

# The Fiscal Outlook After the Debt Limit Deal

June 2023

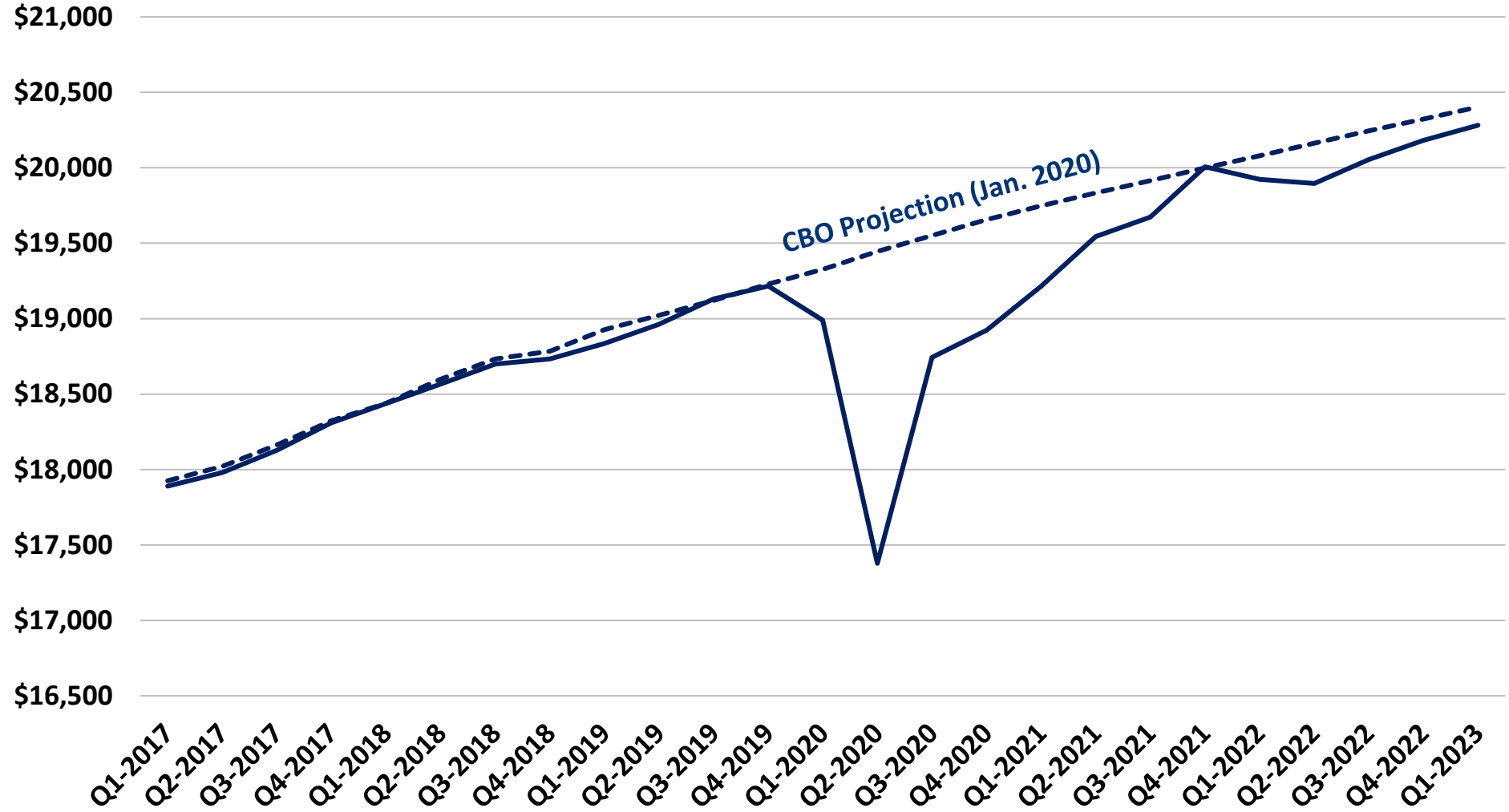


**COMMITTEE FOR A  
RESPONSIBLE FEDERAL BUDGET**

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# The Economy Has Recovered from the COVID Crisis

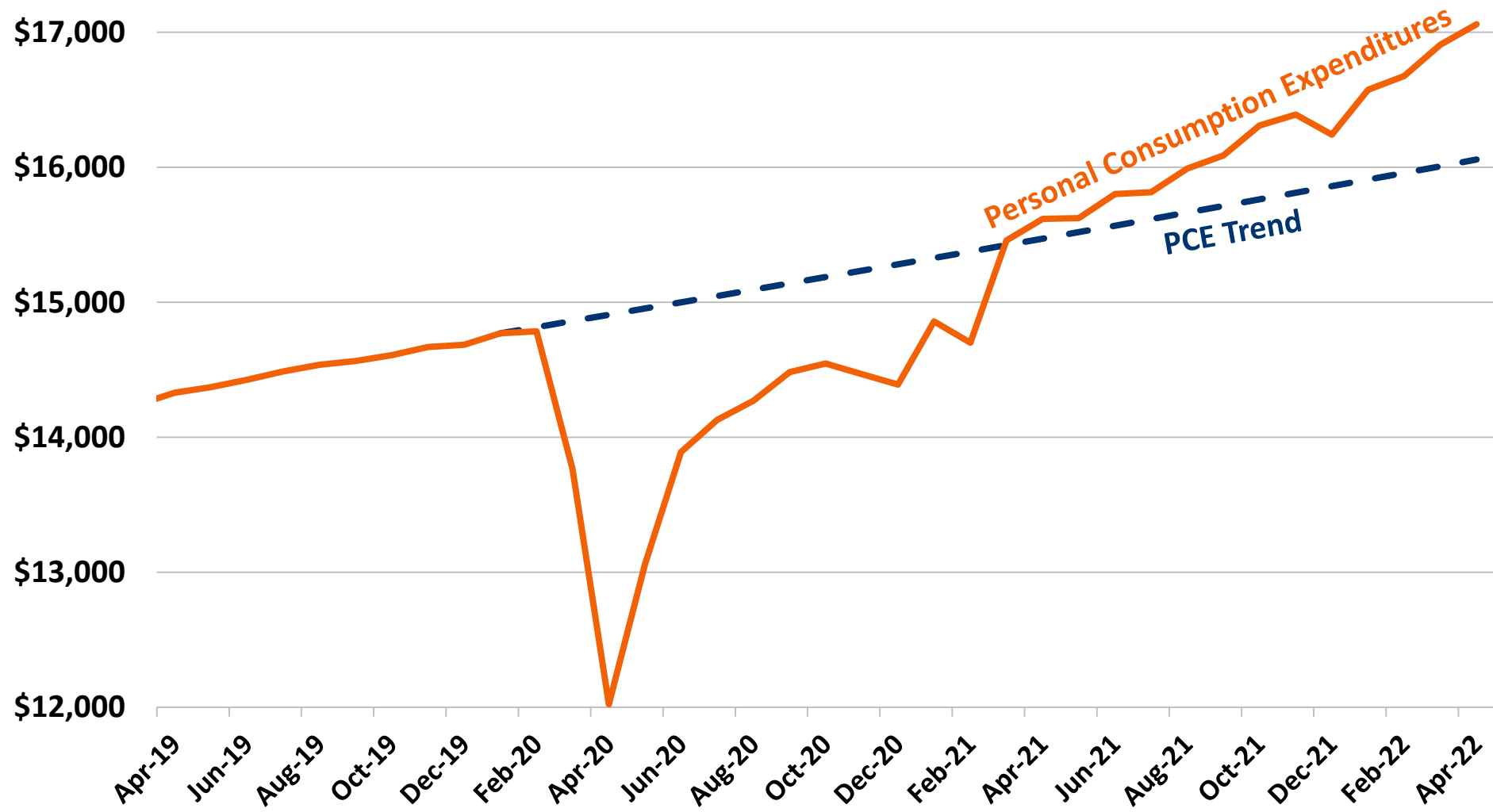
Real Gross Domestic Product (Billions of chained 2012 dollars)



Sources: Bureau of Economic Analysis, Congressional Budget Office

# Demand Is Strong...Probably Too Strong

Nominal Personal Consumption Expenditures (PCE) in billions

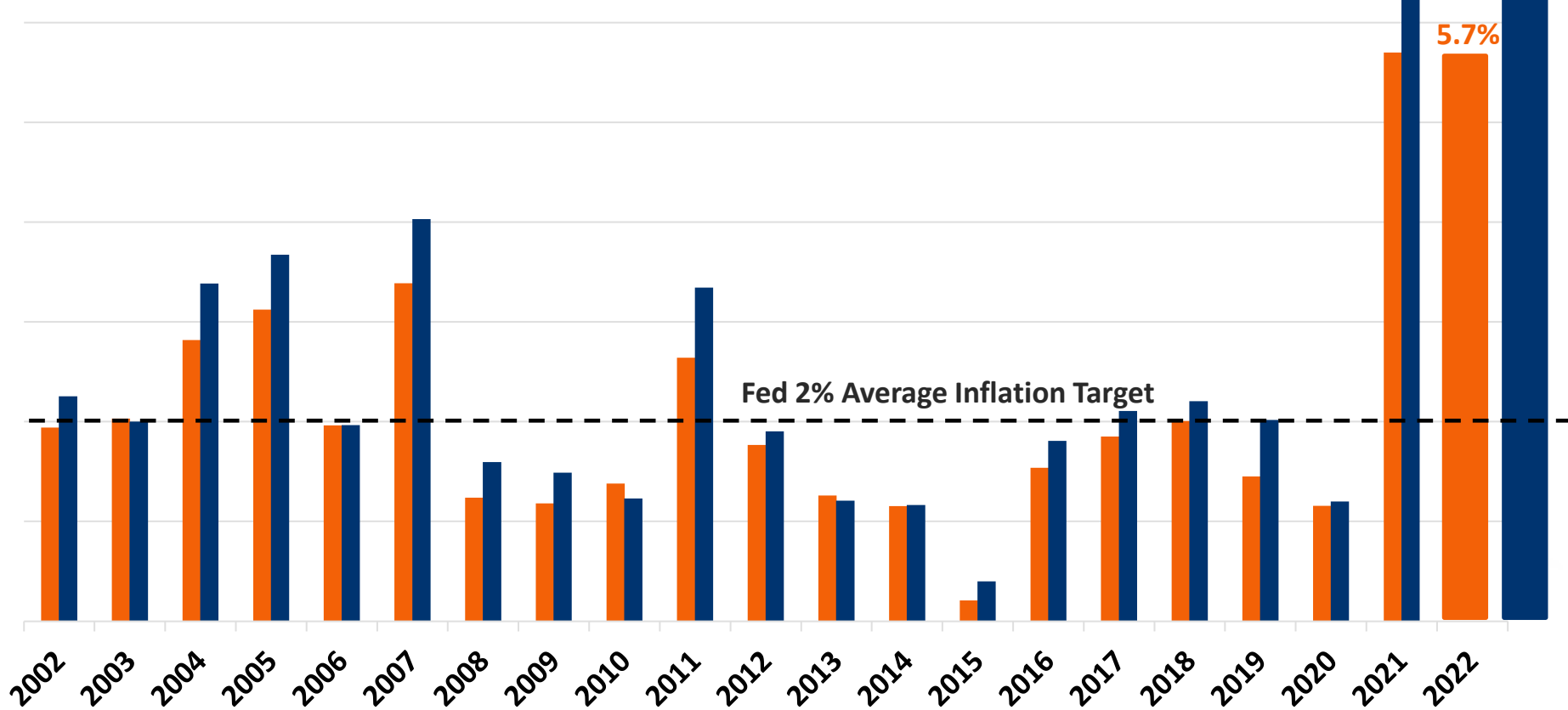


Sources: Congressional Budget Office, CRFB Calculations.

# Inflation Surged in 2021 and 2022

8% *Calculation based on Q4/Q4*

■ PCE Price Index  
■ Consumer Price Index (CPI)

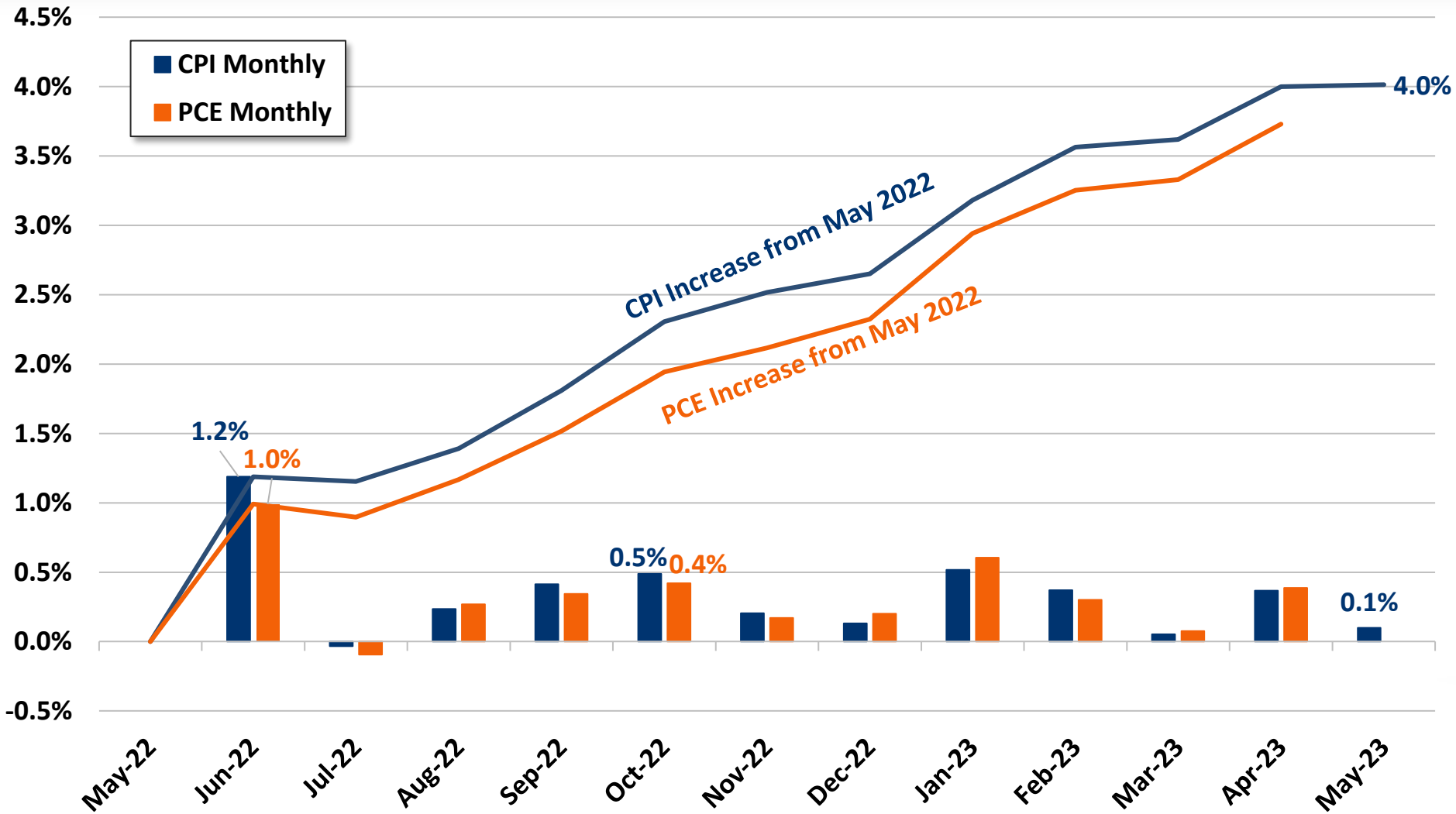


Sources: Bureau of Labor Statistics, Bureau of Economic Analysis, and Committee for a Responsible Federal Budget.

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# And Inflation Remains Elevated



Sources: Bureau of Labor Statistics, Bureau of Economic Analysis, and Committee for a Responsible Federal Budget.

# Increasing the Cost of Everything



\$27,500  
(+50%)



\$2,000 per month  
(+15%)



\$3.49<sup>99</sup>  
(+40%)



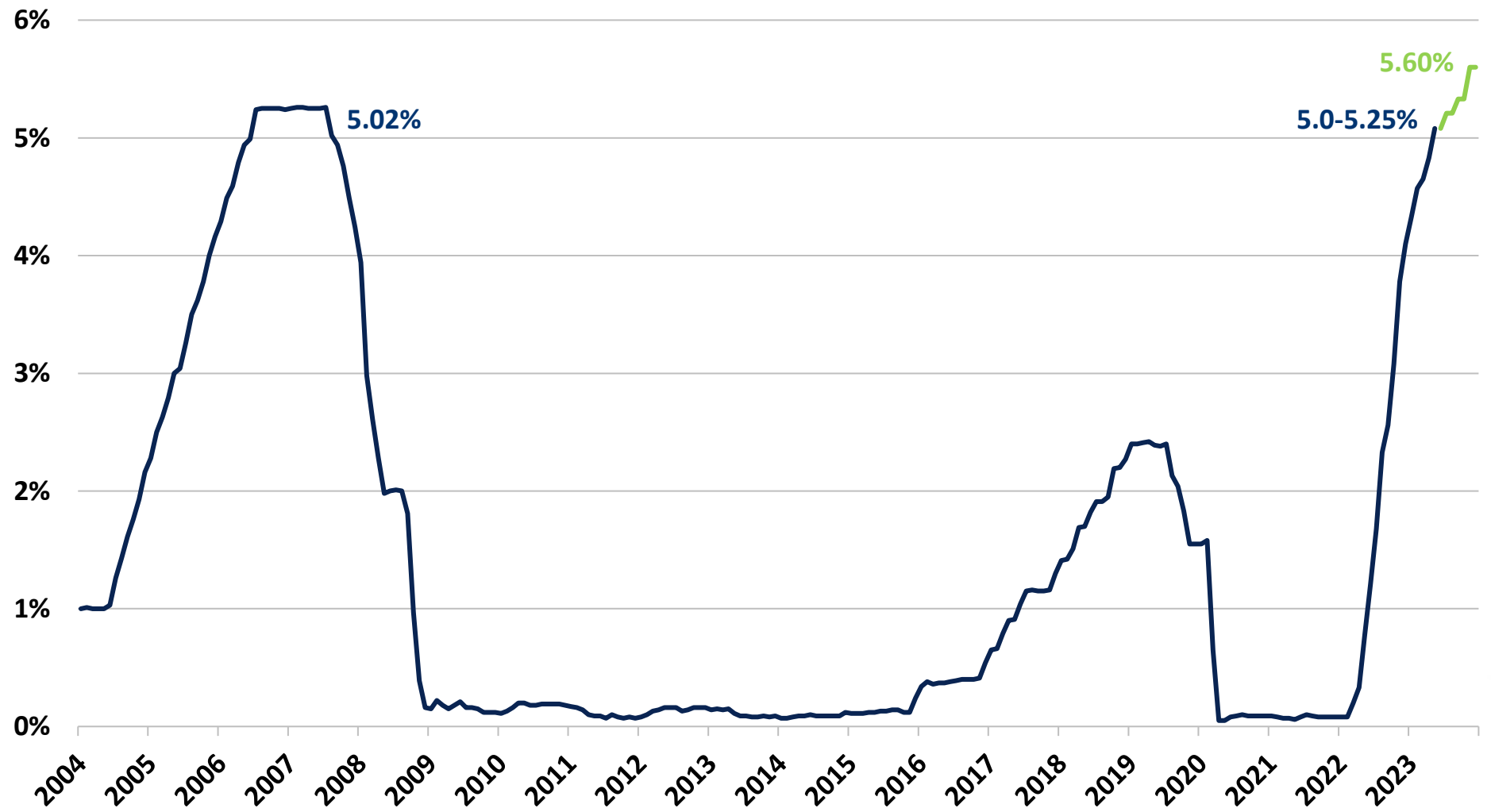
\$21.17  
(+22%)



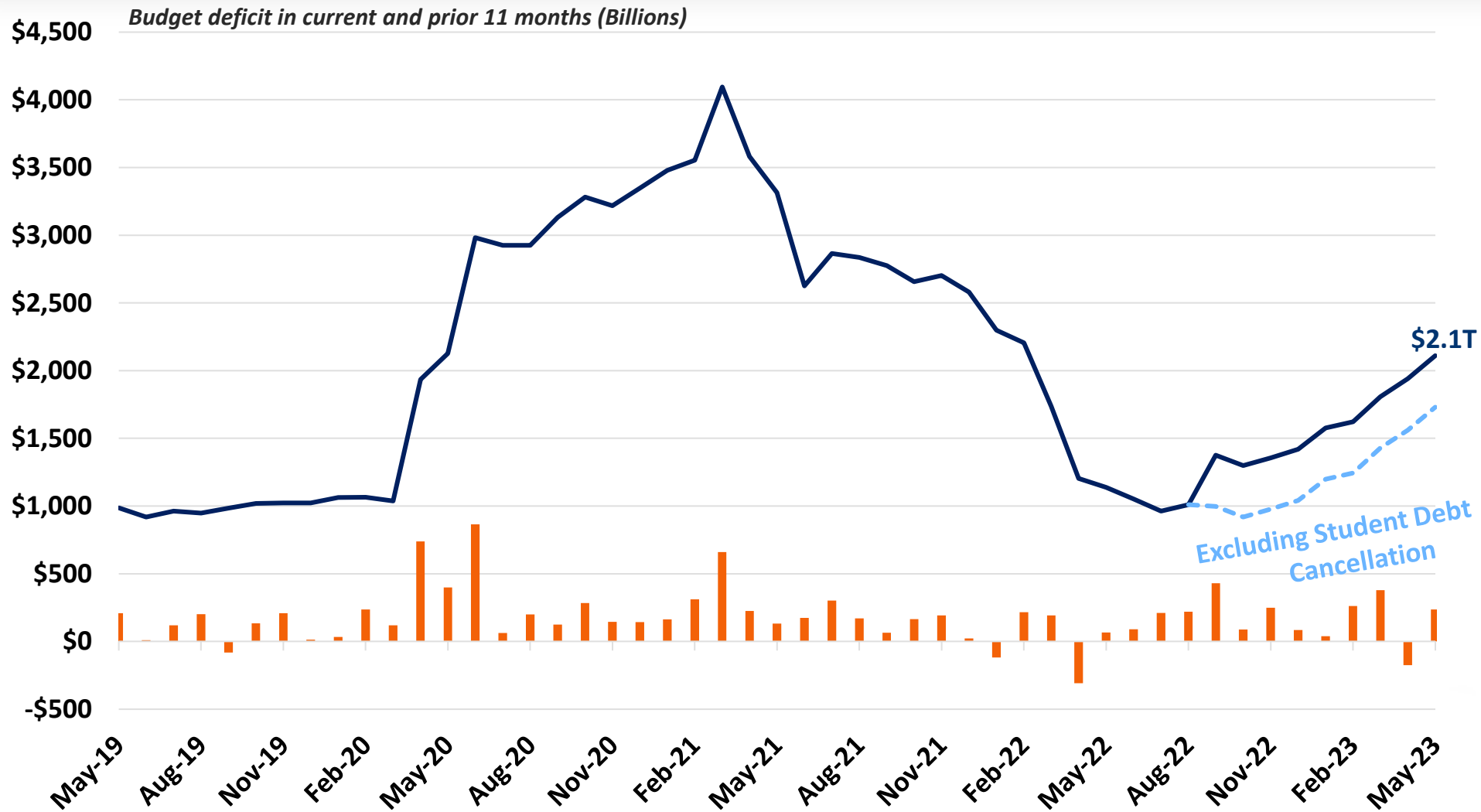
\$4.31  
(+38%)



# The Fed is Raising Rates to Fight Inflation



# But Fiscal Policy Is Pushing in the Other Direction



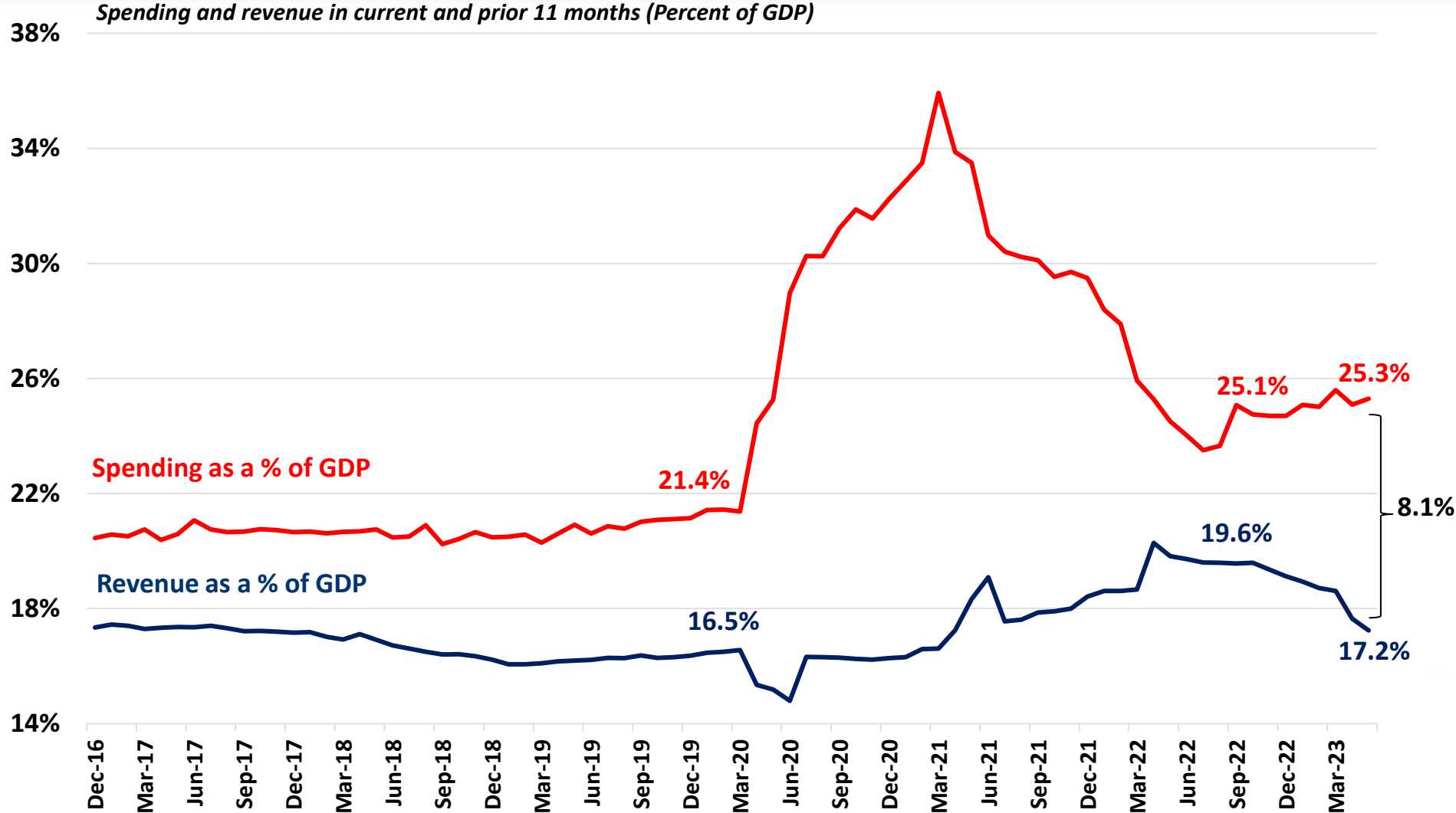
Excluding Student Debt Cancellation

\$2.1T





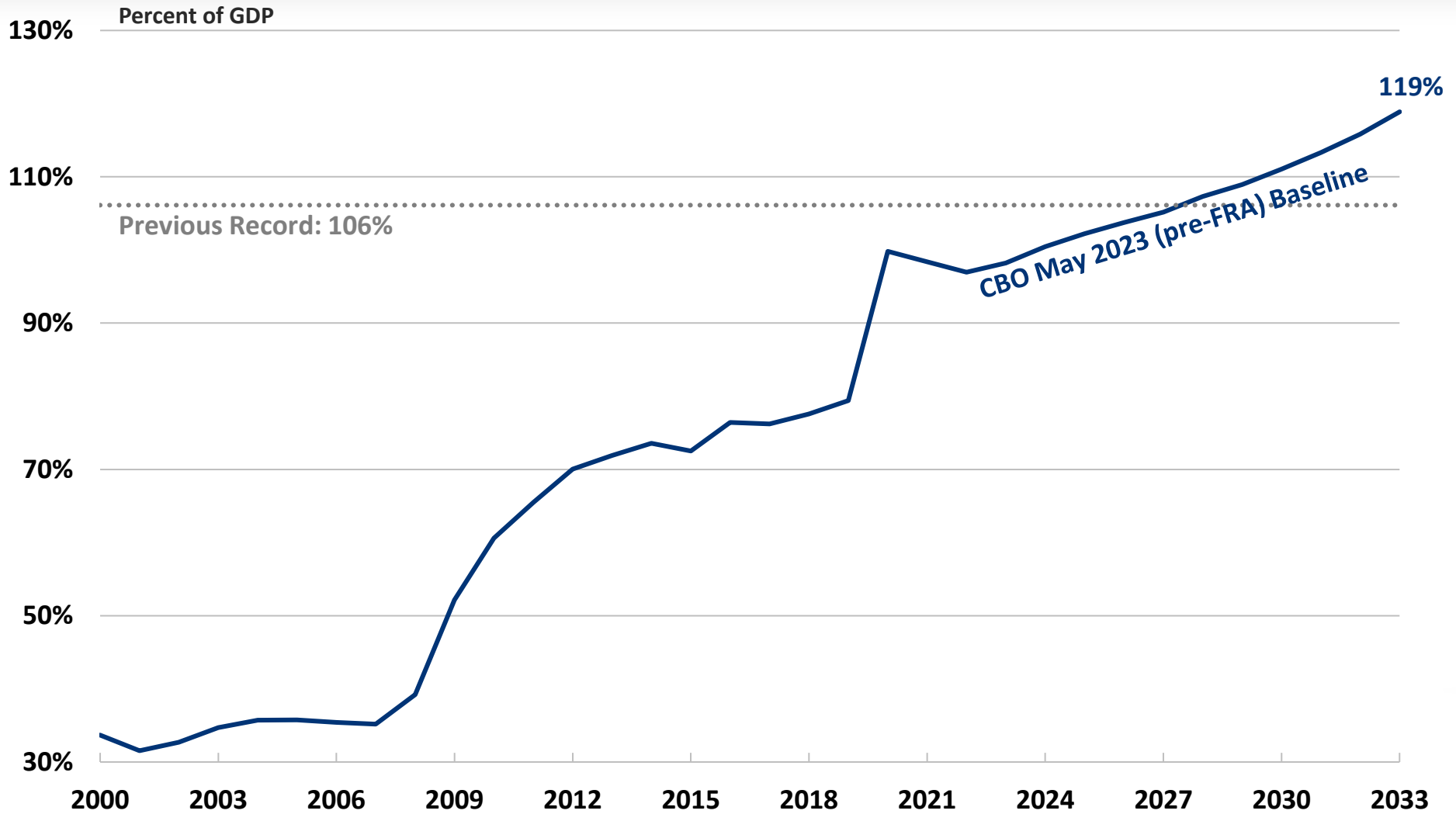
# Deficits Are Growing as Spending and Revenue Diverge



Sources: Office of Management and Budget, U.S. Department of Treasury, Macroeconomic Advisers, and Committee for a Responsible Federal Budget.

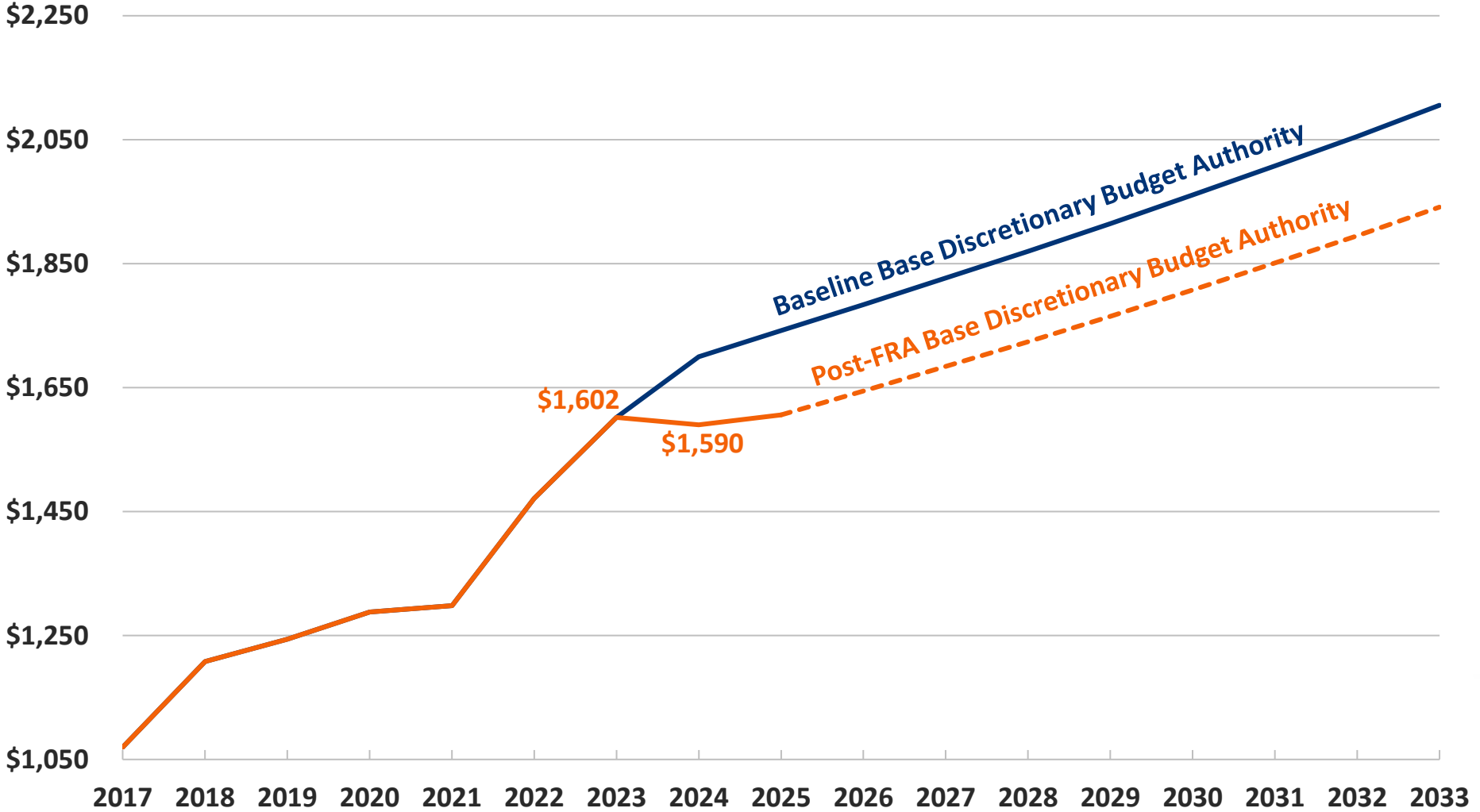


# And Debt Was Accumulating Rapidly



# The Fiscal Responsibility Act Capped Appropriations

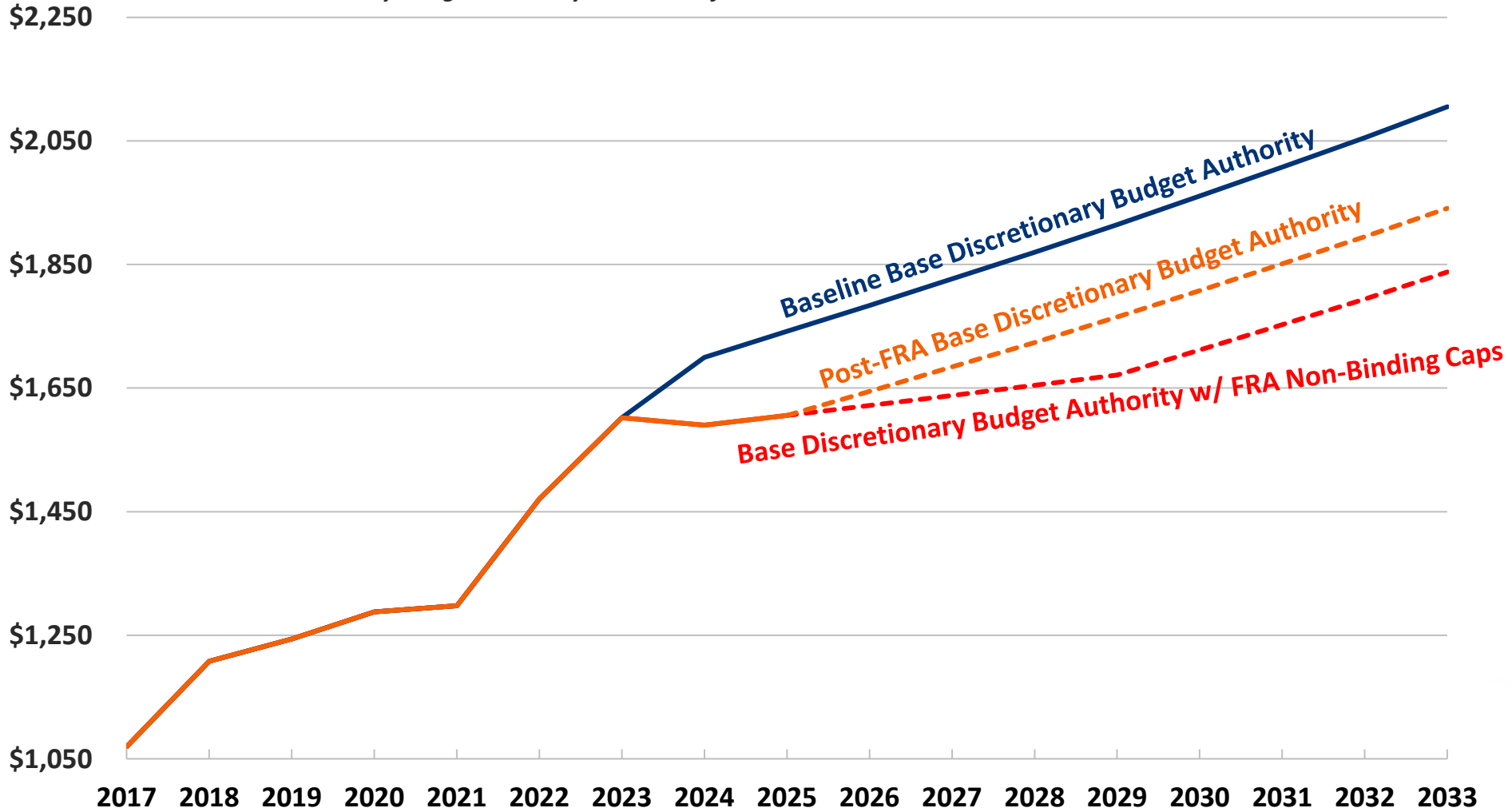
Total Base Discretionary Budget Authority in Billions of Nominal Dollars



Sources: Bill Text, Congressional Budget Office, and Committee for a Responsible Federal Budget.

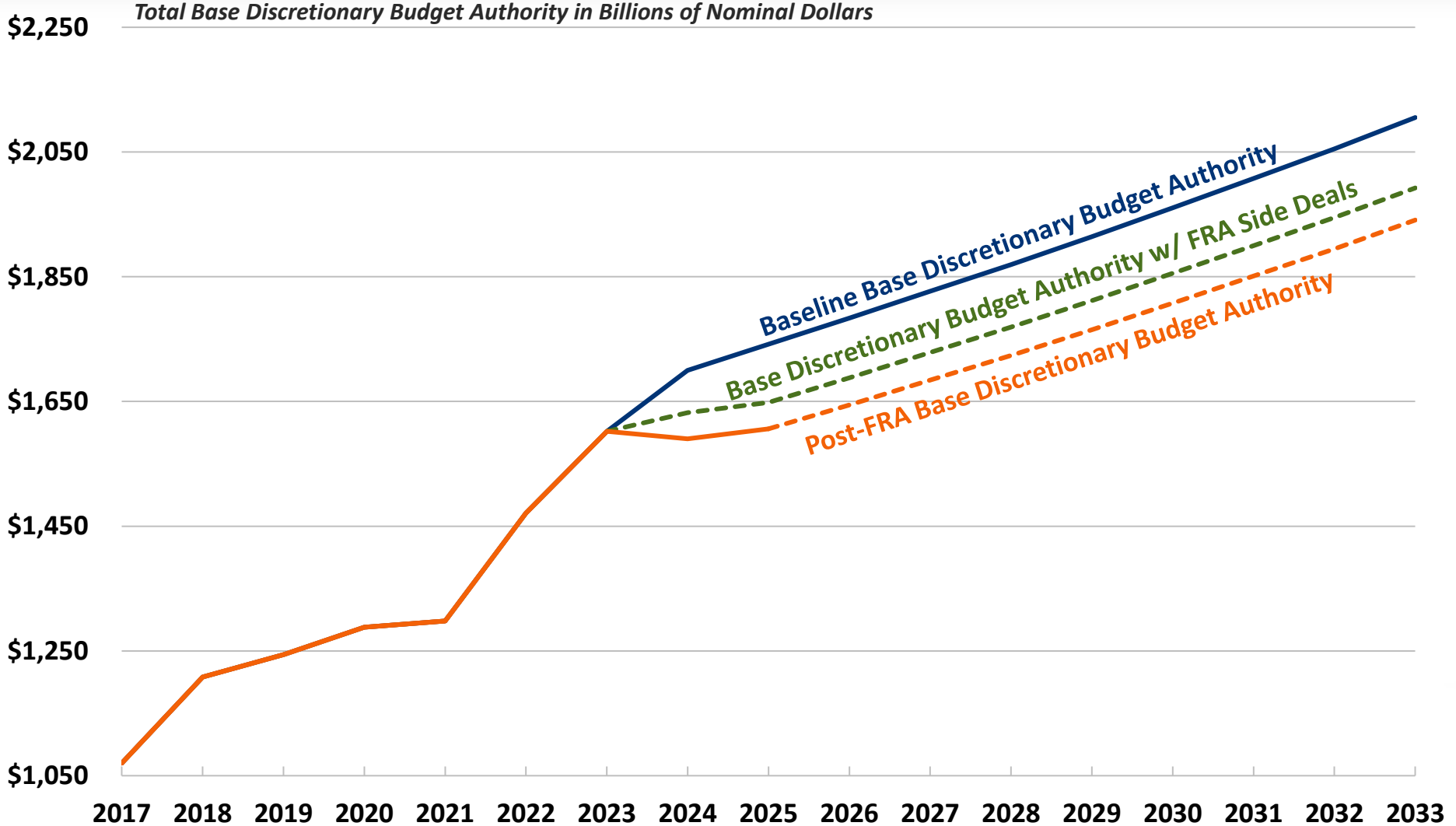
# The Fiscal Responsibility Act Capped Appropriations

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# The Fiscal Responsibility Act Capped Appropriations

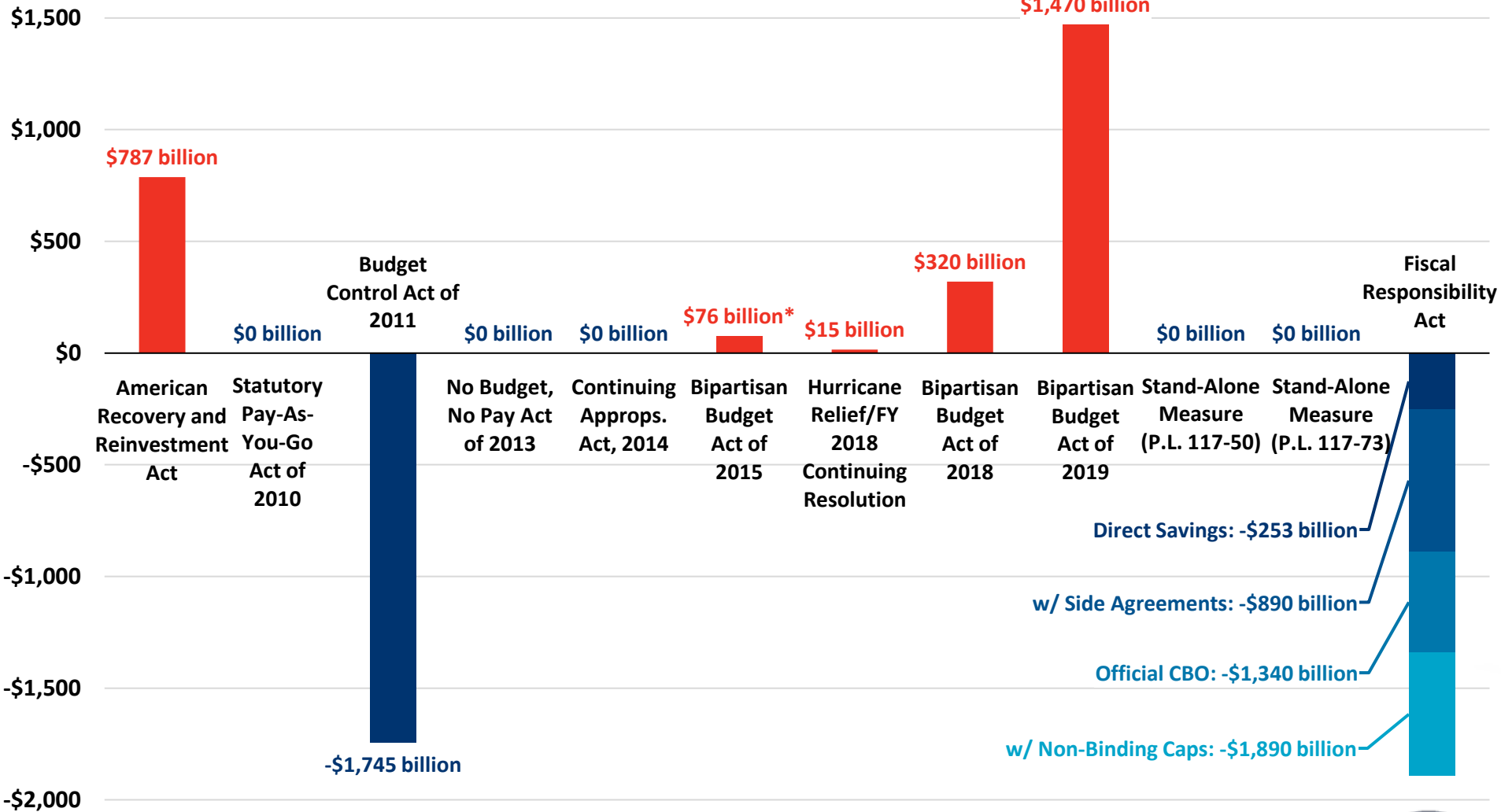


# The FRA Could Save \$1 to \$2 Trillion

Policy	With Side Agreements*	Official CBO Score	With Non-Binding Caps
Cap discretionary appropriations in FY 2024 and FY 2025	\$160 billion	\$245 billion	\$245 billion
Baseline savings from lower appropriations in FY 2026 to FY 2029	\$400 billion	\$560 billion	\$785 billion
Baseline savings from lower appropriations in future years	\$340 billion	\$525 billion	\$855 billion
Rescind unobligated COVID relief funds	\$11 billion	\$11 billion	\$11 billion
Rescind increased IRS funding	-\$20 billion	-\$1 billion	-\$1 billion
Reform work requirements in TANF and SNAP	-\$2 billion	-\$2 billion	-\$2 billion
<b>Total Policy Savings</b>	<b>\$890 billion</b>	<b>\$1.3 trillion</b>	<b>\$1.9 trillion</b>
Interest	\$120 billion	\$188 billion	\$240 billion
<b>Total Savings</b>	<b>\$1.0 trillion</b>	<b>\$1.5 trillion</b>	<b>\$2.1 trillion</b>

# The Most Deficit Reduction in Nearly 12 Years

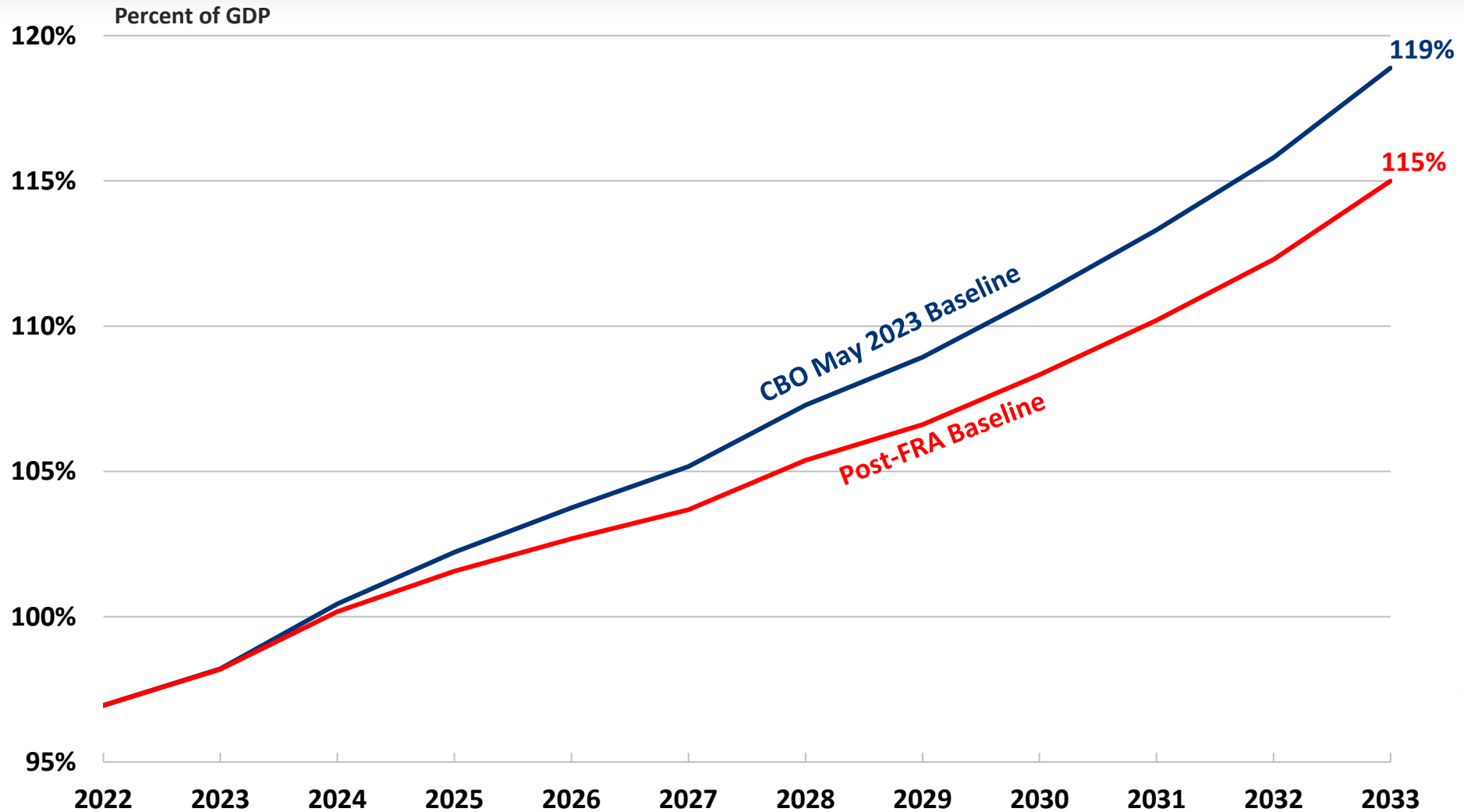
10-Year Fiscal Impact, Excluding Interest (billions)



\* BBA 2015 scored as roughly budget neutral but relied on increased spending outside the caps and other gimmicks. Actual cost depends on how those are evaluated.

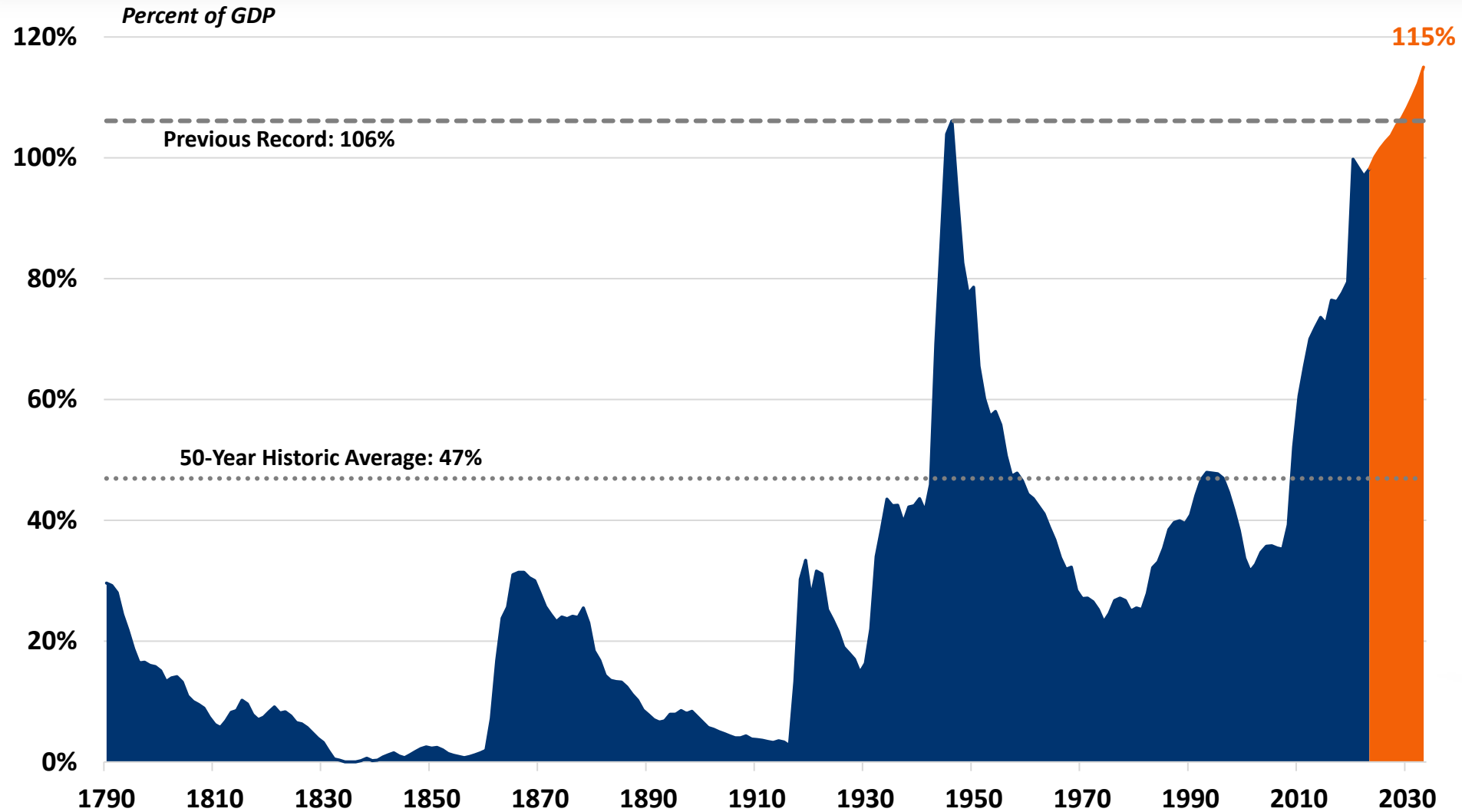
Source: Committee for a Responsible Federal Budget, Congressional Budget Office.

# The FRA Would Slow Debt Growth

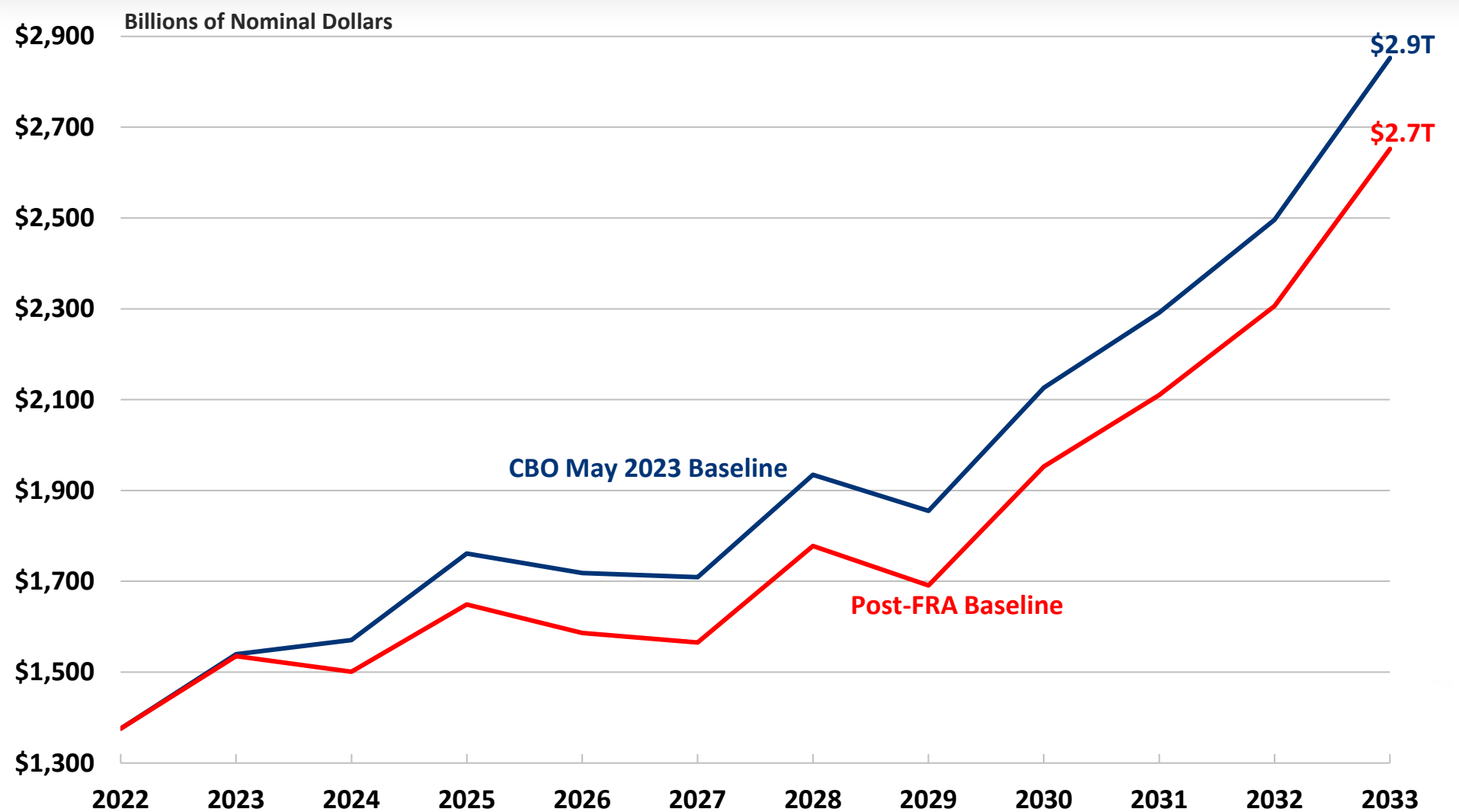




# But Debt Will Still Reach Record Levels

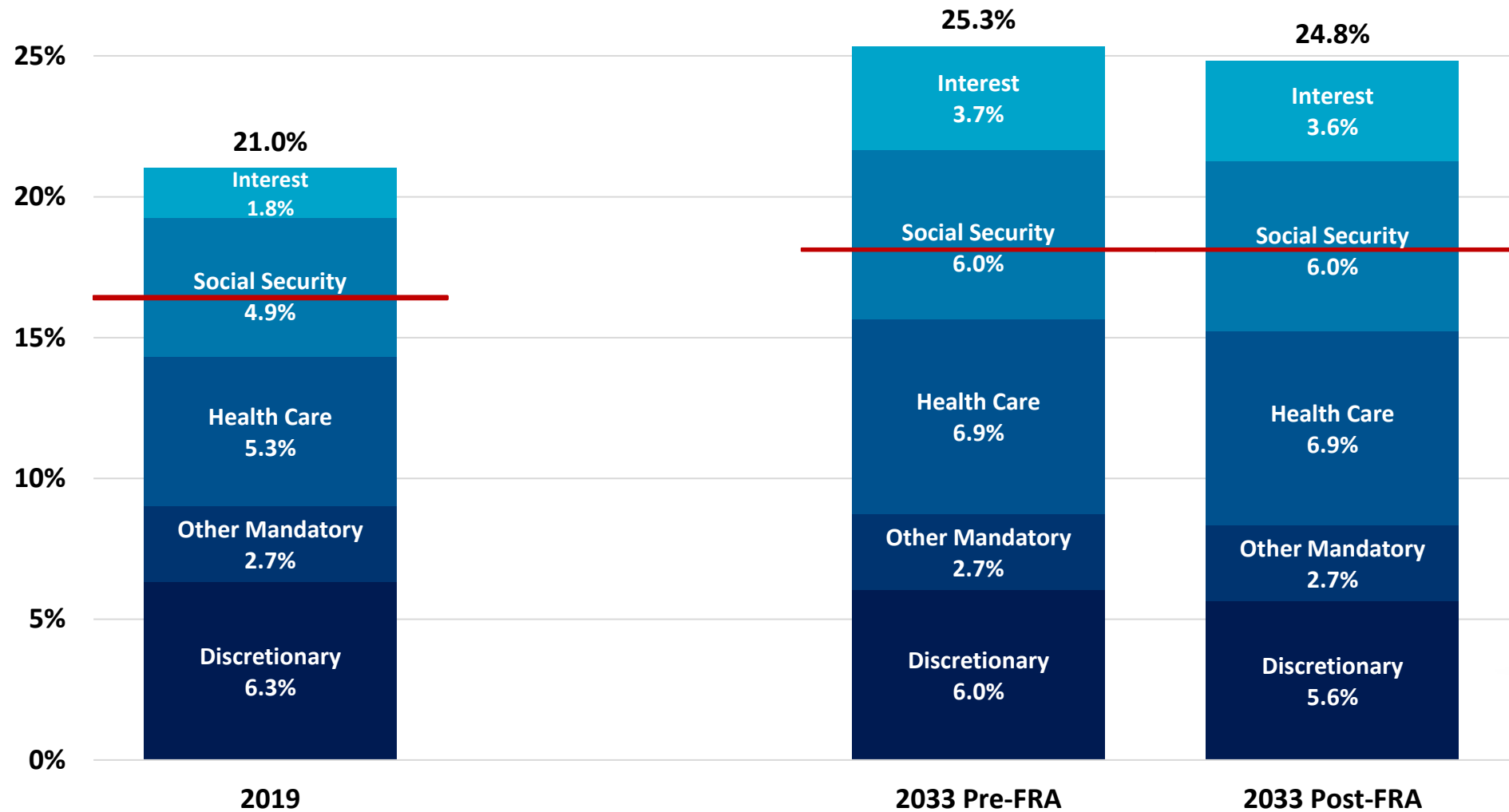


# FRA Will Slow, But Not Prevent, Rising Deficits

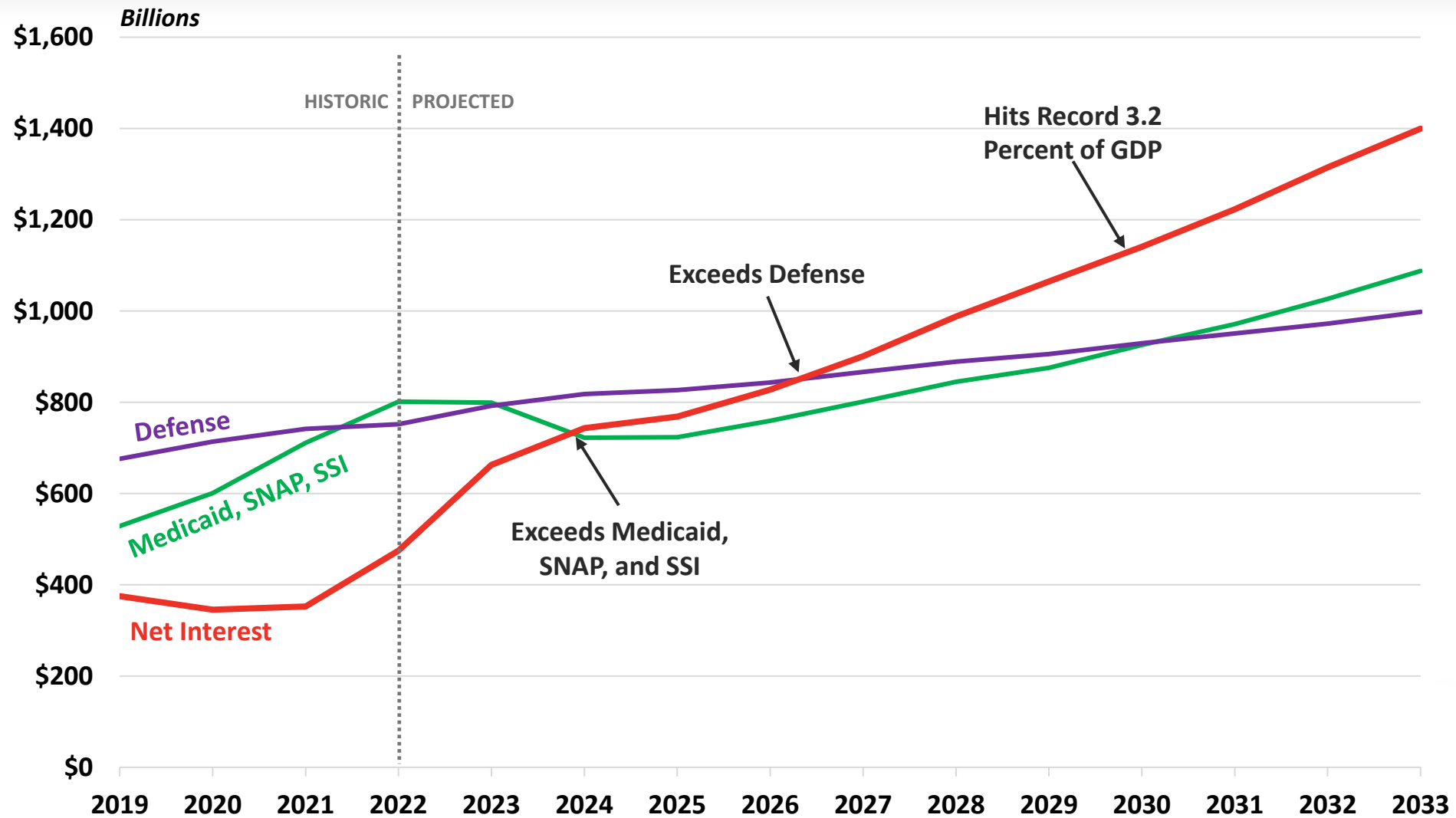


# And Slow, But Not Prevent, Spending Growth

Percent of GDP

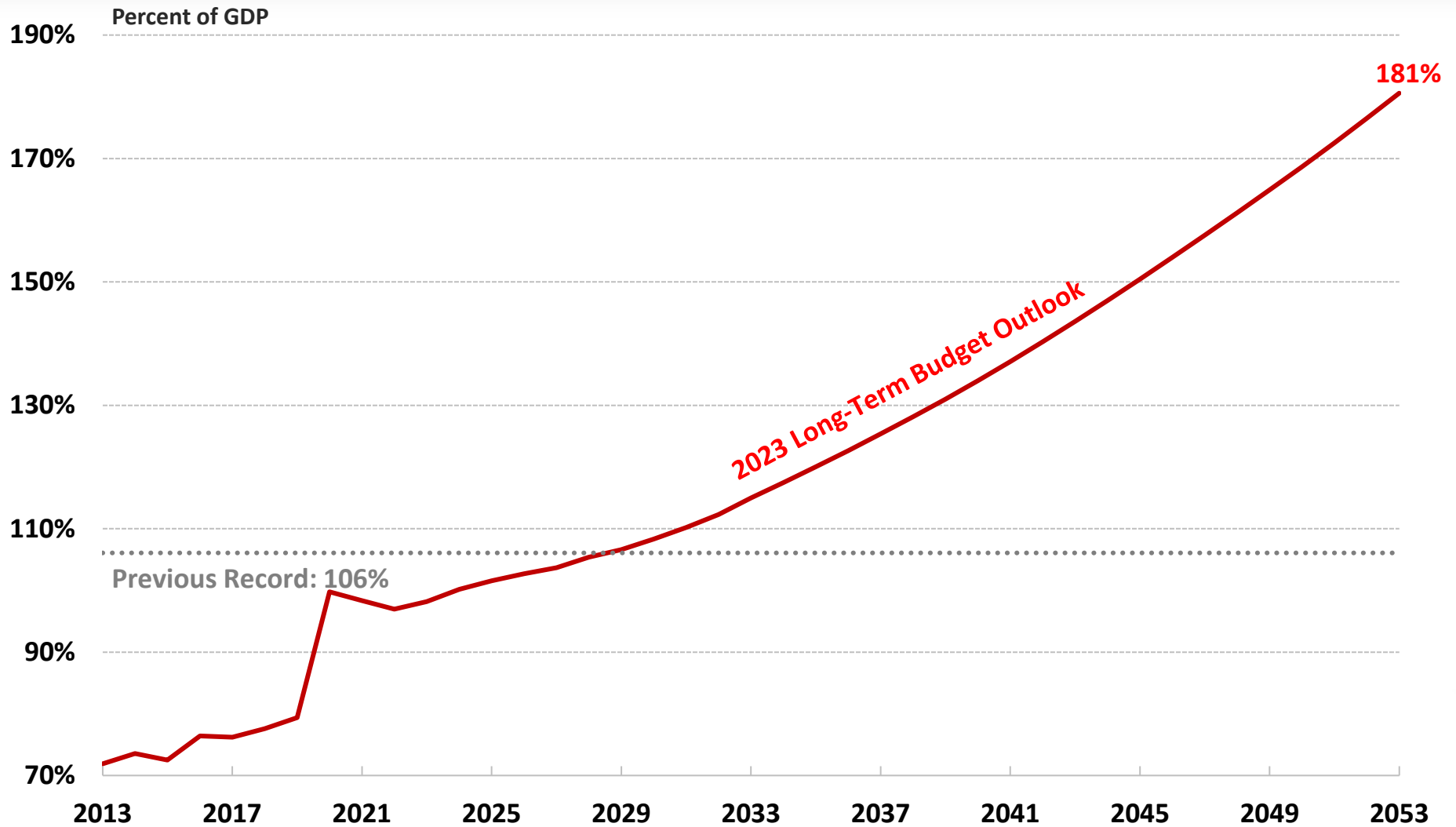


# Interest Payments Will Continue to Explode



Source: Committee for a Responsible Federal Budget, Congressional Budget Office

# The Long-Term Outlook is Especially Unsustainable



# Due to Rising Health, Retirement, and Interest Costs

	2023	2027	2033	2043	2053
<b>Spending</b>	<b>24.2%</b>	<b>23.1%</b>	<b>24.4%</b>	<b>26.7%</b>	<b>29.1%</b>
Social Security	5.1%	5.5%	6.0%	6.2%	6.2%
Health Care	5.8%	5.7%	6.6%	8.0%	8.6%
Other Mandatory	4.2%	2.9%	2.6%	2.4%	2.1%
Discretionary	6.5%	6.1%	5.6%	5.4%	5.4%
Net Interest	2.5%	2.9%	3.6%	4.8%	6.7%
<b>Revenue</b>	<b>18.4%</b>	<b>18.1%</b>	<b>18.1%</b>	<b>18.6%</b>	<b>19.1%</b>
<b>Deficit</b>	<b>5.8%</b>	<b>5.0%</b>	<b>6.4%</b>	<b>8.1%</b>	<b>10.0%</b>
<b>Debt</b>	<b>98%</b>	<b>104%</b>	<b>115%</b>	<b>144%</b>	<b>181%</b>

Source: Congressional Budget Office.



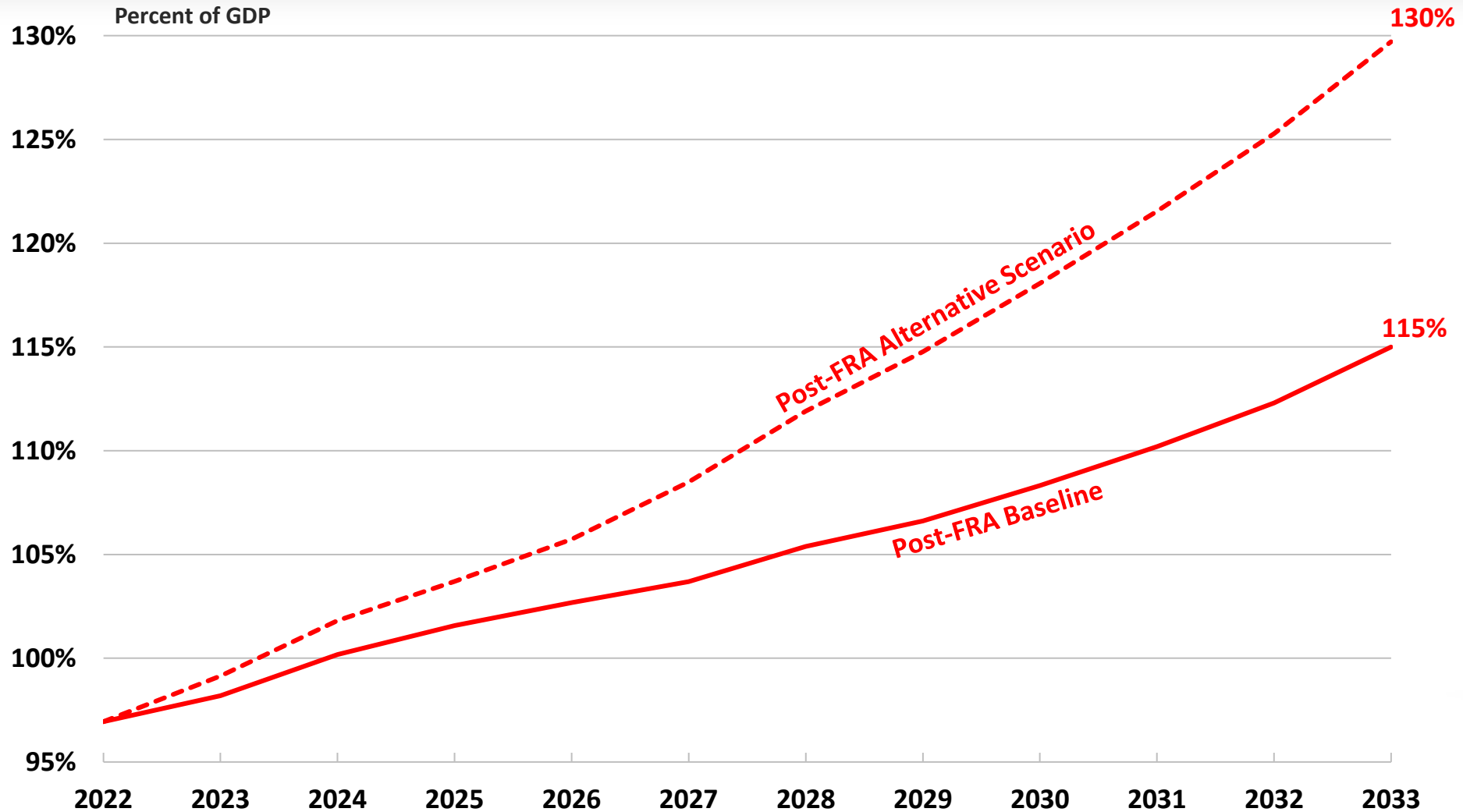
# Policy Extensions Could Worsen the Debt

Assumptions in Alternative Scenario	Billions of Dollars	% of GDP
<b>Debt in FY 2033 Under Post-FRA Baseline</b>	<b>\$45,181 billion</b>	<b>115.0%</b>
Incorporate Weak Revenue Collections	\$440 billion	+1.1%
Adopt FY 2024 and FY 2025 discretionary spending caps with side agreements and grow with GDP after caps expire	\$1,417 billion	+3.6%
Remove Certain Extrapolated One-Time Infrastructure Funding	-\$228 billion	-0.6%
Extend TCJA Individual Rate Cuts	\$1,810 billion	+4.6%
Extend TCJA Other Individual Provisions	\$678 billion	+1.7%
Extend TCJA Estate Tax Cuts	\$126 billion	+0.3%
Extend TCJA Bonus Depreciation	\$325 billion	+0.8%
Remove Other TCJA Tax Rule Tightening	\$150 billion	+0.4%
Extend Enhanced ACA Premium Tax Credits	\$271 billion	+0.7%
Extend Other Temporary Tax Provisions ("Tax Extenders")	\$56 billion	+0.1%
Extend Trade Promotion Programs	\$15 billion	+<0.1%
Interest	\$670 billion	+1.7%
<b>Increase in Debt Under Post-FRA Alternative Scenario</b>	<b>\$5,729 billion</b>	<b>+14.6%</b>
<b>Debt Under Post-FRA Alternative Scenario</b>	<b>\$50,910 billion</b>	<b>129.6%</b>

Sources: Congressional Budget Office and Committee for a Responsible Federal Budget.

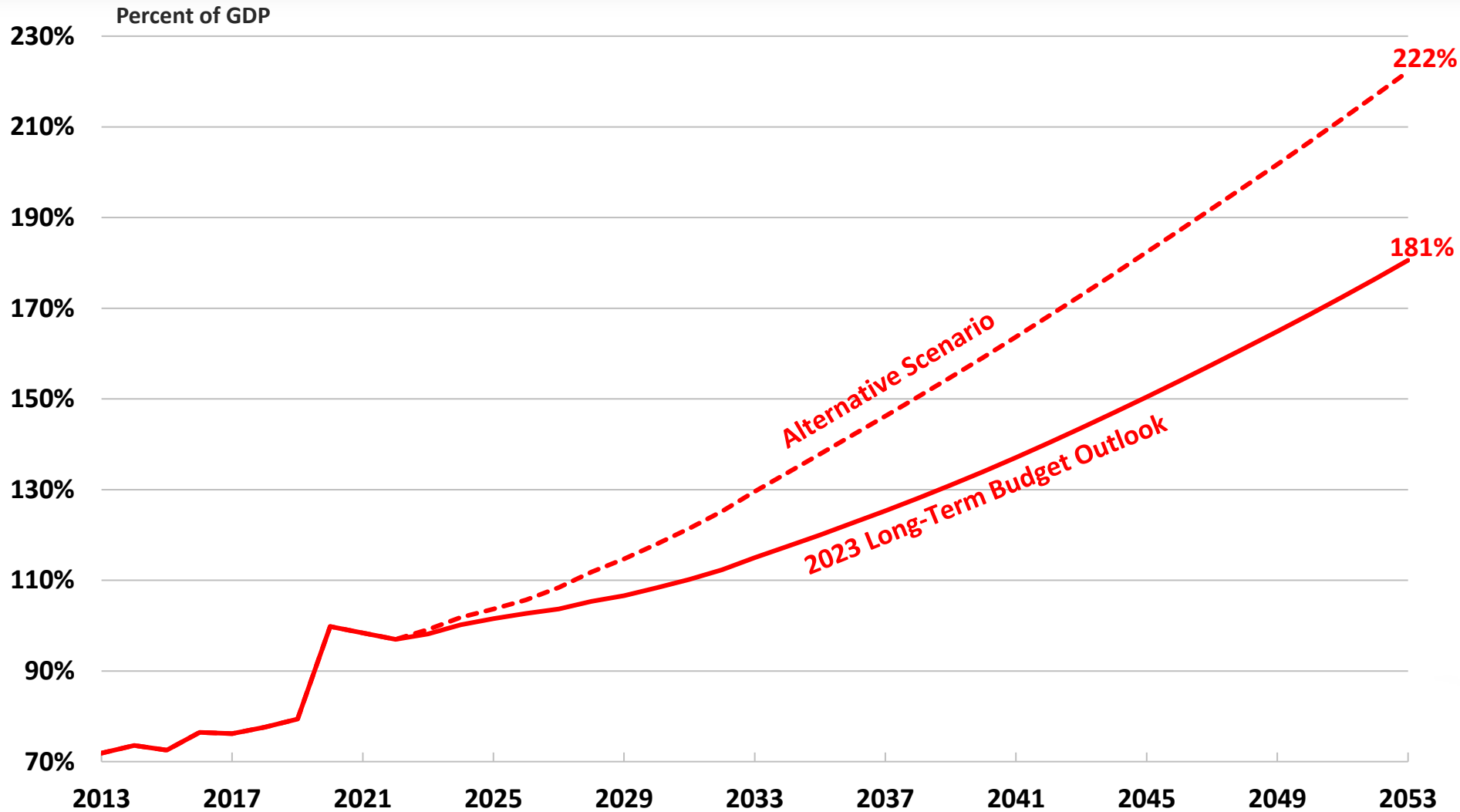
Numbers may not sum due to rounding.

# Leading Debt to Explode





# Especially Over the Long Run



# Ways & Means Tax Bill Could Cost Over \$1.1 Trillion

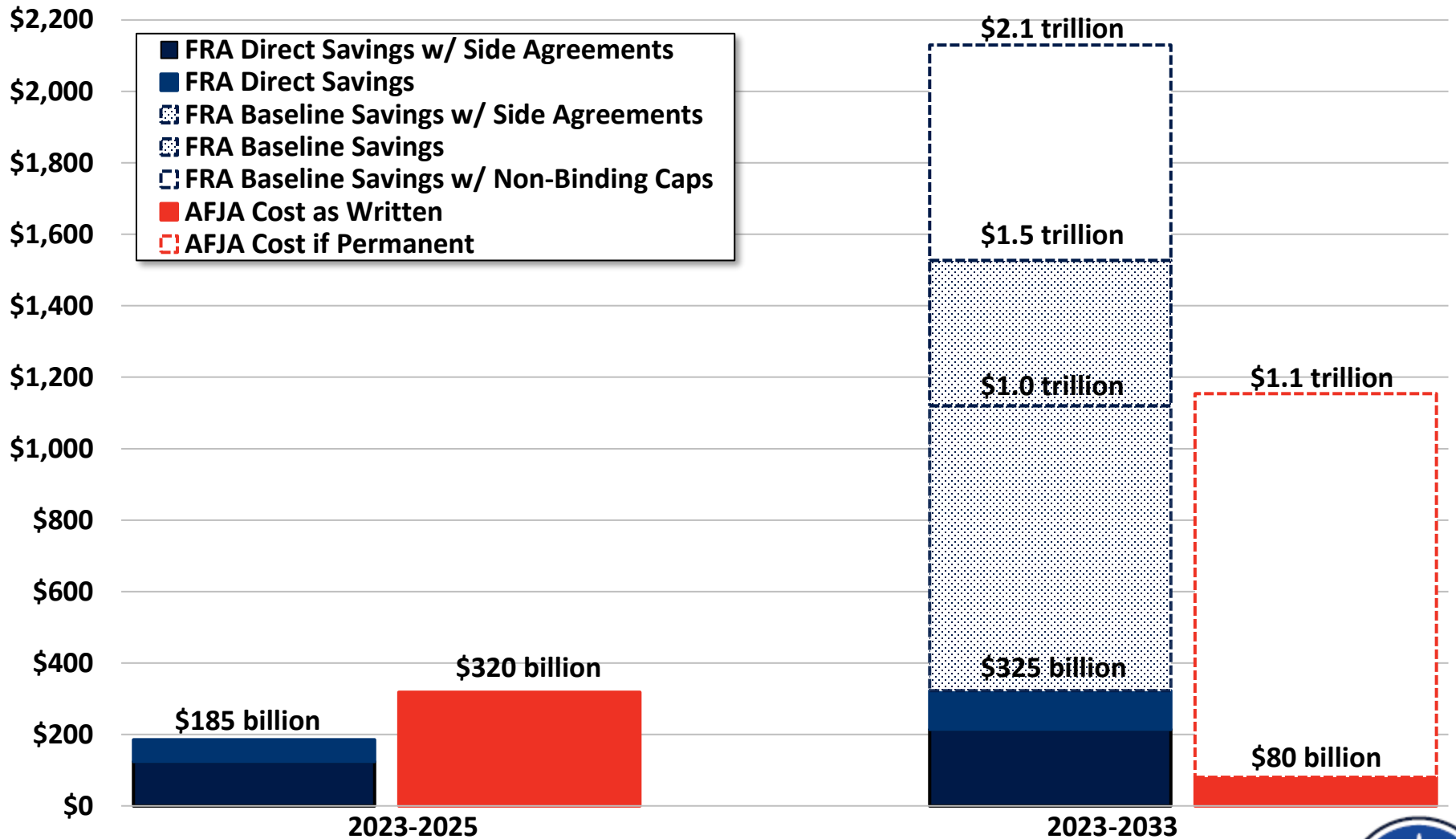
Policy	Official Cost	Permanent Cost
Expand the Standard Deduction by \$2,000/\$4,000 through 2025	\$95 billion	~\$500 billion*
Reinstate R&E expensing through 2025	\$25 billion	~\$200 billion
Delay tighter limit on interest deductibility through 2025	\$19 billion	~\$50 billion
Extend 100% bonus depreciation (full expensing) through 2025	\$3 billion	\$325 billion
Increase pass-through 179 cap from \$1 million to \$2.5 million, index to inflation	\$44 billion	\$44 billion
Loosen certain tax reporting rules	\$24 billion	\$24 billion
Expand tax breaks for Opportunity Zones small business stock sales	\$13 billion	\$13 billion
End Superfund tax & enact other supply chain security measures	\$12 billion	\$12 billion
Repeal clean electricity tax credits scheduled to take effect in 2025	-\$116 billion	-\$116 billion
Repeal expansion of clean vehicle tax credits	-\$100 billion	-\$100 billion
<b>Subtotal, Cost of American Families and Jobs Act, Excluding Interest</b>	<b>\$19 billion</b>	<b>~\$950 billion</b>
Interest Costs	\$61 billion	~\$180 billion
<b>Total, Cost of American Families and Jobs Act, Including Interest</b>	<b>\$80 billion</b>	<b>&gt;\$1.1 trillion</b>

Sources: Joint Committee on Taxation, Congressional Budget Office and Committee for a Responsible Federal Budget. Numbers may not sum due to rounding. \*Represents extension of proposed increase in the standard deduction assuming other parts of the TCJA were already extended.



# Undermining FRA Savings

Fiscal Impact of Fiscal Responsibility Act and American Families and Jobs Act, including interest (billions)

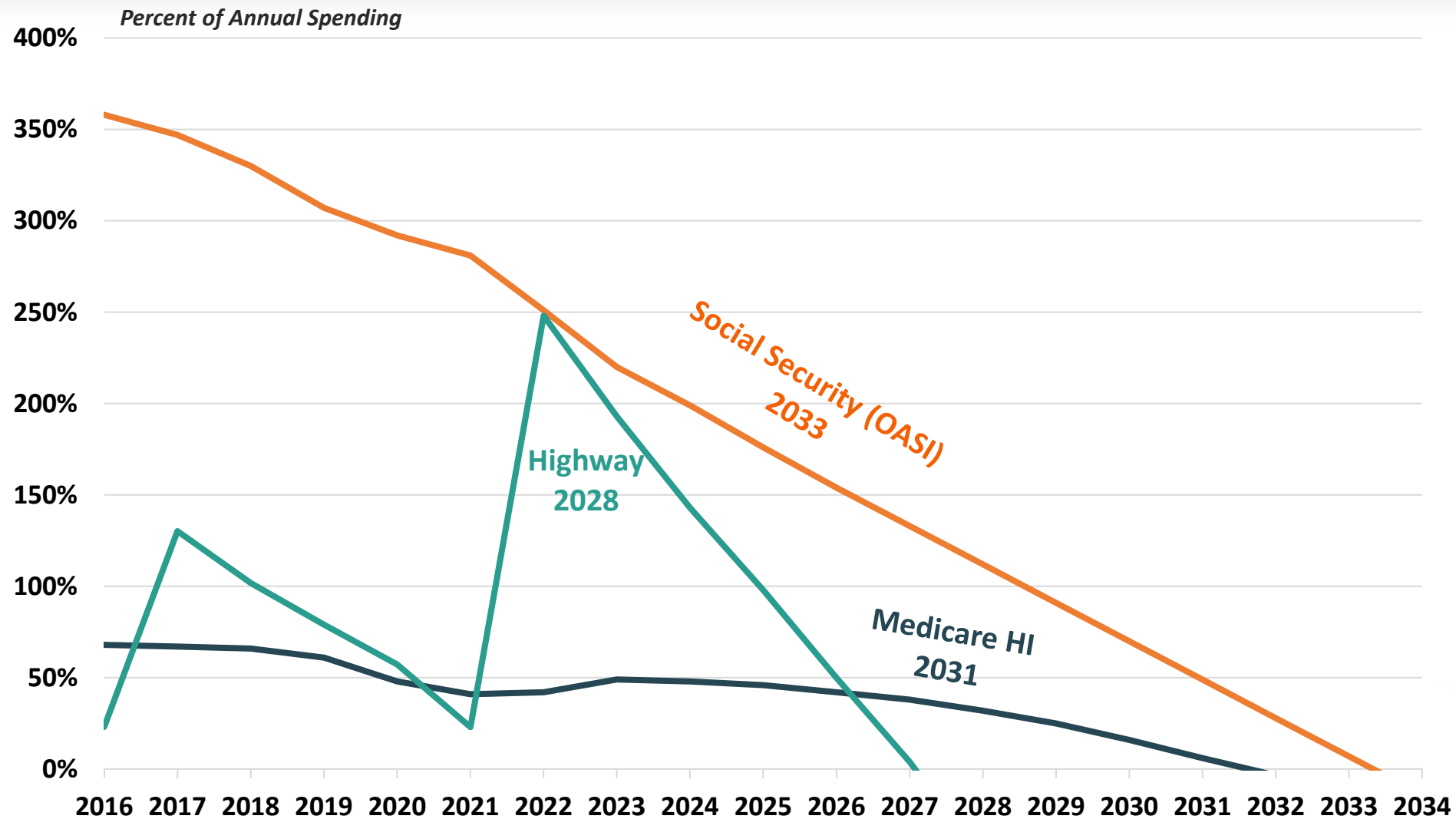


Sources: Congressional Budget Office, Joint Committee on Taxation, and Committee for a Responsible Federal Budget.

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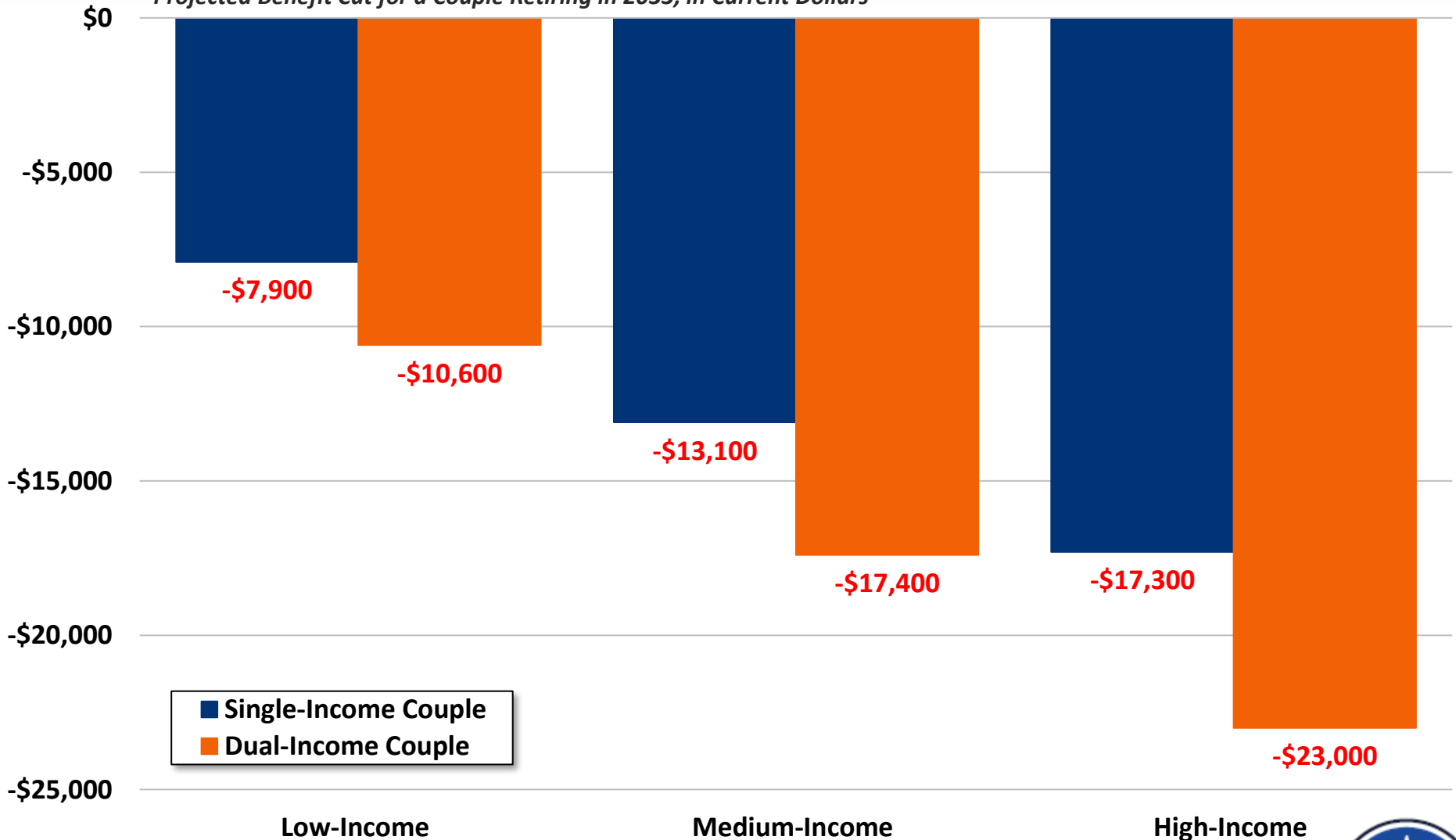
# Major Trust Funds Are Heading Toward Insolvency



Sources: Social Security Trustees, Medicare Trustees, and Congressional Budget Office.

# Threatening Beneficiaries With Huge Cuts

Projected Benefit Cut for a Couple Retiring in 2033, in Current Dollars



■ Single-Income Couple  
■ Dual-Income Couple

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Sources: Social Security Administration and Committee for a Responsible Federal Budget.

# And Time is Running Out



# Any Questions?



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