

FEDERAL BUDGET OUTLOOK—CHALLENGES WE FACE

THE TIME TO ACT IS NOW

Our majority in the House of Representatives has repeatedly offered positive solutions to our nation's toughest challenges. Now there is a renewed opportunity to solve these challenges. As we prepare to work in the coming new year with President-elect Donald Trump, Vice President-elect Mike Pence, and the Senate, we know there is no greater threat to our economy and national security than the federal debt. That's why we'll continue to work to put our fiscal house in order and address the looming insolvencies of federal trust funds that threaten the livelihood of our nation's citizens. Together, we will solve these challenges to build a more prosperous America and a brighter future for generations to come.

Declining Economic Growth: Over the past 50 years, annual GDP growth has averaged 2.9 percent. CBO is projecting annual GDP growth at just 2.1 percent over the next thirty years.

Debt & the Economy: Federal debt held by the public is expected to reach 77 percent of GDP at the end of 2016 and 86 percent of GDP by 2026. Under these projections, the amount of debt held by the public would be more than twice the average over the past five decades.

Rise of Foreign Holdings: Nearly half of federal debt held by the public is foreign holdings, with China and Japan being the largest holders with \$1.3 trillion and \$1.1 trillion respectively.

Spending & the Economy: Over the past 50 years, federal spending has averaged 20.2 percent of GDP. Under current projections, federal spending is expected to rise to 28.2 percent of GDP by 2046.

Revenue & the Economy: Over the past 50 years, revenues have averaged 17.4 percent of GDP. In 2046, total federal revenue is projected to be 19.4 percent of GDP. Over the next ten years, CBO projects the Treasury will take in more nominal tax receipts than ever before in our nation's history. On average, Treasury will take a bigger share out of the economy than ever before in our nation's history.

Crowding Out: By 2046, total spending on health, Social Security, and interest payments alone is projected to be almost 21 percent of GDP. These three outlays alone will account for more than the total revenue the federal government takes in. At current tax levels there will be NO revenue left for any other federal spending – none.

Rise of Interest Payments: In 2016, the United States paid \$248 billion in net interest payments. It is projected that nominal interest payments for 2026 will be \$712 billion and will account for 2.6 percent of the nation's GDP.

Rise of Interest Rates: If interest rates rise one percentage point higher than CBO's estimate over 2017 through 2024, payment on net interest will increase the deficit by \$1.6 trillion over the next ten years.

Future of Medicare's Finances: The trust fund for the Medicare Hospital Insurance (HI) program will be depleted by 2028. If we do nothing, HI dedicated revenues will only cover 87 percent of HI costs, thereby breaking our promise to our nation's seniors.

Future of Social Security's Finances: The combined trust fund reserves for Social Security will be depleted by 2034 with the trust fund for the Social Security Disability Insurance (DI) program being depleted by 2023. Following depletion of the combined trust fund, there will be an automatic 21% payment reduction for scheduled benefits.

FROM THE DESK OF REP. TOM PRICE, M.D.