An Analysis of the President’s 2019 Budget

Summary
On February 12, 2018, the Administration submitted its annual set of budgetary proposals to the Congress; subsequent amendments were transmitted on April 13. In this report, the Congressional Budget Office examines how budgetary outcomes under those proposals would compare with CBO’s adjusted baseline budget projections. (Those projections extend from 2018 to 2028 and are based on the assumption that current laws regarding federal spending and revenues will generally remain in place.)

According to CBO’s analysis, the Administration’s proposals would have the following effects:

- Federal debt held by the public would equal 86 percent of gross domestic product (GDP) in 2028 under the President’s budget, compared with 96 percent that year in the agency’s baseline and about 78 percent this year.
- The federal deficit would be $2.9 trillion smaller under the President’s budget than in CBO’s baseline during the 2019–2028 period, CBO estimates. By contrast, the Administration estimates that the deficit would be $5.2 trillion smaller than the baseline amount during that period.
- The two largest changes over the 2019–2028 period would be a $2.1 trillion reduction in nondefense discretionary spending (excluding that designated for overseas contingency operations, or OCO) and a $1.3 trillion reduction in mandatory spending for health care.

CBO conducted this analysis in collaboration with the staff of the Joint Committee on Taxation (JCT). The analysis is based on CBO’s economic projections and both agencies’ budget estimates, rather than on the Administration’s. Because of the analytical challenges created by the recent enactment of major legislation and the limited time available since then, the agency has not incorporated the macroeconomic effects of the President’s proposals in this report and does not plan to do so this year. Moreover, some of the Administration’s proposals were not specific enough for CBO and JCT to make their own estimates of the effects on the budget.

Projections Under the President’s Budget for 2018 and 2019
According to CBO’s calculations, the proposals in the President’s budget would have a very small effect on the deficit that the agency currently estimates for 2018. If the proposals were enacted, the deficit in 2018 would total $792 billion (or 3.9 percent of GDP), an amount nearly identical to the deficit in CBO’s baseline projections (see Table 1). By comparison, the deficit in 2017 was $665 billion (or 3.5 percent of GDP).

In 2019, CBO estimates, the deficit under the President’s budget would rise to $955 billion (or 4.5 percent of GDP)—about $17 billion less than the shortfall projected in the baseline. That difference is largely attributable to proposals to reduce funding for nondefense discretionary programs. Those proposals would lower such funding by $177 billion (or 24 percent) relative to the amount in the baseline, reducing discretionary...

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2. Those economic projections were published in Congressional Budget Office, The Budget and Economic Outlook: 2018 to 2028 (April 2018), www.cbo.gov/publication/53651. Since then, CBO has made a number of relatively small changes to its baseline budget projections. For more details, see page 11.
outlays by $37 billion in 2019 (including $4 billion for OCO), and more in subsequent years. Mandatory outlays in 2019 would be $22 billion higher under the President’s proposals than in the baseline, partially offsetting the reduction in discretionary spending; added mandatory funding for infrastructure would be partially offset by reductions in other mandatory programs.

Projections Under the President’s Budget for 2019 through 2028

According to CBO’s estimates, the cumulative deficit under the President’s policies would total $9.5 trillion over the 2019–2028 period (see Table 2). Measured relative to the size of the economy, the deficit would peak at 4.5 percent of GDP in 2019 and then decline to less than 4.0 percent between 2023 and 2028, averaging 3.7 percent of GDP over the 10-year period. As a result, federal debt held by the public would increase from 79 percent in 2019 to 86 percent in 2028.

If the President’s proposals were enacted, outlays would remain near 21 percent of GDP for most of the next 10 years. (Over the past 50 years, they have averaged 20.3 percent.) Revenues as a share of GDP would total 16.5 percent in 2019, CBO estimates, and would increase in most years thereafter before stabilizing at 17.7 percent between 2026 and 2028.
### Table 2.

**CBO's Estimate of the President's Budget**

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<td><strong>Revenues</strong></td>
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<tr>
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**Memorandum:**

**Gross Domestic Product**

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<td>-3.5</td>
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<td>-4.5</td>
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<td>-4.1</td>
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<td>-3.9</td>
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<td>-3.6</td>
<td>-4.2</td>
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<tr>
<td>On-budget</td>
<td>-3.7</td>
<td>-4.0</td>
<td>-4.5</td>
<td>-3.8</td>
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<td>-4.3</td>
<td>-2.7</td>
<td>-2.6</td>
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<td>85.7</td>
<td>86.4</td>
<td>n.a.</td>
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Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

n.a. = not applicable; * = between zero and 0.05 percent.

a. The revenues and outlays of the Social Security trust funds and the net cash flow of the Postal Service are classified as off-budget.

b. These estimates come from CBO’s baseline economic projections and do not reflect the macroeconomic effects of the President’s proposals.
A Comparison With CBO’s Baseline

Compared with CBO’s baseline projections, the deficit under the President’s proposals would be smaller in every year between 2019 and 2028, according to CBO and JCT’s estimates (see Figure 1). Over that period, the cumulative deficit would be $2.9 trillion smaller than the $12.4 trillion in CBO’s baseline. As a share of GDP, the average deficit under the President’s budget would be 1.2 percentage points below the baseline’s average of 4.9 percent.

As a result of those smaller deficits, debt held by the public would also be smaller each year under the President’s proposals than under current law. By 2028, federal debt held by the public would be nearly 10 percentage points lower than the 96 percent of GDP projected in the baseline.

The deficit reduction under the President’s proposals relative to CBO’s baseline would stem largely from lower spending, mostly for nondefense discretionary programs and mandatory health care programs. Between 2019 and 2028, federal outlays would be $3.5 trillion (or 6.3 percent) below baseline amounts. As a share of GDP, outlays under the President’s budget would average 1.4 percentage points below the average in the baseline.

The Administration’s policies would reduce revenues by $0.6 trillion (or 1.4 percent) over the next decade relative to CBO’s baseline; most of that reduction would occur between 2026 and 2028, largely as a result of extending certain provisions of Public Law 115-97 (originally called the Tax Cuts and Jobs Act and called the 2017 tax act in this report). In relation to the size of the economy, revenues would average 17.2 percent of GDP through 2028, below the 17.5 percent that CBO projects under current law. (Over the past 50 years, they have averaged 17.4 percent.)

Proposals That Would Affect Mandatory Spending

Over the 2019–2028 period, mandatory outlays would be lower under the President’s proposals than under current law—much lower for health care and student loans, and somewhat lower for income security programs (see Table 3). The President’s proposal for infrastructure would increase mandatory spending (although discretionary spending for that purpose would be reduced, offsetting much of the cost). All told, mandatory spending would be $1.3 trillion (or 4 percent) lower than projected in the baseline, according to CBO’s estimates. Mandatory outlays under the President’s proposals would equal 13.0 percent of GDP in 2019 and grow...
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Table 3.
CBO’s Estimate of the Effects of the President’s Budget Proposals

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<td>Deficit in CBO’s Adjusted April 2018 Baseline</td>
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Effects of the President’s Proposals
Outlays

- Provide mandatory funding for infrastructure: 0 - 40 - 7 - 5 - 7 - 9 - 11 - 11 - 13 - 14 - 14 - 68 - 131
- Reduce subsidies for student loans: 0 - 2 - 4 - 6 - 8 - 9 - 11 - 11 - 13 - 15 - 18 - 30 - 103
- Reduce spending for income security: 0 - 5 - 10 - 14 - 15 - 15 - 16 - 12 - 20 - 6 - 4 - 59 - 97
- Other proposals: 0 - 10 - 9 - 21 - 1 - 6 - 12 - 15 - 16 - 22 - 9 - 33 - 23


Discretionary

- Reduce spending for overseas contingency operations: 0 - 5 - 3 - 8 - 14 - 16 - 48 - 66 - 75 - 81 - 84 - 46 - 400


Revenues

- Extend individual and estate and gift tax provisions: 0 - 0 - 0 - 0 - 0 - 0 - * - 6 - 114 - 233 - 251 - 0 - 604
- Modify certain provisions of the Affordable Care Act: 0 - 0 - 4 - 9 - 11 - 15 - 18 - 20 - 21 - 22 - 24 - 38 - 143
- Other proposals: * - 1 - 2 - 3 - 1 - 3 - 2 - 3 - 2 - 3 - 10 - 22

Total Effect on Revenues: * - 3 - 3 - 1 - 1 - * - 2 - 9 - 117 - 238 - 256 - 7 - 615

Total Effect on the Deficit:

- Deficit Under the President’s Budget as Estimated by CBO: -792 - 955 - 866 - 945 - 1,039 - 971 - 895 - 893 - 965 - 1,087 - 4,776 - 9,474

Memorandum:


Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

* = between -$500 million and $500 million.

a. The adjusted baseline reflects a number of relatively small changes to projections published in The Budget and Economic Outlook: 2018 to 2028. For more details, see page 11.
b. Public Law 115-97 (originally called the Tax Cuts and Jobs Act).
c. Positive numbers indicate a decrease in the deficit in relation to CBO’s baseline.

Reduce Federal Spending for Health Care. Overall, the Administration’s proposals would reduce mandatory federal spending for health care by $1.3 trillion (or 8 percent) over the coming decade, CBO and JCT estimate. The largest savings—$954 billion between 2019 and 2028—stem from the proposal to modify certain provisions of the Affordable Care Act (ACA) by replacing certain federal subsidies for health care established by that act with block grants to states to establish new health care programs. Beginning in 2020, states...
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Under the Federal Credit Reform Act of 1990, the subsidy costs for loans and loan guarantees made each year are estimated by

4. Under the Federal Credit Reform Act of 1990, the subsidy costs for loans and loan guarantees made each year are estimated by

5. The $70 billion reduction does not include the effects of a proposal to replace some SNAP benefits with food boxes because that policy was not sufficiently specified for CBO to assess whether the proposal would result in costs or savings.

6. The President’s proposals for federal retirement programs would increase revenues by $109 billion. In addition, the proposals would reduce agencies’ contributions toward their employees’ retirement, which would affect discretionary outlays and offsetting receipts by equal amounts. (The proposal would also reduce net off-budget mandatory spending related to the Postal Service by $7 billion.)

Provide Mandatory Funding for Infrastructure. The President’s proposals would boost mandatory spending on infrastructure programs by $131 billion over the next 10 years, CBO estimates. However, the President also proposes to reduce discretionary appropriations for other accounts that provide infrastructure funding, such as those for transportation. Those reductions, which would affect several programs and budget functions, would offset roughly two-thirds of the proposed increase in mandatory spending on infrastructure over the 2019–2028 period.

Reduce Subsidies for Student Loans. The President proposes changes to federal student loan programs that would generate $103 billion in savings to the government between 2019 and 2028, according to CBO’s estimates. For borrowers who take out their first student loans in the 2019–2020 academic year or later, the proposals would make a number of changes to the Federal Direct Loan Program, including creating a single income-driven repayment plan, eliminating loan forgiveness for some borrowers, and eliminating subsidized loans.

Reduce Spending for Income Security Programs. The President’s proposals would decrease outlays for income security programs by $97 billion (or about 2 percent) over the coming decade, CBO estimates. Proposals to reduce spending for the Supplemental Nutrition Assistance Program (SNAP) would have the largest effects, decreasing outlays for that program by $70 billion (or 11 percent) between 2019 and 2028.

The Administration’s proposal to cut retirement benefits for federal civilian employees—both current and future annuitants—would decrease outlays for those benefits by an estimated $58 billion (or 6 percent) from 2019 to 2028. The proposal would achieve those savings by changing how benefits are calculated, reducing or eliminating cost-of-living adjustments, and eliminating the annuity supplement for federal workers who retire before age 62.

A few of the President’s proposals would increase mandatory outlays for income security programs. The proposal resulting in the largest increase would extend, through 2028, a provision of the 2017 tax act that expanded the

3. The estimated effect of medical liability reform on spending for Medicaid does not reflect interactions with other budget proposals for that program. If those interactions were included, the total savings from the policy would be reduced by $4 billion to a total of $59 billion from 2019 to 2028. The proposal would also increase revenues by $6 billion over that period.

CBO

MAY 2018
child tax credit through December 31, 2025. Because
that tax credit is refundable, extending that provision
would increase cumulative outlays by $53 billion over
the 2027–2028 period, according to estimates provided
by JCT. (That proposal would also reduce revenues by
$155 billion through 2028, according to JCT.)

Other Proposals That Would Affect Mandatory
Spending. Taken together, other proposals contained in
the President’s budget would, on net, increase mandatory
outlays by $23 billion over the 2019–2028 period. The
proposal with the largest effect on mandatory outlays
would establish a new, independent corporation to
manage and operate the air traffic control (ATC) system.
The new entity would be allowed to collect fees to fund
its operations. Although the proposed corporation would
be autonomous, CBO would treat it as governmental
for budgetary purposes because it would act as an agent
of the federal government in carrying out a regulatory
function. Thus, in CBO’s judgment, the proposal would
effectively shift spending for ATC from the discretionary
to the mandatory side of the budget, increasing manda-
tory outlays by $88 billion. (The President requests less
in discretionary funding for ATC, which would reduce
discretionary outlays by $67 billion between 2019 and
2028.) The proposal also would reduce aviation-related
revenues (such as taxes on airline tickets), on net, by
$17 billion through 2028.

Proposals That Would Affect Discretionary Spending
Taken together, the President’s proposals would reduce
discretionary outlays over the next decade by $1.8 trillion
(or 13 percent) relative to the amounts in the
baseline, CBO estimates. (The baseline incorporates
the assumption that caps on discretionary funding will
remain in place through 2021 and grow with inflation
thereafter; funding not constrained by the caps is gen-
erally projected to grow with inflation from the amount
provided for 2018.)

Relative to the baseline, under the President’s budget,
discretionary outlays for nondefense activities (other
than OCO) would be $2.1 trillion lower over the
2019–2028 period, and outlays for OCO would be
$400 billion lower; those decreases would be partially
offset by a $674 billion increase in discretionary outlays
for other defense programs and activities. All told, discre-
tionary outlays as a share of GDP under the President’s
proposals would fall steadily over the next decade, from
6.3 percent of GDP in 2019 to 4.2 percent in 2028; in
CBO’s baseline, they are projected to fall from 6.4 per-
cent to 5.4 percent, respectively. (Over the past 50 years,
total discretionary outlays have averaged 8.5 percent of
GDP.)

Proposed Appropriations for 2019. The President has
requested a total of $1.27 trillion in discretionary appro-
priations for 2019, $156 billion (or 11 percent) less than
the amount appropriated for 2018. Although defense
funding would rise modestly under the President’s
proposals, that increase would be more than offset by
reductions in nondefense funding.

For defense discretionary programs in 2019, the
President proposes appropriations of $716 billion,
which would be $15 billion (or 2 percent) more than
the amount provided in 2018 (see Table 4). Funding for
defense-related OCO activities would total $69 billion
(close to the $66 billion provided in 2018), whereas non-
OCO defense funding would equal $647 billion (slightly
more than the $629 billion provided in 2018, excluding
emergency funding).

For nondefense discretionary programs, the President
proposes appropriations of $550 billion, $171 billion (or
24 percent) less than the amount of discretionary budget
authority provided for 2018. The largest proposed
decrease involves funding designated as an emergency
requirement. In 2018, lawmakers provided $102 bil-
lion in such funding in response to Hurricanes Harvey,
Irma, and Maria and wildfires in western states, but no
new appropriations are proposed for emergency require-
mements in 2019. (In CBO’s baseline, the amount of such
funding provided in 2018 is assumed, in accordance with
rules set in law, to be continued in each year, with adjust-
ments for inflation.) In addition, the President does
not propose any nondefense funding for OCO in 2019
(such funding totaled $12 billion in 2018) but requests

7. For more information on CBO’s budgetary treatment of the
    proposed corporation, see Congressional Budget Office, cost
estimate for H.R. 2997, the 21st Century Aviation Innovation,
Reform, and Reauthorization Act (September 25, 2017),

8. Both the 2018 and 2019 amounts exclude the effects of changes
    that would affect budget authority for certain mandatory
    programs through the appropriation process.

9. The President proposes to rescind $5 billion of funding
    previously designated as an emergency requirement.
### Table 4.

Discretionary Budget Authority Proposed by the President for 2019, Compared With 2018 Appropriations

<table>
<thead>
<tr>
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<td></td>
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<td>0</td>
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<td>n.a.</td>
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<td>*</td>
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<tr>
<td>Emergency requirements</td>
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<td>n.a.</td>
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<tr>
<td>Subtotal</td>
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<td>550</td>
<td>23.1</td>
<td>-23.8</td>
</tr>
<tr>
<td>Other funding not constrained by caps</td>
<td>11</td>
<td>10</td>
<td>11&lt;sup&gt;d&lt;/sup&gt;</td>
<td>-5.9</td>
<td>8.3</td>
</tr>
<tr>
<td>Subtotal</td>
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<td>1,422</td>
<td>1,266</td>
<td>16.6</td>
<td>-11.0</td>
</tr>
</tbody>
</table>

Source: Congressional Budget Office.

Estimates do not include obligation limitations for certain transportation programs. They also do not include enacted and proposed changes to certain mandatory programs through the appropriation process. In keeping with long-standing procedures, those changes are credited against discretionary spending for purposes of budget enforcement.

n.a. = not applicable; * = between -$500 million and zero.

a. Excludes proposed reductions of $3 billion in budget authority for certain mandatory programs through the appropriation process, but includes the budget amendments that the Administration submitted on April 15, 2018.

b. Overseas contingency operations consist of military operations and related activities in Afghanistan and elsewhere.

c. Funding for emergencies, disaster relief, certain program integrity initiatives (which identify and reduce overpayments in some benefit programs), and programs designated in the 21st Century Cures Act is not constrained by the statutory caps established by the Budget Control Act.

d. This value includes $2 billion for certain wildfire suppression operations, as proposed by the President. Under the President’s budget, an adjustment to the discretionary spending limit on nondefense budget authority for such spending would take effect in 2019. The Consolidated Appropriations Act, 2018 (P.L. 115-141), created an adjustment for such spending beginning in 2020.

$11 billion for other programs that are not constrained by the caps on discretionary funding.<sup>10</sup>

Under the President’s proposals, nondefense funding that is constrained by the caps would fall from $596 billion in 2018 to $544 billion in 2019, a drop of 9 percent. In most years, lawmakers also use the appropriation process to set the amount that can be obligated for certain transportation programs.<sup>11</sup> The amount of spending authority provided through the appropriation process that is subject to the caps or to those obligation limitations would be $604 billion in 2019 or 8 percent below the comparable amounts provided for 2018. The largest proposed decreases are a $14 billion (or 19 percent) reduction in funding for income security; a $13 billion (or 13 percent) reduction in funding for education, job training, and social services; and an $11 billion (or 11 percent) reduction in funding for discretionary transportation programs.

**Proposed Appropriations for 2020 through 2028.** Appropriations would remain at roughly $1.2 trillion in

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<sup>10</sup> The $550 billion in funding excludes the effects of proposed changes that would, on net, reduce budget authority by $3 billion in 2019 for certain mandatory programs through the appropriation process.

<sup>11</sup> Those obligation limits are not considered budget authority and are not constrained by the caps.
each year from 2020 through 2028 under the President’s budget. Broad funding policies would include:

- Increasing defense funding (for activities other than OCO) by an average of 2 percent per year;
- Reducing nondefense funding (for activities other than OCO) by an average of 4 percent per year; and
- Increasing OCO funding to $81 billion in 2020, decreasing it to roughly $70 billion per year from 2021 to 2023, and further reducing it to $12 billion per year beginning in 2024.12

Outlays for discretionary programs under the President’s proposals would be lower than in the baseline in every year from 2019 to 2028. By the end of that period, such outlays would be $370 billion (or 23 percent) smaller than the amounts projected in the baseline; excluding OCO funding and funding designated as an emergency requirement, they would be about $181 billion (or 13 percent) smaller. Nondefense spending (excluding funding designated as an emergency requirement and for OCO) would be 37 percent below the baseline projection.

As a share of GDP, outlays for defense programs (other than OCO) would fall under the President’s proposals, from 2.9 percent this year to 2.6 percent in 2028. However, they would still exceed the amounts in CBO’s baseline projections, which total 2.3 percent in 2028. By contrast, outlays for nondefense discretionary programs (not including OCO or funding designated as an emergency requirement) as a share of GDP would be much lower under the President’s budget than in the baseline, falling from 3.2 percent this year to 1.5 percent in 2028. In CBO’s baseline, those outlays total 2.4 percent of GDP in 2028. Under the President’s budget, discretionary spending in 2028 would be smaller as a percentage of GDP than in any year since 1962 (the most recent year for which such data are available).

Proposals That Would Affect Revenues

The President’s proposals include about three dozen changes to laws that would affect revenues. CBO and JCT estimate that those changes would reduce revenues by $615 billion (or 1 percent) over the 2019–2028 period relative to CBO’s projections in the baseline. That reduction mainly stems from a proposal to extend tax provisions currently scheduled to expire in 2025. Other proposals that would have significant effects on revenues include those that would modify certain provisions of the ACA and increase federal employees’ contributions to their retirement plans.

Extend Tax Provisions That Expire in 2025. The President proposes to extend provisions of the individual income tax and the estate and gift tax enacted in the 2017 tax act that are scheduled to expire in 2025. Those provisions include the current statutory tax rates, a higher standard deduction, the repeal of personal exemptions, and limits on certain itemized deductions.13 That proposal would reduce revenues by $604 billion over the 2019–2028 period, mostly in the last three years, JCT estimates.

Modify Certain Provisions of the Affordable Care Act. In addition to reducing outlays, the proposal to implement policies similar to those proposed by Senators Graham, Cassidy, Heller, and Johnson in 2017 also would reduce revenues by $143 billion over the 2019–2028 period, CBO and JCT estimate. Revenues would be affected mainly by changes in employment-based health insurance coverage, the repeal of the premium assistance tax credit, and the elimination of the penalty for large employers that do not offer their employees coverage that meets specified standards under the ACA.

Increase Federal Employee Retirement Contributions. The President proposes to increase federal employees’ contributions to the defined benefit pension plan provided through the Federal Employees Retirement System. The proposal would boost those employees’ contributions by 1 percentage point per year until most employees contribute a total of about 7 percent of their before-tax pay (assuming that the actuarial valuation underlying the program remained unchanged). Currently, federal employees contribute between 0.8 and 4.9 percent of their before-tax pay. In CBO’s estimation, implementing that proposal would increase federal revenues by $109 billion over the 2019–2028 period.

12. According to the Administration’s budget submission, OCO funding levels for defense for 2020 through 2023 are consistent with the National Security and National Defense Strategies. For OCO, defense funding after 2023 and nondefense funding over the 2019–2028 period are “notional placeholders consistent with a potential transition of certain OCO costs into the base budget. The placeholder amounts do not reflect specific decisions or assumptions about OCO funding in any particular year.”

Other Proposals. On net, other proposals in the President's budget would increase revenues by $22 billion over the 2019–2028 period, CBO and JCT estimate. The proposal that would raise revenues by the greatest amount—$21 billion, in CBO's estimation—would increase funding for the Internal Revenue Service's enforcement activities. The proposal that would cause the greatest decrease in revenues—$17 billion—is the proposal to shift ATC functions to a private entity.

Effects on Net Interest
Altogether, the President's proposals would reduce the government's borrowing needs by $2.9 trillion over the 2019–2028 period, CBO estimates. As a result, net interest costs over the period would be $401 billion lower than they are projected to be in the baseline. In 2028, net interest costs under the President's proposals would amount to 2.7 percent of GDP—less than the 3.1 percent in CBO's baseline projections for that year but still significantly higher than the 1.6 percent CBO estimates for 2018.

A Comparison of CBO's and the Administration's Estimates of Deficits Under the President's Proposals
CBO’s estimate of the cumulative 10-year deficit under the President's proposals is $2.3 trillion higher than the Administration's estimate of $7.2 trillion. Specifically, CBO’s estimates of revenues are $1.9 trillion (or 4 percent) lower than the Administration’s, and CBO’s estimates of outlays are $0.3 trillion (or 1 percent) higher (see Table 5). According to CBO’s calculations, the deficit would be smaller than the Administration anticipates this year and for the following two years. After that, CBO estimates larger deficits under the President’s policies than the Administration does.

JCT and CBO's estimates of revenues differ from the Administration's largely because of differences in economic forecasts. In particular, CBO projects wages and salaries after 2021 that are between 1 percent and 9 percent lower than the Administration estimates. As a result, CBO projects revenues from individual income and payroll taxes that are lower by $1.2 trillion over the 2019–2028 period. Variations in modeling approaches account for most of the remaining difference.

Overall, the difference between CBO’s and the Administration's estimates of outlays over the 2019–2028 period is relatively modest. CBO’s estimate of net interest spending exceeds the Administration’s by $417 billion, because of the additional debt-service costs required to finance the higher cumulative deficits in CBO’s estimate and higher projected interest rates. In addition, discretionary outlays in CBO’s projections are higher—by $194 billion—largely as a result of $85 billion in emergency funding provided after the Administration prepared its budget request, and of the estimated effects of an additional $60 billion in funding requested in amendments the Administration submitted after the release of the budget. In the other direction, CBO’s projections of mandatory spending over the next decade are $263 billion lower than the Administration’s estimates. That gap stems from a number of factors, including different estimates of savings from the President’s policy proposals and the effect of differences in the agencies’ economic projections on projected spending under current law. Among the most significant differences is that CBO projects lower spending than the Administration does for health care and veterans' benefits.

14. That proposal would provide funding for the Internal Revenue Service's enforcement activities above the amounts projected in CBO's baseline. If lawmakers provided such increased funding, CBO estimates that additional revenues would result, and an estimate of such revenues is included in this analysis. However, budgetary savings (such as increased revenues) from providing additional appropriations for administrative spending cannot be counted as an offset to such spending for Congressional scorekeeping purposes.

15. The change in the government’s borrowing needs ($2.2 trillion over the next decade) differs from the reduction to the deficit under the President’s budget ($2.3 trillion) because the borrowing needs include the effects of proposals that would alter the cash flows for credit programs. (The budget shows the subsidy costs of those programs, not the annual cash flows.) The most significant effects on such cash flows from the President’s policies would stem from proposals related to student loans.
Table 5.

Differences Between CBO’s and the Administration’s Estimates of the President’s Budget

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<th>2028</th>
<th>2023</th>
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<td>-23</td>
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<td>-642</td>
<td>-202</td>
<td>-2,297</td>
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</table>

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

a. Positive numbers indicate that such differences make CBO’s estimate of the deficit smaller than the Administration’s estimate.
b. Positive numbers indicate that such differences make CBO’s estimate of the deficit larger than the Administration’s estimate.

and higher spending for housing, income security, and Social Security.

Recent Changes in CBO’s Baseline

CBO has made a number of relatively small changes to its baseline projections since it released *The Budget and Economic Outlook: 2018 to 2028* on April 9, 2018. In total, those changes reduced the estimated deficit for 2018 by $12 billion and reduced cumulative deficits over the 2019–2028 period by $17 billion (see Table 6).

When CBO released its previous estimates in April, it could not incorporate the account-level detail of 2018 discretionary funding provided under the Consolidated Appropriations Act, 2018 (Public Law 115-141); instead, the projections reflected the aggregate effects of the law. CBO has subsequently incorporated that account-level detail into its estimates. Doing so allowed CBO to more specifically estimate how quickly appropriations would be spent in each year on the basis of historical spending patterns and other factors. As a result, projected discretionary outlays in the adjusted April baseline are $6 billion lower in 2018 and $22 billion higher between 2019 and 2028 than CBO previously estimated.

The adjusted April baseline also reflects updates to the preliminary projections of subsidies for insurance purchased through the marketplaces established under the ACA as well as projections of revenues related to health insurance coverage:

- Projections of mandatory spending are $4 billion lower this year and $6 billion lower over the 2019–2028 period, compared with projections reported in April. That reduction in spending stems almost entirely from decreases in outlays for health insurance subsidies and related spending.
- Revenues associated with health insurance subsidies, work-related health insurance coverage, the excise tax on high-premium insurance plans, and
Table 6.  
Changes in CBO’s Baseline Projections of Revenues, Outlays, and Deficits Since April 2018

<table>
<thead>
<tr>
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<td>Deficit in CBO's Adjusted April 2018 Baseline</td>
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<td>-12,401</td>
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</table>

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

All changes since April reflect technical updates, which are changes to projections for reasons other than legislative or economic changes.

* = between -$500 million and $500 million.

a. Positive numbers indicate that such differences make CBO’s estimate of the deficit smaller.
b. Positive numbers indicate that such differences make CBO’s estimate of the deficit larger.

penalties imposed on employers and uninsured people are now projected to be $1 billion higher in 2018 and $24 billion higher, on net, over the 2019–2028 period.17

Those updated projections reflect technical changes (that is, updates to projections for reasons other than legislative or economic changes), including the effects of recently proposed rules affecting health insurance markets.

The changes that CBO made to its projections of revenues and discretionary and mandatory outlays led the agency to lower its estimate of federal borrowing through 2028. As a result, CBO has reduced its cumulative projection of outlays for interest on federal debt over the 2019–2028 period by $9 billion.