Appendix A: Changes in CBO's Baseline Projections Since May 2022

Overview

The Congressional Budget Office estimates that if no new legislation affecting spending and revenues is enacted, the budget deficit for fiscal year 2023 will total $1.4 trillion. That amount is $0.4 trillion (or 43 percent) larger than the $1.0 trillion deficit the agency estimated in May 2022, when it last updated its baseline budget projections.[1] Since then, CBO has increased its estimate of outlays in 2023 by $0.3 trillion (or 6 percent) and reduced its projection of revenues in 2023 by $0.1 trillion (or 2 percent).

CBO now projects that if current laws generally remained in place, the cumulative deficit for the 2023–2032 period would be $18.8 trillion. That amount is $3.1 trillion (or 20 percent) more than the $15.7 trillion the agency projected in May 2022 (see Figure A-1). That change is the net result of a $4 trillion (or 6 percent) increase in projected outlays and a $0.9 trillion (or 2 percent) increase in projected revenues over the 2023–2032 period.

In CBO's projections, debt held by the public reaches $43.5 trillion by the end of 2032—$3.3 trillion more than the $40.2 trillion the agency projected in May 2022. Debt is currently projected to reach 115 percent of gross domestic product (GDP) in 2032, up from the 110 percent of GDP that CBO projected in May 2022.

When CBO updates its baseline budget projections, it groups the revisions into three categories—legislative, economic, and technical. Those categories are defined as follows:

- **Legislative changes** result from laws enacted since the agency published its previous baseline projections.[2]
- **Economic changes** arise from revisions the agency has made to its economic forecast, including those made to incorporate macroeconomic effects (that is, behavioral changes that affect total output in the economy) stemming from recently enacted legislation.[3]
- **Technical changes** are revisions to projections that are neither legislative nor economic.

Changes in each of the three categories boosted projected deficits over the 2023–2032 period (see Table A-1):

- Legislative changes increased projected deficits by $1.5 trillion, on net, mostly by increasing projected outlays. In particular, CBO increased its projections of mandatory outlays for veterans' benefits, as well as its overall projections of discretionary spending.
- Taken together, economic changes increased projected deficits by $1.2 trillion. CBO revised its projections of outlays upward by $2.1 trillion because of changes to projections of several economic variables, including increases in interest rates and inflation. That increase in projected outlays was partly offset by a $0.9 trillion increase in projected revenues associated with higher projections of nominal GDP.
- Technical changes in the agency's projections of revenues and outlays increased projected deficits by a total of $0.4 trillion. The largest technical revision was a $0.2 trillion decrease in projected Medicare outlays, which reduced deficits. On net, other changes more than offset that reduction, including reductions in projected individual income tax revenues and increases in projected outlays for student loans and Social Security.

1. See Congressional Budget Office, *The Budget and Economic Outlook: 2022 to 2032* (May 2022), www.cbo.gov/publication/57950.

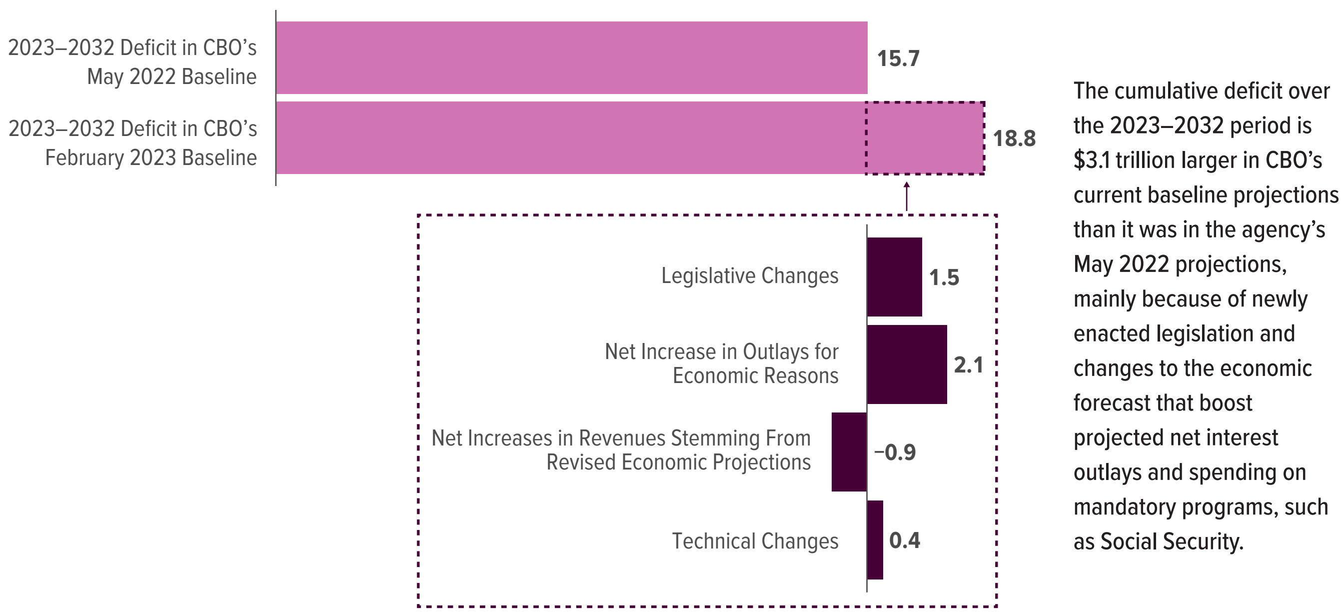
2. The baseline projections described in this report incorporate the effects of legislation enacted through January 9, 2023. The effects of legislation discussed here generally reflect the estimates provided for budget enforcement purposes around the time the legislation was enacted.

3. The current budget projections are based on CBO's latest economic forecast, which was completed on December 6, 2022, and reflects estimates of the effects of laws enacted and policies implemented through that date, as well as a preliminary assessment of full-year funding for fiscal year 2023.

Figure A-1.

Changes in CBO's Baseline Projections of the 10-Year Deficit Since May 2022

Trillions of Dollars



Data source: Congressional Budget Office. See www.cbo.gov/publication/58848#data.

As a result of those changes, primary deficits—that is, deficits excluding net outlays for interest—are now projected to total $1.5 trillion more over the 2023–2032 period than CBO projected in May 2022. The agency's projections of net outlays for interest over that period increased by a similar amount—$1.6 trillion.

Legislative Changes

To account for legislation enacted after the May 2022 baseline projections were prepared, CBO increased its estimate of the deficit for 2023 by $17 billion and its projections of deficits over the 2023–2032 period by $1.5 trillion (see Table A-1).[4] Nearly all the legislative changes were to outlays. Those changes included significant increases in outlays for mandatory veterans' benefits and increases in outlays for discretionary defense programs.

Changes in Outlays

Incorporating the effects of recently enacted legislation into CBO's baseline projections increased outlays in 2023 by $43 billion (or 1 percent) and increased outlays over the 2023–2032 period by $1.5 trillion (or 2 percent). Half of the additional spending is for mandatory programs, and one-third is for discretionary programs.[5] The remainder is an increase in net outlays for interest, stemming from additional federal borrowing to finance the larger deficits resulting from the legislative changes.

Mandatory Outlays. Because of recently enacted legislation, CBO increased its estimate of mandatory outlays by $4 billion (or less than 1 percent) for 2023 and by $824 billion (or 2 percent), on net, for the 2023–2032 period.

The bulk of those changes can be attributed to the Honoring our PACT Act (Public Law 117-168), which increased spending for veterans' benefits. (Specifically,

4. The May 2022 baseline projections incorporated the effects of legislation enacted through March 2, 2022.

5. Funding that is provided in annual appropriation acts and the outlays that result from it are generally categorized as discretionary.

Table A-1.

Changes in CBO's Baseline Projections of the Deficit Since May 2022

Billions of Dollars

											Total	
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023–2027	2023–2032
Deficit in CBO's May 2022 Baseline	-984	-1,056	-1,318	-1,364	-1,409	-1,725	-1,651	-1,912	-2,067	-2,253	-6,131	-15,740
						Legislative Changes						
Changes in Revenues												
Corporate income taxes	24	20	4	-5	-5	-3	-3	-4	-5	-7	37	15
Excise taxes	7	9	10	10	11	11	10	10	11	11	47	100
Individual income taxes	-5	-11	-13	-14	12	18	1	-10	-10	-10	-31	-42
Other	*	*	1	2	2	2	2	2	1	1	5	12
Total Change in Revenues	**26**	**18**	**2**	**-7**	**20**	**27**	**9**	**-2**	**-3**	**-6**	**59**	**84**
Changes in Outlays												
Mandatory												
Veterans' benefits	9	41	50	63	73	85	95	107	117	129	236	770
2022 reconciliation act												
Medicare	-1	2	-14	-6	-24	-43	-45	-55	-59	-64	-42	-307
Internal Revenue Service funding[a]	4	3	5	6	8	10	13	15	15	0	27	80
Provisions related to natural resources and the environment	2	7	12	16	14	9	6	4	3	2	52	76
Climate tax credits	1	3	3	4	4	5	5	5	6	0	15	36
Energy innovation programs	*	2	5	7	7	6	4	2	1	0	22	35
Premium tax credits	21	12	11	-8	-1	*	*	*	*	*	35	35
Medicaid	*	1	1	1	1	1	1	2	2	3	5	15
Other	-3	3	3	4	5	4	3	2	1	*	12	23
Subtotal (For 2022 reconciliation act)	25	34	27	25	15	-7	-13	-24	-31	-59	125	-8
CHIPS for America Fund[b]	2	5	8	9	8	6	5	4	3	1	32	51
Medicare (Excluding 2022 reconciliation act)	3	8	-2	-15	-6	*	1	1	16	-20	-12	-14
Medicaid (Excluding 2022 reconciliation act)	-13	-5	3	3	3	3	3	2	-3	-4	-9	-8
SNAP and child nutrition	-21	2	2	2	3	3	3	3	3	3	-11	3
Other	*	7	1	*	3	2	2	3	6	7	11	30
Subtotal	4	92	90	88	99	91	95	97	111	58	373	824
Discretionary												
Defense	15	30	41	51	59	65	69	71	73	76	196	550
Nondefense	23	31	35	12	-2	-14	-21	-24	-25	-27	100	-12
Subtotal	39	61	76	63	57	51	48	47	47	49	295	538
Debt service[c]	*	2	7	12	16	20	24	29	34	39	38	185
Total Change in Outlays	**43**	**155**	**173**	**162**	**172**	**162**	**167**	**173**	**193**	**146**	**706**	**1,547**
Increase (-) or Decrease in the Deficit From Legislative Changes	**-17**	**-137**	**-171**	**-169**	**-153**	**-135**	**-158**	**-175**	**-196**	**-152**	**-647**	**-1,463**

Continued

Table A-1. Continued

Changes in CBO's Baseline Projections of the Deficit Since May 2022

Billions of Dollars

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total 2023–2027	Total 2023–2032
						Economic Changes						
Changes in Revenues												
Individual income taxes	-64	-61	-18	30	62	81	97	106	112	116	-51	461
Payroll taxes	-5	7	29	46	53	56	59	61	63	64	130	434
Corporate income taxes	9	-3	-1	10	21	29	31	32	31	31	37	191
Federal Reserve remittances	-29	-16	-26	-40	-46	13	12	11	11	11	-157	-99
Other	-7	-9	-7	-4	-4	-2	-2	-3	-2	-3	-32	-44
Total Change in Revenues	**-97**	**-82**	**-22**	**42**	**87**	**177**	**197**	**207**	**215**	**219**	**-72**	**943**
Changes in Outlays												
Mandatory												
Social Security	16	38	49	51	49	45	41	40	40	43	203	412
Medicaid	4	7	9	10	10	10	11	12	12	13	40	98
Medicare	*	4	6	7	8	9	9	11	13	16	26	85
Federal employees' retirement	3	6	7	7	7	7	7	7	7	7	31	64
Unemployment compensation	6	12	9	6	4	1	*	1	1	1	37	41
SNAP	2	10	10	7	4	2	1	*	-1	-1	34	34
Child nutrition	*	1	2	3	3	4	4	4	4	4	10	30
Supplemental Security Income	1	2	3	3	3	3	2	2	2	2	11	23
Other	4	2	6	5	3	2	2	1	-1	*	19	24
Subtotal	38	83	100	100	91	83	76	77	78	85	412	810
Discretionary	3	12	14	13	12	12	12	12	11	11	53	113
Net interest												
Effects of interest rates and inflation	181	183	117	86	77	71	63	54	46	41	643	919
Debt service[c]	2	17	26	32	35	38	38	37	36	35	112	295
Subtotal	184	199	143	117	112	109	101	92	82	75	755	1,214
Total Change in Outlays	**224**	**294**	**257**	**230**	**215**	**204**	**190**	**181**	**171**	**172**	**1,220**	**2,137**
Increase (-) or Decrease in the Deficit From Economic Changes	**-321**	**-376**	**-280**	**-188**	**-128**	**-26**	**7**	**27**	**44**	**48**	**-1,293**	**-1,194**

Continued

that act established the Cost of War Toxic Exposures Fund to support health care, medical research, and other activities for veterans exposed to toxic substances or environmental hazards.) Other significant changes stem from the act to provide for reconciliation pursuant to title II of S. Con. Res. 14 (referred to here as the 2022 reconciliation act, P.L. 117-169); the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022 (division A of P.L. 117-167); the Bipartisan Safer Communities Act (BSCA; P.L. 117-159); and the Consolidated Appropriations Act, 2023 (2023 CAA; P.L. 117-328).[6]

Veterans' Benefits. To account for legislation enacted after the May 2022 baseline was prepared, CBO increased its projections of mandatory outlays

6. For more detailed information about the budgetary effects of that legislation, see Congressional Budget Office, estimated budgetary effects of Public Law 117-169, an act to provide for reconciliation pursuant to title II of S. Con. Res. 14 (September 7, 2022), www.cbo.gov/publication/58455; estimated budgetary effects of H.R. 4346, as amended by the Senate and as posted by the Senate Committee on Commerce, Science, and Transportation on July 20, 2022 (July 21, 2022), www.cbo.gov/publication/58319; estimated budgetary effects of S. 2938, the Bipartisan Safer Communities Act (June 22, 2022), www.cbo.gov/publication/58238; and estimated budgetary effects of divisions O through MM of the Consolidated Appropriations Act, 2023 (Public Law 117-328), as enacted on December 29, 2022 (January 12, 2023), www.cbo.gov/publication/58901.

Table A-1. Continued

Changes in CBO's Baseline Projections of the Deficit Since May 2022

Billions of Dollars

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total 2023–2027	Total 2023–2032
						Technical Changes						
Changes in Revenues												
Individual income taxes[a]	13	-3	3	-23	-26	-27	-21	-20	-23	-39	-36	-165
Payroll taxes	-5	1	4	6	10	11	11	11	11	12	16	72
Corporate income taxes[a]	-13	-17	2	16	21	19	16	13	10	-2	10	65
Other	-2	-3	-3	-5	-5	-6	-6	-7	-9	-9	-19	-56
Total Change in Revenues	**-7**	**-21**	**6**	**-5**	*****	**-4**	**-1**	**-2**	**-11**	**-38**	**-28**	**-84**
Changes in Outlays												
Mandatory												
Medicare	-19	-22	-25	-27	-27	-26	-23	-25	-26	-26	-121	-246
Student loans	29	9	9	10	10	10	10	10	11	11	68	120
Social Security	-1	2	6	7	9	11	13	16	19	23	24	107
SNAP	8	4	9	5	10	11	11	11	10	12	37	93
Pension Benefit Guaranty Corporation	56	-19	4	*	-1	-2	-2	-1	-1	-1	41	35
Supplemental Security Income	-1	-2	-3	-4	-4	-3	-2	-2	-2	-2	-13	-24
Medicaid	-3	-10	-25	-19	-11	-4	2	8	15	24	-68	-23
Crop insurance	6	2	2	2	2	2	2	2	2	2	14	23
U.S. Coronavirus Refundable Credits	16	0	0	0	0	0	0	0	0	0	16	16
Other	32	14	-7	1	10	17	8	11	13	17	51	118
Subtotal	125	-20	-29	-27	-1	17	21	31	40	61	49	218
Discretionary	-58	-7	4	-1	-2	-1	3	1	-1	-2	-64	-65
Net interest												
Other	13	7	7	10	10	14	11	12	12	13	47	109
Debt service[c]	1	5	8	8	8	9	10	9	9	12	29	79
Subtotal	14	12	14	18	18	23	21	21	22	25	76	188
Total Change in Outlays	**81**	**-14**	**-11**	**-10**	**16**	**38**	**45**	**52**	**61**	**84**	**61**	**341**
Increase (-) or Decrease in the Deficit From Technical Changes	**-88**	**-7**	**17**	**5**	**-16**	**-42**	**-46**	**-55**	**-72**	**-122**	**-89**	**-426**
						All Changes						
Total Increase (-) or Decrease in the Deficit	**-426**	**-520**	**-434**	**-352**	**-297**	**-204**	**-196**	**-203**	**-224**	**-227**	**-2,029**	**-3,082**
Deficit in CBO's February 2023 Baseline	-1,410	-1,576	-1,752	-1,716	-1,706	-1,929	-1,847	-2,115	-2,291	-2,480	-8,160	-18,822
Memorandum:												
Change in Revenues	-78	-85	-15	30	106	201	205	203	201	175	-42	943
Increase in Outlays	348	435	419	382	403	404	401	406	425	402	1,987	4,025
Increase (-) in the Primary Deficit[d]	-228	-307	-269	-205	-151	-51	-50	-61	-86	-87	-1,160	-1,495
Increase (-) in the Deficit From the Increase in Net Interest Outlays	-198	-213	-165	-147	-146	-152	-147	-142	-138	-140	-869	-1,587

Data source: Congressional Budget Office. See www.cbo.gov/publication/58848#data.

SNAP = Supplemental Nutrition Assistance Program; * = between -$500 million and $500 million.

a. In the cost estimate for the 2022 reconciliation act, CBO estimated that the increase in funding for tax enforcement would increase revenues by $180 billion over the 2022–2031 period. However, under guidelines agreed to by the legislative and executive branches, that increase in revenues was not included in the totals used for budget enforcement purposes. CBO estimates that over the 2023–2032 period, those additional revenues would total $186 billion. Those revenues have been accounted for here as a technical change to CBO's baseline projections, with half of the amount allocated to individual income taxes and half to corporate income taxes.

b. Funding related to the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022 (division A of Public Law 117-167).

c. Changes in debt-service costs are the changes in interest payments resulting from an increase or decrease in projected deficits.

d. Primary deficits exclude net outlays for interest.

for veterans' benefits by $9 billion for 2023 and by $770 billion for the 2023–2032 period. That increase in spending reflects the projected cost of implementing the Honoring our PACT Act—and, in particular, establishing the Cost of War Toxic Exposures Fund. In total, enactment of that legislation increased projections of outlays for health care, disability compensation, and other benefits for veterans by $28 billion for 2023 and by $789 billion for the 2023–2032 period. Other legislation reduced projected mandatory spending for veterans' benefits over the 10-year period by $19 billion.

The 2022 Reconciliation Act. In CBO's estimation, the 2022 reconciliation act increased outlays in 2023 by $25 billion and reduced outlays for the 2023–2032 period by $8 billion. The largest effect was a $307 billion net decrease in projected outlays for Medicare from 2023 to 2032. The main contributors to that decrease were pricing reforms for prescription drugs, which CBO estimates will reduce prescription drug spending in Medicare Part D and Medicare Part B.

That decrease was almost entirely offset by increases in projected outlays for other programs over the 2023–2032 period, including the following:

- $80 billion from increased funding for the Internal Revenue Service (IRS) for enhancing tax enforcement and taxpayer services;[7]
- $76 billion from provisions related to natural resources and the environment, including provisions to reduce greenhouse gas emissions and fund agricultural and forest land conservation programs;
- $36 billion for refundable tax credits for clean energy production and carbon sequestration;[8]
- $35 billion for programs related to the development of innovative energy technology, the improvement of home energy efficiency, grants for the domestic production of electric and hybrid cars, the reduction of emissions in the industrial sector, and increased support for rural electricity systems;
- $35 billion from changes to premium tax credits (which help defray the cost of obtaining health insurance); and
- $15 billion from changes to Medicaid, including an increase in spending for prescription drugs.

CHIPS for America Fund. The CHIPS Act created a fund to provide grants to strengthen semiconductor research, design, and manufacturing in the United States. CBO estimates that mandatory outlays from that fund will amount to $51 billion over the 2023–2032 period.[9]

Medicare. In addition to the 2022 reconciliation act, other laws affected projected outlays for Medicare. The effects of those other laws led CBO to increase its projection of Medicare outlays in 2023 by $3 billion and decrease its projection of such outlays over the 2023–2032 period by $14 billion. The largest change—a $13 billion drop in projected outlays over the 10-year period—resulted from a provision in the BSCA that delayed the implementation of a rule affecting rebates for prescription drugs.

Other significant changes stem from the 2023 CAA. First, that law reduced funding for the Medicare Improvement Fund, decreasing outlays by $7 billion over the 10-year period. Second, it reduced Medicare sequestration rates in 2030 and 2031, and extended sequestration of Medicare into 2032, resulting in a net $3 billion decrease in CBO's projections of outlays for the program over the 2023–2032 period.[10] Those reductions were

7. In its cost estimate for the 2022 reconciliation act, CBO estimated that the increase in funding for tax enforcement would boost revenues by $180 billion over the 2022–2031 period. However, under guidelines agreed to by the legislative and executive branches, that change in revenues was not included in the totals used for budget enforcement purposes. As a result, the estimated increase in revenues is accounted for as a technical change to CBO's baseline projections. For more information on those guidelines, see Congressional Budget Office, *CBO Explains Budgetary Scorekeeping Guidelines* (January 2021), www.cbo.gov/publication/56507.

8. The refundable tax credits created by the 2022 reconciliation act also decreased revenues, as discussed below.

9. The CHIPS Act also decreased projected revenues over the 2023–2032 period by $24 billion, as discussed below.

10. The Budget Control Act of 2011 (P.L. 112-25) reinstituted procedures set forth in the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act, P.L. 99-177) to automatically reduce funding provided for certain mandatory programs from 2013 through 2021. The law directed the Office of Management and Budget to determine and enforce the amount of the reduction each year for defense and nondefense programs in a process of across-the-board reductions known as sequestration. Subsequent legislation extended the cuts through 2031 and specified that future reductions would use the percentages calculated for 2021: 8.3 percent for defense accounts and 5.7 percent for most nondefense accounts. Different rules apply to Medicare, the largest program subject to sequestration. Its funding is reduced by 2 percent in most years.

partly offset by a projected $5 billion increase in outlays over the 10-year period because of provisions that expanded Medicare's coverage of telehealth services and extended support for medical professionals to adjust to Medicare payment changes.

Medicaid. Outlays for Medicaid were also affected by laws other than the 2022 reconciliation act. The effects of those laws led CBO to decrease its projection of Medicaid outlays in 2023 by $13 billion and by $8 billion over the 2023–2032 period.

The decrease in 2023 was largely the result of the 2023 CAA. Under that act, the maintenance-of-effort policy will end on April 1, 2023. That policy required states to maintain Medicaid coverage for most enrollees for the duration of the COVID-19 public health emergency. Partly offsetting that decrease, other provisions of the 2023 CAA extended states' access to additional Medicaid matching funds during the public health emergency by three months, through December 2023, though they also lowered the matching rate beginning in April 2023.

Supplemental Nutrition Assistance Program and Child Nutrition. Legislation reduced projected outlays for nutrition programs in 2023 by $21 billion but increased such outlays over the 2023–2032 period by $3 billion. The major reason for those changes was that the 2023 CAA reduced spending for the Supplemental Nutrition Assistance Program (SNAP) in 2023 by $23 billion and increased spending on child nutrition programs over the 2023–2032 period by the same amount.

Other Mandatory Programs. Additional effects of legislation enacted after CBO prepared its May 2022 projections amount to a net increase of $30 billion in projected mandatory outlays over the 2023–2032 period.

Discretionary Outlays. Legislation enacted since CBO completed its May 2022 baseline projections increased the agency's projections of discretionary outlays over the 2023–2032 period by $538 billion. That increase resulted from additional discretionary funding provided by the 2023 CAA and other appropriation acts—mostly for defense programs.

In all, projected discretionary funding for 2023 currently totals $1.8 trillion, $14 billion (or about 1 percent) more than the amount projected in CBO's May 2022 baseline.[11] Funding for defense in 2023 is $63 billion (or 8 percent) more than previously projected; $36 billion of that increase is for additional emergency funding to provide aid to Ukraine. Funding for nondefense programs is $49 billion (or 5 percent) less than previously projected. Because CBO generally projects yearly increases in funding for discretionary programs to account for inflation, the net increase in funding persists each year after 2023, resulting in increases in outlays through 2032.[12]

In addition, the 2023 CAA provided $162 billion in advance appropriations for 2024—mostly for veterans' benefits and services and for education, training, employment, and social services.[13] That advance funding is $18 billion (or 12 percent) more than the amount projected in CBO's May 2022 baseline.

Projected outlays also increased because the Additional Ukraine Supplemental Appropriations Act, 2022 (P.L. 117-128), provided $40 billion in funding for 2022. (That law was enacted on May 21, 2022, after CBO had prepared its May 2022 projections.) Most of the outlays from those appropriations will occur in 2023 and later years, increasing CBO's projections of outlays over the 2023–2032 period by $34 billion. (Because that

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11. Each year, some mandatory programs are modified by provisions in annual appropriation acts (often called CHIMPs, for "changes in mandatory programs"). CHIMPs may increase or decrease spending for a given mandatory program. For budget enforcement procedures, they are considered to increase or decrease the amount of discretionary budget authority attributed to the appropriation acts; in subsequent baseline projections, those effects are applied in the budget to the relevant mandatory programs. In CBO's cost estimates for 2023 appropriation legislation, CHIMPs decreased discretionary funding by $28 billion. When CBO incorporated those CHIMPs into its baseline projections, it accounted for those changes on the mandatory side of the ledger; thus, the discretionary funding for 2023 in the baseline is higher than the amount shown in the cost estimate for the 2023 CAA and other 2023 appropriation acts.

12. In accordance with section 257 of the Deficit Control Act, CBO projects funding for individual accounts in future years by applying the specified inflation rate to the most recent appropriations for those accounts. For its projections of discretionary funding related to federal personnel, CBO is required to use the employment cost index for wages and salaries to adjust for inflation; for its projections of other types of discretionary funding, the agency is required to use the GDP price index.

13. An advance appropriation becomes available in a specified year following the year for which the appropriation act was enacted.

funding was provided for 2022 and future discretionary funding in the current baseline is projected on the basis of appropriations provided for 2023, funding from the act is not projected to continue.)

Projected discretionary funding related to division J of the Infrastructure Investment and Jobs Act (IIJA, P.L. 117-58) is less than it was in the May 2022 baseline. Whereas, in its May 2022 baseline, CBO projected that funding on the basis of the $163 billion provided by the IIJA for 2022, such funding in the current baseline is projected from the $69 billion provided by the IIJA for 2023.[14] That difference resulted in $1.0 trillion less in projected funding, and $610 billion less in projected outlays, associated with the IIJA over the 2023–2032 period.[15]

Net Interest Outlays. Excluding changes in debt-service costs, CBO increased its projection of the deficit for 2023 by $17 billion and increased its projections of the cumulative deficit over the 2023–2032 period by $1.3 trillion to account for legislation enacted since the May 2022 baseline was prepared.[16] The additional federal borrowing stemming from those larger annual deficits added $185 billion to CBO's projections of net outlays for interest over the 10-year period.

Changes in Revenues

CBO increased its estimate of revenues for 2023 by $26 billion (or 0.5 percent) and its projections of revenues over the 2023–2032 period by $84 billion (or 0.1 percent) to account for recently enacted legislation. The 2022 reconciliation act and the CHIPS Act explain nearly all of those changes.

The 2022 reconciliation act contained a number of provisions affecting receipts. The provisions expected to result in the largest revenue increases are a new minimum tax on the book income of certain corporations (based on an adjusted measure of the income reported on their financial statements), a new excise tax on corporate stock repurchases, a new excise tax on drug manufacturers and importers that do not enter into drug pricing agreements, and an extension of an existing provision that limits the ability of noncorporate taxpayers to use business losses to offset nonbusiness income. Partly offsetting those revenue increases are an extension through 2025 of the modifications to premium tax credits for health insurance introduced by the American Rescue Plan Act of 2021 (P.L. 117-2) and the modification and creation of tax credits related to the energy sector. Those credits include extended and modified credits for electricity produced from certain renewable resources, extended and modified manufacturing and residential energy credits, and new tax incentives for clean vehicles and alternative fuels. Altogether, provisions of the 2022 reconciliation act will increase federal revenues by $31 billion in 2023 and by $105 billion over the 2023–2032 period, CBO and the staff of the Joint Committee on Taxation estimate.

In addition, the CHIPS Act of 2022 is expected to reduce receipts by $3 billion in 2023 and by $24 billion over the 2023–2032 period. Most of that effect is explained by a reduction in corporate income taxes stemming from the Advanced Manufacturing Investment Credit, a tax credit equal to 25 percent of qualified investment in a facility that manufactures semiconductors or the equipment to manufacture semiconductors.

All told, for the 2023–2032 period, legislative changes led CBO to reduce its projections of individual income tax receipts by $42 billion and to increase its projections of excise tax receipts by $100 billion, corporate income tax receipts by $15 billion, and other sources of revenues by $12 billion.

Economic Changes

The economic forecast that underlies CBO's baseline budget projections includes the agency's projections of GDP growth, interest rates, wages and salaries, inflation, and other factors that affect federal spending and revenues (see Figure A-2). Taken together, changes in that forecast increased CBO's estimate of the deficit in 2023 by $321 billion—by increasing projected outlays,

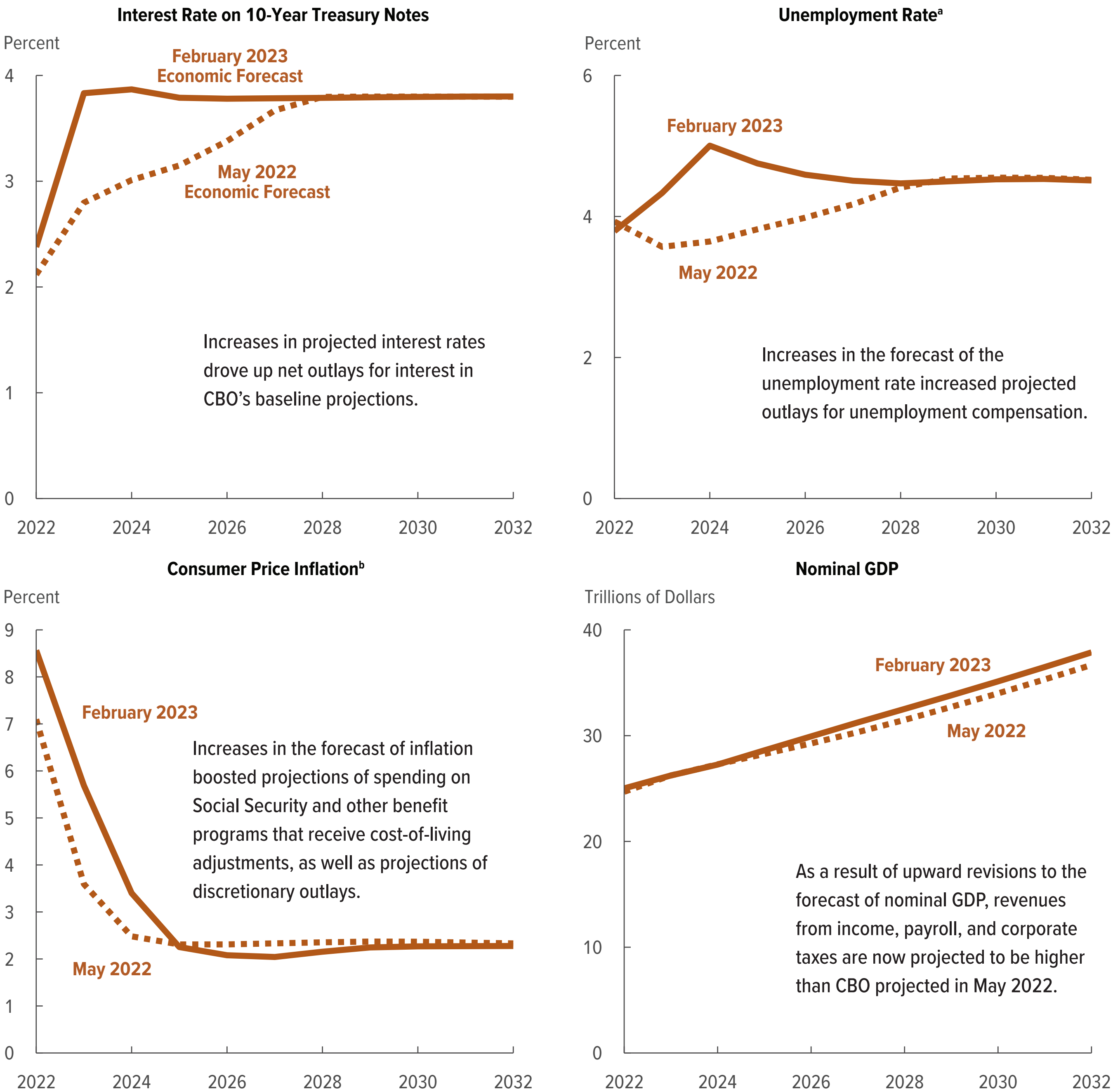
14. Division J of the IIJA provided $163 billion for 2022, an estimated $69 billion in advance appropriations for 2023, and smaller amounts for later years. After consulting with the House and Senate Budget Committees, CBO projected that the funding would continue in future years, with adjustments for inflation. As a result, CBO's May 2022 baseline included a projected $162 billion in funding associated with division J of the IIJA for 2023, instead of the $69 billion actually provided. For more details, see Box 3-2 of Congressional Budget Office, *The Budget and Economic Outlook: 2022 to 2032* (May 2022), www.cbo.gov/publication/57950.

15. In CBO's current baseline, IIJA-related funding projected for 2024 through 2033 exceeds the amounts specified in division J of that act by $526 billion, adding $271 billion to projected outlays over the same period.

16. Changes in debt-service costs are the changes in interest payments resulting from an increase or decrease in projected deficits.

Figure A-2.

Key Changes in CBO's Economic Forecast Since May 2022



Data source: Congressional Budget Office. See www.cbo.gov/publication/58848#data.

Data are for fiscal years.

In the February 2023 economic forecast shown here, values for 2022 are actual values.

GDP = gross domestic product.

a. The unemployment rate is the number of people not working who are available for work and are either seeking work or expecting to be recalled from a temporary layoff, expressed as a percentage of the labor force. The labor force consists of people age 16 or older in the civilian noninstitutionalized population who have jobs or who are available for work and are either seeking work or expecting to be recalled from a temporary layoff.

b. As measured by the consumer price index for urban wage earners and clerical workers.

mostly for interest, and reducing revenues (see Table A-1 on page 69). In CBO's projections for the 2023–2032 period, economic changes increased the cumulative deficit by $1.2 trillion. That increase is the net result of a $2.1 trillion increase in outlays and a $0.9 trillion increase in revenues.

Changes in Outlays

CBO's revisions to its economic forecast include increases in interest rates, inflation, and unemployment rates from 2023 to 2032. Those and other economic changes increased the agency's estimate of outlays in 2023 by $224 billion (or 4 percent) and its projections of outlays over the 2023–2032 period by $2.1 trillion (or 3 percent).

Mandatory Outlays. Economic changes increased CBO's estimate of mandatory outlays in 2023 by $38 billion (or 1 percent), on net. Projections of mandatory outlays from 2023 to 2032 increased by $810 billion (or 2 percent). Upward revisions to projected outlays for Social Security account for about half of that increase.

Social Security. Projected outlays for Social Security from 2023 to 2032 increased by a total of $412 billion (or 2 percent) because CBO now projects generally higher inflation and higher average wages than it did previously.

Social Security provides annual cost-of-living adjustments (COLAs) based on changes in the consumer price index for urban wage earners and clerical workers (CPI-W). CBO increased its projections of CPI-W growth and COLAs over the 2023–2032 period; as a result, the agency's projections of Social Security benefits paid over that period increased by $391 billion. The COLA that took effect in January 2023 was 8.7 percent—the largest since 1982 and 2.7 percentage points more than CBO projected in May 2022. Next year's COLA is currently projected to be 4.2 percent—1.3 percentage points more than CBO previously projected—and the projected January 2025 COLA is 2.8 percent, up 0.4 percentage points. Partly offsetting those increases are reductions in CBO's projections of COLAs for 2026 through 2031, by an average of 0.2 percentage points. In addition, CBO increased its projections of average wages from 2025 through 2032 by an average of 6 percent, which boosted projected Social Security benefits for new recipients by $21 billion over that period.

Medicaid and Medicare. CBO increased its projections of outlays for Medicaid over the 2023–2032 period by $98 billion (or 2 percent) and its projections of outlays for Medicare in those years by $85 billion (or 1 percent). CBO's latest economic forecast includes upward revisions to the projected growth of wages and of many prices, which push up projected payment rates for Medicaid and for many of the services provided by Medicare's fee-for-service sector (such as hospital care and services provided by home health agencies).[17]

Federal Employees' Retirement. CBO increased its projections of spending for federal employees' retirement benefits over the 2023–2032 period by $64 billion (or 3 percent). As with Social Security benefits, COLAs are applied to civil service and military retirement benefits. Upward revisions to CBO's projections of inflation boosted the agency's COLA projections, which in turn increased projected outlays for those retirement benefits.

Unemployment Compensation. CBO increased its projections of spending on unemployment compensation over the 2023–2032 period by $41 billion (or 10 percent), primarily because of changes in its forecast of the unemployment rate. CBO's projections of the unemployment rate from 2023 through 2028 are higher now than they were in May 2022 (reaching 5.0 percent in 2024, a 1.4 percentage-point increase over the previous projection) but are largely unchanged for 2029 through 2032. Overall, those changes increased projected outlays over the 2023–2032 period by $36 billion. In addition, increases in CBO's projections of wage growth and the size of the labor force—resulting in higher average unemployment benefits and larger caseloads, respectively—increased projected outlays over the 2023–2032 period by $5 billion.

Supplemental Nutrition Assistance Program and Child Nutrition. Economic changes to CBO's projections for the 2023–2032 period increased outlays for SNAP by $34 billion (or 3 percent) and increased outlays for child nutrition programs by $30 billion (or 7 percent). Those

17. By law, spending on Medicare is adjusted to reflect changes in the prices of labor, goods, and services and in private nonfarm business productivity (the ability to produce the same output using fewer inputs, such as hours of labor). See Centers for Medicare & Medicaid Services, "Market Basket Research and Information" (December 7, 2022), https://tinyurl.com/y9jsu9ch. Upward revisions to CBO's forecast of productivity decreased projected Medicare spending, but those changes were smaller than the changes in projected prices.

increases stemmed primarily from upward revisions to CBO's projections of growth in food prices.

Supplemental Security Income. CBO's projections of outlays for the Supplemental Security Income (SSI) program over the 2023–2032 period increased by $23 billion (or 3 percent). Upward revisions to inflation rates in CBO's projections pushed up COLAs, which in turn increased outlays for SSI benefits.

Other Mandatory Programs. Changes in CBO's economic forecast also affected projected outlays for other mandatory programs. Although those updates included both upward and downward adjustments, the net effect was a $24 billion increase in projected outlays over the 2023–2032 period.

Discretionary Outlays. CBO's baseline projections generally reflect the assumption that funding for discretionary programs keeps pace with inflation. Increases in the agency's forecasts of certain measures of inflation drove up its projections of such funding over the 2023–2032 period. As a result, discretionary outlays over that period are now projected to be $113 billion (or less than 1 percent) greater than they were in CBO's previous baseline projections.

Net Interest Outlays. Economic changes boosted CBO's projection of net outlays for interest in 2023 by $181 billion (or 42 percent) and by $0.9 trillion (or 11 percent) from 2023 to 2032. The change in the estimate for this year stems from higher interest rates and higher inflation, which increase the cost of Treasury inflation-protected securities. The increase over the 2023–2032 period is largely attributable to upward revisions to the agency's forecasts of interest rates on Treasury securities.

In all, changes stemming from revisions to CBO's economic forecast increased the projected cumulative deficit over the 2023–2032 period by $0.9 trillion. As a result, the agency increased its projections of debt-service costs over that period by $295 billion.

Changes in Revenues

To account for changes in its economic forecast, CBO lowered its estimate of revenues in 2023 by $97 billion (or 2 percent) but raised its projections of revenues over the entire 2023–2032 period by $943 billion (or 2 percent), on net. The initial reductions in revenues are largely the result of lower projected asset values, which reduce receipts from individual income taxes, and higher short-term interest rates, which increase the expenses of the Federal Reserve and reduce its remittances to the Treasury. The upward revisions for the remainder of the period resulted from increases in CBO's projections of nominal GDP and of gross domestic income and the taxable forms of income that comprise it; each of those increases was driven in part by higher projected inflation.

Individual Income Taxes. Economic changes led CBO to lower its estimate of individual income tax receipts by $64 billion (or 2 percent) for 2023 but to raise it, on net, by $461 billion (or less than 2 percent) for the 2023–2032 period. The decline in CBO's estimate for 2023 was driven largely by lower projected asset values, which reduce expected capital gains realizations and distributions from pensions and individual retirement accounts. Projections of wages and salaries and proprietors' income in 2023 also decreased. The longer-term increase in receipts from individual income taxes was driven largely by a 3 percent increase in projected wages and salaries over the 2023–2032 period, owing to higher-than-expected inflation.

Payroll Taxes. CBO's estimate of payroll tax revenues in 2023 decreased by $5 billion (or less than 1 percent); for the 2023–2032 period, it rose by $434 billion (or 2 percent). The main drivers of those changes were revisions to projections of wages and salaries and proprietors' income, discussed above.

Corporate Income Taxes. CBO raised its estimate of corporate income tax revenues in 2023 by $9 billion (or 2 percent) and raised its projections of such revenues over the 2023–2032 period by $191 billion (or 4 percent). Those changes resulted from increases in CBO's projections of nominal GDP over the next decade, including upward revisions to the agency's forecast of domestic corporate profits, which make up most of the corporate income tax base.

Federal Reserve Remittances. CBO reduced its estimate of remittances from the Federal Reserve by $29 billion (or 97 percent) for 2023 and by $99 billion (or 16 percent) for the 2023–2032 period. Those changes can be explained by higher projected short-term interest rates in 2023 and 2024, which increase the Federal Reserve's interest expenses. CBO now estimates that the Federal Reserve System as a whole will have costs that exceed its income through 2024, reducing remittances to close to zero for a number of years. Nonetheless, the agency's baseline projections show small amounts of remittances every year to account for the possibility that some individual Federal Reserve banks might record profits and remit them to the Treasury.

Other Revenues. CBO reduced its estimates of estate and gift taxes, customs duties, and excise taxes over the 2023–2032 period by a total of $44 billion (or 2 percent). Most of that reduction resulted from lower projected asset values, which reduce the expected tax base for estate and gift taxes.

Technical Changes

Technical changes—those changes that are neither legislative nor economic—result from a variety of factors, including revisions to CBO's population projections, new information or data from federal agencies, and changes in the way programs are administered that affect federal spending and revenues. Such changes increased CBO's estimate of the deficit in 2023 by $88 billion and boosted projected deficits over the 2023–2032 period by $0.4 trillion (see Table A-1 on page 69).

Changes in Outlays

Taken together, technical revisions increased CBO's estimate of outlays in 2023 by $81 billion (or 1 percent) and its projections of outlays over the 2023–2032 period by $341 billion (or less than 1 percent).

Mandatory Outlays. Technical changes led CBO to increase its estimates of spending for some mandatory programs and decrease them for others. On net, technical changes to CBO's projections increased mandatory outlays by $125 billion (or 3 percent) in 2023 and by $218 billion (or less than 1 percent) over the 2023–2032 period.

Medicare. CBO's projections of outlays for Medicare decreased by $19 billion (or 2 percent) in 2023 and by $246 billion (or 2 percent) over the 2023–2032 period for technical reasons. Three factors—all of which are related to actual net outlays in 2022—explain most of that decrease. First, outlays for Medicare's fee-for-service program in 2022 were lower than expected, so CBO decreased its projections of such outlays in later years. Second, CBO lowered its projections of Medicare Advantage outlays because outlays for the program in 2022 were lower than anticipated. Finally, offsetting receipts were higher than expected in 2022, leading CBO to increase its projections of those receipts over the 10-year period. In particular, CBO increased its projections of payments from states to Medicare Part D on behalf of enrollees who are dually eligible for both Medicare and Medicaid and of estimated recoveries of payments made to providers. Those increases in projected receipts contributed to a reduction in projected outlays.[18]

Student Loans. CBO's estimate of outlays for student loan programs in 2023 is now $29 billion larger than it was in May 2022; over the 2023–2032 period, it is $120 billion larger. Much of that increase stems from final regulations released on October 31, 2022, that would, in CBO's estimation, increase outlays for student loans by a total of $95 billion over the 10-year period. Those final rules expanded eligibility for the discharge of loans, eliminated the addition of unpaid interest to loan balances in certain circumstances, and increased eligibility for the Public Service Loan Forgiveness program. CBO also raised its projections of subsidy rates for future student loans, which increased projected outlays (see Figure A-3).[19]

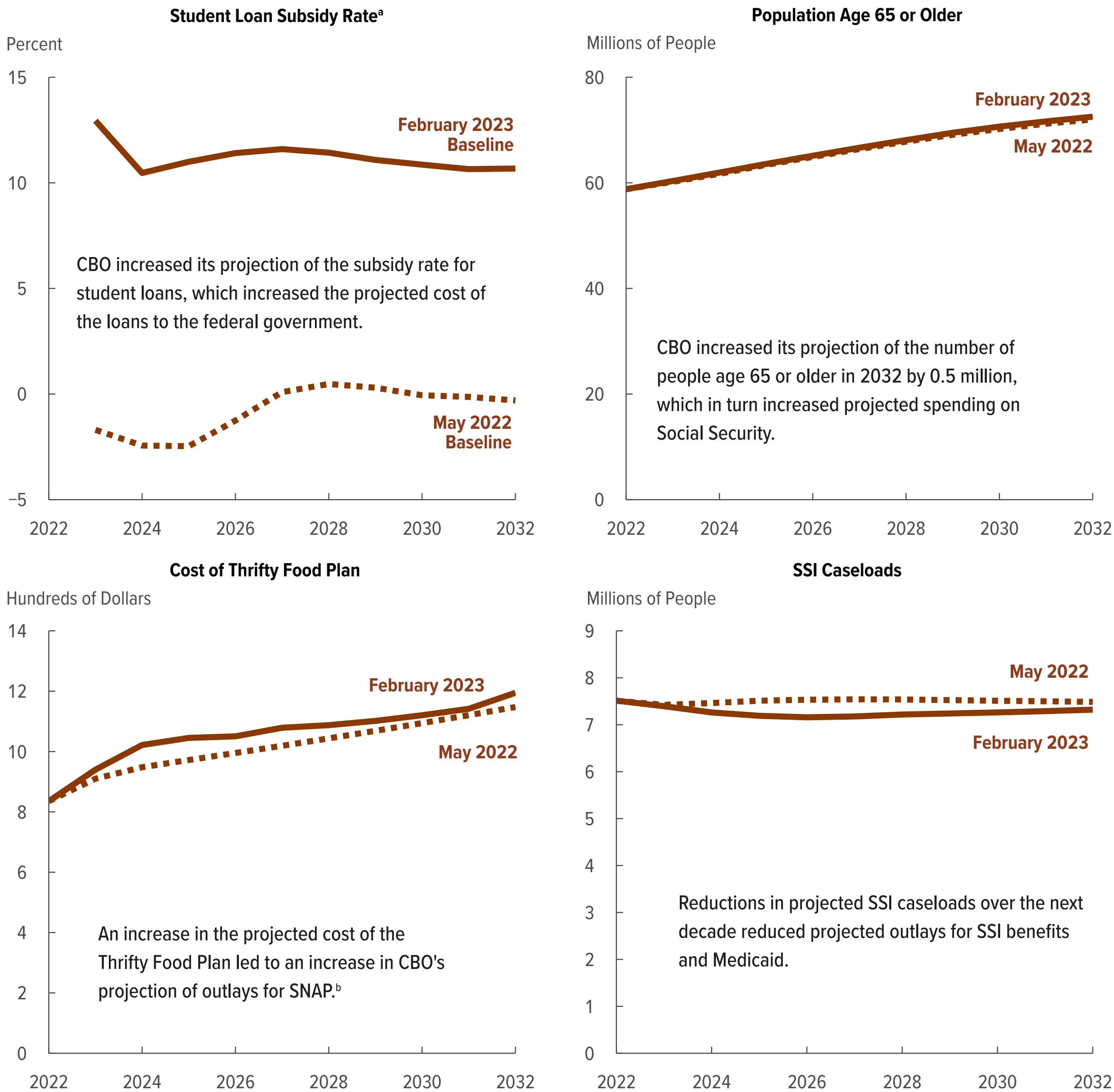
CBO's estimates do not include costs stemming from new regulations for student loans repaid through income-driven plans that were proposed by the Department of Education on January 10, 2023, or the costs of extending the pause in student loan payments and interest accrual through August 2023. Those costs are reported in the budget as estimated by the Administration but have not yet been recorded. Additionally, CBO's estimates do not include $379 billion estimated by the Administration as the costs of its student loan forgiveness policy, announced in August 2022, because those costs were recorded in fiscal year 2022.

18. Offsetting receipts are funds collected by federal agencies from other government accounts or from the public in businesslike or market-oriented transactions that are recorded as negative budget authority and outlays (that is, as reductions in mandatory spending).

19. The subsidy rate is the cost of a program, calculated following the procedures specified in the Federal Credit Reform Act of 1990 (P.L. 101-508), divided by the amount disbursed. A positive subsidy rate indicates a cost to the government, and a negative rate indicates budgetary savings. For additional information about the costs of credit programs, see Congressional Budget Office, *Estimates of the Cost of Federal Credit Programs in 2023* (June 2022), www.cbo.gov/publication/58031.

Figure A-3.

Key Changes in CBO's Technical Projections Since May 2022



Data source: Congressional Budget Office. See www.cbo.gov/publication/58848#data.

In the February 2023 baseline projections shown here, values for 2022 are actual values.

SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income.

a. The subsidy rate shown is the weighted average rate of several different loan programs, adjusted for the amount of loans disbursed. That average rate does not include the costs of new regulations for student loans repaid through income-driven plans that were proposed by the Department of Education on January 10, 2023. No values are shown for 2022 because the subsidy rates are projections used to prepare CBO's baseline; thus, there are no corresponding actual values for 2022.

b. The change in the cost of the Thrifty Food Plan (TFP) also reflects economic changes: revisions to CBO's projections of growth in food prices. In CBO's projections, the technical change increases the cost of the TFP beginning in 2027.

Social Security. CBO lowered its estimate of outlays for Social Security in 2023 by $1 billion (or less than 1 percent) and increased its projections of such outlays over the 2023–2032 period by $107 billion (or 1 percent) for technical reasons. Most of that 10-year increase stems from an increase in the projection of the population age 65 or older, which increases the number of recipients of Old-Age and Survivors Insurance.

Supplemental Nutrition Assistance Program. CBO increased its estimate of outlays for SNAP by $8 billion (or 6 percent) for 2023 and by $93 billion (or 8 percent) over the 2023–2032 period for technical reasons—two in particular. First, projected SNAP enrollment is higher than it was in the May 2022 baseline. Second, CBO increased its projections of the cost of the Thrifty Food Plan (TFP) in 2027 and 2032, anticipating that reevaluations of the TFP, which occur every five years, would result in increases in costs. (The TFP is a basket of foods identified by the Department of Agriculture that would provide a nutritious diet for a household of a particular size; the cost of the TFP is used to determine SNAP benefit levels.)

Pension Benefit Guaranty Corporation. Since May 2022, technical revisions to CBO's projections increased outlays for the Pension Benefit Guaranty Corporation (PBGC) by $56 billion for 2023 and by $35 billion for the 2023–2032 period. Most of that increase stems from slower-than-anticipated spending on PBGC's special financial assistance program in 2022, which led CBO to shift those outlays to 2023 in its projections.

Supplemental Security Income. CBO lowered its estimate of outlays for SSI by $1 billion (or 1 percent) for 2023 and by $24 billion (or 4 percent) over the 2023–2032 period for technical reasons. Specifically, the agency reduced the number of SSI beneficiaries in its projections in response to new data and a Supreme Court decision. First, recent data show that SSI caseloads are rebounding more slowly than expected from a decline that occurred during the coronavirus pandemic. Second, the Supreme Court ruled in *United States v. Vaello Madero* that the Fifth Amendment's equal protection guarantee does not require the Congress to make SSI benefits available to residents of Puerto Rico.[20] Because the U.S. Court of Appeals for the First Circuit had previously held that excluding residents of Puerto Rico from the SSI program violated the Fifth Amendment, CBO's May 2022 baseline reflected the expectation that those residents would be eligible for benefits from 2023 to 2032.[21]

Medicaid. Technical revisions led CBO to decrease its estimate of outlays for Medicaid by $3 billion (or 1 percent) for 2023 and by $23 billion (or less than 1 percent) over the 2023–2032 period. Those decreases are the net result of several factors. The ending of the maintenance-of-effort policy on April 1, 2023, is now expected to reduce Medicaid enrollment in 2023 and 2024 more than CBO had previously estimated. The decline in projected SSI enrollment discussed above slightly decreases projected outlays for Medicaid as well, because SSI beneficiaries are typically automatically eligible for Medicaid.

Three additional factors partly offset those decreases in projected outlays for Medicaid:

- An increase in projected Medicaid enrollment among people age 65 or older who are not SSI beneficiaries;
- An increase in projected Medicaid enrollment stemming from the 2023 Streamlining Eligibility and Enrollment proposed rule, which, if finalized, will facilitate Medicaid enrollment and renewal processes; and
- An increase in projected outlays for Medicaid because actual spending on the program in 2022 was higher than expected.

Crop Insurance. CBO increased its estimate of total outlays for crop insurance in 2023 by $6 billion and its projections of such outlays over the 2023–2032 period by $23 billion. That increase largely stems from a projected rise in crop prices, which CBO expects will return to more typical historical levels after falling during the pandemic.

U.S. Coronavirus Refundable Credits. CBO increased its estimate of total outlays for U.S. Coronavirus Refundable Credits (a group of tax credits for employers for sick and family leave, employee retention, and continuation of health insurance for certain workers) by $16 billion for 2023 because of higher-than-anticipated actual outlays in the first two months of 2023. CBO had

20. *United States v. Vaello Madero,* 142 S. Ct. 1539, 1541 (2022).

21. For that earlier decision, see *United States v. Vaello Madero,* 956 F.3d 12, 31 (1st Cir. 2020).

previously expected outlays related to those credits to end in 2022.

Other Mandatory Programs. Other technical changes increased CBO's estimate of outlays for other mandatory programs in 2023 by $32 billion and its projections of outlays for such programs over the 2023–2032 period by $118 billion.

Discretionary Outlays. Technical changes caused CBO's estimate of discretionary outlays over the 2023–2032 period to drop by $65 billion (or less than 1 percent). The largest of those changes are confined to 2023. Estimated outlays from the Public Health and Social Services Emergency Fund to support responses to the ongoing public health emergency dropped by $22 billion, accounting for much of the overall decrease. Other reductions in estimated discretionary outlays for 2023, totaling $36 billion on net, are dispersed across the budget. Taken together, technical changes reduced CBO's projections of discretionary outlays over the rest of the 10-year period by $7 billion.

Net Interest Outlays. Technical changes increased CBO's projections of net interest outlays over the 2023–2032 period by $188 billion (or 2 percent). Most of that increase stems from a reduction in balances of nonbudgetary financing accounts that record the collections and disbursements of federal loan and loan guarantee programs.

Interest Earnings From Financing Accounts. The amount owed to the Treasury from the financing account for the federal student loan program was $1.7 trillion at the start of 2022; by the end of the year, in large part because of the Administration's plans to forgive some student loan debt, it had declined to $1.3 trillion. That substantial reduction resulted in a $120 billion decrease in CBO's projections of interest paid to the Treasury from those financing accounts from 2023 to 2032. (Reductions in the Treasury's interest earnings from the financing accounts are recorded in the budget as increases in outlays; see Box A-1.)

Debt Service. All told, technical changes to revenues and noninterest outlays increased CBO's projections of debt held by the public in 2032 by $0.3 trillion and increased the cost of servicing debt over the 2022–2032 period by an estimated $79 billion.

Changes in Revenues

For technical reasons, CBO's estimate of revenues in 2023 fell by $7 billion (or less than 1 percent), and its projections of revenues over the entire 2023–2032 period fell by $84 billion (or less than 1 percent). Lower projections of the amount of assets in retirement accounts account for the most significant reductions.

Individual Income Taxes. Technical revisions boosted CBO's estimate of individual income tax receipts in 2023 by $13 billion (or 1 percent) but decreased the agency's projections of such receipts over the 2023–2032 period by $165 billion (or 1 percent). CBO increased its estimate of income tax receipts for 2023 because tax collections in 2022 were stronger than expected. New data indicated that capital gains realizations in 2021 were larger as a share of GDP than at any other point over the past 40 years. Those data explained some discrepancies between projected and actual tax revenues in prior years, but CBO does not expect such historically high receipts to continue.

In CBO's projections for the full 2023–2032 period, the net technical change to individual income tax receipts is negative. That change was driven by downward revisions to projections of distributions from retirement plans based on new data indicating that the amount of assets in retirement plans in recent years was less than previously estimated. Those reductions are partly offset by the effects of increased mandatory funding provided to the IRS by the 2022 reconciliation act. That funding will be spent on enforcement and other initiatives through 2031 and is projected to increase income tax collections by $186 billion over the 2023–2032 period. In the absence of more detailed information about how the IRS will use the funding, CBO has allocated about half of those additional revenues to individual income taxes and half to corporate income taxes.[22]

Payroll Taxes. For technical reasons, CBO decreased its estimate of payroll tax revenues in 2023 by $5 billion (or less than 1 percent) but increased its projections of such revenues for the 2023–2032 period by a total of $72 billion (or less than 1 percent). Revenues in 2023 were reduced because the actual taxable maximum for

22. Under long-standing guidelines agreed to by the legislative and executive branches, those increases in revenues were not included in the estimated budgetary effects of the act that CBO reported for budget enforcement purposes. Those changes are instead recorded as a technical change in CBO's baseline.

Box A-1.

How Student Loan Forgiveness Affects Deficits and Debt

Under the Federal Credit Reform Act of 1990 (FCRA), the costs of loan programs are recorded on a present-value basis to reflect the estimated lifetime costs of loans (that is, their subsidy costs) at the time those loans are made.[1] The original estimated cost for a set of loans may be increased or decreased in subsequent years by a credit subsidy reestimate that reflects an updated assessment of the cash flows associated with the outstanding loans. FCRA also established procedures to reconcile that present-value accounting with the cash flows associated with the loans.[2] For each program, those procedures involve a program account (which appears in the budget and shows the subsidy costs) and a financing account (which is not part of the budget and records the annual cash flows).

Because of those accounting procedures, the effects of student loan forgiveness on budget deficits and federal debt occur at different times. The $379 billion cost of student loan forgiveness that the Administration recorded in 2022 was a credit subsidy reestimate reflecting the present value of the reduction in future collections of both principal and interest payments. That cost increased outlays and the deficit in 2022. It did not affect the debt in 2022 because it did not reflect any cash flows of the government in that year; it was an intragovernmental transaction—a payment from the student loan program account to the student loan financing account.

Over time, the loan forgiveness policy will reduce or eliminate borrowers' payments on their student loans, reducing receipts in the nonbudgetary student loan financing accounts. That decrease in collections will not directly increase budget deficits (because the increase in the deficit was recorded up front, in 2022), but it will increase the amounts that the federal government needs to borrow in future years and the interest payments on that borrowing.

Additionally, the reduction in the balance that the student loan financing account owes to the Treasury will reduce the financing account's interest payments to the Treasury. Those changes affect deficits but do not affect the debt. Because the receipt of such payments is reflected in the budget as a reduction in interest earnings, smaller payments have the effect of increasing deficits. Any reduction in interest payments from financing accounts is offset by a reduction in the financing account's borrowing requirements—in other words, if their payments decrease, they need to borrow less to cover those payments. As a result, there is no effect on the debt stemming from the decrease in interest earnings recorded in the budget.

1. A present value expresses a flow of current or future income or payments in terms of an equivalent lump sum received or paid at a specific time.

2. For more information, see Congressional Budget Office, *Estimates of the Cost of Federal Credit Programs in 2023* (June 2022), www.cbo.gov/publication/58031.

calendar year 2023 ($160,200) was lower than CBO previously estimated ($163,500). That taxable maximum for 2023, determined by the Social Security Administration, was based on average earnings in 2021, which turned out to be lower than CBO had estimated. A lower taxable maximum means more earnings are above that ceiling and are thus not subject to the payroll tax, which reduces payroll tax receipts.

The upward revisions for the 2023–2032 period resulted in part from updated projections of the population and the earnings distribution, which indicate that a larger share of total earnings will fall below the taxable maximum. In addition, CBO increased its projections of receipts from unemployment insurance taxes (a type of payroll tax) because newly available historical data indicated that states will need to collect additional amounts over the next decade to maintain the solvency of their unemployment trust funds. Those collections count as federal revenues, reflecting the nature of the unemployment insurance system, which is a federal program administered by the states.

Corporate Income Taxes. CBO reduced its estimate of corporate income tax revenues in 2023 by $13 billion (or 3 percent) and raised its projections of such revenues for the 2023–2032 period by $65 billion (or 1 percent) for technical reasons. CBO lowered its projection for 2023 because the agency now anticipates that some of the strength seen in collections in 2022 will not continue. After 2023, the increases in projected corporate income tax receipts—amounting to about $78 billion between 2024 and 2032—are mostly the result of additional funding for IRS enforcement provided by the 2022 reconciliation act. Additionally, the agency revised its approaches to estimating foreign tax credits and back taxes, which reduced net receipts in later years of the projection period.

Other Revenues. CBO decreased its projections of other revenues over the next decade by $56 billion (or 2 percent) because of technical changes. The largest of those changes was to projected revenues from fees and fines, which CBO reduced by $30 billion (or 7 percent) over the projection period to reflect persistent weak collections. In addition, CBO lowered its projections of revenues from excise taxes over the next decade by $17 billion. Most of that change is explained by the agency's expectation that newer—and more fuel-efficient—vehicles will account for a greater share of total miles driven, leading to steeper declines in receipts from gas taxes.