Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

# Dynamic Analysis of Changes to the Supplemental Nutrition Assistance Program (SNAP) in H.R. 1

June 2025

Information in this slide deck is based on a presentation given at CBO's June 2025 meeting of its Panel of Economic Advisers.

# Summary

CBO's Budget Analysis Division (BAD) estimates that Subtitle A of Title I in H.R. 1 would **reduce federal spending by $287 billion over the 2025–2034 period**. (That total excludes the Medicaid budgetary effects of Section 10009 that are included in the published total.)

The budgetary feedback arising from macroeconomic effects would **reduce the federal deficit by an additional $22 billion over the 2025–2034 period**, primarily because lower federal deficits would "crowd in" private investment and lower interest rates. (This estimate includes only the changes to net interest costs stemming from changes to interest rates on the baseline projection of federal debt. By long-standing convention, estimates under House Rule XIII(8) do not include any increases or decreases in interest payments on the federal debt that would arise from an estimated change in borrowing needs. Consistent with that approach, the estimate of the budgetary feedback does not include the decreases in interest payments that would arise from net decreases in borrowing needs that would result from enacting SNAP-related provisions.)

Including budgetary feedback from macroeconomic effects, SNAP-related policies in the bill would **reduce the federal deficit by $309 billion over the 2025–2034 period**.

When the budgetary feedback from macroeconomic effects and the decreases in interest payments on lower federal debt that would arise from the estimated decline in borrowing needs are accounted for, SNAP-related policies in the bill would **reduce the federal deficit by $353 billion over the 2025–2034 period**.

Notes about this slide deck: Unless otherwise indicated, all years referred to in describing budget projections 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, tables, and figures may not add up to totals because of rounding.

# Organization of This Slide Deck

This slide deck has three sections.

- The first section describes the main mechanisms in CBO's dynamic analysis (see **Slides 3 to 9**);
- The second section explains the changes to SNAP in H.R. 1 (see **Slides 10 to 25**); and
- The third section explains the macroeconomic effects and budgetary feedback of changes to SNAP in H.R. 1 (see **Slides 26 to 32**).

# Main Mechanisms in CBO's Dynamic Analysis

# Conventional Estimates and Dynamic Analysis

Conventional estimates of proposed legislation prepared by CBO and the staff of the Joint Committee on Taxation (JCT) **do** account for potential behavioral responses by households, businesses, and nonfederal governments.

Those conventional estimates **do not** reflect any changes in the overall size of the U.S. economy relative to CBO's baseline macroeconomic projections.

When analyzing proposed major legislation, House Rule XIII(8) requires CBO and JCT to include the budgetary effects resulting from changes in output, employment, the capital stock, and other macroeconomic variables, in addition to the behavioral responses in a conventional estimate.

An analysis of proposed legislation that incorporates such macroeconomic effects is commonly known as a dynamic analysis.

# CBO's Framework for Estimating Macroeconomic Effects

CBO estimates the macroeconomic effects of changes in federal policies in both the short term and the longer term:

- **In the short term**, policy changes primarily affect the economy by influencing the demand for goods and services, which leads to changes in output relative to its potential (maximum sustainable) level.
  - CBO uses its multiplier model to estimate how changes in aggregate demand affect output. Those demand-side effects are combined with estimates of the policies' effects on the supply of capital and labor.

- **In the longer term**, changes in policies affect the economy primarily by altering public saving, federal investment, people's incentives to work and save, and businesses' incentive to invest, which leads to changes in potential output.
  - CBO uses its Solow-type model in which output is determined by the number of labor hours that workers supply, the size and composition of the capital stock, and total factor productivity (TFP).

For more information about the framework CBO uses for evaluating the impact of federal policies on output, see Congressional Budget Office, *How CBO Analyzes the Effects of Changes in Federal Fiscal Policies on the Economy* (November 2014), www.cbo.gov/publication/49494.

# CBO's Multiplier Model and Short-Term Effects on Output

CBO's multiplier model applies an output multiplier to each policy (or provision), which is the product of a policy's direct and indirect effects on aggregate demand. **Output multipliers vary across policies because the direct effects differ.**

- **Direct effects.** A policy's direct effects on aggregate demand result from changes in purchases by federal agencies and by the people and organizations that receive federal payments or pay federal taxes. The direct effect on demand is also referred to as the marginal propensity to consume (MPC).

- **Indirect effects.** Changes in policy affect output indirectly through demand multipliers, which depend on the response of monetary policy. When output is projected to remain above its potential and inflation is projected to remain above, or near, the Federal Reserve's long-run goal of 2 percent, CBO uses demand multipliers that have a cumulative effect on output that range from:
  - 0.4 to 1.9 over four quarters (central estimate of 1.2), and
  - 0.2 to 0.8 over eight quarters (central estimate of 0.5).

# CBO’s Solow-Type Model and Longer-Term Effects on Output

The nation’s *potential* to produce goods and services is the key determinant of output over the long term, so the longer-term effects of changes in policies rely on CBO’s models of potential output.

CBO’s Solow-type model, or policy growth model, is calibrated to reproduce the agency’s baseline projection of potential output using an economywide Cobb-Douglas production function, which depends on the following:

- **Labor supply** defined in terms of economywide potential hours,
- **Capital services** from nonfarm business capital and owner-occupied residential housing, and
- **Economywide potential TFP** (the average real output per unit of combined labor and capital services).

For additional details about CBO’s Solow-type model, see Congressional Budget Office, *CBO's Policy Growth Model* (April 2021), www.cbo.gov/publication/57017.

# Factors Affecting Potential Output in CBO's Solow-Type Model

**Crowding out:** Deficits "crowd out" private investment in the longer term, and less investment leads to a smaller stock of productive capital and lower potential output. The conventional estimates' effects across the income distribution and the estimated effects on spending for each income group are combined to determine the degree of crowding out.

**Labor supply effects:** Policies affect potential output by altering incentives to work, reflected in earnings-weighted hours.

**Private investment effects:** In addition to the crowding-out channel, private investment is also affected by changes in the user cost of capital.

**Productivity effects:** Other factors that affect output but are not attributable to labor or private capital, such as public investment in infrastructure or research and development, raise TFP because those investments enhance private activity.

# Key Inputs for Estimating the Macroeconomic Effects

**Distributional tables:** Conventional estimates prepared by BAD and JCT are transformed by CBO's Tax Analysis Division (TAD) and Labor, Income Security, and Long-Term Analysis Division (LISL) into distributional tables showing the net effect on households' income after taxes and transfers, sorted by cash income deciles (or tenths).

**Income-based MPCs:** MPCs are higher for lower-income households than they are for higher-income households. In addition, one-time or temporary changes in households' income after taxes and transfers generally boost spending less than a persistent change does.

**Labor supply effects:** Policies affect labor supply by altering incentives to work, reflected in earnings-weighted hours. In the short term, the effect depends on the state of the labor market; effects are larger when there is less labor market slack. Labor supply effects are prepared by LISL and TAD and, for health-related policies, CBO's Health Analysis Division (HAD).

**Investment and productivity effects:** Increases in investment boost aggregate demand in the short term and potential output in the longer term. Investment effects arising from changes in the user cost of capital are prepared by TAD. Other investment and productivity effects, such as those arising from regulatory changes, public investment, or federal leases, are prepared by CBO's Financial Analysis Division (FAD) and Microeconomic Studies Division (MSD).

# Dynamic Analysis of Changes to SNAP in H.R. 1

# Overview of SNAP Changes in H.R. 1

Subtitle A in Title I modifies SNAP benefits, eligibility, and cost sharing. Excluding the $7 billion budgetary reduction in Medicaid outlays included in Section 10009, the federal deficit would decline by $287 billion over the 2025–2034 period.

**Change in Direct Spending by Fiscal Year, Billions of Dollars**

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2025–2029 | 2025–2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Budget authority | * | -13 | -19 | -35 | -35 | -35 | -35 | -39 | -39 | -39 | **-100** | **-287** |
| Estimated outlays | * | -13 | -19 | -35 | -35 | -35 | -35 | -39 | -39 | -39 | **-100** | **-287** |

* = between zero and $500 million.

In particular, BAD estimates that Subtitle A would **reduce federal SNAP spending by $279 billion over the 2025–2034 period.** (That amount does not include budgetary effects of changes in child nutrition programs that are also included in the published total for Subtitle A, as well as some other items.)

In CBO's January 2025 baseline, federal SNAP spending rises from $110 billion in 2025 to $116 billion in 2034. Under the provisions in the bill, such spending would fall to $77 billion in 2034, although new cost-sharing provisions would increase state SNAP spending by $17 billion, partially offsetting the federal reduction.

# SNAP Changes That Affect Benefits, Eligibility, and Cost Sharing

- Requirement of states to pay a share of SNAP benefit costs, between 5 percent and 25 percent, determined on the basis of their error rates *(-$128 billion)*
- Work requirements *(-$92 billion)*
- Thrifty Food Plan changes *(-$37 billion)*
- Administrative cost sharing with states *(-$27 billion)*
- Restrictions on internet expenses *(-$11 billion)*
- Availability of standard utility allowance based on receipt of energy assistance *(-$6 billion)*
- Eligibility restrictions for certain immigrants *(-$4 billion)*

The change in federal outlays from each provision are over the 2025–2034 period and do not account for interactions among provisions. Because of overlap in the affected populations, the effects of simultaneously enacting all of the provisions would differ from the sum of the effects of enacting each provision separately.

For additional details about each of those provisions, see Congressional Budget Office, letter to the Honorable Amy Klobuchar and the Honorable Angie Craig about the potential effects on the Supplemental Nutrition Assistance Program of reconciliation recommendations pursuant to H. Con Res. 14 (May 22, 2025), www.cbo.gov/publication/61426.

# Total SNAP Changes in H.R. 1

In the underlying estimates prepared by BAD, accounting for state responses and cross-provision interactions, H.R. 1 is estimated to reduce federal spending on SNAP benefits by $255 billion and on administrative reimbursements by $25 billion over the 2025–2034 period.

**The reduction in federal spending on SNAP benefits is partially offset by state cost sharing**, resulting in an overall reduction of $170 billion in SNAP benefits. Administrative costs are expected to rise by $11 billion overall.

**Change in Spending by Fiscal Year, Billions of Dollars**

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2025–2029 | 2025–2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Federal spending on SNAP benefits | 0 | -9 | -15 | -31 | -31 | -31 | -32 | -35 | -35 | -35 | -87 | -255 |
| Federal spending on SNAP administrative costs | 0 | -3 | -3 | -2 | -3 | -3 | -3 | -3 | -3 | -3 | -10 | -25 |
| **Subtotal, federal spending on SNAP** | **0** | **-12** | **-18** | **-34** | **-34** | **-34** | **-34** | **-38** | **-38** | **-38** | **-97** | **-279** |
| State spending on SNAP benefits | 0 | 0 | 0 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 24 | 85 |
| State spending on SNAP administrative costs | 0 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 14 | 36 |
| **Subtotal, state spending on SNAP** | **0** | **3** | **3** | **16** | **16** | **16** | **16** | **17** | **17** | **17** | **38** | **121** |
| Total spending on SNAP benefits | 0 | -9 | -15 | -19 | -19 | -19 | -20 | -23 | -23 | -23 | -63 | -170 |
| Total spending on SNAP administrative costs | 0 | 0 | 0 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 11 |
| **Subtotal, total spending on SNAP** | **0** | **-9** | **-15** | **-18** | **-18** | **-18** | **-18** | **-21** | **-21** | **-21** | **-60** | **-159** |

# How State Responses Were Prepared

BAD's conventional estimates already reflect state responses **within programs**, but the net change in states' fiscal positions, beyond the directly affected programs, is generally not accounted for.

For example, CBO expects that some states would maintain current SNAP benefits and eligibility and that others would modify benefits or eligibility or possibly leave the program altogether. The agency estimated state responses in the aggregate using a probabilistic approach to account for a range of possible outcomes.

If a change in federal policy resulted in a change to a state's fiscal position relative to what would occur under current law, how states reacted to that change would depend on whether the federal policy generated a surplus or a deficit. It could also depend on the time horizon, with states shifting from an initial short-term response (such as relying on rainy day funds until they can fully adjust) to a longer-term source of financing.

States would certainly vary how they respond to a change in their fiscal position. CBO typically estimates state responses in the aggregate, accounting for a range of possible outcomes.

# State Government Responses in the Short Term

For the agency's short-term estimates of the **initial impact** on state budgets, CBO used the findings in Rueben, Randall, and Boddupalli (2018), which followed a similar empirical approach to that of Poterba (1994) and Clemens and Miran (2012), to determine how states adjusted their revenues, expenditures, and (implicitly) their other means of financing in response to an immediate change in their fiscal position.

In that analysis, they found that from 1990 to 2015:

- **When states experienced a $1 deficit shock**, they typically reduced spending by $0.26 and increased revenues by $0.08 in the current year. They increased revenues by an additional $0.14 in the following year.

- **When states experienced a $1 surplus shock**, they generally made no change to spending, reduced revenues by $0.04 in the current year, and further reduced revenues by $0.08 in the following year.

# State Government Responses in the Longer Term

CBO estimates that in the longer term, states would eventually accommodate a change in their fiscal position by evenly splitting between spending and revenue changes. Specifically, for a $1 deficit (surplus) shock, states would implement a $0.50 reduction (increase) in spending and a $0.50 increase (reduction) in revenues. The long-run adjustment is expected to be complete within about five years.

The resulting transition paths for a federal policy change enacted in 2025 are as follows:

| $1 Deficit Shock | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|
| Spending decrease | $0.26 | $0.38 | $0.44 | $0.47 | $0.49 | $0.50 | $0.50 | $0.50 | $0.50 | $0.50 |
| Revenue increase | $0.08 | $0.22 | $0.36 | $0.43 | $0.47 | $0.49 | $0.50 | $0.50 | $0.50 | $0.50 |
| *Borrowing (residual)* | *$0.66* | *$0.40* | *$0.20* | *$0.10* | *$0.04* | *$0.01* | *$0.00* | *$0.00* | *$0.00* | *$0.00* |

| $1 Surplus Shock | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|
| Spending increase | $0.00 | $0.33 | $0.44 | $0.48 | $0.49 | $0.50 | $0.50 | $0.50 | $0.50 | $0.50 |
| Revenue decrease | $0.04 | $0.12 | $0.37 | $0.46 | $0.49 | $0.50 | $0.50 | $0.50 | $0.50 | $0.50 |
| *Savings (residual)* | *$0.96* | *$0.55* | *$0.19* | *$0.06* | *$0.02* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* |

Note: Entries in red represent imposed values Other entries represent values based on the resulting transition path.

# Allocation of State Spending

**To allocate state spending**, LISL developed a representative sample of the U.S. population to determine how to allocate several categories of state spending. For example, households with school-age children in public schools are the beneficiaries of state government spending for public elementary and secondary education. All residents benefit from some categories of spending, such as police and fire protection.

Using data from the Census of Government for fiscal year 2022, CBO estimated state spending in several categories. For each category, the amount was calculated as the current direct expenditures of state governments *minus* federal transfers to state governments for that category *plus* a share of the funds that states transferred to local governments. Because Medicaid spending adjustments are already accounted for in the conventional estimates, state-level Medicaid spending was excluded from the analysis.

**Shares of State Spending (excluding Medicaid) by Household Income Decile**

| Decile 1 | Decile 2 | Decile 3 | Decile 4 | Decile 5 | Decile 6 | Decile 7 | Decile 8 | Decile 9 | Decile 10 |
|---|---|---|---|---|---|---|---|---|---|
| 21.8% | 14.5% | 10.5% | 9.3% | 8.5% | 7.8% | 7.4% | 6.9% | 6.4% | 6.2% |

Note: Households are ranked into deciles on the basis of cash income (not adjusted for household size).

# Allocation of State Revenues

**To allocate state revenues**, TAD considered individual income taxes, general and selective sales taxes, property taxes, corporate income taxes, motor vehicle license taxes, other taxes, workers' compensation revenues, and other insurance trust revenues.

TAD estimated the distribution of the largest state revenue sources using its tax simulation model and allocated the amounts borne by households. Each additional $1 of state revenues was distributed similarly to the current composition of revenue categories and is borne by a similar distribution of households.

**Shares of State Revenues by Household Income Decile**

| Decile 1 | Decile 2 | Decile 3 | Decile 4 | Decile 5 | Decile 6 | Decile 7 | Decile 8 | Decile 9 | Decile 10 |
|---|---|---|---|---|---|---|---|---|---|
| 7.5% | 7.3% | 7.0% | 7.3% | 8.1% | 9.2% | 10.4% | 11.3% | 12.6% | 18.8% |

Note: Households are ranked into deciles on the basis of cash income (not adjusted for household size).

# Overall Change in State Spending

In the agency's dynamic analysis of H.R. 1, although states have to accommodate higher SNAP costs from new cost-sharing requirements, in the aggregate, states spend less on other programs affected by the bill, mostly Medicaid, although there is great uncertainty associated with those implied savings. Therefore, CBO expects states to use reductions in state spending on health-related programs to offset increased SNAP costs. That is consistent with Baicker's (2001) findings that suggest that states, on average, use the entirety of changes in their Medicaid spending to adjust the amount they spend on other welfare programs.

Taken together, BAD estimates that states would have *lower* overall net spending over the 2025–2034 period as a result of H.R. 1. An improved fiscal position for states would be reflected in higher spending on other state-level programs and lower state taxes.

**Change in Spending by Fiscal Year, Billions of Dollars**

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2025-2029 | 2025-2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State spending on SNAP | 0 | 3 | 3 | 16 | 16 | 16 | 16 | 17 | 17 | 17 | 38 | 121 |
| State spending on health-related programs | -1 | -2 | -7 | -18 | -20 | -20 | -19 | -17 | -17 | -14 | -47 | -133 |
| **Overall change in state spending** | **-1** | ***** | **-4** | **-2** | **-4** | **-4** | **-2** | ***** | ***** | **3** | **-10** | **-13** |

* = between -$500 million and $500 million.

For more details about how the agency projects that states would respond to changes in Medicaid policies, see Congressional Budget Office, letter to the Honorable Ron Wyden and the Honorable Frank Pallone, Jr. providing estimates for Medicaid policy options and state responses (May 7, 2025), www.cbo.gov/publication/61377.

# Estimating the Macroeconomic Effects of SNAP Changes in H.R. 1

**Aggregate demand effects**

- The distributional table includes the total (federal + state) change in SNAP benefits as well states' fiscal responses. Changes in administrative costs are treated as government consumption.

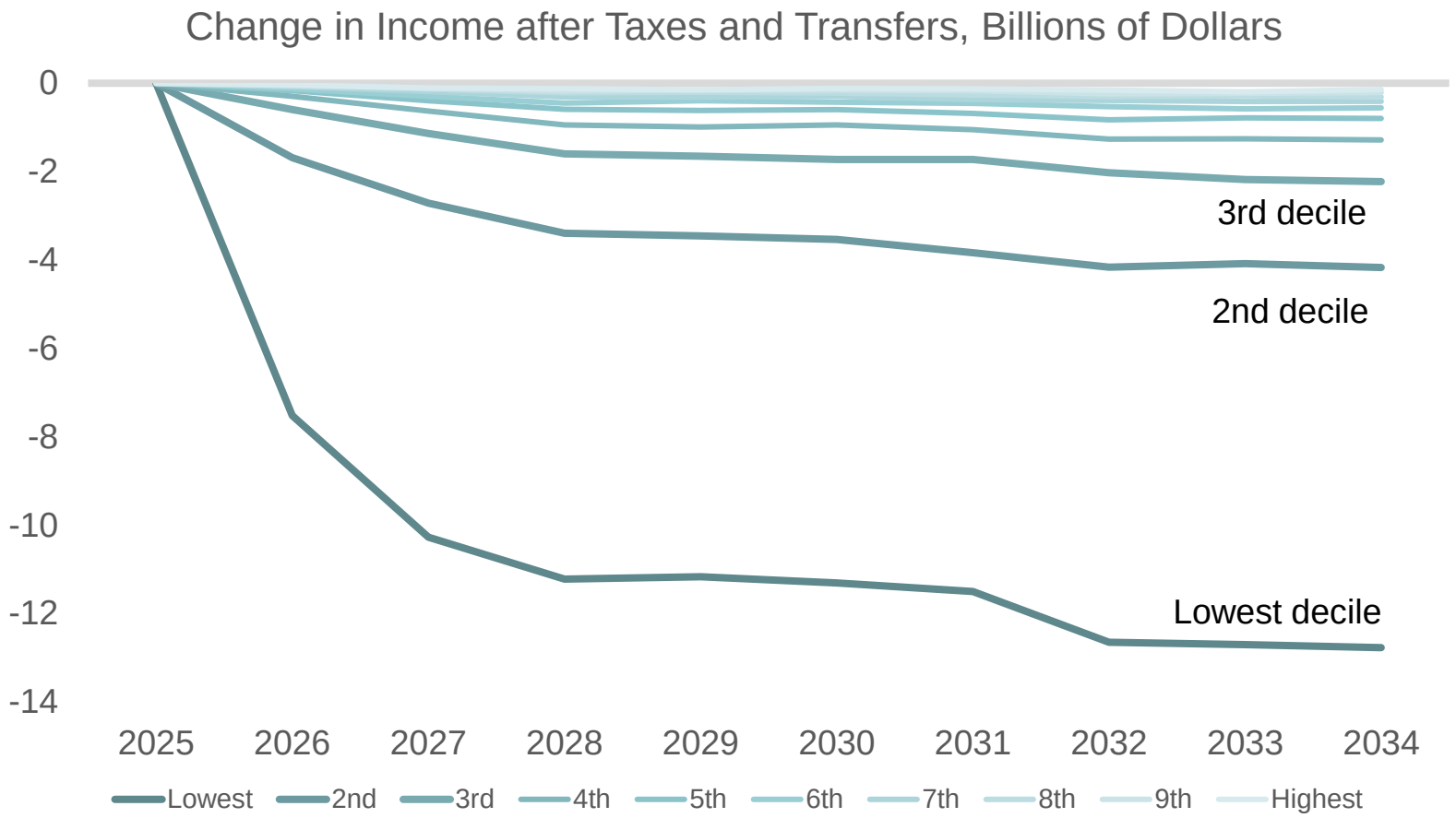
**Labor supply effects**

- SNAP recipients would adjust their labor supply in response to the change in benefit amounts and changes in eligibility, such as work requirements.
- Workers would adjust their labor supply in response to changes in state labor income taxes. Although the labor supply effects could have been attributed to the Medicaid provisions in H.R. 1, they were attributed to the SNAP provisions for illustrative purposes to demonstrate how states' responses influence labor supply in CBO's dynamic analysis.

**Investment effects**

- SNAP provisions in H.R. 1 would *reduce* the federal deficit and would crowd in private investment. States might also respond by changing capital income taxes, which would impact the user cost of capital and, in turn, private investment.

# Distributional Effects of Total SNAP Benefit Changes in H.R. 1, by Household Income (Conventional Estimate)

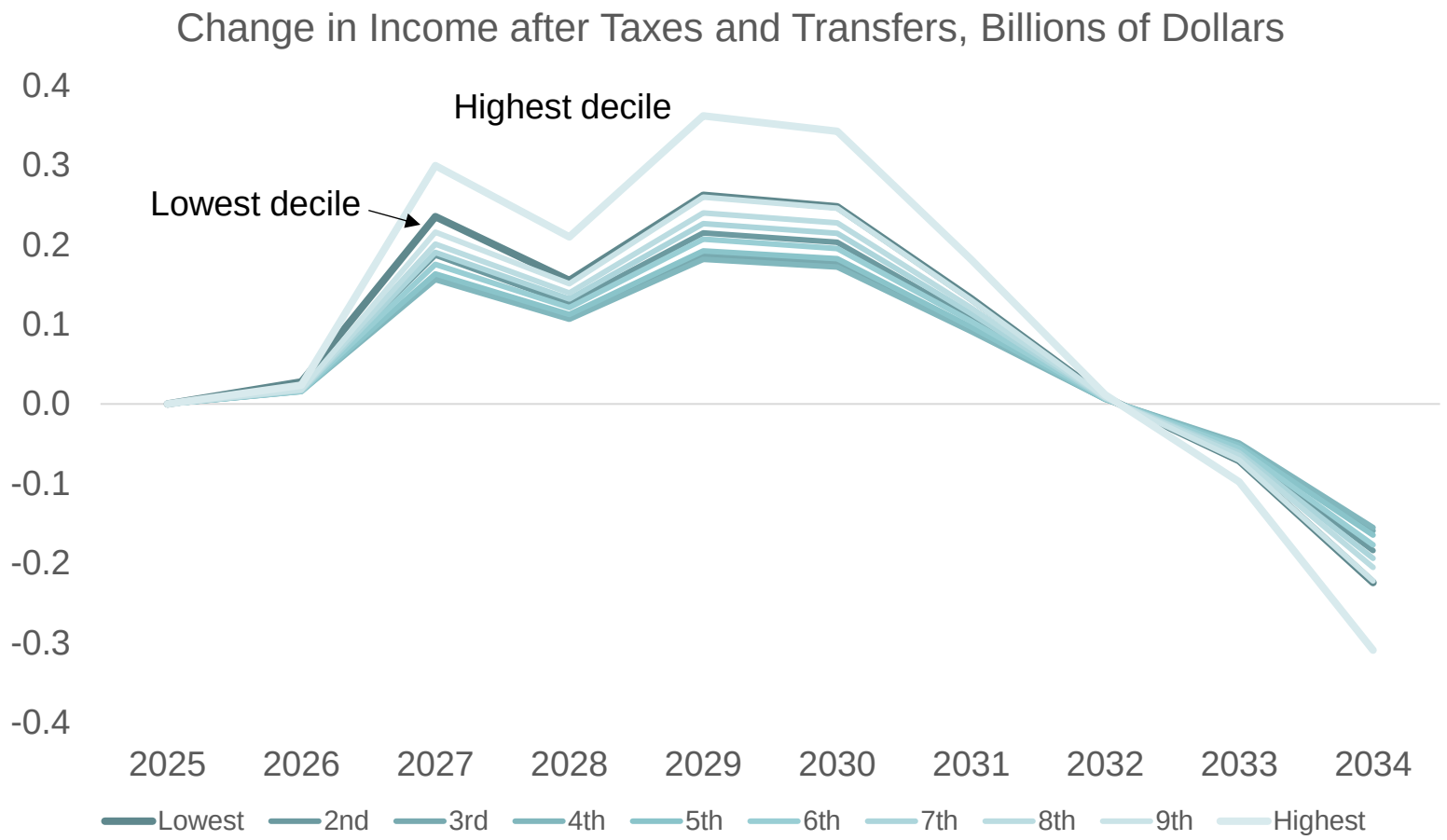



In CBO's assessment, most of the reduction in SNAP benefits affects the disposable income of households with lower income. Specifically, 85 percent of the reduction affects the income of the bottom 30 percent of the distribution over the 10-year period.

Because lower-income households have higher MPCs than higher-income households do, the reduction in benefits would have a more pronounced effect on aggregate demand in the short term than it would if those changes affected higher-income households.

Data are for calendar years. Amounts include federal and state SNAP benefit changes.

# Distributional Effects of State Responses to SNAP Changes in H.R. 1, by Household Income (Conventional Estimate)




Because states are expected to have lower overall net spending until 2033 as a result of H.R. 1, the agency projects that states would disburse those “savings” to their constituents via higher state expenditures and lower state revenues during those years.

Doing so would increase the disposable income, in the aggregate, for all households in the income distribution, but the effects would impact the disposable incomes of the highest and lowest deciles the most.

Data are for calendar years. Amounts exclude government consumption.

# Labor Supply Effects of SNAP Changes in H.R. 1

1. LISL estimates that SNAP recipients would increase their labor supply in response to the reduction in benefits and changes in eligibility, **resulting in an increase of 0.02% of earnings-weighted hours by 2034**.

2. If the SNAP changes were enacted on their own, other workers would be expected to decrease their labor supply in response to the higher state labor income taxes that would be needed to finance the additional state SNAP expenditures. However, on net, the bill as a whole is estimated to result in *lower* state spending in most years over the 2025–2034 period, mainly because of the changes to Medicaid as well as states' expected response to those changes. Taken together, TAD estimates that **the decrease in state labor income taxes would generate a slight increase in earnings-weighted hours until 2033**.

# Labor Supply Effects for SNAP Recipients

SNAP recipients would work more in response to the expansion of the work requirement, policies that would reduce eligibility (primarily those requiring matching funds), and the change to the Thrifty Food Plan.

SNAP recipients might work less in response to reductions in the housing allowance, but that reduction would probably be negligible. Reducing the allowance would tend to discourage part-time work but encourage additional work among enrollees already working part-time.

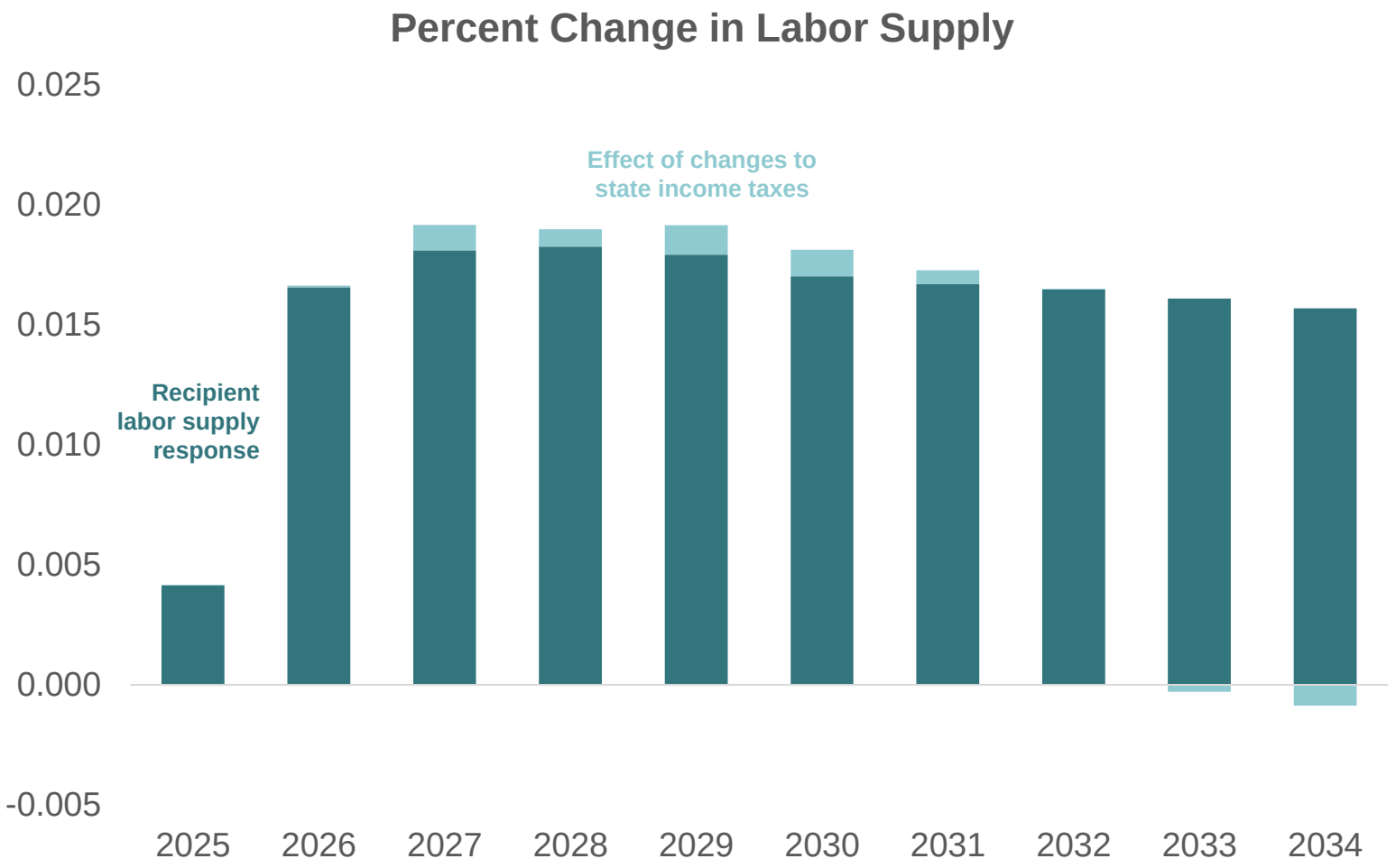
Taken together, the earnings-weighted hours of enrollees would increase.

**Changes in the Labor Supply of Enrollees in 2034, by Policy Option**

| | Conventional Estimate of Change in Federal SNAP Spending | | Change in Enrollees' Earnings (Holding Hourly Wages Constant) | | | | Feedback to Deficit from Taxes on Change in Earnings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of Dollars | % of GDP | Millions of Dollars | % of Earnings of Affected Enrollees | % of Change in Spending | % of National Earnings | Projected Marginal Tax Rate | Millions of Dollars | % of Reduction in Spending |
| Expanding the Work Requirement | -$10,940 | 0.03% | $2,610 | 2.56% | 23.86% | 0.01% | 15% | -$392 | 3.58% |
| **All SNAP Policies** | **-$38,307** | **0.09%** | **$2,911** | **2.00%** | **7.60%** | **0.02%** | **15%** | **-$437** | **1.14%** |

CBO extrapolates changes in enrollees' labor supply from the empirical literature, which has focused on SNAP's work requirement. GDP = gross domestic product.

# Labor Supply Effects of SNAP Changes in H.R. 1

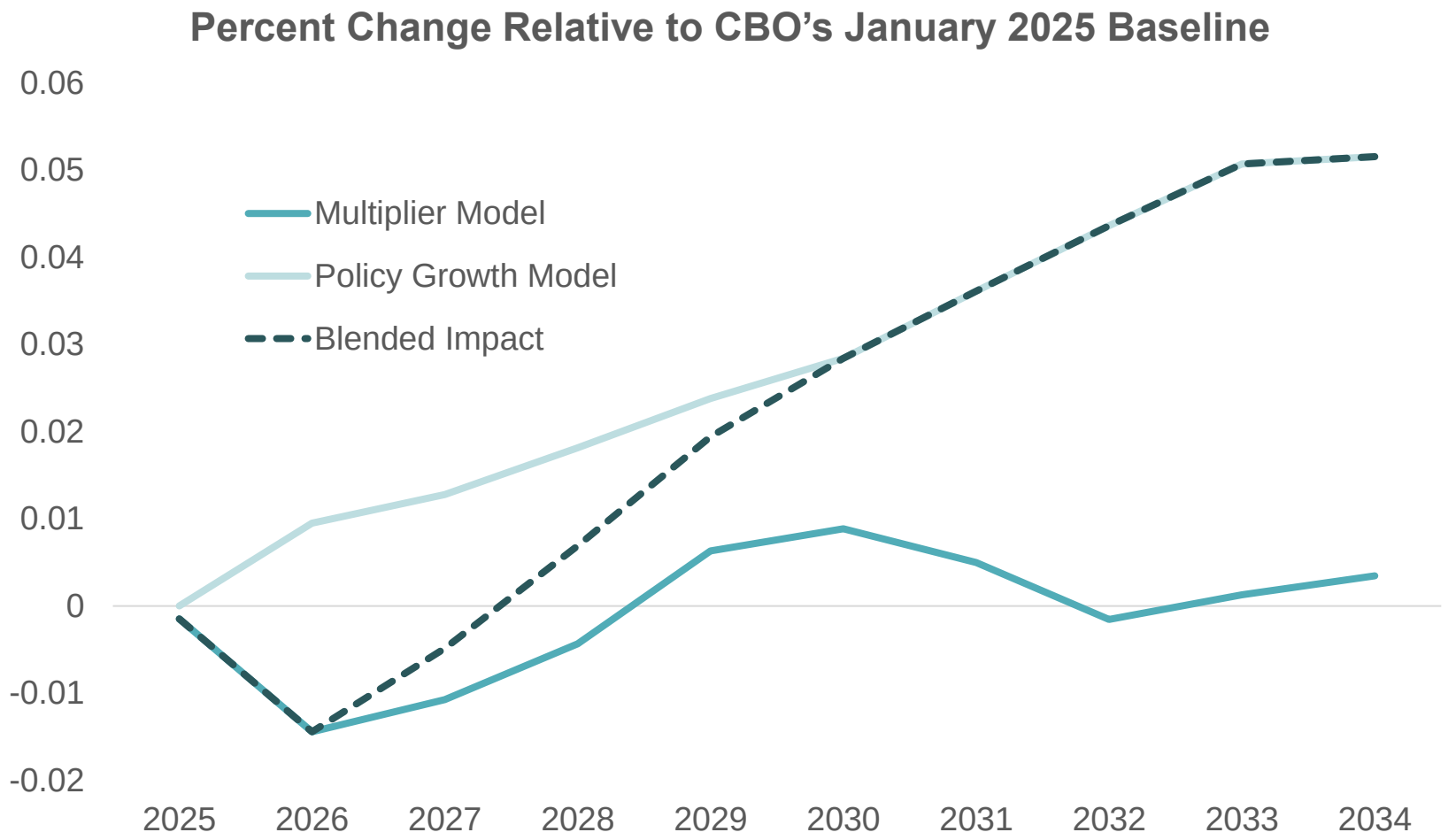



In CBO's assessment, the labor supply effects that result from recipients' reduction in benefits and changes in eligibility (primarily from work requirements) account for most of the labor supply effects resulting from the SNAP-related provisions in the bill.

Data are for calendar years.

# Macroeconomic Effects and Budgetary Feedback of Changes to SNAP in H.R. 1

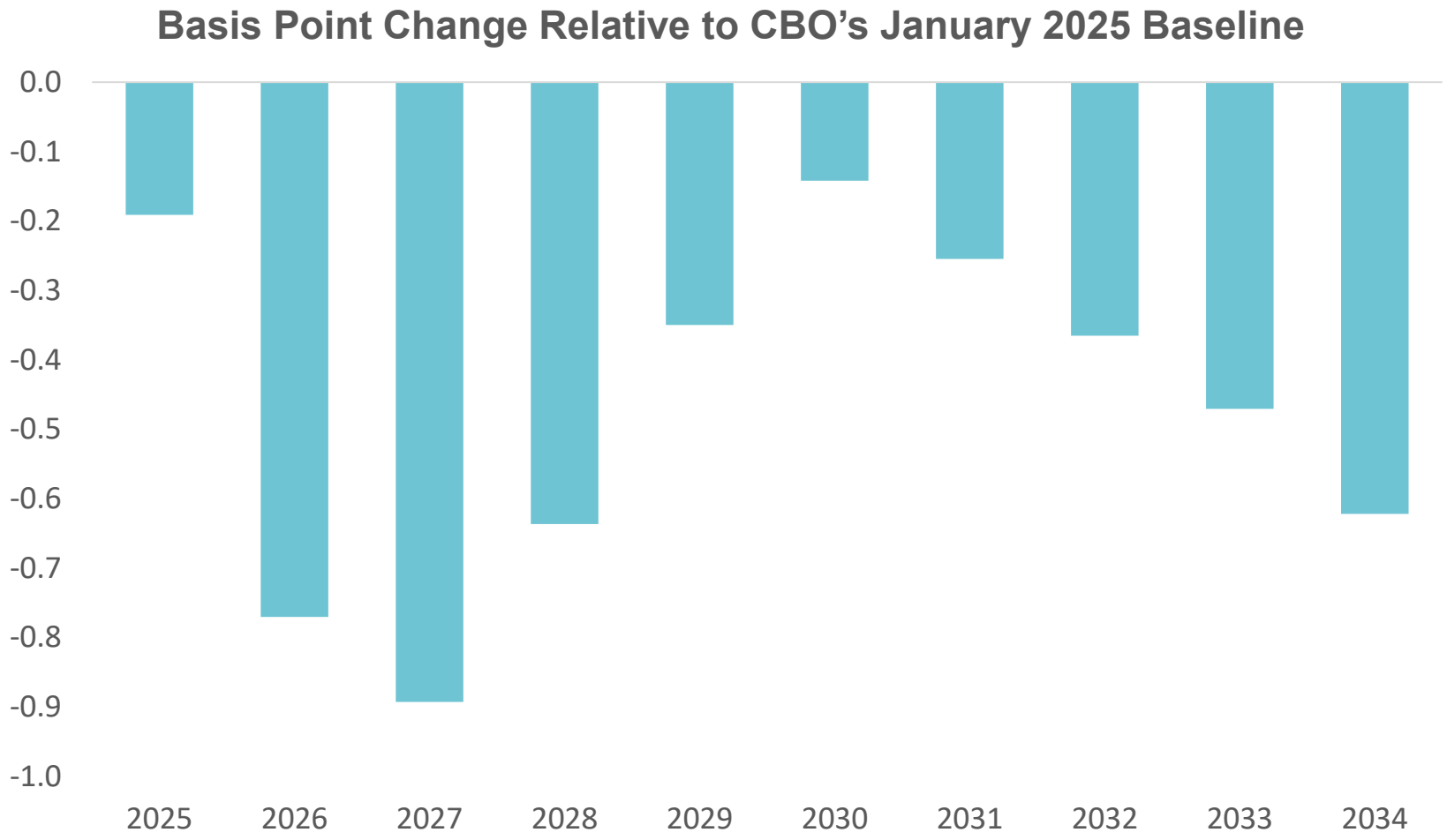
# Effect on Real Output From SNAP Changes in H.R. 1




Estimates for the impact on real economic activity in 2025 and 2026 were based entirely on CBO's multiplier model; estimates for 2027, 2028, and 2029 placed weights of 0.75, 0.50, and 0.25, respectively, on the effects on the multiplier model and the remaining weights on the effects on potential output in the policy growth model.

Data are for calendar years. For more information about CBO's transition between short-term and longer-term effects, see Congressional Budget Office, *How CBO Analyzes the Effects of Changes in Federal Fiscal Policies on the Economy* (November 2014), www.cbo.gov/publication/49494.

# Effect on 10-Year Treasury Notes From SNAP Changes in H.R. 1




Government borrowing rates are projected to be lower as a result of the policy over the 2025–2034 period and are, on average, about 0.5 basis points lower than CBO's baseline.

Data are for calendar years. A basis point is one-hundredth of a percentage point.

# Budgetary Effects of SNAP Changes Under H.R. 1

| | By Fiscal Year, Billions of Dollars | | |
|---|---|---|---|
| | 2025-2029 | 2030-2034 | 2025-2034 |
| **Conventional Estimate** | | | |
| Decrease (-) in the Primary Deficit | -100 | -187 | -287 |
| **Budgetary Feedback From Macroeconomic Effects Under House Rule XIII(8)** | | | |
| Decrease (-) in the Primary Deficit | 1 | -9 | -8 |
| Decrease (-) in Net Interest Costs[a] | -6 | -8 | -14 |
| Decrease (-) in the Deficit | -5 | -17 | -22 |
| **Dynamic Estimate Under House Rule XIII(8)** | | | |
| Decrease (-) in the Primary Deficit | -99 | -196 | -296 |
| Decrease (-) in Net Interest Costs[a] | -6 | -8 | -14 |
| Decrease (-) in the Deficit | -105 | -204 | -309 |
| **Addendum:** | | | |
| Total Decrease (-) in Deficits[b] | -111 | -242 | -353 |

a. Includes only the changes to net interest costs stemming from changes to interest rates on the baseline projection of federal debt. By long-standing convention, estimates under House Rule XIII(8) do not include any increases or decreases in interest payments on the federal debt that would arise from an estimated change in borrowing needs. Consistent with that approach, the dynamic estimate does not include the decreases in interest payments that would arise from net decreases in borrowing needs that would result from enacting the SNAP-related provisions in the bill.

b. Includes the dynamic estimate under House Rule XIII(8) and decreases in interest payments on the federal debt that would arise from the estimated net decreases in borrowing needs. Total decreases in net interest costs would be $12 billion from 2025 to 2029, $46 billion from 2030 to 2034, and $58 billion over the entire 2025-2034 period.

For more details on CBO's dynamic analysis of all the provisions in H.R. 1, see Congressional Budget Office, H.R. 1, One Big Beautiful Bill Act (Dynamic Estimate) (June 17, 2025), www.cbo.gov/publication/61486.

# Effects on Net Interest

Excluding the effects of Section 10009, which affects Medicaid outlays, CBO estimates that SNAP-related provisions in H.R. 1 would reduce the primary deficit by $287 billion over the 2025–2034 period.

The budgetary feedback stemming from the SNAP-related policies in the bill's effects on the economy would further reduce the primary deficit by $8 billion over that period, partially because lower deficits would cause private investment and output to be higher. However, the largest source of feedback savings is **lower interest costs because of lower interest rates, driven by the crowding in of private capital**.

In CBO's assessment, the reduction in federal budget deficits over the 2025–2034 period increases private investment by crowding in private capital. In addition to the longer-term effects of reduced federal borrowing on interest rates, higher private investment raises the amount of capital per worker, which lowers the return on capital and contributes to the decline in interest rates. When lower net interest costs stemming from changes to interest rates on the baseline projection of federal debt are taken into account, **the deficit would be reduced by an additional $14 billion.**

When the dynamic estimate under House Rule XIII(8) and the decreases in interest payments on the federal debt that would arise from the estimated net decreases in borrowing needs are accounted for, **total net interest costs would be $58 billion lower over the period.**

# Sensitivity of Interest Rates to Changes in Federal Debt

In CBO's macroeconomic forecast, the average interest rate on federal debt generally increases by 2 basis points in the long term for each percentage-point increase in debt held by the public as a share of gross domestic product (GDP). For the basis of that estimate, and CBO's recent reduction of it from 2.5 basis points to 2 basis points, see Neveu and Schafer (2024).

To align the results with CBO's forecasting model, CBO has increased the long-term sensitivity of interest rates to federal debt in its fiscal policy analysis, including in its dynamic analysis of H.R. 1.

CBO's fiscal policy analysis has previously used a model in which the interest rate on 10-year Treasury notes had a one-to-one relationship with the return on capital in the long term (CBO 2021). That relationship resulted in lower sensitivity of interest rates to changes in federal debt, which differed from the responses implied by the framework CBO used to incorporate legislative changes into its macroeconomic forecast. That lower sensitivity is the primary reason that interest rate responses in previous analyses have been smaller. (For an example of one earlier analysis with a smaller response, see CBO 2024.)

# Dynamic Effects of SNAP Provisions in H.R. 1

SNAP-related provisions in the bill are expected to *lower* output in the short term because of benefit reductions for households with lower income but *boost* output because the labor supply and private investment would be larger, on net, in the longer term.

After incorporating macroeconomic feedback and savings from reduced net interest costs from lower federal debt, SNAP-related policies in H.R. 1 would **reduce the federal deficit by a total of $353 billion over the 2025–2034 period**.

**Current areas of uncertainty**

- Because many policies begin to take effect in 2027 and beyond, CBO's projected transition between the short term and longer term mitigates the demand-side effects beginning in that year. However, the change in demand of households and businesses may vary considerably over time.
- The self-financing of states is subject to considerable uncertainty. States, on average, may respond to a lesser or greater extent than CBO currently anticipates. In addition, aggregating state behavior may mask important differences at the state level.

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# About This Document

This document was prepared to enhance the transparency of the work of the Congressional Budget Office and to encourage external review of that work. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations.

The document is the result of work by analysts across CBO. It was reviewed by Devrim Demirel, Mark Hadley, Jeffrey Kling, John McClelland, Sam Papenfuss, and Julie Topoleski.

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