



# **The Government's Long-Term Fiscal Challenge: Implications for Federal Agencies**

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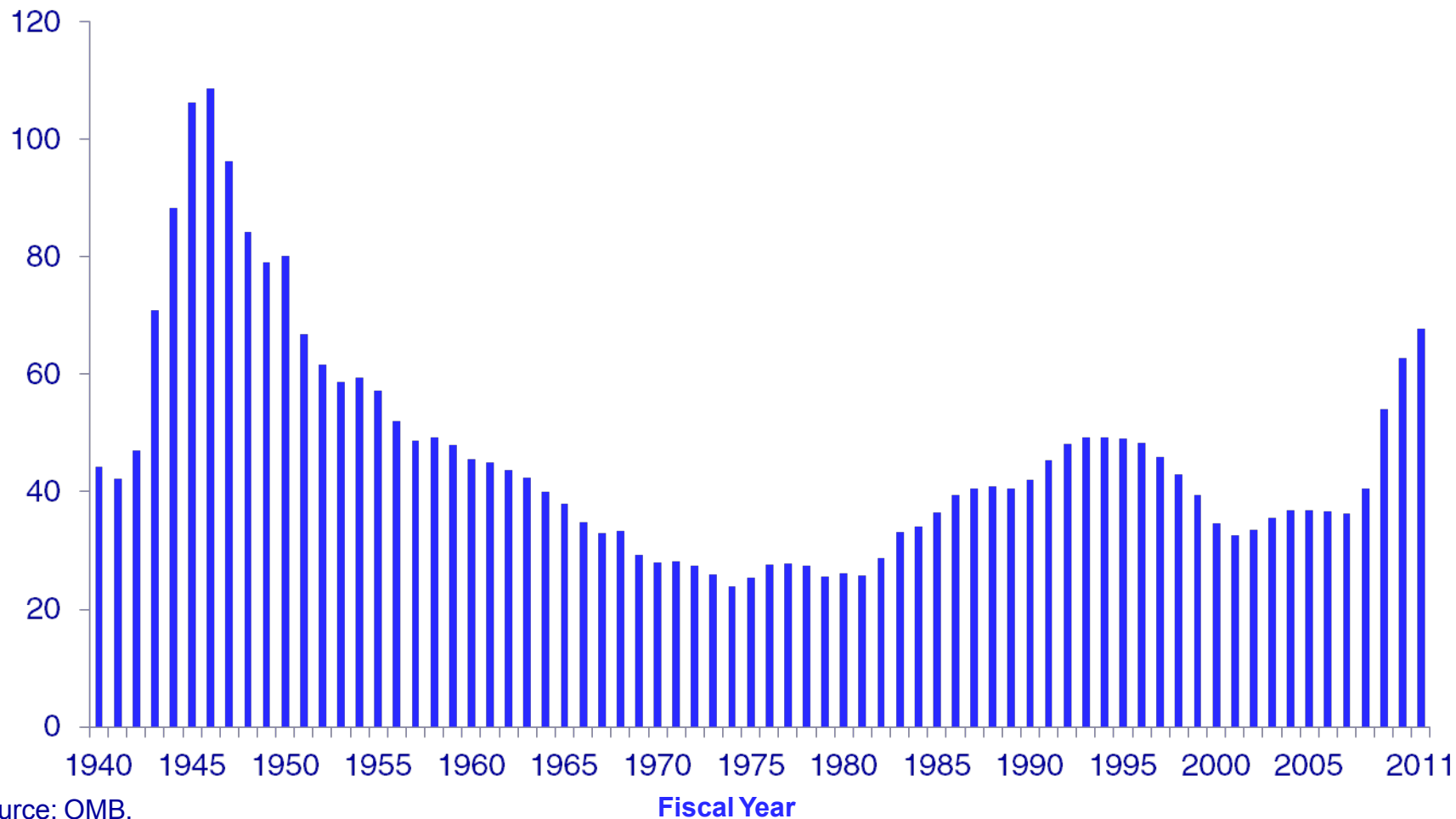


# Overview

- Most Recent Experience
- Long-Term Structural Challenge
  - The Drivers
  - Impact of the Budget Control Act (BCA)
- Implications for Federal Agencies

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

Percentage of GDP

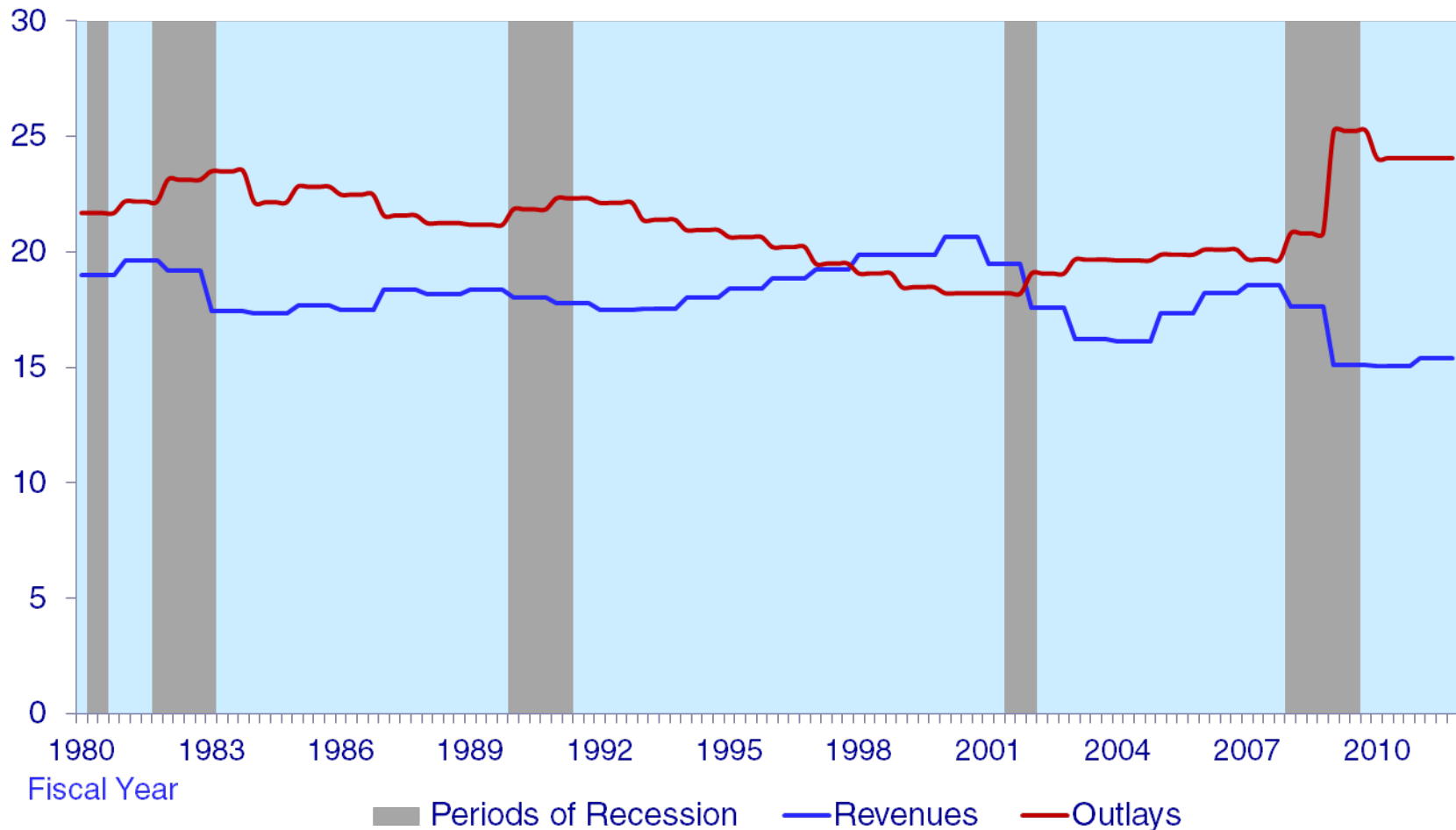


Source: OMB.

Fiscal Year

# Recession Affects the Federal Budget 1980-2011

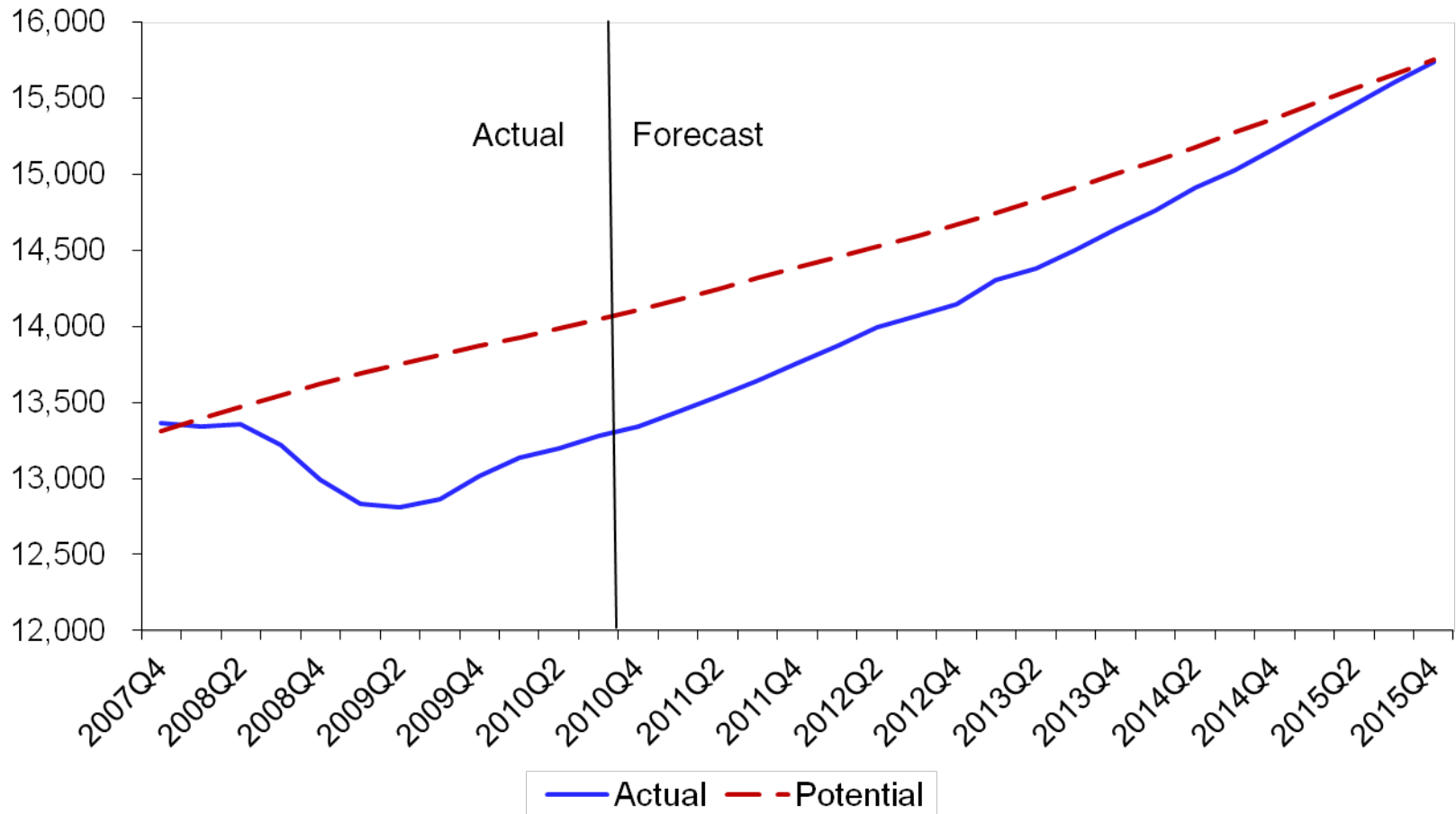
Percentage of GDP



Source: CBO, National Bureau of Economic Research..

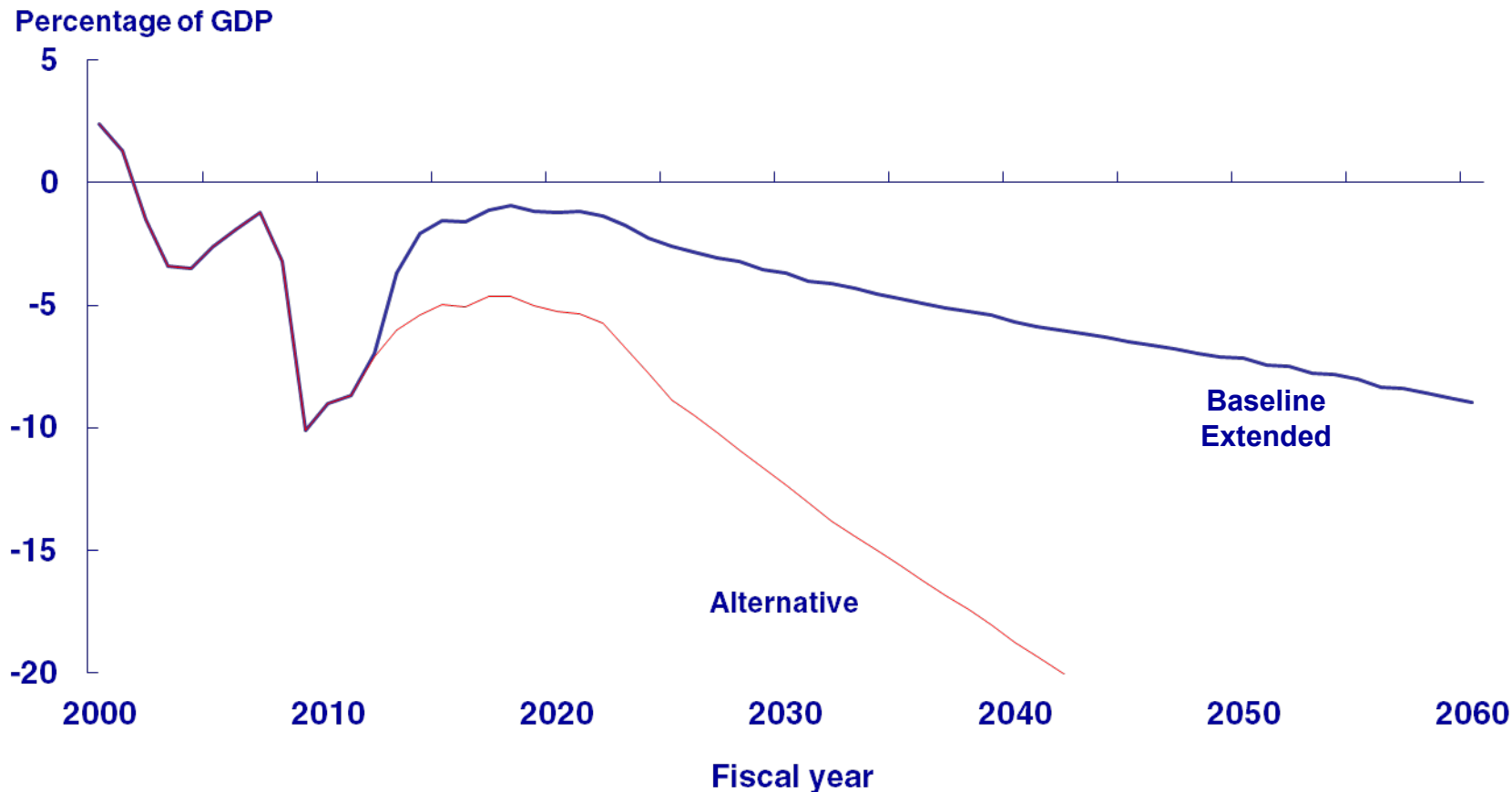
# GDP: Actual and Potential

Millions (2005\$)



Sources: CBO and Department of Commerce, Bureau of Economic Analysis.

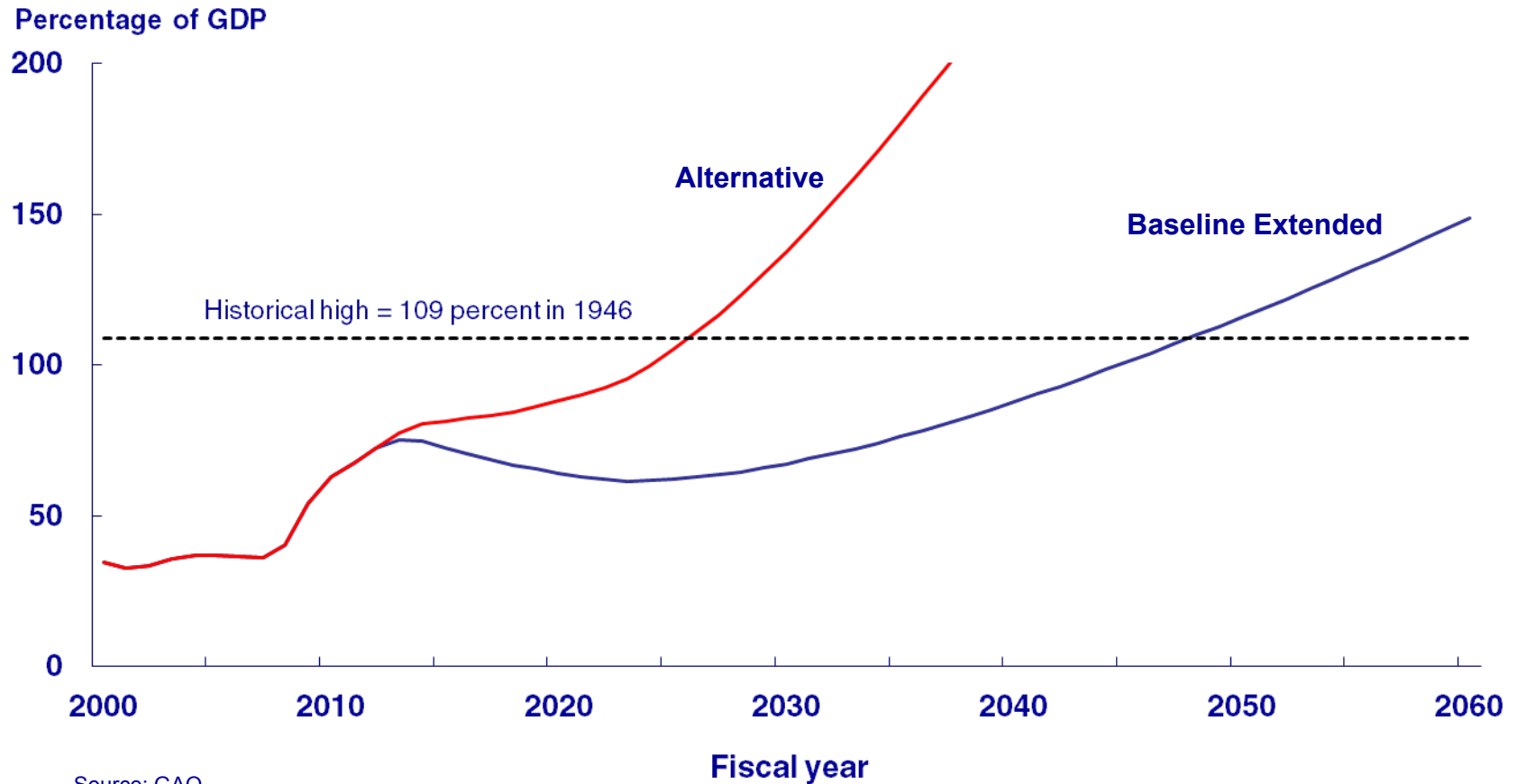
# Federal Budget Surpluses and Deficits under Two Fiscal Policy Simulations Spring 2012



Source: GAO.

Note: Data are from GAO's Spring 2012 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's alternative assumptions for Medicare.

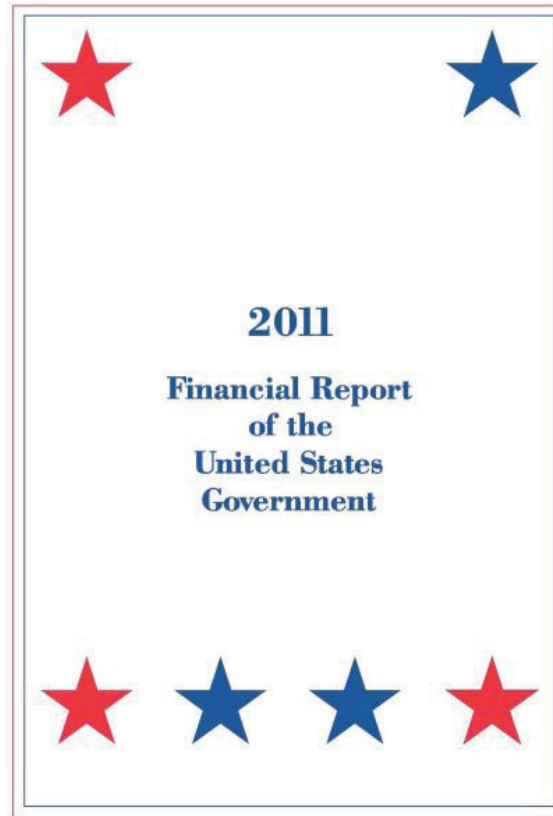
# Debt Held by the Public: Spring 2012 Simulations



Source: GAO.

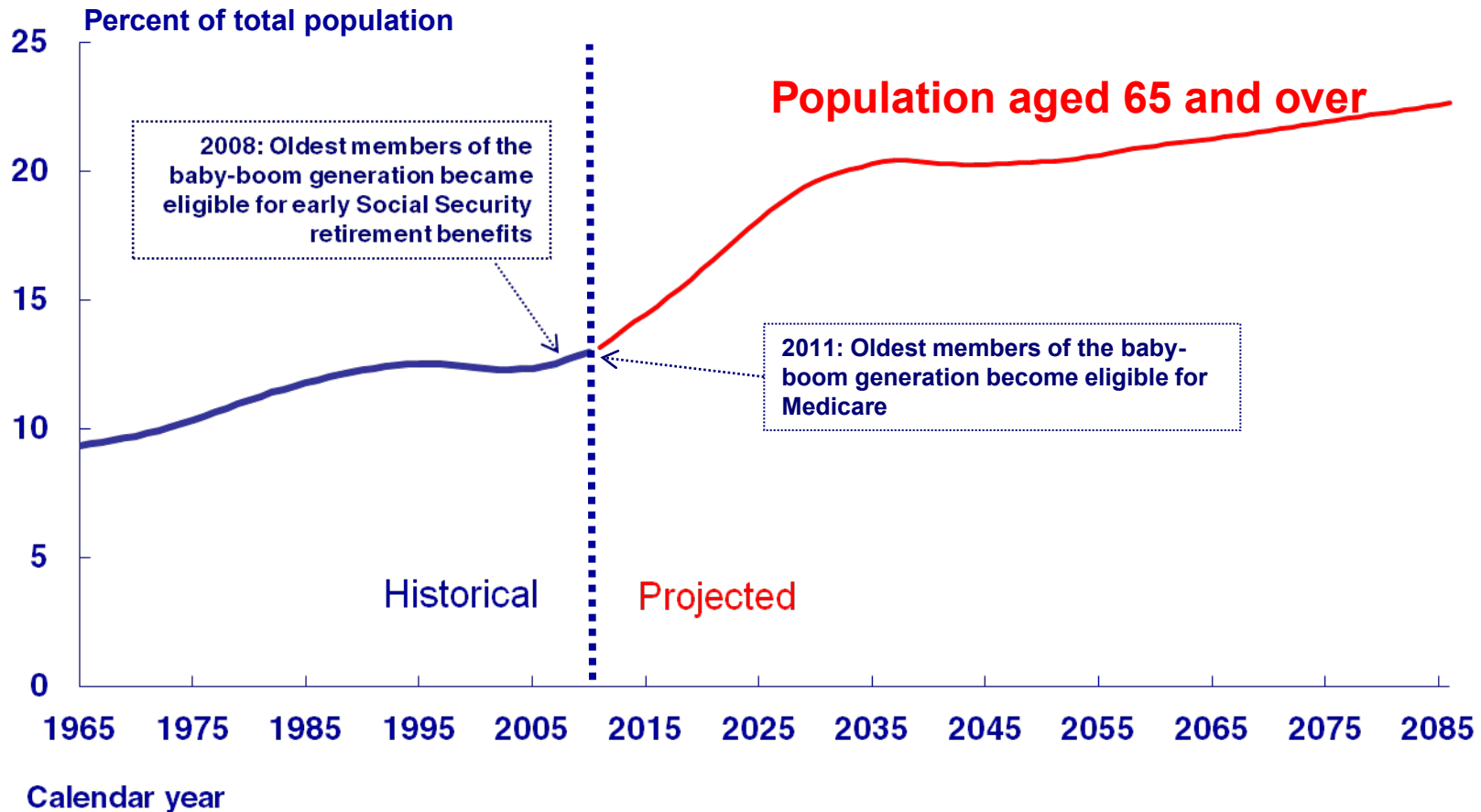
Note: Data are from GAO's Spring 2012 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's alternative assumptions for Medicare.

# Additional Perspective from the Financial Report





# Key Drivers of the Long-Term Fiscal Challenge: Aging of the U.S. Population

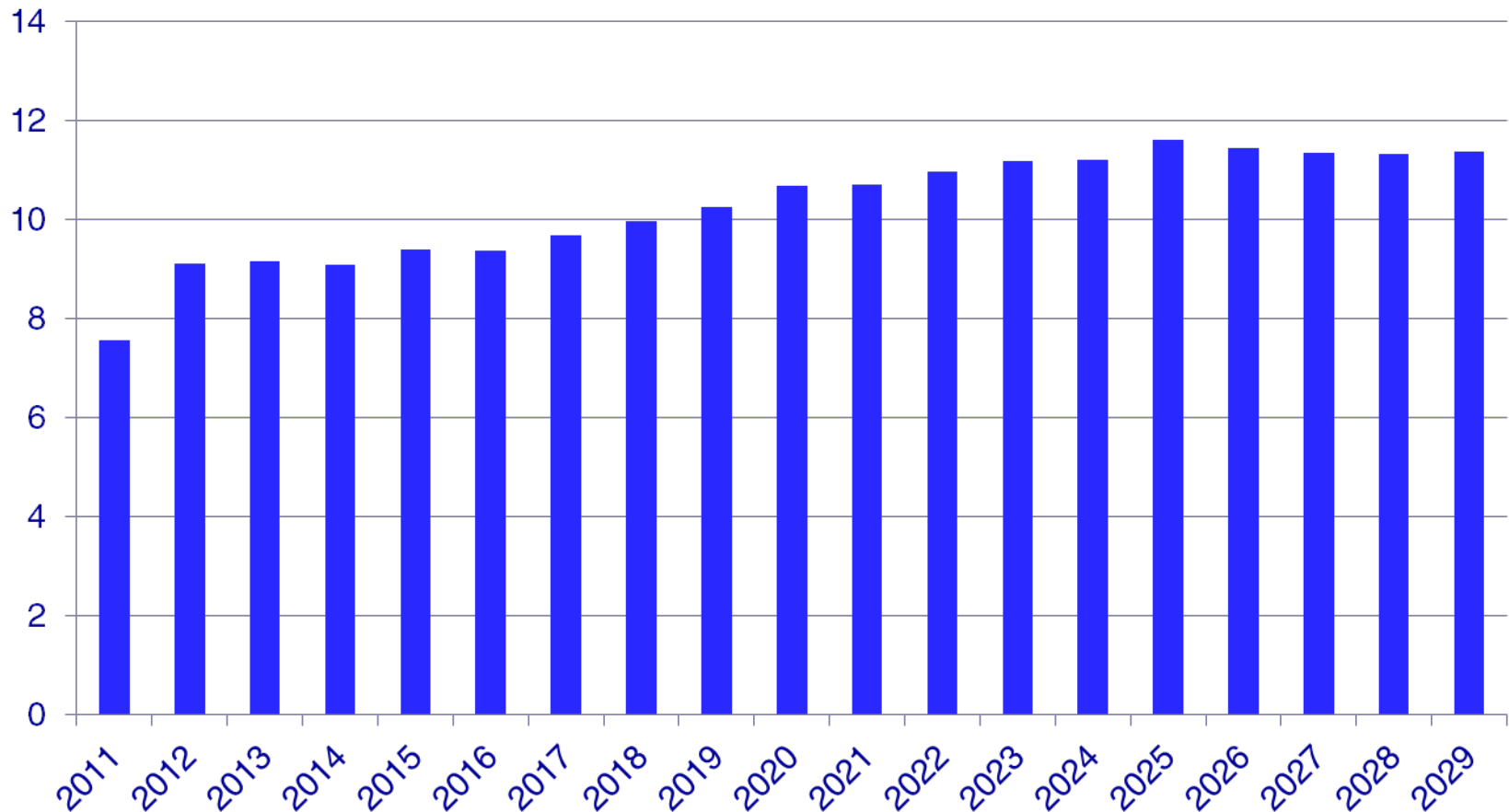


Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration.

Note: Projections based on the intermediate assumptions of the 2011 Trustees' Reports.

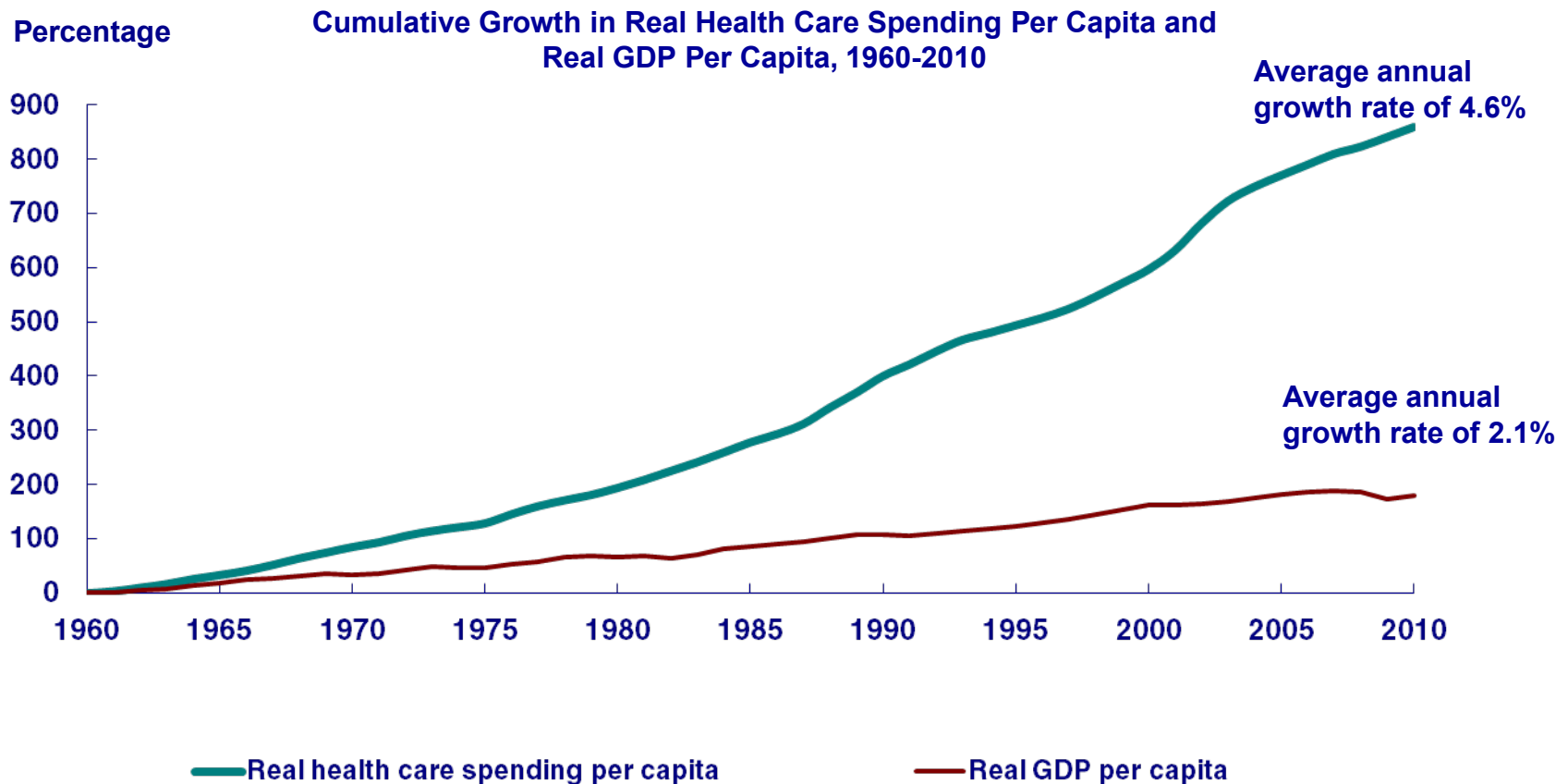
# Average Number of Baby Boomers Turning 65 Each Day

Thousands



Source: U.S. Census Bureau 2009 National Population Projections.

# Key Drivers of the Long-Term Fiscal Challenge: Growth in Health Care Spending

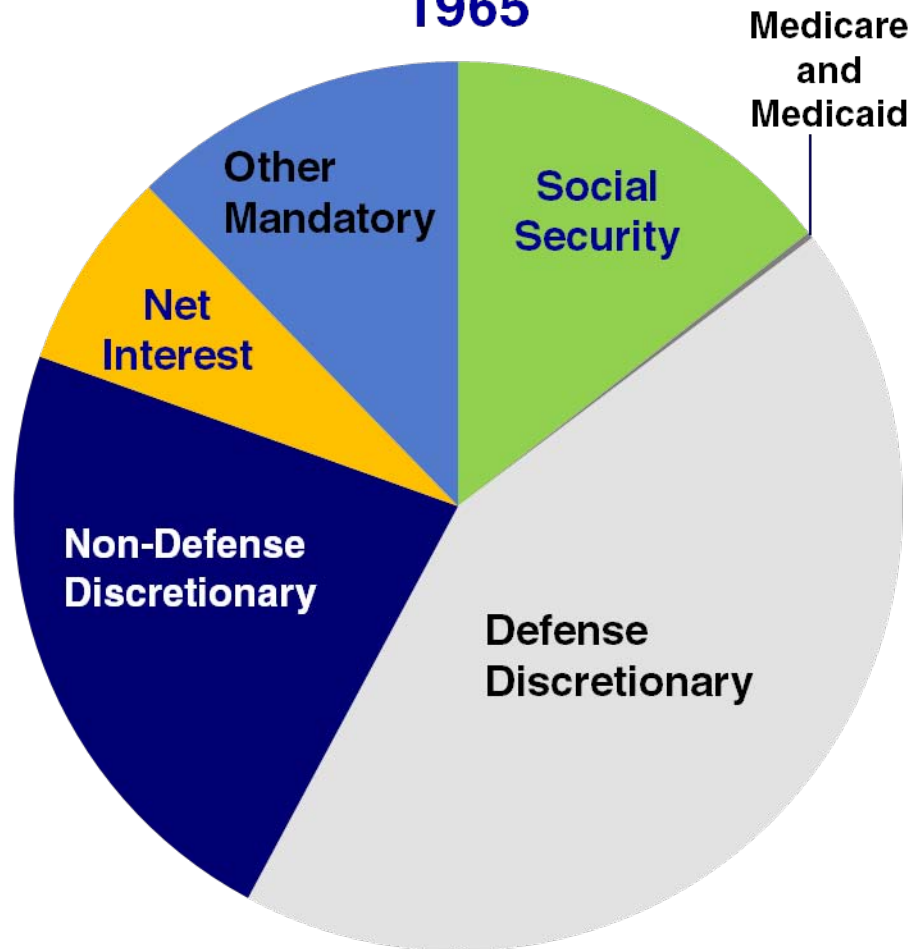


Source: GAO analysis of data from the Centers for Medicare & Medicaid Services, Office of the Actuary, and the Bureau of Economic Analysis.

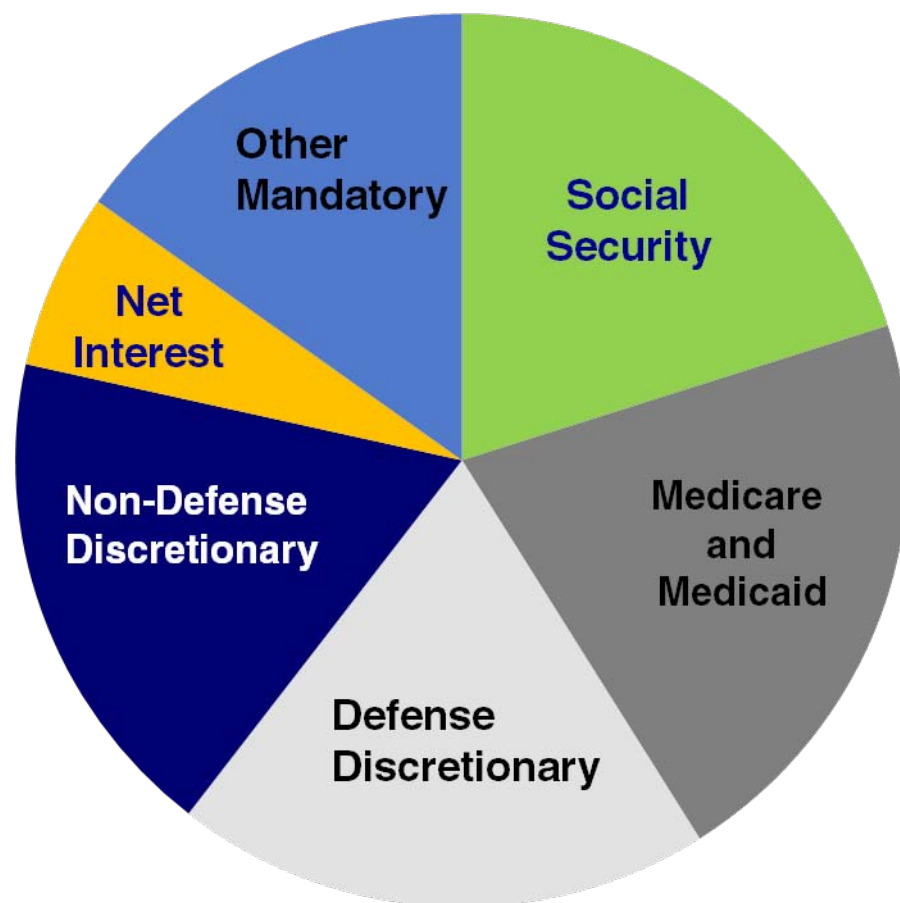
Note: The most current data available on health care spending per capita are for 2010.

# Composition of Spending 1965 vs. 2011

**1965**

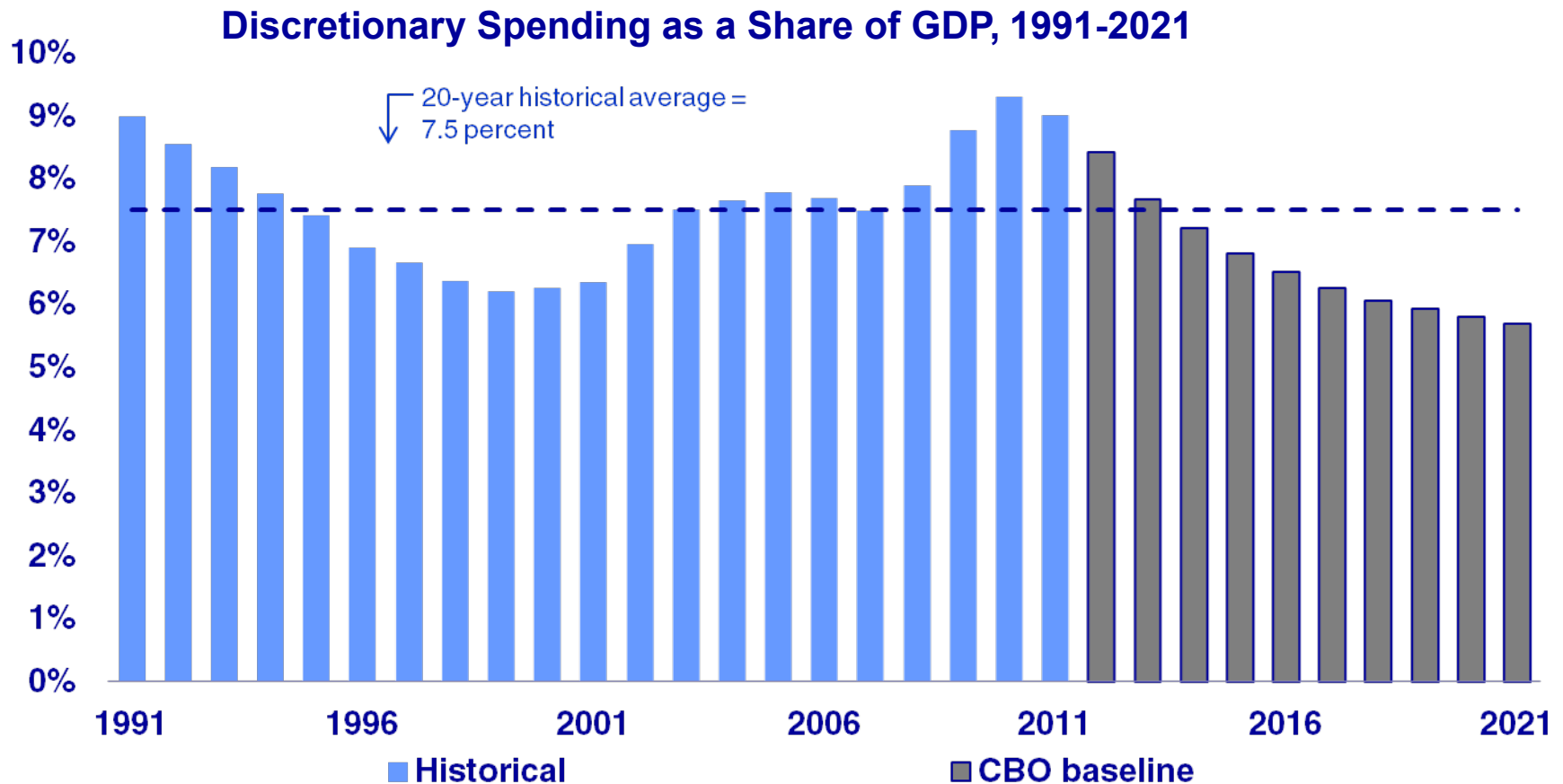


**2011**



Source: OMB and CBO.

# The Budget Control Act: Focus on Discretionary Spending



Source: GAO analysis of data from the Congressional Budget Office.

Discretionary spending includes much of what many think of as “government” such as spending on national defense, homeland security, veterans health benefits, national parks, highways and mass transit, and foreign aid.

# Beyond the Drivers: What Agencies Can Do

- Better manage costs and risks
- Contribute to discussion about program priorities and relative effectiveness
- Look for overlap, duplication, fragmentation
  - Within agency, across agencies, across spending, credit & tax programs

# GAO Products & Weblinks

- **Federal Debt and the Fiscal Outlook**  
<http://www.gao.gov/special.pubs/longterm/>
- **Federal Debt: Answers to Frequently Asked Questions**  
<http://www.gao.gov/special.pubs/longterm/debt/>
- **Measuring the Deficit: Cash vs. Accrual**  
<http://www.gao.gov/special.pubs/longterm/deficit/>
- **Financial Reports of the U.S. Government**  
<http://www.gao.gov/financial.html>

## On the Web

Web site: <http://www.gao.gov/>

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