HOUSE BUDGET COMMITTEE

Budget Digest

Chairman Steve Womack

April 16, 2018

CBO'S BASELINE: MANDATORY SPENDING DANGEROUSLY ON THE RISE

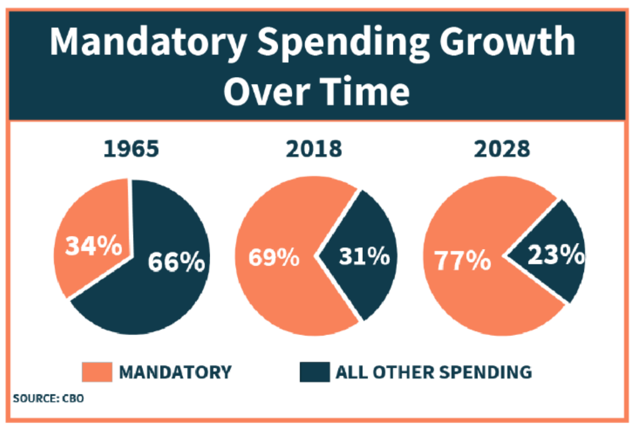
Last week, the House Budget Committee conducted a hearing on the *Budget and Economic Outlook*, an annual baseline report published by the Congressional Budget Office (CBO) that provides budget and economic projections for the upcoming 10 years. While CBO's projections for fiscal years 2018 to 2028 are sobering, it is not surprising that mandatory spending, including interest on the federal debt, continues to be the greatest driver of our nation's fiscal insolvency.

Outlook without Action. Today, our debt stands at roughly $21.4 trillion—greater than the size of the entire economy. If this trajectory is unchanged, deficits will hit $1.5 trillion in fiscal year (FY) 2028 and total $12.4 trillion over the next 10 years. As a result, debt held by the public is projected to increase by $13.0 trillion, reaching $28.7 trillion by the end of the budget window and making up nearly 100 percent of gross domestic product (GDP).

Out-of-Control Mandatory Spending. Mandatory spending comprises the largest share of our country's spending. Also referred to as direct spending, it is driven mainly by economic and demographic factors and most of the programs run on effectively permanent authorizations, not subject to the annual appropriations review process. As a result, it grows unsustainably on autopilot. CBO projects that mandatory spending will increase from $2.5 trillion in 2017 to $4.5 trillion in 2028. By that date, mandatory programs will consume 77 percent of total spending and will account for roughly 15.2 percent of GDP by FY 2028.

Social Insurance Programs. Within overall non-interest mandatory spending, the two major social insurance programs are projected to continue growing faster than the economy as a whole. The cost of Social Security is projected to rise from $939 billion in 2017 to $1.8 trillion in 2028, and Medicare spending is expected to increase from $583 billion in 2018 to $1.26 trillion in 2028. This level of growth is unsustainable and threatens each program's solvency.

Means-Tested Programs. On the current path, programs designed for some of the most vulnerable are also in peril. Spending on these programs has almost doubled over the past decade. The largest of these programs is Medicaid, with spending expected to rise from $375 billion in 2017 to $655 billion in 2028. Outlays for health insurance subsidies and related subsidies are projected to rise from $48 billion in 2017 to $91 billion in 2028. Other income security programs are projected to increase from $294 billion in 2017 to $370 billion in 2028.



Other Programs. Direct spending extends beyond retirement, health care, and low-income programs into all functions of the government. It includes federal employee retirement, agriculture and higher education subsidies, and a variety of other programs.

Reversing the Trend. For years, House Republicans have called for real action to deal with mandatory spending. One way Congress *can* control this spending is through utilizing the tool of budget reconciliation. The procedure can drive much-needed reform while helping curb direct spending in pursuit of a balanced, fiscally-responsible budget.