

CORRECTIONS *to* PREVIOUS BASELINES

Since the last baseline update in May 2023, CBO has *reduced* their deficit projections by **\$1.4 trillion** within the 10-year budget window of fiscal year 2024 to 2033. Meaning, the projected deficit over this period *declined* from \$20.3 trillion to **\$18.9 trillion**.

This deficit reduction was the result of:

- **\$2.6 trillion** of deficit reduction from **legislative changes**.
- **\$121 billion** of deficit increases from **economic changes**.
- **\$1.1 trillion** of deficit increases from **technical changes**.

Legislative Changes

CBO revised their projections of spending downward by **\$2.6 trillion** due to changes to discretionary spending enacted by this Congress, primarily as a result of spending and deficit reduction included in the **Fiscal Responsibility Act of 2023 (FRA)**.

Within this amount, CBO revised their projections of *emergency discretionary* spending downward by **\$0.7 trillion**.

Economic Changes

CBO increased its deficit projections by **\$121 billion** due to changes in economic outlook projections. This change is a result of **\$766 billion** in higher projected *spending*, which was partially offset by **\$645 billion** in higher *revenues*, including:

Spending:

- *Net interest costs* are **\$1.2 trillion** higher due to increased interest rate projections.
- *Mandatory spending* was reduced by **\$321 billion**, largely due to reduced projections for inflation and wages.
- *Discretionary spending* was reduced by **\$69 billion**, primarily due to lower inflation projections.

Revenues:

- *Corporate tax revenues* increased by **\$541 billion** due to higher projected corporate profits.
- *Payroll taxes* increased by **\$98 billion** due to higher projected wages and salaries.
- *Individual income taxes* increased by **\$8 billion** due to higher expected capital gains and pass-through business income.
- *Federal Reserve remittances* declined by **\$38 billion** due to higher interest rates.
- *Other revenues* from estate and gift taxes, excise taxes, and customs duties were increased by **\$37 billion** largely due to higher projected asset values.

Executive Actions and Technical Changes

CBO updated their budget and economic outlook to account for changes that were not economic or legislative in nature, which accounted for more than **\$1.1 trillion** over ten years.

Nearly *half* of that \$1.1 trillion stems from an Environmental Protection Agency (EPA) rule imposing stricter vehicle emissions standards and CBO's re-estimate of the cost of the electric vehicle tax credits from the Inflation Reduction Act (IRA).