Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

An Update to the Budget and Economic Outlook: 2024 to 2034

JUNE | 2024

Contents

Notes About This Report

The budget projections in this report include the effects of legislation enacted through May 12, 2024, and are based on the Congressional Budget Office's economic projections. Subsequent legislation that has been enacted to date would not significantly change the projections presented here. Those economic projections reflect economic developments and information as of May 2, 2024, and are available on CBO's website (www.cbo.gov/data/budget-economic-data#4).

Unless this report indicates otherwise, all years referred to in describing the budget outlook are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Years referred to in describing the economic outlook are calendar years.

When October 1 falls on a weekend, certain monthly payments that the government would ordinarily have made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Consequently, the number of payments in the fiscal year beginning in October decreases, and the number in the previous year increases. Those shifts in the timing of payments affect outlays and deficits (or surpluses) and thus are reflected in the agency's baseline budget projections (see Table 1-1). But timing shifts can complicate comparisons of annual outlays and deficits and distort certain budgetary trends, so CBO also presents adjusted baseline projections that treat the payments as if they were not subject to the shifts. (For examples, see Table 1-2 and Table 1-4.)

Unless this report indicates otherwise, historical data shown in the text, tables, and figures describing the economic forecast reflect data available from the Bureau of Economic Analysis and other sources in late May 2024. Those data contain updated values for the first quarter of 2024, which were not available when CBO developed its current projections.

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

Some of the figures in this report use shaded vertical bars to indicate periods of recession. (A recession extends from the peak of a business cycle to its trough.)

Supplemental data for this analysis are available on CBO's website (www.cbo.gov/publication/60039#data), as are a glossary of common budgetary and economic terms (www.cbo.gov/publication/42904), a description of how CBO develops its baseline budget projections (www.cbo.gov/publication/58916), a description of how CBO prepares its economic forecast (www.cbo.gov/publication/53537), and previous editions of this report (https://tinyurl.com/4dt4hshv).

Executive Summary

The Congressional Budget Office regularly publishes reports presenting its baseline projections of what the federal budget and the economy would look like in the current year and over the next 10 years if laws governing taxes and spending generally remained unchanged. This report is the latest in that series.

The Budget Outlook

Deficits

In CBO's projections, the federal budget deficit in fiscal year 2024 is $1.9 trillion. Adjusted to exclude the effects of shifts in the timing of certain payments, the deficit amounts to $2.0 trillion in 2024 and grows to $2.8 trillion by 2034. With such adjustments, deficits equal 7.0 percent of gross domestic product (GDP) in 2024 and 6.5 percent of GDP in 2025. By 2027, as revenues increase faster than outlays, they drop to 5.5 percent of GDP. Thereafter, outlays generally increase faster than revenues. By 2034, the adjusted deficit equals 6.9 percent of GDP—significantly more than the 3.7 percent that deficits have averaged over the past 50 years.

Debt

Relative to the size of the economy, debt swells from 2024 to 2034 as increases in interest costs and mandatory spending outpace decreases in discretionary spending and growth in revenues. Debt held by the public rises from 99 percent of GDP this year to 122 percent in 2034, surpassing its previous high of 106 percent of GDP.

Outlays and Revenues

Federal outlays in 2024 total $6.8 trillion, or 23.9 percent of GDP; adjusted to exclude the effects of shifts in the timing of certain payments, they amount to $6.9 trillion, or 24.2 percent of GDP. With such adjustments, outlays equal 23.5 percent of GDP in 2025, stay close to that level through 2028, and then increase to 24.9 percent of GDP by 2034. The main reasons for that increase are growth in spending on programs that benefit older people and rising net interest costs. Revenues total $4.9 trillion, or 17.2 percent of GDP, in 2024. They rise to 18.0 percent of GDP by 2027, in part because of the scheduled expiration of provisions of the 2017 tax act, and remain near that level through 2034.

Changes in CBO's Budget Projections

In CBO's current projections, the deficit for 2024 is $0.4 trillion (or 27 percent) larger than it was in the agency's February 2024 projections, and the cumulative deficit over the 2025–2034 period is larger by $2.1 trillion (or 10 percent). The largest contributor to the cumulative increase was the incorporation of recently enacted legislation into CBO's baseline, which added $1.6 trillion to projected deficits. That legislation included emergency supplemental appropriations that provided $95 billion for aid to Ukraine, Israel, and countries in the Indo-Pacific region. By law, that funding continues in future years in CBO's projections (with adjustments for inflation), boosting discretionary outlays by $0.9 trillion through 2034.

Projections for **2024**

Budget deficit:
$1.9 trillion

Debt held by the public:
99% of GDP

Outlays:
$6.8 trillion

Revenues:
$4.9 trillion

When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that ordinarily would have been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Because those shifts can distort budgetary trends, CBO often presents adjusted projections of deficits and outlays that treat the payments as if they were not subject to the shifts.

The Budget Outlook, by Fiscal Year

		Percentage of GDP				Billions of dollars			
	Average, 1974–2023	Actual, 2023	2024	2025	2034	Actual, 2023	2024	2025	2034
Revenues	**17.3**	**16.5**	**17.2**	**17.0**	**18.0**	**4,441**	**4,890**	**5,038**	**7,459**
Individual income taxes	8.0	8.1	8.6	8.6	9.7	2,176	2,447	2,550	4,021
Payroll taxes	6.0	6.0	5.9	5.8	5.9	1,614	1,678	1,737	2,455
Corporate income taxes	1.8	1.6	1.8	1.6	1.2	420	525	490	507
Other	1.5	0.9	0.8	0.9	1.2	230	239	260	476
Outlays	**21.0**	**22.7**	**24.2**	**23.5**	**24.9**	**6,123**	**6,880**	**6,975**	**10,305**
Mandatory	11.0	13.9	14.7	13.9	15.3	3,747	4,191	4,127	6,336
Social Security	4.4	5.0	5.1	5.2	6.0	1,348	1,452	1,549	2,478
Major health care programs	3.4	5.8	5.8	5.7	6.8	1,556	1,654	1,690	2,821
Medicare	2.1	3.1	3.2	3.1	4.2	832	903	935	1,735
Medicaid, CHIP, and marketplace subsidies	1.3	2.7	2.6	2.5	2.6	724	750	755	1,086
Other mandatory	3.2	3.1	3.8	3.0	2.5	843	1,086	889	1,037
Discretionary	8.0	6.4	6.3	6.2	5.5	1,719	1,797	1,832	2,259
Defense	4.2	3.0	3.0	3.0	2.8	806	849	905	1,144
Nondefense	3.7	3.4	3.3	3.1	2.7	913	948	928	1,115
Net interest	2.1	2.4	3.1	3.4	4.1	658	892	1,016	1,710
Total deficit (-)	**-3.7**	**-6.2**	**-7.0**	**-6.5**	**-6.9**	**-1,683**	**-1,990**	**-1,938**	**-2,846**
Primary deficit (-)	-1.6	-3.8	-3.9	-3.1	-2.7	-1,024	-1,098	-922	-1,136
Debt held by the public at the end of each period	48.3	97.3	99.0	101.6	122.4	26,236	28,178	30,188	50,664

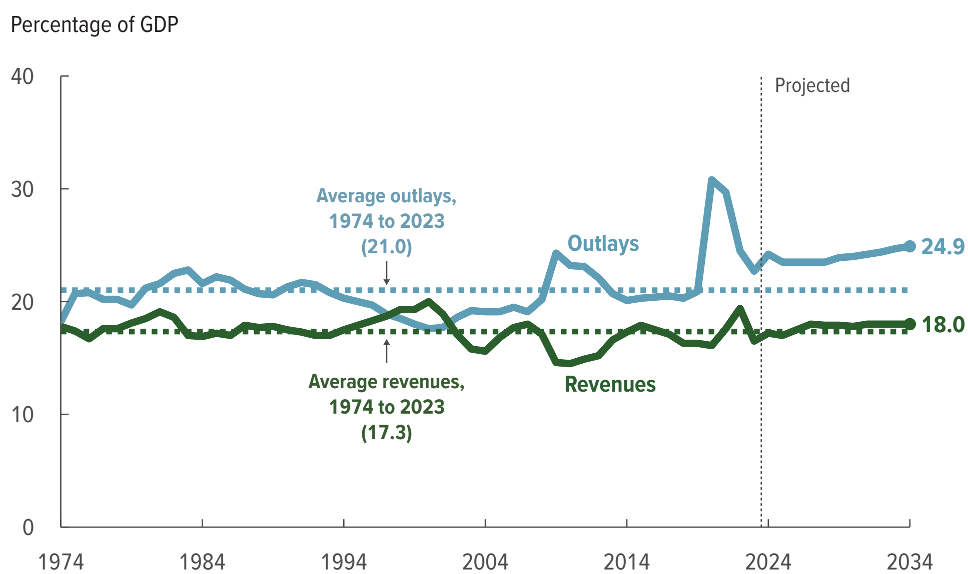
See Chapter 1. When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that ordinarily would have been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays and deficits have been adjusted to remove the effects of those shifts.

CHIP = Children's Health Insurance Program.

The Budget Outlook in Six Figures

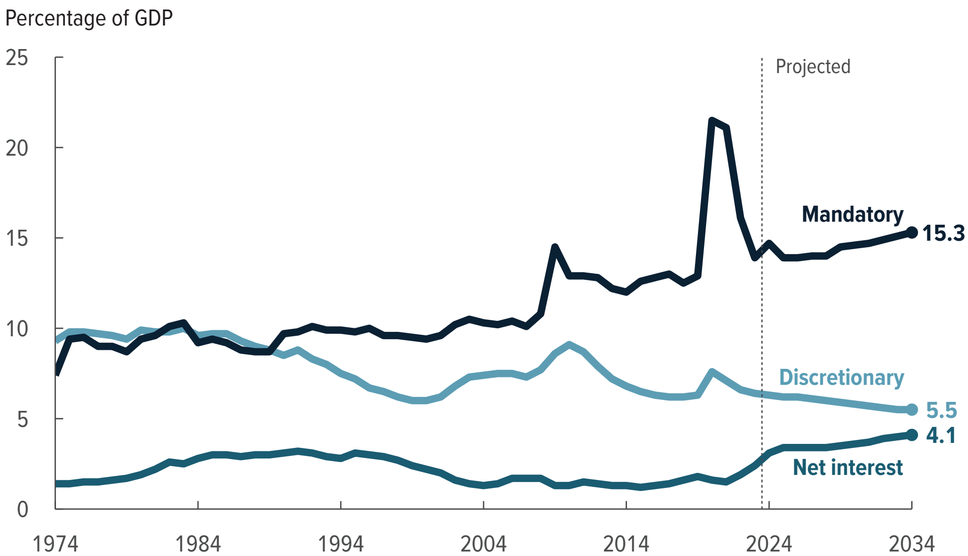
Total Outlays and Revenues

Measured as a percentage of GDP, federal outlays exceed their 50-year average in each year from 2024 to 2034 in CBO's projections. Revenues remain below their 50-year average in 2024 and 2025 but rise above it thereafter.



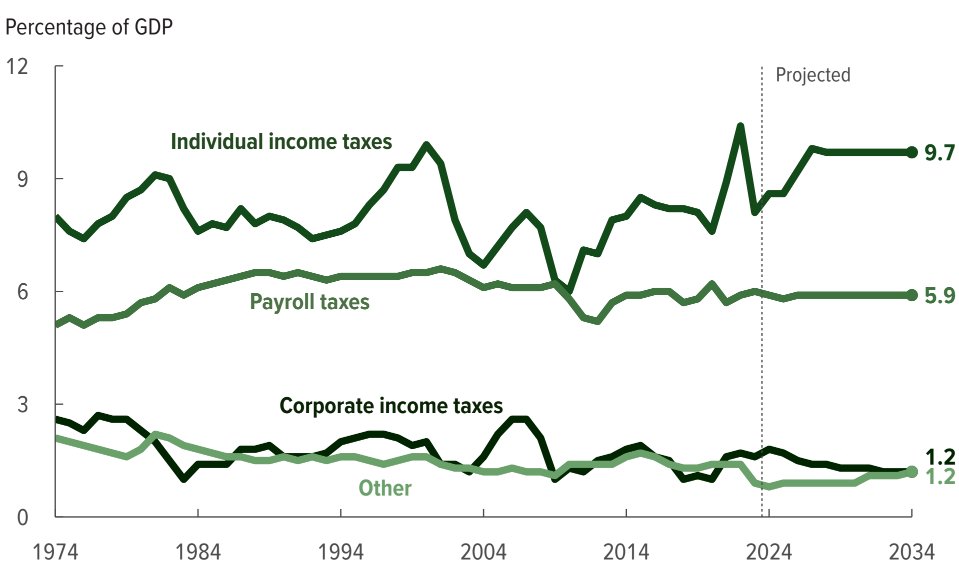
Outlays, by Category

In CBO's projections, rising spending for Social Security and Medicare boosts mandatory outlays, discretionary spending as a share of GDP falls to historic lows, and higher interest rates and mounting debt cause net outlays for interest to increase. Beginning in 2025, interest costs are greater in relation to GDP than at any point since at least 1940 (the first year for which the Office of Management and Budget reports such data) and exceed outlays for defense and outlays for nondefense programs and activities.



Revenues, by Category

Receipts from individual income taxes fell sharply in 2023, from a historic high in 2022—in part because capital gains from sales of assets were smaller and because the Internal Revenue Service postponed some tax payment deadlines. In CBO's projections, revenues rise in 2024 as those delayed payments are made. They rise again in 2026 and 2027, following the scheduled expiration of certain provisions of the 2017 tax act. After 2027, revenues change little as a percentage of GDP.



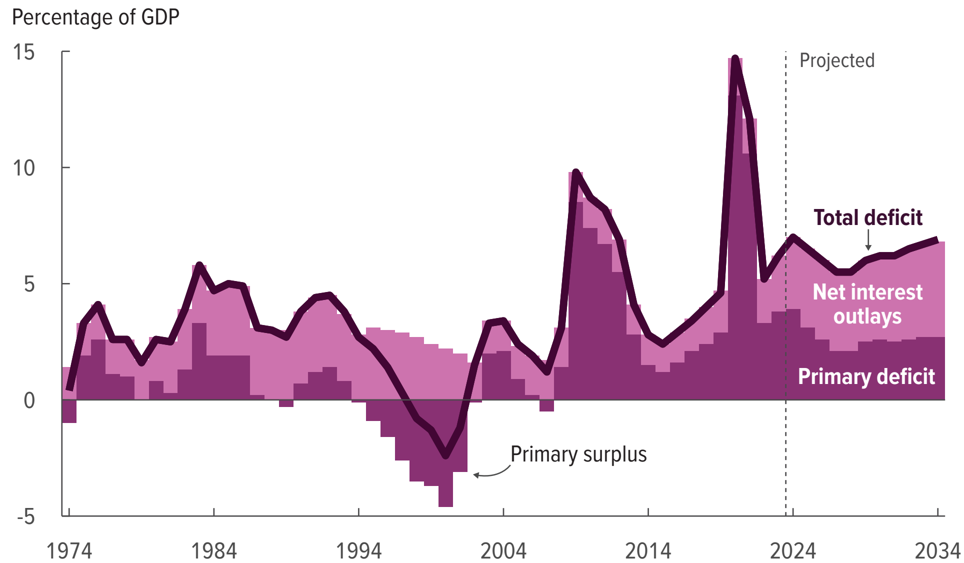
Outlook for **2024–2034**

Increases in mandatory spending and rising net interest costs push outlays to **$10.3** trillion, or **24.9%** of GDP, in 2034.

Revenues in 2034 total **$7.5** trillion, or **18.0%** of GDP.

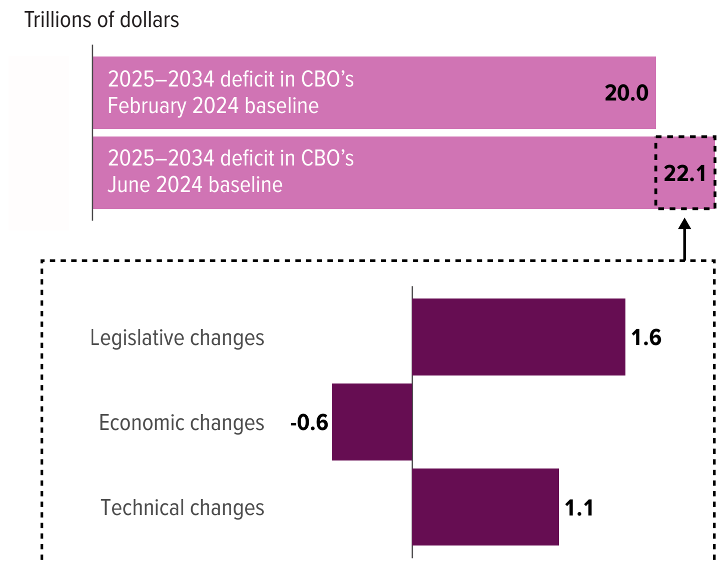
Total Deficit, Net Interest Outlays, and Primary Deficit

In CBO's projections, the total deficit—the amount by which outlays exceed revenues—equals 6.9 percent of GDP in 2034. By that year, net interest payments grow to 4.1 percent of GDP and account for about one-sixth of all federal spending. The primary deficit (which excludes those payments) equals 2.7 percent of GDP in 2034.



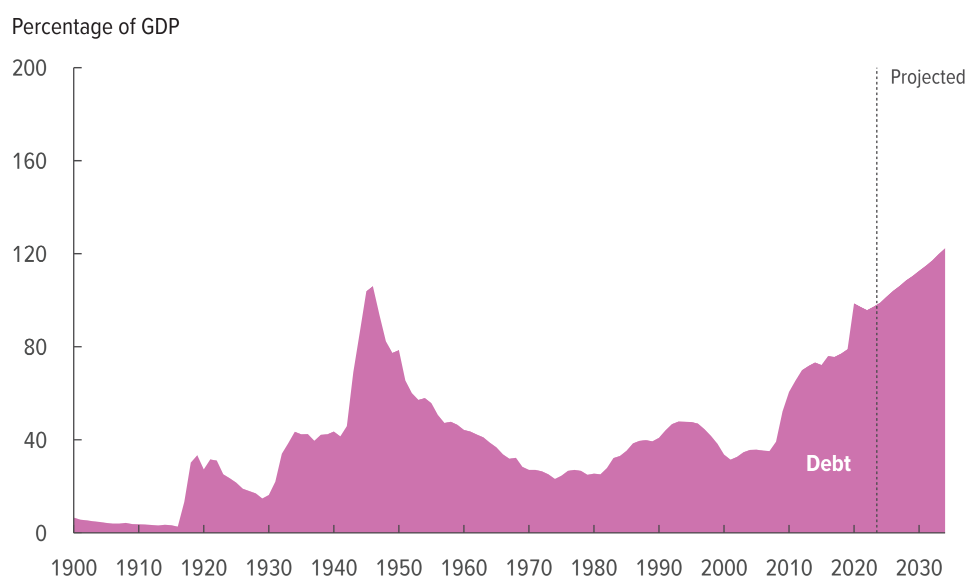
Changes in CBO's Projections of the 10-Year Deficit Since February 2024

The deficit for the 2025–2034 period is projected to total $22.1 trillion, $2.1 trillion more than CBO projected in February. That increase stems in part from the incorporation of recently enacted legislation, including the emergency supplemental appropriations provided so far in 2024. In CBO's baseline, those amounts continue in future years with adjustments for inflation, as required by law. Technical (that is, neither economic nor legislative) changes that reduced revenues and increased mandatory outlays also boosted projected deficits.



Federal Debt Held by the Public

Debt held by the public rises in each year, from 99 percent of GDP in 2024 to 122 percent in 2034—higher than at any point in history.



The Economic Outlook

Economic Growth

Economic growth is projected to slow from 3.1 percent in calendar year 2023 to 2.0 percent in 2024 amid higher unemployment and slightly lower inflation. CBO expects the Federal Reserve to respond by reducing interest rates, starting in early 2025. In CBO's projections, economic growth remains steady at 2.0 percent in 2025 before settling at roughly 1.8 percent in 2026 and later years. A surge in immigration that began in 2021 continues through 2026, expanding the labor force and boosting economic output.

Inflation

The overall growth of prices is expected to slow slightly in 2024. In CBO's projections, inflation as measured by the price index for personal consumption expenditures (PCE) falls from 2.7 percent in 2024 to a rate roughly in line with the Federal Reserve's long-run goal of 2 percent by 2026 and stabilizes thereafter.

Interest Rates

Short-term interest rates change little in 2024 as the federal funds rate (the rate financial institutions charge each other for overnight loans) remains at its highest level since 2001. That rate begins to decline in the first quarter of 2025. Interest rates on 10-year Treasury notes fall through the end of 2026, then gradually rise.

Changes in CBO's Economic Projections

Since February 2024, when CBO published its most recent economic forecast, the agency has raised its projections of economic growth, inflation (as measured by the PCE price index), and short-term interest rates for 2024 while lowering its projection of the unemployment rate. The differences between CBO's current and previous forecasts generally narrow as the forecasts extend further into the future.

Outlook for **2024–2034**

Economic growth slows to **2.0%** in 2024 as inflation eases slightly and the federal funds rate remains steady.

In 2025 and later years, economic growth and inflation moderate.

The Economic Outlook, by Calendar Year

Percent

	Actual, 2023	2024	2025	2026	Annual average 2027–2028	Annual average 2029–2034
	Change from fourth quarter to fourth quarter					
Real (inflation-adjusted) GDP	3.1	2.0	2.0	1.8	1.7	1.8
Inflation						
PCE price index	2.8	2.7	2.1	1.9	1.9	2.0
Consumer price index	3.2	3.0	2.3	2.2	2.2	2.2
Payroll employment (net monthly change, in thousands)	245	195	130	78	60	52
	Annual average					
Unemployment rate	3.6	3.9	4.0	4.2	4.4	4.5
Interest rates						
Effective federal funds rate	5.0	5.3	4.8	3.8	3.1	3.0
3-month Treasury bills	5.1	5.2	4.5	3.6	2.9	2.8
10-year Treasury notes	4.0	4.5	4.1	3.7	3.6	4.0
Tax bases (percentage of GDP)						
Wages and salaries	43.2	43.3	43.5	43.7	43.8	43.9
Domestic corporate profits	10.0	10.2	10.1	9.8	9.4	9.0

See Table 2-1 on page 35.

The Economic Outlook in Six Figures

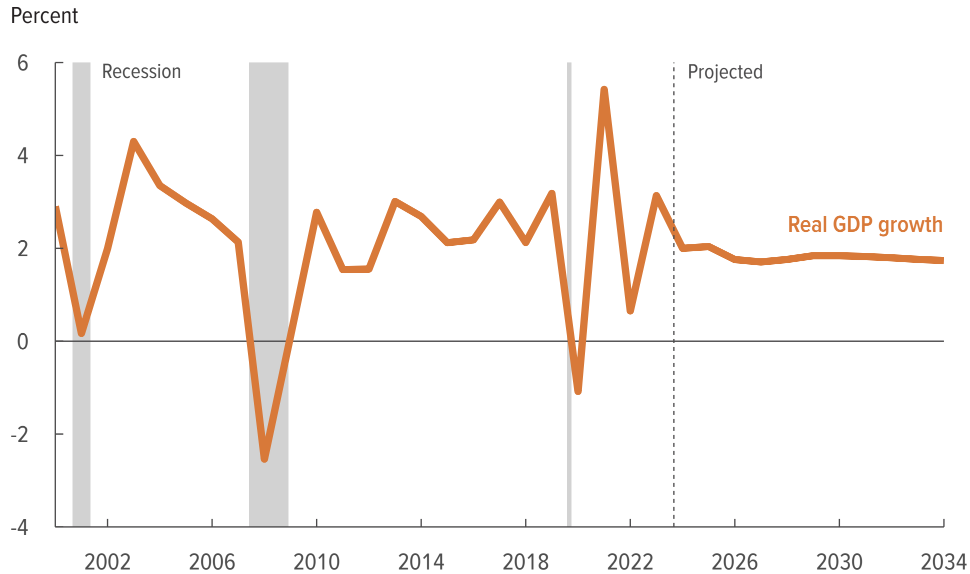
Outlook for **2024–2034**

Real GDP grows by **2.0%** in 2025 and by **1.8%** in 2026.

A strong expansion in residential investment supports economic growth in those years.

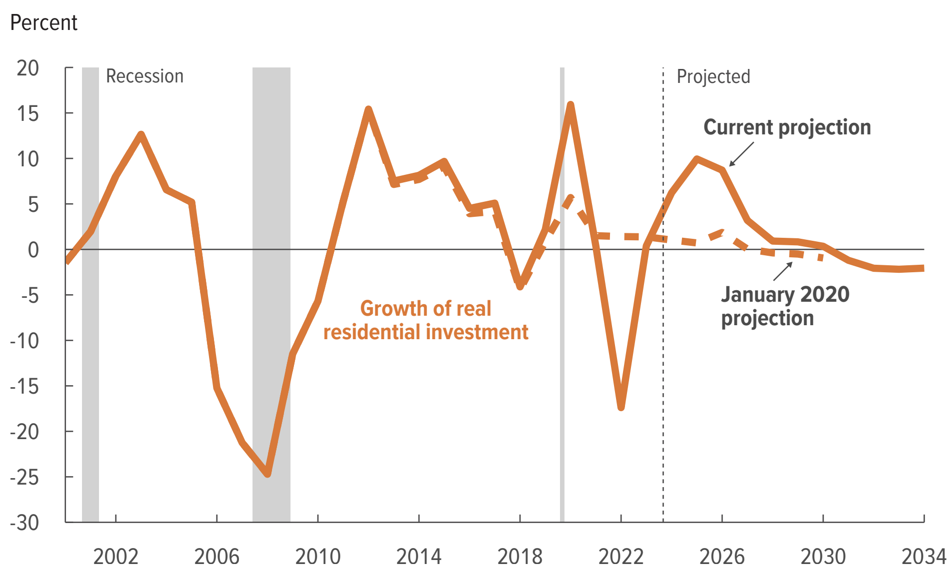
Growth of Real GDP

The growth of economic output, as measured by the nation's GDP, is projected to slow in 2024 because of weaker growth in consumer spending and an increase in the share of domestic purchases fulfilled by foreign production. Real (inflation-adjusted) GDP is projected to grow by 2.0 percent in 2025 before settling at an annual growth rate of roughly 1.8 percent in 2026 and beyond.



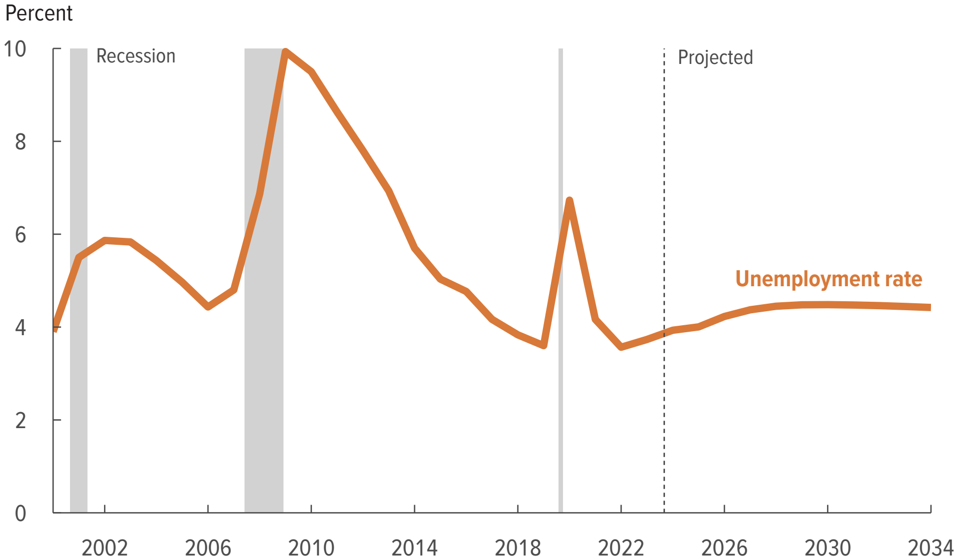
Residential Investment

The growth rate of real residential investment, which includes home construction, renovations, and brokers' commissions, is expected to rise from 6.2 percent in 2024 to an average of 9.3 percent per year in 2025 and 2026 as recent increases in immigration and declines in mortgage interest rates boost the demand for housing. In later years, that growth slows.



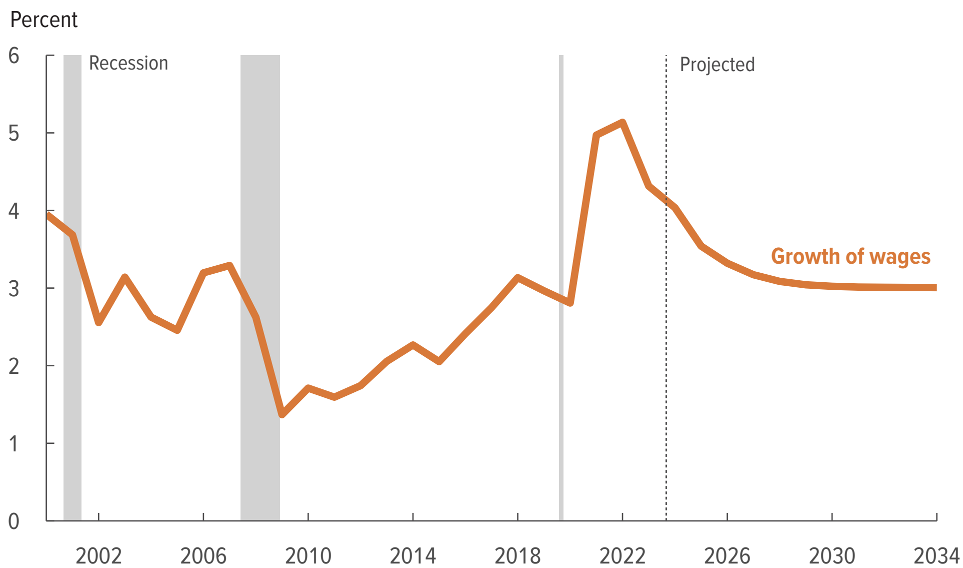
Unemployment

In CBO's projections, the unemployment rate, which was 3.8 percent in the first quarter of 2024, rises gradually for the next several years as the growth of real economic output slows. The unemployment rate ticks up to 4.0 percent by the end of 2025, rises to 4.5 percent in 2030, and declines slightly thereafter.



Wages

From 2024 to 2034, slowing demand for labor and declining inflation restrain the growth of nominal wages. The employment cost index for wages and salaries of workers in private industry—a measure of the hourly price of labor, excluding fringe benefits—grows by 4.0 percent in 2024, down from 4.3 percent in 2023. Wage growth continues to slow through 2029 but remains above 2.7 percent, its annual average in the five years before the onset of the coronavirus pandemic in early 2020.



Outlook for **2024–2034**

The unemployment rate rises slowly, reaching **4.5%** in 2030.

Over the same period, the growth of nominal wages gradually falls to **3.0%**.

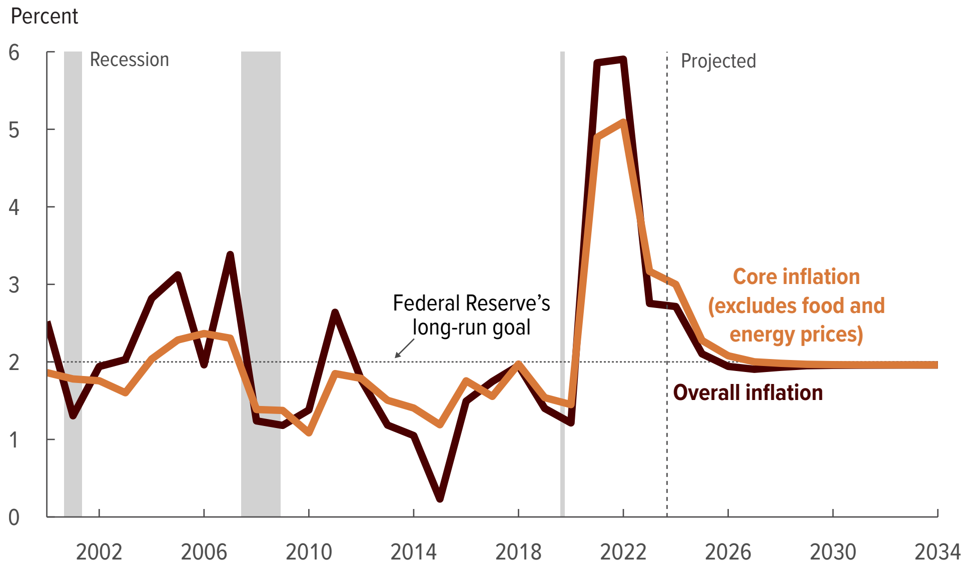
Outlook for **2024–2034**

Inflation settles at **2.0%** or less after 2025.

Interest rates also decline over the next few years. In later years, long-term interest rates rise slightly as short-term rates hold steady.

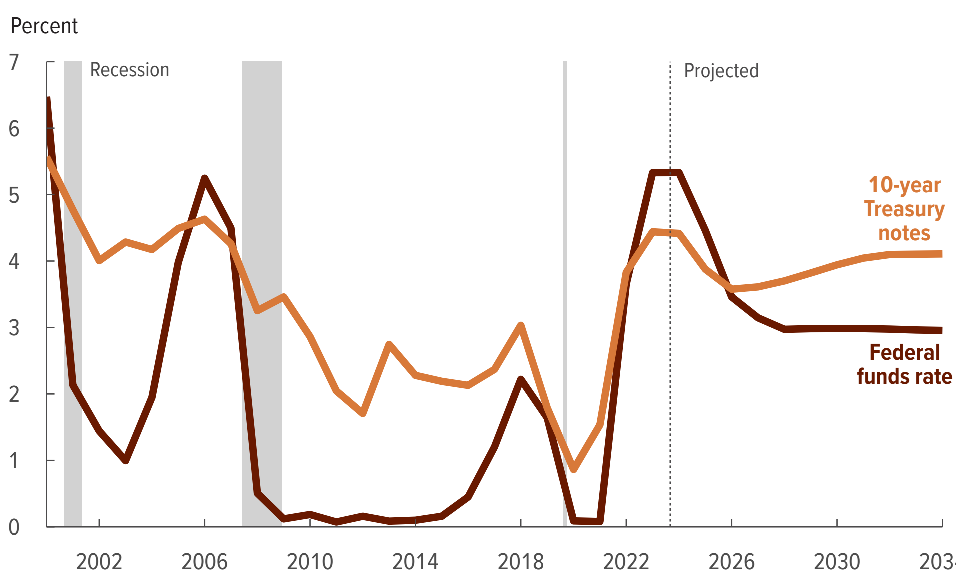
Overall Inflation and Core Inflation

In CBO's projections, overall prices (as measured by the PCE price index) increase less in 2024 and 2025 than they did last year. The rate of inflation is projected to be slightly lower in 2024 than it was in 2023 for three main reasons: supply chains will have largely recovered from pandemic-induced problems; rising unemployment will put downward pressure on wage growth; and higher long-term interest rates will put downward pressure on certain prices.



Interest Rates

CBO expects that in early 2025, the Federal Reserve will respond to slowing inflation and rising unemployment by lowering the federal funds rate, which affects interest rates throughout the economy. Starting this year, the difference between the federal funds rate and the interest rate on 10-year Treasury notes is projected to gradually return to its long-run average.



Chapter 1: The Budget Outlook

The Congressional Budget Office now projects a federal deficit of $1.9 trillion in fiscal year 2024 (see Table 1-1 on page 19). That amount is $0.4 trillion (or 27 percent) larger than the agency estimated in its previous baseline projections, published in February 2024.[1] The deficit is projected to increase to $2.9 trillion in 2034, $0.3 trillion more than the amount in the previous baseline. All told, the cumulative deficit over the 2025–2034 period is now projected to total $22.1 trillion, which is $2.1 trillion (or 10 percent) more than previously projected.

Annual outlays are affected by shifts in the timing of certain federal payments when the fiscal year begins on a weekend.[2] Without those shifts, the deficit for 2024 would be $75 billion larger (totaling $2.0 trillion), and the deficit for 2034 would be $15 billion smaller (totaling $2.8 trillion), CBO projects (see Table 1-2 on page 20).

CBO's updated projections of spending, revenues, deficits, and debt include the effects of legislation enacted through May 12, 2024. In addition, they incorporate the agency's updated economic forecast, which was finalized on May 2, and new information on federal programs (such as information about federal loan programs and actual spending in the previous fiscal year) that was released with the President's budget earlier this year. (For CBO's updated economic outlook, see Chapter 2; for more information on the changes from CBO's February 2024 baseline projections, see Chapter 3.)

CBO prepares its baseline budget projections in accordance with provisions set forth in the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act, Public Law 99-177) and the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344). Those laws require CBO to construct its baseline under the assumption that current laws governing revenues and spending will generally stay the same. The baseline projections incorporate effects of changes in policy that are set to take effect pursuant to laws that have already been enacted, as well as administrative actions already in place and those that CBO anticipates would occur in the absence of further legislation.

Discretionary funding, which is provided through appropriation acts, is generally subject to the limits for 2024 and 2025 specified in the Fiscal Responsibility Act of 2023 (FRA, P.L. 118-5). The Office of Management and Budget (OMB) has determined that funding enacted to date does not exceed those caps for 2024. Accordingly, CBO's baseline for 2024 reflects funding provided so far this year. For 2025, CBO's baseline incorporates the caps specified in the FRA; for later years, the baseline reflects the assumption (as required by law) that funding will grow with inflation. Discretionary funding that is not constrained by the caps is generally assumed to increase with inflation throughout the next decade.

The baseline projections are meant to provide a benchmark that policymakers can use to assess the potential effects of changes in policy; they are not a forecast of future budgetary outcomes. Future legislative action could lead to markedly different outcomes. But even if federal laws remained unaltered for the next decade, actual budgetary outcomes would probably differ from CBO's baseline projections, not only because of unanticipated economic conditions, but also because of the many other factors that affect federal revenues and outlays.

Deficits

Measured in relation to the size of the economy, this year's deficit equals 7.0 percent of gross domestic product (GDP) in CBO's projections. (That projection and all

1. Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), www.cbo.gov/publication/59710.

2. October 1, 2023 (the first day of fiscal year 2024) fell on a weekend, so certain payments that would ordinarily have been made on that day were instead made in fiscal year 2023. October 1 will fall on a weekend again in calendar years 2028, 2033, and 2034, causing certain payments due on those days to be made at the end of September and thus to be recorded in the previous fiscal year. Those timing shifts will boost federal outlays and deficits in fiscal years 2028, 2033, and 2034; they will reduce federal outlays and deficits in fiscal years 2024 and 2029.

other projections of outlays and deficits cited in the rest of this chapter reflect adjustments to exclude the effects of timing shifts.) The cumulative deficit for the 2025–2034 period is projected to equal 6.2 percent of GDP.

Those sizable deficits reflect the growing cost of interest on the federal debt as well as primary deficits (which exclude net outlays for interest) that are large relative to historical measures. In CBO's baseline, net outlays for interest increase from 3.1 percent of GDP this year to 4.1 percent in 2034 and total $12.9 trillion over the 2025–2034 period. Primary deficits amount to 3.9 percent of GDP in 2024, decline to 2.1 percent in 2027 and 2028, and then begin to generally increase, reaching 2.7 percent by the end of the projection period. Between 2025 and 2034, primary deficits total $9.0 trillion.

In CBO's baseline, total deficits, net outlays for interest, and primary deficits are all large by historical standards:

- In CBO's projections, total deficits equal or exceed 5.5 percent of GDP in every year from 2024 to 2034. Since at least 1930, deficits have not remained that large for more than five years in a row. Over the past 50 years, the total annual deficit has averaged 3.7 percent of GDP.
- Since 1940 (the first year for which OMB reports such data), net outlays for interest have never exceeded 3.2 percent of GDP. In CBO's baseline, such outlays exceed that percentage in every year from 2025 to 2034.
- Over the 10-year projection period, primary deficits in CBO's baseline average 2.5 percent of GDP. In the 62 years from 1947 to 2008, primary deficits exceeded 2.5 percent of GDP only twice. In the past 15 years, though, they have exceeded that percentage 10 times—in part because of legislation enacted in response to the 2007–2009 financial crisis and in the wake of the coronavirus pandemic that began in early 2020.

At an average of 2.5 percent of GDP, the primary deficits in CBO's baseline are especially large given the relatively low unemployment rates—at or below 4.5 percent in each year—that CBO is forecasting for 2024 to 2034. In comparison, from 1974 to 2023, the unemployment rate was at or below 4.5 percent in nine years; in those years, the budget showed a primary deficit of 0.3 percent of GDP, on average.

Deficits over the next decade are boosted by rising costs for Social Security and Medicare. One factor that is projected to reduce deficits in coming years is the ongoing surge in immigration (see Box 1-1). In CBO's baseline projections, that surge decreases the deficit by a total of $0.9 trillion over the 2024−2034 period compared with what would have occurred without the surge.

Debt

The deficits projected in CBO's baseline would increase federal debt held by the public, which consists mostly of securities the Treasury issues to raise cash to fund the federal government's activities and to pay off its maturing liabilities.[3] The increase in federal debt each year is determined primarily by the annual budget deficit.

After accounting for all the federal government's borrowing needs, CBO projects that debt held by the public would rise from $26.2 trillion at the end of 2023 to $50.7 trillion at the end of 2034 (see Table 1-3 on page 21). As a percentage of GDP, debt is projected to reach 109 percent in 2028, an amount greater than at any point in the nation's history. Debt would continue increasing over the remainder of the projection period, equaling 122 percent of GDP at the end of 2034—about 25 percentage points larger than it was at the end of 2023 and two and a half times its average percentage over the past 50 years.

Outlays

In CBO's current projections, federal outlays rise from $6.9 trillion in 2024 to $10.3 trillion in 2034, an average annual increase of 4.1 percent. Outlays for Social Security and Medicare account for more than half of that $3.4 trillion increase.[4] By 2034, outlays for Social Security, the major health care programs, and interest account for 68 percent of projected spending,

3. A small amount of debt held by the public is issued by other federal agencies, mainly the Tennessee Valley Authority.

4. CBO's projections follow provisions in section 257 of the Deficit Control Act, which requires CBO to project spending for certain programs, including Social Security and Medicare, under the assumption that those programs will be fully funded and thus able to make scheduled payments in their entirety, even if the trust funds associated with those programs do not have sufficient resources to do so. For example, CBO estimates that the Highway Trust Fund will be exhausted in 2028 and the Old-Age and Survivors Insurance Trust Fund will be exhausted in 2033. Nevertheless, CBO's baseline projections reflect the assumption that funding will be adequate to make full payments as required by law.

10 percentage points more than the share projected for 2024.[5]

Measured in relation to the size of the economy, federal outlays total 24.2 percent of GDP in 2024 and 23.5 percent in 2025, where they remain through 2028. Thereafter, they increase, equaling 24.9 percent of GDP in 2034. Outlays for Social Security, the major health care programs, and interest rise from 14.0 percent of GDP in 2024 to 16.9 percent in 2034.

Mandatory Spending

This category of spending (also referred to as direct spending) includes outlays for most federal benefit programs and for certain other payments to people, businesses, nonprofit institutions, and state and local governments. Mandatory outlays are generally governed by statutory criteria and are not normally constrained by the annual appropriation process.[6] Certain types of payments that federal agencies receive from the public and from other government agencies (such as premiums paid by Medicare beneficiaries and payments made by federal agencies to employees' retirement plans) are classified as offsetting receipts and are accounted for in the budget as reductions in mandatory spending.

The Deficit Control Act requires CBO to construct its baseline projections for most existing mandatory programs under the assumption that current laws generally remain in place. Those projections therefore reflect the estimated effects of changes in the economy, growth in the number of beneficiaries of certain mandatory programs, and other factors related to the costs of those programs. The projections also incorporate a set of across-the-board reductions in budgetary resources (known as sequestration) that are required under current law for some mandatory accounts.[7]

In CBO's projections, outlays for mandatory programs (including offsetting receipts) grow from $4.2 trillion in 2024 to $6.3 trillion in 2034, increasing by an average of 4.2 percent per year (see Table 1-4 on page 22). In relation to GDP, those outlays increase from 14.7 percent in 2024 to 15.3 percent in 2034—at which point they would be about 4 percentage points higher than the average over the past 50 years. Two underlying trends, the rising average age of the population (referred to as the aging of the population) and growth in federal health care costs per beneficiary, contribute to that increase.

The aging of the population causes the number of beneficiaries of Social Security and Medicare to grow faster than the overall population. In addition, federal costs per beneficiary for the major health care programs continue to rise faster than GDP per person. As a result of those two trends, outlays for Social Security and Medicare increase in relation to GDP from 2024 to 2034 (see Table 1-5 on page 24). Beyond that period, the effects of those trends on federal spending persist, particularly for Medicare.

Discretionary Spending

Funding for most discretionary programs is provided by means of budget authority specified in annual appropriation acts.[8] Each year, the Congress appropriates funding for programs related to defense, law enforcement, transportation, national parks, disaster relief, and foreign aid, for example. Depending on the activity or program, federal outlays that result from that budget authority can occur quickly (to pay salaries, for example) or slowly (to pay for long-term research and development projects). In any year, some discretionary outlays come

5. Spending for the major health care programs consists of outlays for Medicare, Medicaid, and the Children's Health Insurance Program, as well as premium tax credits for health insurance purchased through the marketplaces established under the Affordable Care Act and related spending. The premium tax credits subsidize the purchase of health insurance.

6. Each year, some mandatory programs are modified by provisions in annual appropriation acts. Such changes may increase or decrease spending on the affected programs for one or more years. In addition, some programs—such as Medicaid, the Supplemental Nutrition Assistance Program, and veterans' disability compensation and pensions—are considered mandatory, but benefits are paid from amounts provided in appropriation acts.

7. The Deficit Control Act requires CBO to project spending for certain mandatory programs beyond their scheduled expiration. Other rules that govern the construction of CBO's baseline projections have been developed by the agency in consultation with the House and Senate Budget Committees. For further details, see Congressional Budget Office, *CBO Explains How It Develops the Budget Baseline* (April 2023), www.cbo.gov/publication/58916, and *CBO Explains the Statutory Foundations of Its Budget Baseline* (May 2023), www.cbo.gov/publication/58955.

8. Budget authority (or funding) is the authority provided by federal law to incur financial obligations that will result in immediate or future outlays of federal government funds.

Box 1-1.

Budgetary Effects of the Surge in Immigration

The number of people entering the United States in the Congressional Budget Office's category of "other foreign nationals" has surged in recent years, exceeding the roughly 200,000 people per year that CBO would expect on the basis of historical experience.[1] In CBO's estimates, net immigration of people in that category is 8.7 million greater over the 2021–2026 period than it would have been if net immigration had remained at its otherwise expected level.[2] Much uncertainty surrounds those projections.

To analyze how that surge in immigration will affect the federal budget over the 2024–2034 period, CBO developed a counterfactual scenario in which net immigration of other foreign nationals totals 200,000 people per year.[3] In CBO's baseline projections, which include the surge, the increase in immigration lowers deficits, on net, by $0.9 trillion over that period (see the table). Specifically, as a result of the immigration surge, revenues will be higher by $1.2 trillion over that period, in CBO's estimation, and outlays for mandatory programs and net interest on the federal debt will be higher by $0.3 trillion. Those projections include the effects on taxes paid and federal benefits received by immigrants and their children, as well as the effects stemming from changes to the economy, such as higher productivity and interest rates (see Box 2-1 on page 30).

1. The other-foreign-nationals category includes people who entered the United States illegally and have not obtained a permanent legal status, people who were allowed to enter the country lawfully through the use of parole authority and who may be awaiting proceedings in immigration court, and people who previously resided in the United States legally in a temporary status but who remained in the country after that legal status expired.

2. For details about how CBO projects net immigration of people in the other-foreign-nationals category, see Congressional Budget Office, *The Demographic Outlook: 2024 to 2034* (January 2024), Appendix B, www.cbo.gov/publication/59697. The population projections used in this analysis are the same as those published in January. CBO has not analyzed the effects of the executive action affecting immigration that was signed on June 4, 2024.

3. CBO will release a detailed report about the immigration surge. See Congressional Budget Office, *Effects of the Immigration Surge on the Federal Budget and the Economy* (forthcoming). CBO will also update a report from 2007 titled *The Impact of Unauthorized Immigrants on the Budget of State and Local Governments* (www.cbo.gov/publication/41645).

The surge also could affect discretionary funding, such as that provided for education or housing assistance. CBO's baseline incorporates the limits on such funding for 2024 and 2025 (as specified in the Fiscal Responsibility Act) and then reflects the assumption, as required by law, that appropriations grow each year with inflation once those caps expire. CBO's baseline reflects discretionary funding related to the surge only to the extent that any funding is reflected in the most recent (2024) appropriations. CBO has no basis for judging how total discretionary funding would have differed in 2024 without the surge and has no basis for predicting how it might be affected in the future.

Research has generally found that increases in immigration tend to raise federal revenues more than federal costs but tend to increase the costs of state and local governments more than their revenues.[4] CBO expects that general finding to hold in the case of the immigration surge, although the agency has not fully analyzed such effects, and the population of immigrants analyzed in such research differs from that in the surge. CBO further expects that the surge will increase state and local costs for education and health care, which are two of the largest categories of spending in those governments' budgets. State and local revenues will also increase from collections of income and sales taxes. Such collections will be smaller than those by the federal government; in general, total state and local tax collections equal about half of total federal revenues. The effects of the surge will vary among jurisdictions, depending on factors such as the size of the immigrant population and local policy choices.

Why Federal Revenues Increase

Most of the $1.2 trillion increase in revenues over the 2024–2034 period attributable to the surge comes from individual income and payroll taxes paid by immigrants on their earnings. CBO's estimate of those tax revenues is based on its assessment that those immigrants will initially have lower-than-average income but that their earnings will increase as they remain in the United States. CBO's estimate is also based on its assessment that about half of immigrants in the

4. For example, see National Academies of Sciences, Engineering, and Medicine, *The Economic and Fiscal Consequences of Immigration* (National Academies Press, 2017), https://doi.org/10.17226/23550.

Continued

Box 1-1. Continued

Budgetary Effects of the Surge in Immigration

surge will be authorized for work and will be as likely to pay taxes on their income as the rest of the population. Immigrants who work without authorization will pay some taxes but are considered less likely to do so than the rest of the population.

In addition to those direct effects on taxes paid by people in the surge, broad economic changes resulting from the surge affect revenues. The surge in immigration leads to more economic activity, which in turn boosts income from labor and capital as well as tax revenues from all sources. For example, profits might rise for businesses that employ immigrants or that see increased demand for their products because of the immigration surge.

Why Federal Spending Increases

Federal spending on mandatory programs and net interest costs will be greater by an estimated $278 billion over the 2024–2034 period because of the immigration surge. Outlays for mandatory programs will rise by an estimated $194 billion over that period, mainly because of spending on benefits for immigrants and their children.

The largest increase in spending on benefits for that population will be for premium tax credits to purchase health insurance through the marketplaces established under the Affordable Care Act (an additional $59 billion in outlays over the 2024–2034 period, as well as a reduction of $7 billion in revenues, which is included in the revenue totals discussed above). The next-largest increases are for other tax credits, such as the earned income tax credit and the child tax credit (an additional $43 billion over that period) and for Medicaid and the Children's Health Insurance Program ($40 billion). Spending increases totaling $35 billion will occur for the Supplemental Nutrition Assistance Program, child nutrition programs, Supplemental Security Income, Social Security, Medicare, and assistance for higher education. A small increase in spending will also stem from overall economic effects of the surge that alter spending for mandatory programs.

The cost to each program will depend on its eligibility rules, characteristics of immigrants (including their legal status), participation among eligible people, and the average benefits they receive. For example, some programs have waiting periods for certain immigrants depending on their legal status, so costs grow over the 2024–2034 period as people in the surge satisfy that waiting period. (People without legal status are ineligible for most federal benefits.)

CBO also estimates that the costs for interest paid on the federal debt will be $84 billion more over the 2024–2034 period than they would have been without the surge. That estimate reflects the effects of higher interest rates, partially offset by surge-related reductions in annual deficits and in the government's stock of debt.

Estimated Increases in Revenues and Outlays From the Immigration Surge, by Fiscal Year

Billions of dollars

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2024–2028	Total 2024–2034
Increase in revenues	42	55	71	86	99	108	119	131	143	155	167	352	1,175
Increase or decrease (-) in outlays													
Mandatory spending	6	11	13	15	17	18	19	21	23	25	25	62	194
Net interest on federal debt	*	-2	-2	*	*	1	7	13	20	24	24	-5	84
Total	6	9	11	14	16	19	27	35	43	48	50	56	278
Total decrease (-) in the deficit	**-36**	**-46**	**-60**	**-72**	**-83**	**-89**	**-92**	**-96**	**-99**	**-107**	**-117**	**-296**	**-897**

Data source: Congressional Budget Office. See www.cbo.gov/publication/60039#data.

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

from new budget authority, and some come from past appropriations.

In CBO's baseline, discretionary funding amounts to $1.9 trillion in 2024 (see Table 1-6 on page 25). Most of that amount ($1.6 trillion) is funding constrained by the caps established by the FRA—referred to as base funding:

- Base funding for defense totals $886 billion. That amount is equal to the cap on base funding specified in section 101 of the FRA.
- Base funding for nondefense programs and activities totals $749 billion. That amount is $45 billion more than the $704 billion cap on such funding specified in section 101 of the FRA.

Base nondefense funding exceeds the cap mostly because of reductions in budget authority for certain mandatory programs enacted in appropriation acts. Following rules that govern cost estimates for appropriation bills, CBO and OMB credited those reductions against the total amount of discretionary budget authority provided by those acts. (By contrast, in the baseline those reductions are reflected as decreases in mandatory budget authority.)[9] Because cost estimates for appropriation legislation—not the baseline—are used when enforcing the caps, OMB has determined that there is no breach of the caps in 2024 and that a sequestration is not required.[10]

Nonbase budget authority—that is, funding that is not constrained by the caps—provided for 2024 totals $223 billion. Of that amount, $194 billion is designated as an emergency requirement. Nearly half of that amount ($95 billion) is for aid to Ukraine, Israel, and countries in the Indo-Pacific region. Most of the remaining $99 billion in emergency funding for 2024 comes from laws enacted in prior years, of which $68 billion was provided by the Infrastructure Investment and Jobs Act and the Bipartisan Safer Communities Act.[11]

The other $29 billion in nonbase funding for 2024 is not designated as an emergency requirement. The bulk of that amount ($26 billion) is for disaster relief, program integrity initiatives, and fire suppression operations. The rest of the funding ($3 billion) is certain funding provided to the Army Corps of Engineers or is used for programs designated in the 21st Century Cures Act. (Each of those categories of other nonbase funding is subject to separate limits.)

For 2025, when the caps established by the FRA are still in force, budget authority is projected to total $1.8 trillion. That amount is $26 billion less than the amount provided for 2024, as a net result of the following changes.

- Base defense funding increases by $9 billion—equal to the increase in the cap on such funding specified in the FRA.[12]
- Base nondefense funding declines by $38 billion because the cap on such funding in 2025, which is $711 billion, is $38 billion lower than the amount of funding provided this year.
- All nonbase funding increases by a projected $3 billion in 2025.

Were it not for the caps, projected base funding would increase by $42 billion: Projected base defense funding would increase by $25 billion (rather than $9 billion), and projected base nondefense funding would increase by $17 billion (rather than decrease by $38 billion).

9. For an explanation of why CBO's baseline projections of discretionary budget authority for 2024 differ from the cost estimates for the appropriation acts providing that funding, see Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), Box 1-2, www.cbo.gov/publication/59710. A version of the table in that box, updated to reflect revisions to CBO's baseline and the effect of appropriation legislation enacted through May 12, 2024, is included in the supplemental data posted along with this report at www.cbo.gov/publication/60039.

10. Office of Management and Budget, *OMB Final Sequestration Report to the President and Congress for Fiscal Year 2024* (April 2024), https://tinyurl.com/mr4bc3jx.

11. Also, the Consolidated Appropriations Act, 2023 (P.L. 117-328), permanently appropriated funds collected by the Hazardous Substance Superfund and designated that appropriation as an emergency requirement.

12. The FRA established two sets of caps that could be in effect during different parts of the fiscal year. For 2025, CBO reduced base discretionary appropriations to the amount specified in section 101 of the FRA. If the caps specified in section 102 of the FRA were in effect instead, the reduction to base defense funding in 2025 in CBO's baseline projections would be larger, and the reduction to base nondefense funding in 2025 would be smaller. For an explanation of the different sets of caps and when they take effect, see Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), Box 1-1, www.cbo.gov/publication/59710.

All told, discretionary outlays total $1.8 trillion in both 2024 and 2025 in CBO's baseline. Relative to the size of the economy, they dip from 6.3 percent this year to 6.2 percent next year. Those amounts are split roughly evenly between defense and nondefense spending.

After 2025, when the caps are no longer in place, CBO's projections of discretionary funding grow with inflation, in accordance with provisions of the Deficit Control Act governing how CBO constructs its baseline.[13] By 2034, discretionary funding is projected to total $2.2 trillion, and discretionary outlays are projected to total $2.3 trillion.[14] As the growth of the economy continues to outpace inflation, discretionary outlays as a share of the economy are projected to fall to 5.5 percent of GDP in 2034, which would be the smallest percentage recorded since 1962, when those records begin. Although discretionary funding in CBO's baseline grows with inflation (as required by law) in each year after the caps specified in the FRA expire, that funding is ultimately controlled by lawmakers, who will determine the amounts provided in future years.

Net Interest Outlays

In the federal budget, net outlays for interest consist of the government's interest payments on federal debt, offset by interest income that the government receives. Net interest outlays are dominated by the interest paid to holders of the securities the Treasury sells to the public. The Treasury also pays interest on debt issued to trust funds and other government accounts, but such payments are intragovernmental transactions that do not affect the budget deficit.

In CBO's projections, net interest outlays total $892 billion in 2024—surpassing discretionary outlays for defense this year—and rise to $1.7 trillion in 2034, nearly doubling over the period. Measured in relation to the size of the economy, those outlays grow from 3.1 percent of GDP in 2024 to 4.1 percent in 2034, at which point they would nearly equal projected outlays for Medicare. Since 1974, net outlays for interest have averaged 2.1 percent of GDP.

The amount of outstanding debt and the average interest rate on that debt determine the federal government's net interest costs. Growth in those costs is affected by changes in the average interest rate on federal debt and by the primary deficit, which requires the government to borrow more and thus increases debt held by the public.[15] Borrowing to pay for greater interest costs further increases debt and, therefore, those costs. In CBO's projections, about two-thirds of the growth in net interest costs from 2024 to 2034 stems from increases in the average interest rate on federal debt, and one-third reflects the larger amount of debt.[16]

Revenues

In CBO's current projections, federal revenues rise from $4.9 trillion in 2024 to $7.5 trillion in 2034. At 17.2 percent of GDP, revenues this year are expected to be higher than they were in 2023 (16.5 percent of GDP)—a temporary jump that stems from the collection of certain postponed tax payments. Revenues

13. For nearly all discretionary spending, CBO projects funding in each account by using a weighted mixture of the GDP price index and the employment cost index for wages and salaries of workers in private industry, with adjustments to account for the cost of benefits. The weights are determined using data from OMB that indicate how much of a program's funding is spent on compensation for federal employees and how much is used for other purposes.

14. Discretionary outlays exceed funding in part because of the treatment of spending for certain transportation programs. The spending authority for those programs is mandatory, but outlays are considered discretionary because appropriation acts limit the amount of that spending authority that can be used in a given year.

15. Average interest rates on federal debt rise in CBO's projections as debt matures and is refinanced. In 2024, the projected average interest rate on debt held by the public is 3.4 percent—0.7 percentage points higher than it was in 2023 and 1.2 percentage points higher than in 2022. That rate remains near that level over the projection period, equaling 3.5 percent in 2034. For more details about the government's net interest costs, see Congressional Budget Office, *Federal Net Interest Costs: A Primer* (December 2020), www.cbo.gov/publication/56780. Net interest costs also are affected by debt that is not counted as part of primary deficits, such as that issued to partly finance federal credit programs.

16. To assess the share of the increase in net interest costs attributable to changes in the average interest rate, CBO started by examining a benchmark scenario in which that rate did not change after 2023 and there were no primary deficits adding to the amount of debt. CBO estimated the increase relative to that benchmark in net interest costs from the change in the average interest rate in CBO's projections (by using a scenario with those rates and no primary deficits) and from primary deficits in CBO's projections (by using a scenario with those deficits and no change in the average interest rate). The agency used the relative size of those estimates to calculate the share of the total increase in net interest costs attributable to the increase in the average interest rate by allocating the interaction between the average interest rate and the primary deficit proportionally.

in both years are considerably lower than the amount recorded in 2022, which—at 19.4 percent—was the highest as a percentage of GDP in more than 20 years. The decline since 2022 has largely occurred in collections of individual income taxes, which had reached an unprecedented peak in that year.

CBO expects total receipts to decline to 17.0 percent of GDP in 2025. Receipts are then projected to rise, equaling 18.0 percent in 2034, largely for two reasons: Tax provisions are scheduled to change under current law, and remittances from the Federal Reserve are anticipated to return to a percentage of GDP that is more typical of past levels.

Individual Income Taxes

Receipts from individual income taxes are projected to total $2.4 trillion (or 8.6 percent of GDP) in 2024 and rise to 9.7 percent of GDP by 2034. Those revenues declined sharply in relation to GDP last year—from 10.4 percent in 2022 to 8.1 percent in 2023. That reduction occurred in part because asset values and realizations of capital gains fell, and also because the Internal Revenue Service (IRS) postponed until 2024 certain payment deadlines for taxpayers in areas affected by natural disasters. (Otherwise, those payments would have been due in 2023.)

CBO expects individual income tax receipts to climb to 8.6 percent of GDP this year as those delayed payments come in. Receipts remain at that level next year and then grow over the following two years because scheduled changes in tax provisions, including an increase in most tax rates, are projected to drive up receipts in relation to taxable personal income.

Real bracket creep also contributes to rising receipts over time. The income thresholds for the various tax rate brackets in the individual income tax are indexed to increase with inflation, so more income is pushed into higher tax brackets when income grows faster than prices.[17] Many other parameters of the tax system are also indexed for inflation, including the amounts of the standard deduction and the earned income tax credit. But certain parameters, such as the amount of the child tax credit, are fixed in nominal dollars and not adjusted for inflation. Together, those features of the tax system cause projected annual revenues measured as a percentage of GDP to steadily rise each year.

Over the next decade, several other factors have smaller and largely offsetting effects on projected individual income tax receipts measured as a percentage of GDP. One factor reducing receipts is a projected decline in realizations of capital gains relative to the size of the economy. Those realizations are projected to fall to a level that is consistent with their historical average (after differences in applicable tax rates are accounted for). One factor boosting receipts is CBO's expectation that last year's unexplained weakness in individual income tax receipts will gradually dissipate over the next few years. (The correlation between individual income tax revenues and the economy has been weaker for the past few years than is typical. In 2023, those receipts were smaller than would be expected given currently available data on the state of the economy and other factors that CBO could identify.)

Corporate Income Taxes

Receipts from corporate income taxes are projected to total $525 billion (or 1.8 percent of GDP) in 2024 and decline to 1.2 percent of GDP by 2034. Those collections were lower last year—at 1.6 percent of GDP—but are expected to climb this year for two reasons. First, the IRS postponed the collection of payments from corporations in areas affected by natural disasters. Second, the IRS waived penalties until January 1, 2024, for nonpayment of estimated taxes for the corporate alternative minimum tax while the IRS and the Treasury Department developed guidance on how to apply and calculate the tax. CBO believes that some corporations deferred payments from 2023 to 2024 as a result. In April 2024, because final regulations had not yet been issued, the IRS waived penalties on underpayments of estimated taxes made through mid-May. As those delays end and payments arrive, receipts are expected to rise this year but then decline next year, to 1.6 percent of GDP.

After 2025, corporate income tax receipts decrease steadily in relation to GDP from the net effects of scheduled changes in tax rules and other factors. Several provisions of the 2017 tax act (P.L. 115-97) reduce those receipts, on net, as a percentage of GDP between 2025 and 2034. Following one provision of that law, companies have been making scheduled payments since 2018 for a onetime tax on certain foreign profits. Those payments will not continue after 2026, causing a subsequent decline in receipts. Some of the law's other provisions,

17. For more information, see Congressional Budget Office, "How Income Growth Affects Tax Revenues in CBO's Long-Term Budget Projections" (June 2019), www.cbo.gov/publication/55368.

which began to take effect in 2022, require companies to deduct certain expenditures more slowly than previously allowed. Those changes initially elevate receipts as businesses take fewer deductions up front but will have little net effect by 2034. And other provisions of the law that alter rules related to the taxation of foreign profits are scheduled to take effect in 2026, pushing up revenues in subsequent years.

Some other factors contribute to the projected decline in corporate income tax revenues as a percentage of GDP. Most significantly, profits on businesses' domestic activity are projected to grow more slowly than GDP through 2034, reducing tax receipts as a share of the economy. In addition, CBO anticipates that businesses will claim more tax credits in future years, in part because international companies are expected to increasingly report foreign profits earned in jurisdictions with higher taxes.

Payroll Taxes

Receipts from payroll taxes, which fund social insurance programs—primarily Social Security and Medicare—are projected to total $1.7 trillion in 2024, or 5.9 percent of GDP. In CBO's projections, payroll taxes remain between 5.8 percent and 5.9 percent of GDP through 2034.

Receipts From Other Sources

Receipts from all revenue sources other than individual income taxes, corporate income taxes, and payroll taxes are projected to total $239 billion, or 0.8 percent of GDP, in 2024 (see Table 1-1 on page 19). Those receipts are projected to remain between 0.8 percent and 0.9 percent of GDP through 2030. By 2034, they rise to 1.2 percent of GDP in CBO's projections because remittances from the Federal Reserve, which nearly ceased in 2023, are expected to resume in larger amounts starting in 2030.

Estate and Gift Taxes. In 2024, revenues from estate and gift taxes are projected to total $32 billion, or 0.1 percent of GDP. They increase significantly from 2026 to 2027—by 40 percent—because of the expiration, at the end of calendar year 2025, of a provision of the 2017 tax act that doubled the amount exempt from estate and gift taxes. By 2034, those revenues total 0.2 percent of GDP.

Excise Taxes. Collections of excise taxes—which are levied on the production or purchase of particular types of goods and services, including motor fuels, tobacco, alcohol, and aviation—are projected to total $89 billion, or 0.3 percent of GDP, in 2024. Last year, those receipts totaled $76 billion, on net, in part because of the unusually large amount of refunds and tax credits reported for the nontaxable use of gasoline. The IRS is now scrutinizing those types of claims more closely. On the basis of information provided by the IRS, CBO does not expect unusually large refunds to be paid this year or in future years.

Excise tax receipts rise slightly in 2025 in CBO's projections but eventually decline to 0.2 percent of GDP by 2034, as the number of units of taxed goods and services grows more slowly or decreases. (Many excise taxes are imposed as a fixed dollar amount per unit sold.) For example, taxes on gasoline will diminish, CBO projects, as the average fuel efficiency of fleets of vehicles improves and the consumption of gasoline thus decreases. CBO also anticipates that excise taxes on tobacco and alcohol products will be reduced over the next decade as importers increasingly claim drawbacks (or refunds) of those taxes.[18]

Customs Duties. Collections of customs duties, which are assessed on certain imported goods, are expected to total $73 billion, or 0.3 percent of GDP, in 2024 and then decline slightly as a share of GDP through 2034, totaling 0.2 percent in that year. That slight decline reflects CBO's expectation that some imported goods from countries subject to the additional U.S. tariffs imposed beginning in 2018 (in particular, the additional tariffs that apply to a large share of goods imported from China) will continue to be diverted to countries whose imports are subject to lower tariffs. (Although those additional tariffs boosted customs duties by roughly 0.2 percent of GDP from 2020 through 2022, their effect diminished as customs duties declined sharply in 2023.) CBO's baseline projections reflect the assumption that tariffs, along with any subsequent exemptions

18. On August 23, 2021, the U.S. Court of Appeals for the Federal Circuit upheld an earlier ruling by the U.S. Court of International Trade in *National Association of Manufacturers v. Department of the Treasury*. As a result of that ruling, importers of tobacco and alcohol products on which excise taxes would normally be levied would instead receive a drawback of those excise taxes when the merchandise could be matched to similar products that were exported or destroyed—even when no excise tax had previously been collected on the exported or destroyed merchandise. Those drawbacks are often referred to as double drawbacks.

provided by the Administration, continue at the rates in effect as of May 2, 2024, when CBO completed its economic forecast.[19]

Remittances From the Federal Reserve. The central bank's remittances to the Treasury are expected to remain below $3 billion in 2024 (which is less than 0.01 percent of GDP). Those revenues declined from $107 billion (or 0.4 percent of GDP) in 2022 to less than $1 billion in 2023—the smallest amount as a share of the economy since remittances began in 1947. That sharp drop occurred because higher short-term interest rates increased the Federal Reserve System's interest expenses to such an extent that they exceeded its income, resulting in a loss. When that happens for an individual Federal Reserve bank, it records the difference as a deferred asset (or negative liability) and suspends remittances to the Treasury.

Although CBO estimates that the Federal Reserve System as a whole will have losses through 2025, the agency's baseline projections show small remittances to account for the possibility that some individual Federal Reserve banks might record profits and remit them to the Treasury. As falling inflation allows the Federal Reserve to lower interest rates, the system as a whole returns to net profitability in 2026 in CBO's projections. Those profits gradually reduce deferred assets through 2030, allowing remittances to return to 0.3 percent of GDP. CBO's estimates of remittances are highly uncertain because they depend on the path of short-term interest rates over the projection period.

Uncertainty of Budget Projections

CBO's baseline budget projections are intended to show what would happen to federal spending, revenues, deficits, and debt if current laws governing spending and taxes generally remained the same. Changes to laws—particularly those affecting revenue and spending policies—could lead to budgetary outcomes that diverge considerably from CBO's baseline projections.

Even if federal laws remained unchanged for the next decade, actual budgetary outcomes would differ from baseline projections for a number of reasons. CBO's projections of outlays and revenues—and therefore its projections of deficits and debt—depend in part on the agency's economic projections, which include forecasts for wage growth, interest rates, inflation, and economic growth. Actual outcomes for those variables are likely to differ from projected amounts.

Unanticipated changes in other factors (such as administrative actions, regulatory changes, and judicial decisions) also affect federal spending and revenues. For example, in April 2024, the Administration issued a proposed rule to reduce student loan balances for many borrowers. In keeping with its standard procedures, CBO incorporated 50 percent (or $66 billion) of the estimated cost of that rule in its baseline projections.[20] The actual amount recorded in the budget will differ, however. If that rule is finalized before the end of the fiscal year, the Administration will record the full $132 billion estimated cost, and CBO's projection will be $66 billion too low. If, instead, the rule is not finalized before September 30, 2024, no costs related to the proposed rule will be recorded this year, and CBO's projection will be $66 billion too high.

A comparison of CBO's past projections with actual outcomes indicates the magnitude of the uncertainty of the agency's budget projections. On the basis of an analysis of its past projections, CBO estimates that there is an approximately two-thirds chance that, under current law, the deficit in 2025 would be between 5.5 percent and 7.6 percent of GDP. (The baseline projection of the deficit for that year is 6.5 percent of GDP.) The range in 2029 would be wider: CBO estimates that, under current law, there is a roughly two-thirds chance that the deficit for that year would be between 3.5 percent and 8.5 percent of GDP. (The baseline projection for that year—adjusted to remove the effects of timing shifts—is 6.0 percent of GDP.) The range of potential outcomes would be wider still in later years.

19. On May 14, 2024, the Administration announced new tariffs on electric vehicles, batteries and battery components, steel and aluminum products, and various other products imported from China. Those announced changes (which are based on authority under section 301 of the Trade Act of 1974) are not included in CBO's current baseline projections. Once the new tariffs take effect, CBOs baseline projections will incorporate the assumption that they will continue permanently without planned or unplanned changes.

20. Because any amounts recorded in 2024 for the cost of reducing student loan balances will be based on the Administration's estimate, CBO's baseline projections incorporate half of the Administration's estimate of the cost of implementing that rule. Any future changes to the Administration's estimate of the rule's cost would be reflected in the budget in later years as credit subsidy reestimates. For example, the majority of the credit subsidy reestimate for student loans recorded for 2024 by the Administration represents an increase in the estimated cost of previous administrative actions beyond what was already recorded.

Table 1-1.

CBO's Baseline Budget Projections, by Category

													Total	
	Actual, 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025–2029	2025–2034
							In billions of dollars							
Revenues														
Individual income taxes	2,176	2,447	2,550	2,841	3,122	3,224	3,327	3,455	3,583	3,710	3,859	4,021	15,064	33,692
Payroll taxes	1,614	1,678	1,737	1,814	1,886	1,960	2,038	2,118	2,200	2,283	2,368	2,455	9,435	20,860
Corporate income taxes	420	525	490	470	459	462	461	463	466	471	495	507	2,342	4,744
Other[a]	230	239	260	268	289	298	307	318	412	435	454	476	1,423	3,518
Total	**4,441**	**4,890**	**5,038**	**5,394**	**5,756**	**5,944**	**6,133**	**6,354**	**6,661**	**6,899**	**7,176**	**7,459**	**28,265**	**62,814**
On-budget	3,247	3,652	3,751	4,053	4,365	4,501	4,635	4,799	5,048	5,227	5,442	5,662	21,305	47,484
Off-budget[b]	1,194	1,238	1,287	1,341	1,391	1,443	1,498	1,555	1,613	1,673	1,734	1,796	6,960	15,330
Outlays														
Mandatory	3,758	4,121	4,127	4,285	4,484	4,758	4,858	5,195	5,455	5,742	6,189	6,351	22,513	51,446
Discretionary	1,719	1,791	1,832	1,898	1,944	1,992	2,026	2,074	2,116	2,161	2,215	2,259	9,693	20,518
Net interest	658	892	1,016	1,061	1,084	1,136	1,199	1,278	1,373	1,484	1,594	1,710	5,495	12,933
Total	**6,135**	**6,805**	**6,975**	**7,244**	**7,512**	**7,886**	**8,082**	**8,547**	**8,944**	**9,387**	**9,998**	**10,320**	**37,701**	**84,897**
On-budget	4,914	5,490	5,563	5,742	5,920	6,201	6,298	6,660	6,949	7,276	7,784	8,000	29,724	66,393
Off-budget[b]	1,221	1,315	1,413	1,503	1,592	1,685	1,784	1,887	1,995	2,111	2,214	2,320	7,976	18,504
Total deficit (-)[c]	**-1,694**	**-1,915**	**-1,938**	**-1,851**	**-1,756**	**-1,942**	**-1,949**	**-2,193**	**-2,283**	**-2,487**	**-2,822**	**-2,862**	**-9,436**	**-22,083**
On-budget	-1,666	-1,838	-1,812	-1,689	-1,555	-1,701	-1,663	-1,860	-1,901	-2,049	-2,341	-2,338	-8,419	-18,909
Off-budget[b]	-27	-77	-126	-162	-201	-242	-286	-333	-382	-438	-481	-524	-1,017	-3,174
Primary deficit (-)[c,d]	-1,035	-1,023	-922	-790	-672	-807	-750	-915	-910	-1,004	-1,228	-1,151	-3,941	-9,150
Debt held by the public	26,236	28,178	30,188	32,118	33,949	35,960	37,965	40,198	42,508	45,014	47,819	50,664	n.a.	n.a.
Addendum:														
GDP	26,974	28,467	29,711	30,856	31,972	33,115	34,346	35,654	37,018	38,432	39,890	41,398	160,000	352,392
							As a percentage of GDP							
Revenues														
Individual income taxes	8.1	8.6	8.6	9.2	9.8	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.4	9.6
Payroll taxes	6.0	5.9	5.8	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Corporate income taxes	1.6	1.8	1.6	1.5	1.4	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.5	1.3
Other[a]	0.9	0.8	0.9	0.9	0.9	0.9	0.9	0.9	1.1	1.1	1.1	1.2	0.9	1.0
Total	**16.5**	**17.2**	**17.0**	**17.5**	**18.0**	**17.9**	**17.9**	**17.8**	**18.0**	**18.0**	**18.0**	**18.0**	**17.7**	**17.8**
On-budget	12.0	12.8	12.6	13.1	13.7	13.6	13.5	13.5	13.6	13.6	13.6	13.7	13.3	13.5
Off-budget[b]	4.4	4.3	4.3	4.3	4.4	4.4	4.4	4.4	4.4	4.4	4.3	4.3	4.3	4.4
Outlays														
Mandatory	13.9	14.5	13.9	13.9	14.0	14.4	14.1	14.6	14.7	14.9	15.5	15.3	14.1	14.6
Discretionary	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.6	5.5	6.1	5.8
Net interest	2.4	3.1	3.4	3.4	3.4	3.4	3.5	3.6	3.7	3.9	4.0	4.1	3.4	3.7
Total	**22.7**	**23.9**	**23.5**	**23.5**	**23.5**	**23.8**	**23.5**	**24.0**	**24.2**	**24.4**	**25.1**	**24.9**	**23.6**	**24.1**
On-budget	18.2	19.3	18.7	18.6	18.5	18.7	18.3	18.7	18.8	18.9	19.5	19.3	18.6	18.8
Off-budget[b]	4.5	4.6	4.8	4.9	5.0	5.1	5.2	5.3	5.4	5.5	5.6	5.6	5.0	5.3
Total deficit (-)[c]	**-6.3**	**-6.7**	**-6.5**	**-6.0**	**-5.5**	**-5.9**	**-5.7**	**-6.2**	**-6.2**	**-6.5**	**-7.1**	**-6.9**	**-5.9**	**-6.3**
On-budget	-6.2	-6.5	-6.1	-5.5	-4.9	-5.1	-4.8	-5.2	-5.1	-5.3	-5.9	-5.6	-5.3	-5.4
Off-budget[b]	-0.1	-0.3	-0.4	-0.5	-0.6	-0.7	-0.8	-0.9	-1.0	-1.1	-1.2	-1.3	-0.6	-0.9
Primary deficit (-)[c,d]	-3.8	-3.6	-3.1	-2.6	-2.1	-2.4	-2.2	-2.6	-2.5	-2.6	-3.1	-2.8	-2.5	-2.6
Debt held by the public	97.3	99.0	101.6	104.1	106.2	108.6	110.5	112.7	114.8	117.1	119.9	122.4	n.a.	n.a.

Data source: Congressional Budget Office. See www.cbo.gov/publication/60039#data.

GDP = gross domestic product; n.a. = not applicable.

a. Consists of excise taxes, remittances from the Federal Reserve System, customs duties, estate and gift taxes, and miscellaneous fees and fines.

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

c. When outlays exceed revenues, the result is a deficit. Values in this row were calculated by subtracting outlays from revenues; thus, negative values indicate deficits.

d. Primary deficits exclude net outlays for interest.

Table 1-2.

CBO's Baseline Projections of Outlays and Deficits, Adjusted to Exclude Effects of Timing Shifts

	Actual, 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
						In billions of dollars						
Adjustments to exclude effects of timing shifts[a]	-11	75	0	0	0	-117	117	0	0	0	-161	-15
Outlays, adjusted for timing shifts												
Mandatory	3,747	4,191	4,127	4,285	4,484	4,648	4,969	5,195	5,455	5,742	6,034	6,336
Discretionary	1,719	1,797	1,832	1,898	1,944	1,986	2,032	2,074	2,116	2,161	2,208	2,259
Net interest	658	892	1,016	1,061	1,084	1,136	1,199	1,278	1,373	1,484	1,594	1,710
Total	**6,123**	**6,880**	**6,975**	**7,244**	**7,512**	**7,770**	**8,199**	**8,547**	**8,944**	**9,387**	**9,837**	**10,305**
Total deficit (-), adjusted for timing shifts[b]	**-1,683**	**-1,990**	**-1,938**	**-1,851**	**-1,756**	**-1,826**	**-2,065**	**-2,193**	**-2,283**	**-2,487**	**-2,661**	**-2,846**
Primary deficit (-), adjusted for timing shifts[b,c]	-1,024	-1,098	-922	-790	-672	-690	-867	-915	-910	-1,004	-1,066	-1,136
						As a percentage of GDP						
Outlays, adjusted for timing shifts												
Mandatory	13.9	14.7	13.9	13.9	14.0	14.0	14.5	14.6	14.7	14.9	15.1	15.3
Discretionary	6.4	6.3	6.2	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.5
Net interest	2.4	3.1	3.4	3.4	3.4	3.4	3.5	3.6	3.7	3.9	4.0	4.1
Total	**22.7**	**24.2**	**23.5**	**23.5**	**23.5**	**23.5**	**23.9**	**24.0**	**24.2**	**24.4**	**24.7**	**24.9**
Total deficit (-), adjusted for timing shifts[b]	**-6.2**	**-7.0**	**-6.5**	**-6.0**	**-5.5**	**-5.5**	**-6.0**	**-6.2**	**-6.2**	**-6.5**	**-6.7**	**-6.9**
Primary deficit (-), adjusted for timing shifts[b,c]	-3.8	-3.9	-3.1	-2.6	-2.1	-2.1	-2.5	-2.6	-2.5	-2.6	-2.7	-2.7
Addendum:												
Baseline deficit (-), unadjusted												
In billions of dollars[b]	-1,694	-1,915	-1,938	-1,851	-1,756	-1,942	-1,949	-2,193	-2,283	-2,487	-2,822	-2,862
As a percentage of GDP[b]	-6.3	-6.7	-6.5	-6.0	-5.5	-5.9	-5.7	-6.2	-6.2	-6.5	-7.1	-6.9

Data source: Congressional Budget Office. See www.cbo.gov/publication/60039#data.

GDP = gross domestic product.

a. When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Those shifts primarily affect mandatory outlays; discretionary outlays are also affected but to a much lesser degree. Net interest outlays are not affected.

b. When outlays exceed revenues, the result is a deficit. Values in this row were calculated by subtracting outlays from revenues; thus, negative values indicate deficits.

c. Primary deficits exclude net outlays for interest.

Table 1-3.

CBO's Baseline Projections of Federal Debt

Billions of dollars

	Actual, 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Debt held by the public at the beginning of the year	24,253	26,236	28,178	30,188	32,118	33,949	35,960	37,965	40,198	42,508	45,014	47,819
Changes in debt held by the public												
Resulting from the deficit	1,694	1,915	1,938	1,851	1,756	1,942	1,949	2,193	2,283	2,487	2,822	2,862
Resulting from other means of financing[a]	288	27	72	79	75	69	57	40	27	19	-17	-16
Total	**1,982**	**1,942**	**2,010**	**1,930**	**1,831**	**2,011**	**2,006**	**2,233**	**2,310**	**2,506**	**2,805**	**2,845**
Debt held by the public at the end of the year												
In billions of dollars	**26,236**	**28,178**	**30,188**	**32,118**	**33,949**	**35,960**	**37,965**	**40,198**	**42,508**	**45,014**	**47,819**	**50,664**
As a percentage of GDP	**97.3**	**99.0**	**101.6**	**104.1**	**106.2**	**108.6**	**110.5**	**112.7**	**114.8**	**117.1**	**119.9**	**122.4**
Addendum:												
Federal financial assets[b]	2,203	2,230	2,302	2,381	2,456	2,525	2,581	2,621	2,648	2,667	2,649	2,633
Debt minus financial assets												
In billions of dollars	24,033	25,948	27,886	29,737	31,493	33,435	35,384	37,577	39,860	42,347	45,169	48,031
As a percentage of GDP	89.1	91.2	93.9	96.4	98.5	101.0	103.0	105.4	107.7	110.2	113.2	116.0
Federal Reserve's holdings of debt held by the public	4,958	4,406	4,482	4,958	5,476	6,038	6,621	7,171	7,679	8,194	8,714	9,245
Debt minus financial assets and the Federal Reserve's holdings												
In billions of dollars	19,080	21,542	23,404	24,779	26,017	27,397	28,763	30,406	32,181	34,153	36,456	38,786
As a percentage of GDP	70.7	75.7	78.8	80.3	81.4	82.7	83.7	85.3	86.9	88.9	91.4	93.7
Gross federal debt[c]	32,989	35,057	37,169	39,195	40,948	42,864	44,773	46,810	48,873	51,075	53,870	56,846
Debt subject to limit[d]	33,070	35,137	37,246	39,270	41,021	42,937	44,846	46,883	48,946	51,149	53,944	56,920
Average interest rate on debt held by the public (percent)	2.7	3.4	3.5	3.5	3.4	3.3	3.3	3.3	3.4	3.4	3.5	3.5

Data sources: Congressional Budget Office; Department of the Treasury. See www.cbo.gov/publication/60039#data.

GDP = gross domestic product.

a. Factors not included in budget totals that affect the government's need to borrow from the public. Those factors include changes in the government's cash balances and cash flows associated with federal credit programs, such as those related to student loans. (Only the subsidy costs of those programs are reflected in the budget deficit.)

b. The value of outstanding student loans and other credit transactions, cash balances, and various financial instruments.

c. Federal debt held by the public plus Treasury securities held by federal trust funds and other government accounts.

d. The amount of federal debt that is subject to the overall limit set in law. That measure of debt excludes debt issued by the Federal Financing Bank and reflects certain other adjustments that are excluded from gross federal debt. Currently, the statutory limit on the issuance of new federal debt is suspended through January 1, 2025. In the absence of any legislative action on the debt limit before the suspension ends, the amount of borrowing accumulated during the suspension will be added to the previous debt limit of $31.4 trillion. The Deficit Control Act requires CBO to project spending, revenues, and deficits independently of the debt limit. For more details, see Congressional Budget Office, *Federal Debt and the Statutory Limit, February 2023* (February 2023), www.cbo.gov/publication/58906.

Table 1-4.

CBO's Baseline Projections of Mandatory Outlays, Adjusted to Exclude Effects of Timing Shifts

Billions of dollars

	Actual, 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2029	Total 2025–2034
Social Security														
Old-Age and Survivors Insurance	1,198	1,298	1,389	1,477	1,561	1,652	1,745	1,841	1,940	2,040	2,140	2,242	7,823	18,026
Disability Insurance	150	154	161	171	180	186	193	200	207	215	224	236	891	1,973
Subtotal	1,348	1,452	1,549	1,647	1,741	1,838	1,938	2,041	2,147	2,255	2,364	2,478	8,714	19,999
Major health care programs														
Medicare[a,b]	1,009	1,089	1,145	1,219	1,306	1,395	1,492	1,600	1,718	1,842	1,997	2,149	6,557	15,863
Medicaid	616	607	600	614	642	680	717	756	796	838	886	933	3,254	7,462
Premium tax credits and related spending[c]	91	125	135	115	119	122	125	128	133	139	147	138	616	1,301
Children's Health Insurance Program	18	19	19	19	20	20	21	21	22	22	15	15	99	194
Subtotal	1,733	1,839	1,900	1,967	2,087	2,217	2,355	2,506	2,668	2,840	3,045	3,235	10,525	24,819
Income security programs														
Supplemental Nutrition Assistance Program	135	105	104	104	107	107	108	109	111	115	117	118	530	1,099
Earned income, child, and other tax credits[d]	144	99	122	97	83	84	85	86	86	87	87	88	471	905
Supplemental Security Income[a]	60	62	64	66	68	71	72	75	77	79	82	84	341	738
Unemployment compensation	30	36	39	43	46	49	51	52	54	56	58	59	229	508
Child nutrition	31	33	34	36	37	38	40	41	42	43	44	45	185	399
Family support and foster care[e]	49	45	37	36	36	37	37	37	38	38	39	39	183	373
Subtotal	448	379	401	381	378	386	393	400	407	418	425	432	1,939	4,022
Federal civilian and military retirement														
Civilian[f]	122	127	134	139	143	147	151	156	160	166	172	177	714	1,545
Military[a]	74	78	81	84	86	89	91	93	96	98	101	104	430	922
Subtotal	197	205	215	223	230	236	242	249	256	264	273	280	1,145	2,467
Veterans' programs														
Income security[a,g]	148	173	186	198	212	224	234	245	255	266	278	290	1,054	2,387
Toxic exposures fund[h]	1	11	21	36	35	38	41	46	51	55	60	64	171	446
Other[a,i]	19	16	17	17	18	18	19	19	20	21	21	21	88	190
Subtotal	168	200	224	251	264	280	294	310	325	342	359	375	1,312	3,024
Other programs														
Higher education	-183	175	24	26	26	26	27	27	28	29	29	30	129	272
Agriculture	26	31	25	22	23	24	24	22	22	22	22	22	118	227
Deposit insurance	91	45	-19	-28	-27	-95	-11	-12	-12	-13	-22	-14	-180	-253
MERHCF	12	12	12	13	14	14	15	16	16	17	18	18	69	154
Fannie Mae and Freddie Mac[j]	0	0	*	2	4	5	5	5	6	6	9	9	16	52
Pension Benefit Guaranty Corporation	40	12	-3	1	-3	-4	-4	-4	-4	-5	-5	-5	-13	-36
Education Stabilization Fund	45	45	16	5	0	0	0	0	0	0	0	0	21	21
Other	168	154	165	173	172	167	159	140	132	120	105	97	835	1,430
Subtotal	199	474	222	214	207	137	215	195	187	176	157	158	995	1,867
Mandatory outlays, excluding offsetting receipts	**4,091**	**4,549**	**4,509**	**4,683**	**4,906**	**5,094**	**5,437**	**5,699**	**5,990**	**6,295**	**6,624**	**6,959**	**24,630**	**56,197**

Continued

Table 1-4. Continued

CBO's Baseline Projections of Mandatory Outlays, Adjusted to Exclude Effects of Timing Shifts

Billions of dollars

	Actual, 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2029	Total 2025–2034
Offsetting receipts														
Medicare	-177	-185	-210	-221	-239	-258	-278	-302	-327	-354	-386	-414	-1,207	-2,990
Federal share of federal employees' retirement														
Civil service retirement and other	-55	-59	-62	-65	-67	-69	-71	-74	-76	-78	-80	-83	-334	-725
Military retirement	-27	-24	-22	-23	-23	-24	-25	-25	-26	-27	-27	-28	-116	-249
Social Security	-22	-23	-23	-24	-25	-26	-27	-27	-28	-29	-30	-31	-125	-271
Subtotal	-104	-106	-107	-111	-115	-119	-123	-126	-130	-134	-138	-142	-576	-1,245
Receipts related to natural resources	-20	-20	-20	-19	-19	-19	-19	-20	-20	-20	-20	-20	-97	-197
MERHCF	-10	-11	-11	-12	-13	-13	-14	-15	-15	-16	-17	-18	-64	-144
Fannie Mae and Freddie Mac[j]	-6	-6	0	0	0	0	0	0	0	0	0	0	0	0
Other	-27	-30	-33	-34	-36	-37	-35	-41	-42	-29	-29	-29	-175	-346
Total	**-345**	**-358**	**-382**	**-397**	**-422**	**-447**	**-469**	**-504**	**-535**	**-553**	**-590**	**-623**	**-2,117**	**-4,921**
Mandatory outlays, including offsetting receipts	**3,747**	**4,191**	**4,127**	**4,285**	**4,484**	**4,648**	**4,969**	**5,195**	**5,455**	**5,742**	**6,034**	**6,336**	**22,513**	**51,276**
Effects that timing shifts have on mandatory outlays in CBO's baseline projections														
Medicare	7	-45	0	0	0	78	-78	0	0	0	117	9	n.a.	n.a.
Supplemental Security Income	*	-5	0	0	0	6	-6	0	0	0	6	*	n.a.	n.a.
Military retirement	1	-6	0	0	0	7	-7	0	0	0	7	1	n.a.	n.a.
Veterans' income security	3	-13	0	0	0	19	-19	0	0	0	23	4	n.a.	n.a.
Veterans' other	*	-1	0	0	0	1	-1	0	0	0	1	*	n.a.	n.a.
Total	**11**	**-70**	**0**	**0**	**0**	**111**	**-111**	**0**	**0**	**0**	**155**	**15**	**n.a.**	**n.a.**
Mandatory outlays in CBO's baseline projections	**3,758**	**4,121**	**4,127**	**4,285**	**4,484**	**4,758**	**4,858**	**5,195**	**5,455**	**5,742**	**6,189**	**6,351**	**22,513**	**51,446**
Addendum:														
Outlays, net of offsetting receipts														
Medicare	832	903	935	998	1,067	1,137	1,214	1,298	1,390	1,488	1,611	1,735	5,351	12,873
Major health care programs	1,556	1,654	1,690	1,747	1,847	1,959	2,077	2,203	2,340	2,486	2,659	2,821	9,319	21,829

Data source: Congressional Budget Office. See www.cbo.gov/publication/60039#data.

Spending for benefit programs shown in this table generally excludes administrative costs, which are discretionary.

MERHCF = Department of Defense Medicare-Eligible Retiree Health Care Fund; n.a. = not applicable; * = between zero and $500 million.

a. When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays have been adjusted to remove the effects of those timing shifts.

b. Gross spending, excluding the effects of Medicare premiums and other offsetting receipts. (Net Medicare spending is shown in the addendum section.)

c. Spending to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and provided through the Basic Health Program and spending to stabilize premiums for health insurance purchased by individuals and small employers.

d. Includes outlays for the American Opportunity Tax Credit and other credits.

e. Includes Temporary Assistance for Needy Families, Child Support Enforcement, Child Care Entitlement to States, and other programs that benefit children.

f. Includes benefits for retirement programs in the civil service, foreign service, and Coast Guard; benefits for smaller retirement programs; and annuitants' health care benefits.

g. Includes veterans' compensation, pensions, and life insurance programs.

h. Provides funding for health care, claims processing, and certain other incidental expenses related to providing care to veterans exposed to toxic substances.

i. Primarily the GI Bill and similar education benefits.

j. Cash payments from Fannie Mae and Freddie Mac to the Treasury are recorded as offsetting receipts in 2023 and 2024. Beginning in 2025, CBO's estimates reflect the net lifetime costs—that is, the subsidy costs adjusted for market risk—of the guarantees that those entities will issue and of the loans that they will hold. CBO counts those costs as federal outlays in the year of issuance.

Table 1-5.

Key Projections in CBO's Baseline

Percentage of gross domestic product

			Annual Average	
	2024	2025	2026–2029	2030–2034
Revenues				
Individual income taxes	8.6	8.6	9.6	9.7
Payroll taxes	5.9	5.8	5.9	5.9
Corporate income taxes	1.8	1.6	1.4	1.2
Other[a]	0.8	0.9	0.9	1.1
Total revenues	**17.2**	**17.0**	**17.8**	**18.0**
Outlays				
Mandatory				
Social Security	5.1	5.2	5.5	5.9
Major health care programs[b,c]	5.8	5.7	5.9	6.5
Other[b]	3.8	3.0	2.8	2.6
Subtotal	14.7	13.9	14.1	15.0
Discretionary[b]	6.3	6.2	6.0	5.6
Net interest	3.1	3.4	3.4	3.9
Total outlays	**24.2**	**23.5**	**23.6**	**24.4**
Deficit(-)[d]	**-7.0**	**-6.5**	**-5.8**	**-6.5**
Debt held by the public at the end of the period	**99**	**102**	**111**	**122**
Addendum:				
Social Security				
Revenues[e]	4.6	4.5	4.6	4.6
Outlays[f]	5.1	5.2	5.5	5.9
Contribution to the deficit (-)[d,g]	-0.5	-0.7	-0.9	-1.2
Medicare				
Revenues[e]	1.5	1.5	1.5	1.6
Outlays[b,f]	3.8	3.9	4.2	4.8
Offsetting receipts	-0.7	-0.7	-0.8	-0.9
Contribution to the deficit (-)[d,g]	-1.7	-1.7	-1.9	-2.4
Gross domestic product at the end of the period (trillions of dollars)	28.5	29.7	34.3	41.4

Data source: Congressional Budget Office. See www.cbo.gov/publication/60039#data.

This table satisfies a requirement specified in section 3111 of S. Con. Res. 11, the Concurrent Resolution on the Budget for Fiscal Year 2016.

a. Consists of excise taxes, remittances from the Federal Reserve System, customs duties, estate and gift taxes, and miscellaneous fees and fines.

b. When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays have been adjusted to remove the effects of those timing shifts.

c. Consists of outlays for Medicare (net of premiums and other offsetting receipts), Medicaid, and the Children's Health Insurance Program, as well as subsidies for health insurance purchased through the marketplaces established under the Affordable Care Act and related spending.

d. When outlays exceed revenues, the result is a deficit. Values in this row were calculated by subtracting outlays from revenues; thus, negative values indicate deficits or contributions to deficits.

e. Includes payroll taxes other than those paid by the federal government on behalf of its employees; those payments are intragovernmental transactions. Also includes income taxes paid on Social Security benefits, which are credited to the trust funds.

f. Does not include outlays related to the administration of the program, which are discretionary. For Social Security, outlays do not include intragovernmental offsetting receipts stemming from the employer's share of payroll taxes paid to the Social Security trust funds by federal agencies on behalf of their employees.

g. The contribution to the deficit shown in this row differs from the change in the trust fund balance for the associated program. It does not include intragovernmental transactions, interest earned on balances, or outlays related to the administration of the program.

Table 1-6.

Changes in Discretionary Budget Authority From 2024 to 2025

Billions of dollars

	Enacted, 2024	Projected, 2025	Change	Percentage change
Defense				
Base funding[a]	886	911	25	2.8
Nonbase funding				
Emergency funding not subject to the caps[b]	*	*	0	0
Emergency funding resulting in cap adjustments[c]	67	69	2	2.4
Other nonbase funding	0	0	0	n.a.
Subtotal, nonbase funding	68	69	2	2.4
Effect of section 101 caps	0	-16	-16	n.a.
Subtotal, defense	954	964	11	1.1
Nondefense				
Base funding[a]	749	766	17	2.3
Nonbase funding				
Emergency funding not subject to the caps[b]	70	70	*	-0.3
Emergency funding resulting in cap adjustments[c]	56	58	1	2.4
Other nonbase funding	29	29	*	1.6
Subtotal, nonbase funding	155	157	2	1.0
Effect of section 101 caps	0	-55	-55	n.a.
Subtotal, nondefense	904	867	-36	-4.0
Total				
Base funding[a]	1,635	1,677	42	2.6
Nonbase funding				
Emergency funding not subject to the caps[b]	70	70	*	-0.3
Emergency funding resulting in cap adjustments[c]	124	127	3	2.4
Other nonbase funding	29	29	*	1.6
Subtotal, nonbase funding	223	226	3	1.5
Effect of section 101 caps	0	-71	-71	n.a.
Total	**1,858**	**1,832**	**-26**	**-1.4**
Addendum:				
Section 101 caps				
Defense	886	895	9	1.0
Nondefense	704	711	7	1.0
Section 102 caps				
Defense	850	850	0	0
Nondefense	736	736	0	0

Data source: Congressional Budget Office. See www.cbo.gov/publication/60039#data.

FRA = Fiscal Responsibility Act of 2023; n.a. = not applicable; * = between -$500 million and $500 million.

a. Consists of all discretionary appropriations except those that have been designated as an emergency requirement or for disaster assistance, certain program integrity activities (which identify and reduce overpayments in some benefit programs), certain fire suppression operations, certain funding for the Army Corps of Engineers, and programs designated in the 21st Century Cures Act. Funding in this category is subject to the caps established by sections 101 and 102 of the FRA.

b. Consists almost entirely of funding designated as an emergency requirement provided by division J of the Infrastructure Investment and Jobs Act, division B of the Bipartisan Safer Communities Act, and section 443 of division G of the Consolidated Appropriations Act, 2023. Section 103 of the FRA stipulated that such funding does not count toward the caps.

c. Consists of funding designated as an emergency requirement (in keeping with section 251 of the Deficit Control Act) that changes the level of the caps.

Chapter 2: The Economic Outlook

The Congressional Budget Office expects the economy to grow more slowly in calendar years 2024 and 2025 than it grew in 2023. Economic growth is then projected to average roughly 1.8 percent a year from 2026 to 2034. The rate of inflation jumped in the first quarter of 2024, after easing since late 2022. CBO projects that inflation will slow during the rest of 2024 and in 2025, reaching the Federal Reserve's target of 2 percent by 2026 and stabilizing thereafter. In response to that slowdown in inflation, the Federal Reserve is expected to begin reducing the federal funds rate in early 2025.[1]

CBO's economic projections reflect developments in the economy as of May 2, 2024. Like the agency's baseline budget projections, they also incorporate the assumption that current laws governing federal taxes and spending generally remain in place throughout the 2024–2034 projection period.

Gross Domestic Product and Its Components

The output of the U.S. economy—as measured by the nation's gross domestic product (GDP)—grew by 3.1 percent in 2023 in real terms (that is, adjusted to remove the effects of inflation).[2] In CBO's projections, the growth of real GDP weakens to 2.0 percent this year, as the growth of consumer spending slows and as the growth rate of imports rises relative to the growth rate of domestic demand (signifying that foreign production is fulfilling a larger share of the increase in domestic demand than it did last year).[3] Economic output is projected to grow by 2.0 percent in 2025 and by 1.8 percent in 2026 (see Table 2-1 on page 35). The projected growth of output is restrained in 2026 by higher tax rates, which, under current law, would result from the scheduled expiration of certain provisions of the 2017 tax act (Public Law 115-97).

CBO's economic projections for 2024 to 2026 depend on expected changes in aggregate demand for goods and services. Those changes in aggregate demand reflect changes in the components used to measure real GDP, which include spending by consumers, businesses, and governments as well as exports and imports:

- **Consumer spending** drove stronger-than-expected economic growth in late 2023 and early 2024. The growth of consumer spending is projected to moderate over the next three years because of tight credit conditions and weaker growth of wages (although recent increases in wealth continue to support consumer spending, especially by high-income households). The growth rate of real consumer spending is projected to fall from 2.7 percent in 2023 to 1.3 percent in 2026 (see Table 2-2 on page 36).
- The growth rate of real **nonresidential fixed investment** (also known as business fixed investment, which includes businesses' purchases of equipment, structures, and intellectual property products, such as software) is projected to fall from 4.6 percent in 2023 to 3.0 percent in 2024 because of declining investment in nonresidential structures. Nonresidential fixed investment will continue to grow by 3.0 percent in 2025 and then stabilize at a slower annual growth rate as the growth of GDP moderates, CBO projects.
- The growth rate of real **residential investment** (which includes home construction, renovations, and brokers' commissions) is expected to rise from 6.2 percent in 2024 to an average of 9.3 percent a year in 2025 and 2026. Recent increases in immigration and projected declines in mortgage interest rates are expected to boost the demand for housing during those years. After 2026, the growth of real residential investment is projected to slow.

1. The federal funds rate is the interest rate that financial institutions charge each other for overnight loans of their monetary reserves. That rate affects interest rates throughout the economy.

2. Unless this report indicates otherwise, annual growth rates are measured from the fourth quarter of one calendar year to the fourth quarter of the next year.

3. Domestic demand is demand for goods and services by U.S. consumers, businesses, and governments.

- Under current law, combined **purchases by federal, state, and local governments** will provide a small positive contribution to economic growth throughout the 2024–2034 period, CBO projects.
- **Exports** are expected to grow more strongly over the next three years than they did last year, averaging 2.6 percent annual growth from 2025 to 2027, compared with 1.8 percent in 2023. That faster growth results from stronger projected economic growth among the United States' major trading partners and a weaker exchange value of the U.S. dollar.
- After shrinking by 0.1 percent in 2023, **imports** are projected to grow by 3.8 percent this year as businesses expand their inventories and increase their demand for capital goods (such as computers, semiconductors, and industrial equipment). After 2024, the growth of imports is projected to slow.[4]

After 2026, the annual growth of real GDP is projected to remain roughly stable at about 1.8 percent through 2034. That outlook for real GDP in the later years of the projection period is determined mainly by CBO's assessment of key inputs to potential GDP (the maximum sustainable output of the economy). Those inputs include the potential number of workers in the labor force, the flow of productive services from the nation's stock of capital assets (such as capital goods, software, and factories), and the potential productivity of labor and capital.

In CBO's projections, real potential GDP grows at an average rate of 2.1 percent a year from 2024 to 2029—slightly higher than the average rate since the business cycle peak in 2007—and then slows to an average growth rate of 1.8 percent a year from 2030 to 2034. The higher projected growth rate of potential GDP over the next five years stems mostly from rapid growth in the potential labor force, which reflects a higher rate of net immigration from 2021 to 2026 than in earlier years.[5]

The productivity of the potential labor force (which equals real potential GDP divided by the size of the potential labor force) is projected to grow by an average of 1.3 percent a year from 2024 to 2029 and 1.5 percent a year from 2030 to 2034. Potential labor force productivity grows more rapidly later in the projection period because of a combination of factors, including those related to the surge in net immigration from 2021 to 2026. (For a discussion of the economic effects of the immigration surge, see Box 2-1.)

In CBO's projections, real GDP grows more slowly than real potential GDP through 2032 as the growth of aggregate demand for goods and services is weaker than the growth of aggregate supply (the total productive capacity of the economy). The output gap—the difference between actual and potential GDP, expressed as a percentage of potential GDP—is projected to narrow to –0.5 percent by the end of 2032 and remain at that percentage thereafter, consistent with the long-term relationship between actual and potential output. In 2033 and 2034, both real GDP and real potential GDP are projected to grow by an average of 1.8 percent a year.

Inflation

The rate at which overall prices rise each year is projected to slow slightly in 2024, even though prices surged in the first quarter of the year. The Federal Reserve's preferred measure of inflation—the growth rate of the price index for personal consumption expenditures (PCE)—declined from 5.9 percent in 2022 to 2.8 percent for 2023 as a whole and to an annualized rate of 1.8 percent in the fourth quarter of 2023. However, in the first quarter of 2024, the PCE price index rose at an annualized rate of 3.3 percent. That uptick in inflation was attributable to strong growth in the prices of many services in the first quarter of the year. CBO projects that PCE inflation will fall to 2.7 percent for 2024 as a whole as inflationary pressures ease over the rest of this year.

The rate of inflation is projected to be slightly lower in 2024 than it was in 2023 for three main reasons:

- Supply chains have largely recovered from the problems they faced during the coronavirus pandemic, in CBO's estimation. The effects of that recovery will continue to relieve upward pressure on prices for goods this year.
- A projected rise in unemployment in 2024 (described later in this chapter) will put downward pressure on the growth of wages.

4. After CBO completed its economic forecast, the U.S. government increased tariff rates on imports of certain products from China, such as electric vehicles, semiconductors, and medical supplies. The effects of those increases are not reflected in CBO's economic projections.

5. The potential labor force is CBO's estimate of how big the labor force would be if economic output and other key variables were at their maximum sustainable amounts. Since 2008, the potential labor force has grown by 0.6 percent a year, on average. CBO projects that it will grow at an average annual rate of 0.8 percent from 2024 to 2029 and 0.4 percent from 2030 to 2034.

- Higher long-term interest rates in 2024 will put downward pressure on some types of prices, such as the prices of shelter services, motor vehicles, and home furnishings, CBO estimates.[6] (The rapid growth in the prices of shelter services began gradually easing in the second half of 2023.)

The factors pushing down inflation in 2024 are projected to be partly offset by upward price pressure from certain categories of services, such as insurance services and in-person services (including restaurant meals and lodging away from home).

CBO projects that inflation will continue to slow after 2024, eventually stabilizing near the Federal Reserve's long-term target of 2 percent a year. In CBO's projections, the growth rate of the overall PCE price index declines to 2.1 percent in 2025 and to 1.9 percent in 2026 and remains roughly steady thereafter. The growth rate of the core PCE price index, which excludes prices for food and energy, falls from 3.0 percent in 2024 to 2.0 percent by 2027. The overall PCE price index is projected to grow more slowly than the core PCE index this year because food and energy prices are expected to grow more slowly than the core index. Overall and core inflation as measured by the consumer price index for all urban consumers (CPI-U) are also projected to slow after 2024.

Interest Rates

Interest rates on short-term Treasury securities are expected to remain stable through the fourth quarter of 2024, decline gradually through the fourth quarter of 2028, and hold steady thereafter. CBO expects that after keeping the federal funds rate at 5.3 percent through the end of 2024, the Federal Reserve will begin reducing that rate in the first quarter of 2025 in response to a continued slowdown in inflation and rise in unemployment.[7] The federal funds rate is projected to fall to 3.0 percent by the fourth quarter of 2028 and remain steady in later years. Interest rates on short-term Treasury securities, such as 3-month Treasury bills, are expected to move largely in concert with changes to the federal funds rate.

Long-term interest rates are typically higher than short-term interest rates, but that has not been the case since early 2023. CBO projects that interest rates on long-term Treasury securities, such as 10-year Treasury notes, will decline more slowly than interest rates on short-term Treasury securities from 2024 to 2026, reducing the positive gap between short-term and long-term rates. In CBO's projections, the rate on 10-year Treasury notes declines by 0.8 percentage points between the fourth quarter of 2023 and the fourth quarter of 2026 (from 4.4 percent to 3.6 percent), while the rate on 3-month Treasury bills falls by 2.0 percentage points. CBO expects the labor market to weaken gradually throughout that period, causing the gap between short-term and long-term rates to shrink.

After 2026, the interest rate on 10-year Treasury notes is projected to rise gradually, reaching 4.1 percent by 2034. That figure is consistent with the average spread between long-term and short-term rates over the past four decades.

The Labor Market

Conditions in the labor market are expected to soften in the near term as the demand for goods and services grows more slowly than the domestic supply of goods and services. In CBO's projections, the growth of employment wanes through 2027, and the growth of wages also slows. Employment, nominal labor compensation, and wages grow more slowly after 2029 than they do in the near term. The unemployment rate rises through early 2030 and then gradually declines through 2034.

The growth rate of the labor force is projected to decrease in 2024, increase in 2025, and then moderate after that.[8] That assessment represents the net impact of factors that have opposite effects on the size of the labor force. The surge in immigration that began in 2021 and is projected

6. Shelter services, as defined by the Bureau of Labor Statistics, measure the flow of housing services that housing units provide to their occupants. The prices of such services are a component of inflation as measured by the PCE price index, whereas home prices are not included in that index.

7. The Federal Reserve sets a target range for the federal funds rate that is 0.25 percentage points (25 basis points) wide. In this report, the term "federal funds rate" refers to the effective federal funds rate, an interest rate that the Federal Reserve calculates as a volume-weighted median of rates on overnight federal funds transactions.

8. The labor force consists of people age 16 or older in the civilian noninstitutionalized population who have jobs or who are unemployed (available for work and either seeking work or expecting to be recalled from a temporary layoff). The unemployment rate is the percentage of the labor force that is unemployed. The labor force participation rate is the percentage of the civilian noninstitutionalized population age 16 or older that is in the labor force.

Box 2-1.

Economic Effects of the Surge in Immigration

The number of people entering the United States has increased sharply in recent years, and it remains at unusually high levels for the next few years in the Congressional Budget Office's projections.[1] Most of that increase comes not from temporary foreign workers or lawful permanent residents but from a category that CBO calls "other foreign nationals."[2] In that category, net immigration (the number of people who migrate to the United States minus the number who leave) swelled from a historical rate of about 200,000 people per year to 1.9 million in 2022 and 2.4 million in 2023, CBO estimates. Net immigration of other foreign nationals is projected to total 2.4 million again in 2024, decline in 2025 and 2026, and return to the historical rate after 2026. That projection is subject to a great deal of uncertainty.

To analyze the effects of the immigration surge on the economy, CBO examined the differences between its baseline economic forecast and a hypothetical (counterfactual) forecast of what the economy would have looked like from 2021 to 2034 if net immigration of other foreign nationals totaled 200,000 people per year. The differences between those forecasts indicate that the immigration surge is projected to increase the nation's nominal gross domestic product (GDP) by $8.9 trillion, or 2.4 percent, over the 2024–2034 period covered by CBO's baseline. The surge is also projected to cause interest rates to be roughly 0.1 percentage point higher in 2034 than they would be without the surge. Those increases in GDP and interest rates are key drivers of projected increases in federal revenues and spending (see Box 1-1 on page 12).[3]

Why GDP Increases

CBO estimated the contributions to the increase in nominal GDP from five sources: the size of the population, participation in the labor force, the composition of employment, innovation-related productivity, and transitory factors.[4]

Size of the Population. Increases in the total population account for most of the increase in GDP, boosting nominal GDP by $7.8 trillion over the 2024–2034 period in CBO's projections.[5] That estimate accounts only for the additional number of people in the United States because of the immigration surge. CBO evaluated how those additional people would affect the economy if they had the same characteristics, on average, as the U.S. population as a whole in the absence of the surge.

Labor Force Participation. Differences in rates of participation in the labor force boost nominal GDP by $1.5 trillion from 2024 to 2034 in CBO's projections. That estimate accounts for how labor force participation differs between people in the immigration surge and the population as a whole, on average, because of differences between those groups in age, sex, and participation rates by age and sex.

Compared with the U.S. population as a whole, people who are part of the immigration surge are more likely to be male and concentrated in age groups that have higher rates of labor force participation. For example, most of the immigrants in the surge are under age 55 when they enter the United States. In addition, different participation rates by age and sex affect the size of the labor force. For instance, men over age 30 in the surge have higher labor force participation rates than the average for that age group in the population as a whole. Women who are part of the immigration surge, by contrast, have lower-than-average participation rates. For each cohort of immigrants in the surge, labor force participation increases significantly in the first nine months after their arrival, CBO

1. Congressional Budget Office, *The Demographic Outlook: 2024 to 2034* (January 2024), p. 6, www.cbo.gov/publication/59697. The population projections used in this analysis are the same as those published in January. CBO has not analyzed the effects of the executive action affecting immigration that was signed on June 4, 2024.

2. That category includes people who entered the United States illegally and have not obtained a permanent legal status, people who were allowed to enter the country lawfully through the use of parole authority and who may be awaiting proceedings in immigration court, and people who previously resided in the United States legally in a temporary status but who remained in the country after that legal status expired.

3. For more details about the budgetary and economic impact of the surge, see Congressional Budget Office, *Effects of the Immigration Surge on the Federal Budget and the Economy* (forthcoming).

4. The labor force consists of people age 16 or older in the civilian noninstitutionalized population who have jobs or who are unemployed (available for work and either seeking work or expecting to be recalled from a temporary layoff). The labor force participation rate is the percentage of the civilian noninstitutionalized population age 16 or older that is in the labor force.

5. That estimate and those related to labor force participation, the composition of employment, and productivity add up to the total effect of the surge on nominal potential GDP (the maximum sustainable output of the economy). The estimates include an associated effect on capital services, which are a component of potential output. (Capital services are the services provided by capital assets, such as equipment, software, factories, and homes.) CBO determined that effect by taking the total increase in capital services' contribution to potential output and allocating it proportionally among those four contributors to the increase in nominal GDP.

Continued

Box 2-1. Continued

Economic Effects of the Surge in Immigration

estimates. (About half of immigrants in the surge receive work authorization, which occurs an average of about six months after they enter the United States; other immigrants may work without authorization.)

Composition of Employment. Changes in the composition of employment reduce nominal GDP by $1.1 trillion from 2024 to 2034 in CBO's projections. That estimate accounts for how people in the surge differ from the average population in terms of education levels and experience working in the U.S. labor market (consistent with differences in their occupations and industries). On average, immigrants in the surge have less education when they arrive in the United States than U.S. workers. They also work roughly an average number of hours in sectors of the economy that pay lower-than-average wages.

Increases in the supply of workers put downward pressure on wages, particularly for people with 12 or fewer years of education. That downward pressure is stronger for immigrants in the surge than for other workers, such as U.S. citizens, because immigrants have a weaker bargaining position when negotiating with employers. An increase in workers with less education also increases the demand for more-educated people to work with them. For workers who have more than 12 years of education, the resulting upward pressure on wages roughly offsets the downward pressure that stems from a greater supply of workers.

The effects of the surge on wages because of changes in the composition of employment evolve over time. As immigrants in the surge gain more experience working in the United States, it takes an average of eight years for their wages to rise to the average for people with their education level in the population as a whole, CBO estimates.

Productivity. Innovation-related changes in potential total factor productivity (TFP) boost nominal GDP by $0.6 trillion over the 2024–2034 period in CBO's projections. (Potential TFP is the average real output per unit of combined labor and capital services, excluding the effects of business cycles.) That estimate accounts only for the effect on TFP of workers in the surge who are in the fields of science, technology, engineering, or mathematics. CBO estimates that 3 percent of people in the immigration surge will be employed in those fields. On the basis of the research literature on the relationship between immigration, rates of innovation, and economic growth, CBO estimates that such immigrants will begin contributing to innovation-related activity shortly after their arrival, and their innovations will have the greatest effect on economic growth between 5 years and 15 years after their arrival.[6]

The effect of innovation on potential TFP is more than offset in the early years of the surge by increases in employment in sectors of the economy that have relatively low productivity, such as services. On net, the increases in TFP raise hourly wages for all groups of workers in the long term, more than offsetting short-term reductions in wages for some groups.

Transitory Factors. Various transitory factors related to the immigration surge have the net effect of increasing nominal GDP by $0.1 trillion over the 2024–2034 period in CBO's projections. That figure accounts for the difference between the surge's estimated effects on actual GDP and on potential GDP. It reflects factors such as a temporary boost in residential investment caused by an increased demand for housing.

Why Interest Rates Increase

On average, interest rates on all types of Treasury securities are higher from 2021 to 2034 because of the immigration surge than they would be otherwise. Three main factors resulting from the surge—faster growth of the labor force, faster growth of TFP, and greater demand for residential investment—boost the rate of return on capital and put upward pressure on interest rates.

From 2024 to 2034, that upward pressure exceeds the downward pressure on interest rates from a reduction in federal debt as a percentage of GDP. (Debt is projected to be smaller relative to GDP with the immigration surge than it would be without the surge because of output-related increases in revenues that exceed increases in spending and because of greater GDP.) In later years, by contrast, the downward pressure from reduced federal debt exceeds the upward pressure from a higher rate of return on capital, and interest rates are lower than they would be in the absence of the surge.

6. For examples of the research literature underlying those estimates, see Shai Bernstein and others, *The Contribution of High-Skilled Immigrants to Innovation in the United States*, Working Paper 30797 (National Bureau of Economic Research, December 2022), www.nber.org/papers/w30797; Marta Prato, *The Global Race for Talent: Brain Drain, Knowledge Transfer, and Growth* (SSRN, November 2022), https://doi.org/10.2139/ssrn.4287268; and Leonid Kogan and others, "Technological Innovation, Resource Allocation, and Growth," *Quarterly Journal of Economics*, vol. 132, no. 2 (May 2017), pp. 665–712, https://doi.org/10.1093/qje/qjw040.

to continue through 2026 is expected to expand the labor force over the entire 2024–2034 period. Two other factors are expected to shrink the labor force during that period. First, the rate of labor force participation is projected to decline because of slowing demand for workers and the rising average age of the population (referred to as the aging of the population). Second, increases in tax rates on individual income (after provisions of the 2017 tax act expire at the end of 2025) are projected to cause some people to leave the labor force. In CBO's projections, those two factors are more than offset by faster population growth during the 2024–2034 period, mainly because of increased immigration.

Employment

The growth of nonfarm payroll employment is projected to decline gradually from 2024 to 2029 as real output grows more slowly than potential output and as the growth of the labor force slows in 2026. In CBO's projections, nonfarm payroll employment increases at a net rate of 96,000 jobs per month, on average, through 2029.

The growth of employment is projected to slow down further after 2029 with the projected end of the surge in immigration. In CBO's projections, nonfarm payroll employment increases at a net rate of 52,000 jobs per month, on average, from 2030 to 2034. In CBO's estimation, the aging of the population and reduced levels of net immigration will cause the labor force to expand more slowly from 2030 to 2034 than during the first six years of the projection period.

Unemployment

The unemployment rate, which was 3.8 percent in the first quarter of 2024, is projected to rise gradually for the next several years as the growth of real economic output slows. In CBO's projections, the unemployment rate ticks up to 4.0 percent by the end of 2025 and then rises to 4.5 percent by early 2030. From the middle of 2030 to 2034, the unemployment rate declines slightly—in line with the projected decline during that period in the noncyclical rate of unemployment (the rate of unemployment resulting from all sources except changes in aggregate demand). That decline reflects a continuing shift in the composition of the workforce toward older workers, who tend to have lower rates of unemployment (when they participate in the labor force), and away from less educated workers, who tend to have higher rates of unemployment.

Hourly Wages and Salaries

In CBO's projections, slowing demand for labor and declining inflation restrain the growth of nominal wages. CBO expects the employment cost index for wages and salaries of workers in private industry—a measure of the hourly price of labor, excluding fringe benefits—to grow by 4.0 percent in 2024, down from 4.3 percent in 2023. Wage growth is projected to continue slowing gradually through 2029 but remain above 2.7 percent, its annual average during the five years before the pandemic (2015 to 2019).

In the second half of the projection period, real compensation per hour in the nonfarm business sector—a useful gauge of longer-term trends in labor costs—is projected to grow at an average rate of 1.6 percent a year from 2030 to 2034. That rate is close to the projected average growth rate of labor productivity in the nonfarm business sector during that period.

Income

The growth of employee compensation is projected to slow from 2024 to 2026 because of declines in labor force participation, increases in unemployment, and slowdowns in the growth of wages. From 2027 to 2029, employee compensation is projected to grow at a roughly flat rate. However, GDP is expected to grow more slowly than compensation during the 2024–2029 period. As a result, labor income is projected to increase as a percentage of GDP, from 55.6 percent at the beginning of 2024 to 57.1 percent by the end of 2029.

From 2030 to 2034, labor income is projected to remain stable as a percentage of GDP, averaging 57.2 percent. That figure is below labor income's average percentage of GDP from 1947 to 2000 (60.4 percent) because some factors that have depressed labor income relative to GDP since 2000 are expected to persist in the coming decade. Those factors include globalization, which has tended to move the production of labor-intensive goods and services to countries with lower labor costs, and technological change, which appears to have increased returns on capital more than returns on labor.

In CBO's projections, wages and salaries as a percentage of GDP follow roughly the same pattern as labor income, rising from 43.0 percent in early 2024 to 43.9 percent at the end of 2029. Thereafter, wages and salaries are projected to decline gradually as a percentage of GDP, reaching 43.8 percent at the end of 2034.

Domestic corporate profits as a percentage of GDP are expected to decline over the next decade as interest payments and wage costs erode companies' profit margins. CBO projects that domestic corporate profits will fall from 10.1 percent of GDP in early 2024 to 9.1 percent by the end of 2029 because of increases in interest payments and employee compensation. From 2030 to 2034, domestic corporate profits are projected to stay relatively stable as a percentage of GDP, averaging 9.0 percent, close to their average over the past few decades.

Uncertainty About the Economic Outlook

Even if the federal policies specified in current law do not change significantly, economic outcomes will probably differ from CBO's projections. CBO constructs its economic forecast to fall in the middle of the range of outcomes given the tax and spending policies embodied in current law and the economic data available. That forecast is subject to a large amount of uncertainty about such factors as economic growth, the strength of the labor market, net immigration, increases in prices and wages, credit conditions and asset prices, productivity growth, interest rates and the Federal Reserve's monetary policy, developments outside the United States, and the effects of previously enacted legislation. Other sources of uncertainty include rare, hard-to-predict events that would have significant economic consequences, such as wars, pandemics, natural disasters, and financial crises.

One key source of uncertainty about CBO's current forecast is the agency's projection of consumer demand. The slowdown in consumer spending that CBO is projecting could occur sooner or later than expected, depending on how much savings consumers have remaining from the pandemic. That slowdown could also be more or less severe than CBO projects. Consumer spending is a large component of domestic output, so changes in it have similarly large effects on the growth of overall output.

Comparison With CBO's February 2024 Economic Projections

Since February, when CBO published its previous economic forecast, the agency has revised its projections for 2024 and the next few years much more than it has for the later years of the projection period (see Table 2-3 on page 37).[9]

Revisions to the economic forecast for 2024 were driven by stronger-than-expected growth in output in the second half of 2023 and early 2024 and by a jump in inflation in early 2024. Compared with its previous forecast, CBO now projects the following for 2024:

- Stronger growth of real GDP (2.0 percent, versus 1.5 percent in the February forecast),
- Higher inflation as measured by the PCE price index (2.7 percent, versus 2.1 percent in February),
- No decline in the federal funds rate this year (versus the previous projection of three rate cuts of 0.25 percentage points each in 2024), and
- A lower unemployment rate (3.9 percent, versus 4.2 percent in February).

Beyond this year, the differences between CBO's current and previous economic projections are generally smaller. Compared with its previous forecast, CBO now projects the following for the 2025–2034 period:

- Slightly slower growth of real GDP through 2030 (but roughly similar growth thereafter);
- A similar path for inflation;
- A higher federal funds rate in 2025 (the difference between the current and previous forecasts for the federal funds rate disappears by 2031); and
- A lower unemployment rate in 2025 (the gap between the current and previous forecasts for the unemployment rate largely disappears by 2027).

CBO has also revised its projections of income and interest payments. Labor income as a percentage of GDP is now projected to be slightly smaller from 2024 to 2027 than CBO projected in February (and roughly the same as in the previous forecast thereafter). Corporate profits as a percentage of GDP, by contrast, are now projected to be larger, on average, over the 2024–2034 period than previously forecast. In addition, CBO has lowered its estimates of mortgage interest payments. Those payments are now projected to average 2.3 percent of GDP over the 2024–2034 period, down from 2.7 percent in the February forecast.

Comparison With Other Economic Projections

CBO's current economic forecast is similar to the latest *Blue Chip* consensus (an average of more than 40 sets of projections by private-sector economists), the May 2024

9. CBO's previous economic projections appeared in Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), www.cbo.gov/publication/59710.

Survey of Professional Forecasters, and most forecasts by Federal Reserve officials (as reported at the June 2024 meeting of the Federal Open Market Committee).[10] CBO is projecting higher interest rates on 10-year Treasury notes in 2024 and on 3-month Treasury bills in 2025 than most *Blue Chip* forecasters, as well as a higher growth rate of real GDP in 2024. For most other economic variables, CBO's forecast is very similar to the value in the middle of the *Blue Chip* forecasts. CBO's forecast for interest rates in the near term tends to be higher than most of the projections in the *Survey of Professional Forecasters*, whereas CBO's projection for overall PCE inflation in later years is slightly lower.

CBO's forecast for the unemployment rate is lower than those of most Federal Reserve officials in 2024 but is higher than those forecasts in the longer term. CBO's forecast for PCE inflation is lower than Federal Reserve officials' in 2025 and 2026. In addition, CBO projects a higher federal funds rate in 2025 than most Federal Reserve officials do.

One reason for such differences is that other forecasters' projections may reflect an expectation that additional legislation will be enacted, whereas CBO's projections reflect the assumption that current laws generally remain unchanged. Other possible sources of differences between projections include differences in the economic data available when forecasts were completed and differences in the economic and statistical models used.

10. Wolters Kluwer, *Blue Chip Economic Indicators*, vol. 49, no. 6 (June 10, 2024); Federal Reserve Bank of Philadelphia, *Survey of Professional Forecasters: Second Quarter 2024* (May 10, 2024), https://tinyurl.com/4pc5fyed; and Board of Governors of the Federal Reserve System, *Summary of Economic Projections*, "Table 1. Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents, Under Their Individual Assumptions of Projected Appropriate Monetary Policy, June 2024" (June 12, 2024), p. 2, https://tinyurl.com/47dhtjjh. For a detailed comparison of CBO's current projections and those other economic forecasts, see the supplemental figures posted with this report at www.cbo.gov/publication/60039#data.

Table 2-1.

CBO's Economic Projections for Calendar Years 2024 to 2034

Percent

	Actual, 2023	2024	2025	2026	Annual average 2027–2028	Annual average 2029–2034
	Change from fourth quarter to fourth quarter					
Gross domestic product						
Real[a]	3.1	2.0	2.0	1.8	1.7	1.8
Nominal	5.9	4.6	4.1	3.6	3.6	3.8
Inflation						
PCE price index	2.8	2.7	2.1	1.9	1.9	2.0
Core PCE price index[b]	3.2	3.0	2.3	2.1	2.0	2.0
Consumer price index[c]	3.2	3.0	2.3	2.2	2.2	2.2
Core consumer price index[b]	4.0	3.4	2.5	2.3	2.3	2.2
GDP price index	2.6	2.6	2.0	1.8	1.8	2.0
Employment cost index[d]	4.3	4.0	3.5	3.3	3.1	3.0
Payroll employment (net monthly change, in thousands)[e]	245	195	130	78	60	52
	Fourth-quarter level					
Unemployment rate	3.7	3.9	4.0	4.2	4.4[f]	4.4[g]
	Change from year to year					
Gross domestic product						
Real[a]	2.5	2.6	2.1	1.8	1.7	1.8
Nominal	6.3	5.2	4.2	3.7	3.6	3.8
Inflation						
PCE price index	3.7	2.7	2.2	2.0	1.9	2.0
Core PCE price index[b]	4.1	2.9	2.4	2.1	2.0	2.0
Consumer price index[c]	4.1	3.2	2.4	2.2	2.2	2.2
Core consumer price index[b]	4.8	3.6	2.7	2.4	2.3	2.3
GDP price index	3.6	2.6	2.1	1.9	1.8	2.0
Employment cost index[d]	4.6	4.1	3.7	3.4	3.2	3.0
	Annual average					
Unemployment rate	3.6	3.9	4.0	4.2	4.4	4.5
Interest rates						
Effective federal funds rate[h]	5.0	5.3	4.8	3.8	3.1	3.0
3-month Treasury bills	5.1	5.2	4.5	3.6	2.9	2.8
10-year Treasury notes	4.0	4.5	4.1	3.7	3.6	4.0
Tax bases (percentage of GDP)						
Wages and salaries	43.2	43.3	43.5	43.7	43.8	43.9
Domestic corporate profits[i]	10.0	10.2	10.1	9.8	9.4	9.0
Current account balance (percentage of GDP)[j]	-3.0	-3.4	-3.5	-3.4	-3.2	-3.2

Data sources: Congressional Budget Office; Bureau of Economic Analysis; Bureau of Labor Statistics; Federal Reserve. See www.cbo.gov/publication/60039#data.

GDP = gross domestic product; PCE = personal consumption expenditures.

a. Real values are nominal values that have been adjusted to remove the effects of changes in prices.

b. Excludes prices for food and energy.

c. The consumer price index for all urban consumers.

d. The employment cost index for wages and salaries of workers in private industry.

e. The average monthly change is calculated by dividing by 12 the net change in nonfarm payrolls from the fourth quarter of one calendar year to the fourth quarter of the next year.

f. Value for the fourth quarter of 2028.

g. Value for the fourth quarter of 2034.

h. The median interest rate that financial institutions charge each other for overnight loans of their monetary reserves, weighted by loan volume.

i. Adjusted to exclude the effects of tax rules on depreciation allowances and the effects of changes in prices on the value of inventories.

j. Represents net exports of goods and services, net capital income, and net transfer payments between the United States and the rest of the world.

Table 2-2.

Projected Growth of Real GDP and Its Components

					Annual average	
	Actual, 2023	2024	2025	2026	2027–2028	2029–2034
	Change from fourth quarter to fourth quarter (percent)					
Real GDP	3.1	2.0	2.0	1.8	1.7	1.8
Components of real GDP						
Consumer spending	2.7	2.5	1.5	1.3	1.7	2.2
Business fixed investment[a]	4.6	3.0	3.0	2.6	2.3	2.4
Residential investment[b]	0.4	6.2	9.9	8.7	2.0	-1.1
Purchases by federal, state, and local governments[c]	4.6	0.1	1.3	0.9	0.4	0.3
Federal	3.9	-1.9	2.0	0.9	0.3	0.2
State and local	5.1	1.2	0.9	0.8	0.5	0.4
Exports	1.8	1.5	3.3	2.9	2.8	2.1
Imports	-0.1	3.8	2.7	1.9	1.4	1.9
Addendum:						
Inventory investment (billions of 2017 dollars)[d]	-97.0	3.2	1.1	-8.0	1.5	-0.9
	Contributions to the growth of real GDP (percentage points)					
Components of real GDP						
Consumer spending	1.9	1.7	1.0	0.9	1.1	1.5
Business fixed investment[a]	0.6	0.4	0.4	0.3	0.3	0.3
Residential investment[b]	*	0.2	0.4	0.4	0.1	*
Purchases by federal, state, and local governments[c]	0.8	*	0.2	0.1	0.1	*
Federal	0.3	-0.1	0.1	0.1	*	*
State and local	0.5	0.1	0.1	0.1	0.1	*
Exports	0.2	0.2	0.3	0.3	0.3	0.2
Imports	*	-0.5	-0.4	-0.3	-0.2	-0.2
Inventory investment[d]	-0.5	*	*	*	*	*

Data source: Congressional Budget Office. See www.cbo.gov/publication/60039#data.

Real values are nominal values that have been adjusted to remove the effects of changes in prices.

Data are annual. Changes are measured from the fourth quarter of one calendar year to the fourth quarter of the next year.

GDP = gross domestic product; * = between -0.05 and 0.05 percentage points.

a. Purchases of new equipment, nonresidential structures, and intellectual property products (such as software) by private companies and nonprofit institutions.

b. Construction of single-family and multifamily structures, manufactured homes, and dormitories; spending on home improvements; and brokers' commissions and other ownership-transfer costs.

c. Based on the national income and product accounts.

d. The change in private inventories.

Table 2-3.

CBO's Current and Previous Economic Projections for Calendar Years 2024 to 2034

Percent

	2024	2025	2026	Annual average 2024–2028	Annual average 2029–2034	Annual average Overall, 2024–2034
	Change from fourth quarter to fourth quarter					
Real GDP[a]						
June 2024	2.0	2.0	1.8	1.9	1.8	1.8
February 2024	1.5	2.2	2.2	2.0	1.9	2.0
Nominal GDP						
June 2024	4.6	4.1	3.6	3.9	3.8	3.9
February 2024	3.5	4.3	4.1	4.0	3.9	3.9
Inflation						
PCE price index						
June 2024	2.7	2.1	1.9	2.1	2.0	2.0
February 2024	2.1	2.2	2.1	2.1	1.9	2.0
Core PCE price index[b]						
June 2024	3.0	2.3	2.1	2.3	2.0	2.1
February 2024	2.4	2.3	2.2	2.2	2.0	2.1
Consumer price index[c]						
June 2024	3.0	2.3	2.2	2.4	2.2	2.3
February 2024	2.5	2.5	2.2	2.3	2.2	2.3
Core consumer price index[b]						
June 2024	3.4	2.5	2.3	2.6	2.2	2.4
February 2024	2.9	2.6	2.4	2.5	2.3	2.4
GDP price index						
June 2024	2.6	2.0	1.8	2.0	2.0	2.0
February 2024	1.9	2.0	1.9	1.9	1.9	1.9
Employment cost index[d]						
June 2024	4.0	3.5	3.3	3.4	3.0	3.2
February 2024	3.6	3.4	3.3	3.3	3.0	3.1
Real potential GDP[a]						
June 2024	2.1	2.2	2.1	2.1	1.9	2.0
February 2024	2.2	2.3	2.2	2.2	1.9	2.0

Continued

Table 2-3. Continued

CBO's Current and Previous Economic Projections for Calendar Years 2024 to 2034

Percent

	2024	2025	2026	Annual average: 2024–2028	Annual average: 2029–2034	Annual average: Overall, 2024–2034
				Annual average		
Unemployment rate						
June 2024	3.9	4.0	4.2	4.2	4.5	4.3
February 2024	4.2	4.4	4.3	4.3	4.5	4.4
Interest rates						
Effective federal funds rate[e]						
June 2024	5.3	4.8	3.8	4.1	3.0	3.5
February 2024	5.1	4.1	3.3	3.7	2.9	3.3
10-year Treasury notes						
June 2024	4.5	4.1	3.7	3.9	4.0	3.9
February 2024	4.6	4.6	3.9	4.1	4.1	4.1
Tax bases (percentage of GDP)						
Wages and salaries						
June 2024	43.3	43.5	43.7	43.6	43.9	43.8
February 2024	43.5	43.8	43.9	43.8	43.8	43.8
Domestic corporate profits[f]						
June 2024	10.2	10.1	9.8	9.8	9.0	9.4
February 2024	9.7	9.6	9.4	9.4	9.0	9.2

Data source: Congressional Budget Office. See www.cbo.gov/publication/60039#data.

GDP = gross domestic product; PCE = personal consumption expenditures.

a. Real values are nominal values that have been adjusted to remove the effects of changes in prices.

b. Excludes prices for food and energy.

c. The consumer price index for all urban consumers.

d. The employment cost index for wages and salaries of workers in private industry.

e. The median interest rate that financial institutions charge each other for overnight loans of their monetary reserves, weighted by loan volume.

f. Adjusted to exclude the effects of tax rules on depreciation allowances and the effects of changes in prices on the value of inventories.

Chapter 3: Changes in CBO's Baseline Projections Since February 2024

The Congressional Budget Office estimates that if no new legislation affecting spending and revenues is enacted, the budget deficit for fiscal year 2024 will total $1.9 trillion. That amount is $408 billion (or 27 percent) more than the $1.5 trillion deficit the agency estimated in February 2024, when it last updated its baseline budget projections.[1] Since then, CBO has increased its projection of outlays in 2024 by $363 billion (or 6 percent) and decreased its estimate of revenues by $45 billion (or 1 percent).

About 80 percent of the increase in the projected deficit in 2024 is driven by four factors that all boost projected outlays.

- A $145 billion increase in projected outlays for student loans stems mostly from revisions that the Administration made to the estimated subsidy costs of previously issued loans and from the Administration's proposed rule to reduce many borrowers' balances on student loans.
- Projected outlays for deposit insurance have increased by about $70 billion because the Federal Deposit Insurance Corporation (FDIC) is not recovering payments it made when resolving bank failures in 2023 and 2024 as quickly as CBO previously anticipated. (In CBO's projections, that increase is almost entirely offset by deficit reductions in future years as those payments are recovered.)
- Newly enacted legislation increased projected discretionary outlays by $60 billion.
- Projected outlays for Medicaid have increased by about $50 billion, mainly because actual outlays thus far in 2024 have been higher than expected.

For the 2025–2034 period, CBO now projects that if current laws generally remained unchanged, the cumulative deficit would be $22.1 trillion. That amount is $2.1 trillion (or 10 percent) more than the $20.0 trillion the agency projected this past February. That change is the net result of a $2.2 trillion (or 3 percent) increase in projected outlays and a $0.2 trillion (or less than 1 percent) increase in projected revenues over the 10-year period.

In CBO's current projections, debt held by the public totals $50.7 trillion at the end of 2034—$2.4 trillion more than the $48.3 trillion that it totaled that year in the agency's February 2024 projections. Measured in relation to the size of the economy, federal debt at the end of 2034 is now projected to equal 122 percent of gross domestic product (GDP); in February, debt at the end of that year was projected to equal 116 percent of GDP.

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 that the agency has made to its economic forecast, including those made to incorporate the projected effects of enacted legislation on the economy.[3]
- **Technical changes** are revisions to projections that are neither legislative nor economic.

1. Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), www.cbo.gov/publication/59710.

2. The baseline budget projections described in this report incorporate the effects of legislation enacted through May 12, 2024. Subsequent legislation that has been enacted to date would not significantly change the projections presented here. The effects of legislation discussed here generally reflect the estimates provided for budget enforcement purposes around the time the legislation was enacted.

3. CBO's current economic forecast reflects developments in the economy as of May 2, 2024. The economic changes discussed in this chapter reflect differences between that forecast and CBO's February 2024 forecast. For more details about that earlier forecast, see Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), www.cbo.gov/publication/59710.

The $2.1 trillion increase in the projected cumulative deficit over the 2025–2034 period is the net result of the following changes:

- **A $1.6 trillion increase attributable to legislative changes.** In particular, CBO increased its projections of discretionary spending to account for the $95 billion in funding for aid to Ukraine, Israel, and countries in the Indo-Pacific region under the 2024 emergency supplemental appropriations act (Public Law 118-50). In the agency's baseline, those amounts continue in future years with increases for inflation, as required by law. In addition, the funding provided by the final full-year appropriations for this year exceeds the amounts in CBO's February 2024 projections; after an adjustment to account for the limits on discretionary funding that are currently in place for 2025, those amounts are also projected to continue in future years.
- **A $0.6 trillion decrease resulting from economic changes.** The decrease was primarily driven by a $0.5 trillion increase in projected revenues, largely from individual income taxes.
- **A $1.1 trillion increase attributable to technical changes.** Several large changes increased deficits: a downward revision to projections of revenues from corporate income taxes and upward revisions to projections of net outlays for interest, outlays for Medicaid, and outlays for premium tax credits that help people purchase health insurance.

As a result of those changes, primary deficits—that is, deficits excluding net outlays for interest—are now projected to total $1.6 trillion (or 21 percent) more over the 2025–2034 period than CBO projected in February 2024. Net interest outlays over that period are projected to be $0.5 trillion (or 4 percent) more.

Legislative Changes

To account for legislation enacted after its February 2024 baseline projections were prepared, CBO revised its projections of outlays and revenues. Those revisions—consisting almost entirely of increases in projected outlays—enlarged the agency's estimate of the deficit for 2024 by $0.1 trillion and its projections of deficits over the 2025–2034 period by $1.6 trillion (see Table 3-1 on page 49).[4]

Changes in Outlays

Incorporating the effects of recently enacted legislation into CBO's baseline projections increased estimated outlays in 2024 by $0.1 trillion (or 1 percent) and projected outlays over the 2025–2034 period by $1.5 trillion (or 2 percent). Most of the increase over the latter period is in projected outlays for discretionary programs.[5] Nearly all of the rest is an increase in projected net outlays for interest that stems from the federal government's borrowing more to finance the larger deficits resulting from the legislative changes. Legislative changes to projections of outlays for mandatory programs were minimal.

Discretionary Outlays. To account for legislation enacted since CBO completed its February 2024 baseline projections, the agency increased its projections of discretionary outlays over the 2025–2034 period by $1.3 trillion. Funding that is not constrained by the limits put in place by the Fiscal Responsibility Act of 2023 (FRA, P.L. 118-5)—often referred to as nonbase funding—accounts for more than 70 percent of the upward revision.

In total, projected outlays stemming from nonbase funding over the 2025–2034 period increased by $945 billion. Nearly all of that change is from CBO's incorporating into its baseline projections the 2024 emergency supplemental appropriations act, which provided an additional $95 billion in funding designated as an emergency requirement for 2024. Because such funding is not constrained by the limits established in the FRA, CBO's baseline reflects the assumption that such funding will continue in future years, with increases for inflation, in accordance with provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).[6]

The increase in discretionary funding for 2024 provided by the full-year appropriations enacted in the Consolidated Appropriations Act, 2024 (P.L. 118-42), and the Further Consolidated Appropriations Act, 2024 (P.L. 118-47), also boosted projected outlays. The FRA established caps that limit most defense and nondefense

4. The February 2024 baseline projections incorporated the effects of legislation enacted through January 3, 2024.

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

6. 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.

discretionary funding for 2024 and 2025. (Funding constrained by those caps is often referred to as base funding.) Base defense funding for 2024 totals $886 billion, equal to the cap on base funding specified in section 101 of the FRA and about $37 billion more than the cap that was in place when CBO completed its February 2024 baseline.[7] Extrapolating that amount of base defense funding for 2025 would cause such funding to exceed the cap in that year, in CBO's estimation. (In February's baseline projections, by contrast, base defense funding in 2025 was $24 billion below the cap.) As a result, the agency's baseline includes a reduction in projected funding to comply with the cap. After accounting for that reduction, base defense funding in 2025 exceeds the amount in CBO's February baseline by $24 billion. Base nondefense funding totals $747 billion in 2024, about $2 billion less than it did in the agency's February projections, and $711 billion in 2025 (after accounting for the limit on such funding), unchanged from February.

All told, in CBO's current baseline projections, base discretionary funding is $1.6 trillion in both 2024 and 2025 (including an estimated reduction of $71 billion in 2025 to account for limits on funding in that year). Before taking into account minor changes stemming from economic and technical factors, those annual amounts of funding are $35 billion and $24 billion more, respectively, than the amounts that CBO projected for 2024 and 2025 in February. In addition, the increase in the amount of funding in 2025 continues, with adjustments for inflation, after that year in CBO's baseline. As a result, the agency increased its projections of outlays stemming from base funding from 2025 to 2034 by $343 billion. Outlays stemming from base defense funding account for roughly three-fourths of that increase.

Mandatory Outlays. CBO lowered its estimate of mandatory outlays in 2024 by $3 billion (or 0.1 percent) and its projections of such outlays over the 2025–2034 period by $17 billion (or less than 0.1 percent), on net, to account for legislation enacted since the agency prepared its previous baseline projections. The largest change stems from the Further Consolidated Appropriations Act, 2024, which rescinded $20 billion in funds provided to the Internal Revenue Service (IRS) for tax enforcement and related activities.

Net Interest Outlays. Because of legislative changes affecting discretionary and mandatory outlays, as well as revenues, CBO increased its estimate of the deficit for 2024 by $0.1 trillion and its projection of the cumulative deficit for the 2025–2034 period by $1.3 trillion. The increase in federal borrowing stemming from the larger annual deficits would raise debt-service costs; thus, CBO increased its projections of net outlays for interest over the 10-year period by $247 billion.

Changes in Revenues

To account for legislation enacted since it prepared its previous baseline projections, CBO revised downward its estimate of revenues in 2024 by $1 billion and its projection of revenues over the 2025–2034 period by $32 billion. Those reductions largely account for the provision of the Further Consolidated Appropriations Act, 2024, that rescinded funds provided to the IRS. In CBO's projections, that rescission reduces revenues from individual and corporate income taxes.

Economic Changes

The economic forecast that underlies CBO's baseline budget projections includes the agency's projections of GDP, interest rates, the labor force, wages and salaries, inflation, and other factors that affect federal spending and revenues. Taken together, the revisions made to account for changes in that forecast reduced CBO's estimate of the deficit in 2024 by $0.1 trillion and its projection of the cumulative deficit for the 2025–2034 period by $0.6 trillion (see Table 3-1 on page 49). Upward revisions to revenues are the main reason for that decrease in projected deficits.

Changes in Outlays

Revisions to CBO's economic forecast include small changes to projections of inflation. Those and other changes to the economic forecast resulted in net increases of $9 billion (or less than 1 percent) in the agency's estimate of outlays in 2024 and a reduction of $47 billion (or less than 1 percent) in its projections of outlays over the 2025–2034 period.

7. The FRA established two sets of caps that could be in effect during different parts of the fiscal year. For 2025, CBO reduced its projection of base discretionary appropriations to the level specified in section 101 of the FRA. If the caps specified in section 102 of the FRA were in effect instead, then in 2025 the reduction to base defense funding in CBO's baseline would be larger and the reduction to base nondefense funding would be smaller. For an explanation of the different sets of caps and when they take effect, see Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), Box 1-1, www.cbo.gov/publication/59710.

Mandatory Outlays. Economic changes decreased CBO's estimate of mandatory outlays in 2024 by $3 billion (or less than 1 percent), on net. Projections of mandatory outlays from 2025 to 2034 increased by $65 billion (or less than 1 percent). Small upward revisions to projected outlays for Social Security and Medicaid were partially offset by slight downward revisions to projected outlays for Medicare.

Social Security. CBO raised its projections of outlays for Social Security from 2025 to 2034 by a total of $69 billion (or less than 1 percent) because the agency's projections of inflation in 2024, and of average wages throughout the projection period, are slightly higher than they were in February. 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). CPI-W growth in 2024 and the corresponding COLA that will take effect in January 2025 are projected to be 0.6 percentage points higher than CBO previously projected, whereas projected COLAs in later years are slightly lower. Stronger projected wage growth results in higher projections of initial benefit amounts for new beneficiaries.

Medicare. CBO reduced its projections of outlays for Medicare over the 2025–2034 period by $61 billion (or less than 1 percent). CBO's latest economic forecast includes revisions to the projected growth of wages and prices of many goods and services, such as pharmaceuticals.[8] Those revisions slightly decreased projected prices for many of the services provided by Medicare's fee-for-service (FFS) program (such as hospital care and services provided by skilled nursing facilities). Additionally, upward revisions to CBO's forecast of productivity in 2024 and 2025 decreased projected Medicare spending.

Medicaid. The agency increased its projections of outlays for Medicaid over the 2025–2034 period by $52 billion (or 1 percent). CBO's latest economic forecast includes reductions in the agency's estimate of the employment-to-population ratio, which led to increased projections of enrollment in the program. Those reductions lowered the projected number of people employed, which, in turn, increased the projected number of people enrolled in Medicaid. In addition, projected payment rates for Medicaid were slightly increased by revisions to growth rates for certain measures of wages and prices—in particular, the employment cost index for wages and salaries of workers in private industry and the medical component of the price index for personal consumption expenditures.

Other Mandatory Programs. Changes in CBO's economic forecast also affected projected outlays for other mandatory programs. Although those effects included both upward and downward revisions, the net result was a $4 billion increase in projected outlays for those programs over the 2025–2034 period.

Discretionary Outlays. Economic changes—stemming primarily from revisions to the agency's forecasts of certain measures of inflation after 2025—reduced projected discretionary outlays over the 2025–2034 period by $15 billion (or less than 1 percent). CBO's baseline projections generally reflect the assumption that discretionary nonbase funding keeps pace with inflation. Base funding for discretionary programs is assumed to keep pace with inflation after 2025, when the caps are no longer in effect.

Net Interest Outlays. Economic changes boosted CBO's estimate of net outlays for interest over the 2025–2034 period by $59 billion (or less than1 percent). Those changes are largely attributable to small upward revisions to the agency's forecasts of interest rates on Treasury securities. Before debt service is taken into account, changes to outlays and revenues stemming from revisions to CBO's economic forecast decreased the projected cumulative deficit for the 2025–2034 period by $413 billion. The savings in interest costs attributable to the reduced borrowing needed to finance the smaller deficits decreased the agency's projections of net outlays for interest over that period by an additional $155 billion.

Changes in Revenues

To account for changes in its economic forecast, CBO increased its estimate of revenues in 2024 by $79 billion (or 2 percent) and raised its projection of revenues for the 2025–2034 period by $521 billion (or 1 percent).

Higher asset values increased anticipated capital gains realizations, boosting projected revenues from individual and corporate income taxes. Higher asset values also increased projected revenues from estate and gift taxes. Those increases in projected revenues are partially offset

8. By law, Medicare's payment rates are 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). For more information, see Centers for Medicare & Medicaid Services, "Market Basket Research and Information" (December 15, 2023), https://tinyurl.com/y9jsu9ch.

by downward revisions to projections of remittances from the Federal Reserve to the Treasury. That change stemmed from upward revisions to the agency's forecast of short-term interest rates, which increased the Federal Reserve's interest expenses in CBO's projections.

Individual Income Taxes. Economic changes increased CBO's estimate of revenues from individual income taxes in 2024 by $51 billion (or 2 percent) and increased its projections of such revenues over the 2025–2034 period by $612 billion (or 2 percent), on net. The increase in 2024 was driven partly by higher projected values of assets, especially equities, in the near term, which increased expected capital gains realizations. Projections of wages and salaries in 2024 also increased. Projected receipts from individual income taxes increased in the later years of the period because CBO lowered its estimates of the amount of interest paid on mortgages. Mortgage interest payments now average 2.3 percent of GDP over the 2025–2034 period, down from 2.8 percent in the February forecast. Mortgage interest is generally deductible for taxpayers who choose to itemize deductions.

Payroll Taxes. Revisions to CBO's economic forecast increased the agency's estimate of revenues from payroll taxes in 2024 by $6 billion (or less than 1 percent) and reduced its projections of such revenues over the 2025–2034 period by $2 billion (or less than 1 percent). Early in the period, higher projections of wages and salaries more than offset reductions in projections of proprietors' income. After 2029, projections of wages are lower than they were in February, thus reducing revenues from payroll taxes.

Corporate Income Taxes. To account for changes in its economic forecast, CBO raised its estimate of revenues from corporate income taxes in 2024 by $18 billion (or 3 percent) and its projections of such revenues over the 2025–2034 period by $50 billion (or 1 percent). The change in 2024 resulted from the agency's increased projection of corporate profits for the current year. Upward revisions to projections of asset values increased anticipated corporate profits from capital gains; that is the largest factor explaining the upward revision to corporate income tax projections from 2025 to 2034.

Federal Reserve Remittances. Because CBO now expects short-term interest rates to remain elevated for longer than was anticipated this past February, the agency lowered its projections of remittances from the Federal Reserve over the 2025–2034 period by $176 billion (or 23 percent). Most of the change occurs in 2028 and 2029 and is the result of monetary policy that is now expected to remain tighter for longer.

Other Revenues. To account for changes in its economic forecast, CBO raised its projections of revenues from estate and gift taxes, customs duties, and excise taxes in 2024 by $3 billion (or 2 percent) and over the 2025–2034 period by $38 billion (or 2 percent), on net. Most of that increase resulted from higher projected asset values, which increased 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, such as revisions to CBO's budget projection models, 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 2024 by $0.4 trillion and boosted the projected cumulative deficit for the 2025–2034 period by $1.1 trillion (see Table 3-1 on page 49).

Several technical changes stemmed from administrative actions, two of which are rules proposed by the Administration.[9] The following administrative actions are projected to affect CBO's baseline by more than $5 billion in any year during the 2024–2034 period:

- A rule proposed by the Department of Education that is projected to reduce student loan repayments for many borrowers,
- A rule proposed by the Centers for Medicare & Medicaid Services that is projected to increase outlays related to directed payments in Medicaid managed care, and
- Actions taken by the FDIC in 2024 to resolve bank failures.

9. When an agency publishes a proposed rule in the Federal Register that, if finalized, would change CBO's baseline, CBO generally does not incorporate the rule's total estimated effects into its baseline projections. Rather, CBO typically incorporates a portion of those effects—based on the assigned probability (often 50 percent) that the rule will be implemented—to reflect the uncertainty about whether and how the rule will ultimately be carried out. After the final version of a rule is published, CBO incorporates the total estimated effects of the final rule into its subsequent cost estimates and baseline projections. For more details, see Congressional Budget Office, *CBO Explains How It Develops the Budget Baseline* (April 2023), www.cbo.gov/publication/58916.

Taken together, those actions increased the projected deficit by $110 billion in 2024 and by $14 billion over the 2025–2034 period.

Changes in Outlays

All told, technical revisions increased CBO's estimate of outlays in 2024 by $0.3 trillion (or 5 percent) and its projections of outlays over the 2025–2034 period by $0.8 trillion (or 1 percent).

Mandatory Outlays. CBO increased its projections of outlays for several mandatory programs and decreased them for others to account for actual outlays so far this year, updated projections of enrollment in benefit programs, and changes in other technical factors that underlie those spending projections. On net, technical changes to CBO's projections increased its estimate of mandatory outlays in 2024 by $0.3 trillion (or 8 percent) and its projections of such outlays over the 2025–2034 period by $0.4 trillion (or 1 percent).

Medicaid. Technical revisions increased CBO's projections of outlays for Medicaid by $47 billion (or 8 percent) in 2024 and by $267 billion (or 4 percent) over the 2025–2034 period.[10] The increase in projected outlays for 2024 is mainly the result of actual outlays' being higher than expected thus far this year.

Over the 10-year period, about half of the increase stems from projected growth in directed payments in Medicaid managed care. Providers receive such payments in a lump sum for a fixed period that is not typically tied to an individual's use of services. Examples of uses of directed payments include increasing payment rates for specified providers or requiring providers to participate in a value-based payment arrangement. In response to the rapid growth in the amount of directed payments over the past several years, CBO increased its projections of outlays stemming from such payments by $4 billion in 2024 and $85 billion over the 2025–2034 period.

Additionally, the agency increased its projections of outlays for directed payments in Medicaid managed care by $58 billion over the 2025–2034 period to account for a proposed rule that would permit states to pay hospitals and nursing facilities at the average commercial payment rate (ACR) when using a directed payment arrangement.[11] The ACR is higher than the limit on supplemental payments in the Medicaid FFS program, in which health care providers are paid for each service they perform, and few states currently pay directed payments at or near the ACR. CBO expects that the rule would lead to increases in supplemental payments as states move payment rates closer to the ACR. (In keeping with CBO's standard method of incorporating proposed rules into its baseline, that increase reflects 50 percent of the rule's estimated effects.)

Three other factors caused CBO to increase its projections of Medicaid enrollment and thus boosted projected outlays for the program. First, new information related to the unwinding of the program's continuous eligibility policy increased projected enrollment and boosted projected outlays over the 2025–2034 period by $67 billion. (Projected enrollment increased because CBO now expects fewer beneficiaries to lose coverage from the winding down of the policy that required states to provide continuous eligibility for all Medicaid enrollees so that they could maintain their coverage without interruption during the coronavirus pandemic.) Second, the agency increased projected outlays over that period by $38 billion to account for the second part of the two-part Streamlining Eligibility and Enrollment final rule. (That rule simplifies and facilitates Medicaid enrollment and renewal processes.) Third, the recent increase in immigration is projected to result in more people receiving Medicaid benefits, which increased projected outlays over the 10-year period by $29 billion.

Premium Tax Credits and Related Spending. For technical reasons, CBO and the staff of the Joint Committee on Taxation increased their estimate of outlays for premium tax credits (which help defray the cost of obtaining health insurance) and related spending for 2024 by $22 billion (or 21 percent) and for the

10. CBO's current baseline projections incorporate administrative actions related to Medicaid through April 21, 2024.

11. In Medicaid managed care programs, states pay a fixed monthly per capita fee to contracted managed care organizations (MCOs). Typically, states cannot direct MCOs to pay certain rates to providers. However, since 2017, states have been allowed to direct payments to providers to achieve greater access to health care or to improve service quality. For more details about the proposed rule, see Medicaid Program; Medicaid and Children's Health Insurance Program (CHIP) Managed Care Access, Finance, and Quality, 88 Fed. Reg. 28092, 28119–28126 (May 3, 2023), https://tinyurl.com/49nszpxj.

2025–2034 period by $244 billion (or 23 percent).[12] Those increases are largely the result of increased projections of the number of people who receive premium tax credits to enroll in health insurance plans through the marketplaces established under the Affordable Care Act. In total, CBO's enrollment projections are 4 million higher in 2024 and 3 million higher per year, on average, over the 2025–2034 period. That increase in projected enrollment is driven by three main factors:

- More people than previously estimated are transitioning to marketplace coverage as Medicaid's continuous eligibility provisions unwind.
- Enhanced marketplace subsidies are having a larger effect on enrollment than previously estimated. Because of the enhanced subsidies, which are available through December 2025, eligibility for premium tax credits is extended to people with income greater than 400 percent of the federal poverty level, and the amount of subsidies for people who were already eligible is increased.
- Economic and demographic changes, including the recent surge in immigration, have made more people than CBO previously estimated eligible for premium tax credits. Those changes account for most of the increase in enrollment in the latter half of the projection period.[13]

Student Loans. CBO's projections of outlays for student loan programs in 2024 are $145 billion higher than they were this past February. That increase stems largely from two factors: Revisions that the Department of Education made to the estimated costs of outstanding loans issued before 2024 added $74 billion, and the estimated cost of the Administration's proposed rule to reduce many borrowers' balances on student loans added $66 billion.[14] CBO reduced projected outlays over the 2025–2034 period by $48 billion, largely because of improvements in modeling estimated income.

Deposit Insurance. For technical reasons, CBO increased its projection of outlays for deposit insurance in 2024 by $72 billion and reduced its projections of such outlays over the 2025–2034 period by $66 billion. Five bank failures have occurred since the beginning of March 2023 (four in fiscal year 2023 and one in fiscal year 2024). CBO's February 2024 baseline projections reflected certain expectations about when the FDIC would recover payments it made related to resolving those bank failures. (The FDIC recovers such payments by liquidating assets and by raising the premiums it collects from FDIC-insured institutions.) As a result of market conditions and the FDIC's decisions, the agency has not recovered as much in payments as CBO anticipated it would thus far in 2024. Those recoveries—which are reflected in the budget as negative outlays—are now projected to occur over the next 10 years.[15]

Clean Vehicle and Energy-Related Tax Credits. CBO now expects that a larger share of the total amount of clean vehicle and energy-related tax credits will be classified as outlays than was previously anticipated. (Car buyers can transfer credits to dealers who can receive the credits as direct payments, which are recorded as outlays in the budget.) The first outlays for those tax credits were made in 2024, and recent data were the reason for the change in CBO's projections. Estimated outlays for clean vehicle and energy-related tax credits in 2024 grew by $3 billion, and projected outlays for those credits over the 2025–2034 period increased by $64 billion. But because most of the increase in outlays was attributable to a change in CBO's expectations

12. Premium tax credits subsidize purchases of health insurance through the marketplaces established under the Affordable Care Act. Related spending is spending to subsidize health insurance provided through the Basic Health Program and to stabilize premiums for health insurance purchases by individuals and small employers.

13. CBO's baseline projections of premium tax credits are typically updated each spring. Therefore, the baseline projections of premium tax credits in February 2024 did not incorporate recent demographic or economic changes. The technical revisions reported here reflect CBO's February 2024 demographic and economic projections.

14. That proposed rule was issued by the Department of Education on April 17, 2024. Because any amounts recorded in 2024 for the cost of reducing balances on student loans will be based on the Administration's estimate, CBO's baseline projections incorporate half of the Administration's estimated costs of that proposal. For the purposes of estimating the budgetary effects of any proposed legislation, CBO would use its own estimate of those costs. If that rule was finalized before the end of the fiscal year, the Administration would record the full $132 billion estimated cost, and CBO's projection would be too low by $66 billion. If the rule was not finalized before September 30, 2024, then no costs related to the proposed rule would be recorded this year, and CBO's baseline projection would be too high by $66 billion.

15. As part of the ongoing resolution of the 2023 and 2024 bank failures, the FDIC, in its capacity as receiver, sold notes to the Federal Financing Bank in exchange for $43 billion in borrowing, financed through the issuance of Treasury securities. Those transactions were recorded in the federal budget as $43 billion in outlays in 2024 by the FDIC. CBO expects those notes to be repaid over the next several years, in which case the transactions would be recorded in the federal budget as receipts.

about the way individuals and businesses will claim tax credits, there was a largely offsetting $52 billion increase in receipts from individual and corporate income taxes for that latter period. On net, changes associated with energy-related tax credits increased the agency's projection of the cumulative deficit for the 2025–2034 period by $12 billion.[16]

Supplemental Nutrition Assistance Program. For technical reasons, CBO decreased its estimate of outlays for the Supplemental Nutrition Assistance Program in 2024 by $7 billion and its projections of such outlays for the 2025–2034 period by $59 billion (or 5 percent). Those decreases were largely the result of a reduction in the projection of average benefits. CBO reduced that projection because recent data showed that actual average monthly benefits were lower than previously projected.

Revisions to Other Credit Programs. Changes recorded by the Administration to the subsidy costs of loans and loan guarantees made before 2024 under federal credit programs other than the previously discussed student loan programs caused CBO's estimate of mandatory outlays in 2024 to increase by $15 billion. The largest of those changes was a $33 billion increase in the cost of certain disaster loan programs run by the Small Business Administration. That increase was partially offset by the second-largest change, a $14 billion reduction in the cost of loan guarantees provided by the Federal Housing Administration.

Coronavirus Refundable Tax Credits. CBO decreased its projection of outlays for coronavirus refundable tax credits in 2024 by $13 billion. (Those tax credits were intended to enable employers to provide sick and family leave, retain employees, and maintain health insurance for certain workers during the coronavirus pandemic.) The IRS's moratorium on processing claims for the employee retention tax credit has continued for longer than CBO previously anticipated, reducing expected outlays in 2024. How long the moratorium will continue and how the IRS will process future claims are uncertain. CBO's projections reflect an expectation that the IRS will resume processing claims for employee retention tax credits later in 2024—which increased projected outlays for coronavirus refundable tax credits by $16 billion in 2025 and by $1 billion in 2026.

Medicare. CBO reduced its projections of outlays for Medicare over the 2025–2034 period by $12 billion (or less than 1 percent). Lower-than-expected actual outlays for prescription drugs decreased CBO's estimate of outlays for Medicare Part D over that period. The reduction was almost fully offset by two factors: First, actual spending on the Medicare FFS program was higher than expected in 2023, causing CBO to raise its projection of future FFS outlays. Second, in March 2024, the Food and Drug Administration made regulatory changes that significantly expand access to a popular class of anti-obesity medications known as glucagon-like peptide-1 (GLP-1) agonists. Spending, through the Medicare program, on GLP-1 agonists, which were already approved for the treatment of diabetes and for chronic weight management, has been growing quickly. The expected additional spending on that class of drugs increased CBO's projections of outlays for Medicare Part D by $36 billion.

Other Mandatory Programs. Technical changes decreased CBO's estimate of outlays for other mandatory programs by $2 billion over the 2025–2034 period.

Discretionary Outlays. Technical changes increased CBO's projections of discretionary outlays over the 2025–2034 period by $14 billion (or less than 1 percent). In general, those changes stemmed from adjustments to better reflect the recent rates at which discretionary budget authority has translated into outlays and from changes to the percentage of funding expected

16. The finalizing of the Environmental Protection Agency's standards for vehicle emissions increased CBO's deficit projection. CBO previously incorporated the effects of the proposed rule into its baseline (with an assigned weight of 50 percent, following typical practice for rules that are not yet finalized), thus increasing projected outlays and reducing projected revenues. Under the final rule, emissions standards are phased in more slowly than was initially proposed. That change, combined with the expectation that fewer fuel-efficient vehicles sold to comply with the rule will be eligible for clean vehicle tax credits than previously anticipated, resulted in a smaller increase in projected outlays and reduction in projected revenues than the agency made when the rule was first proposed. But those changes are assigned a weight of 100 percent because the rule is final, whereas the effects of the proposed rule reflected an assigned weight of 50 percent. The net result is a larger projected increase in the cumulative deficit. For more details, see Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), Box 3-1, www.cbo.gov/publication/59710.

to be used for salaries and benefits and the percentage expected to be used for all other purposes.[17]

Net Interest Outlays. Technical changes increased CBO's projections of net outlays for interest over the 2025–2034 period by $348 billion (or 3 percent). Most of that increase is attributable to debt-service costs. The rest stems mainly from a reduction in projected interest earnings from the financing accounts that track the cash flows of credit programs. All told, technical changes to revenues and noninterest outlays increased CBO's projections of deficits over the 10-year period by $0.8 trillion; the projected cost of servicing the additional debt stemming from those larger deficits is $0.3 trillion.

Changes in Revenues

For technical reasons, CBO reduced its estimate of revenues in 2024 by $123 billion (or 2 percent) and its projections of revenues over the 2025–2034 period by $324 billion (or 1 percent). CBO revised downward its projections of receipts from individual and corporate income taxes in 2024. Over the 2025–2034 period, projected receipts from corporate income taxes, customs duties, payroll taxes, and excise taxes are now lower than they were in February, but projected receipts from individual income taxes, estate and gift taxes, and other receipts are higher than they were.

Individual Income Taxes. Technical revisions reduced CBO's estimate of individual income tax receipts in 2024 by $73 billion (or 3 percent) and increased its projections of such receipts over the 2025–2034 period by $93 billion (or less than 1 percent). CBO lowered its projection of individual income tax receipts in 2024 because recent tax collections have been weaker than expected, given current economic data. Over the 2025–2034 period, the unexplained weakness in receipts is projected to fade and is more than offset by upward revisions that result from incorporating newly available tax data and from the agency's refining the model it uses to project capital gains. (CBO now uses a moving average of the historical ratio of capital gains to GDP to create the long-term target for that ratio.)

Payroll Taxes. For technical reasons, CBO increased its estimate of revenues from payroll taxes in 2024 by $9 billion (or 1 percent) but reduced its projections of such revenues over the 2025–2034 period by $30 billion (or less than 1 percent). The agency boosted its estimate for 2024 to account for reallocations, from individual income taxes to payroll taxes, that the Treasury has already made this year.[18] The downward revisions to CBO's projections of payroll tax revenues over the 2025–2034 period result from modeling refinements based on newly available tax data.

Corporate Income Taxes. For technical reasons, CBO decreased its estimate of revenues from corporate income taxes in 2024 by $61 billion (or 11 percent), mainly because collections since January 2024 have been smaller than expected. The agency also lowered its projections of such revenues for the 2025–2034 period by $381 billion (or 7 percent), mainly because of modeling refinements to reflect newly available historical data from the past few years. In those years, actual revenues were smaller than could be explained by economic activity reported by the Bureau of Economic Analysis and CBO's modeling of new tax provisions. To account for the newly available data, CBO now treats more of the recent gap between actual and estimated revenues as persistent rather than temporary.

Other Revenues. Technical revisions increased CBO's estimate of revenues from other sources in 2024 by $2 billion (or 1 percent) and lowered its projections of such revenues over the 2025–2034 period by $5 billion (or less than 1 percent). In 2024, changes that led to increased projections of Federal Reserve remittances and revenues from excise taxes and other sources were largely offset by changes that lowered revenues expected from estate and gift taxes and customs duties.

CBO lowered its projections of customs duties over the 2025–2034 period by $82 billion (or 9 percent) because collections of administratively imposed tariffs on imports from China have been smaller than the agency

17. Because funding for personnel must be inflated at a different rate than funding for other purposes, inflation rates are weighted by the expected percentage of funding to be used to pay salaries and benefits and the percentage to be used for all other purposes in each account.

18. Those reallocations occur because the Treasury initially cannot distinguish payroll taxes from individual income taxes in the payments of withheld taxes it receives. Instead, it first allocates withheld taxes to one source or the other on the basis of estimates made in advance of actual collections. As additional information becomes available (including detailed information from tax returns), the Treasury revises those allocations.

expected in February.[19] That reduction was largely offset by an increase in other fees and fines of $71 billion (or 6 percent of miscellaneous receipts); $56 billion of that total is from an anticipated increase in collections of risk-adjustment fees related to health insurance.[20] CBO also increased projected highway tax revenues. That increase was partially offset by a decrease in projected revenues from fuel excise taxes stemming from the Environmental Protection Agency's finalizing its vehicle emissions standards.

19. On May 14, 2024, the Administration announced that under authority granted by section 301 of the Trade Act of 1974, new tariffs would be imposed on electric vehicles, batteries and battery components, steel and aluminum products, and various other products imported from China. Those announced changes are not included in CBO's current baseline projections. When new tariffs are imposed, CBOs baseline projections will incorporate the assumption that they will continue permanently without planned or unplanned changes.

20. Risk-adjustment fees apply to health insurance purchased through the marketplaces established under the Affordable Care Act and in small group markets. Because the risk-adjustment program is budget neutral, CBO increased its projections of outlays by an amount that is similar to the amount of the expected increase in collections. To a large extent, higher estimates of collections for risk adjustment reflect revisions to the way the Centers for Medicare & Medicaid Services calculates risk-adjustment amounts; those revisions resulted in transfers that were larger than previously estimated. To a lesser extent, higher projections of enrollment in marketplace plans resulted in larger-than-expected collections for risk adjustment.

Table 3-1.

Changes in CBO's Baseline Projections of the Deficit Since February 2024

Billions of dollars

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2029	Total 2025–2034
Deficit in CBO's February 2024 baseline[a]	1,507	1,772	1,692	1,640	1,844	1,723	1,917	2,054	2,238	2,556	2,579	8,672	20,016
							Legislative changes						
Changes in revenues	**-1**	**2**	**-4**	**-5**	**-5**	**-6**	**-6**	**-6**	**-2**	**-1**	**-1**	**-17**	**-32**
Changes in outlays													
Discretionary													
Defense													
Base	21	24	24	25	25	25	26	27	27	28	28	124	260
Nonbase	10	34	48	59	66	69	72	74	75	77	78	276	651
Subtotal, defense	32	58	72	84	91	95	98	100	102	105	107	400	911
Nondefense													
Base	17	7	9	9	8	8	8	8	9	9	8	41	83
Nonbase	11	19	24	28	29	30	31	32	33	33	34	131	294
Subtotal, nondefense	28	27	33	37	37	38	39	40	41	42	43	172	377
Subtotal, discretionary	60	85	105	120	128	133	137	140	144	147	149	572	1,289
Mandatory	-3	-2	4	2	-3	-4	-6	-4	-1	-3	*	-2	-17
Debt service[b]	1	5	8	12	16	20	26	31	37	43	49	62	247
Total change in outlays	**58**	**88**	**118**	**135**	**141**	**149**	**156**	**167**	**179**	**187**	**199**	**631**	**1,519**
Increase or decrease (-) in the deficit from legislative changes	**59**	**86**	**122**	**139**	**146**	**155**	**162**	**173**	**181**	**188**	**199**	**648**	**1,551**
							Economic changes						
Changes in revenues													
Individual income taxes	51	90	102	99	84	65	49	39	32	27	25	440	612
Payroll taxes	6	7	7	4	2	1	-1	-3	-5	-7	-7	21	-2
Corporate income taxes	18	30	26	18	8	-1	-5	-6	-6	-6	-7	80	50
Federal Reserve remittances	*	*	*	*	*	-51	-87	-10	-10	-9	-8	-52	-176
Other	3	6	5	5	5	4	3	3	2	2	2	25	38
Total change in revenues	**79**	**132**	**140**	**126**	**98**	**18**	**-40**	**22**	**13**	**7**	**5**	**514**	**521**
Changes in outlays													
Mandatory													
Social Security	0	7	8	7	6	6	6	7	8	7	6	34	69
Medicare	*	-1	-1	-2	-3	-4	-6	-8	-10	-13	-14	-11	-61
Medicaid	*	2	2	4	5	5	6	6	7	7	8	18	52
Other	-3	-7	-1	1	2	2	2	2	2	1	1	-3	4
Subtotal, mandatory	-3	1	9	11	9	9	8	8	7	3	1	38	65
Discretionary	0	*	-1	-2	-1	-2	-2	-3	-2	-2	-1	-5	-15
Net interest													
Effect of interest rates and inflation	13	36	25	2	-2	-5	-4	-4	-2	4	9	56	59
Debt service[b]	-1	-6	-9	-13	-16	-18	-18	-18	-19	-20	-20	-61	-155
Subtotal, net interest	12	30	15	-10	-18	-22	-22	-22	-21	-16	-12	-5	-96
Total change in outlays	**9**	**31**	**23**	**-1**	**-9**	**-15**	**-16**	**-17**	**-16**	**-15**	**-12**	**28**	**-47**
Increase or decrease (-) in the deficit from economic changes	**-70**	**-102**	**-116**	**-127**	**-108**	**-34**	**23**	**-39**	**-28**	**-22**	**-17**	**-486**	**-568**

Continued

Table 3-1. Continued

Changes in CBO's Baseline Projections of the Deficit Since February 2024

Billions of dollars

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2029	Total 2025–2034
Technical changes													
Changes in revenues													
Individual income taxes	-73	-59	-48	-6	19	14	28	36	45	40	23	-80	93
Payroll taxes	9	-5	-4	-3	-2	-2	-2	-2	-3	-3	-3	-16	-30
Corporate income taxes	-61	-32	-45	-40	-35	-37	-40	-43	-41	-32	-37	-188	-381
Customs duties	-8	-9	-9	-8	-8	-8	-8	-8	-8	-8	-8	-41	-82
Other	10	11	13	10	6	7	7	7	5	5	5	47	76
Total change in revenues	**-123**	**-93**	**-93**	**-47**	**-19**	**-26**	**-15**	**-11**	**-1**	**2**	**-20**	**-279**	**-324**
Changes in outlays													
Mandatory													
Medicaid	47	48	30	19	22	23	24	24	25	26	27	141	267
Premium tax credits and related spending[c]	22	26	26	28	27	26	25	26	25	26	9	133	244
Student loans	145	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	-24	-48
Deposit insurance	72	2	-15	-18	-34	1	1	1	1	-7	1	-64	-66
Clean vehicle and energy-related tax credits	3	6	6	6	6	7	9	11	11	2	-1	32	64
Supplemental Nutrition Assistance Program	-7	-7	-7	-7	-6	-6	-6	-5	-5	-5	-4	-33	-59
Revisions to other credit programs	15	0	0	0	0	0	0	0	0	0	0	0	0
Coronavirus refundable tax credits	-13	16	1	0	0	0	0	0	0	0	0	17	17
Medicare	6	-5	-1	-5	-7	-6	-6	-2	-1	18	3	-24	-12
Other	-8	-1	-9	-2	-2	-1	-7	-6	3	20	3	-15	-2
Subtotal, mandatory	289	68	26	22	8	46	41	45	55	57	31	170	399
Discretionary													
Defense	-5	1	1	1	1	1	2	2	3	3	4	5	19
Nondefense	3	-10	1	-1	-1	*	*	1	1	1	2	-10	-5
Subtotal, discretionary	-2	-9	2	*	*	2	2	3	4	4	5	-5	14
Net interest													
Debt service[b]	4	18	22	24	26	28	31	34	37	40	43	118	304
Other	6	12	10	9	6	3	2	2	*	*	1	39	44
Subtotal, net interest	10	30	32	33	32	31	33	35	37	40	44	158	348
Total change in outlays	**296**	**89**	**61**	**55**	**40**	**78**	**76**	**84**	**96**	**101**	**80**	**323**	**760**
Increase or decrease (-) in the deficit from technical changes	**419**	**182**	**154**	**103**	**59**	**104**	**91**	**95**	**97**	**100**	**100**	**602**	**1,084**
All changes													
Total increase or decrease (-) in the deficit	**408**	**166**	**159**	**116**	**98**	**226**	**276**	**229**	**249**	**266**	**282**	**764**	**2,067**
Deficit in CBO's June 2024 baseline[a]	1,915	1,938	1,851	1,756	1,942	1,949	2,193	2,283	2,487	2,822	2,862	9,436	22,083
Addendum:													
Change in revenues	-45	41	43	74	74	-13	-60	5	10	8	-16	219	165
Change in outlays	363	208	202	189	172	212	216	234	259	274	267	983	2,232
Increase or decrease (-) in the primary deficit[d]	386	101	103	81	68	196	239	184	196	199	200	549	1,569
Increase or decrease (-) in the deficit from the change in net interest outlays	22	65	56	35	30	29	37	45	53	67	82	215	498

Data source: Congressional Budget Office. See www.cbo.gov/publication/60039#data.

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

a. When outlays exceed revenues, the result is a deficit. Values in this row were calculated by subtracting revenues from outlays; thus, positive values indicate deficits. When outlays are subtracted from revenues, as recorded in the federal budget and in the tables in Chapter 1, negative values indicate deficits.

b. Debt-service costs are the changes in interest payments resulting from an increase or decrease in projected deficits.

c. Spending to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and provided through the Basic Health Program and spending to stabilize premiums for health insurance purchased by individuals and small employers.

d. Primary deficits exclude net outlays for interest.

Appendix: Figure Sources and Notes

This appendix provides details about the figures presented in the Executive Summary of this report. For additional information about the budget outlook, see Chapter 1; for additional information about the economic outlook, see Chapter 2.

Figures Related to the Budget Outlook

Total Outlays and Revenues

Data source: Congressional Budget Office.

GDP = gross domestic product.

Outlays, by Category

Data source: Congressional Budget Office.

GDP = gross domestic product.

Revenues, by Category

Data source: Congressional Budget Office.

Revenues in the “other” category consist of those from estate and gift taxes, excise taxes, customs duties, remittances from the Federal Reserve, and miscellaneous fees and fines.

GDP = gross domestic product.

Total Deficit, Net Interest Outlays, and Primary Deficit

Data source: Congressional Budget Office.

When outlays exceed revenues, the result is a deficit. In this figure, deficits and surpluses were calculated by subtracting revenues from outlays; thus, positive values indicate deficits, and negative values indicate surpluses. When outlays are subtracted from revenues, as recorded in the federal budget and in the tables in Chapter 1, negative values indicate deficits, and positive values indicate surpluses.

GDP = gross domestic product.

Changes in CBO’s Projections of the 10-Year Deficit Since February 2024

Data source: Congressional Budget Office.

Federal Debt Held by the Public

Data source: Congressional Budget Office.

GDP = gross domestic product.

Figures Related to the Economic Outlook

Growth of Real GDP

Data source: Congressional Budget Office.

Real GDP is nominal GDP that has been adjusted to remove the effects of changes in prices. Growth of real GDP is measured from the fourth quarter of one calendar year to the fourth quarter of the next.

GDP = gross domestic product.

Residential Investment

Data source: Congressional Budget Office.

Real values are nominal values that have been adjusted to remove the effects of changes in prices. Real residential investment consists of construction of single-family and multifamily structures, manufactured homes, and dormitories; spending on home improvements; and brokers' commissions and other ownership-transfer costs.

Unemployment

Data sources: Congressional Budget Office; Bureau of Labor Statistics.

The unemployment rate is the percentage of people in the labor force who are not working but who are available for work and are either seeking work or expecting to be recalled from a temporary layoff. Data for the unemployment rate are fourth-quarter average values.

Wages

Data sources: Congressional Budget Office; Bureau of Labor Statistics.

Wages are measured using the employment cost index for wages and salaries of workers in private industry. Annual wage growth is measured from the fourth quarter of one calendar year to the fourth quarter of the next.

Overall Inflation and Core Inflation

Data sources: Congressional Budget Office; Bureau of Economic Analysis.

The overall inflation rate is the rate of growth of the price index for personal consumption expenditures; the core inflation rate excludes prices for food and energy. Inflation is measured from the fourth quarter of one calendar year to the fourth quarter of the next.

Interest Rates

Data sources: Congressional Budget Office; Federal Reserve.

The federal funds rate shown is the effective federal funds rate—the median interest rate that financial institutions charge each other for overnight loans of their monetary reserves, weighted by loan volume. Data are fourth-quarter average values.

List of Tables

About This Document

This volume is one of a series of reports on the state of the budget and the economy that the Congressional Budget Office issues each year. It satisfies the requirement of section 202(e) of the Congressional Budget Act of 1974 for CBO to submit to the Committees on the Budget periodic reports about fiscal policy and to provide baseline projections of the federal budget. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations.

CBO consulted members of its Panel of Economic Advisers during the development of this report. Although the agency's outside advisers provided considerable assistance, they are not responsible for the contents of this report; that responsibility rests solely with CBO.

The following pages list CBO's staff members who contributed to this report by preparing the economic, revenue, and spending projections; writing the report; reviewing, editing, fact-checking, designing, and publishing it; compiling the supplemental materials posted along with it on CBO's website; and providing other support. The report is available at www.cbo.gov/publication/60039.

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

Phillip L. Swagel
Director
June 2024

Economic Projections

The economic projections were prepared by the Macroeconomic Analysis Division, with contributions from analysts in other divisions. That work was supervised by Richard DeKaser (formerly of CBO), Devrim Demirel, Robert Arnold, and Jaeger Nelson.

Nicholas Abushacra · Housing, model and data management

Joyce Bai · Financial markets

Grace Berry · Motor vehicle sector, research assistance

Aaron Betz · Effects of fiscal policy, potential output, productivity

Daniel Fried · Net exports, exchange rates, energy prices

Edward Gamber · Labor markets, current-quarter analysis

Ron Gecan · Energy prices

Mark Lasky · Business investment, housing

Chandler Lester · Inflation, house prices

Kyoung Mook Lim · Federal, state, and local government spending and revenues; effects of fiscal policy

Michael McGrane · Financial markets, Federal Reserve's balance sheet, quantifying uncertainty

Christine Ostrowski · Consumer spending, income

Jeffrey Schafer · Interest rates, monetary policy

Byoung Hark Yoo · Quantifying uncertainty

Revenue Projections

The revenue projections were prepared by the Tax Analysis Division, supervised by John McClelland, Joseph Rosenberg, Edward Harris, and Joshua Shakin. In addition, the staff of the Joint Committee on Taxation provided valuable assistance.

Kathleen Burke · Individual income taxes

Dorian Carloni · Business taxation

Nathaniel Frentz · Federal Reserve System's remittances, miscellaneous fees and fines

Bilal Habib · Tax modeling

Shannon Mok · Estate and gift taxes

Omar Morales · Excise taxes

James Pearce · Capital gains realizations, wage distribution, tax modeling

Kevin Perese · Tax modeling

Molly Saunders-Scott · International taxation, business taxation

Kurt Seibert · Payroll taxes, depreciation, tax modeling

Jennifer Shand · Corporate income taxes

Molly Sherlock · Energy and excise taxes

Naveen Singhal · Capital gains realizations, tax modeling

Ellen Steele · Refundable tax credits

Emma Uebelhor · Customs duties

James Williamson · Retirement income, estate and gift taxes

Spending Projections

The spending projections were prepared by the Budget Analysis Division, with contributions from analysts in other divisions. That work was supervised by Chad Chirico, Christina Hawley Anthony, Sam Papenfuss, Barry Blom, Megan Carroll, Elizabeth Cove Delisle, Sean Dunbar, Kathleen FitzGerald, Ann E. Futrell, Justin Humphrey, Sarah Masi, David Newman, Robert Reese, Asha Saavoss, and Emily Stern of the Budget Analysis Division, as well as by Chapin White, Tamara Hayford, and Alexandra Minicozzi of the Health Analysis Division and by Sebastien Gay of the Financial Analysis Division.

Defense, International Affairs, and Veterans' Affairs

Sunita D'Monte · International affairs

Caroline Dorminey · Defense (procurement)

Paul B. A. Holland · Veterans' education benefits, reservists' education benefits, veterans' home loans

William Ma · Defense (operation and maintenance, intelligence programs, other defense programs)

Christopher Mann · Defense (facilities, energy, nuclear programs)

Aldo Prosperi · Defense (research and development, cybersecurity)

David Rafferty · Military retirement, compensation for radiation exposure and energy employees' occupational illness, immigration

Dawn Sauter Regan · Defense (military personnel)

Matt Schmit · Military health care

Logan Smith · Veterans' compensation and pensions, other benefits for disabled veterans, toxic exposures fund

Education, Finance, and Housing

Julia Aman · Federal Deposit Insurance Corporation, National Credit Union Administration, Orderly Liquidation Fund, Federal Housing Administration, Bureau of Indian Affairs

Joyce Bai · Student loans

Margot Berman · Student loans

Jeremy Crimm · Law enforcement, justice assistance, homeland security, Postal Service

Michael Falkenheim · Federal Deposit Insurance Corporation, student loans

David Hughes · Commerce, Consumer Financial Protection Bureau, Universal Service Fund

Wendy Kiska · Pension Benefit Guaranty Corporation, student loans

Leah Koestner · Student loans, higher education programs

Noah Meyerson · Pension Benefit Guaranty Corporation

Zunara Naeem · Fannie Mae and Freddie Mac, Federal Housing Finance Agency, housing assistance

Garrett Quenneville · Elementary and secondary education, Pell grants

Mitchell Remy · Veterans' housing, Fannie Mae and Freddie Mac

Jon Sperl · Community and regional development, Federal Emergency Management Agency, judicial branch, administration of justice

Aurora Swanson · Securities and Exchange Commission, Small Business Administration

David Torregrosa · Federal Deposit Insurance Corporation

Byoung Hark Yoo · Fannie Mae and Freddie Mac, Federal Housing Administration

Health

Austin Barselau · Medicare

Ezra Cohn · Food and Drug Administration, prescription drugs, National Institutes of Health

Ryan Greenfield · Prescription drugs, Food and Drug Administration

Jessica Hale · Health insurance marketplaces, private health insurance

Cornelia Hall · Medicare

Caroline Hanson · Health insurance coverage

Nianyi Hong · Health insurance coverage

Ben Hopkins · Health insurance coverage

Claire Hou · Health insurance coverage

Robert Lindsay · Health insurance coverage

Sean Lyons · Health insurance coverage

Julianna Mack · Health insurance coverage

Eamon Molloy · Health insurance coverage

Hudson Osgood · Medicare, Public Health Service

Romain Parsad · Health insurance coverage

Allison Percy · Health insurance coverage

Aaron Pervin · Medicaid

Lara Robillard · Medicare

Sarah Sajewski · Medicare, Centers for Disease Control and Prevention

Julia Sheriff · Medicare

Robert Stewart · Medicaid, Children's Health Insurance Program, Indian Health Service

Carolyn Ugolino · Medicaid, Health Resources and Services Administration

Emily Vreeland · Health insurance marketplaces, private health insurance, Federal Employees Health Benefits program

Kate Young · Medicaid, prescription drugs, Substance Abuse and Mental Health Services Administration

Katie Zhang · Health insurance marketplaces, private health insurance

Chris Zogby · Health insurance coverage

Noah Zwiefel · Medicare

Income Security

Susan Yeh Beyer · Child nutrition and other nutrition programs, Smithsonian Institution, arts and humanities

Meredith Decker · Unemployment insurance, job training programs

Jennifer Gray · Supplemental Nutrition Assistance Program and other nutrition programs

Jada Ho · Refugee and Entrant Assistance program, Child Care and Development Block Grant

Justin Latus · Supplemental Security Income, Administration on Aging

Michael McGrane · Extended benefits for unemployment insurance

Susanne Mehlman · Temporary Assistance for Needy Families, child support enforcement, foster care, child care programs, Low Income Home Energy Assistance Program

Noah Meyerson · Old-Age and Survivors Insurance, Social Security trust funds

Delaney Smith · Disability Insurance, rehabilitation services, Social Services Block Grant, support programs for children and families

Natural and Physical Resources

Tiffany Arthur · Agriculture

Kelly Durand · General government

David Hughes · Outer Continental Shelf receipts

Aaron Krupkin · Energy, air, water, and other transportation

Willow Latham-Proença · Energy, highways, mass transit, Amtrak, spectrum auction receipts

Lilia G. Ledezma · Conservation and land management

Erik O'Donoghue · Agriculture

Matthew Pickford · General government, legislative branch, recreational resources

Alaina Rhee · Energy

Aurora Swanson · Water resources, pollution control and abatement, other natural resources

Other Areas and Functions

Shane Beaulieu · Computer applications and data systems

Breanna Browne-Pike · Appropriation bills (Labor, Health and Human Services, and Education; Legislative Branch)

Aaron Feinstein · Other interest, monthly Treasury data, historical data

Avi Lerner · Debt, interest on the public debt

Amber Marcellino · Federal civilian retirement

George McArdle · Appropriation bills (Military Construction and Veterans Affairs; State and Foreign Operations)

Amy McConnel · Appropriation bills (Commerce, Justice, and Science; Financial Services and General Government)

Dan Ready · Various federal retirement programs, national income and product accounts, federal pay

Mark Sanford · Appropriation bills (Agriculture and Food and Drug Administration; Defense)

Youstiena Shafeek · Budget projections and appropriation bills

Esther Steinbock · Appropriation bills (Energy and Water Development; Transportation and Housing and Urban Development)

J'nell Blanco Suchy · Appropriation bills (Homeland Security; Interior and Environment), scorekeeping for authorization acts

Patrice Watson · Computer applications and data systems

Olivia Yang · Budget projections and appropriation bills

Writing

Amber Marcellino prepared the executive summary, with assistance from Daniel Fried. Amber Marcellino, Dan Ready, and Jennifer Shand wrote Chapter 1, with assistance from Aaron Feinstein and Avi Lerner. Daniel Fried wrote Chapter 2, with contributions from Mark Lasky. Aaron Feinstein, Kathleen Burke, and Molly Sherlock wrote Chapter 3.

Reviewing, Editing, Fact-Checking, Designing, and Publishing

Mark Doms, Mark Hadley, Jeffrey Kling, and Robert Sunshine reviewed the report. The editing and publishing were handled by CBO's editing and publishing group, supervised by Lora Engdahl and John Skeen, and the agency's communications team, supervised by Deborah Kilroe.

Christine Bogusz, Christine Browne, Scott Craver, Christian Howlett, Rebecca Lanning, Bo Peery, and Caitlin Verboon edited and proofread the report; Casey Labrack and Jorge Salazar created the graphics; Jorge Salazar prepared the text for publication; and Annette Kalicki published the report on CBO's website.

Nicholas Abushacra, Margot Berman, Grace Berry, Jodi Capps, Jada Ho, Omar Morales, Daniel Page, Youstiena Shafeek, Emma Uebelhor, and Grace Watson fact-checked the report. Nicholas Abushacra and Grace Berry coordinated the preparation of figures and tables related to economic projections. Nicholas Abushacra, Grace Berry, Aaron Feinstein, Avi Lerner, Omar Morales, Daniel Page, and Youstiena Shafeek compiled data and supplemental information, and Annette Kalicki and Simone Thomas coordinated the presentation of those materials on CBO's website.