



Insight

What You Need to Know about CBO's Analysis of Trump's First Budget

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Today, the Congressional Budget Office (CBO) released [an analysis](#) of the Trump Administration's first budget. If there is a single lesson to be learned from CBO's estimate, it's that growth matters, and in this case it's essentially all that matters. The Trump budget contained a few fairly large policy proposals with fairly predictable budgetary effects – repealing the Affordable Care Act sharply reduces mandatory spending as well as revenues, while large domestic discretionary spending cuts further reduce the spending side of the ledger. Combined with other policy changes of smaller orders of magnitude, these policy changes would, according to CBO, reduce the deficit by \$3.3 trillion over the next decade.

Table 1: CBO's Estimate of Major Policy Changes in Trump Budget

(\$ Billions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	(2018-2027)
Spending Changes											
Mandatory Health Savings (ACA Repeal + Medicaid Savings)	-31	-25	-98	-153	-187	-222	-243	-282	-304	-347	-1,891
Other Net Mandatory Savings	-6	4	-1	24	12	-11	-21	-19	-55	-70	-142
Domestic Discretionary Spending Reductions	-10	-53	-88	-127	-152	-177	-199	-223	-247	-271	-1,548
Other Net Discretionary Spending Changes	24	19	4	-17	-37	-48	-55	-60	-64	-69	-303
Spending Policy Changes Subtotal	-23	-55	-184	-273	-364	-458	-518	-584	-670	-757	-3,885
Net Interest Savings	0	1	0	-5	-12	-22	-35	-51	-69	-91	-285
Total Spending Changes	-23	-54	-184	-278	-376	-480	-553	-635	-739	-848	-4,170
Revenue Changes											
ACA Repeal	-55	-60	-85	-100	-105	-115	-120	-120	-120	-120	-1,000
Other	2	6	11	9	12	12	13	14	14	13	107
Total Revenue Changes	-53	-54	-74	-91	-93	-103	-107	-106	-106	-107	-894
Total Deficit Effect	30	0	-110	-187	-282	-377	-447	-528	-633	-742	-3,276

Importantly, the savings estimated by CBO are measured relative to a baseline deficit projection of over \$10 trillion over the next decade. Put differently, according to CBO the Trump budget would still propose deficits totaling over \$6 trillion over the coming decade. This finding stands in sharp contrast with the message from the administration that the budget would be balanced by 2027, and run just over \$3 trillion in cumulative deficits over the coming decade. [The key difference](#) between the deficits presented in the administration's budget and CBO's estimates relates to the economic assumptions underlying these analyses. The administration assumed much higher growth in their budget estimates than CBO – which translates into much higher revenue. These assumptions explain away virtually all of the differences between the president's Office of Management and Budget (OMB)'s and CBO's budget estimates.

Table 2: Crosswalk from CBO to Administration's Budget Estimates

(\$Billions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	(2018-2027)
CBO Baseline Deficits	-563	-689	-775	-879	-1,027	-1,057	-1,083	-1,225	-1,352	-1,463	-10,112
CBO Estimates of Policy Changes	30	0	-110	-187	-282	-377	-447	-528	-633	-742	-3,276
CBO Estimate of President' Budgt Deficit	-593	-689	-664	-692	-745	-681	-636	-696	-719	-720	-6,836
Estimating Differences											
Economic Revenue Difference	-46	-86	-151	-221	-289	-359	-431	-515	-608	-711	-3,417
All other Economic and Technical Differences	-107	-77	-26	-15	-14	-3	4	-6	0	-25	-269
<u>Total Estimating Differences</u>	<u>-153</u>	<u>-163</u>	<u>-176</u>	<u>-237</u>	<u>-303</u>	<u>-362</u>	<u>-427</u>	<u>-521</u>	<u>-609</u>	<u>-736</u>	<u>-3,686</u>
OMB Estimate	-440	-526	-488	-456	-442	-319	-209	-176	-110	16	-3,150