



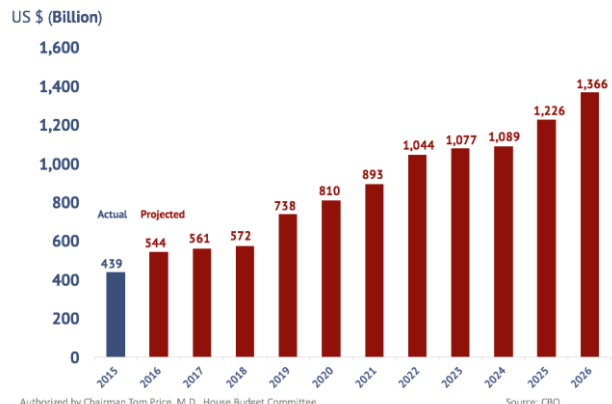
Budget Digest – Week of February 1

CBO's Budget and Economic Forecast for 2016 – 2026

What is the CBO budget forecast and how is it used? The Congressional Budget Office's [CBO] Budget & Economic Outlook is a 10-year, forward looking projection of federal spending, revenue, deficits, and debt assuming current law remains unchanged. It contains a forecast of key economic indicators such as inflation, interest rates, unemployment, and GDP growth and also provides detailed budget estimates for individual programs. CBO's latest forecast was released on January 19, 2016.

This forecast, which is often referred to as "the baseline", is important because it forms the foundation upon which both the Congressional budget is built and all cost estimates of new legislation are measured. For example, when CBO estimates or "scores" the effects of a new bill under consideration by Congress, it measures how the new legislation would affect spending and revenue relative to its baseline forecast.

DEFICITS CONTINUE TO GROW



What are the key conclusions? CBO's forecast shows that deficits will increase dramatically over the next 10 years if current law remains unchanged. These chronic deficits will cause debt as a share of the economy to ultimately reach unsustainable levels. The forecast also shows economic growth will continue to lag well below its historic average. Weaker growth means higher deficits, fewer jobs, and lower wages.

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. 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 on how to fix the nation's fiscal problems. The budget can also trigger the fast-track legislative procedure known as "reconciliation" that allows for Congress to pass major fiscal or entitlement reforms with a simple majority vote in the Senate rather than the typical 60 vote threshold.