CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

June 22, 2022; updated June 23, 2022

Honorable Jason Smith
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Re: The Cost of Eight Executive Actions Taken by the Biden Administration

Dear Congressman:

You have asked the Congressional Budget Office to provide information about the cost of eight executive actions taken by the Biden Administration and how they are reflected in CBO's baseline projections. CBO's most recent projections were released in May 2022.[1] Administrative actions taken after the baseline was completed will be reflected in future baselines.

For the purposes of CBO's current baseline projections, the eight administrative actions you asked about fall into a few categories:

- The effects of one action are incorporated into CBO's May 2022 baseline.
- Three actions were not included because insufficient information was available at the time to include them in the May 2022 baseline. The details of two of those actions are still being developed, which will affect the cost of their implementation. The budgetary effects of all three will be accounted for in future baselines.
- One action is not included in the May 2022 baseline because its implementation costs are discretionary and thus subject to future appropriation actions.
- Three actions were not included in the baseline because court orders prevented their implementation.

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

You asked about the executive actions' effect on estimated net interest costs. In general, debt-service costs would depend on the timing of the change in deficits resulting from implementing the action (or from prohibiting its implementation). The closer the change in deficits was to the beginning of the 10-year projection period, the larger the effect on the debt-service costs would be. For example, on the basis of CBO's current economic forecast, increasing deficits (and therefore debt) by $100 million in 2023 would result in additional interest outlays of $27 million over a 10-year period. By contrast, increasing deficits by $10 million per year for 10 years, for a total of $100 million, would be projected to result in additional interest outlays of $15 million over the 10-year period. CBO's website provides an interactive tool that allows users to simulate debt-service costs under various scenarios.[2]

CBO has estimated the debt-service costs resulting from additional spending for the Supplemental Nutrition Assistance Program (SNAP) because of changes in the value of the Thrifty Food Plan (TFP), combined with changes in the forecast of food price inflation—relative to the July 2021 baseline. Those estimates are discussed in the next section.

Executive Action Incorporated Into CBO's May 2022 Baseline

Item 1

Item 1 in your letter, "U.S. Department of Agriculture. '*Thrifty Food Plan, 2021,*' August 2021. FNS-916," was incorporated into the May 2022 baseline.

The TFP is a basket of foods selected by the Department of Agriculture to provide a nutritious diet for a household of a particular size. The TFP's price is used to determine SNAP benefits. The department's reevaluation of the TFP for 2022 contributed to an increase in those benefits for that year. Largely as a result of the reevaluation, the price of the TFP is now about 23 percent higher than it was last year.

CBO estimates that the combined effects of the reevaluation of the TFP and higher food prices account for an increase of $250 billion to $300 billion over the 2022-2031 period in outlays for SNAP, relative to the July 2021 baseline. CBO does not isolate the two sets of effects for its baseline projections, but both were incorporated into the May 2022 baseline. CBO

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2. Congressional Budget Office, "How Changes in Revenues and Outlays Would Affect Debt Service, Deficits, and Debt" (interactive tool, June 2022), www.cbo.gov/publication/58171.

anticipates that the additional debt-service costs would be between $35 billion and $45 billion over the 10-year period.

Executive Actions Not Included in the May 2022 Baseline That Will Be Reflected in Future Baselines

Item 2

Item 2 in your letter, "Internal Revenue Service. '*Affordability of Employer Coverage for Family Members of Employees,*' April 07, 2022. 87 FR 20354," changes the calculation used to determine whether an employment-based insurance plan is affordable, for the purposes of determining eligibility for marketplace subsidies under the Affordable Care Act. The current calculation, which creates what is sometimes called the family glitch, leaves some families ineligible for subsidies.

CBO and the staff of the Joint Committee on Taxation estimate that if finalized as proposed, the regulation would increase the deficit by $34 billion over the 2023-2032 period. That increase is the result of an increase in premium tax credits for people newly receiving them, slightly offset by an increase in revenue collected from people no longer receiving the tax exclusion for employment-based coverage. That estimate will be described in further detail in a report CBO expects to release later this month.[3]

Although the May 2022 baseline generally incorporates the effects of executive actions through April 8, 2022, it was not possible to estimate the costs of that action before the baseline was completed.

Items 3 and 4

Two of the actions deal with student loans. Item 3 in your letter refers to "The total budgetary impact of the Biden Administration's 'student loan pauses' from February 2021 to August 2022."

Item 4 lists "U.S. Department of Education. '*Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs,*' April 19, 2022. https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs."

Both actions affect the federal government's portfolio of outstanding student loans. Under the Federal Credit Reform Act of 1990 (FCRA),

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3. Congressional Budget Office, *Federal Subsidies for Health Insurance Coverage for People Under 65: 2022 to 2032* (forthcoming).

changes that modify the costs of such loans are recorded as onetime charges or savings in the year a policy is announced. (This is similar to a credit reestimate, which is recorded when the lifetime costs of direct loans are reevaluated.) CBO's baseline typically reflects the costs of modifications announced by the Department of Education when the President's annual budget request is released.

CBO expects that the student loan payment pause from February 2021 to August 2022 will cost roughly $85 billion. The Department of Education has already recorded about $67 billion of that total for the pause from February 2021 through April 2022. CBO estimates that the additional cost of the repayment pause from May through August 2022 will be $15 billion to $20 billion, recorded in fiscal year 2022.

Of those amounts, $52 billion was recorded by the department in fiscal year 2021 and $15 billion is reflected in fiscal year 2022 in CBO's May 2022 baseline. The costs of the most recent extension of the pause, from May 2022 through August 2022, were not incorporated into CBO's May 2022 baseline because insufficient information was available at the time.

CBO has data on the FCRA costs already recorded by the Department of Education for student loan pauses. However, we do not have details concerning the department's estimates of changes to the resulting future repayments of principal and interest. Without those details, we cannot calculate additional debt-service amounts attributable to the pauses.

Because of the programs' complexity, CBO has not completed its estimates of the budgetary effects of the actions affecting the Public Service Loan Forgiveness program or income-driven repayment plans (Item 4). Further loan forgiveness could have significant effects on the costs of the two executive actions you mention.

Action Not Included Because the Costs Depend on the Availability of Discretionary Funding

Item 8

The budgetary effects of item 8 in your letter, "U.S. Department of Labor. '*Increasing the Minimum Wage for Federal Contractors,*' November 24, 2021. Executive Order 14026," were not incorporated into the May 2022 baseline because they are subject to future appropriation action.

The Congress could choose to increase appropriations to cover the costs associated with the action, absorb those costs by providing fewer resources for other activities, or use a combination of those two approaches.

Subsequent baselines will include projections that are based on appropriations provided.

On July 22, 2021, the Department of Labor published a notice of proposed rulemaking to implement the referenced executive order. That rule was in the public comment stage as CBO prepared a cost estimate for H.R. 4350, the National Defense Authorization Act for Fiscal Year 2022, which the House Committee on Armed Services reported on September 10, 2021.[4] Section 804 would have required the Department of Defense (DoD) to impose the proposed rule's new minimum wage standards on its services and construction contractors. In that estimate, CBO identified an increase in wages for DoD contractors of about $3 billion over the 2021-2026 period as a result of the executive order. That cost represented 50 percent of the cost of raising the minimum wage for those workers to account for the possibility that DoD might impose the minimum wage requirement under the proposed rule even in the absence of legislation.

CBO also anticipated that federal defense contractors would pass along other, higher costs attributable to the wage increase, including administrative costs and costs for payroll taxes, fringe benefits, and overhead. In all, CBO estimated, those expenses would add about $770 million (or 25 percent) to contract costs over the period.

CBO has not reviewed any legislation requiring nondefense agencies to impose minimum wage standards on contractors.

Actions That Were Prevented From Being Implemented

Item 5

Item 5 in your letter refers to "The difference between implementation of, and dropping, the following rule: U.S. Department of Homeland Security. '*Inadmissibility on Public Charge Grounds,*' August 14, 2019. 84 FR 41292." That rule is not included in the current baseline because it is not currently being implemented.

In 2019, CBO incorporated estimated costs of about $2 billion for a one-year suspension of a rule, Inadmissibility on Public Charge Grounds, into its analysis of immigration provisions contained in an appropriation

4. Congressional Budget Office, cost estimate for H.R. 4350, the National Defense Authorization Act for Fiscal Year 2022 (September 15, 2021), www.cbo.gov/publication/57471.

act.[5] Although CBO did not estimate the cost of permanently suspending the rule, we anticipated that doing so could increase costs at least tenfold over a 10-year period compared with the single-year suspension. The cost of the rule is not incorporated into the May 2022 baseline because the rule was vacated in federal court. The Administration is not appealing that decision and has reverted to a pre-2019 definition of "public charge."

Item 6

Item 6 in your letter refers to another rule that is not being implemented: "The difference between implementation of, and dropping, the following rule: U.S. Department of Agriculture '*Supplemental Nutrition Assistance Program. Requirements for Able-Bodied Adults Without Dependents,*' December 05, 2019. 84 FR 66782."

In spring 2021, the Biden Administration withdrew an appeal of an October 2020 decision by the U.S. District Court for the District of Columbia to vacate the SNAP work requirement rule. Therefore, CBO did not include projections of the rule's effects in the July 2021 and May 2022 baselines.

Item 7

Item 7 in your letter refers to an action that is not being implemented: "The difference between implementation of, and disallowing, waivers granting states the flexibility to establish work requirements under the Medicaid program."

The referenced executive action was to revoke the Secretary of Health and Human Services' prior approval of certain section 1115 waivers under the Social Security Act. The primary purpose of those waivers was to make Medicaid eligibility conditional on enrollees' meeting certain work requirements.

The January 2019 baseline incorporated estimated savings of $3.3 billion for those waivers over a 10-year period.* In March 2019, a U.S. District Court determined that the waivers could not be approved by the Secretary of Health and Human Services. As a result, starting in March 2019, CBO removed the budgetary effects of section 1115 waivers from subsequent

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5. Congressional Budget Office, cost estimate for sections 534 and 535 of H.R. 3931, the Department of Homeland Security Appropriations Act, 2020 (September 10, 2019), www.cbo.gov/publication/55618.

* CBO has corrected this sentence to clarify that the January 2019 baseline incorporated savings, rather than costs, of $3.3 billion for those waivers over a 10-year period.

baselines. In the future, those budgetary effects will be included only if a higher court overturns the earlier decision and a new administrative action approves such waivers.

I hope this information is helpful. Please contact me directly if you have any questions.

Sincerely,

Phillip L. Swagel
Director

cc: Honorable John Yarmuth
Chairman
Committee on the Budget