Congressional Budget Office
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An Analysis of the President's 2025 Budget

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On March 11, 2024, the Administration submitted its annual set of budgetary proposals to the Congress.[1] In this report, the Congressional Budget Office examines how those proposals, if enacted, would affect budgetary outcomes in relation to CBO's most recent baseline budget projections.[2] Those projections extend from 2024 to 2034 and reflect the assumption that current laws governing federal spending and revenues will generally remain in place. CBO's baseline budget projections and its analysis of the President's proposals are based on the agency's economic forecast published in June, which reflects developments through early May.[3] (In this analysis, any feedback from the macroeconomic effects of the President's proposed policies is excluded.)

This analysis incorporates estimates of the President's proposals that the staff of the Joint Committee on Taxation (JCT) and CBO completed as of September 17, 2024.[4] It does not include all proposals with major budgetary effects contained in the Administration's budget. As a result, this report does not include projections of total revenues, spending, deficits, and debt under the President's budget. The proposals not included are estimated by the Administration to increase revenues by $1.0 trillion, on net, over the 2025–2034 period and to increase outlays by $0.2 trillion, on net, over the same period (in relation to the amounts projected in the Administration's baseline).

Based on estimates that were available as of September 17, over the 2025–2034 period, the President's proposals that JCT and CBO analyzed would have the following budgetary effects (in relation to the amounts projected in CBO's baseline):

- They would increase revenues by $2.8 trillion. About a third of that estimated increase would stem from raising the corporate income tax rate from 21 percent to 28 percent (see Table 1).
- They would increase mandatory outlays by $2.3 trillion across a wide variety of programs, most of them related to income security; health care; and education, training, employment, and social services.
- They would decrease discretionary outlays by $0.9 trillion because requested funding designated as an emergency requirement is much less than the amount CBO projected in its baseline.

This analysis is based on CBO's and JCT's budget estimates, not the Administration's. Some of the

1. This analysis does not include the budgetary effects of the amendments to the proposed budget that the Administration submitted to the Congress on May 22, 2024, or the updated estimates contained in the 2025 *Mid-Session Review*, which the Administration released on July 19, 2024.

2. Earlier this year, CBO issued a report analyzing the budgetary effects of the President's proposals for discretionary spending. See Congressional Budget Office, *An Analysis of the Discretionary Spending Proposals in the President's 2025 Budget* (June 2024), www.cbo.gov/publication/60041. This report combines an analysis of the President's policy proposals that affect revenues and mandatory spending with that earlier analysis of the discretionary spending proposals.

3. For CBO's most recent baseline budget and economic projections, see Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2024 to 2034* (June 2024), www.cbo.gov/publication/60039. CBO's baseline is intended to provide a benchmark that policymakers can use to assess the potential effects of policy changes on federal spending and revenues and, therefore, on deficits and debt.

4. JCT's staff is responsible for estimating the effects of most proposals that would affect revenues. Some of those proposals would affect refundable tax credits, which also affect mandatory spending.

Notes: All years referred to are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Numbers in the text and tables may not add up to totals because of rounding. Supplemental data for this analysis are available on CBO's website (www.cbo.gov/publication/60438), as are previous editions of this report (https://tinyurl.com/3aph9zde).

Table 1.

CBO's and JCT's Estimates of the Effects of Certain Proposals in the President's Budget

Billions of dollars

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2029	Total 2025–2034
Revenues													
Raise the corporate income tax rate to 28 percent	0	104	72	81	84	87	89	90	89	90	94	429	881
Ensure a minimum rate of taxation of corporate income[a]	0	57	46	39	43	43	44	44	46	48	46	228	456
Increase the net investment income tax and Medicare tax rates	0	59	37	38	39	40	41	43	45	46	48	212	435
Provide additional funding for the IRS[b]	0	*	4	6	6	7	18	27	42	45	47	22	201
Increase the top marginal income tax rate for high-income taxpayers	0	76	21	10	11	11	12	12	12	13	13	129	191
Other proposals	0	31	69	57	53	59	66	71	75	83	91	268	654
Total effect on revenues	**0**	**325**	**249**	**231**	**236**	**248**	**270**	**287**	**309**	**325**	**339**	**1,289**	**2,819**
Outlays													
Mandatory													
Increase federal spending on income security programs													
Expand access to child care	0	10	16	32	41	45	48	50	51	53	54	144	400
Provide paid family and medical leave	0	2	10	18	20	25	50	50	50	50	50	75	325
Expand EITC and CTC[c]	0	80	79	15	15	15	15	15	16	16	16	205	283
Other proposals	0	7	5	10	12	12	12	12	13	12	13	46	107
Subtotal, income security programs	0	99	110	75	89	97	126	127	129	131	133	470	1,115
Increase federal spending on health care													
Expand premium tax credits[d]	0	1	26	24	25	26	27	29	30	31	33	102	251
Reclassify and increase Indian Health Service funding	0	*	8	13	18	23	29	32	35	37	39	63	234
Make changes to Medicare, Medicaid, CHIP, health centers, and biothreat prevention[e]	0	7	13	13	12	11	9	7	1	6	6	55	85
Reduce Medicare outlays through certain automatic reductions	0	0	0	0	0	0	0	0	0	-19	-28	0	-46
Other proposals	0	1	3	3	2	1	1	*	1	*	*	9	12
Subtotal, health care	0	9	50	53	56	60	66	69	66	55	51	229	536

Continued

Administration's spending proposals were not specific enough for CBO to assess their effects on outlays. When that was the case, CBO did not include the proposal in this analysis. For certain other proposals, CBO used the Administration's estimates as placeholders because the agency concluded that those estimates represented achievable targets for the budgetary effects of detailed policies that might be proposed in the future. For example, the President proposed a program to provide access to child care for families but did not provide sufficient details about the proposal for CBO to produce an independent estimate of its costs. CBO concluded that the eligibility criteria and benefit amounts could be specified to result in the amount of spending estimated by the Administration, and therefore the agency used that estimate as a placeholder. That was also the case for proposals relating to paid leave and preschool, as well as for other proposals with smaller budgetary effects.[5] Future estimates of the budgetary effects of the President's proposals would depend on how those policies were specified in legislation.

For discretionary programs, CBO incorporated the funding levels requested by the President rather than using the amounts in its baseline projections. (CBO's baseline projections reflect the effects of the caps on most discretionary spending established by the Fiscal Responsibility Act of

5. Details about which policy proposals CBO did not include in this analysis and which proposals the agency used the Administration's budget estimates as a placeholder for can be found in the supplemental data published along with this report.

Table 1. Continued

CBO's Estimates of the Effects of Certain Proposals in the President's Budget

Billions of dollars

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2029	Total 2025–2034
Increase federal spending on education, training, employment, and social services													
Expand access to preschool	0	5	7	8	15	20	25	25	30	33	33	55	200
Increase mandatory Pell grant awards	0	1	4	7	10	14	17	17	17	18	18	36	123
Provide access to community college and certain other colleges	0	0	1	10	17	20	17	14	14	14	13	48	120
Other proposals	0	2	6	6	8	6	6	6	6	6	6	27	58
Subtotal, education, training, employment, and social services	0	8	17	31	50	60	65	63	67	70	70	167	501
Provide additional funding for the IRS[b]	0	0	3	3	2	4	15	19	19	20	20	11	104
Other proposals	0	10	8	9	2	3	3	5	-3	-6	-8	32	23
Subtotal, mandatory outlays	0	126	188	171	200	224	274	282	279	270	265	909	2,280
Discretionary													
Defense	0	-4	-31	-53	-61	-66	-78	-93	-110	-129	-147	-216	-773
Nondefense	0	38	39	30	17	-4	-20	-36	-48	-59	-67	120	-111
Subtotal, discretionary outlays	0	34	8	-23	-44	-70	-98	-129	-159	-188	-215	-96	-884
Total effect on mandatory and discretionary outlays	**0**	**160**	**196**	**148**	**155**	**154**	**176**	**152**	**120**	**82**	**51**	**814**	**1,396**
Addendum:													
Differences between CBO's estimates and the Administration's estimates[f]													
Revenues	-110	-45	-115	-93	-92	-93	-115	-122	-121	-128	-134	-438	-1,059
Mandatory outlays	-2	-118	37	15	-8	12	-7	22	5	43	20	-62	20
Discretionary outlays	-94	-62	-21	-12	15	9	23	13	-5	-9	-17	-71	-67

Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation. See www.cbo.gov/publication/60438#data.

CHIP = Children's Health Insurance Program; CTC = child tax credit; EITC = earned income tax credit; IRS = Internal Revenue Service; JCT = Joint Committee on Taxation; * = between $-500 million and $500 million.

a. Consists of two proposals that work in conjunction: The first would revise the global intangible low-taxed income (GILTI) regime, limit inversions, and make related reforms; the other proposal would replace the current base erosion and anti-abuse tax, which applies to certain corporate taxpayers, with an undertaxed profits rule.

b. This proposal would shrink deficits by $105 billion over the 2025–2034 period after accounting for the changes in revenues and mandatory outlays shown in this table as well as an $8 billion reduction (relative to CBO's baseline projections) in discretionary outlays stemming from lower proposed discretionary funding for the IRS.

c. Proposed changes to the EITC and CTC would also reduce revenues by $189 billion. Those effects are reflected in the "other proposals" line of the revenues section of the table.

d. Premium tax credits subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and provided through the Basic Health Program.

e. Amounts include an interaction between the proposal to expand premium tax credits and the proposals making changes to Medicaid and CHIP, increasing the latter two programs' outlays by $21 billion.

f. Negative amounts indicate amounts by which the Administration's estimate of the policies that CBO and the staff of JCT analyzed exceed CBO's and JCT's estimates.

2023, or FRA, and the assumption that most funding will grow with inflation after the caps expire.)[6]

6. For an explanation of how CBO projects discretionary spending, including the effects of the caps established by the Fiscal Responsibility Act of 2023, see Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), Chapter 1, www.cbo.gov/publication/59710.

CBO's and JCT's estimates differ from the Administration's both with regard to what will occur under current law and what changes would result if the Administration's proposals were adopted:

- CBO's baseline estimates of deficits under current law are $2.0 trillion larger than the Administration's over the 2025–2034 period.

- Excluding any effects on net interest costs, the proposals for which JCT and CBO have provided estimates would, if enacted, shrink deficits by $1.4 trillion over the 2025–2034 period, an amount that is $1.0 trillion less than the Administration estimates.

CBO and JCT estimate that the proposals would, on net, increase revenues by $1.1 trillion less over the decade than the Administration estimates, accounting for most of the difference in the projected deficit effects of the President's proposals. CBO's estimate of discretionary outlays under the President's budget is $67 billion smaller than the Administration's, and CBO's and JCT's estimates for proposals that would affect mandatory outlays are larger than the Administration's by $20 billion over the same period.

Proposals That Would Affect Revenues

The proposals in the President's budget for which CBO and JCT completed estimates as of September 17, 2024, would increase revenues by $2.8 trillion over the 2025–2034 period. According to the Administration, those same proposals would increase revenues by $3.9 trillion.

Estimates for several proposals were not available from JCT as of that date. The revenue proposals for which estimates from JCT were not available or for which CBO could not complete an estimate because of a lack of sufficient detail would, according to the Administration's estimates, increase revenues by about $1.0 trillion, on net, over the 2024–2034 period. That amount is just over one-fifth of the total $4.9 trillion increase in revenues estimated by the Administration.

Proposals for Which CBO's and JCT's Estimates Are Available

If the proposals for which the agencies have completed estimates were enacted, they would increase total revenues above the baseline amounts by 4.5 percent from 2025 to 2034, CBO and JCT estimate. Five proposals would have the largest effects on revenues and account for $2.2 trillion; all other proposals for which estimates were completed account for $654 billion.

Raise the Corporate Income Tax Rate From 21 Percent to 28 Percent. This proposal would increase the statutory tax rate applicable to entities subject to the corporate income tax. In addition, because the global intangible low-taxed income (GILTI) tax rate is tied to the statutory corporate income tax rate, this proposal would also increase the GILTI tax rate to 14 percent. (GILTI is income earned by foreign affiliates of U.S. companies that exceeds a 10 percent return on foreign tangible assets, and the applicable tax subjects U.S. multinational corporations to a minimum level of taxation.) This proposal would increase revenues over the 2025–2034 period by a total of $881 billion, JCT estimates.

Ensure a Minimum Rate of Taxation of Corporate Income. This proposal would revise GILTI and replace the current base erosion and anti-abuse tax, which applies to certain corporate taxpayers, with an undertaxed profits rule. Revisions to GILTI would include removing the exemption for qualified business asset income and reducing the deduction for applicable minimum tax inclusion to 25 percent. (If the corporate income tax rate was increased to 28 percent, this proposal would raise the GILTI tax rate to 21 percent.)

The undertaxed profits rule would work in conjunction with the GILTI regime to subject income earned by a multinational company, whether parented in the United States or elsewhere, to a minimum rate of taxation regardless of where the income was earned. Implementing the proposals would, in JCT's estimation, increase federal revenues collected over the 10-year period by $456 billion.

Increase the Net Investment Income Tax (NIIT) and Medicare Tax Rates. This proposal would increase two tax rates that apply to high-income taxpayers whose applicable income exceeds certain thresholds. Currently, those thresholds are set at $200,000 for people who file as single or as head of household and $250,000 for people who file joint returns. The first tax, the NIIT, is a 3.8 percent tax on qualifying investment income such as interest, dividends, capital gains, rents, royalties, and passive income from businesses not subject to the corporate income tax. The proposal would increase the NIIT tax rate from 3.8 percent to 5.0 percent on net investment income over $400,000.[7] The second tax, the additional Medicare tax, is a 0.9 percent tax on wages and self-employment income. The proposal would increase that tax on applicable income over $400,000 by 1.2 percentage points, bringing the marginal Medicare tax rate to 5.0 percent. (Applicable income above the current thresholds but less than $400,000 would still be subject to a 3.8 percent NIIT and 3.8 percent marginal Medicare tax; that is, the 2.9 percent Medicare tax plus the 0.9 percent additional Medicare tax.) All told,

7. The President's proposal does not specify different thresholds for different filing statuses.

JCT estimates that the proposal would increase revenues over the 2025–2034 period by $435 billion.[8]

Provide Additional Funding for the Internal Revenue Service (IRS). This proposal would increase outlays in 2026 and beyond. The proposed increase in mandatory funding for the IRS, combined with the Administration's request for discretionary funding for enforcement, technology and operations support, taxpayer services, and business systems modernization, would increase revenues by $201 billion from 2026 to 2034, CBO estimates.[9] Together, the net change in outlays and revenues would result in deficits that would be $105 billion smaller over that period.

Increase the Top Marginal Income Tax Rate to 39.6 Percent for High-Income Taxpayers. This proposal would raise the top marginal tax rate and lower the thresholds for income subject to that rate. The category of taxpayers subject to that rate would consist of married couples filing a joint return (and surviving spouses) with taxable income over $450,000 and unmarried people with taxable income over $400,000. Under current law, the top marginal rate is lower than 39.6 percent for tax years 2024 and 2025, and the income thresholds are higher than the proposed amounts in all years. The proposal would thus increase the top tax rate before 2026 and subject more taxpayers to the highest rate in all years. In JCT's estimation, this proposal would increase federal revenues collected over the 10-year period by $191 billion.

Other Proposals. All other proposals included in the President's budget for which estimates could be completed would increase revenues collected over the 2025–2034 period by more than $654 billion, on net, CBO and JCT estimate. Among the proposals, those that would *increase* revenues by the greatest amounts—a combined $426 billion, in JCT's estimation—are proposals that would repeal the deduction for foreign-derived intangible income; increase the corporate alternative minimum tax rate to 21 percent; increase the excise tax rate on the repurchase of corporate stock; and modify income, estate, gift, and generation-skipping transfer tax rules for certain taxes. The proposals that would *reduce* revenues the most—by about $253 billion, according to JCT's estimate—are those that would expand the child tax credit and make it permanently refundable in full and partly paid in advance (a feature known as advanceability), make permanent the expansion of health insurance premium tax credits, and restore and make permanent the earned income tax credit for workers without qualifying children.

Comparison With the Administration's Estimates. JCT and CBO estimate that the President's proposals would increase revenues over the 2025–2034 period by about $1.1 trillion less than the Administration estimates they would. The proposals with the five largest differences in estimates over 10 years are the following:

- Raise the corporate income tax rate to 28 percent (JCT's estimate was $469 billion lower than the Administration's);
- Provide additional funding for the IRS (CBO's estimate was $140 billion lower);
- Increase the excise tax rate on the repurchase of corporate stock and close loopholes (JCT's estimate was $87 billion lower);
- Revise the GILTI regime, limit inversions, and make related reforms (JCT's estimate was $72 billion lower); and
- Expand the limitation on deductibility of employee remuneration in excess of $1 million (JCT's estimate was $56 billion lower).

Proposals for Which CBO's and JCT's Estimates Are Not Available

Estimates for roughly two dozen revenue proposals were not available to be included in this analysis. According to the Administration's estimates, those proposals would increase revenues by $1.0 trillion, on net, over the 2025–2034 period. Of those proposals, two account for nearly all of the additional increase:

- Impose a minimum income tax of 25 percent on total income, generally inclusive of unrealized capital gains, for all taxpayers with wealth greater than $100 million (the Administration estimates that the proposal would increase revenues by $503 billion); and

8. The Administration also proposes to expand the NIIT base to include all pass-through business income of high-income taxpayers that is subject to either the NIIT or the additional Medicare tax. As described by the Administration, the expanded NIIT base would include ordinary business income derived from S corporations, limited partnership interests and partnership LLC interests, and any other trade or business income not already subject to NIIT or the additional Medicare tax under current law. The estimate for this proposal was not available.

9. For the 2026–2034 period, the proposal would increase mandatory IRS spending by $104 billion, which by itself would increase revenues by an estimated $212 billion. However, the requested discretionary funding is slightly less than the amount projected in CBO's baseline ($8 billion over the 2025–2034 period). Taking into account the changes in both mandatory and discretionary funding, CBO estimates that revenues would increase by $201 billion over the 2026–2034 period.

- Change the way some capital income is taxed for high-income earners and the way the increase in the value of appreciated property is realized when it is transferred by gift or inheritance (the Administration estimates that the proposal would increase revenues by $289 billion).

Proposals That Would Affect Mandatory Spending

The proposals in the President's budget that were sufficiently detailed for CBO to include in this analysis would increase mandatory outlays by $2.3 trillion over the 2025–2034 period, according to CBO's estimates.[10] That amount is similar to the the amount estimated by the Administration for the same policies. It includes instances where CBO used the Administration's estimates as a placeholder because the agency concluded that those estimates represented achievable targets for the budgetary effects of detailed policies that might be proposed in the future. But that amount does not include the budgetary effects of policy proposals that lacked sufficient detail for CBO to assess. (The budgetary effect of provisions that CBO was not able to include would, on net, increase outlays by $0.2 trillion over the 2025–2034 period, according to estimates from the Administration.)

The President's budget includes proposals that would affect all areas of the budget. The proposals with the greatest effects on mandatory outlays would increase spending on income security programs, health care, and education, training, employment, and social services programs.

Proposals for Which Estimates Are Included

If the proposals for which the agencies have completed estimates were enacted, they would raise mandatory outlays above the baseline amounts by 4.4 percent from 2025 to 2034, CBO and JCT estimate. The estimates for specific proposals discussed below are those of CBO and JCT or, when specified, estimates by the Administration that CBO has included as placeholders.

Income Security Programs. Proposals that would increase spending on various income security programs would boost outlays over the 2025–2034 period by $1.1 trillion (or 17.8 percent), CBO estimates. Those proposals include the following:

- A program to provide access to child care for families, which the Administration estimates would cost $400 billion over the next 10 years, after accounting for an interaction with a proposal expanding access to preschool (described below with other policies related to education, training, employment, and social services);
- A program that would provide paid family and medical leave (including parental leave), which the Administration estimates would cost $325 billion over the 2025–2034 period; and
- Changes to the earned income and child tax credits that would increase mandatory outlays by $283 billion through 2034, according to estimates by JCT and CBO.[11]

Various changes to other income security programs would cost $107 billion, CBO estimates.

Health Care Programs. Changes to federal health care programs (including Medicare) would increase total outlays for those programs over the 10-year projection period by $536 billion (or 2.4 percent), CBO estimates. Those changes include the following:

- Permanently expanding eligibility for the premium tax credits established by the Affordable Care Act and certain other changes would, in total, increase mandatory outlays by $251 billion over the 2025–2034 period, JCT and CBO estimate.
- Reclassifying funding for the Indian Health Service from discretionary to mandatory and increasing such funding would add $234 billion to mandatory outlays over the 2025–2034 period (and reduce discretionary outlays by $76 billion), CBO estimates.
- Making several changes to Medicare, Medicaid, and the Children's Health Insurance Program and providing additional funding for the Health Center Program and programs to protect against biothreats, would together increase outlays by $85 billion through 2034, according to estimates from both CBO and the Administration.[12]
- Extending through 2034 certain automatic reductions to mandatory spending that are currently

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

11. That estimate includes an $11 billion reduction in outlays for other refundable credits stemming from changes to premium tax credits discussed in the section on changes to federal health care programs. The proposed changes to the earned income and child tax credits would also reduce revenues by $189 billion, according to estimates by JCT.

12. That amount includes an interaction between the proposal to expand premium tax credits and the proposals making changes to Medicaid and CHIP, increasing the latter two programs' outlays by $21 billion, CBO estimates.

in place through 2032 would reduce Medicare outlays by $46 billion, CBO estimates.

Education, Training, Employment, and Social Services Programs. Mandatory spending on education, training, employment, and social services programs would also increase under the President's proposals, by $501 billion over the next 10 years, CBO estimates. (Mandatory outlays for those programs in CBO's baseline total $390 billion over the 2025–2034 period—so the President's proposals would more than double mandatory spending for those programs.) Nearly all of that increase would be for proposed changes to education programs. The largest of those proposals include the following:

- Expanding access to preschool, which the Administration estimates would increase outlays by $200 billion;
- Increasing the maximum Pell grant award for low- and middle-income college students, which would increase mandatory outlays by $123 billion according to the Administration's estimates; and
- Providing $120 billion for access to community colleges and financial aid to students at certain other colleges, which would increase outlays by the same amount through 2034, CBO estimates.

Provide Additional Funding for the IRS. The President also proposes additional mandatory funding for the IRS. That additional funding would be for enforcement, technology and operations support, taxpayer services, and business systems modernization; it would add $104 billion to mandatory outlays over the 2025–2034 period, CBO estimates. (The Administration's proposals do not specify exactly how much funding would be provided in which years, so CBO used the Administration's estimates as a placeholder.) That additional funding would increase revenues by an estimated $201 billion over the same period, CBO estimates, after accounting for an $8 billion reduction (in relation to CBO's baseline projections) in discretionary outlays stemming from lower proposed discretionary funding for the IRS. Combined, the net change in outlays and revenues would result in deficits that would be $105 billion smaller over the 2025–2034 period, CBO estimates.

Comparison With the Administration's Estimates. CBO's and JCT's estimates of outlays affected by the proposals would, on net, be about $20 billion more over the 2025–2034 period than the amounts estimated by the Administration. The largest differences in estimates stem from $87 billion in savings the Administration attributes to proposals related to programs to reduce waste, fraud, and abuse: CBO estimates those proposals would save $4 billion relative to the agency's baseline, boosting CBO's estimate of mandatory outlays by $83 billion relative to the Administration's. Offsetting much of that difference in CBO's and JCT's estimate is the increase in mandatory outlays related to the earned income, child, and premium tax credits. CBO and JCT estimate those changes would increase mandatory outlays by $50 billion less than the Administration estimates.

Proposals for Which Estimates Are Not Available

The President's budget included 25 proposals that would affect mandatory spending but that lacked sufficient detail for CBO to estimate. The Administration estimates that those proposals would increase outlays by $188 billion, on net, over the 2025–2034 period. Three proposals account for nearly all of those effects:

- Permanently extending Medicaid coverage to people with low income in states that have not expanded that program, which the Administration estimates would increase outlays by $200 billion;
- Providing more resources for Medicaid home- and community-based services, which the Administration estimates would increase outlays by $150 billion; and
- Expanding drug reforms first enacted in the 2022 reconciliation act, which the Administration estimates would reduce outlays by $200 billion.

Proposals That Would Affect Discretionary Spending

The President has requested a total of $1.75 trillion in discretionary appropriations for 2025. That amount includes the effects of proposed changes in mandatory programs that would be enacted in the 12 annual appropriation bills; those changes would, on net, reduce budget authority by $44 billion in 2025 (and increase it by $35 billion in 2026), CBO estimates.[13] Excluding those effects on mandatory programs, the proposed

13. Budget authority is the authority provided by federal law to incur financial obligations that will result in immediate or future outlays of federal government funds. A proposal to delay from 2025 to 2026 the availability of certain funding for the Child Enrollment Contingency Fund ($21 billion), the Children's Health Insurance Program ($13 billion), and the Crime Victims Fund ($2 billion) accounts for $36 billion of the $44 billion reduction in budget authority attributable to proposed changes to mandatory programs in appropriation bills for 2025. Those proposals would boost budget authority by those same amounts in 2026, when the delayed funding would become available again. None of those three changes would significantly affect outlays in any year, CBO estimates.

Table 2.

Proposed Changes in Discretionary Budget Authority in the President's Budget, by FRA Category, 2023 to 2025

Billions of dollars

	Actual, 2023[a]	Enacted, 2024	Administration's request for 2025[b]	Percentage change 2023–2024	Percentage change 2024–2025
Defense					
Base funding[c]	861	886	895	3	1
Emergency funding					
Funding provided in advance by laws enacted before 2024	*	*	*	0	0
New emergency funding	33	67	0	105	-100
Subtotal, emergency funding	33	68	*	104	-100
Subtotal, defense	894	954	895	7	-6
Nondefense					
Base funding	775	749	763	-3	2
Emergency funding					
Funding provided in advance by laws enacted before 2024	70	70	69	**	-2
New emergency funding	69	56	32	-19	-43
Subtotal, emergency funding	139	126	101	-9	-20
Other nonbase funding[d]	28	29	30	1	5
Subtotal, nondefense	943	904	894	-4	-1
Total, budget authority	**1,837**	**1,858**	**1,789**	**1**	**-4**
Addendum:					
Obligation limitations	78	79	81	2	2
Total base funding	1,636	1,635	1,658	**	1
Total nonbase funding	201	223	131	11	-41

Data source: Congressional Budget Office. See www.cbo.gov/publication/60438#data.

FRA = Fiscal Responsibility Act of 2023; * = between zero and $500 million; ** between -1 percent and zero.

Estimates do not include enacted and proposed changes to certain mandatory programs through the appropriation process. In keeping with long-standing procedures, those changes are credited against discretionary spending for purposes of budget enforcement. Obligation limitations for certain transportation programs are reflected only in the addendum and are not included elsewhere in this table.

a. Amounts show how the FRA would have applied to budget authority had that act been in place in 2023.

b. Excludes proposed reductions of $44 billion in budget authority for certain mandatory programs made through the appropriation process.

c. Base funding is funding that is constrained by the caps on discretionary spending established by the FRA. For 2025, the cap on defense funding established by section 101 of that act is $895 billion, and the cap on nondefense funding is $711 billion.

d. Consists of funding for disaster relief, certain program integrity initiatives (which identify and reduce overpayments in some benefit programs), certain wildfire suppression operations, certain funding provided to the Army Corps of Engineers, and programs designated in the 21st Century Cures Act.

appropriations for 2025 would total $1.79 trillion (see Table 2). That amount is $68 billion (or 4 percent) less than what has been appropriated for 2024 (also excluding the effect of changes in mandatory programs enacted in 2024 appropriation legislation)—$59 billion less for defense and $10 billion less for nondefense activities. In addition, the President requested obligation limitations of $81 billion for certain transportation programs for 2025, 2 percent more than the amount for 2024.[14]

For the years after 2025, base funding—that is, funding constrained by the caps on discretionary funding established by the Fiscal Responsibility Act of 2023 (FRA; Public Law 118-5)—grows by an average of about 1.6 percent a year. Nonbase discretionary funding—that is, funding that is not constrained by the caps—proposed

14. The budget authority for those transportation programs is mandatory, but the spending is constrained by obligation limitations set in appropriation acts, and thus outlays for those programs are considered discretionary. Those obligation limitations limit the amount of budget authority that can be used in a given year.

for those years is substantially less than what has been provided in 2024 and what is proposed for 2025.

Defense Funding in 2025

The President proposes total discretionary defense funding of $895 billion in 2025, $59 billion (or 6 percent) less than the amount provided for 2024. Total defense funding would decrease under the President's budget because the proposal contains no defense funding designated as an emergency requirement beyond the $20 million already provided under current law for 2025 and 2026. To date, $67 billion of such funding has been provided for 2024 to furnish aid to Ukraine, Israel, and countries in the Indo-Pacific region.

Funding for operation and maintenance (a category that covers day-to-day operations ranging from health care to equipment maintenance) and funding for procurement would fall by $33 billion (or 9 percent) and $26 billion (or 13 percent), respectively. Those decreases are driven by changes to funding designated as an emergency requirement, which is nonbase funding; base funding for operations and maintenance would rise by $11 billion (or 3 percent), and base funding for procurement would fall by $4 billion (or 2 percent). Funding for military personnel would rise by $5 billion (or 3 percent), and funding for research, development, test, and evaluation would fall by $5 billion (or 4 percent), primarily because of changes to base funding. All told, base funding for defense would rise by $9 billion (or 1 percent).

Nondefense Funding in 2025

Under the Administration's budget, discretionary nondefense funding for 2025 (not including obligation limitations for certain transportation programs) would total $894 billion, $10 billion (or 1 percent) less than the amount provided for 2024. That decrease would be the net result of changes in base funding (an increase of $14 billion), discretionary funding designated as an emergency requirement (a decrease of $25 billion), and other nonbase funding (an increase of $1 billion).

Base Funding. Base nondefense funding in 2025 would rise to $763 billion, 2 percent more than the amount provided for 2024, CBO estimates. The largest total increases under the President's budget would be $9 billion (or 10 percent) for health programs activities, $6 billion (or 31 percent) for general government programs and activities (including $5 billion for real property activities executed by the General Services Administration, or GSA), and $5 billion for international affairs. A $6 billion reduction in discretionary funding for veterans' benefits would partially offset those proposed increases.

Including reductions to budget authority resulting from proposed changes to mandatory programs, base nondefense discretionary budget authority under the President's budget would amount to $719 billion, by CBO's estimate. That estimate is $8 billion more than the cap on nondefense discretionary funding in section 101 of the FRA.[15] The Office of Management and Budget (OMB)—the agency that determines whether sequestration is required—estimates that the President's request for base nondefense funding complies with that cap.[16] CBO's estimate of such funding is greater than OMB's, in part because CBO includes in its estimate the $5 billion provided in advance for 2025 by 2024 appropriation acts, whereas OMB only counts the amounts the President proposes.[17] CBO also estimates that a proposal to allow the GSA to purchase certain properties would require $3 billion more in budget authority in 2025 than OMB estimates.[18] Other estimating differences account for small remaining discrepancies.

Nonbase Funding. Nonbase nondefense funding would decrease by $24 billion. Funding designated as an emergency requirement (including funding for 2025 provided in advance by laws enacted before 2024) would drop by $25 billion (or 20 percent) in 2025, from $126 billion provided so far in 2024 to $101 billion, CBO estimates. The largest decline would be a $28 billion reduction in funding

15. When appropriation acts make changes to mandatory programs, those changes are reflected in cost estimates as discretionary costs or savings pursuant to Congressional scorekeeping guidelines. Because cost estimates for appropriation legislation are used when enforcing the caps, such changes affect the determination of whether funding exceeds the caps.

16. Sequestration is the process by which across-the-board reductions are applied to budgetary resources. Budgetary resources include discretionary funding provided in appropriation acts as well as other spending authority.

17. The laws that provide full-year funding for 2024 provided $5 billion in advance appropriations to the Indian Health Service account for 2025. The President's budget—which was submitted before full-year funding had been provided—includes $6 billion in funding for 2025. In this analysis, CBO counts the funding in the President's request as an addition to the advance appropriation already provided under current law.

18. The President proposes a total of $3.5 billion for the GSA to purchase a new headquarters for the FBI through a series of installment payments. In keeping with long-standing scorekeeping guidelines that govern the purchase of assets, CBO records the full cost of $3.5 billion in 2025, when the first payment would be made. The President's budget includes annual funding for each installment payment.

Table 3.

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

Billions of dollars

												Total	
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025–2029	2025–2034
							Budget authority						
Base[a]													
CBO's baseline	1,635	1,606	1,644	1,680	1,717	1,757	1,798	1,841	1,885	1,930	1,976	8,405	17,835
CBO's estimate of the President's budget	1,635	1,658	1,680	1,714	1,749	1,787	1,812	1,838	1,864	1,890	1,917	8,588	17,910
Difference	0	52	36	34	32	30	14	-3	-21	-39	-59	184	75
Nonbase[b]													
CBO's baseline	223	226	227	232	236	241	246	251	256	261	266	1,162	2,441
CBO's estimate of the President's budget	223	131	92	27	27	28	28	28	28	29	29	305	447
Difference	0	-95	-135	-205	-209	-213	-218	-222	-227	-232	-238	-857	-1,994
Total													
CBO's baseline	**1,858**	**1,832**	**1,871**	**1,912**	**1,954**	**1,998**	**2,044**	**2,091**	**2,141**	**2,190**	**2,243**	**9,566**	**20,276**
CBO's estimate of the President's budget[c]	**1,858**	**1,789**	**1,771**	**1,742**	**1,776**	**1,815**	**1,840**	**1,866**	**1,892**	**1,919**	**1,946**	**8,893**	**18,357**
Difference	**0**	**-43**	**-99**	**-171**	**-177**	**-183**	**-204**	**-225**	**-249**	**-272**	**-297**	**-673**	**-1,919**
							Outlays[d]						
Base[a]													
CBO's baseline	1,728	1,719	1,742	1,755	1,785	1,807	1,848	1,886	1,928	1,977	2,016	8,808	18,463
CBO's estimate of the President's budget	1,728	1,764	1,807	1,823	1,855	1,877	1,910	1,933	1,959	1,991	2,012	9,126	18,931
Difference	0	45	66	68	70	71	62	47	31	14	-4	319	468
Nonbase[b]													
CBO's baseline	63	113	157	189	207	219	226	230	234	238	243	885	2,055
CBO's estimate of the President's budget	63	103	98	98	92	81	67	55	44	37	33	471	708
Difference	0	-11	-59	-91	-116	-138	-158	-175	-189	-201	-210	-414	-1,347
Total													
CBO's baseline	**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**
CBO's estimate of the President's budget	**1,791**	**1,867**	**1,905**	**1,921**	**1,947**	**1,958**	**1,977**	**1,988**	**2,003**	**2,028**	**2,045**	**9,598**	**19,640**
Difference	**0**	**34**	**7**	**-23**	**-46**	**-67**	**-97**	**-128**	**-158**	**-187**	**-214**	**-95**	**-878**

Continued

for international affairs activities, mostly funding to provide aid to Ukraine, Israel, and countries in the Indo-Pacific region. In addition, emergency funding for community and regional development programs would fall by $17 billion, CBO estimates, driven by less funding for assistance following natural disasters. Furthermore, funding designated as an emergency requirement that was provided in advance by laws enacted before 2024—primarily the Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58) and the Bipartisan Safer Communities Act (BSCA; P.L. 117-159)—is set to decrease under current law by $1 billion in 2025, to $69 billion. A $23 billion increase in funding that would typically be categorized as base funding but that is designated as an emergency requirement in the President's budget partially offsets those decreases. Nearly half of that $23 billion would be for housing programs.

Funding for other nonbase nondefense categories would increase in 2025 to $30 billion. Such nonbase funding includes certain appropriations for disaster relief, certain program integrity initiatives (which identify and reduce overpayments in some benefit programs), certain wildfire suppression operations, certain funding provided to the Army Corps of Engineers, and programs designated in the 21st Century Cures Act (P.L. 114-255). Although those categories of funding are not constrained by the overall caps on discretionary funding, they are each subject to their own limits.

Discretionary Spending Over the 2025–2034 Period

CBO estimates that discretionary funding under the President's budget in 2025 would be $1.79 trillion, $43 billion less than the amount projected in CBO's baseline (see Table 3). In 2026 and 2027, appropriations under the President's budget would decline. After 2027,

Table 3. Continued

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

Billions of dollars

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total 2025–2029	Total 2025–2034
Addendum:													
Outlays (percentage of GDP)													
CBO's baseline	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
CBO's estimate of the President's budget	6.3	6.3	6.2	6.0	5.9	5.7	5.5	5.4	5.2	5.1	4.9	6.0	5.6
Outlays from base funding (percentage of GDP)													
CBO's baseline	6.1	5.8	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0	4.9	5.5	5.2
CBO's estimate of the President's budget	6.1	5.9	5.9	5.7	5.6	5.5	5.4	5.2	5.1	5.0	4.9	5.7	5.4

Data source: Congressional Budget Office. See www.cbo.gov/publication/60438#data.

These estimates do not include obligation limitations for certain transportation programs. Nor do they include changes to certain mandatory programs that were made through the appropriation process and enacted in previous years or the $44 billion in reductions to mandatory budget authority that would result from such changes proposed for 2025. In keeping with long-standing procedures, those changes are credited against discretionary spending for purposes of budget enforcement.

GDP = gross domestic product.

a. Base funding is funding that is constrained by the caps on discretionary spending established by the Fiscal Responsibility Act of 2023. For 2025, the cap on defense funding established by section 101 of that act is $895 billion, and the cap on nondefense funding is $711 billion.

b. Nonbase funding is funding that is not constrained by the caps or does not count toward the caps. Such funding includes funding that has been designated as an emergency requirement or for disaster relief as well as funding for certain program integrity initiatives (which identify and reduce overpayments in some benefit programs), certain wildfire suppression operations, certain funding provided to the Army Corps of Engineers, and programs designated in the 21st Century Cures Act. Some of those categories of funding are subject to their own separate caps. For years 2026 and beyond, CBO's estimates of nonbase funding are based on data provided by the Office of Management and Budget rather than on language in the appendix to the President's budget. Additionally, funding provided by the Infrastructure Investment and Jobs Act and the Bipartisan Safer Communities Act is designated as an emergency requirement. Those acts provided funding through 2026. When constructing its baseline, CBO (in consultation with the House and Senate Budget Committees) followed procedures established by law and projected funding provided by those laws to continue past 2026 with adjustments for inflation.

c. The President's budget includes changes in mandatory programs that would reduce the amount of discretionary budget authority attributable to appropriation legislation by $44 billion. For 2025, the effects of those changes have been removed from this table. If they were included, discretionary budget authority for 2025 would amount to $1,745 billion.

d. The Treasury does not distinguish between outlays stemming from base funding and outlays stemming from nonbase funding. Accordingly, CBO's projections do not distinguish nonbase outlays stemming from budget authority provided before 2024 from base outlays. Most outlays from nonbase funding provided before 2024 are instead reflected as base outlays.

budget authority would steadily rise, from $1.74 trillion in 2027 to $1.95 trillion in 2034—an amount that is $89 billion (or about 5 percent) more than has been provided for 2024. Proposed changes to nonbase funding (including reductions in IIJA and BSCA funding scheduled to occur under current law) slow the growth in discretionary funding over the 2025–2034 period.

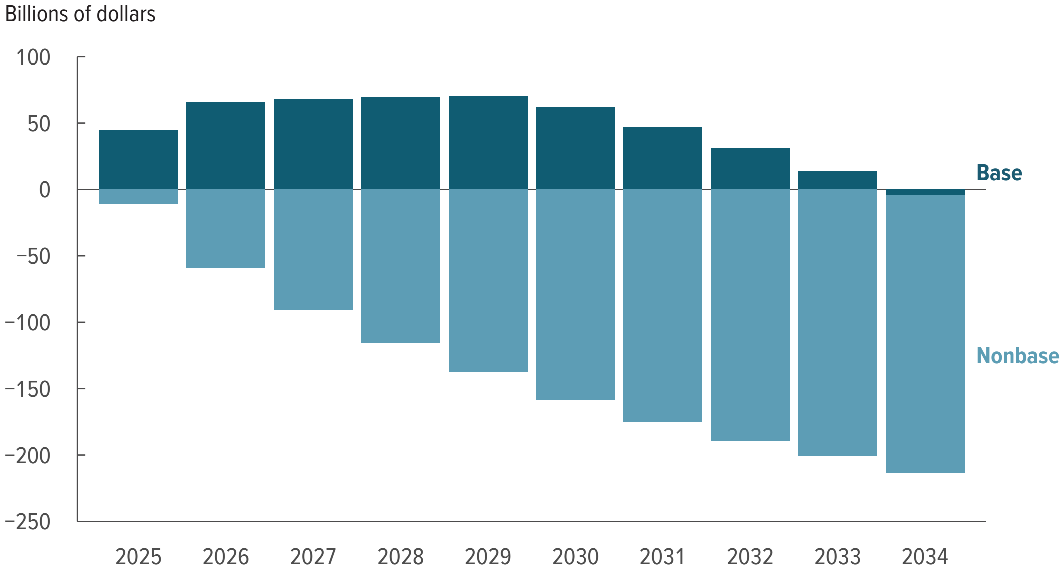
Over the 2025–2034 period, discretionary outlays under the President's budget would be $878 billion (or 4 percent) less than the amount in the most recent baseline, CBO estimates. The reduction is driven by lower nonbase outlays, offset in part by higher base outlays (see Figure 1). (CBO's estimates of discretionary outlays under the President's proposals are $67 billion smaller than the Administration's, mostly because CBO expects discretionary appropriations would be spent more slowly than the Administration does.) As a percentage of GDP, outlays under the President's budget would decline in each year of the projection period, from 6.3 percent of GDP in 2025 to 4.9 percent in 2034; in CBO's baseline, they are projected to fall over that same period, from 6.2 percent of GDP to 5.5 percent. Over the past 50 years, total discretionary outlays have averaged 8.0 percent of GDP.

Comparison of CBO's and the Administration's Estimates of Deficits Under Current Law

Typically, CBO's analysis of the President's budget includes a comparison of the agency's projections of deficits under the President's budget with those of the

Figure 1.

Differences in Discretionary Outlays in the President's Budget Relative to CBO's Baseline



Over the 2025–2034 period, discretionary outlays under the President's budget would be $0.9 trillion less than the amount in the baseline. Base outlays—that is, outlays stemming from funding that is subject to the caps on discretionary funding—would be $0.5 trillion greater, and nonbase outlays would be $1.3 trillion smaller.

Data source: Congressional Budget Office. See www.cbo.gov/publication/60438#data.

Administration. Because a full analysis of the budgetary effects of the President's proposals is not available, the current comparison is limited to CBO's and the Administration's projections of deficits under current law.

In CBO's baseline, the cumulative 10-year deficit is $22.1 trillion, $2.0 trillion greater than the Administration's current-law estimate of $20.1 trillion (see Table 4). CBO's projections of revenues and outlays are both less than the Administration's, but the difference in revenue projections is larger.

Revenues

CBO's projections of revenues under current law are $2.7 trillion (or 4 percent) lower than the Administration's estimates over the 2025–2034 period. The largest difference is in the projections of individual income taxes—CBO projects those receipts to be $2.1 trillion lower than the Administration does. Of that difference, $1.1 trillion is attributable to differences in the economic forecasts underlying CBO's projections and the Administration's projections. Namely, the Administration anticipates faster growth overall from 2025 to 2034 in real GDP (that is, GDP adjusted to remove the effects of inflation) and wages and salaries under current law than CBO forecasts.

The agency anticipates that a surge in immigration from 2022 to 2024 will lead to temporarily faster growth rates before 2029 than the Administration projects. CBO has estimated that the increase in population from the immigration surge increased projected revenues by $1.2 trillion over the 2025–2034 period. However, CBO estimates that GDP will be $3.6 trillion lower than the Administration projects, and nominal wages and salaries will be almost $3 trillion less than the Administration projects; thus, CBO and JCT's projections of individual income and payroll taxes are also lower than the Administration's.

Spending

CBO's projections of outlays under current law are $0.7 trillion (or less than 1 percent) less than the Administration's estimates. CBO's projections of mandatory and discretionary outlays combined are $1.0 trillion (or 1 percent) less, partially offset by projections of net interest costs that are $0.3 trillion (or 2 percent) higher.

Compared with the Administration's estimates, CBO's projections of mandatory outlays over the 2025–2034 period are $0.8 trillion less, totaling $51.4 trillion. CBO's estimates of spending for Medicare, Medicaid, and the Supplemental Nutrition Assistance Program account for the largest share of the differences in estimates of mandatory spending. Slower projected growth

Table 4.

Differences Between CBO's and the Administration's Current Law Projections

Billions of dollars

												Total	
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025–2029	2025–2034
Current law deficits in the Administration's baseline	-1,913	-1,891	-1,827	-1,805	-1,875	-1,830	-1,974	-2,023	-2,147	-2,396	-2,325	-9,227	-20,091
Sources of differences													
Revenues[a]	-74	-49	-33	-9	-132	-246	-350	-369	-442	-516	-575	-469	-2,720
Outlays[b]													
Mandatory	-44	22	-13	-25	-34	-93	-125	-120	-139	-163	-146	-143	-836
Discretionary	-30	-70	-32	-25	-3	-7	3	-5	-10	-8	-15	-137	-172
Net interest	2	46	37	-7	-27	-28	-8	16	48	82	123	20	281
Total differences in outlays	-72	-2	-8	-58	-64	-127	-130	-109	-101	-89	-38	-260	-727
Total differences in the deficit[a]	-2	-47	-24	49	-68	-119	-219	-260	-341	-427	-537	-209	-1,992
Projected deficits in CBO's baseline	-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

Data sources: Congressional Budget Office; Joint Committee on Taxation. See www.cbo.gov/publication/60438#data.

a. Negative numbers indicate differences that cause CBO's estimate of the deficit to be larger than the Administration's.

b. Negative numbers indicate differences that cause CBO's estimate of the deficit to be smaller than the Administration's.

in spending for those programs causes CBO's projections of mandatory spending to be $0.8 trillion less than the Administration's. In contrast, faster projected caseload growth causes Social Security outlays in CBO's baseline to exceed such outlays in the Administration's baseline by $0.2 trillion. Other differences reduce CBO's projections of mandatory outlays compared with the Administration's by $0.2 trillion.

CBO's projections of discretionary outlays under current law are $0.2 trillion less than the Administration's projections, mainly because CBO's projections incorporate the effects of the caps established by the FRA, whereas the Administration's baseline projections do not. (The Administration's budget request adheres to the caps for 2025.) That difference is offset in part by spending designated as an emergency requirement for Ukraine, Israel, and countries in the Indo-Pacific region that was enacted after the President's budget was released.

Because their projections of interest rates and deficits under current law differ, CBO's projections of net interest outlays are $0.3 trillion greater than the Administration's.

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

Dan Ready, Jennifer Shand, and James Williamson wrote the report with guidance from Barry Blom and Joshua Shakin. Breanna Browne-Pike, Jack Lynch, Matt Schmit, Logan Smith, and Grace Watson fact-checked the report. Christina Hawley Anthony, John McClelland, and Robert Sunshine (formerly of CBO) reviewed the report, Caitlin Verboon edited it, and R. L. Rebach created the graphics and prepared the text for publication. The report is available at www.cbo.gov/publication/60438.

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

Phillip L. Swagel
Director