



An Analysis of the President's 2023 Budget

SEPTEMBER | 2022

On March 28, 2022, the Administration submitted its annual set of budgetary proposals to the Congress.¹ In this report, the Congressional Budget Office examines how those proposals, if enacted, would affect budgetary outcomes in relation to CBO's most recent baseline budget projections.² Those projections extend from 2022 to 2032 and reflect the assumption that current laws governing federal spending and revenues will generally remain in place. CBO's baseline budget projections and its analysis of the President's proposals are based on the agency's economic forecast published in May that reflects developments through early March.³

According to CBO's projections, the President's proposals would have the following major effects:

1. This analysis does not include the budgetary effects of the amendments to the proposed budget that the Administration submitted to the Congress on June 7, 2022, or the updated estimates contained in the 2023 *Mid-Session Review*, which the Administration released on August 23, 2022.
2. Earlier this year, CBO issued a report analyzing the budgetary effects of the President's discretionary budget proposals. See Congressional Budget Office, *An Analysis of the Discretionary Spending Proposals in the President's 2023 Budget* (July 2022), www.cbo.gov/publication/57972. This report combines an analysis of the President's policy proposals that affect revenues and mandatory spending with that earlier analysis of the discretionary spending proposals.
3. For CBO's most recent baseline budget and economic projections, see Congressional Budget Office, *The Budget and Economic Outlook: 2022 to 2032* (May 2022), www.cbo.gov/publication/57950. CBO's baseline is intended to provide a benchmark that policymakers can use to assess the potential effects of policy changes on federal spending and revenues and, therefore, on deficits and debt.

- *Federal deficits* over the 2023–2032 period would total \$13.1 trillion. Measured in relation to the size of the economy, deficits would average 4.2 percent of gross domestic product (GDP) over that period.
- The cumulative deficit for the 2023–2032 period would be \$2.6 trillion smaller than it is in CBO's baseline projections because revenues would be higher and spending lower (see Table 1).
- As a result of those smaller deficits, *federal debt held by the public* in 2032—at 102 percent of GDP—would be 7 percent of GDP lower than it is in CBO's baseline projections, though it would still be 3 percent of GDP higher than it was in 2021.
- Total *revenues* over the projection period would be \$1.7 trillion (or 3 percent) more than they are in CBO's baseline projections. About half of that increase stems from a proposal to raise the corporate income tax rate from 21 percent to 28 percent.
- Total *outlays* over the 2023–2032 period would be \$0.9 trillion (or 1 percent) less than they are in CBO's baseline budget projections. Under the President's budget, outlays for discretionary programs would be \$1.7 trillion less than projected in the baseline, and net outlays for interest would be \$0.3 trillion less; mandatory outlays, however, would be \$1.0 trillion more.

In total, CBO's estimate of the cumulative deficit over the 10-year projection period under the President's proposals is \$1.3 trillion less than the Administration's estimate of \$14.4 trillion. That difference is almost entirely attributable to differences in CBO's and the Administration's projections of outlays—particularly mandatory outlays—under current law.

Table 1.

Projected Revenues, Outlays, and Deficits in CBO's Baseline and Under the President's Budget

Billions of Dollars

	Actual, 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total	
													2023– 2027	2023– 2032
CBO's May 2022 Baseline														
Revenues	4,047	4,836	4,890	4,924	4,982	5,280	5,548	5,716	5,934	6,161	6,402	6,662	25,623	56,498
Outlays	6,822	5,872	5,874	5,980	6,300	6,643	6,958	7,441	7,585	8,074	8,469	8,915	31,754	72,238
Deficit	-2,775	-1,036	-984	-1,056	-1,318	-1,364	-1,409	-1,725	-1,651	-1,912	-2,067	-2,253	-6,131	-15,740
CBO's Estimate of the President's Budget														
Revenues	4,047	4,836	4,988	5,089	5,176	5,454	5,715	5,888	6,111	6,344	6,593	6,855	26,422	58,213
Outlays	6,822	5,872	5,895	6,010	6,320	6,636	6,920	7,357	7,440	7,884	8,246	8,613	31,782	71,321
Deficit	-2,775	-1,036	-908	-921	-1,145	-1,182	-1,205	-1,469	-1,328	-1,540	-1,653	-1,758	-5,360	-13,108
Difference Between CBO's Estimate of the President's Budget and CBO's May 2022 Baseline														
Revenues	n.a.	0	98	165	194	175	166	172	177	183	192	193	799	1,715
Outlays	n.a.	*	22	30	21	-8	-38	-84	-145	-189	-223	-303	27	-917
Deficit^a	n.a.	*	76	135	174	182	204	256	322	372	414	496	771	2,632
Memorandum:														
Deficit (Percentage of GDP)														
CBO's baseline	-12.4	-4.2	-3.8	-3.9	-4.7	-4.7	-4.6	-5.5	-5.0	-5.6	-5.9	-6.1	-4.3	-5.1
CBO's estimate of the President's budget	-12.4	-4.2	-3.5	-3.4	-4.0	-4.0	-4.0	-4.7	-4.1	-4.5	-4.7	-4.8	-3.8	-4.2
Debt Held by the Public (Percentage of GDP)														
CBO's baseline	99.6	97.9	96.0	96.1	97.5	98.8	100.0	102.0	103.2	105.3	107.5	109.6	n.a.	n.a.
CBO's estimate of the President's budget	99.6	97.9	95.7	95.3	96.1	96.9	97.5	98.7	99.1	100.3	101.4	102.5	n.a.	n.a.

Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation. See www.cbo.gov/publication/58417#data.

These estimates include the effects of legislation enacted through April 8, 2022, and are based on CBO's latest economic projections, which reflect economic developments through March 2, 2022. They do not include the budgetary effects of some proposals that were not specific enough for CBO and JCT to assess.

GDP = gross domestic product; n.a. = not applicable; * = between -\$500 million and \$500 million.

a. A positive value indicates that the deficit would be smaller under the President's budget than it is in CBO's baseline projections.

CBO conducted this analysis in collaboration with the staff of the Joint Committee on Taxation (JCT). The analysis is based on the two agencies' budget estimates, not the Administration's. For discretionary programs, CBO incorporated the funding levels requested by the President rather than using the amounts in its baseline projections, which reflect the assumption that funding will grow with inflation after 2022 (or, in the case of advance appropriations, from the amount of the final enacted advance appropriation). This analysis does not take into account the budgetary effects of the student loan forgiveness recently announced by the President or the potential budgetary effects of proposed changes in

regulations and other administrative actions included in the President's budget that are not already incorporated in CBO's baseline.⁴ In addition, the analysis excludes any feedback from the macroeconomic effects of the President's policies. CBO's baseline budget projections include the effects of legislation enacted through April 8, 2022, and therefore do not reflect the budgetary effects of the 2022 reconciliation act (Public Law 117-169), the

4. For a discussion of how CBO accounts for anticipated administrative actions in its baseline projections, see Congressional Budget Office, letter to the Honorable John M. Spratt Jr. (May 2, 2007), www.cbo.gov/publication/18615.

Honoring our PACT Act of 2022 (P.L. 117-168), or any other legislation enacted after that date.

Some of the Administration's proposals were not specific enough for CBO and JCT to assess their budgetary effects. In a few of those cases, CBO used the Administration's estimates as placeholders because the agency concluded that those estimates were achievable targets for the budgetary effects of detailed policies that might be proposed in the future. The proposals for which CBO and JCT did not include estimates would, according to the Administration's estimates, reduce deficits by \$310 billion, on net, over the 2023–2032 period. Of those proposals, one to impose a minimum tax on the wealthiest taxpayers would result in the largest savings according to the Administration's estimates—a \$361 billion reduction in deficits over the 10-year period.

Projections Under the President's Budget for 2023 to 2032

Measured in relation to the nation's economic output (as projected in May 2022), the deficit under the President's proposals would fall from 4.2 percent of GDP in 2022 to a low of 3.4 percent of GDP in 2024 and generally rise thereafter, equaling 4.8 percent in 2032 (see Table 2).⁵ Federal debt held by the public would fall from 97.9 percent of GDP in 2022 to 95.3 percent in 2024 and then climb every year through 2032, when it would reach 102.5 percent of GDP. (That debt has averaged 45.6 percent of GDP since 1972.)

If the President's proposals were enacted, revenues, which are projected to equal 19.6 percent of GDP in 2022, would fluctuate between 18.3 percent and 19.0 percent of GDP from 2023 to 2027 and would amount to 18.7 percent of GDP every year from 2028 to 2032, CBO and JCT estimate. (Over the past 50 years, revenues have averaged 17.3 percent of GDP.) Meanwhile, outlays would fall from 23.8 percent of GDP in 2022 to 22.0 percent in 2024 and then rise in most years through the end of the projection period, reaching 23.5 percent in 2032, CBO estimates. (Outlays have averaged 20.8 percent of GDP over the past 50 years.)

5. That pattern is affected by shifts in the timing of certain payments. When October 1 (the first day of the fiscal year) falls on a weekend, as it will in 2022, 2023, and 2028, certain payments due on that day are instead made at the end of September and thus recorded in the previous fiscal year. If not for those shifts, deficits under the President's proposals would fall from 3.9 percent of GDP in 2022 to 3.4 percent in 2023 and then rise in most years through 2032.

As a share of GDP, mandatory outlays would decline in 2023 and 2024 and gradually rise thereafter, averaging 14.5 percent of GDP from 2023 to 2032. (They have averaged 10.7 percent of GDP over the past 50 years.) Discretionary outlays for defense programs would fall from 3.0 percent of GDP in 2023 to 2.4 percent in 2032. (The lowest they have been in the past 50 years was 2.9 percent of GDP.) Outlays for nondefense discretionary programs as a share of GDP would fall from 3.7 percent in 2023 to 2.9 percent in 2032. (They have not been below 3.1 percent of GDP in the past 50 years.)

A Comparison With CBO's Baseline Projections

According to CBO and JCT's estimates, if the proposals outlined in the President's budget were enacted, the deficit in 2022 would be nearly identical to the deficit in CBO's May 2022 baseline projections, and deficits in every year from 2023 to 2032 would be smaller. The cumulative deficit over the 10-year projection period would be \$2.6 trillion smaller than the \$15.7 trillion in CBO's most recent baseline projections (see Table 3). Relative to the size of the economy, the average deficit under the President's budget would be 0.8 percentage points smaller than the average deficit of 5.1 percent of GDP in CBO's baseline projections but still larger than the 3.5 percent of GDP that deficits have averaged since 1972.

Just over half of that \$2.6 trillion difference in the cumulative deficit is related to funding provided by division J of the Infrastructure Investment and Jobs Act (IIJA, P.L. 117-58) and other funding designated as an emergency requirement. When preparing its baseline, CBO followed provisions of law that require it to project such discretionary funding for years in which no appropriation exists by adjusting the most recently provided annual funding to account for inflation. By contrast, the President's budget includes the \$221 billion in such funding that has been provided for 2022, but for the 10-year projection period, it includes only the \$285 billion in advance appropriations provided by the IIJA and no additional emergency funding. That smaller amount of funding related to the IIJA and other emergency funding results in projected outlays under the President's budget that are \$1.4 trillion smaller than those in CBO's baseline projections over the 2023–2032 period.

As a share of projected GDP, revenues would average 18.7 percent through 2032 under the President's proposals—greater than the 18.1 percent of GDP that CBO

Table 2.

CBO's Estimate of the President's Budget, by Category

Billions of Dollars

	Actual, 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total		
													2023– 2027	2023– 2032	
In Billions of Dollars															
Revenues															
On-budget	3,095	3,782	3,852	3,903	3,948	4,183	4,395	4,518	4,692	4,872	5,066	5,271	20,280	44,700	
Off-budget ^a	952	1,054	1,136	1,186	1,228	1,272	1,320	1,369	1,420	1,472	1,527	1,584	6,142	13,514	
Total	4,047	4,836	4,988	5,089	5,176	5,454	5,715	5,888	6,111	6,344	6,593	6,855	26,422	58,213	
Outlays															
Mandatory	4,834	3,751	3,706	3,734	3,929	4,140	4,329	4,667	4,677	5,028	5,293	5,553	19,838	45,056	
Discretionary	1,636	1,722	1,748	1,754	1,795	1,828	1,852	1,872	1,871	1,892	1,909	1,933	8,977	18,455	
Net interest	352	399	441	522	596	668	739	818	892	964	1,044	1,126	2,966	7,810	
Total	6,822	5,872	5,895	6,010	6,320	6,636	6,920	7,357	7,440	7,884	8,246	8,613	31,782	71,321	
On-budget	5,819	4,795	4,710	4,735	4,963	5,200	5,399	5,742	5,728	6,068	6,324	6,585	25,007	55,454	
Off-budget ^a	1,004	1,077	1,186	1,275	1,358	1,436	1,521	1,614	1,712	1,816	1,923	2,028	6,775	15,868	
Deficit (-) or Surplus	-2,775	-1,036	-908	-921	-1,145	-1,182	-1,205	-1,469	-1,328	-1,540	-1,653	-1,758	-5,360	-13,108	
On-budget	-2,724	-1,013	-858	-832	-1,015	-1,018	-1,004	-1,224	-1,036	-1,196	-1,257	-1,313	-4,727	-10,754	
Off-budget ^a	-52	-23	-50	-88	-129	-164	-202	-245	-292	-344	-396	-444	-633	-2,354	
Primary Deficit ^b	-2,423	-637	-466	-399	-548	-513	-467	-651	-437	-576	-609	-631	-2,393	-5,297	
Debt Held by the Public	22,284	24,173	25,117	26,007	27,179	28,361	29,559	31,083	32,417	34,095	35,824	37,593	n.a.	n.a.	
Memorandum:															
Gross Domestic Product ^c	22,365	24,694	26,240	27,291	28,271	29,266	30,332	31,487	32,716	33,996	35,318	36,680	141,400	311,596	
As a Percentage of Gross Domestic Product															
Revenues															
On-budget	13.8	15.3	14.7	14.3	14.0	14.3	14.5	14.4	14.3	14.3	14.3	14.4	14.3	14.3	
Off-budget ^a	4.3	4.3	4.3	4.3	4.3	4.3	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3	
Total	18.1	19.6	19.0	18.6	18.3	18.6	18.8	18.7	18.7	18.7	18.7	18.7	18.7	18.7	
Outlays															
Mandatory	21.6	15.2	14.1	13.7	13.9	14.1	14.3	14.8	14.3	14.8	15.0	15.1	14.0	14.5	
Discretionary	7.3	7.0	6.7	6.4	6.3	6.2	6.1	5.9	5.7	5.6	5.4	5.3	6.3	5.9	
Net interest	1.6	1.6	1.7	1.9	2.1	2.3	2.4	2.6	2.7	2.8	3.0	3.1	2.1	2.5	
Total	30.5	23.8	22.5	22.0	22.4	22.7	22.8	23.4	22.7	23.2	23.3	23.5	22.5	22.9	
On-budget	26.0	19.4	17.9	17.4	17.6	17.8	17.8	18.2	17.5	17.9	17.9	18.0	17.7	17.8	
Off-budget ^a	4.5	4.4	4.5	4.7	4.8	4.9	5.0	5.1	5.2	5.3	5.4	5.5	4.8	5.1	
Deficit (-) or Surplus	-12.4	-4.2	-3.5	-3.4	-4.0	-4.0	-4.0	-4.7	-4.1	-4.5	-4.7	-4.8	-3.8	-4.2	
On-budget	-12.2	-4.1	-3.3	-3.1	-3.6	-3.5	-3.3	-3.9	-3.2	-3.5	-3.6	-3.6	-3.3	-3.5	
Off-budget ^a	-0.2	-0.1	-0.2	-0.3	-0.5	-0.6	-0.7	-0.8	-0.9	-1.0	-1.1	-1.2	-0.4	-0.8	
Primary Deficit ^b	-10.8	-2.6	-1.8	-1.5	-1.9	-1.8	-1.5	-2.1	-1.3	-1.7	-1.7	-1.7	-1.7	-1.7	
Debt Held by the Public	99.6	97.9	95.7	95.3	96.1	96.9	97.5	98.7	99.1	100.3	101.4	102.5	n.a.	n.a.	

Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation. See www.cbo.gov/publication/58417#data.

These estimates include the effects of legislation enacted through April 8, 2022, and are based on CBO's latest economic projections, which reflect economic developments through March 2, 2022. They do not include the budgetary effects of some proposals that were not specific enough for CBO and JCT to assess.

n.a. = not applicable.

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. Primary deficits exclude net outlays for interest.

c. These estimates come from CBO's baseline economic projections and do not reflect the macroeconomic effects of the President's proposals.

Table 3.

CBO's Estimate of the Effects of the President's Budget Proposals

Billions of Dollars

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total	
												2023–2027	2023–2032
Deficit in CBO's May 2022 Baseline	-1,036	-984	-1,056	-1,318	-1,364	-1,409	-1,725	-1,651	-1,912	-2,067	-2,253	-6,131	-15,740
Effects of the President's Proposals													
Revenues													
Raise the corporate income tax rate to 28 percent	0	48	64	71	82	92	98	101	103	106	110	356	873
Adopt the undertaxed profits rule	0	0	23	46	42	40	38	36	34	32	29	151	319
Modify the taxation of capital income ^a	0	14	21	22	21	15	16	18	20	25	23	93	195
Increase the top marginal income tax rate for high earners	0	28	41	42	17	6	7	7	7	7	8	135	170
Other proposals	0	9	16	14	12	13	14	16	19	22	24	64	158
Total Effect on Revenues	0	98	165	194	175	166	172	177	183	192	193	799	1,715
Outlays													
Mandatory													
Increase federal spending for health care	0	20	56	61	72	76	74	59	60	61	63	284	601
Increase federal spending for education	0	2	12	20	28	37	42	48	53	54	55	99	351
Increase spending for income security	*	5	10	15	8	11	11	10	8	7	7	50	92
Other proposals	0	6	*	-1	-1	*	-2	-3	-4	9	-33	4	-29
Subtotal, mandatory	*	32	78	96	108	124	125	113	117	131	92	437	1,015
Discretionary													
Defense	0	-4	-9	-20	-32	-41	-54	-68	-85	-102	-117	-106	-533
Nondefense	0	-5	-35	-47	-71	-102	-130	-158	-178	-198	-210	-260	-1,134
Subtotal, discretionary	0	-9	-44	-67	-103	-143	-185	-226	-263	-300	-327	-367	-1,667
Net interest	*	-1	-3	-8	-13	-18	-24	-33	-43	-55	-68	-43	-265
Total Effect on Outlays	*	22	30	21	-8	-38	-84	-145	-189	-223	-303	27	-917
Total Effect on the Deficit^b	*	76	135	174	182	204	256	322	372	414	496	771	2,632
Deficit Under the President's Budget as Estimated by CBO	-1,036	-908	-921	-1,145	-1,182	-1,205	-1,469	-1,328	-1,540	-1,653	-1,758	-5,360	-13,108
Memorandum:													
Total Effect on Noninterest Outlays	*	23	33	28	5	-20	-60	-112	-146	-168	-235	70	-652

Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation. See www.cbo.gov/publication/58417#data.

These estimates include the effects of legislation enacted through April 8, 2022, and are based on CBO's latest economic projections, which reflect economic developments through March 2, 2022. They do not include the budgetary effects of some proposals that were not specific enough for CBO and JCT to assess.

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

a. Estimates include the effects of provisions to tax capital income for high-income earners at ordinary rates and to treat transfers appreciated by gift or on death as realization gains.

b. A positive value indicates that the deficit would be smaller under the President's budget than it is in CBO's baseline projections.



projects they would average under current law. Outlays under the President's budget would average 22.9 percent of GDP—less than the 23.2 percent of GDP that they average in CBO's baseline projections. If the funding related to the IIJA and other emergency funding was not extrapolated in the baseline, outlays under the President's budget would be \$0.5 trillion *more* than the baseline amounts and would average 0.1 percentage point more than the baseline average of 22.7 percent of GDP.

As a result of smaller deficits, federal debt held by the public would also be smaller each year under the President's proposals than it is projected to be under current law. In 2032, debt held by the public would be 102 percent of GDP, compared with 110 percent of GDP projected for that year in CBO's baseline.

Proposals That Would Affect Revenues

The President's proposals include changes to laws that would affect revenues. Some of those proposals lacked the detail necessary for CBO and JCT to complete budgetary estimates; for those proposals, the agencies have estimated no cost or savings.⁶ If the proposals for which the agencies could complete estimates were enacted, they would raise total revenues above the baseline amounts by \$1.7 trillion (or 3.0 percent) from 2023 to 2032, CBO and JCT estimate. The following proposals would have the largest effects on revenues:

- Raise the corporate income tax rate from 21 percent to 28 percent. The provision would also increase the global intangible low-taxed income (GILTI) tax rate (GILTI is income earned by foreign affiliates of U.S. companies that exceeds a 10 percent return on foreign tangible assets.) That proposal would raise revenues over the 2023–2032 period by a total of \$873 billion, JCT estimates.

6. Of the proposals for which CBO and JCT could not complete estimates, the Administration estimated that the following would have the largest budgetary effects: impose a minimum income tax on the wealthiest taxpayers, improve access to behavioral health care in the private insurance market, and require coverage of three behavioral health visits and three primary care visits without cost sharing. For a complete list of proposals estimated by JCT, see Joint Committee on Taxation, *Estimated Budget Effects of the Revenue Provisions Contained in the President's Fiscal Year 2023 Budget Proposals*, JCX-17-22 (July 25, 2022), www.jct.gov/publications/2022/jcx-17-22. For a description of the revenue proposals contained in the President's 2023 Budget, see Department of the Treasury, *General Explanations of the Administration's Fiscal Year 2023 Revenue Proposals* (March 2022), <https://tinyurl.com/yc4esth5>.

- Adopt the undertaxed profits rule (UTPR) in place of the base erosion and anti-abuse tax (BEAT) that currently applies to certain corporate taxpayers. The United States' adoption of the UTPR would ensure that foreign multinational corporations with operations in the United States were subject to a minimum rate of taxation in each jurisdiction in which they operated. (GILTI already subjects U.S. multinational corporations to a minimum level of taxation.) Implementing the proposal would, in JCT's estimation, increase federal revenues collected over the 10-year period by \$319 billion.
- Modify the taxation of capital gains by raising the top tax rate on long-term capital gains and qualified dividends for taxpayers and treat appreciated property that is gifted or transferred at death as taxable. Under the proposal, long-term capital gains and qualified dividends of taxpayers with taxable income of more than \$1 million would be taxed at the rates applicable to ordinary income; the highest rate would generally be 37 percent (or 40.8 percent when the net investment income tax is included). Currently, long-term gains are taxed at rate of up to 20 percent (23.8 percent including the net investment income tax). In addition, donors or deceased owners of an appreciated asset would realize a capital gain at the time of the transfer. Those proposals would increase revenues over the 2023–2032 period by \$195 billion, JCT estimates.
- Raise the top marginal income tax rate to 39.6 percent. The proposal would also lower the income thresholds that would be subject to the top rate. All told, the proposal would increase revenues over the 2023–2032 period by \$170 billion, JCT estimates.
- All other proposals included in the President's budget for which estimates could be completed would increase revenues collected over the 2023–2032 period by \$158 billion, on net, CBO and JCT estimate. The proposals that would *raise* revenues by the greatest amounts—a combined \$89 billion, in CBO and JCT's estimation—are those that would modify income, estate, and gift tax rules for certain grantor trusts; repeal the deferral of gain from like-kind exchanges; and prevent related parties from shifting basis in property through partnerships. The proposal that would result in the largest *reduction* in revenues—\$8 billion, according to JCT's

estimate—would increase the subsidy for certain bond-financed projects eligible for low-income housing tax credits.

Proposals That Would Affect Mandatory Spending

Over the 2023–2032 period, mandatory outlays under the President’s proposals would be \$1.0 trillion (or 2.3 percent) higher than those in the baseline projections, according to CBO’s estimates.⁷ The President’s budget includes proposals that would do the following:

- Make various changes to federal health care programs that would increase total outlays for those programs over the 10-year projection period by \$601 billion (or 3.1 percent), CBO estimates.⁸ A proposal to reclassify funding for the Indian Health Service from discretionary to mandatory and to increase such funding would add \$238 billion to mandatory outlays over the 2023–2032 period (and reduce discretionary outlays by \$97 billion).⁹ A proposal to expand public health preparedness by modernizing public health systems and investing in the development and distribution of diagnostic tests, therapeutic agents, and vaccines would boost outlays by \$79 billion over 10 years, and a proposal to establish a Medicaid demonstration project for states to improve their capacity for mental health care would increase outlays by \$76 billion.
- Boost mandatory funding for education, increasing outlays by \$351 billion over the next 10 years, CBO estimates. A proposal to double the maximum Pell Grant award by 2029 for low- and middle-income

college students would increase outlays by \$221 billion. In addition, a proposal to more than double funding for the Title I program, which provides financial assistance to schools in low-income communities, would increase outlays through 2032 by \$130 billion.

- Increase spending for a number of income security programs that would, according to CBO’s estimates, boost outlays over the 10-year projection period by \$92 billion (or 1.6 percent). The largest increase would result from a proposal to provide \$35 billion in funding to state and local governments to increase the availability of affordable housing through grants and other financial assistance. A proposal to provide children who enter the United States unaccompanied by a legal guardian with legal representation would increase mandatory outlays over the 2023–2032 period by \$30 billion, CBO estimates.

In total, mandatory outlays under the President’s proposals would dip from 14.1 percent of GDP in 2023 to 13.7 percent in 2024 and then rise to 15.1 percent in 2032. In CBO’s most recent baseline projections, such outlays equal 13.4 percent in 2024 and grow to 14.9 percent in 2032.

Proposals That Would Affect Discretionary Spending

The President has requested a total of \$1.67 trillion in discretionary appropriations for 2023. That amount includes certain changes in budget authority attributable to proposed changes in mandatory programs that would be enacted in annual appropriation bills; those provisions would, on net, subtract \$33 billion from budget authority in 2023 and add \$26 billion to budget authority in 2024, CBO estimates.¹⁰ With those effects on mandatory

7. Mandatory spending is generally governed by statutory criteria and is not normally constrained by the annual appropriation process. Such spending consists primarily of payments for benefit programs, such as Social Security, Medicare, and Medicaid.

8. A proposal to expand the Department of Defense’s Medicare-Eligible Retiree Health Care Fund to include all the health care costs for retirees of the uniformed services accounts for \$131 billion of the \$601 billion increase in mandatory outlays. Nearly all those added costs would be offset by increased receipts from the department’s accrual contributions, which are recorded as negative mandatory outlays elsewhere in the budget and reflected in the “Other proposals” line in Table 3.

9. CBO used the Administration’s estimates of the budgetary effects of providing additional mandatory funding as a placeholder because the agency concluded that those estimates were achievable targets for detailed policies that might be proposed in the future.

10. Budget authority is the authority provided by federal law to incur financial obligations that will result in immediate or future outlays of federal government funds. A proposal to delay the date of availability of certain funding for the Child Enrollment Contingency Fund (\$20 billion) and the Children’s Health Insurance Program (\$6 billion) from 2023 to 2024 accounts for three-quarters of the reduction in budget authority in 2023 that is attributable to proposed changes in mandatory programs that would be enacted in appropriation bills. That proposal would boost budget authority by those same amounts in 2024. A second proposal related to the Children’s Health Insurance Program would reduce budget authority in 2023 by another \$6 billion. None of those changes would affect outlays in either year, CBO estimates.

Table 4.

Proposed Discretionary Spending in the President's Budget Compared With CBO's Baseline Projections

Billions of Dollars

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total	
												2023– 2027	2023– 2032
Budget Authority													
IIJA and Emergency Requirements ^a													
CBO's baseline	221	222	227	231	233	238	243	248	254	259	265	1,150	2,419
CBO's estimate of the President's budget	221	70	68	68	66	2	2	2	2	2	2	274	285
Difference	0	-153	-158	-163	-167	-236	-241	-246	-251	-257	-263	-876	-2,134
Other													
CBO's baseline	1,522	1,587	1,633	1,674	1,716	1,761	1,805	1,849	1,894	1,941	1,986	8,371	17,846
CBO's estimate of the President's budget	1,522	1,636	1,651	1,677	1,711	1,737	1,763	1,788	1,814	1,841	1,868	8,412	17,486
Difference	0	49	19	4	-6	-24	-42	-61	-80	-101	-118	41	-360
Total													
CBO's baseline	1,743	1,809	1,859	1,905	1,949	1,999	2,048	2,097	2,147	2,200	2,251	9,521	20,265
CBO's estimate of the President's budget	1,743	1,705	1,720	1,745	1,777	1,739	1,765	1,790	1,816	1,843	1,871	8,686	17,771
Difference	0	-104	-139	-159	-172	-260	-283	-307	-331	-358	-380	-834	-2,494
Outlays													
IIJA and Emergency Requirements ^a													
CBO's baseline	25	72	113	147	177	198	210	218	226	233	238	707	1,832
CBO's estimate of the President's budget	25	48	60	66	74	67	53	36	24	17	12	314	456
Difference	0	-24	-53	-81	-104	-131	-157	-182	-202	-216	-226	-393	-1,376
Other													
CBO's baseline	1,697	1,686	1,685	1,714	1,753	1,798	1,847	1,878	1,929	1,976	2,023	8,637	18,290
CBO's estimate of the President's budget	1,697	1,700	1,694	1,728	1,754	1,785	1,819	1,834	1,868	1,893	1,921	8,662	17,997
Difference	0	15	8	14	1	-13	-28	-44	-62	-84	-101	25	-293

Continued

programs excluded, the proposed appropriations for 2023 would total \$1.71 trillion (see Table 4). That amount is \$38 billion (or 2 percent) less than what had been appropriated for 2022 when CBO prepared its baseline projections.¹¹ (In those projections, CBO classified the effects of

changes to mandatory programs enacted in 2022 appropriation legislation as mandatory.) In addition, the President has requested obligation limitations of \$78 billion for certain transportation programs for 2023, about \$2 billion more than the amount provided in 2022.¹²

11. Since April 8, 2022, when CBO completed its latest baseline projections, lawmakers have enacted the Additional Ukraine Supplemental Appropriations Act, 2022 (P.L. 117-128), which provided an additional \$40 billion in funding in 2022, and the Bipartisan Safer Communities Act (P.L. 117-159), which provided an additional \$2 billion in funding for this year and an additional \$2.6 billion from 2023 to 2026. Those amounts were not included in this analysis. For CBO's cost estimates for those bills, see Congressional Budget Office, cost estimate for H.R. 7691, the Additional Ukraine Supplemental Appropriations Act, 2022 (May 11, 2022), www.cbo.gov/publication/58100,

and estimated budgetary effects of S. 2938, the Bipartisan Safer Communities Act, as Amended by Senate Amendment Number 5099 (June 22, 2022), www.cbo.gov/publication/58238. CBO estimates that together those laws will increase outlays by \$5 billion in 2022 and by \$11 billion in 2023.

12. The budget authority for those transportation programs is mandatory, but the spending is constrained by obligation limitations set in appropriation acts and is considered discretionary. Obligation limitations restrict the amount, purpose, or period of availability of budget authority.

Table 4.

Continued

Proposed Discretionary Spending in the President's Budget Compared With CBO's Baseline Projections

Billions of Dollars

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total		
												2023–2027	2023–2032	
Total														
CBO's baseline	1,722	1,758	1,798	1,862	1,930	1,996	2,057	2,096	2,155	2,209	2,261	9,344	20,122	
CBO's estimate of the President's budget	<u>1,722</u>	<u>1,748</u>	<u>1,753</u>	<u>1,794</u>	<u>1,828</u>	<u>1,852</u>	<u>1,872</u>	<u>1,870</u>	<u>1,892</u>	<u>1,909</u>	<u>1,933</u>	<u>8,976</u>	<u>18,453</u>	
Difference	0	-9	-45	-67	-103	-144	-185	-226	-263	-300	-328	-368	-1,669	
Memorandum:														
Total Outlays (Percentage of GDP)														
CBO's baseline	7.0	6.7	6.6	6.6	6.6	6.6	6.5	6.4	6.3	6.3	6.2	6.6	6.5	
CBO's estimate of the President's budget	7.0	6.7	6.4	6.3	6.2	6.1	5.9	5.7	5.6	5.4	5.3	6.3	5.9	
Outlays Excluding IIJA and Emergency Requirements (Percentage of GDP)														
CBO's baseline	6.9	6.4	6.2	6.1	6.0	5.9	5.9	5.7	5.7	5.6	5.5	6.1	5.9	
CBO's estimate of the President's budget	6.9	6.5	6.2	6.1	6.0	5.9	5.8	5.6	5.5	5.4	5.2	6.1	5.8	

Data source: Congressional Budget Office. See www.cbo.gov/publication/58417#data.

GDP = gross domestic product; IIJA = Infrastructure Investment and Jobs Act.

These estimates include the effects of legislation enacted through April 8, 2022, and are based on CBO's latest economic projections, which reflect economic developments through March 2, 2022. They do not include obligation limitations for certain transportation programs. Nor do they include changes to certain mandatory programs that were made through the appropriation process and enacted in 2022 or the changes proposed for future years. In keeping with long-standing procedures, those changes are credited against discretionary appropriations for purposes of budget enforcement.

a. Division J of the IIJA specifies discretionary funding for certain programs each year from 2022 through 2026. When preparing its baseline, CBO followed provisions of law that require the agency to project funding for years in which no appropriation exists by adjusting the most recently provided annual funding for inflation. As a result, the amount of funding related to the IIJA in CBO's baseline exceeds the amounts specified in that law. (In addition, division J of the IIJA provides a permanent appropriation of certain Superfund taxes.)

Funding for Defense Programs in 2023. The President has requested \$17 billion (or 2 percent) more in total defense funding for 2023 than was provided for 2022. Funding for research and development would receive the largest increase, rising by \$11 billion (or 9 percent), to \$130 billion, CBO estimates. In addition, funding for military personnel would increase by \$7 billion (or 4 percent) in 2023. The President has not proposed any additional defense funding designated as an emergency requirement beyond the \$20 million already provided under current law for each year from 2023 to 2026. (When CBO prepared its baseline projections, \$14 billion in such funding—mostly for operation and maintenance—had been provided for 2022.) All told, total defense funding for 2023 would be \$15 billion (or

2 percent) less under the President's budget than it is in CBO's baseline projections.

Funding for Nondefense Programs in 2023. Under the President's proposals, total nondefense funding for 2023 (including obligation limitations for certain transportation programs) would be \$54 billion (or 5 percent) less than the amount provided for 2022 (see Table 5). That decline would be the net result of the following changes to different types of funding:

- Discretionary funding provided in division J of the IIJA—nearly all of which was designated as an emergency requirement—is, under current law, set to drop by \$93 billion in 2023, to \$70 billion. The President has not requested any additional



Table 5.

Proposed Changes in Nondefense Discretionary Funding From 2022 to 2023 in the President's Budget

Billions of Dollars

Budget Function	Enacted Amount, 2022	Proposed Amount, 2023	Change From 2022 to 2023	
			Billions of Dollars	Percent
Transportation ^a	161	159	-2	-1.1
Veterans' Benefits and Services	113	136	23	20.2
Education, Training, Employment, and Social Services	105	123	18	16.7
Natural Resources and Environment	104	66	-38	-36.6
Income Security	97	102	4	4.5
Health	84	89	5	5.9
Administration of Justice	72	75	3	3.6
International Affairs	68	68	*	-0.5
Commerce and Housing Credit	54	-3	-57	n.m. ^b
Community and Regional Development	43	37	-6	-12.9
General Science, Space, and Technology	40	43	3	8.7
Energy	27	25	-2	-7.2
General Government	23	27	4	15.9
Agriculture	18	8	-9	-53.1
Medicare	8	9	1	12.7
Social Security	6	7	*	5.5
Other	0	*	*	n.a.
Total	1,023	970	-54	-5.2
Memorandum:				
Funding From Division J of IIJA Appropriations	163	70	-93	-57.3
Other Funding Designated as an Emergency Requirement	44	0	-44	-100.0
Transportation Obligation Limitations	76	78	2	2.1
All Other Funding	740	822	83	11.2

Data source: Congressional Budget Office. See www.cbo.gov/publication/58417#data.

IIJA = Infrastructure Investment and Jobs Act; n.a. = not applicable; n.m. = not meaningful; * = between zero and \$500 million.

These estimates include the effects of legislation enacted through April 8, 2022, and are based on CBO's latest economic projections, which reflect economic developments through March 2, 2022. They do not include changes to certain mandatory programs that were made through the appropriation process and enacted in 2022 or the changes proposed for future years. In keeping with long-standing procedures, those changes are credited against discretionary appropriations for purposes of budget enforcement.

- Includes budgetary resources provided by obligation limitations for certain ground and air transportation programs.
- Subsidies for commerce and housing credit programs are typically negative. When the federal government provides a loan under one of those programs, that negative subsidy results in a credit to the federal government that is recorded as negative budget authority. The IIJA provided \$60 billion of budget authority (10 times the base amount) for 2022 only, more than offsetting the receipts from negative subsidies that CBO estimates for that year.

nondefense funding designated as an emergency requirement for 2023. (When CBO prepared its baseline projections, \$44 billion in non-IIJA emergency funding had been provided for 2022.) Those two factors would reduce total nondefense funding by \$138 billion from 2022 to 2023. The programs that would be most affected are those related to commerce and housing credit (funding would fall by \$57 billion in 2023) and natural resources and the environment (funding would fall by \$38 billion).

- All other nondefense funding in 2023 (that is, funding other than what was provided by the IIJA or was otherwise designated as an emergency requirement), including obligation limitations, would rise by \$84 billion (or 10 percent) from the amount provided for 2022, CBO estimates. The largest total increases under the President's budget would be for veterans' benefits and services (\$23 billion, or 20 percent) and for education, training, employment, and social services (\$18 billion, or 17 percent). In total, such nondefense funding would be \$48 billion

(or 6 percent) more than projected in CBO's baseline for 2023.

Discretionary Spending Over the 2023–2032 Period.

Appropriations under the President's budget would increase by an average of 1 percent per year over the next decade, rising from \$1.71 trillion in 2023 to \$1.87 trillion in 2032. If not for the reductions in IIJA funding scheduled to occur under current law and the proposed changes to emergency funding, discretionary budget authority in the President's budget would increase by 2 percent per year, on average, from 2023 to 2032.

All told, over that decade, discretionary outlays under the President's budget would be \$1.7 trillion (or 8 percent) less than the amount in the most recent baseline, CBO estimates (see Table 4 on page 8). Outlays in CBO's baseline that were projected from funding provided by the IIJA or from funding that was otherwise designated as an emergency requirement account for \$1.4 trillion of that difference. All the President's other proposals would result in total discretionary outlays that were an estimated \$293 billion (or 2 percent) lower than those in CBO's baseline projections.

As a percentage of GDP, discretionary outlays under the President's budget would fall every year, from 6.7 percent in 2023 to 5.3 percent in 2032. In CBO's baseline projections, discretionary outlays decrease from 6.7 percent of GDP in 2023 to 6.2 percent in 2032.¹³ (Over the past 50 years, such outlays have averaged 8.1 percent of GDP.)

Under the President's budget, discretionary outlays for defense programs and activities over the next decade (excluding those that result from the IIJA and other emergency funding) would be \$394 billion (or 4 percent) lower than the amount in CBO's baseline projections.¹⁴ Outlays for nondefense activities under the

President's budget would be \$101 billion (or 1 percent) higher over the period.¹⁵

Effects on Net Interest Costs

Under the President's proposals, the federal government would borrow less, and net interest costs over the 2023–2032 period would be \$265 billion lower than they are in CBO's most recent baseline projections.

In 2032, net interest costs under the President's proposals would amount to 3.1 percent of GDP—slightly less than the 3.3 percent they equal that year in CBO's baseline projections but still significantly more than the 1.6 percent of GDP that CBO estimates for 2022.

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 \$1.3 trillion less than the Administration's estimate of \$14.4 trillion (see Table 6). Estimates of outlays account for nearly all of that difference.

Revenue Estimates

According to CBO and JCT's calculations, over the 2023–2032 period, total revenues would be \$51 billion (or 0.1 percent) less than the Administration estimated they would be. CBO and JCT's estimates of revenues are higher than the Administration's for 2023 to 2027 but lower in subsequent years. Several factors account for those differences.

CBO and JCT's projections of revenues are lower primarily because the economic forecast underlying them differs from that underlying the Administration's projections. The Administration anticipates faster growth in real GDP (that is, GDP adjusted to remove the effects of inflation) under current law than CBO forecasts, and it anticipates that implementing its proposed policies would contribute to even faster growth rates. CBO and JCT estimate that under the President's proposals, total revenues over the 10-year period would be \$471 billion less than the Administration projects because of the differences in economic forecasts. The largest difference is in the forecast of wages and salaries: CBO projects that over

13. If outlays that resulted from the IIJA and other emergency funding were excluded from the two sets of estimates, discretionary outlays in 2032 would equal 5.5 percent of GDP in CBO's baseline projections and 5.2 percent under the President's proposals.

14. Additional information about discretionary outlays is included with the supplemental data posted along with this report at www.cbo.gov/publication/58417.

15. For more information on CBO's analysis of the President's discretionary request, see Congressional Budget Office, *An Analysis of the Discretionary Spending Proposals in the President's 2023 Budget* (July 2022), www.cbo.gov/publication/57972.

Table 6.

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

Billions of Dollars

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total	
												2023–2027	2023–2032
Administration's Estimate													
Deficit Under the President's Budget	-1,415	-1,154	-1,201	-1,330	-1,328	-1,352	-1,533	-1,443	-1,614	-1,682	-1,784	-6,364	-14,421
Differences Between CBO's and the Administration's Estimates													
Revenues^a	399	350	215	100	49	19	-81	-115	-156	-202	-228	731	-51
Outlays ^b													
Mandatory	-49	18	-20	-65	-84	-110	-133	-203	-208	-215	-248	-261	-1,268
Discretionary	28	39	-90	-54	-34	-27	-21	-41	-38	-41	-41	-165	-347
Net interest	42	46	45	33	21	9	10	13	16	25	34	153	251
Total	20	103	-65	-86	-98	-127	-145	-230	-230	-231	-255	-273	-1,364
Deficit^c	379	246	280	185	147	146	64	115	74	29	27	1,004	1,313
CBO's Estimate													
Deficit Under the President's Budget	-1,036	-908	-921	-1,145	-1,182	-1,205	-1,469	-1,328	-1,540	-1,653	-1,758	-5,360	-13,108

Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation. See www.cbo.gov/publication/58417#data.

These estimates include the effects of legislation enacted through April 8, 2022, and are based on CBO's latest economic projections, which reflect economic developments through March 2, 2022. CBO's estimates do not include the budgetary effects of some proposals that were not specific enough for CBO and JCT to assess.

- a. A positive value indicates that CBO's estimate of revenues is higher than the Administration's estimate, which makes CBO's estimate of the deficit smaller than the Administration's; a negative number indicates the opposite.
- b. A positive value indicates that CBO's estimate of outlays is higher than the Administration's estimate, which makes CBO's estimate of the deficit larger than the Administration's; a negative number indicates the opposite.
- c. A positive value indicates that CBO's estimate of the deficit is smaller than the Administration's estimate.

the 2023–2032 period, nominal wages and salaries will be more than \$2 trillion lower than the Administration anticipates; thus, CBO and JCT's projections of individual income and payroll taxes are lower than the Administration's.

Another reason that CBO and JCT's projections are lower is that the agencies could not estimate the budgetary effects of several of the Administration's proposals that lacked sufficient specification. Those include proposals to impose a minimum income tax on the wealthiest taxpayers, improve access to behavioral health care in the private insurance market, and require coverage of three behavioral health visits and three primary care visits without cost sharing. According to the Administration, those proposals would, on net, increase revenues over the 2023–2032 period by \$321 billion, but CBO and

JCT did not include any estimated revenues from those proposals in their projections.¹⁶

Nearly offsetting those factors that caused CBO and JCT's projections of revenues to be lower than the Administration's were other factors that boosted their projections above the Administration's by \$739 billion. Those factors include differences in estimates of proposals as well as all other differences in baseline projections. One factor that probably accounts for a significant amount of the discrepancy between the baseline projections of revenues is that CBO completed its projections more recently than did the Administration. CBO significantly revised projected revenues to reflect the unexpectedly strong tax receipts observed during the spring

16. The Administration estimates that those proposals would increase outlays by \$11 billion; those amounts are also not included in these projections.



2022 tax-filing season, but the Administration prepared its estimates before those data were available.

Spending Estimates

CBO estimates that over the 10-year projection period, outlays under the President's proposals would be \$1.4 trillion (or 1.9 percent) less than the Administration anticipates. Outlays would, according to CBO's estimates, be closer to the amounts that the Administration expects at the beginning of the period, but they would diverge from the Administration's projections by larger amounts after the first few years.

Compared with the Administration's estimates, CBO's projections of outlays under the President's proposals are as follows:

- *Mandatory outlays* would be \$1.3 trillion less over the 10-year period than the Administration estimates, in part because CBO projects that spending for Medicare and Medicaid and for veterans' compensation and pensions under current law would be significantly less than the Administration estimates.
- *Discretionary outlays* would be \$347 billion less over the 10-year period than the Administration estimates, largely because CBO projects that discretionary appropriations would be spent more slowly during that period than the Administration anticipates.
- *Net outlays for interest* would be \$251 billion higher, on net, over the 2023–2032 period than the Administration estimates. Differences between the two economic forecasts—particularly the higher interest rates and rates of inflation in CBO's forecast—boost CBO's projection of net interest outlays above the Administration's estimate by \$663 billion. But other differences, primarily the lower debt-service costs required to finance the smaller deficits that CBO projects, push the agency's projections of net interest outlays down in relation to the Administration's estimates, by \$411 billion.

Correction

The Congressional Budget Office has corrected this report since its original publication. Both the PDF and online versions were corrected, but for ease of reference, this list indicates the location of the correction in the PDF.

The following change was made on September 13, 2022:

Page 7, top of the left-hand column: "\$1.0 billion" was changed to "\$1.0 trillion."

The Congressional Budget Office prepared this report at the request of the Senate Committee on Appropriations. In keeping with CBO's mandate to provide objective, impartial analysis, the report makes no recommendations.

Barry Blom, Jennifer Shand, and James Williamson wrote the report. Christina Hawley Anthony, Theresa Gullo, Leo Lex, John McClelland, Sam Papenfuss, and Joshua Shakin provided guidance. The estimates in the report are the work of more than 100 staff members at CBO and the staff of the Joint Committee on Taxation.

Mark Hadley, Jeffrey Kling, and Robert Sunshine reviewed the report. Christine Bogusz and Bo Peery edited it, and Jorge Salazar prepared the text and tables for publication. The report is available at www.cbo.gov/publication/58417.

CBO seeks feedback to make its work as useful as possible. Please send comments to communications@cbo.gov.



Phillip L. Swagel
Director

