Congressional Budget Office

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Director's Statement on *The 2018 Long-Term Budget Outlook*

Today, CBO released *The 2018 Long-Term Budget Outlook*. The report finds that if current laws generally remained unchanged, growing budget deficits would boost debt sharply in coming years. Federal debt held by the public is projected to nearly double, from an amount equaling 78 percent of gross domestic product (GDP) this year to a record 152 percent by 2048. The prospect of large and growing debt poses substantial risks for the nation and presents policymakers with significant challenges.

Projected deficits rise over the next three decades because spending growth—particularly for Social Security, the major health care programs, and interest on the government's debt—is expected to outpace growth in revenues. By 2048, as interest rates rise from their currently low levels and as debt accumulates, the federal government's net interest costs are projected to more than double as a percentage of GDP and to reach record levels. Those costs would equal spending for Social Security, currently the largest federal program, by 2048.

In CBO's projections, most of the spending growth for Social Security and Medicare results from the aging of the population. Growth in spending on Medicare and the other major health care programs is also driven by rising health care costs per person.

Revenues, in contrast, are projected to be roughly flat over the next few years in relation to GDP, rise slowly, and then jump in 2026. That projected jump happens because most of the provisions of the major tax legislation enacted in 2017 that directly affect the individual income tax rate are set to expire at the end of calendar year 2025. After 2026, revenues are projected to keep rising in relation to the size of the economy—though not to keep pace with spending growth—mostly because of increases in individual income tax receipts.

Because key provisions of the 2017 tax act are scheduled to expire by the end of 2026, the act's economic and budgetary effects are expected to peak during the middle of the next decade. Beyond 2028, the effects of the act's major permanent provisions are expected to be modest, although their precise magnitudes are highly uncertain. In today's report, CBO describes the qualitative effects of the act over the long term, but the agency has not performed a quantitative analysis.

This statement by Keith Hall, CBO's Director, is available on CBO's blog at www.cbo.gov/publication/54107.