to use a portion of the electromagnetic spectrum—which are recorded as offsets to mandatory outlays—are anticipated to reduce such outlays by \$41 billion in 2015. However, the net receipts associated with those auctions are expected to drop to near zero in 2016 because spending related to making the frequencies auctioned this year available for commercial uses will largely offset the receipts being collected. Beyond 2016, net receipts will total \$18 billion over the remainder of the projection period.
- October 1, 2016, falls on a weekend, so certain payments that are scheduled for the first of the month will be made in September, shifting about \$37 billion in mandatory outlays from fiscal year 2017 to fiscal year 2016.
- Cash payments from Fannie Mae and Freddie Mac to the Treasury will be recorded in the budget as reducing outlays by \$26 billion in 2015, CBO estimates. However, the transactions of those two entities are not treated on a cash basis in CBO's baseline after the current year but are considered

instead as credit programs of the government.<sup>14</sup> Reflecting that difference in treatment, outlays for Fannie Mae and Freddie Mac in 2016 are estimated to total \$3 billion, a net increase in spending of \$29 billion. (On a cash basis, outlays in 2016 would be similar to those in 2015.)

If not for those factors, mandatory outlays would increase by 5 percent in 2016. In the years beyond 2016, mandatory spending is projected to grow at an average rate of about 5 percent annually, reaching 14.2 percent of GDP in 2025 (compared with 12.2 percent in 2014).

Over the entire 10-year period, spending for Social Security is projected to rise at an average annual rate of 5.9 percent; for the major health care programs, 6.4 percent; and for all other programs and activities in the mandatory category, 3.2 percent.

**Discretionary Spending.** For discretionary spending, CBO's baseline incorporates the caps on such funding that are currently in place through 2021 and then reflects the assumption that funding keeps pace with inflation in later years; the elements of discretionary funding that are not constrained by the caps, such as appropriations for overseas contingency operations, are assumed to increase with inflation throughout the next decade.

Discretionary outlays are estimated to remain virtually unchanged from 2015 through 2017 and then to grow at an average annual rate of 2.1 percent after 2017; that rate is roughly half of the projected growth rate of nominal GDP. As a result, spending for both defense and nondefense discretionary programs is projected to fall

relative to GDP under CBO's baseline assumptions. Outlays for defense are projected to drop from 3.1 percent of GDP in 2016 to 2.6 percent in 2025, 2.4 percentage points below the average share they represented from 1965 through 2014 and the lowest share in any year since before 1962 (which is the earliest year for which such data have been reported). For nondefense discretionary spending, outlays are projected to drop from 3.1 percent of GDP in 2016 to 2.5 percent in 2025, 1.3 percentage points below the average from 1965 through 2014 and also the lowest share in any year since before 1962.

**Net interest.** Under CBO's baseline assumptions, net interest payments increase from \$227 billion, or 1.3 percent of GDP, in 2015 to \$827 billion, or 3.0 percent of GDP, in 2025—the highest ratio since 1996. Two factors drive that sharp increase—rising interest rates and growing debt. The interest rate paid on 3-month Treasury bills will rise from 0.1 percent in 2015 to 3.4 percent in 2018 and subsequent years, and the rate on 10-year Treasury notes will increase from 2.6 percent in 2015 to 4.6 percent in 2020 and subsequent years. Meanwhile, debt held by the public will increase, according to CBO's projections, from 74.2 percent of GDP at the end of 2015 to 78.7 percent at the end of 2025.

### Federal Debt

Federal debt held by the public consists mostly of securities that the Treasury issues to raise cash to fund the federal government's activities and to pay off its maturing liabilities.<sup>15</sup> The Treasury borrows money from the public by selling securities in the capital markets; that debt is purchased by various buyers in the United States, by private investors overseas, and by the central banks of other countries. Of the \$12.8 trillion in federal debt held by the public at the end of 2014, 52 percent (\$6.7 trillion) was held by domestic investors and 48 percent (\$6.1 trillion) was held by foreign investors.<sup>16</sup> Other measures of federal debt are sometimes used for various purposes, such as to provide a more comprehensive picture of the

14. Because the government placed Fannie Mae and Freddie Mac into conservatorship in 2008 and now controls their operations, CBO considers the activities of those two entities to be governmental. Therefore, for the 10-year period that follows the current fiscal year, CBO projects the subsidy costs of the entities' new activities using procedures similar to those specified in the Federal Credit Reform Act of 1990 for determining the costs of federal credit programs but with adjustments to reflect the market risk associated with those activities. The Administration, by contrast, considers Fannie Mae and Freddie Mac to be outside of the federal government for budgetary purposes and records cash transactions between those entities and the Treasury as federal outlays or receipts. (In CBO's view, those transactions are intragovernmental.) To provide CBO's best estimate of what the Treasury will ultimately report as the federal deficit for 2015, CBO's current baseline includes an estimate of the cash receipts from the two entities to the Treasury for this year (while retaining its risk-adjusted projections of subsidy costs for later years).

15. A small amount of debt held by the public is issued by other agencies, mainly the Tennessee Valley Authority.

16. The largest U.S. holders of Treasury debt are the Federal Reserve System (18 percent), individual households (6 percent), and mutual funds (6 percent); investors in China and Japan have the largest foreign holdings of Treasury securities, accounting for nearly 20 percent of U.S. public debt. For additional information, see Congressional Budget Office, *Federal Debt and Interest Costs* (December 2010), Chapter 1, [www.cbo.gov/publication/21960](http://www.cbo.gov/publication/21960).

**Table 1-3.****Federal Debt Projected in CBO's Baseline**

Billions of Dollars

	Actual, 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt Held by the Public at the Beginning of the Year	11,983	12,779	13,359	13,905	14,466	15,068	15,782	16,580	17,451	18,453	19,458	20,463
Changes in Debt Held by the Public												
Deficit	483	468	467	489	540	652	739	814	948	953	951	1,088
Other means of financing	314	112	79	72	62	62	59	57	54	52	55	54
Total	797	580	546	561	602	714	798	870	1,002	1,005	1,006	1,142
<b>Debt Held by the Public at the End of the Year</b>	<b>12,779</b>	<b>13,359</b>	<b>13,905</b>	<b>14,466</b>	<b>15,068</b>	<b>15,782</b>	<b>16,580</b>	<b>17,451</b>	<b>18,453</b>	<b>19,458</b>	<b>20,463</b>	<b>21,605</b>
Debt Held by the Public at the End of the Year (As a percentage of GDP)	74.1	74.2	73.8	73.4	73.3	73.7	74.3	75.0	76.1	76.9	77.7	78.7
<b>Memorandum:</b>												
Debt Held by the Public Minus Financial Assets <sup>a</sup>												
In billions of dollars	11,544	12,011	12,450	12,909	13,420	14,044	14,754	15,540	16,458	17,382	18,303	19,360
As a percentage of GDP	66.9	66.7	66.1	65.5	65.3	65.6	66.1	66.8	67.8	68.7	69.5	70.5
Gross Federal Debt <sup>b</sup>	17,792	18,472	19,126	19,831	20,576	21,404	22,294	23,227	24,244	25,247	26,231	27,288
Debt Subject to Limit <sup>c</sup>	17,781	18,462	19,115	19,820	20,565	21,392	22,281	23,214	24,231	25,234	26,217	27,275
Average Interest Rate on Debt Held by the Public (Percent) <sup>d</sup>	1.8	1.7	2.0	2.3	2.7	3.0	3.3	3.5	3.6	3.7	3.8	3.8

Source: Congressional Budget Office.

Note: GDP = gross domestic product.

- Debt held by the public minus the value of outstanding student loans and other credit transactions, cash balances, and other financial instruments.
- Federal debt held by the public plus Treasury securities held by federal trust funds and other government accounts.
- The amount of federal debt that is subject to the overall limit set in law. Debt subject to limit differs from gross federal debt mainly because most debt issued by agencies other than the Treasury and the Federal Financing Bank is excluded from the debt limit. That limit was most recently set at \$17.2 trillion but has been suspended through March 15, 2015. On March 16, the debt limit will be raised to its previous level plus the amount of federal borrowing that occurred while the limit was suspended.
- The average interest rate is calculated as net interest divided by debt held by the public.

government's financial condition or to account for debt held by federal trust funds.

**Debt Held by the Public.** Debt held by the public increased by about \$800 billion in 2014, reaching 74 percent of GDP, higher than the amount recorded in 2013 (72 percent) or in any other year since 1950. As recently as 2007, such debt equaled 35 percent of GDP. Under the assumptions that govern CBO's baseline, the federal government is projected to borrow another \$8.8 trillion from 2015 through 2025, pushing debt held by the

public up to 79 percent of GDP by the end of the projection period (see Table 1-3).

That amount of debt relative to the size of the economy would be the highest since 1950 and more than double the average of 38 percent experienced over the 1965–2014 period or the average of 34 percent experienced over the 40 years ending in 2007, before the recent sharp increase in debt. By historical standards, debt that high—and heading higher—would have significant consequences for the budget and the economy:

- The nation's net interest costs would be very high (after interest rates move up to more typical levels) and rising.
- National saving would be held down, leading to more borrowing from abroad and less domestic investment, which in turn would decrease income in the United States compared with what it would be otherwise.
- Policymakers' ability to use tax and spending policies to respond to unexpected challenges—such as economic downturns, financial crises, or natural disasters—would be constrained. As a result, such challenges could have worse effects on the economy and people's well-being than they would otherwise.
- The risk of a fiscal crisis would be higher. During such a crisis, investors would lose so much confidence in the government's ability to manage its budget that the government would be unable to borrow funds at affordable interest rates.

The amount of money the Treasury borrows by selling securities (net of the maturing securities it redeems) is determined primarily by the annual budget deficit. However, several factors—collectively labeled “other means of financing” and not directly included in budget totals—also affect the government's need to borrow from the public. Those factors include changes in the government's cash balance and investments in the Thrift Savings Plan's G fund, as well as the cash flows associated with federal credit programs (such as student loans) because only the subsidy costs of those programs (calculated on a present-value basis) are reflected in the budget deficit.

CBO projects that the increase in debt held by the public will exceed the deficit in 2015 by \$112 billion, mainly because the government will need cash to finance new student loans and other credit programs. The same is true for each year from 2016 to 2025: CBO estimates that the government will need to borrow about \$60 billion more per year, on average, during that period than the budget deficits would suggest.

**Other Measures of Federal Debt.** Three other measures are sometimes used in reference to federal debt:

*Debt held by the public less financial assets* subtracts from debt held by the public the value of the government's financial assets, such as student loans. That measure provides a more comprehensive picture of the govern-

ment's financial condition and its overall impact on credit markets than does debt held by the public. Calculating the measure is not straightforward, however, because neither the financial assets to be included nor the method for evaluating them is well defined. Under CBO's baseline assumptions, that measure is smaller than debt alone but varies roughly in line with it.

*Gross federal debt* consists of debt held by the public and debt issued to government accounts (for example, the Social Security trust funds). The latter type of debt does not directly affect the economy and has no net effect on the budget. In CBO's projections, debt held by the public is expected to increase by \$8.8 trillion between the end of 2014 and the end of 2025, and debt held by government accounts is estimated to rise by \$0.7 trillion. As a result, gross federal debt is projected to rise by \$9.5 trillion over that period and to total \$27.3 trillion at the end of 2025. About one-fifth of that sum would be debt held by government accounts.

*Debt subject to limit* is the amount of debt that is subject to the statutory limit on federal borrowing; it is virtually identical to gross federal debt. The amount of outstanding debt subject to limit is now about \$18.0 trillion; under current law, it is projected to reach \$27.3 trillion at the end of 2025.

Currently, there is no statutory limit on the issuance of new federal debt because the Temporary Debt Limit Suspension Act (P.L. 113-83) suspended the debt ceiling through March 15, 2015. Under the act, the debt limit after that date will equal the previous limit of \$17.2 trillion plus the amount of borrowing accumulated during the suspension of the limit.

Therefore, if the current suspension is not extended and a higher debt limit is not specified in law before March 16, 2015, the Treasury will have no room to borrow under standard borrowing procedures beginning on that date. To avoid a breach in the debt ceiling, the Treasury would begin employing its well-established toolbox of so-called extraordinary measures to allow continued borrowing for a limited time. CBO anticipates that the Treasury would probably exhaust those measures in September or October of this year. If that occurred, the Treasury would soon run out of cash and be unable to fully pay its obligations, a development that would lead to delays of payments for government activities, a default on the government's debt obligations, or both. However,

the government's cash flows cannot be predicted with certainty, and the actual cash flows during the coming months will affect the dates on which the Treasury would exhaust the extraordinary measures and the date on which it would run out of cash.<sup>17</sup>

### Changes in CBO's Baseline Since August 2014

CBO completed its previous set of baseline projections in August 2014. Since then, the agency has reduced its estimate of the deficit in 2015 by \$2 billion. The agency has also lowered its baseline projection of the cumulative deficit from 2015 through 2024 by \$175 billion, from \$7.2 trillion to \$7.0 trillion (see Appendix A). Almost all of that reduction occurs in the projections for fiscal years 2016 through 2018; baseline deficits for other years are nearly unchanged. A number of different factors led to those changes: Legislation enacted since last August caused CBO to lower projected deficits through 2024 by \$91 billion; a revised economic outlook reduced them by \$38 billion; and other, technical changes decreased projected deficits by an additional \$46 billion (see Table 1-4).

Those relatively small changes to the overall baseline totals reflect larger, but nearly offsetting, changes to baseline revenues and outlays, as both revenues and outlays are lower than CBO projected in August.

CBO has reduced its estimate of cumulative revenues through 2024 by \$415 billion (or 1.0 percent) since last August:

- More than half of that change (\$234 billion) stems from changes to the economic outlook, primarily slightly lower projections of economic growth.
- Technical changes, which reflect new information from tax returns, recent tax collections, new analysis of elements of the projections, and other factors, have reduced projected revenues by \$137 billion over the period; the largest reductions were in projected receipts from corporate income taxes.
- Legislation enacted since August has reduced projected revenues by \$81 billion in 2015 and boosted

them by \$38 billion between 2016 and 2024, a net reduction of \$44 billion. Those legislative changes result almost entirely from the Tax Increase Prevention Act of 2014, which retroactively extended—through 2014—a host of tax provisions that reduce tax liabilities and that had expired at the end of 2013.

Projected outlays through 2024 have declined by \$590 billion (or 1.2 percent) since August, more than offsetting the decrease in projected revenues:

- The revised economic outlook accounted for \$272 billion of that reduction. The largest reductions were in projected spending for Social Security (down by \$110 billion) and net interest costs (reduced by \$147 billion, excluding debt-service costs) because CBO now anticipates lower inflation this year and lower interest rates over much of the projection period.
- A variety of technical changes, primarily to estimates for mandatory programs, further reduced outlays by \$70 billion in 2015 and by \$184 billion between 2015 and 2024.
- Finally, legislation enacted since August lowered projected outlays through 2024 by \$134 billion. Much of that decrease occurs because the current projections are based on 2015 appropriations, whereas the August baseline reflected 2014 appropriations. The amount of funding for overseas contingency operations in 2015 is less than the amount provided for 2014, and the projections throughout the 10-year period are extrapolated from that lower funding.

### Uncertainty in Budget Projections

Even if federal laws remained unchanged for the next decade, actual budgetary outcomes would differ from CBO's baseline projections because of unanticipated changes in economic conditions and in a host of other factors that affect federal spending and revenues. The agency aims for its projections to be in the middle of the distribution of possible outcomes given the baseline assumptions about federal tax and spending policies, while recognizing that there will always be deviations from any such projections.

CBO's projections of outlays depend on the agency's economic projections for the coming decade, including forecasts for such variables as interest rates, inflation, and

17. For more information on the debt limit and extraordinary measures, see Congressional Budget Office, *Federal Debt and the Statutory Limit* (November 2013), [www.cbo.gov/publication/44877](http://www.cbo.gov/publication/44877).

**Table 1-4.****Changes in CBO's Baseline Projections of the Deficit Since August 2014**

Billions of Dollars

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total	
											2015-	2015-
											2019	2024
Deficit in CBO's August 2014 Baseline	-469	-556	-530	-560	-661	-737	-820	-946	-957	-960	-2,777	-7,196
<b>Changes</b>												
<b>Legislative</b>												
Revenues	-81	18	11	7	5	1	*	-1	-2	-2	-40	-44
Outlays	1	-10	-9	-13	-12	-17	-17	-18	-19	-20	-44	-134
Subtotal <sup>a</sup>	-82	28	20	21	17	18	17	17	17	18	4	91
<b>Economic</b>												
Revenues	29	11	-17	-34	-36	-39	-43	-40	-36	-29	-47	-234
Outlays	-25	-26	-29	-22	-28	-31	-30	-28	-27	-26	-130	-272
Subtotal <sup>a</sup>	54	37	12	-12	-8	-8	-13	-12	-9	-3	83	38
<b>Technical</b>												
Revenues	-40	7	-11	-6	-11	-20	-9	-15	-16	-16	-61	-137
Outlays	-70	-16	-21	-17	-12	-8	-11	-7	-11	-9	-137	-184
Subtotal <sup>a</sup>	30	24	10	11	1	-12	2	-8	-5	-6	75	46
<b>Total Effect on the Deficit<sup>a</sup></b>	<b>2</b>	<b>89</b>	<b>41</b>	<b>20</b>	<b>9</b>	<b>-3</b>	<b>6</b>	<b>-2</b>	<b>4</b>	<b>9</b>	<b>161</b>	<b>175</b>
Deficit in CBO's January 2015 Baseline	-468	-467	-489	-540	-652	-739	-814	-948	-953	-951	-2,615	-7,021
<b>Memorandum:</b>												
Total Effect on Revenues	-93	37	-17	-33	-43	-58	-52	-56	-53	-46	-149	-415
Total Effect on Outlays	-94	-52	-58	-53	-52	-55	-58	-54	-57	-55	-310	-590

Source: Congressional Budget Office.

Note: \* = between -\$500 million and zero.

a. Negative numbers indicate an increase in the deficit; positive numbers indicate a decrease in the deficit.

the growth of real GDP. Discrepancies between those forecasts and actual economic outcomes can result in significant differences between baseline budgetary projections and budgetary outcomes. For instance, CBO's baseline economic forecast anticipates that interest rates on 3-month Treasury bills will increase from 0.9 percent in fiscal year 2016 to 3.4 percent in fiscal year 2018 and subsequent years and that interest rates on 10-year Treasury notes will rise from 3.2 percent to 4.6 percent in 2020 and subsequent years. If interest rates on all types of Treasury securities were 1 percentage point higher or lower each year from 2016 through 2025 and all other economic variables were unchanged, cumulative outlays projected for the 10-year period would be about \$1.3 trillion higher or lower (excluding changes in the costs of servicing the federal debt) and revenues would be \$0.1 trillion higher or lower. (For further discussion

of how some key economic projections affect budget projections, see Appendix C.)

Uncertainty also surrounds myriad technical factors that can substantially affect CBO's baseline projections of outlays. For example, spending per enrollee for Medicare and Medicaid is very difficult to predict. If per capita costs in those programs rose 1 percentage point faster or slower per year than CBO has projected for the next decade, total federal outlays for Medicare (net of receipts from premiums) and Medicaid would be roughly \$900 billion higher or lower for that period. The effects of the Affordable Care Act are another source of significant uncertainty. To estimate the effects of the law's broad changes to the nation's health care and health insurance systems, CBO and the staff of the Joint Committee on Taxation (JCT) have made projections concerning an array of programs and institutions, some of which—such



as the health insurance exchanges—have been in place only for a year.

Projections of revenues are quite sensitive to many economic and technical factors. Revenues depend on total amounts of wages and salaries, corporate profits, and other income, all of which are encompassed by CBO's economic projections. For example, if the growth of real GDP and taxable income was 0.1 percentage point higher or lower per year than in CBO's baseline projections, revenues would be roughly \$290 billion higher or lower over the 2016–2025 period.

In addition, forecasting the amount of revenue that the government will collect from taxpayers for a given amount of total income requires technical estimates of the distribution of income and of many aspects of taxpayers' behavior. For example, estimates are required of the amounts of deductions and credits that people will receive and the amount of income in the form of capital gains they will realize from selling assets. Differences between CBO's judgments about such behavior and actual outcomes can lead to significant deviations from the agency's baseline projections of revenues.

Even relatively small deviations in revenues and outlays compared to CBO's projections could have a substantial effect on budget deficits. For example, if revenues projected for 2025 were too high by 5 percent (that is, if average annual growth in revenues during the coming decade was about 0.5 percentage points less than CBO estimated) and outlays projected for mandatory programs were too low by 5 percent, the deficit for that year would be about \$450 billion greater than the \$1.1 trillion in CBO's baseline; if GDP matched CBO's projection, that larger deficit would be 5.6 percent of GDP rather than the 4.0 percent in the baseline. Outcomes could differ by larger amounts and in the other direction as well.

## Alternative Assumptions About Fiscal Policy

CBO's baseline budget projections—which are constructed in accordance with provisions of law—are intended to show what would happen to federal spending, revenues, and deficits if current laws generally remained unchanged. Future legislative action, however, could lead to markedly different budgetary outcomes.

To assist policymakers and analysts who may hold differing views about the most useful benchmark against which to consider possible changes to laws, CBO has estimated

the effects on budgetary projections of some alternative assumptions about future policies (see Table 1-5). The discussion below focuses on how those policy actions would directly affect revenues and outlays. Such changes would also influence the costs of servicing the federal debt (shown separately in the table).

### Military and Diplomatic Operations in Afghanistan and Other War-Related Activities

One alternative path addresses spending for operations in Afghanistan and similar activities, sometimes called overseas contingency operations. The outlays projected in the baseline come from budget authority provided for those purposes in 2014 and prior years that has not been used, the \$74 billion in budget authority provided for 2015, and the \$822 billion that is projected to be appropriated over the 2016–2025 period (under the assumption that annual funding is set at \$74 billion with adjustments for anticipated inflation, in accordance with the rules governing baseline projections).<sup>18</sup>

In coming years, the funding required for overseas contingency operations—in Afghanistan or other countries—might be smaller than the amounts projected in the baseline if the number of deployed troops and the pace of operations diminished. For that reason, CBO has formulated a budget scenario that anticipates a reduction in the number of U.S. military personnel deployed abroad for military actions and a concomitant reduction in diplomatic operations and foreign aid. Many other scenarios—some costing more and some less—are also possible.

In 2014, the number of U.S. active-duty, reserve, and National Guard personnel deployed for military and diplomatic operations that have been designated as overseas contingency operations averaged about 110,000, CBO estimates. In this alternative scenario, the average number of military personnel deployed for such purposes would decline over the next two years from roughly 90,000 in 2015 to 50,000 in 2016 and to 30,000 in 2017 and thereafter. (Those numbers could represent various allocations of forces around the world.) Under that scenario, and assuming that the extraordinary funding for diplomatic operations and foreign aid declines at a similar rate, total discretionary outlays over the 2016–2025

18. Funding for overseas contingency operations in 2015 includes \$64 billion for military operations and indigenous security forces and \$9 billion for diplomatic operations and foreign aid.

**Table 1-5.**

**Budgetary Effects of Selected Policy Alternatives Not Included in CBO’s Baseline**

Billions of Dollars

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total 2016-2016- 2020 2025	
<b>Policy Alternatives That Affect Discretionary Outlays</b>													
Reduce the Number of Troops Deployed for Overseas Contingency Operations to 30,000 by 2017 <sup>a</sup>													
Effect on the deficit <sup>b</sup>	0	12	28	39	46	51	53	55	56	57	58	175	454
Debt service	0	*	1	2	4	6	8	11	14	16	19	13	81
Increase Discretionary Appropriations at the Rate of Inflation After 2015 <sup>c</sup>													
Effect on the deficit <sup>b</sup>	0	-20	-30	-36	-41	-47	-52	-57	-62	-66	-69	-174	-480
Debt service	0	*	-1	-2	-4	-6	-8	-11	-14	-17	-20	-14	-83
Freeze Most Discretionary Appropriations at the 2015 Amount <sup>d</sup>													
Effect on the deficit <sup>b</sup>	0	-7	4	25	49	74	100	128	155	184	216	145	929
Debt service	0	*	*	*	2	5	8	13	20	27	35	7	111
<b>Policy Alternative That Affects Mandatory Outlays</b>													
Maintain Medicare's Payment Rates for Physicians at the Current Rate <sup>e</sup>													
Effect on the deficit <sup>b</sup>	-6	-9	-10	-10	-11	-13	-14	-15	-16	-16	-17	-54	-131
Debt service	*	*	*	-1	-2	-2	-3	-3	-4	-5	-6	-5	-27
<b>Policy Alternative That Affects Both Discretionary and Mandatory Outlays</b>													
Prevent the Automatic Spending Reductions Specified in the Budget Control Act <sup>f</sup>													
Effect on the deficit <sup>b</sup>	n.a.	-63	-91	-99	-103	-106	-106	-109	-115	-119	-99	-462	-1,010
Debt service	n.a.	-1	-3	-7	-12	-16	-21	-27	-32	-38	-43	-39	-200

Continued

period would be \$454 billion less than the amount in the baseline, CBO estimates.<sup>19</sup>

**Other Discretionary Spending**

Policymakers could vary discretionary funding in many ways from the amounts projected in the baseline. For example, if appropriations grew each year through 2025 at the same rate as inflation after 2015 rather than being

constrained by the caps, discretionary spending would be \$480 billion higher for that period than it is in the baseline. If, by contrast, lawmakers kept appropriations for 2016 through 2025 at the nominal 2015 amount, total discretionary outlays would be \$929 billion lower over that period. Under that scenario (sometimes called a freeze in regular appropriations), total discretionary spending would fall from 6.5 percent of GDP in fiscal year 2015 to 4.3 percent in 2025. (Such spending is already projected to fall to 5.1 percent of GDP in 2025 under CBO’s baseline, reflecting the caps on most new discretionary funding through 2021 and adjustments for inflation after 2021.)

**Medicare’s Payments to Physicians**

Spending for Medicare is constrained by a rate-setting system—called the sustainable growth rate—for the fees that physicians receive for their services. If the system is allowed to operate as currently structured, physicians’ fees

19. The reduction in budget authority under this alternative is similar to those arising from some proposals to cap discretionary appropriations for overseas contingency operations. Such caps could result in reductions in CBO’s baseline projections of discretionary spending. However, those reductions might simply reflect policy decisions that have already been made or would be made in the absence of caps. Moreover, if future policymakers believed that national security required appropriations above the capped levels, they would almost certainly provide emergency appropriations that would not, under current law, be counted against the caps.

Table 1-5.

Continued

Budgetary Effects of Selected Policy Alternatives Not Included in CBO's Baseline

Billions of Dollars

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total 2016- 2016- 2020 2025		
<b>Policy Alternative That Affects the Tax Code</b>														
Extend Expiring Tax Provisions <sup>g</sup>														
Effect on the deficit <sup>d</sup>	-42	-109	-78	-73	-93	-88	-88	-89	-91	-94	-97	-440	-898	
Debt service	*	-2	-5	-8	-13	-17	-21	-26	-31	-36	-41	-45	-200	
<b>Memorandum:</b>														
Outlays for Overseas Contingency Operations in CBO's Baseline	83	78	75	75	76	78	79	81	83	84	86	382	797	
Deficit in CBO's Baseline	-468	-467	-489	-540	-652	-739	-814	-948	-953	-951	-1,088	-2,887	-7,641	

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Notes: Negative numbers indicate an increase in the deficit; positive numbers indicate a decrease in the deficit.

n.a. = not applicable; \* = between -\$500 million and \$500 million.

- a. For this alternative, CBO does not extrapolate the \$74 billion in budget authority for military operations, diplomatic activities, and aid to Afghanistan and other countries provided for 2015. Rather, the alternative incorporates the assumption that funding for overseas contingency operations declines from \$50 billion in 2016 to a low of \$25 billion in 2019. Thereafter, such funding would slowly increase, reaching about \$30 billion per year by the end of the projection period—for a total of \$300 billion over the 2016–2025 period.
- b. Excludes debt service.
- c. These estimates reflect the assumption that appropriations will not be constrained by caps set by the Budget Control Act of 2011 as amended and will instead grow at the rate of inflation from their 2015 level. Discretionary funding related to federal personnel is inflated using the employment cost index for wages and salaries; other discretionary funding is inflated using the gross domestic product price index.
- d. This option reflects the assumption that appropriations other than those for overseas contingency operations would generally be frozen at the 2015 level through 2025.
- e. Medicare's payment rates for physicians' services are scheduled to drop by 21 percent on April 1, 2015, and to change by small amounts in subsequent years. In this alternative, payment rates are assumed to continue at their current levels through 2025.
- f. The Budget Control Act of 2011 specified that if lawmakers did not enact legislation originating from the Joint Select Committee on Deficit Reduction that would reduce projected deficits by at least \$1.2 trillion, automatic procedures would go into effect to reduce both discretionary and mandatory spending during the 2013–2021 period. Those procedures are now in effect and take the form of equal cuts (in dollar terms) in funding for defense and nondefense programs. For the 2016–2021 period, the automatic procedures lower the caps on discretionary budget authority specified in the Budget Control Act (caps for 2014 and 2015 were revised by the Bipartisan Budget Act of 2013); for the 2022–2025 period, CBO has extrapolated the reductions estimated for 2021. Nonexempt mandatory programs will be reduced through sequestration; those provisions have been extended through 2024. The budgetary effects of this option cannot be combined with those of any of the other alternatives that affect discretionary spending, except for the one to reduce the number of troops deployed for overseas contingency operations.
- g. These estimates are mainly from the staff of the Joint Committee on Taxation and are preliminary. They reflect the impact of extending about 70 tax provisions that either expired on December 31, 2014, or are scheduled to expire by December 31, 2025. Nearly all of those provisions have been extended previously; some, such as the research and experimentation tax credit, have been extended multiple times.

will be reduced by about 21 percent in April 2015 and will both increase and decrease by small amounts in subsequent years, CBO projects. If, instead, lawmakers overrode those scheduled reductions—as they have every year since 2003—spending on Medicare might be greater than the amounts projected in CBO's baseline. For example,

holding payment rates through 2025 at current levels would raise outlays for Medicare (net of premiums paid by beneficiaries) by \$6 billion in 2015 and by \$131 billion (or nearly 2 percent) between 2016 and 2025. The net effects of such a change in payment rates for physicians on spending for Medicare and on the deficit would

depend on whether lawmakers offset the effects of the change, as they often have done in the past, with other changes to reduce deficits.

### Automatic Spending Reductions

The Budget Control Act put in place automatic procedures to reduce discretionary and mandatory spending through 2021. Those procedures require equal reductions (in dollar terms) in defense and nondefense spending. Subsequent legislation extended the required reductions to mandatory spending (a process called sequestration) through 2024. If lawmakers chose to prevent those automatic cuts each year—starting in 2016—without making other changes that reduced spending, total outlays over the 2016–2025 period would be \$1.0 trillion (or about 2 percent) higher than the amounts in CBO’s baseline. Total discretionary outlays would be \$845 billion (or 6.7 percent) higher, and outlays for mandatory programs—most of which are not subject to sequestration—would be \$164 billion (or 0.5 percent) higher.<sup>20</sup>

### Revenues

A host of tax provisions—many of which have been extended repeatedly—have recently expired or are scheduled to expire over the next decade. If all of those provisions were permanently extended, CBO and JCT estimate, revenues would be lower and, although a much smaller effect, outlays for refundable tax credits would be higher, by a total of \$898 billion over the 2016–2025 period.

Most of those tax provisions were recently extended retroactively through 2014 and have subsequently expired. They include a provision allowing certain businesses to immediately deduct 50 percent of new investments in equipment, which JCT estimates accounts for \$224 billion of the budgetary effects of extending all of the provisions over the next 10 years. The budgetary cost of extending all of the tax provisions would be higher in the latter part of the 10-year period than in the first few years because certain provisions affecting refundable tax credits are scheduled to expire at the end of 2017. Extending those provisions would boost outlays for refundable

credits and reduce revenues by a total of \$200 billion over the 2019–2025 period. (Payments for refundable credits are typically made a year after the applicable tax year.)

## The Long-Term Budget Outlook

Beyond the coming decade, the fiscal outlook is significantly more worrisome. In CBO’s most recent long-term projections—which extend through 2039—budget deficits rise steadily under the extended baseline, which follows CBO’s 10-year baseline projections for the first decade and then extends the baseline concept for subsequent years.<sup>21</sup> Although long-term budget projections are highly uncertain, the aging of the population, the growth in per capita spending on health care, and the ongoing expansion of federal subsidies for health insurance would almost certainly push up federal spending significantly relative to GDP after 2025 if current laws remained in effect. Federal revenues also would continue to increase relative to GDP under current law, but they would not keep pace with outlays. As a result, public debt would exceed 100 percent of GDP by 2039, CBO estimates, about equal to the percentage recorded just after World War II.

Such high and rising debt relative to the size of the economy would dampen economic growth and thus reduce people’s income compared with what it would be otherwise. It would also increasingly restrict policymakers’ ability to use tax and spending policies to respond to unexpected challenges and would boost the risk of a fiscal crisis, in which the government would lose its ability to borrow at affordable rates.

Moreover, debt would still be on an upward path relative to the size of the economy in 2039, a trend that would ultimately be unsustainable. To avoid the negative consequences of high and rising federal debt and to put debt on a sustainable path, lawmakers will have to make significant changes to tax and spending policies—letting revenues rise more than they would under current law, reducing spending for large benefit programs below the projected amounts, or adopting some combination of those approaches.

20. Because of interactions between the effects of different policy options, the estimated budgetary effects of this option cannot be added to the estimated budgetary effects of any of the other alternatives that affect discretionary spending except for the one to reduce the number of troops deployed for overseas contingency operations.

21. See Congressional Budget Office, *The 2014 Long-Term Budget Outlook* (July 2014), [www.cbo.gov/publication/45471](http://www.cbo.gov/publication/45471). Federal debt in 2024 under CBO’s current baseline is a little lower than the amount the agency previously projected for that year, but the long-term outlook remains about the same.