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Technical Note: Difference Between CBPP and CBO Ten-Year Budget Projections

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This technical note explains how we adjust the Congressional Budget Office (CBO) ten-year budget baseline issued in January 2025 to create our CBPP baseline, which we use in our analyses of budget trends, proposed budget plans, and proposed or enacted budget legislation. Although our changes to CBO's bottom lines are very small, we believe our modified baseline is useful because it better represents defense and non-defense appropriations.

We modify CBO's budget projections of annually appropriated ("discretionary") programs modestly, but make no changes to CBO's projections of revenue or mandatory expenditures. Because some of our discretionary modifications increase funding while others decrease it, the trajectory of deficits and debt in our projections are very similar to CBO's.

Because final 2025 appropriations were not enacted at the time CBO made its projections, CBO chose to assume that appropriations in 2025 would equal those in the continuing resolution in effect in January or would adhere to the statutory caps on defense and non-defense discretionary (NDD) funding established in the Fiscal Responsibility Act of 2023 (FRA)[1], whichever was lower.

Our approach differs from CBO's in three ways:

- For defense, CBO relied on the *backup* defense cap that applies temporarily — only when some portion of discretionary funding is in effect on a part-year basis,[2] as in the current "continuing resolution," which is scheduled to expire on March 14. This backup defense cap

[1] The Fiscal Responsibility Act of 2023 suspended the statutory debt limit until January 2025 and imposed separate dollar limits on defense and non-defense discretionary funding for 2024 and 2025.

[2] §101 of the FRA specifies separate caps for 2024 and 2025 funding for defense and non-defense programs (note that some types of such funding are explicitly or effectively outside those caps). These §101 caps were intended to govern ultimate funding levels in 2024 and 2025. However, §102 of the FRA provides that if *any* budget account subject to those caps is funded on only a part-year basis between January 1 and April 30, then different caps will apply during that period: for 2025, the defense cap under §102 is $45 billion lower than the §101 cap while the non-defense cap under §102 is $26 billion higher. We call these §102 caps the "backup" caps.

is $45 billion lower than the cap that will ultimately apply once full-year funding is enacted, so CBO reduced 2025 defense funding from its level in the continuing resolution to adhere to that lower cap, and projected defense funding for 2026-2035 to grow with inflation from that lower 2025 level.

We, in contrast, assume that full-year 2025 funding for defense will be enacted at some point, in which case the 2025 defense cap as intended by the FRA will apply, rather than the lower backup cap; for that reason, we assume 2025 funding will be modestly higher than in the continuing resolution, and project defense funding for 2026-2035 to grow with inflation from that higher 2025 level.

- For non-defense funding, the situation is different: under the continuing resolution, existing 2025 funding is below both the non-defense cap as intended by the FRA and the higher backup cap currently in effect (see footnote 2). CBO therefore worked from the existing level of 2025 non-defense funding and projected it to grow with inflation for 2026-2035.

  We, in contrast, assume that full-year funding for non-defense programs will be enacted at some point, and that Congress will adhere to 2025 levels in the FRA plus the agreed-on adjustments — offsetting savings included in appropriations bills but outside normal, ongoing programs — that were part of the 2023 debt-limit negotiations and that are analogous to those enacted in 2024. For that reason, we assume 2025 non-defense funding will be modestly higher than in the continuing resolution, and then project non-defense funding for 2026-2035 to grow with inflation from that higher 2025 level.[3]

  The continuing resolution for 2025 continues all but roughly $10 billion of those offsetting savings simply by instructing the executive branch to continue 2025 funding in a manner consistent with the 2024 appropriations bills. We assume that Congress will find roughly $10 billion more in offsetting savings elsewhere, raising the level of 2025 non-defense funding to the FRA non-defense cap for 2025 plus $70 billion in agreed-upon offsetting savings.

- Finally, we modify CBO's projected funding for responding to natural disasters such as hurricanes, tornadoes, floods, wildfires, and earthquakes. Such funding is outside the FRA's caps, so CBO's baseline follows the standard rule of assuming that it grows with inflation from year to year, starting from the amount provided so far in 2025.

  Experience teaches us that in most years, disaster needs are below average, measured as a percent of GDP.[4] But in a minority of years, disaster funding is far above the average, as

[3] Just as with our assumption that non-defense funding for 2025 would be enacted at the level consistent with the FRA, we also assumed that two very small non-defense components that are effectively *outside* the FRA's non-defense cap would also be enacted at agreed-upon levels. Those two components are "program integrity" funding and "wildfire suppression" funding. Section §251(b)(2)(B), (C), (D), and (F) of the Balanced Budget and Emergency Deficit Control Act of 1985 sets caps on those two types of funding; for program integrity, there is a 2025 cap, and for wildfire suppression, there is a cap for each of 2025, 2026, and 2027. CBO's existing baseline assumes the 2024 levels (the continuing resolution levels) for those components, growing with inflation, but that puts their funding very slightly below the allowed and intended levels. We, in contrast, assume the allowed and intended levels; our assumption increases non-defense expenditures by $2.7 billion over 2025-2035.

[4] We have gathered data on federal funding enacted in response to, or in anticipation of, natural disasters. From 1989 through 2008, we have relied primarily on data gathered by J. David Cummins, Michael Suher, and George H. Zanjani, in "Federal Financial Exposure to Natural Catastrophe Risk," December 7, 2007, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1071065. Our figures show that over the period 1989-2025, such

> when a major destructive hurricane cuts a swath across heavily populated areas. For this reason, over the course of a decade the historical average — the statistically likely level — is frequently greater than a simple projection of what occurred in the most recent year.
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> In this year, just the opposite: the very large December 20 appropriations for disaster relief in response to Hurricanes Helene and Milton, some earlier wildfires, and the collapse of the Bay Bridge are about 2½ times the historical average level. And CBO projects almost all that funding to be repeated each future year, growing with inflation — the standard baseline approach to annual appropriations.
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> But, as we have in the past, we modify the standard approach by instead projecting disaster funding in future years to equal its statistically likely (historically average) level as a percent of GDP. We therefore modify CBO's baseline to assume a noticeably lower level of disaster funding, consistent with the statistically likely level, over the coming decade, 2026-2035.

Our assumed funding increases for regular, ongoing programs will increase CBO's projected expenditures more rapidly than our assumed funding reductions for disaster relief will reduce CBO's projected expenditures.[5] Therefore, the net result is slightly higher expenditures for discretionary programs over 2025-2035. And these slightly higher expenditures directly — but slightly — increase projected deficits and net debt,[6] which in turn leads to very slightly increased net interest costs through 2035.

In total, our baseline differs from CBO's over the 2025-2035 period by including $99 billion more expenditures for discretionary programs (for defense, non-defense, and disaster relief) and $38 billion more interest costs.

funding has averaged 0.16 percent of GDP. In 25 of those 37 years, the funding level was lower, but it was far higher in 2005 and 2006, 2013, 2018, and 2025, stemming from hurricanes Katrina, Sandy, Harvey, Irma, Maria, Helene, and Milton. Our estimates are conservative in that we project the average level since 1989 (as a percent of GDP) but there is also an upward trend, which we have not built into our projections.

[5] A large portion of disaster relief is used for repairing or rebuilding physical infrastructure that has been damaged or destroyed, a process that takes considerable time. That's why CBO projects that federal funding for disaster relief is converted to expenditures at a very slow pace.

[6] CBO's baseline backup shows three measures of debt: net debt, gross debt, and debt held by the public. We focus on net debt for three reasons. 1) Net interest is the debt service costs of net debt, not of those two other measures. 2) Net debt rises by the annual deficit while the other two measures do not. 3) Net debt equals debt held by the public minus the government's holding of financial assets, and so is the best measure of the financial position of the U.S. government. Although net debt is a lower dollar figure than the other two measures, it is rising slightly faster, so if policymakers desired to stop debt from rising (as percent of GDP, for example), they would need to enact slightly more deficit reduction. See CBPP, "Policy Basics: Deficits, Debt, and Interest," updated November 20, 2024, at https://www.cbpp.org/research/federal-budget/deficits-debt-and-interest.

TABLE 1

CBPP's ten-year budget baseline and differences with CBO's January 2025 baseline

2025-2035 (in billions)

CBPP baseline, 2025-2035:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	11-yr. total, 2025-2035
Program expenditures												
Mandatory	4,228	4,386	4,596	4,852	4,948	5,276	5,520	5,788	6,208	6,341	6,465	58,608
Defense discretionary	885	902	920	947	957	983	1,002	1,024	1,053	1,070	1,089	10,833
Non-defense discretionary	995	1,027	1,050	1,068	1,082	1,104	1,128	1,149	1,174	1,200	1,226	12,203
Total, program expenditures	6,108	6,315	6,566	6,868	6,987	7,364	7,650	7,962	8,436	8,611	8,780	81,644
Revenues	5,163	5,580	5,935	6,108	6,290	6,549	6,834	7,106	7,405	7,708	8,031	72,711
Primary deficit	945	734	631	759	698	814	815	855	1,031	902	748	8,934
Interest	953	1,012	1,078	1,168	1,251	1,332	1,421	1,518	1,609	1,698	1,787	14,826
Total deficit	1,898	1,746	1,709	1,927	1,949	2,146	2,237	2,373	2,640	2,600	2,535	23,760
Net debt	27,899	29,645	31,354	33,281	35,230	37,375	39,612	41,985	44,625	47,225	49,761	
Amounts by which CBPP's baseline differs from CBO's:												
Program expenditures												
Mandatory	0	0	0	0	0	0	0	0	0	0	0	0
Defense discretionary	26	35	37	38	38	38	39	39	40	41	42	414
Non-defense discretionary	6	-4	-18	-25	-31	-36	-39	-41	-42	-42	-42	-315
Total, program expenditures	32	31	19	13	7	2	0	-2	-2	-1	-1	99
Revenues	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	2	3	3	4	4	4	4	4	4	4	38
Total deficit	33	33	22	16	10	6	4	3	3	3	4	136
Net debt	33	66	88	104	114	120	124	127	129	132	136	

Does not add due to rounding. This portrayal also removes CBO's estimates of timing anomalies.

In certain years, selected programs make 11 or 13 "monthly" payments, depending on whether the last day of the fiscal year falls on a weekend. CBO displays its year-by-year projections two ways: accounting for these timing anomalies or excluding them and so reflecting 12 monthly payments in each year. Congressional budget committees sometimes portray their budget figures as smoothed by CBO but other times include the timing anomalies. Our figures above have removed the timing anomalies so that the smoothed year-by-year trends are more meaningful. However, when we compare our baseline with other budget plans, such as those prepared by congressional committees, we will make the year-by-year comparison meaningful by following whatever approach is used in those other plans. CBO estimates that these timing

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2025-2035 (in billions)

CBPP baseline, 2025-2035:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	11-yr. total, 2025-2035

anomalies add $116 billion in expenditures in 2028 and subtract $116 billion in 2029, and then add $156 billion in 2033 and $11 billion in 2034 before subtracting $167 billion in 2035; these anomalies net to zero over 11 years.