CONGRESS OF THE UNITED STATES
CONGRESSIONAL BUDGET OFFICE

CBO

An Analysis of the President's 2020 Budget

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MAY 2019

Notes

Unless otherwise noted, years referred to in this report are federal fiscal years, which run from October 1 through September 30 and are designated by the calendar year in which they end.

Numbers in the text and tables may not add up to totals because of rounding.

Supplemental data for this analysis are available on CBO's website (www.cbo.gov/publication/55195), as is a glossary of common budgetary and economic terms (www.cbo.gov/publication/42904).

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An Analysis of the President's 2020 Budget

Summary

On March 18, 2019, the Administration submitted the full details of its annual set of budgetary proposals to the Congress. In this report, the Congressional Budget Office examines how those proposals, if enacted, would affect budgetary outcomes relative to CBO's most recent baseline budget projections. Those projections extend from 2019 to 2029 and incorporate the assumption that current laws governing federal spending and revenues will generally remain in place.[1] The analysis is based on CBO's baseline economic projections, which were published in January.[2]

According to CBO's estimates, the Administration's proposals would have the following major effects:

- Federal debt held by the public would equal 87 percent of gross domestic product (GDP) in 2029 under the President's budget, compared with 92 percent in CBO's baseline and 78 percent in 2019.

- The federal deficit would be $1.5 trillion smaller under the President's budget than in CBO's baseline over the 2020–2029 period, CBO estimates. By contrast, the Administration estimates that the deficit would be $4.1 trillion smaller than the amounts in CBO's baseline during that period. Differing estimates of revenues—which in turn are largely driven by differences in projected wage growth later in the projection period—account for nearly three-quarters of that difference.

- Mandatory spending for health care would be reduced, relative to CBO's baseline, by $1.5 trillion, mainly because of a proposal to repeal certain provisions of the Affordable Care Act (ACA) and instead provide block grants to states. Nondefense discretionary spending would be reduced by $1.0 trillion. Both proposals would result in smaller deficits.

- Relative to CBO's baseline, federal revenues would be reduced by $0.9 trillion, primarily because of an extension of provisions in the 2017 tax act (Public Law 115-97), and defense spending would be increased by $0.5 trillion, thereby raising deficits.

CBO conducted this analysis in collaboration with the staff of the Joint Committee on Taxation (JCT). The analysis excludes any feedback from the macroeconomic effects of the President's policies. Moreover, the analysis is based on both agencies' budget estimates, rather than on the Administration's. For discretionary programs, CBO incorporated the funding levels requested by the President rather than using baseline amounts, which incorporate the assumption that funding will grow with inflation once the caps on such funding expire after 2021. Some of the Administration's proposals were not specific enough for CBO and JCT to make their own estimates of the effects on the budget.[3] Finally, this analysis does not take into account the potential

1. CBO's baseline budget projections are published in Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (May 2019), www.cbo.gov/publication/55151.

2. See Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029* (January 2019), www.cbo.gov/publication/54918.

3. For some of those proposals—such as a proposal to promote family-based foster care—CBO and JCT used the Administration's estimates as a placeholder because the agencies concluded that those estimates were achievable targets for the budgetary effects of detailed policies that might be proposed in the future. For other proposals that lacked specificity, CBO and JCT estimated no costs or savings for two reasons: The agencies could not assess whether the effects estimated by the Administration were achievable within the parameters it presented, or the agencies concluded that those effects would not be achievable. In total, the Administration estimated roughly $195 billion in savings for proposals for which CBO and JCT estimated no cost or savings. Two policies accounted for most of that difference. According to the Administration's calculations, the proposal to replace some Supplemental Nutrition Assistance Program benefits with a Department of Agriculture program called America's Harvest Box would reduce outlays by $128 billion between 2020 and 2029, and the proposal to reform Disability Insurance would reduce outlays by $48 billion over that period.

Table 1.

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

Billions of Dollars

	Actual, 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
								CBO's May 2019 Baseline						
Revenues	3,330	3,511	3,681	3,834	4,004	4,200	4,439	4,637	4,946	5,244	5,437	5,664	20,158	46,086
Outlays	4,109	4,407	4,573	4,796	5,121	5,321	5,510	5,826	6,125	6,406	6,836	6,973	25,319	57,485
Deficit	**-779**	**-896**	**-892**	**-962**	**-1,116**	**-1,122**	**-1,071**	**-1,189**	**-1,179**	**-1,162**	**-1,399**	**-1,310**	**-5,162**	**-11,399**
								CBO's Estimate of the President's Budget						
Revenues	3,330	3,511	3,686	3,837	4,006	4,199	4,438	4,629	4,846	5,000	5,173	5,389	20,167	45,204
Outlays	4,109	4,407	4,652	4,759	5,079	5,210	5,327	5,566	5,784	6,015	6,341	6,408	25,026	55,139
Deficit	**-779**	**-896**	**-966**	**-921**	**-1,073**	**-1,010**	**-889**	**-937**	**-938**	**-1,015**	**-1,168**	**-1,019**	**-4,859**	**-9,936**
								Difference Between CBO's Estimate of the President's Budget and CBO's May 2019 Baseline						
Revenues	n.a.	*	5	4	2	*	-1	-8	-99	-245	-264	-275	10	-882
Outlays	n.a.	*	80	-37	-41	-112	-183	-260	-340	-392	-495	-566	-293	-2,346
Deficit[a]	**n.a.**	*	**-75**	**40**	**44**	**111**	**182**	**252**	**241**	**147**	**231**	**291**	**303**	**1,464**
Memorandum:														
Deficit (Percentage of GDP)														
CBO's baseline	-3.9	-4.2	-4.0	-4.2	-4.7	-4.5	-4.2	-4.5	-4.3	-4.0	-4.7	-4.2	-4.3	-4.3
CBO's estimate of the President's budget	-3.9	-4.2	-4.4	-4.0	-4.5	-4.1	-3.5	-3.5	-3.4	-3.5	-3.9	-3.3	-4.1	-3.8
Debt Held by the Public (Percentage of GDP)														
CBO's baseline	77.8	78.2	79.5	81.0	83.0	84.8	85.9	87.2	88.5	89.4	90.8	91.8	n.a.	n.a.
CBO's estimate of the President's budget	77.8	78.2	79.8	81.2	83.1	84.3	84.8	85.3	85.8	86.4	87.2	87.4	n.a.	n.a.

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

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

a. Positive numbers indicate a decrease in the deficit relative to CBO's baseline.

budgetary effects of proposed changes in regulations and other administrative actions included in the President's budget that are not already included in CBO's baseline.[4]

Projections Under the President's Budget for 2019 and 2020

According to CBO's calculations, the proposals in the President's budget would have a very small effect on the deficit that the agency currently estimates for 2019. If the proposals were enacted, the deficit in 2019 would total $896 billion (or 4.2 percent of GDP), an amount nearly identical to the deficit in CBO's baseline projections (see Table 1). By comparison, the deficit in 2018 was $779 billion (or 3.9 percent of GDP).

In 2020, CBO estimates, the deficit under the President's budget would increase to $966 billion (or 4.4 percent of GDP)—about $75 billion more than the shortfall projected in the baseline. That difference is largely attributable to proposals to fund discretionary programs. Those proposals would boost defense funding by $104 billion (or 16 percent) relative to the amount in the baseline; accounts for operations and maintenance and research and development would receive the largest increases. If

4. For a discussion of how CBO reflects 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.

such funding was provided, total discretionary outlays for defense would exceed spending projected in the baseline by $58 billion, CBO estimates.

The President's proposals would boost funding for nondefense discretionary programs in 2020 by $17 billion relative to baseline amounts.[5] Outlays for nondefense discretionary programs would exceed baseline amounts by $31 billion. The larger difference in outlays occurs primarily because, relative to CBO's baseline, the President's budget would allocate more funds to accounts that, on average, spend their appropriations more quickly.

Mandatory outlays in 2020 would be $9 billion lower under the President's proposals than in the baseline, partially offsetting the increase in discretionary outlays.

Projections Under the President's Budget for 2020 Through 2029

According to CBO's estimates, the cumulative deficit under the President's policies would total $9.9 trillion over the 2020–2029 period (see Table 2). Measured relative to the size of the economy, the deficit would peak at 4.5 percent of GDP in 2022 and then range between 3.3 percent and 4.1 percent through 2029, averaging 3.8 percent of GDP over the 10-year period.[6] As a result, federal debt held by the public would increase from 78 percent in 2019 to 87 percent in 2029.

If the President's proposals were enacted, outlays would average 21.0 percent of GDP over the next 10 years. Revenues as a share of GDP would total 16.7 percent in 2020 and 2021, CBO estimates, and would then increase for several years before stabilizing at about 17.4 percent over the second half of the 10-year period.

5. The President's budget includes certain proposed changes in mandatory budget authority that would be enacted in annual appropriation bills. According to long-standing procedures for enforcing budget rules, such changes are counted as affecting discretionary funding when the effects of those bills are estimated. Those reductions are estimated to total $20 billion in 2020; the estimated $17 billion increase excludes those effects.

6. That pattern is affected by shifts in the timing of certain payments. When October 1 falls on a weekend, as it will in 2022, 2023, and 2028, certain payments due on October 1 are made at the end of September and thus are recorded in the previous fiscal year. If not for those shifts, deficits under the President's proposals would peak at 4.4 percent in 2020 and then follow a generally downward trajectory before stabilizing at about 3.5 percent over the second half of the 10-year period.

A Comparison With CBO's Baseline

Compared with CBO's baseline projections, the deficit under the President's proposals would be larger in 2020 and smaller in every year between 2021 and 2029, according to CBO and JCT's estimates (see Figure 1). Over that period, the cumulative deficit would be $1.5 trillion smaller than the $11.4 trillion in CBO's baseline. Relative to the size of the economy, the average deficit under the President's budget would be 0.6 percentage points below the average of 4.3 percent in the baseline but still above the 2.9 percent of GDP that deficits have averaged since 1969.

As a result of those smaller deficits, federal debt held by the public would also be smaller each year under the President's proposals than in CBO's baseline beginning in 2023. By 2029, debt held by the public would be about 4 percentage points lower than the 92 percent of GDP projected in the baseline.

The smaller estimated deficits under the President's proposals relative to CBO's baseline would stem largely from lower spending, mostly for mandatory health care programs and nondefense discretionary programs (see Figure 2 on page 6). Between 2020 and 2029, federal outlays would be $2.3 trillion (or 4.1 percent) less than baseline amounts. As a share of GDP, outlays under the President's budget would average 0.9 percentage points below the average of 21.9 percent in the baseline. (Over the past 50 years, they have averaged 20.3 percent.)

The Administration's policies would reduce revenues by $0.9 trillion (or 1.9 percent) over the next decade relative to CBO's baseline; most of that reduction would occur between 2026 and 2029, mainly because the President proposes to extend certain provisions of the 2017 tax act. Revenues would average 17.2 percent of GDP through 2029, below the 17.5 percent that CBO projects under current law. (Over the past 50 years, they have averaged 17.4 percent.)

Proposals That Would Affect Mandatory Spending

Over the 2020–2029 period, mandatory outlays would be lower under the President's proposals than in CBO's baseline, largely because outlays for health care would be much lower. In addition, mandatory outlays for student loans, income security programs, and the Postal Service would be reduced (see Table 3 on page 7). The President's proposal for infrastructure would increase mandatory spending, but reductions in discretionary

Table 2.

CBO's Estimate of the President's Budget

													Total	
	Actual, 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020–2024	2020–2029
							In Billions of Dollars							
Revenues														
On-budget	2,475	2,609	2,746	2,861	2,995	3,150	3,349	3,496	3,670	3,779	3,906	4,073	15,100	34,026
Off-budget[a]	855	902	940	977	1,011	1,049	1,090	1,132	1,176	1,220	1,267	1,316	5,067	11,178
Total	**3,330**	**3,511**	**3,686**	**3,837**	**4,006**	**4,199**	**4,438**	**4,629**	**4,846**	**5,000**	**5,173**	**5,389**	**20,167**	**45,204**
Outlays														
Mandatory	2,523	2,696	2,815	2,868	3,134	3,224	3,309	3,532	3,721	3,915	4,189	4,218	15,351	34,925
Discretionary	1,262	1,330	1,381	1,373	1,368	1,355	1,347	1,331	1,321	1,315	1,321	1,316	6,824	13,427
Net interest	325	382	456	518	577	630	671	703	743	785	832	874	2,851	6,787
Total	**4,109**	**4,407**	**4,652**	**4,759**	**5,079**	**5,210**	**5,327**	**5,566**	**5,784**	**6,015**	**6,341**	**6,408**	**25,026**	**55,139**
On-budget	3,261	3,502	3,686	3,730	3,980	4,036	4,077	4,237	4,380	4,525	4,757	4,728	19,509	42,135
Off-budget[a]	849	905	966	1,029	1,099	1,174	1,250	1,329	1,404	1,490	1,584	1,680	5,517	13,004
Deficit (-) or Surplus	**-779**	**-896**	**-966**	**-921**	**-1,073**	**-1,010**	**-889**	**-937**	**-938**	**-1,015**	**-1,168**	**-1,019**	**-4,859**	**-9,936**
On-budget	-785	-893	-941	-869	-985	-885	-728	-741	-710	-745	-850	-655	-4,409	-8,109
Off-budget[a]	6	-3	-25	-52	-88	-125	-160	-196	-228	-269	-318	-364	-451	-1,826
Debt Held by the Public	15,750	16,621	17,651	18,629	19,750	20,810	21,750	22,743	23,740	24,817	26,036	27,104	n.a.	n.a.
Memorandum:														
Gross Domestic Product[b]	20,236	21,252	22,120	22,939	23,778	24,672	25,642	26,656	27,667	28,738	29,862	31,006	119,151	263,080
							As a Percentage of Gross Domestic Product							
Revenues														
On-budget	12.2	12.3	12.4	12.5	12.6	12.8	13.1	13.1	13.3	13.2	13.1	13.1	12.7	12.9
Off-budget[a]	4.2	4.2	4.3	4.3	4.3	4.3	4.2	4.2	4.3	4.2	4.2	4.2	4.3	4.2
Total	**16.5**	**16.5**	**16.7**	**16.7**	**16.8**	**17.0**	**17.3**	**17.4**	**17.5**	**17.4**	**17.3**	**17.4**	**16.9**	**17.2**
Outlays														
Mandatory	12.5	12.7	12.7	12.5	13.2	13.1	12.9	13.2	13.4	13.6	14.0	13.6	12.9	13.3
Discretionary	6.2	6.3	6.2	6.0	5.8	5.5	5.3	5.0	4.8	4.6	4.4	4.2	5.7	5.1
Net interest	1.6	1.8	2.1	2.3	2.4	2.6	2.6	2.6	2.7	2.7	2.8	2.8	2.4	2.6
Total	**20.3**	**20.7**	**21.0**	**20.7**	**21.4**	**21.1**	**20.8**	**20.9**	**20.9**	**20.9**	**21.2**	**20.7**	**21.0**	**21.0**
On-budget	16.1	16.5	16.7	16.3	16.7	16.4	15.9	15.9	15.8	15.7	15.9	15.2	16.4	16.0
Off-budget[a]	4.2	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1	5.2	5.3	5.4	4.6	4.9
Deficit (-) or Surplus	**-3.9**	**-4.2**	**-4.4**	**-4.0**	**-4.5**	**-4.1**	**-3.5**	**-3.5**	**-3.4**	**-3.5**	**-3.9**	**-3.3**	**-4.1**	**-3.8**
On-budget	-3.9	-4.2	-4.3	-3.8	-4.1	-3.6	-2.8	-2.8	-2.6	-2.6	-2.8	-2.1	-3.7	-3.1
Off-budget[a]	*	*	-0.1	-0.2	-0.4	-0.5	-0.6	-0.7	-0.8	-0.9	-1.1	-1.2	-0.4	-0.7
Debt Held by the Public	77.8	78.2	79.8	81.2	83.1	84.3	84.8	85.3	85.8	86.4	87.2	87.4	n.a.	n.a.

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

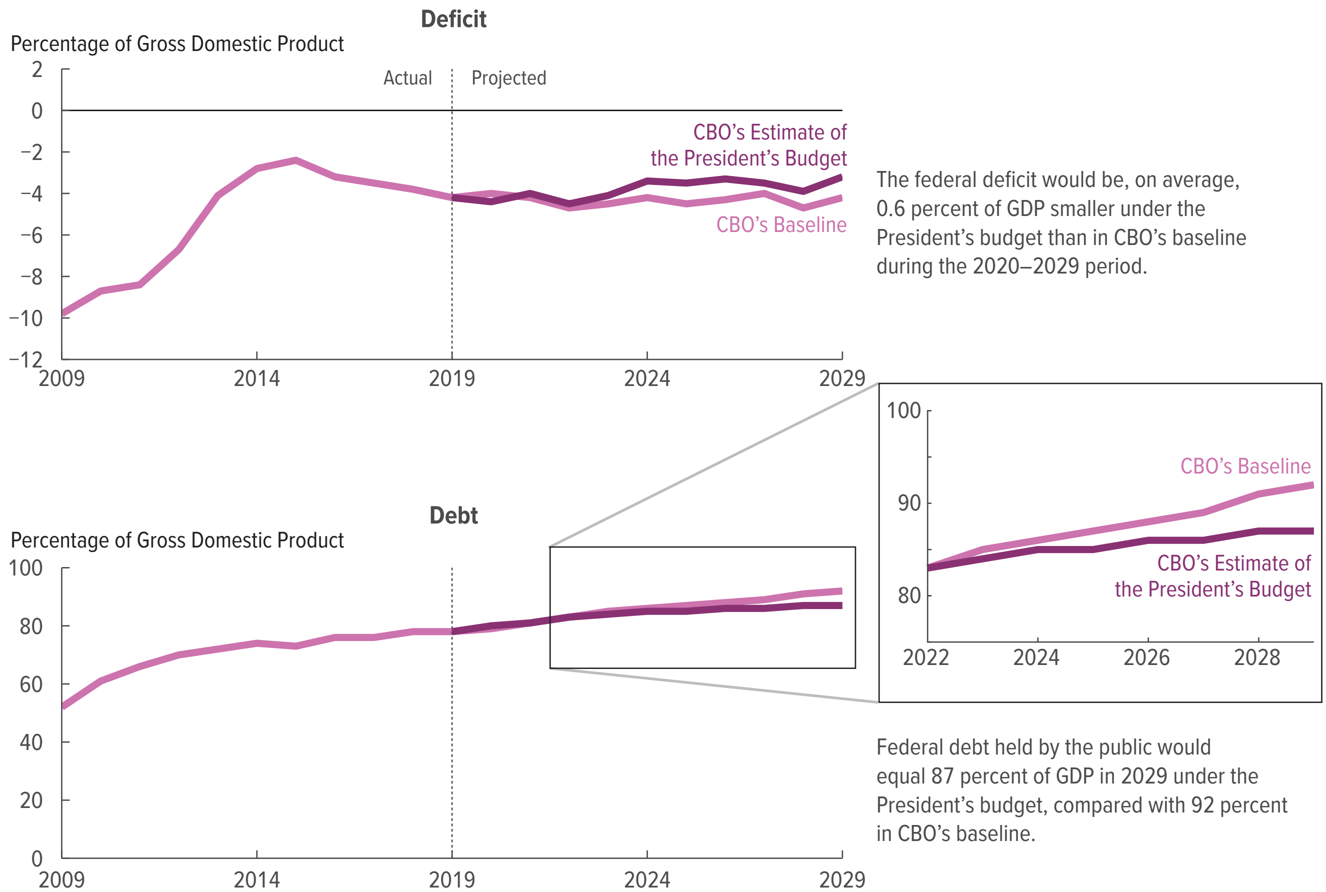
n.a. = not applicable; * = between -0.05 percent and 0.05 percent.

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

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

Figure 1.

Deficits and Debt Projected in CBO's May 2019 Baseline and Under the President's 2020 Budget



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

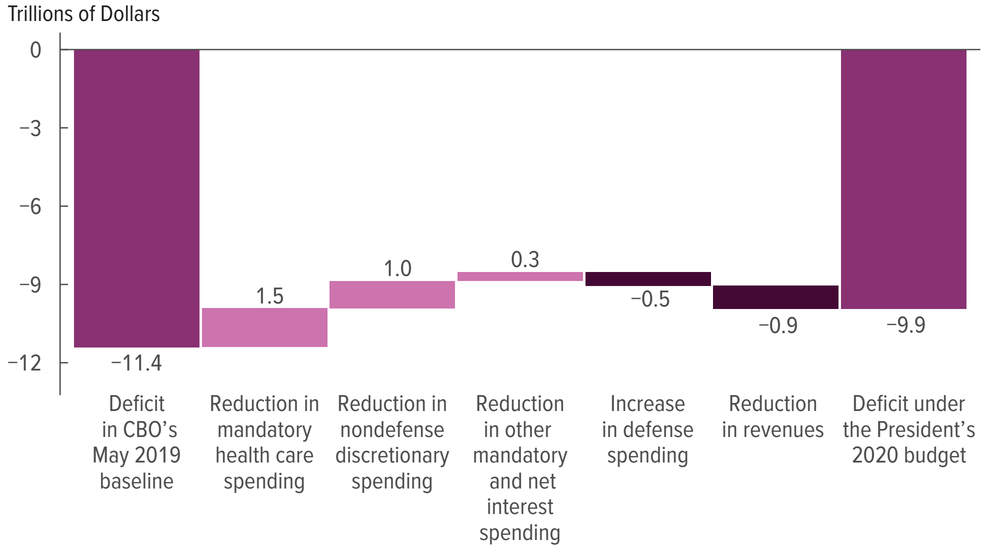
spending for that purpose would offset a portion of the cost. All told, mandatory outlays would be $1.6 trillion (or 4.5 percent) less than projected in the baseline, according to CBO's estimates. Mandatory outlays under the President's proposals would equal 12.7 percent of GDP in 2020 and grow to 13.6 percent by 2029; in CBO's baseline, they are projected to equal 12.8 percent next year and to grow to 14.6 percent in 2029.

Reduce Federal Spending for Health Care. Overall, the Administration's proposals would reduce mandatory federal spending for health care by $1.5 trillion (or about 9 percent) over the coming decade, CBO and JCT estimate. The largest reduction—$1.1 trillion between 2020 and 2029—stems from the proposal to replace certain federal subsidies for health care that were established by the Affordable Care Act with block grants to states to establish new health care programs. Starting in 2021, states would use the block grants to implement policies similar to those proposed by Senators Graham, Cassidy, Heller, and Johnson in 2017. The proposal would repeal subsidies for health insurance coverage purchased through the marketplaces established by the ACA, repeal the ACA's expansion of Medicaid coverage, cap Medicaid spending on a per-enrollee basis, and provide $123 billion for block grants to states for fiscal year 2021. The per-enrollee caps in Medicaid and the amount provided for block grants each year would be adjusted for inflation annually using the consumer price index for all urban consumers.

The Administration's proposal to require able-bodied, working-age individuals to find employment, train for work, or volunteer in order to receive Medicaid benefits

Figure 2.

Sources of Differences Between CBO's Estimates of 10-Year Budget Deficits in the May 2019 Baseline and Under the President's 2020 Budget



The President's budget would lower the cumulative deficit over the 2020–2029 period by significantly reducing outlays for health care and nondefense discretionary programs. Those reductions would be partially offset by increases in defense spending and a reduction in revenues.

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

would reduce spending for the Medicaid program by $104 billion over the 10-year period, CBO estimates. However, if policies that are similar to those proposed by Senators Graham, Cassidy, Heller, and Johnson were also enacted, the $104 billion in savings would be reduced by more than half because of interactions between the two proposals.

Under the President's budget, Medicare's payments to hospitals for uncompensated care would be eliminated, reducing outlays by an estimated $175 billion between 2020 and 2029; $77 billion of those savings would be used to establish a pool for uncompensated care, resulting in net savings of $98 billion over the period. Similarly, a proposal to restructure and reduce spending on graduate medical education would eliminate such spending in both Medicare and Medicaid and create a combined spending pool that would save $52 billion, on net, over the same period. In addition, CBO estimates that a proposal to require Medicare Part D beneficiaries to pay higher out-of-pocket expenses for some prescription drugs and a proposal to reduce Medicare's payments to certain health care providers would lower outlays by $73 billion and $70 billion, respectively.

Provide Mandatory Funding for Infrastructure. The President's proposals would boost mandatory funding for unspecified infrastructure programs, increasing outlays by $114 billion over the next 10 years, CBO estimates. However, the President also proposes reducing discretionary appropriations for other accounts that provide infrastructure funding, such as those for transportation. Those reductions would offset about one-half of the proposed increase in mandatory spending on infrastructure over the 2020–2029 period.

Reduce Subsidies for Student Loans. The President proposes changes to federal student loan programs that would generate $109 billion in savings to the government between 2020 and 2029, according to CBO's estimates.[7] The proposals—which would affect borrow-

7. Under the Federal Credit Reform Act of 1990, the subsidy costs for loans and loan guarantees made each year are estimated by subtracting the present value of the government's projected receipts from the present value of its projected payments. (A present value is a single number that expresses a flow of current and future income or payments in terms of an equivalent lump sum received or paid at a specific time. The present value depends on the rate of interest that is used to translate future cash flows into current dollars.) Those estimates can be increased or decreased in subsequent years to reflect federal agencies' updated assessments of the payments and receipts associated with the program.

Table 3.

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

Billions of Dollars

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
Deficit in CBO's May 2019 Baseline	-896	-892	-962	-1,116	-1,122	-1,071	-1,189	-1,179	-1,162	-1,399	-1,310	-5,162	-11,399
Effects of the President's Proposals													
Outlays													
Mandatory													
Reduce federal spending for health care	0	-2	-94	-55	-102	-138	-163	-189	-216	-250	-274	-390	-1,483
Provide mandatory funding for infrastructure	0	*	4	8	10	12	13	15	15	19	19	33	114
Reduce subsidies for student loans	0	-2	-5	-7	-9	-10	-12	-14	-16	-17	-18	-32	-109
Reduce spending for income security	0	-3	-10	-14	-16	-17	-13	-19	-2	-3	-4	-59	-101
Reform the Postal Service	0	-2	-4	-4	-5	-5	-5	-6	-6	-6	-6	-19	-49
Other proposals	0	-1	-2	-18	-1	2	7	9	17	-14	-19	-21	-21
Subtotal, mandatory	0	-9	-111	-90	-122	-156	-174	-203	-209	-271	-303	-490	-1,649
Discretionary													
Defense	0	58	78	82	79	75	52	38	26	19	15	372	522
Nondefense	0	31	-4	-32	-63	-91	-121	-149	-177	-204	-231	-161	-1,044
Subtotal, discretionary	0	89	74	50	16	-17	-69	-112	-151	-186	-216	211	-522
Net interest	*	*	1	-1	-5	-10	-18	-26	-32	-38	-47	-15	-175
Total Effect on Outlays	*	**80**	**-37**	**-41**	**-112**	**-183**	**-260**	**-340**	**-392**	**-495**	**-566**	**-293**	**-2,346**
Revenues													
Extend tax provisions that expire after 2025	0	0	0	0	0	*	-6	-97	-241	-259	-269	*	-872
Modify certain provisions of the Affordable Care Act	0	*	-4	-8	-15	-19	-22	-25	-27	-30	-31	-46	-181
Increase federal employees' retirement contributions	0	2	5	7	10	13	15	17	18	18	19	36	123
Establish Education Freedom Scholarships	0	-1	-5	-5	-5	-5	-5	-5	-5	-5	-5	-21	-46
Increase funding for tax enforcement	0	*	1	2	3	4	5	6	7	7	7	10	42
Other proposals	*	5	7	6	6	6	4	4	4	4	5	30	53
Total Effect on Revenues	*	**5**	**4**	**2**	*	**-1**	**-8**	**-99**	**-245**	**-264**	**-275**	**10**	**-882**
Total Effect on the Deficit[a]	*	**-75**	**40**	**44**	**111**	**182**	**252**	**241**	**147**	**231**	**291**	**303**	**1,464**
Deficit Under the President's Budget as Estimated by CBO	-896	-966	-921	-1,073	-1,010	-889	-937	-938	-1,015	-1,168	-1,019	-4,859	-9,936
Memorandum:													
Total Effect of the President's Proposals on Noninterest Outlays	0	79	-38	-40	-107	-173	-242	-315	-359	-457	-519	-278	-2,171

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

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

a. Positive numbers indicate a decrease in the deficit relative to CBO's baseline.

ers who take out their first student loans in the 2020–2021 academic year or later—would make a number of changes to the Federal Direct Loan Program, including creating a single income-driven repayment plan, eliminating loan forgiveness for some borrowers, and eliminating subsidized loans.

Reduce Spending for Income Security Programs. The President's proposals would decrease outlays for income security programs by $101 billion (or about 2 percent) over the coming decade, CBO estimates. Proposals to reduce spending for the Supplemental Nutrition Assistance Program (SNAP) would have the largest effects, decreasing outlays for that program by $79 billion (or 12 percent) between 2020 and 2029.[8]

The Administration's proposal to cut retirement benefits for federal civilian employees—both current and future annuitants—would decrease outlays for those benefits by an estimated $60 billion (or 6 percent) from 2020 to 2029.[9] The proposal would achieve those savings by changing how benefits are calculated, reducing or eliminating cost-of-living adjustments, and eliminating the annuity supplement for federal workers who retire before age 62.

A few of the President's proposals would increase mandatory outlays for income security programs. The proposal resulting in the largest increase would permanently extend provisions of the 2017 tax act, including the expansion of the child tax credit. Because certain tax credits are refundable, extending those provisions after 2025 would increase cumulative outlays by $48 billion over the 2027–2029 period, according to estimates provided by JCT.

Reform the Postal Service. The President proposes changes to the Postal Service that would reduce net outlays by $49 billion over the next 10 years, CBO estimates. Although the proposal lacked specificity, CBO concluded that savings of that magnitude could be achieved by significantly changing mail delivery and processing; increasing postage rates; changing Postal Service pensions and health insurance obligations; and implementing various other reforms, most of which have been previously considered by the Congress.

In recent years, the Administration also has estimated that reforming the Postal Service would generate 10-year savings of roughly $50 billion. This year, the Administration projected that such reforms would save $98 billion between 2020 and 2029 but did not provide information about how those savings would be achieved. CBO adopted a lower estimate because it is not aware of specific policy proposals that could result in savings of that magnitude, which would equal roughly 15 percent of the Postal Service's projected revenues over that period.

Other Proposals That Would Affect Mandatory Spending. Taken together, other proposals contained in the President's budget would, on net, reduce mandatory outlays by $21 billion over the 2020–2029 period. The proposal that would have the largest budgetary effect would reduce the interest rate the Treasury pays on securities issued to participants in the G Fund of the Thrift Savings Plan.

Proposals That Would Affect Discretionary Spending

Altogether, the President's proposals would reduce discretionary outlays over the next decade by $522 billion (or 4 percent) relative to the amounts in the baseline, CBO estimates. (The baseline incorporates the assumption that caps on discretionary funding will remain in place through 2021 and that funding will grow with inflation thereafter; funding not constrained by the caps is generally projected to grow with inflation from the amount provided for 2019.) Outlays would exceed baseline amounts between 2020 and 2023 but, starting in 2024, would be lower (by increasing amounts) through 2029. All told, discretionary outlays under the President's proposals would fall steadily as a share of GDP over the next decade, from 6.2 percent in 2020 to 4.2 percent in 2029; in CBO's baseline, they are projected to fall from 5.8 percent to 4.9 percent, respectively. (Over the past 50 years, total discretionary outlays have averaged 8.4 percent of GDP.)

8. The $79 billion reduction does not include the effects of the proposal to replace some SNAP benefits with a program called America's Harvest Box because that policy was not sufficiently specified for CBO to assess whether the proposal would result in costs or savings.

9. The President's proposals for federal retirement programs would increase revenues by $123 billion, CBO estimates. In addition, the proposals would reduce agencies' contributions toward their employees' retirement, which would affect discretionary outlays and offsetting receipts by equal amounts.

The reductions would be concentrated on nondefense spending. Relative to the baseline, under the President's budget, discretionary outlays for nondefense activities would be $1.04 trillion (or 15 percent) lower over the 2020–2029 period. In contrast, outlays for defense programs and activities over the next decade would be $522 billion (or 7 percent) higher than in the baseline.

Proposed Appropriations for 2020. The President has requested a total of $1.31 trillion in discretionary appropriations for 2020. Excluding the $20 billion in net reductions from the proposed changes in mandatory budget authority that would be enacted in annual appropriation bills, the proposed appropriations for 2020 would be $1.33 trillion (see Table 4).[10] That amount is $19 billion (or 1 percent) less than the amount that has been appropriated so far for 2019 (which likewise excludes offsets for changes to mandatory funding). Although defense funding would rise under the President's proposals, that increase would be more than offset by reductions in nondefense funding.

For defense discretionary programs in 2020, the President proposes appropriations of $750 billion, which would be $34 billion (or 5 percent) more than the amount provided in 2019. Under the Administration's request, defense funding that is constrained by the caps on discretionary funding would fall by 11 percent to $576 billion, an amount within the limit on such funding in 2020 under current law. By comparison, the limit on defense appropriations in 2019 totaled $647 billion. In addition to the amounts constrained by the caps, the Administration has requested $165 billion in funding designated for overseas contingency operations (OCO) and thus not constrained by the caps.[11] Of that amount, $67 billion would be for OCO activities and $98 billion would be for regular defense activities that would otherwise be funded from capped appropriations. The President also proposes $9 billion in funding designated as an emergency requirement. (No such funding has been provided so far in 2019.)

For nondefense discretionary programs in 2020, the President proposes appropriations of $584 billion, $54 billion (or 8 percent) less than the amount of discretionary budget authority provided for 2019.[12] The President does not propose any nondefense funding for OCO in 2020 (such funding totaled $8 billion in 2019) and proposes to rescind $5 billion of funding previously designated as an emergency requirement. Appropriations for other programs that are not constrained by the caps on discretionary funding would be $8 billion more than the amount appropriated so far for 2019.

Under the President's proposals, nondefense funding that is constrained by the caps would fall from $614 billion in 2019 to $567 billion in 2020, a drop of 8 percent. In most years, lawmakers also use the appropriation process to set the amount that can be obligated for certain transportation programs.[13] The amount of spending authority provided through the appropriation process that is subject to the caps or to those obligation limitations would be $628 billion in 2020, or 7 percent below the comparable amounts provided for 2019. The largest proposed decreases are a $13 billion (or 13 percent) reduction in funding for education, job training, and social services; an $11 billion (or 15 percent) reduction in funding for income security programs; and a $9 billion (or 22 percent) reduction in funding for activities involving natural resources and the environment.

Proposed Appropriations for 2021 Through 2029. Appropriations would remain near $1.3 trillion in each year from 2021 through 2029 under the President's budget. Broad funding policies would include the following:

- Increasing total defense funding by about 1 percent per year, and

10. Two sources account for most of the proposed reduction in mandatory budget authority in appropriation bills. The largest is a $15 billion reduction for the Children's Health Insurance Program. The second source is the Child Enrollment Contingency Fund, with proposed cancellations totaling $4 billion in funding in 2020.

11. In past years, most funding requested for overseas contingency operations was for costs associated with military operations and related activities in Afghanistan and elsewhere.

12. The $584 billion in funding excludes the effects of proposed changes that would, on net, reduce budget authority by $20 billion in 2020 for certain mandatory programs through the appropriation process.

13. Those obligation limits are not considered budget authority and are not constrained by the caps. Those amounts are not shown in Table 4.

Table 4.

Discretionary Budget Authority Proposed by the President for 2020, Compared With 2019 Appropriations

Billions of Dollars

	Actual, 2018	Enacted, 2019	President's Budget, 2020[a]	Percentage Change 2018–2019	Percentage Change 2019–2020
Defense					
Funding constrained by caps	629	647	576	2.9	-11.0
Overseas contingency operations[b]	66	69	165	4.4	139.0
Emergency requirements	6	0	9	n.a.	n.a.
Subtotal	701	716	750	2.2	4.8
Nondefense					
Funding constrained by caps	597	614	567	2.7	-7.6
Overseas contingency operations[b]	12	8	0	-33.4	-100.0
Emergency requirements	102	2	-5	-98.4	n.a.
Other funding not constrained by caps[c]	10	15	22[d]	42.3	52.0
Subtotal	722	638	584	-11.6	-8.4
Total	**1,423**	**1,354**	**1,334**	**-4.8**	**-1.4**

Source: Congressional Budget Office.

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

n.a. = not applicable.

a. Excludes proposed reductions of $20 billion in budget authority for certain mandatory programs through the appropriation process.

b. In past years, most funding requested for overseas contingency operations (OCO) was for costs associated with military operations and related activities in Afghanistan and elsewhere. However, of the $165 billion requested for 2020, $98 billion is for regular defense activities that, absent the cap on appropriations, would be requested along with other (non-OCO) appropriations.

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

d. This amount includes $2 billion for certain wildfire suppression operations, as proposed by the President. The Consolidated Appropriations Act, 2018 (Public Law 115-141), created a cap adjustment for such spending beginning in 2020.

- Reducing nondefense funding by about 2 percent per year.

Outlays for discretionary programs under the President's proposals would be higher than in the baseline in each year from 2020 to 2023, in part because of the proposed increase in defense funding. In addition, CBO generally expects the proposed funding for most nondefense discretionary programs in the President's budget to be spent more quickly than the agency estimates in the baseline because the President proposes more funding for activities that have historically spent at a faster rate.

Starting in 2024, outlays for discretionary programs under the President's proposals would be lower (by increasing amounts) than CBO estimates under current law. By 2029, such outlays would be $216 billion (or 14 percent) less than the amounts projected in the baseline: Nondefense outlays would be 30 percent below the baseline projection, whereas defense outlays would be 2 percent higher.

As a share of GDP, outlays for defense programs would fall under the President's proposals, from 3.1 percent this year to 2.5 percent in 2029, equal to the amounts in CBO's baseline projections. By contrast, outlays for nondefense discretionary programs as a share of GDP would be much lower under the President's budget than in the baseline, falling from 3.1 percent this year to 1.7 percent in 2029. In CBO's baseline, those outlays total 2.5 percent of GDP in 2029. Under the President's budget, total discretionary spending in 2029 would be smaller as a percentage of GDP than in any year since 1962 (the earliest year for which such data are available).

Proposals That Would Affect Revenues

The President's proposals include about four dozen changes to laws that would affect revenues. If enacted, CBO and JCT estimate, those changes would reduce revenues by $882 billion (or 1.9 percent) over the 2020–2029 period relative to CBO's baseline projections. That reduction stems mainly from a proposal to extend tax provisions that are currently scheduled to expire after 2025. Other proposals that would have significant effects on revenues include those that would modify certain provisions of the ACA; increase federal employees' contributions to their retirement plans; establish new tax credits for donations to organizations that offer education scholarships; and provide additional funding for the Internal Revenue Service's enforcement activities.

Extend Tax Provisions That Expire After 2025. The President proposes to extend provisions of the individual income tax and the estate and gift tax that were enacted in the 2017 tax act and that expire after 2025. Those provisions include the current statutory tax rates, a higher standard deduction, the repeal of personal exemptions, and limits on certain itemized deductions.[14] All told, the proposal would reduce revenues by $872 billion over the 2020–2029 period, mostly in the last four years, JCT estimates.

Modify Certain Provisions of the Affordable Care Act. In addition to reducing outlays, the proposal to modify the Affordable Care Act also would reduce revenues by $181 billion over the 2020–2029 period, CBO and JCT estimate. Revenues would be lower for two main reasons: More people would obtain insurance coverage through their employer (and hence would receive more of their income in nontaxable health benefits and less in taxable wages), and the penalty for large employers that do not offer their employees coverage that meets standards specified by the ACA would be eliminated. The reduction in revenues would be partially offset by a net increase from the repeal of the premium tax credit.

Increase Federal Employees' Retirement Contributions. The President proposes to increase federal employees' contributions to the defined benefit pension plan provided through the Federal Employees Retirement System. The proposal would boost those employees' contributions by 1 percentage point per year until most employees were contributing a total of about 7 percent of their before-tax pay (assuming that the actuarial valuation underlying the program remained unchanged). Currently, federal employees contribute between 0.8 percent and 4.9 percent of their before-tax pay. In CBO's estimation, implementing that proposal would increase federal revenues by $123 billion over the 2020–2029 period.

Establish Education Freedom Scholarships. The President proposes a tax credit for individual and corporate donations to organizations that grant scholarships. Under the proposal, states would determine eligibility for the credit and allowable uses of the donated funds for educational purposes. (For instance, those funds might be used for private-school tuition, apprenticeship programs, or after-school activities.) The proposal would decrease revenues by $46 billion over the 2020–2029 period, JCT estimates.

Increase Funding for Tax Enforcement. The President's proposal to increase funding for the Internal Revenue Service's enforcement activities would increase revenues by $42 billion over the 2020–2029 period, CBO estimates.[15]

14. For more details about the expiring provisions of the 2017 tax act, see Appendix B of Congressional Budget Office, *The Budget and Economic Outlook: 2018 to 2028* (April 2018), www.cbo.gov/publication/53651.

15. That proposal would provide funding for the Internal Revenue Service's enforcement activities above the amounts projected in CBO's baseline. If lawmakers provided such increased funding, CBO estimates, additional revenues would result; an estimate of such revenues is included in this analysis. However, budgetary savings (such as increased revenues) from providing additional appropriations for administrative spending cannot be counted as an offset to such spending for Congressional budget-enforcement procedures. For a discussion of how such activities affect revenues, see Janet Holtzblatt and Jamie McGuire, *Factors Affecting Revenue Estimates of Tax Compliance Proposals*, Working Paper 2016-05 (Congressional Budget Office and staff of the Joint Committee on Taxation, November 2016), www.cbo.gov/publication/52199.

Other Proposals. On net, the other proposals included in the President's budget would increase revenues by $53 billion over the 2020–2029 period, CBO and JCT estimate. The proposal that would cause the largest reduction in revenues involves improving and expanding access to Health Savings Accounts, which would reduce revenues by $30 billion, JCT estimates. The proposal that would result in the largest increase in revenues is repealing the energy investment credit, which would boost revenues by $30 billion, JCT estimates.

Effects on Net Interest

As a result of the President's proposals, the federal government would borrow less, and net interest costs over the 2020–2029 period would be $175 billion lower than they are projected to be in the baseline.[16] In 2029, net interest costs under the President's proposals would amount to 2.8 percent of GDP—slightly less than the 3.0 percent in CBO's baseline projections for that year but still significantly more than the 1.8 percent that CBO estimates for 2019.

A Comparison of CBO's and the Administration's Estimates of Deficits Under the President's Proposals

CBO's estimate of the cumulative 10-year deficit under the President's proposals is $2.7 trillion larger than the Administration's estimate of $7.3 trillion. Specifically, CBO's estimates of revenues are $3.8 trillion (or 8 percent) lower than the Administration's, and the agency's estimates of outlays are $1.1 trillion (or 2 percent) lower (see Table 5).

By CBO's estimates, the cumulative 5-year deficit from 2020 to 2024 would be very similar to the one the Administration anticipates (CBO's estimate is $32 billion more). After 2024, CBO projects much larger deficits under the President's proposals because of the increasingly large gap in revenue projections that begins in 2022. As a result, CBO projects a cumulative deficit from 2025 to 2029 that is $2.6 trillion larger than the Administration's estimate.

Revenue Estimates

According to CBO's calculations, revenues early in the period would be similar to those that the Administration expects. But in 2022, the revenue projections begin to significantly diverge: In 2029, CBO estimates, revenues would be $904 billion less than the Administration anticipates.

CBO and JCT's estimates of revenues differ from the Administration's mostly because of differences in economic forecasts. Over the 2020–2029 period, the Administration projects faster growth in real (inflation-adjusted) GDP under current law than CBO does. In addition, any economic effects that the Administration attributes to its proposals also contribute to the difference in economic forecasts. All told, the Administration projects economic growth averaging 2.9 percent over the 2020–2029 period; in CBO's baseline projections, economic growth averages 1.8 percent over that period.

In particular, CBO and JCT estimate that total wages and salaries between 2020 and 2029 would be 7 percent lower than the Administration estimates. As a consequence of those lower wage projections, CBO projects revenues from individual income and payroll taxes that are lower by $2.7 trillion over the 2020–2029 period than the Administration estimates. Variations in modeling approaches account for most of the remaining difference in revenues.

Spending Estimates

CBO projects that outlays throughout the 10-year period would be lower than the Administration estimates, ranging from $186 billion less in 2021 to $87 billion less in 2029.

Among the most significant differences in spending projections, CBO estimates that the government would spend $504 billion less on Medicare over the 10-year period, primarily because CBO generally projects lower inflation for medical services. For spending on Medicaid and subsidies for health insurance related to the ACA, CBO projects $427 billion less than the Administration does, largely because the agency projects more savings from the Administration's proposal to replace certain

16. The change in the government's borrowing needs ($1.4 trillion over the next decade) differs from the reduction to the deficit under the President's budget ($1.5 trillion) because the borrowing needs include the effects of proposals that would alter the cash flows for credit programs. (The budget shows the subsidy costs of those programs but not the annual cash flows.) The most significant effects on such cash flows would stem from the President's proposals that relate to student loans.

Table 5.

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

Billions of Dollars

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total 2020–2024	Total 2020–2029
							Administration's Estimate						
Deficit Under the President's Budget	-1,092	-1,101	-1,068	-1,049	-909	-700	-631	-577	-513	-508	-202	-4,827	-7,259
							Differences Between CBO's and the Administration's Estimates						
Differences in Revenues[a]	**74**	**41**	**-39**	**-122**	**-222**	**-314**	**-411**	**-476**	**-609**	**-766**	**-904**	**-657**	**-3,823**
Differences in Outlays[b]													
Mandatory	-80	-26	-129	-61	-86	-96	-88	-107	-114	-144	-143	-397	-993
Discretionary	-29	-45	-27	-4	-1	*	12	11	10	16	6	-78	-22
Net interest	-12	-23	-30	-33	-34	-30	-30	-20	-3	22	50	-151	-131
Total Differences in Outlays	**-122**	**-93**	**-186**	**-98**	**-121**	**-126**	**-106**	**-115**	**-107**	**-106**	**-87**	**-625**	**-1,146**
Total Differences[a]	**195**	**135**	**147**	**-24**	**-102**	**-188**	**-306**	**-361**	**-502**	**-660**	**-817**	**-32**	**-2,677**
							CBO's Estimate						
Deficit Under the President's Budget	-896	-966	-921	-1,073	-1,010	-889	-937	-938	-1,015	-1,168	-1,019	-4,859	-9,936

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

* = between zero and $500 million.

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

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

ACA subsidies with block grants and to cap Medicaid spending. Whereas the Administration projects that the new block grants would be fully spent each year, CBO estimates that they would be spent more slowly, resulting in more savings over the 10-year period. Additionally, CBO projects that spending for veterans' benefits would be $234 billion less than the Administration estimates because the number of veterans receiving disability compensation and pension benefits is projected to be smaller.

Those projections of lower spending are partially offset by projections of higher spending in several categories. CBO anticipates that the government would spend $81 billion more on SNAP over the 10-year period largely because the Administration's proposal to reduce spending on the program would result in less savings, in the agency's estimation.[17] That difference is partially offset by CBO's lower baseline projection of spending on SNAP because the agency projects that fewer people would participate in the program than the Administration anticipates, before accounting for the proposed changes to the program. Additionally, CBO projects that outlays for Fannie Mae and Freddie Mac would be $256 billion more from 2020 to 2029 than the Administration estimates. That difference is attributable largely to the different budgetary treatments applied to those two government-sponsored enterprises. (Those differing treatments have been in place since the federal government put the agencies into conservatorship in 2008.) Specifically, CBO projects the anticipated subsidy costs for new mortgage guarantees issued by the two entities, whereas the Administration projects the net

17. As noted above, CBO did not estimate the effects of the proposal to replace some SNAP benefits with the America's Harvest Box program, whereas the Administration included estimated savings of $128 billion over the 2020–2029 period for that proposal.

cash flows between the two entities and the Treasury.[18] Lastly, CBO's projects $94 billion more in transportation outlays over the 2020–2029 period under the President's proposals, mostly because, in CBO's projections, such spending is not constrained by the amounts in the Highway Trust Fund.[19]

CBO's estimate of net interest spending is lower than the Administration's by about $130 billion because of smaller deficits in the agency's projections early in the 2020–2029 period and because the agency forecasts lower interest rates, on average, than the Administration does throughout the 10-year period. However, CBO projects higher net interest costs in 2028 and 2029 because of the additional debt-service costs required to finance the much larger deficits that begin after 2024 in CBO's estimate of the President's proposals.

18. The Administration treats Fannie Mae and Freddie Mac as nongovernmental organizations and records payments between the Treasury and the two entities on a cash basis. By contrast, CBO projects the budgetary impact of the two entities' operations in future years as if they were being conducted by a federal agency because of the degree of management and financial control that the government exercises over them. CBO therefore estimates the net lifetime costs—specifically, the subsidy costs adjusted for market risk—of the guarantees that those entities will issue and of the loans that they will hold and shows those costs as federal outlays in the year of issuance. However, to provide CBO's best estimate of what the Treasury will ultimately report as the federal deficit for the current year, CBO's baseline includes an estimate of the cash receipts from the two entities to the Treasury for 2019. See Congressional Budget Office, *CBO's Budgetary Treatment of Fannie Mae and Freddie Mac* (January 2010), www.cbo.gov/publication/41887, and *Fannie Mae, Freddie Mac, and the Federal Role in the Secondary Mortgage Market* (December 2010), www.cbo.gov/publication/21992.

19. CBO expects the Highway Trust Fund to exhaust its balances by the end of 2022, if current funding and outlay patterns continue. However, in keeping with the rules of section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), CBO's baseline for surface transportation spending reflects the assumption that payments made from the Highway Trust Fund would be constrained by obligation limitations but not by exhaustion of that fund. Thus, CBO estimates outlays that are consistent with the obligation limitations requested by the Administration for the Highway Trust Fund programs throughout the 2020–2029 period. By contrast, the Administration limits outlays for Highway Trust Fund programs to equal only the amounts it expects will be available in the Highway Trust Fund beginning in 2022.

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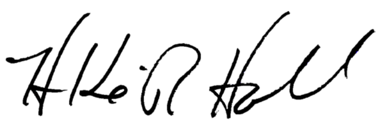
About This Document

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 wrote the report with assistance from Aaron Feinstein, Shannon Mok, Joshua Shakin, and Ellen Steele. Christina Hawley Anthony, Theresa Gullo, Leo Lex, John McClelland, and Sam Papenfuss 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.

Wendy Edelberg, Mark Hadley, Jeffrey Kling, and Robert Sunshine reviewed the report; Loretta Lettner edited it; and Robert Rebach prepared it for publication. An electronic version is available on CBO's website (www.cbo.gov/publication/55195).

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



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