

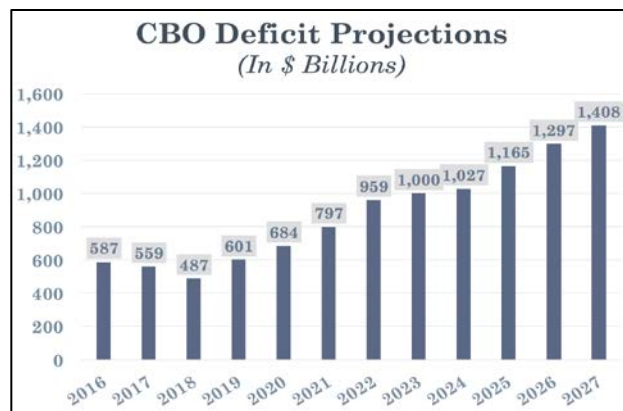


## Budget Digest – Week of January 30th

CBO's BUDGET AND ECONOMIC OUTLOOK FOR 2017 – 2027

**What is the CBO outlook and how is it used?** The *Budget and Economic Outlook* from the Congressional Budget Office [CBO] is a 10-year, forward-looking projection of Federal spending, revenue, deficits, and debt assuming current laws and policies remain unchanged. It contains a forecast of key economic indicators such as changes in gross domestic product [GDP], inflation, interest rates, and unemployment, and provides detailed budget estimates for individual programs. CBO's latest projection was released on January 24, 2017.

This projection, often referred to as “the baseline,” forms the foundation upon which the congressional budget resolution is typically built, and against which all cost estimates of new legislation are measured. For example, when CBO estimates, or “scores,” the effects of a new bill, it measures how the new legislation would affect spending and revenue relative to its baseline projection.



**What are this report's key conclusions?** The period of declining deficits is over. CBO projects deficits will rise dramatically, from \$587 billion in fiscal year 2016 to \$1.4 trillion by fiscal year 2027, if current laws remain unchanged. During the 10-year period, Federal debt held by the public will surge from 77 percent to 89 percent of GDP – the highest debt level since 1947 and more than twice the average level of the past 50 years (39 percent). The growth of direct, or mandatory, spending and interest on the debt are the major causes of higher deficits. CBO also expects economic growth will continue to lag at an average of just 1.9 percent, well below its historic average of above 3 percent. Weaker growth means higher deficits, fewer jobs, and lower incomes for American families.

**How should Congress respond?** The best way to avoid a future of high Federal debt and weak economic growth is for Congress to pass a budget that outlines a long-term, fiscally sustainable path. The budget is the only legislative vehicle that deals with the government's finances in a comprehensive manner and that can provide a clear vision of how to fix the Federal Government's fiscal problems. To begin this process for fiscal year 2018, the Committee on the Budget will hold a hearing to review CBO's new outlook at 10 a.m., Thursday, February 2 in 1334 Longworth House Office Building.