U.S. Fiscal Situation
Forecasting Federal Research Funding

APLU Annual Meeting
San Diego, CA

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Sr. Vice President
Bipartisan Policy Center

November 10, 2019
Federal Budget: Current Landscape
Q 69: Which of these 15 issues is the most important issue for you?

Ranking:
1. Health Care 19%
2. The economy 16%
3. Social Security 12%
4. Immigration 11%
5. The environment 11%
...........
12. The budget deficit 2%
## Economic Environment: Economic Forecasts
Calendar Years 2018 - 2020

<table>
<thead>
<tr>
<th></th>
<th>Final 2018</th>
<th>Forecast 2019</th>
<th>Forecast 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP Growth</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– CBO</td>
<td>+2.9%</td>
<td>+2.6%</td>
<td>+2.1%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td></td>
<td>+2.3%</td>
<td>+1.7%</td>
</tr>
<tr>
<td>– Administration*</td>
<td></td>
<td>+3.1%</td>
<td>+3.2%</td>
</tr>
<tr>
<td><strong>Inflation (CPI)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– CBO</td>
<td>+2.5%</td>
<td>+1.9%</td>
<td>+2.4%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td></td>
<td>+ 1.8%</td>
<td>+2.1%</td>
</tr>
<tr>
<td>– Administration*</td>
<td></td>
<td>+2.1%</td>
<td>+2.3%</td>
</tr>
<tr>
<td><strong>Unemployment Rate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– CBO</td>
<td>3.9%</td>
<td>3.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td></td>
<td>3.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>– Administration*</td>
<td></td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>10 Year Note</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– CBO</td>
<td>2.9%</td>
<td>2.3%</td>
<td>2.2%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td></td>
<td>2.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>– Administration*</td>
<td></td>
<td>3.4%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Note: GDP & CPS Percentage Change from Year to Year. Unemployment Rate and 10 year note calendar year average.

Sources: Congressional Budget Office, August 2019; Blue Chip Economics Forecasts, October 10, 2019
* President’s FY 2020 Budget, Mid-Session Review, July 12, 2019
Recession as announced by National Bureau of Economic Research

Source: An Update to the Budget and Economic Outlook: Fiscal Years 2019 to 2029. Congressional Budget Office; August 2019.
# Budget Outlook

**FY 2012 – 2029**

(In Billions of Dollars – % of GDP)

<table>
<thead>
<tr>
<th></th>
<th>2012 Actual</th>
<th>2017 Actual</th>
<th>2018 Actual</th>
<th>2019 Actual</th>
<th>2020</th>
<th>...2029</th>
<th>% Δ annual 2019-2029</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td>2,450</td>
<td>3,316</td>
<td>3,330</td>
<td>3,462</td>
<td>3,620</td>
<td>5,619</td>
<td>+ 5.0%</td>
</tr>
<tr>
<td><strong>Spending</strong></td>
<td>3,537</td>
<td>3,982</td>
<td>4,109</td>
<td>4,447</td>
<td>4,628</td>
<td>6,997</td>
<td>+ 4.6%</td>
</tr>
<tr>
<td><strong>Deficits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of GDP</td>
<td>1,087</td>
<td>665</td>
<td>779</td>
<td>984</td>
<td>1,008</td>
<td>1,378</td>
<td>+3.7%</td>
</tr>
<tr>
<td><strong>Public Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% GDP</td>
<td>11,281</td>
<td>14,665</td>
<td>15,750</td>
<td>16,809</td>
<td>17,755</td>
<td>29,322</td>
<td>+ 5.8%</td>
</tr>
<tr>
<td>Debt Subject Limit</td>
<td>73%</td>
<td>77%</td>
<td>78%</td>
<td>79%</td>
<td>79%</td>
<td>95%</td>
<td></td>
</tr>
<tr>
<td>% GDP</td>
<td>16,027</td>
<td>20,209</td>
<td>21,475</td>
<td>22,719</td>
<td>23,703</td>
<td>34,438</td>
<td>+4.3%</td>
</tr>
</tbody>
</table>

CBO estimate of nominal GDP growth increase 3.8% annually 2019-2029.

Federal Debt as a Share of the Economy

Percentage of Gross Domestic Product


Civil War

World War I

Great Depression

World War II

Actual

Projected
Historical And Current Policy Projections for Debt Held by the Public 1980-2093

Federal Spending Projected for 2029

$7,042 billion

Medicare
$1,292B
(18%)

Medicaid
$702 B
(10%)

Social Security
$1,856B
(26%)

Other Health Programs
$102 B
(2%)

Defense
$771B
(11%)

Net Interest
$928 B
(13%)

Other Mandatory Spending
$616 B (9%)

Domestic Discretionary
$759 B (11%)

Agriculture
$16 B (0.2%)

Source: The Congressional Budget Office. The Budget and Economic Outlook: Fiscal Years 2019 to 2029, January 2029.

“Other Health Programs” includes: Health insurance subsidies, exchanges, and related spending; Department of Defense Medicare-Eligible Retiree Health Care Fund (including TRICARE for Life); Children’s Health Insurance Program, and other programs.
Federal Health Care Programs: Fastest Growing (Non-Interest) Spending in Budget
Federal Nondefense Investment, 1962 to 2018
Cliffs Ahead
The Size of Policy Changes Needed to Make Federal Debt Meet Two Possible Goals in 2049

# Limits on Discretionary Budget Authority*

Under Budget Control Act of 2011 FY 2018 to 2021
(Billions of dollars)

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense</td>
<td>629</td>
<td>647</td>
<td>576</td>
<td>590</td>
<td>667</td>
<td>671</td>
<td>+91</td>
<td>+81</td>
</tr>
<tr>
<td>Nondefense</td>
<td>579</td>
<td>597</td>
<td>543</td>
<td>555</td>
<td>624</td>
<td>626</td>
<td>+81</td>
<td>+71</td>
</tr>
<tr>
<td>Total</td>
<td>1,207</td>
<td>1,244</td>
<td>1,119</td>
<td>1,145</td>
<td>1,291</td>
<td>1,298</td>
<td>+172</td>
<td>+152</td>
</tr>
</tbody>
</table>

* The Budget Control Act (BCA) of 2011 specified that if lawmakers did not enact legislation from the Joint Committee on Deficit Reduction that would reduce projected deficits by at least $1.2 trillion, automatic procedures would go into effect to reduce spending during the period 2013-2021. Spending not constrained by these caps (e.g. overseas contingency operations, emergencies, disaster relief and certain program integrity initiatives are not included in these numbers.

* The Bipartisan Budget Act of 2018 adjusted the BCA 2011 caps for FY 2018 and FY 2019, increasing both defense and nondefense caps.

OASDI & HI Trust Funds

Trust Fund Depleted:
- Medicare Part A: 2026
- Social Security: 2034
- Disability Insurance: 2052

Source: 2019 Social Security and Medicare trustees' reports