

The January 2016 CBO Baseline

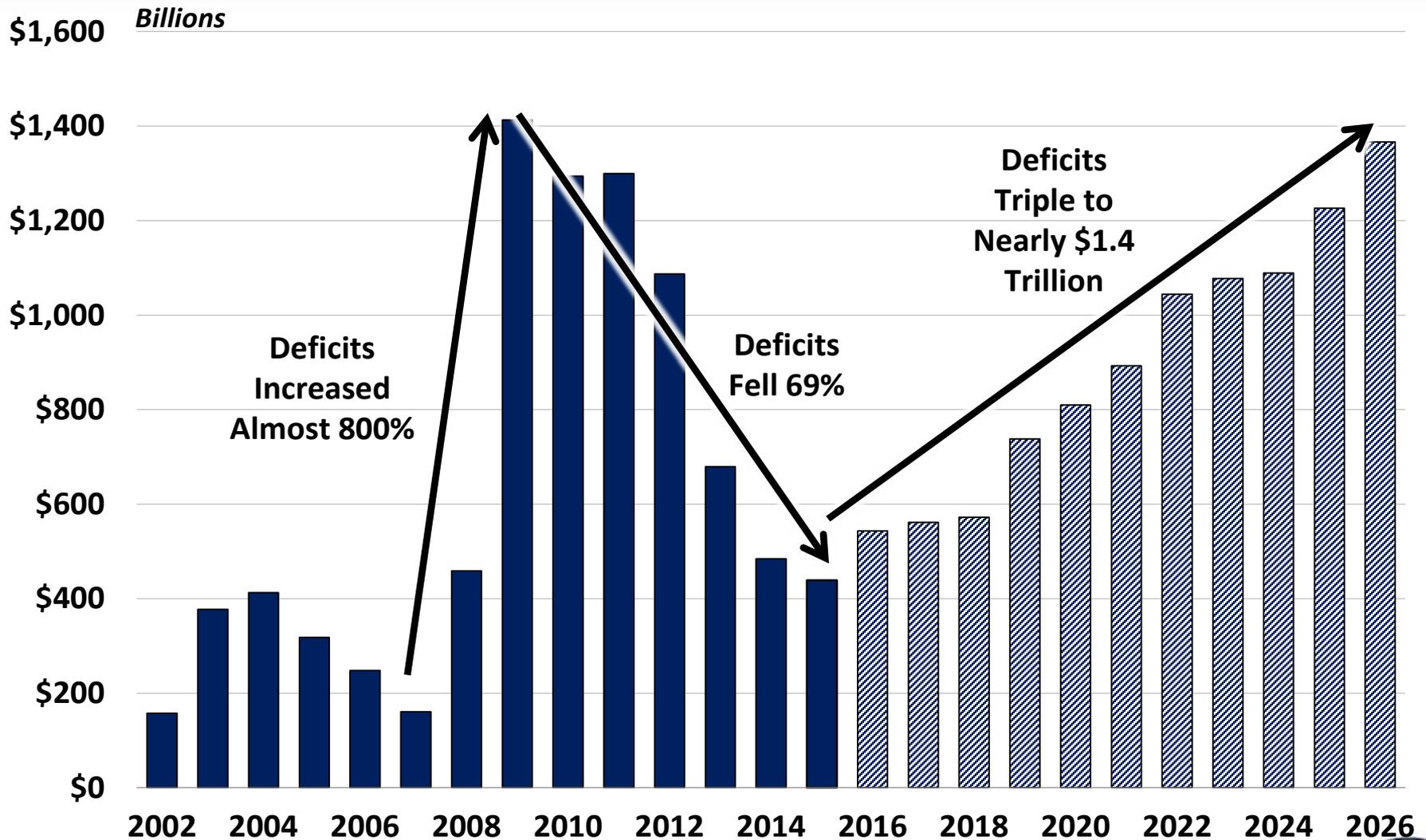
January 2016



**COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

CRFB.org

Trillion Dollar Deficits Return by 2022

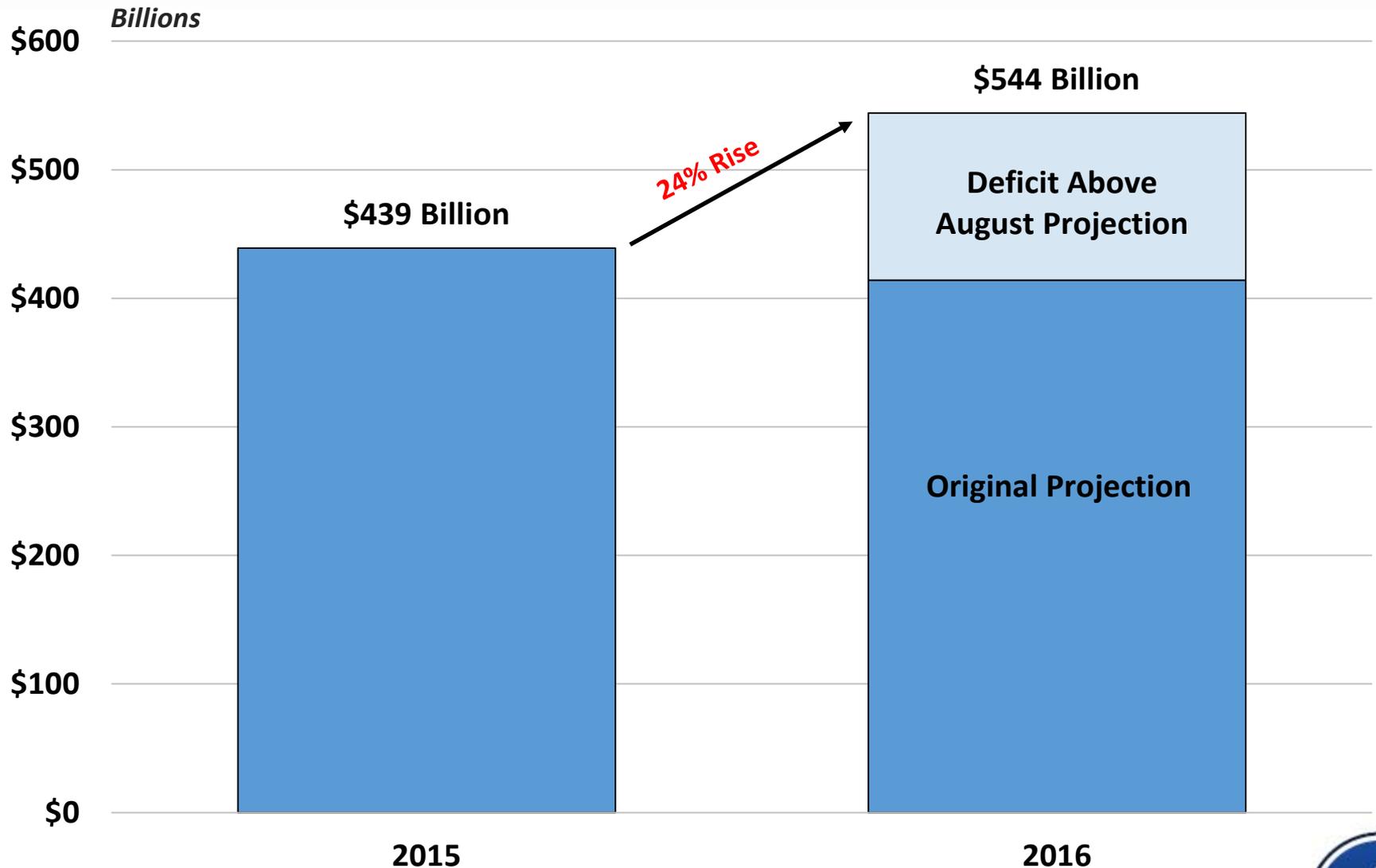


Sources: CBO, CRFB Calculations

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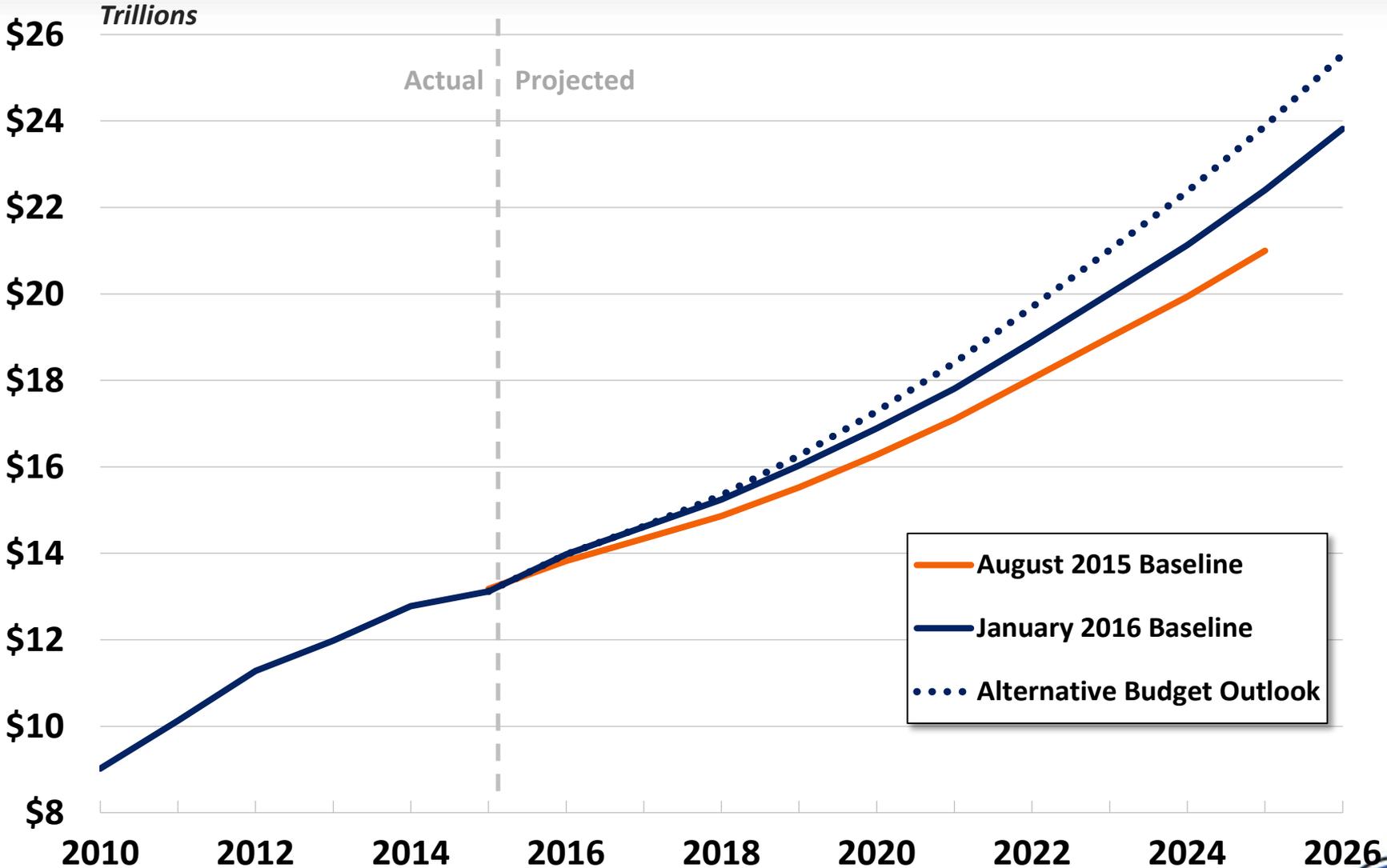


The Era of Declining Deficits is Over



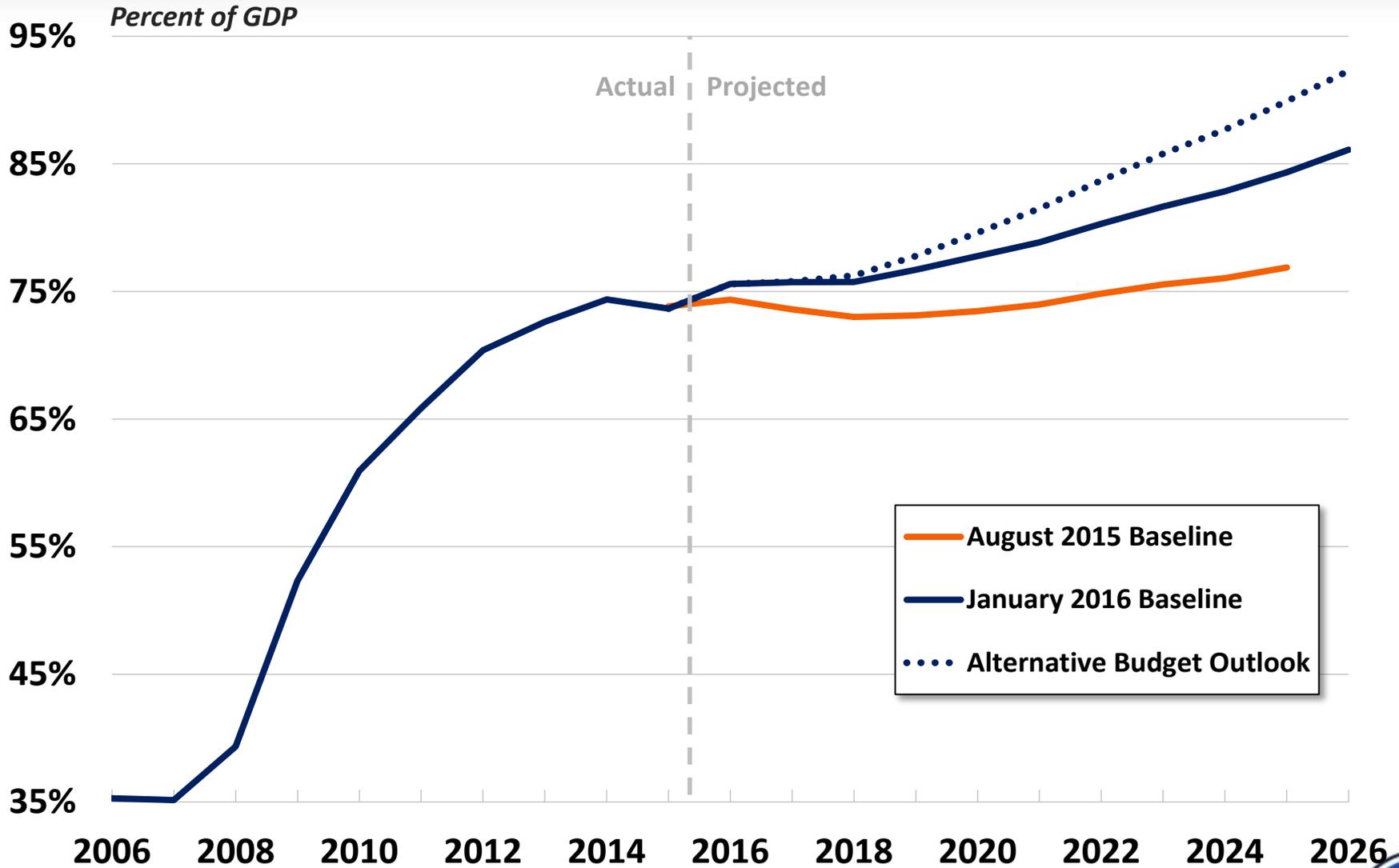
Sources: CBO, CRFB Calculations

The Outlook is Much Worse Now

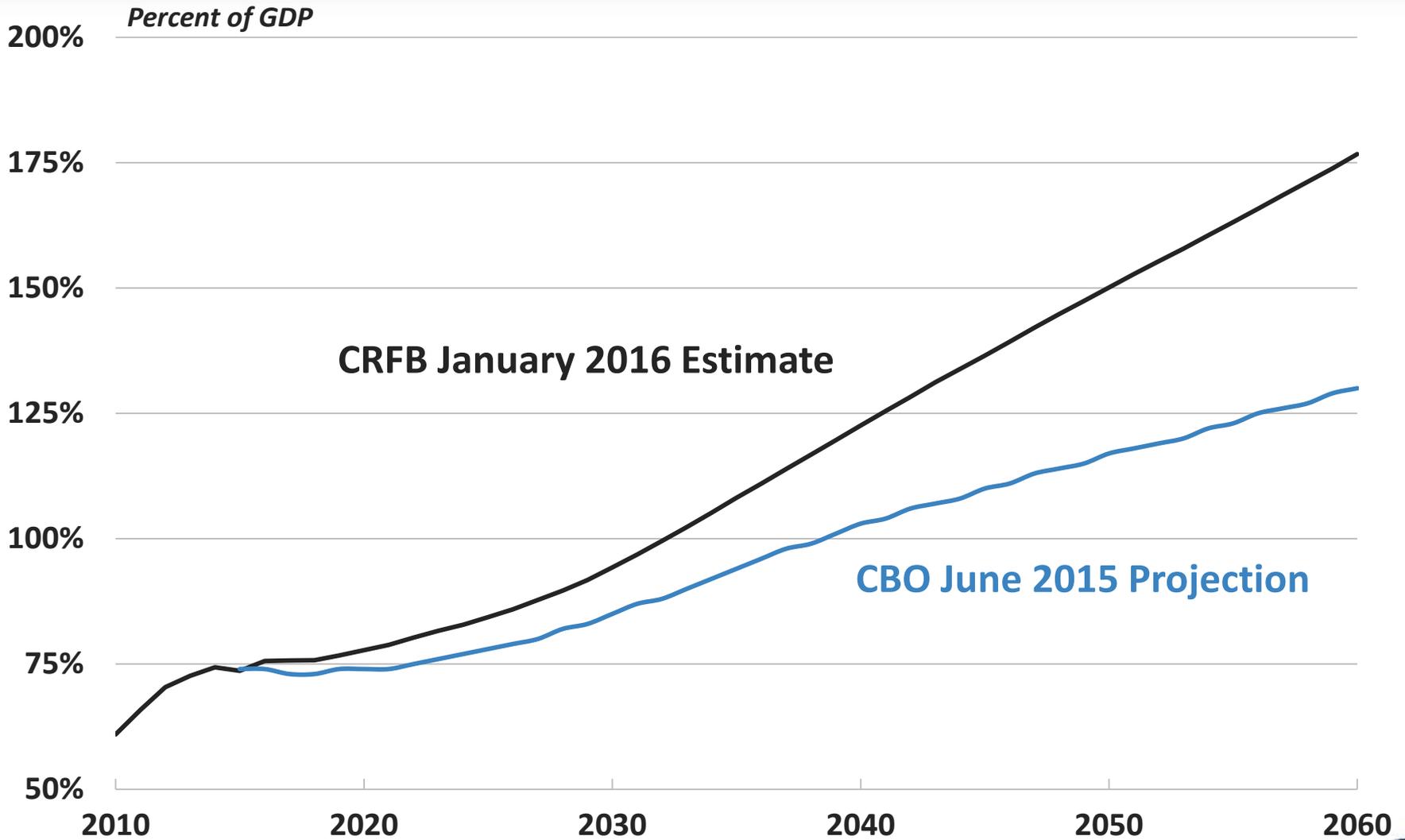


— August 2015 Baseline
— January 2016 Baseline
... Alternative Budget Outlook

The Outlook is Much Worse Now



Long-Term Debt Looks Much Worse Than Before



Sources: Congressional Budget Office, CRFB calculations



Comparing This Baseline to the Last

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Ten-Year*
REVENUES (Percent of GDP)												
Jan. 2016 Baseline	18.3%	18.2%	18.1%	17.9%	18.0%	18.0%	18.0%	18.0%	18.1%	18.1%	18.2%	18.1%
Aug. 2015 Baseline	18.9%	18.6%	18.3%	18.1%	18.1%	18.0%	18.1%	18.1%	18.2%	18.3%	N/A	18.3%
OUTLAYS (Percent of GDP)												
Jan. 2016 Baseline	21.2%	21.1%	20.9%	21.5%	21.8%	22.0%	22.5%	22.4%	22.3%	22.8%	23.1%	22.1%
Aug. 2015 Baseline	21.1%	20.8%	20.6%	20.9%	21.2%	21.3%	21.7%	21.7%	21.6%	22.0%	N/A	21.3%
DEFICITS (Percent of GDP)												
Jan. 2016 Baseline	2.9%	2.9%	2.8%	3.5%	3.7%	4.0%	4.4%	4.4%	4.3%	4.6%	4.9%	4.0%
Aug. 2015 Baseline	2.2%	2.1%	2.2%	2.8%	3.1%	3.3%	3.7%	3.6%	3.4%	3.7%	N/A	3.1%
DEBT (Percent of GDP)												
Jan. 2016 Baseline	75.6%	75.7%	75.7%	76.7%	77.8%	78.8%	80.3%	81.7%	82.8%	84.3%	86.1%	N/A
Aug. 2015 Baseline	74.4%	73.6%	73.0%	73.1%	73.5%	74.0%	74.8%	75.5%	76.1%	76.9%	N/A	N/A
DEFICITS (in Billions of Dollars)												
Jan. 2016 Baseline	\$544	\$561	\$572	\$738	\$810	\$893	\$1,044	\$1,077	\$1,089	\$1,226	\$1,366	\$9,378
Aug. 2015 Baseline	\$414	\$416	\$454	\$596	\$687	\$767	\$885	\$895	\$886	\$1,008	N/A	\$7,007
DEBT (in Trillions of Dollars)												
Jan. 2016 Baseline	\$14.0	\$14.6	\$15.2	\$16.0	\$16.9	\$17.8	\$18.9	\$20.0	\$21.1	\$22.4	\$23.8	N/A
Aug. 2015 Baseline	\$13.8	\$14.3	\$14.9	\$15.5	\$16.3	\$17.1	\$18.0	\$19.0	\$19.9	\$21.0	N/A	N/A

*Ten-year figures reflect 2017-2026 period for January 2016 and 2016-2025 period for August 2015.

Comparing This Baseline to the Last

	2016	2016-2025
August 2015 Deficits	\$414 billion	\$7,007 billion
Legislative Changes*	\$164 billion	\$749 billion
Extension and Expansion of Tax Breaks	\$157 billion	\$681 billion
Military Retirement Reform	\$0 billion	\$30 billion
Discretionary Spending Increases	\$29 billion	\$106 billion
Change in War Spending Baseline (gimmick)	-\$4 billion	-\$50 billion
Offsets and Other Changes (largely gimmicks)	-\$17 billion	-\$157 billion
Debt Service	\$1 billion	\$137 billion
Economic Changes	\$17 billion	\$437 billion
Lower Revenue From Slower Growth	\$33 billion	\$771 billion
Lower Social Security and Health Spending from Slower Inflation	-\$1 billion	-\$83 billion
Lower Unemployment Benefits From Less Unemployment	-\$2 billion	-\$31 billion
Other Spending Changes	-\$1 billion	-\$56 billion
Lower Interest Payments from Lower Rates	-\$14 billion	-\$228 billion
Debt Service	\$0 billion	\$47 billion
Technical Changes	-\$51 billion	\$363 billion
Higher Estimated Revenue Collection	-\$28 billion	\$30 billion
Higher Estimated Medicaid Enrollment	\$6 billion	\$187 billion
Higher Veterans' Compensation and Pensions Spending	\$5 billion	\$152 billion
Lower Estimated Social Security Enrollment	-\$2 billion	-\$97 billion
Other Spending Changes	-\$32 billion	\$50 billion
Debt Service	\$0 billion	\$41 billion
Higher Estimated Revenue Collection	-\$28 billion	\$30 billion
Total Changes	\$130 billion	\$1,549 billion
January 2016 Deficits (2016-2025)	\$544 billion	\$8,556 billion
Change in Budget Window	N/A	\$820 billion
January 2016 Deficits (2017-2026)	\$544 billion	\$8,556 billion
Change in Baseline Deficits (2016-2025)	+\$130 billion	+\$1,549 billion
Change in Baseline Deficits (2017-2026)	N/A	+\$2,371 billion

Sources: CBO, CRFB Calculations

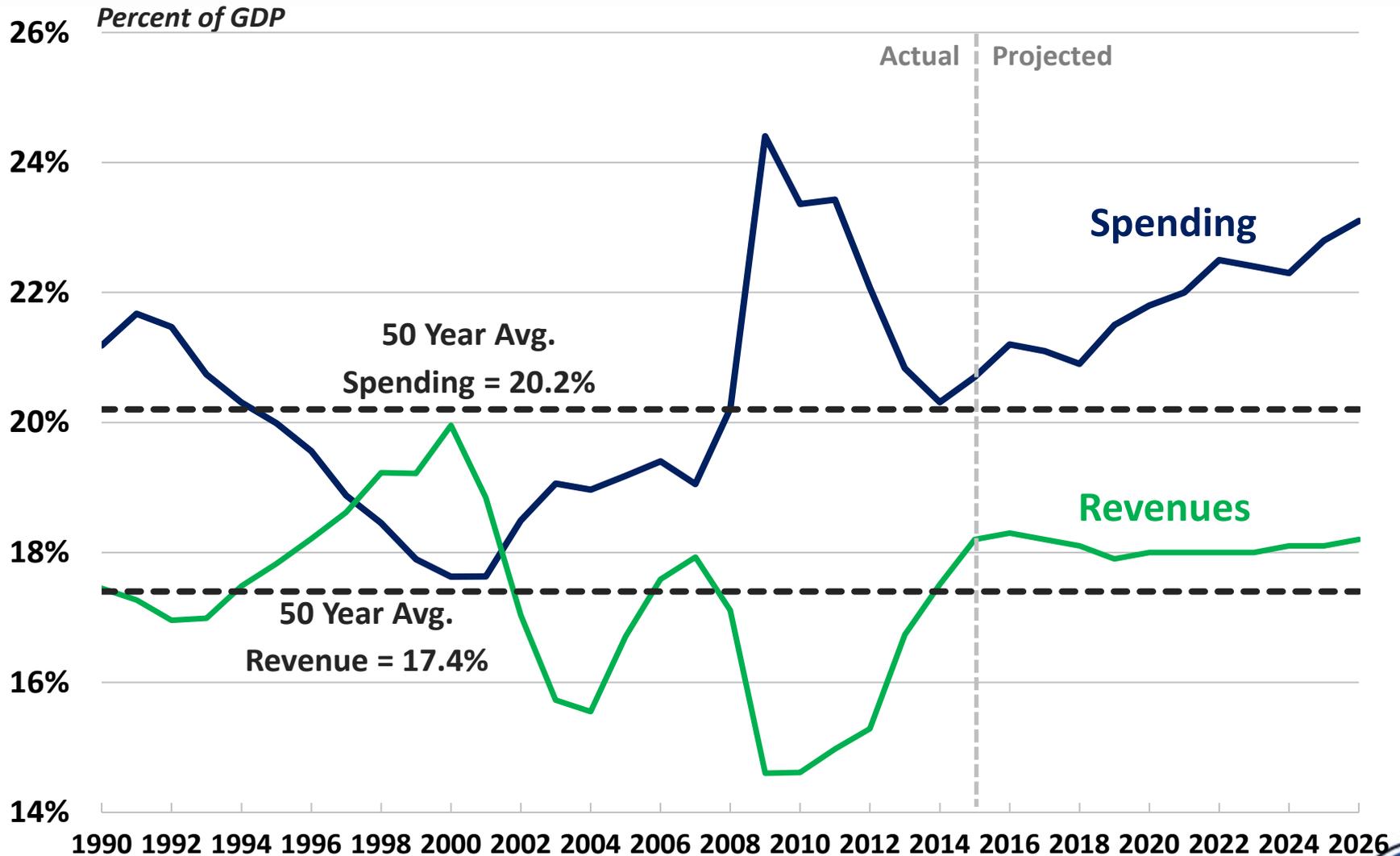
Note: Positives/negatives reflect increases/decreases in deficits. Numbers may not add due to rounding.

*Legislative changes are CRFB estimates based on previous CBO scores.

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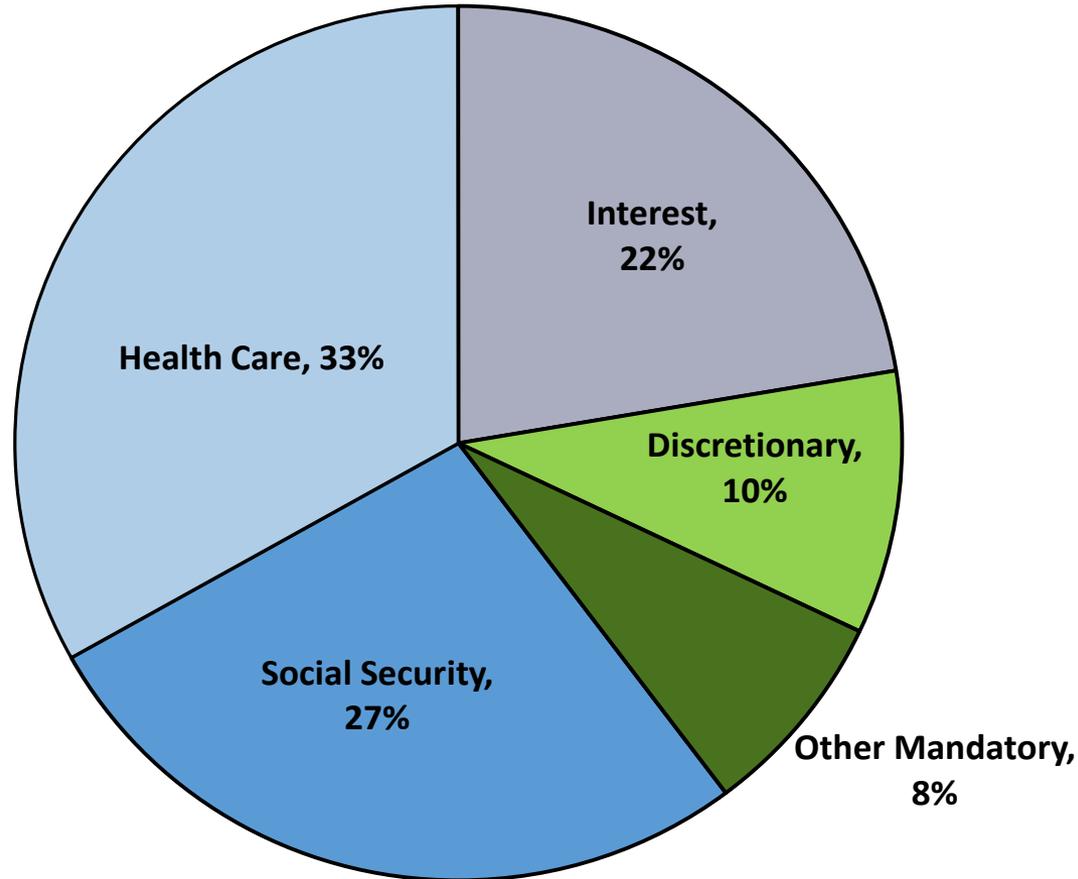


Gap Between Revenue and Spending



Most Spending Growth is Social Security, Health Care, and Interest

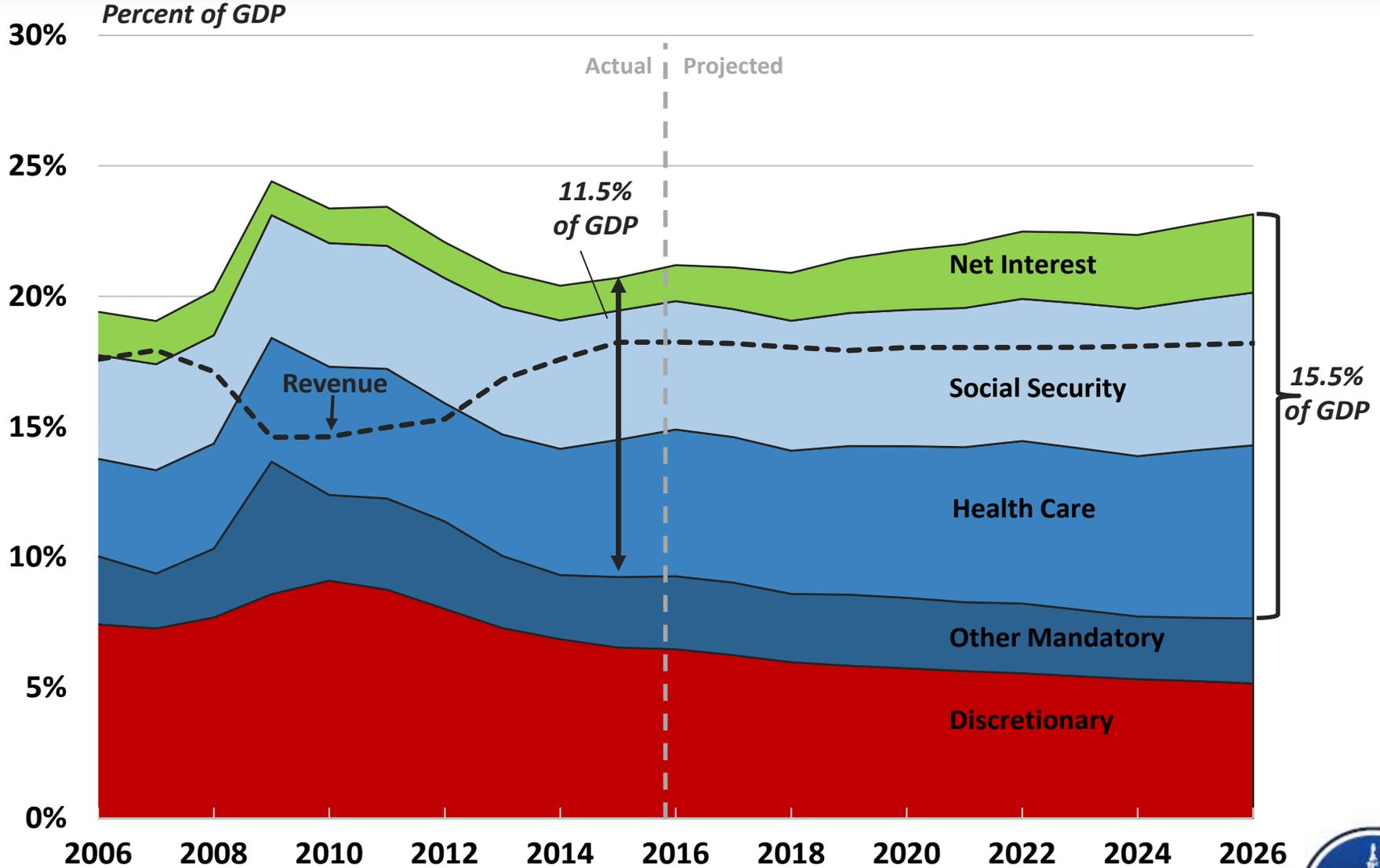
These three areas account for 83% of the \$2.7 trillion in nominal spending growth from 2015 to 2026.



Sources: CBO January 2016 Baseline, CRFB Calculations.

9 Numbers may not add due to rounding

Categories of Spending in the CBO Baseline

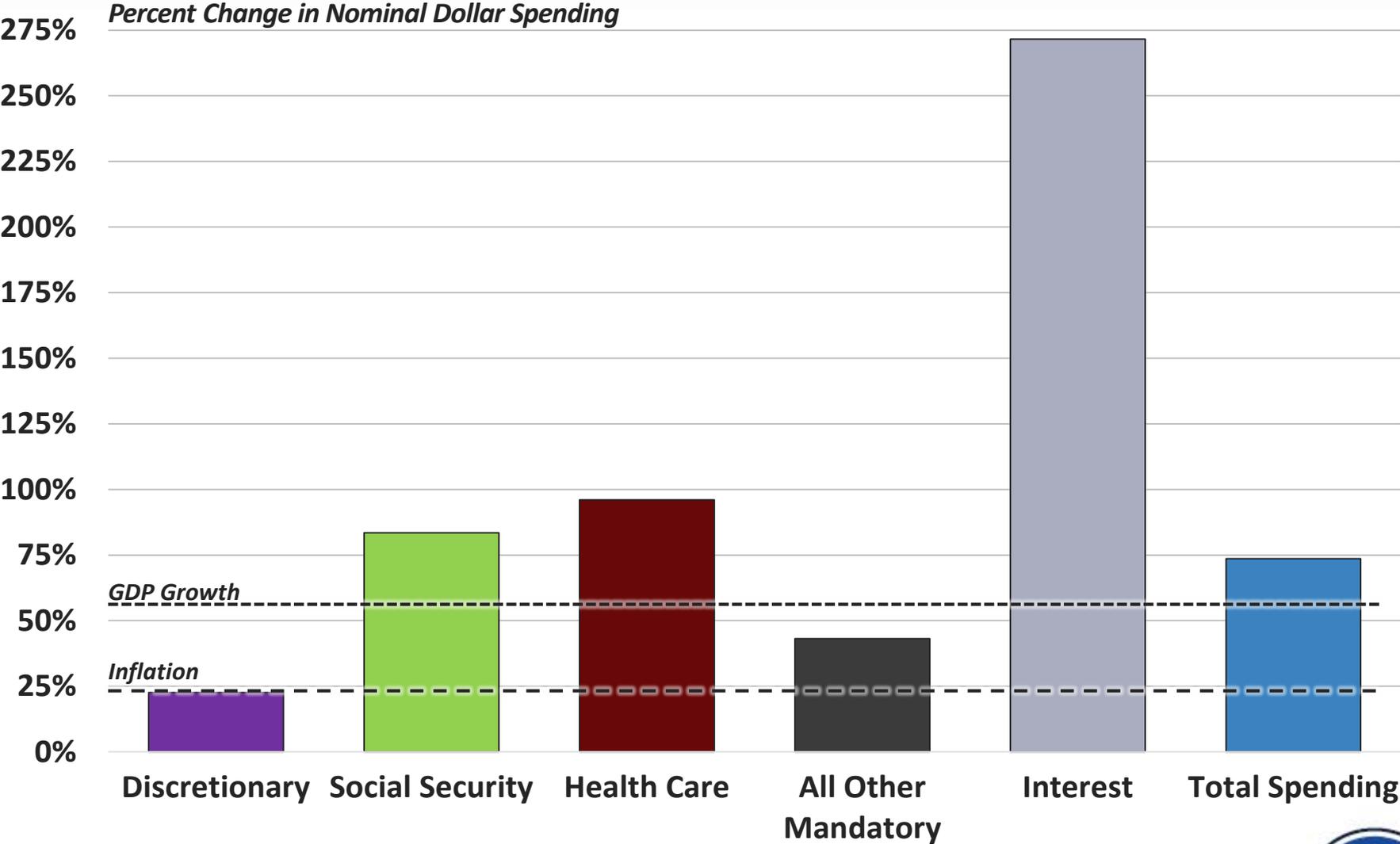


Sources: CBO, CRFB Calculations

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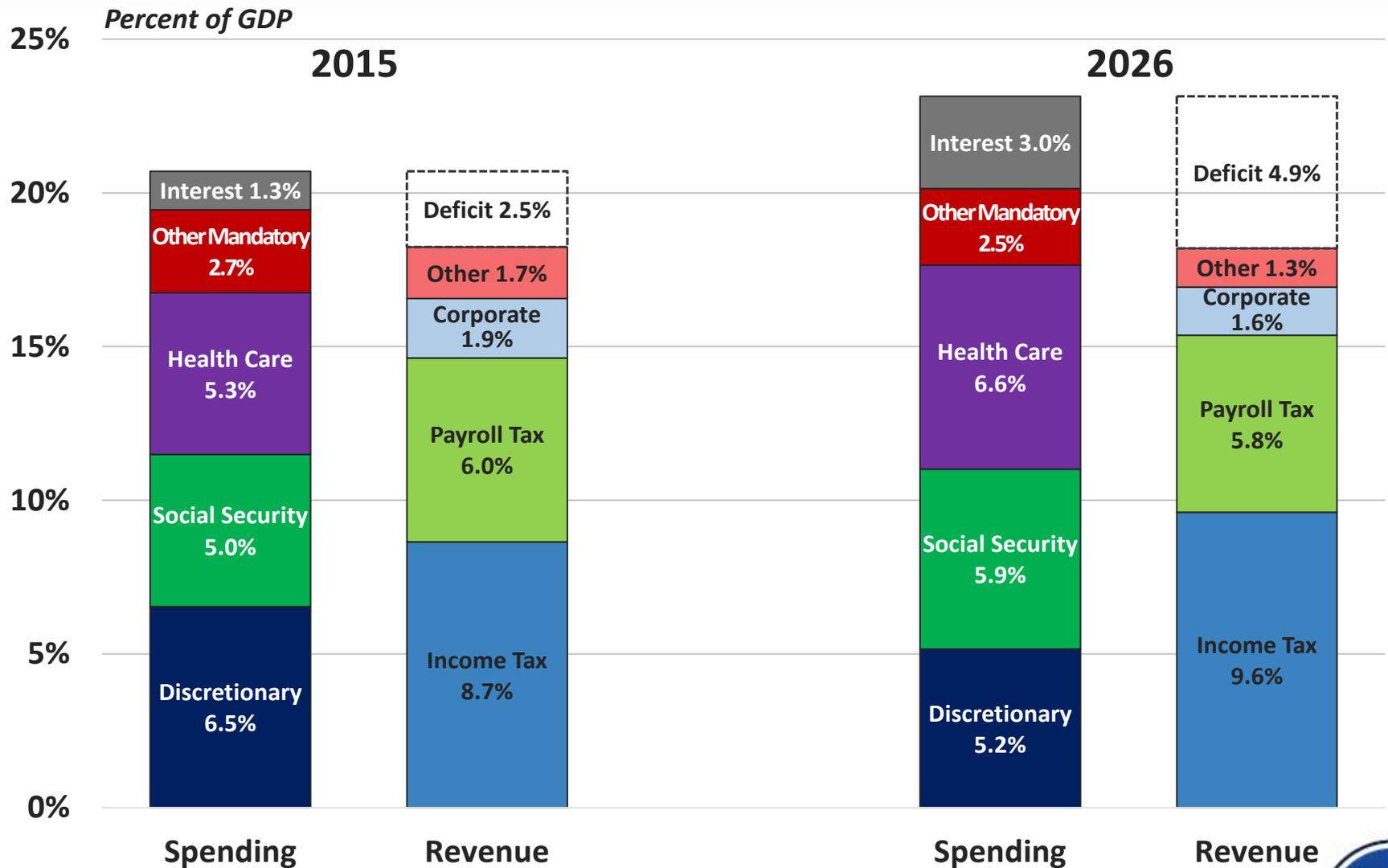
Some Areas of the Budget Growing Faster Than the Economy



Sources: CBO January 2016 Baseline, CRFB Calculations

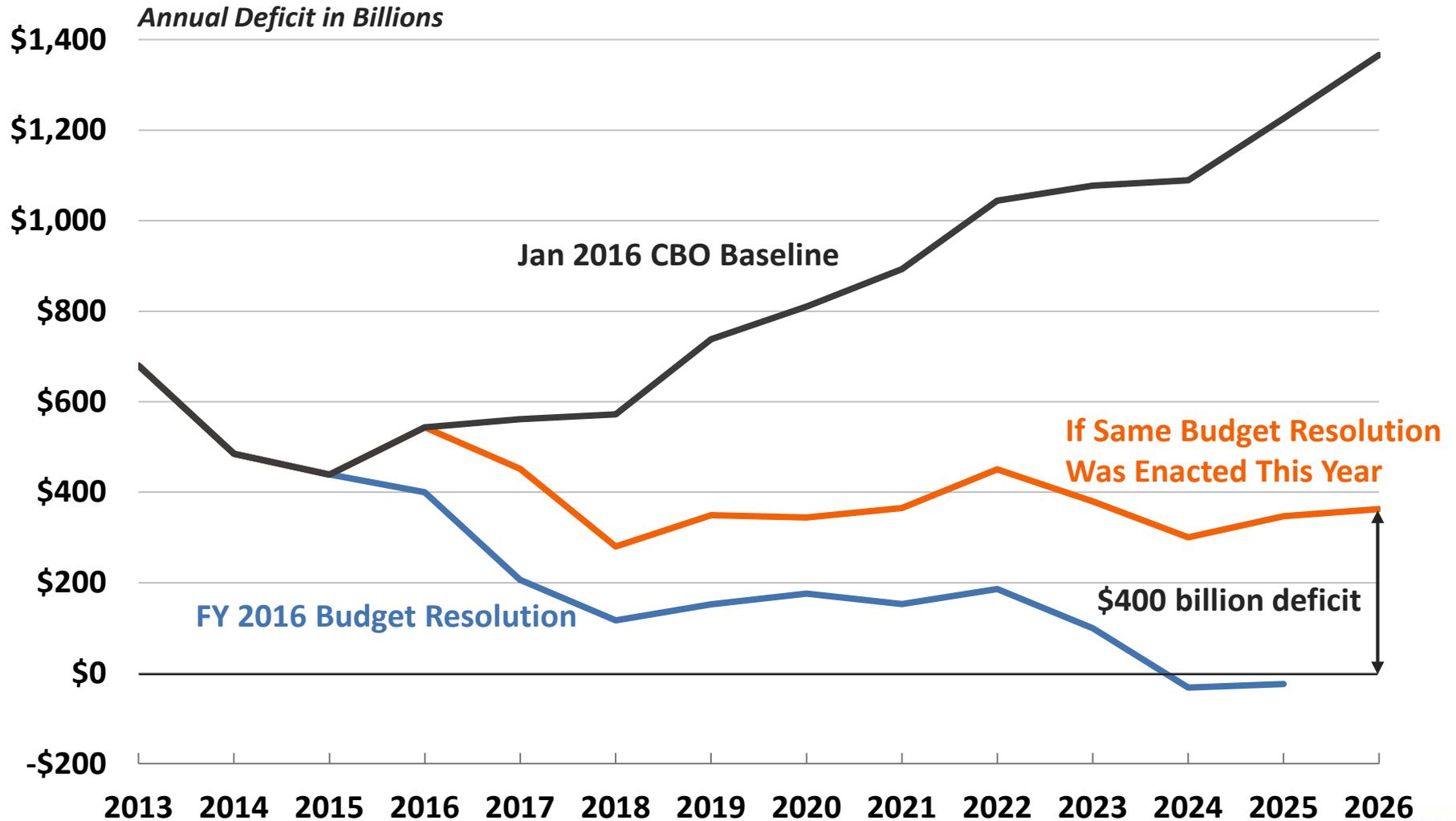


How Will the Budget Change in the Next Ten Years?



Sources: CBO January 2016 Baseline CRFB Calculations

Last Year's Budget Would Fall Short of Balance

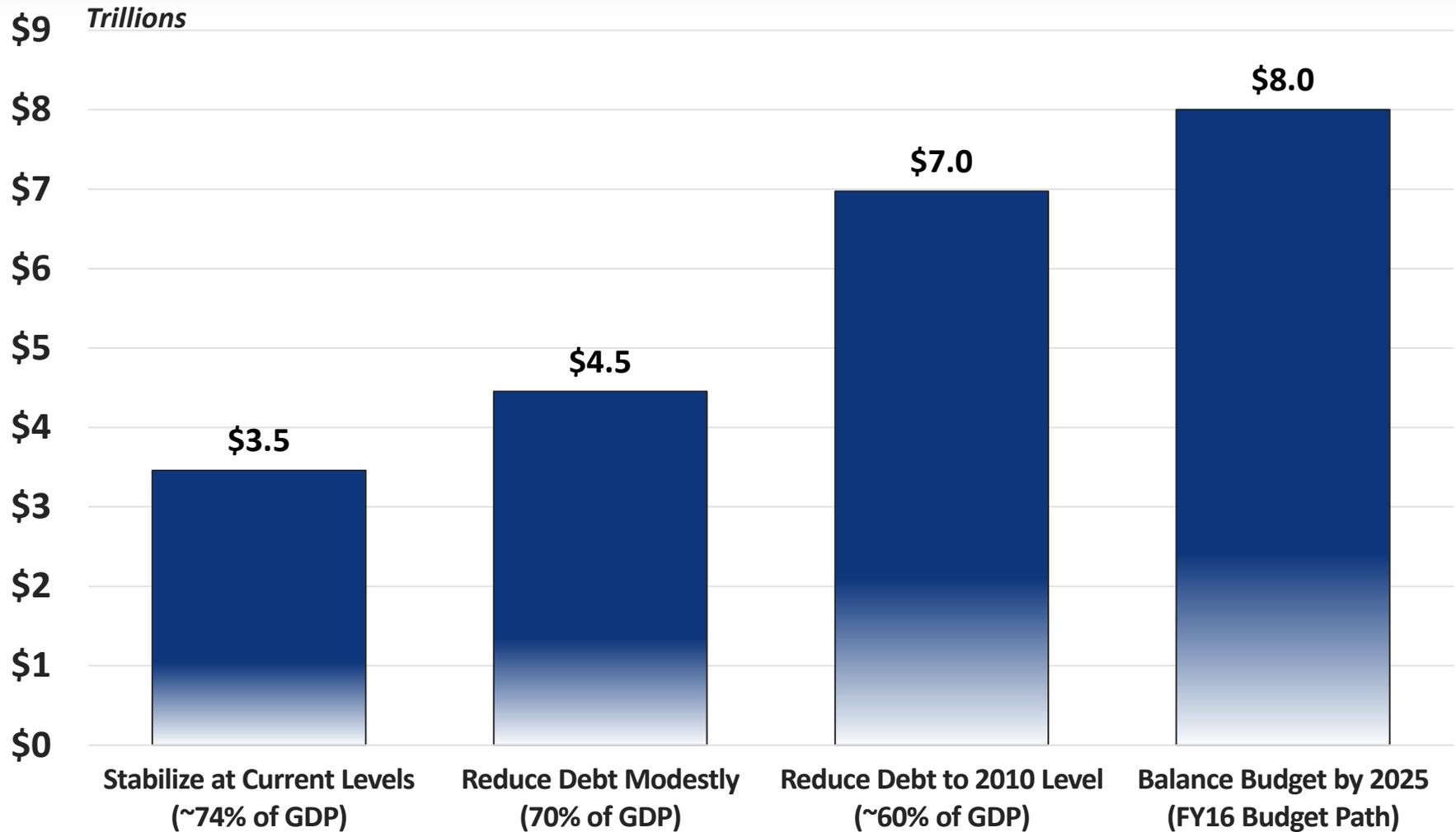


Sources: CBO January 2016 Baseline, House Budget Committee, CRFB Calculations.

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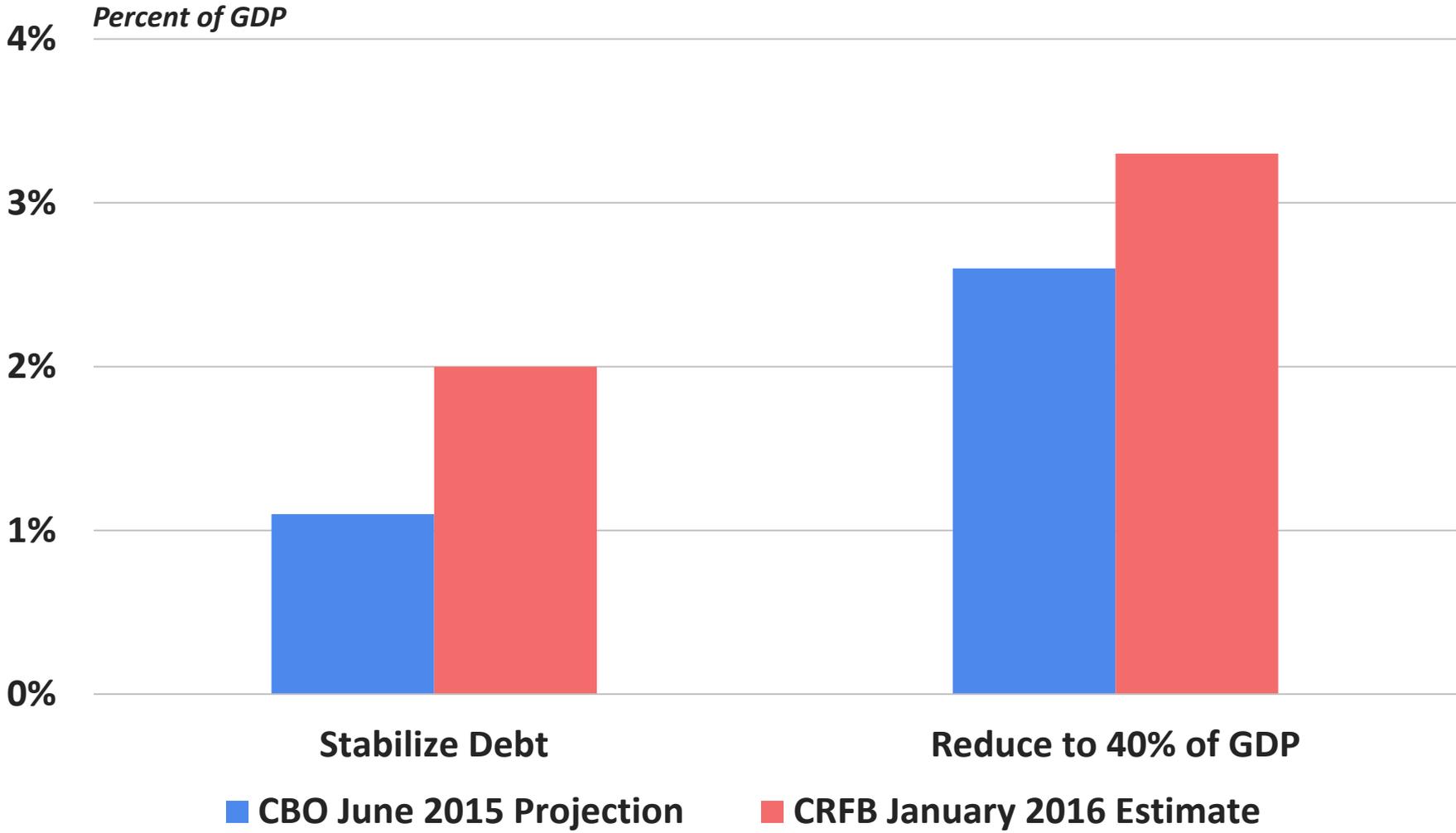
10-Year Deficit Reduction Needed to Meet Debt Goals



Sources: CBO, CRFB Calculations

Note: Balance Budget by 2025 uses a path similar to the FY 2016 Congressional Budget

Annual Deficit Reduction Needed to Reach 25-Year Debt Targets



Sources: Congressional Budget Office, CRFB calculations

