The Federal Budget Now and In the Future

THE CONCORD COALITION
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U.S. Debt is On An Unsustainable Path
1790-2050

Percentage of GDP

Source: CBO Budget and Economic Outlook, January 2020
Composition of Fiscal Year 2020 Federal Budget

Deficit: $1,015 Billion

Outlays: $4.65 trillion
Revenues: $3.63 trillion

*Includes Medicare, Medicaid, CHIP, and exchanges subsidies spending net of offsetting receipts.

**Includes all appropriated domestic spending such as education, transportation, homeland security, housing assistance and foreign aid.
Automatic Expenditures Are Consuming a Growing Share of the Budget

1965
- Mandatory Spending: 66%
- Automatic: 27%
- Net Interest: 6%

1995
- Mandatory Spending: 36%
- Automatic: 49%
- Net Interest: 15%

2020
- Mandatory Spending: 62%
- Automatic: 30%
- Net Interest: 8%

2030*
- Mandatory Spending: 24%
- Automatic: 65%
- Net Interest: 11%

*Projected
Source: Congressional Budget Office, January 2020
Outlays for Select Mandatory Programs

Source: CBO Budget and Economic Outlook, January 2020
Outlays for Select Non-Defense Discretionary Programs

Source: CBO Budget and Economic Outlook, January 2020 and Treasury FMS, 2019
Non-Defense Discretionary Spending

Source: CBO Budget and Economic Outlook, January 2020
All Types of Federal Investment Have Declined

Percent of Total Federal Outlays

Education and Training
Major Public Physical Capital
R&D

OMB Historical Tables, FY 2020
Defense Discretionary Spending

Source: CBO Budget and Economic Outlook, January 2020
Tax Expenditures Compared to Major Categories of Revenue and Spending

- Individual Income Tax Revenues: 8.2%
- Payroll Tax Revenues: 6.2%
- All Tax Expenditures: 7.5%
- Social Security: 5.1%
- Major Health Care Programs: 4.9%
- Defense: 3.1%

Source: CBO Budget and Economic Outlook, January 2020
Select Large Tax Expenditures (2020)

- Defined Benefit & Contribution Plans
- Employer-Provided Health Insurance
- Preferential Treatment of Capital Gains
- Charitable Deduction (25% smaller from 2017 tax bill)
- Mortgage Interest (75% smaller from tax bill)
- New Pass-through Deduction (created in tax bill)

Source: Joint Committee on Taxation, Estimates Of Federal Tax Expenditures, Dec 2019 & Jan 2017
Revenues and Outlays

Percentage of GDP


Historical Outlays (Avg: 20.6%)
Projected Revenues
Historical Revenues (Avg: 17.3%)
Projected Outlays

Source: CBO Budget and Economic Outlook, January 2020
Interest Costs Will Grow

Source: CBO Budget and Economic Outlook, January 2020 & Concord Coalition Analysis
Percent of Publicly Held Debt Owned by Foreigners

Source: US Treasury Bulletin, June 2019
The Sources of Growth in Federal Spending

CHANGE IN OUTLAYS AS A PERCENTAGE OF GDP, 2018-2048

Growth as Percentage of GDP

-2% 0% 2% 4% 6%

Medicaid, CHIP, & Exchange Subsidies
Social Security
Medicare
Interest
All Other

Source: CBO Long-Term Budget Outlook, June 2018
America's Population is Aging

2010-2035

Percent Change

Increase in Working Age Population, Ages 20 to 64

8

Increase in Age 65 or Older

89

Source: CBO Long-Term Budget Outlook, June 2019
Components of Potential GDP Growth

1950-2019 (Historical):
- Potential Labor Force Size: 1.7%
- Potential Labor Force Productivity: 1.4%

2020-2030 (Projected):
- Potential Labor Force Size: 0.4%
- Potential Labor Force Productivity: 1.4%

Source: CBO Budget and Economic Outlook, January 2020
Americans are Living Longer and Having Fewer Children

Consequently, fewer workers are available to support each Social Security and Medicare Recipient

1960: 5.1 to 1
2010: 3 to 1
2030: 2 to 1

Source: Social Security Trustees, June 2016.
Social Security Revenues vs Spending

Source: Social Security Trustees Report, June 2018
Aging and Cost Inflation Drive Growth in Major Health Care Programs

Source: CBO Long-Term Budget Outlook, June 2019
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Percentage of GDP

Historical  Projected

Source: CBO Budget and Economic Outlook, January 2020
Lower Deficits Lead to Higher Incomes

The Per-Person Size of the Economy Grows With Deficit Reduction

If we reduce the deficit by $3.3 Trillion over 10 Years…

…national income per person would be $3,000 higher

(in 2048, where this scenario would also bring the debt down from 152% to 100% of GDP)

If we reduce the deficit by $4.8 Trillion over 10 Years…

…national income per person would be $4,000 higher

(in 2048, where this scenario would also bring the debt down from 152% to 78% of GDP, the current level)
Key Points of Agreement

*In our travels around the country with experts from diverse perspectives, we have found agreement on the following key points:*

- Current fiscal policy is unsustainable
- There are no easy solutions, such as cutting waste fraud and abuse or growing our way out of the problem.
- Finding solutions will require bipartisan cooperation and a willingness to discuss all options.
- Public engagement and understanding is vital in finding solutions.
- This is not about numbers. It is a moral issue.
How Can I Make a Difference?

• Visit www.concordcoalition.org to learn more about these fiscal issues and sign up for our email updates.

• Become a “fiscal lookout” as part of The Concord Coalition’s volunteer community.

• Lead the discussion on the issue of fiscal responsibility with friends, family and other members of your community.

• Tell your Representative and Senators in Congress that we need strong leadership for fiscal responsibility.

• Follow us on Facebook and Twitter (@ConcordC)

• Support The Concord Coalition. We need your help!