

Generational Outlook: The Federal Budget Now and in the Future

presented by
Joshua Gordon, Policy Director



THE CONCORD COALITION

www.concordcoalition.org

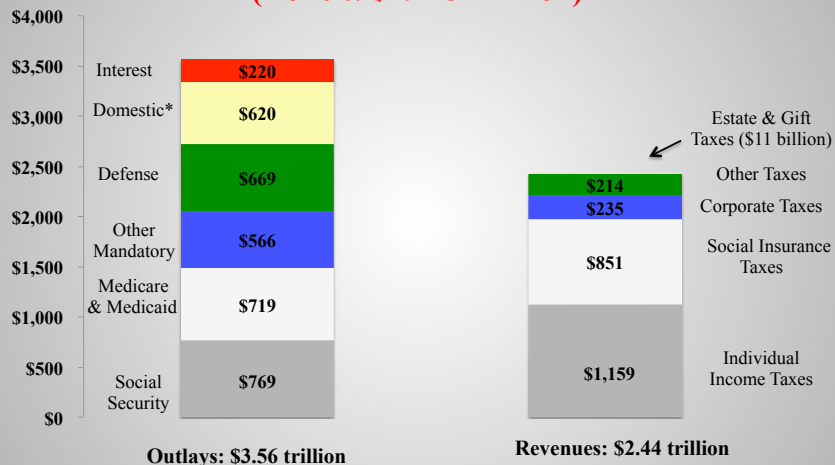


www.concordcoalition.org



Composition of Projected FY 2012 Federal Government Revenues and Outlays

(Deficit: \$1.128 Trillion)

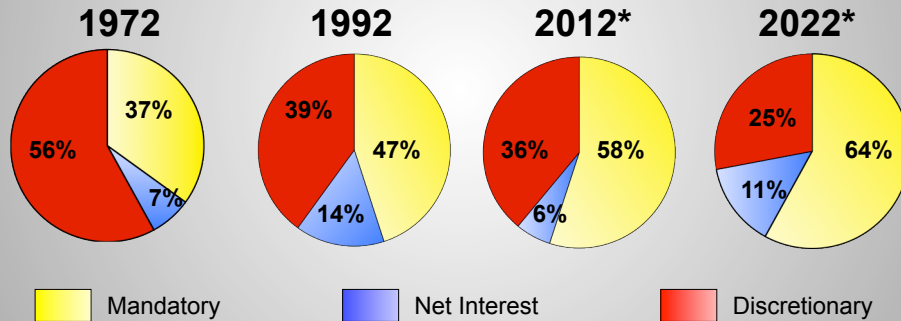


*Includes all appropriated domestic spending such as education, transportation, homeland security, housing assistance and foreign aid.

Source: Congressional Budget Office, August 2012.
www.concordcoalition.org



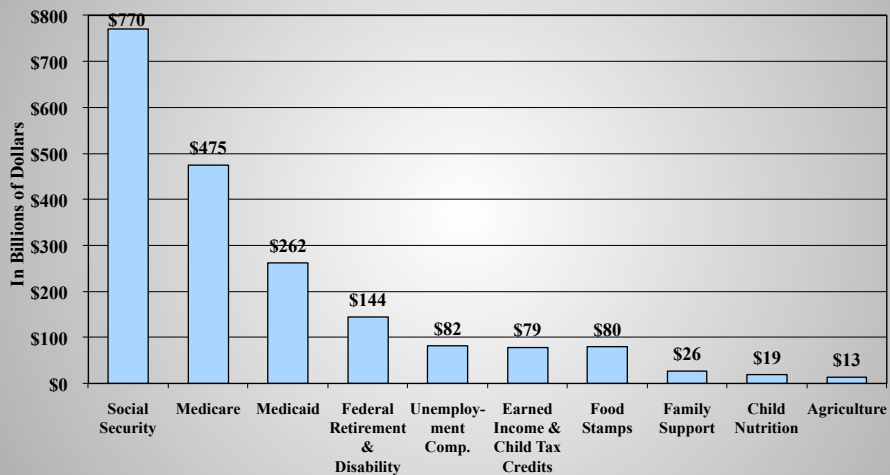
Automatic expenditures are consuming a growing share of the budget



*Projected
Source: Congressional Budget Office, March 2012.
www.concordcoalition.org



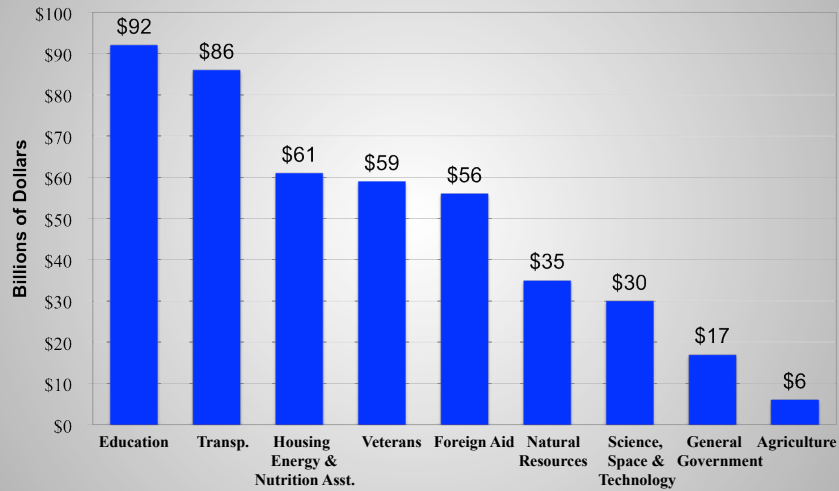
Outlays of Select Mandatory Spending Programs (FY 2012 Projected)



Source: Congressional Budget Office, January 2012.
www.concordcoalition.org



Outlays of Select Non-Defense Discretionary Programs (FY 2012 Projected)



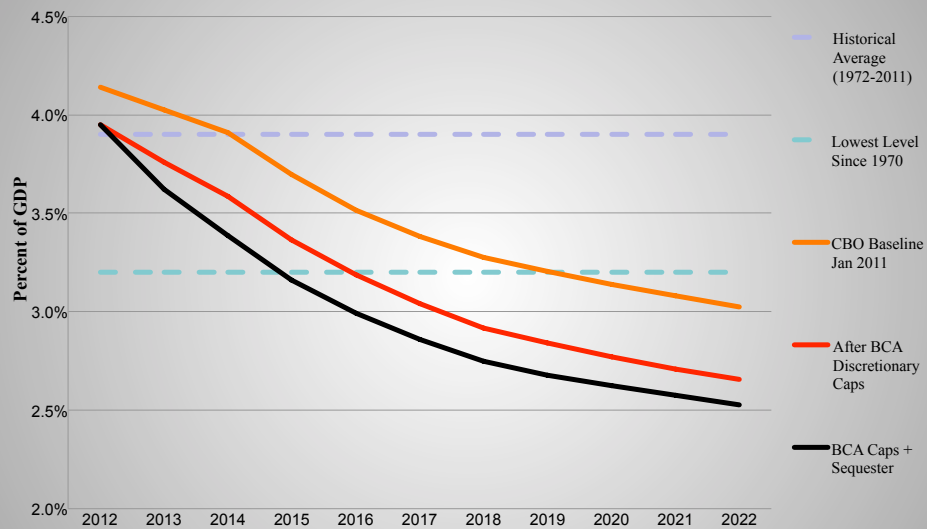
*includes ground, air, and water

Source: Congressional Budget Office, January 2012.

www.concordcoalition.org



Domestic Discretionary Projected to be Cut Dramatically Fiscal Years 2013-2022

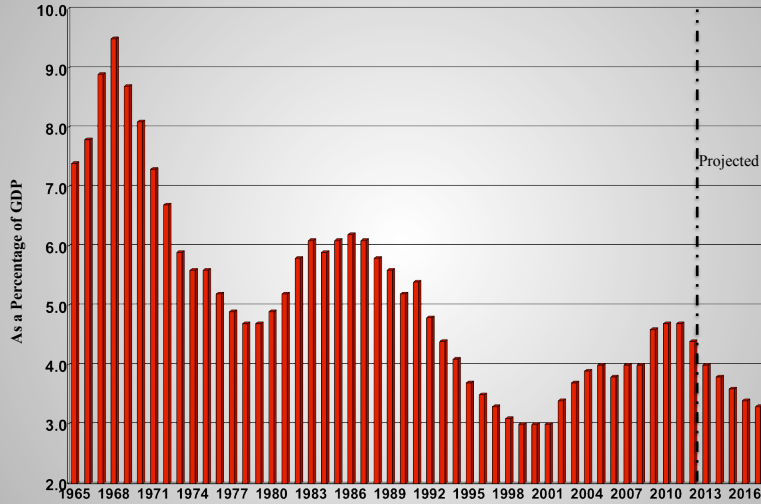


Source: Congressional Budget Office, January 2011, August 2012 and Concord Coalition analysis.

www.concordcoalition.org



Defense Discretionary Spending as a Percentage of GDP

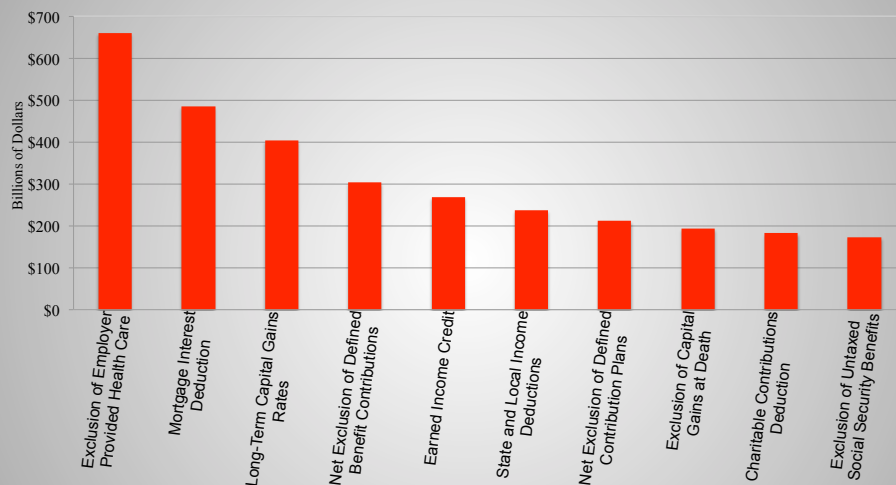


Source: Congressional Budget Office, January 2012.

www.concordcoalition.org



Largest Tax Expenditures Fiscal Years 2010-2014



Tax expenditures are any reduction in income tax liabilities that result from special tax provisions or regulations that provide tax benefits to particular taxpayers. These special income tax provisions are referred to as tax expenditures because they may be considered analogous to direct outlay programs.

Source: Joint Committee on Taxation, JCX-15-11, February 28, 2011.

www.concordcoalition.org



How Marginal Tax Rates Work: First Calculate “Taxable Income”

Gross Income (Wages, Dividends,
Capital Gains, Tips, etc.)

– Less Certain Deductions (IRA
contributions, alimony payments,
some educator and student expenses)

= Adjusted Gross Income (AGI)

– Less Standard Deduction (taken by
70% of taxpayers) Or Itemized
Deductions (Charitable Contributions,
Mortgage Interest, State & Local
Taxes, etc.)

= Taxable Income (\$100,000 in
this case)

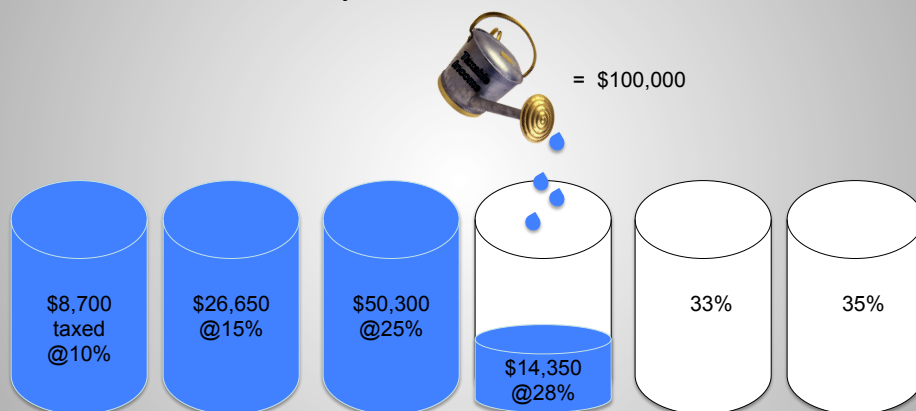


www.concordcoalition.org



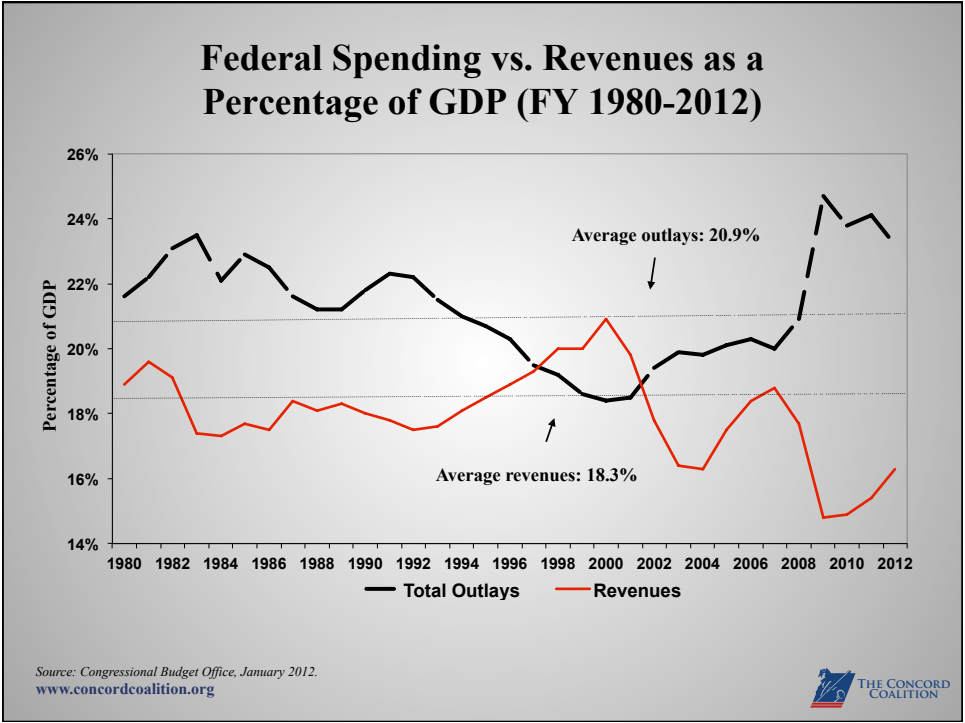
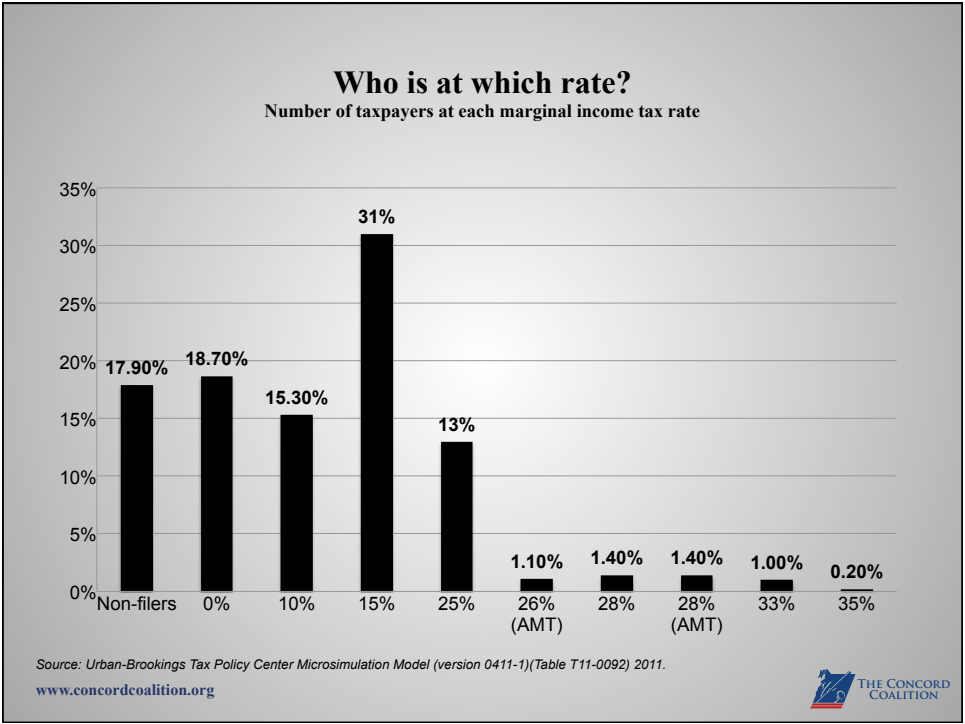
How Marginal Tax Rates Work:

Only your taxable income in the last “bucket” get taxed at the highest rate. This highest rate also determines the value of your deductions.

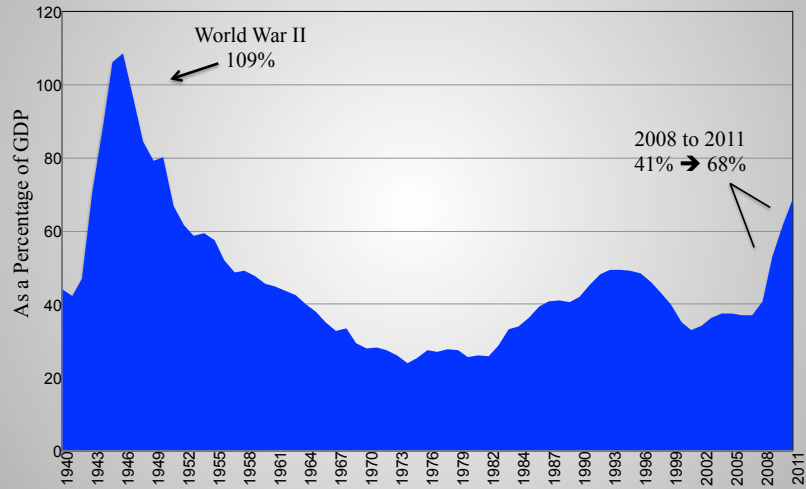


Note: 2012 Income Tax Rates/Brackets
www.concordcoalition.org





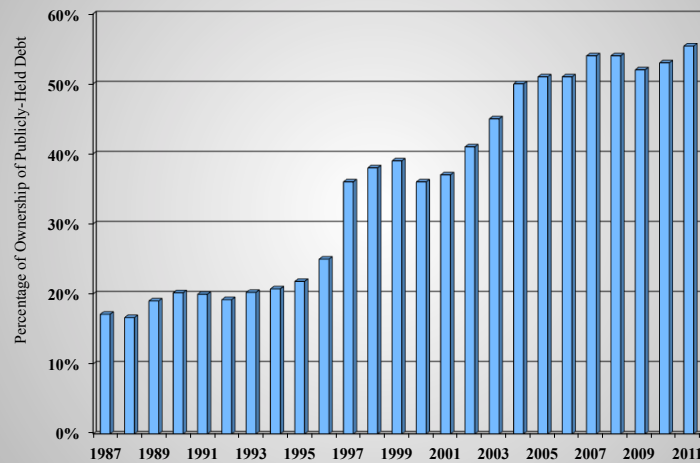
Debt Held by the Public as a Percentage of GDP 1940-2011



Source: OMB Historical Tables and CBO, January 2012.
www.concordcoalition.org



Percentage of Debt Held by the Public Owned by Foreigners (1987-2011)

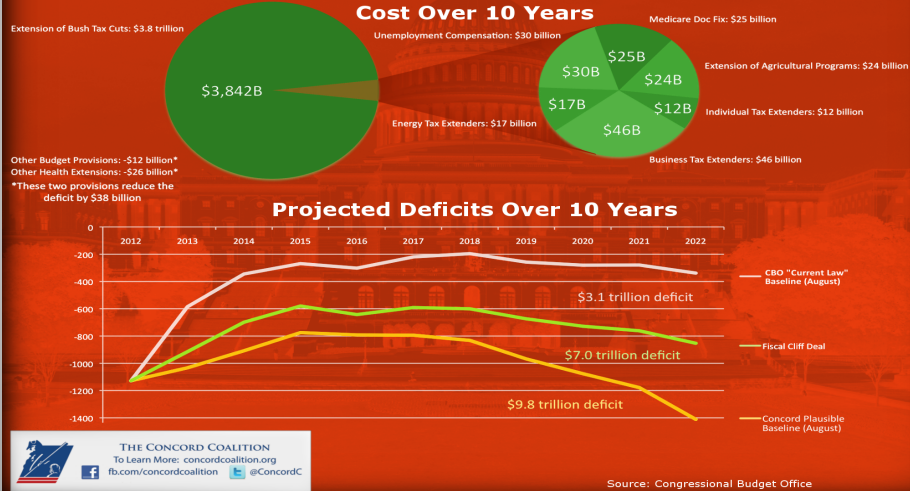


Source: United States Treasury Department, Treasury Bulletin, Table OFS-2, December 2011.
www.concordcoalition.org

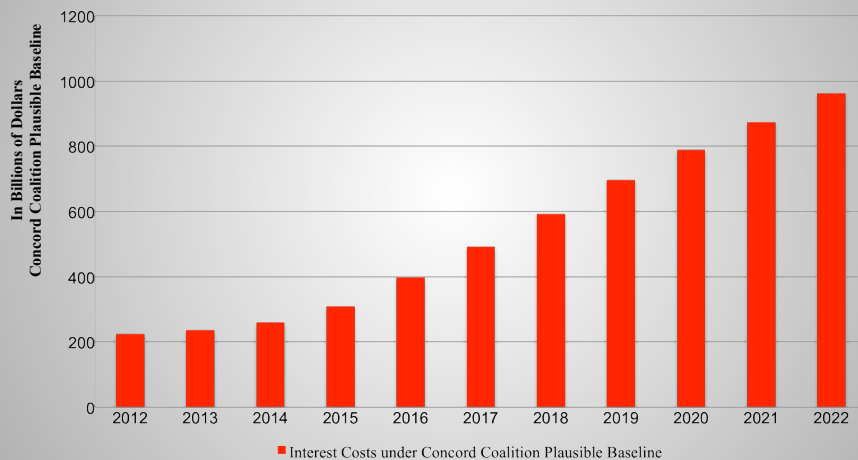


What's The Deal?

The conventional wisdom is that the law Congress passed to postpone the "fiscal cliff" reduces the deficit by raising revenue from higher taxes on the wealthiest Americans. However, it actually adds to the deficit when compared to what was current law. That's because the Bush-era tax cuts, scheduled to expire this year, were instead made permanent for 99% of Americans. Combined with the extension of emergency unemployment benefits and several expiring tax credits, the law actually increases deficits by \$4 trillion over the next ten years.



Interest Costs Explode Under Current Policies

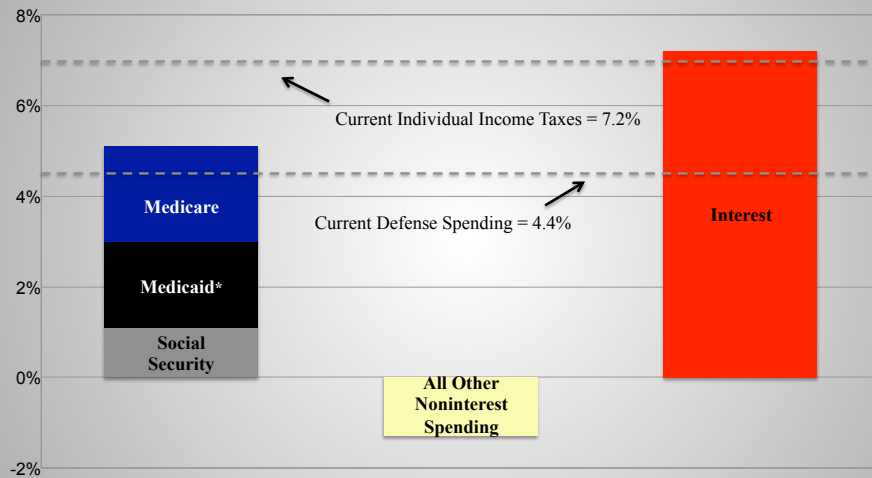


Source: Congressional Budget Office and Concord Coalition Analysis, January 2012.

www.concordcoalition.org



Sources of Growth in the Federal Budget Fiscal Years 2012-2035

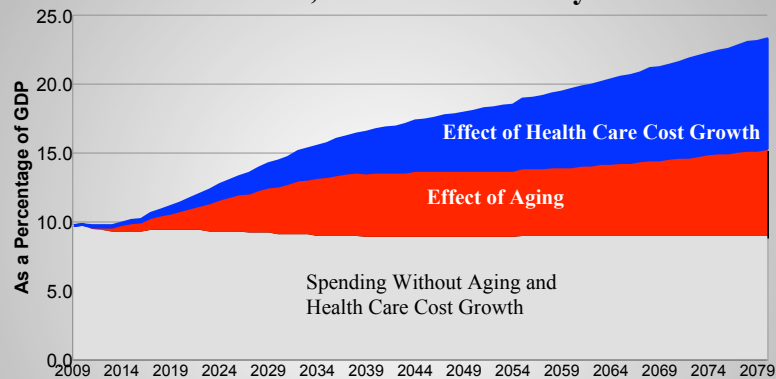


*Includes outlays for CHIP and exchange subsidies.

Source: Congressional Budget Office, Long-Term Budget Outlook, Alternative Fiscal Scenario, June 2012.
www.concordcoalition.org



Factors Explaining Future Federal Spending on Medicare, Medicaid, and Social Security



Percent of Growth Attributed to:	2035	2080
Health Care Cost Growth	36%	56%
Aging	64%	44%

Source: Congressional Budget Office, June 2010 & 2011.
www.concordcoalition.org



Americans are Living Longer and Having Fewer Children

Consequently, fewer workers are available
to support each Social Security recipient

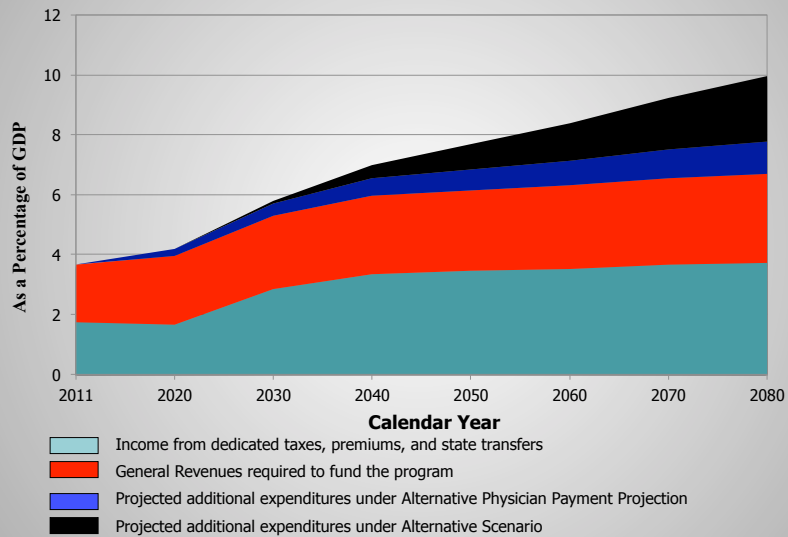


Source: Social Security and Medicare Trustees' Report, 2011.

www.concordcoalition.org



Medicare Costs Potentially Soar in Coming Decades

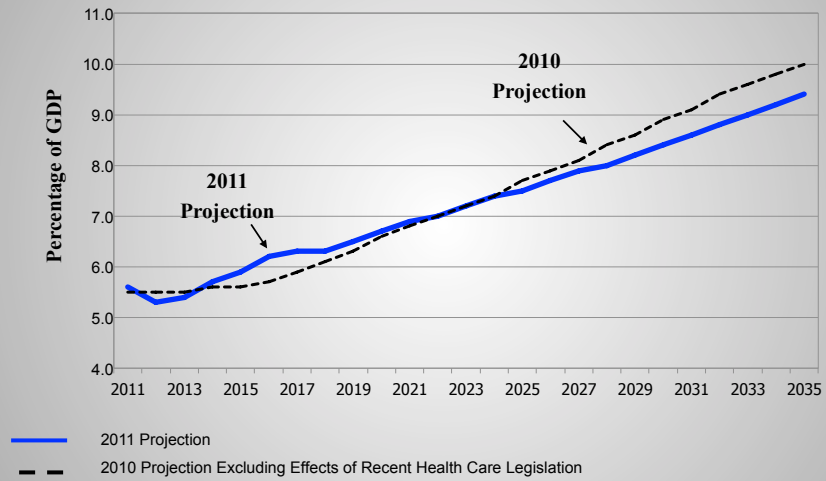


Source: Medicare Trustees' Report, May, 2012.

www.concordcoalition.org



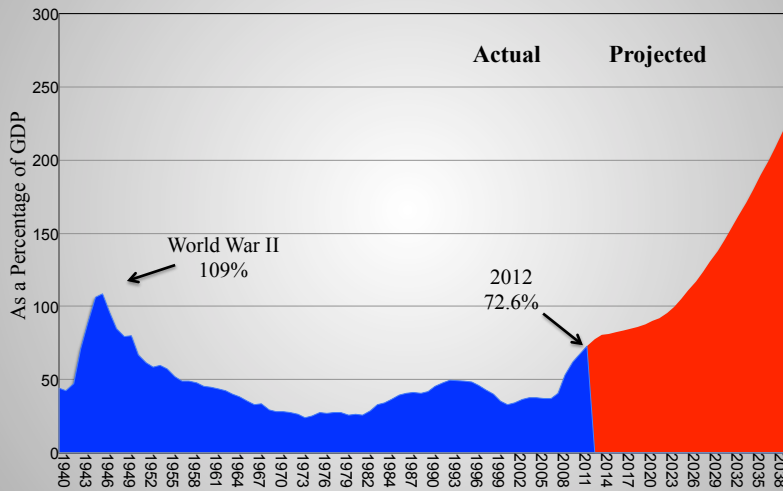
Federal Health Care Spending Under Current Law



Source: Congressional Budget Office, June 2010.
www.concordcoalition.org



Debt Held by the Public as a Percentage of GDP 1940-2040

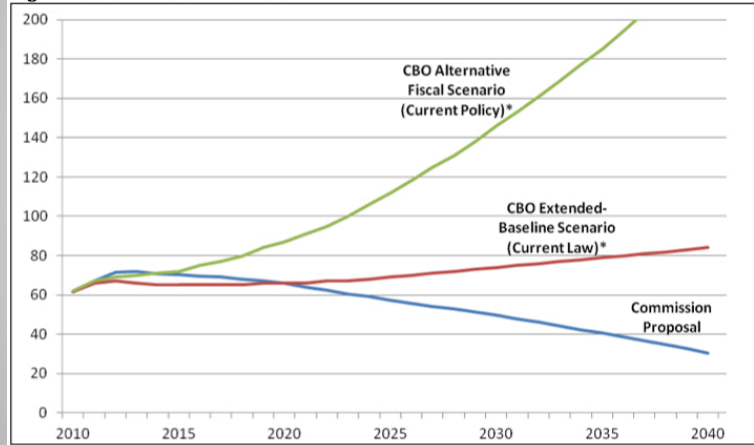


Source: GAO Analysis, Spring 2012 and OMB Historical Tables 2012.
www.concordcoalition.org



Looking at the Commission Report

Figure 1: Debt as a Percent of GDP



www.concordcoalition.org

