



February 15, 2021

Honorable Bernie Sanders  
Chairman  
Committee on the Budget  
United States Senate  
Washington, DC 20510

*Re: The Breadth of the Budgetary Effects of the Raise the Wage Act of 2021  
Compared With Certain Other Reconciliation Legislation*

Dear Mr. Chairman:

You asked for information about the breadth of the budgetary effects of the Raise the Wage Act of 2021 (S. 53, as introduced on January 26, 2021) as compared with certain other reconciliation legislation that the Congressional Budget Office has analyzed in the past. The bill would raise the federal minimum wage, in annual increments, to \$15 per hour by June 2025 and then adjust it to increase at the same rate as median hourly wages.

As CBO noted in a report published last week, an increase in the minimum wage would have broad economic effects that would, in turn, affect most areas of the budget.<sup>1</sup> The set of budgetary effects incorporated in CBO's analysis of the bill is therefore more extensive than the set incorporated in most cost estimates.

Specifically, the bill would affect spending for a wide range of programs and federal tax revenues:

- Spending for major health care programs—that is, Medicaid, the Children's Health Insurance Program, subsidies for health insurance offered in the marketplaces established by the Affordable Care Act,

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<sup>1</sup> See Congressional Budget Office, *The Budgetary Effects of the Raise the Wage Act of 2021* (February 2021), [www.cbo.gov/publication/56975](http://www.cbo.gov/publication/56975).

the Basic Health Program (in Minnesota and New York), and Medicare;

- Spending for unemployment compensation;
- Spending for Social Security (both Old-Age and Survivors Insurance and Disability Insurance), which is categorized as off-budget;
- Spending for nutrition programs;
- Other mandatory spending, including outlays for refundable tax credits, student loans, Supplemental Security Income, various retirement programs, certain programs for veterans, and the Postal Service (which is categorized as off-budget);
- Individual income tax revenues;
- Payroll tax revenues;
- Corporate income tax revenues; and
- Discretionary outlays for wages of federal workers.

Those effects would touch most functions of the budget. For example, the effects on mandatory spending would touch the following functions:

- 370 (commerce and housing credit);
- 400 (transportation);
- 500 (education, training, employment, and social services);
- 550 (health);
- 570 (Medicare);
- 600 (income security);
- 650 (Social Security); and
- 700 (veterans benefits and services).

The effects on discretionary spending could touch all functions of the budget that include salaries of federal employees.

You also asked how the breadth of the estimated budgetary effects of the Raise the Wage Act, 2021, compares with the breadth of the estimated budgetary effects of two different sets of legislative provisions in the 2017 tax act (Public Law 115-97): the provisions that set to zero the penalty associated with the individual mandate in the Affordable Care Act, and the provisions that directed the Secretary of the Interior to implement an oil and gas leasing program for the coastal plain of the Arctic National Wildlife Refuge (ANWR).

In CBO's cost estimate for the 2017 tax act, the agency estimated that reducing to zero the penalty that a person paid for not complying with the individual mandate would lead some people to not enroll in health insurance offered by their employer.<sup>2</sup> That change would result in a shift from compensation in the form of health insurance to compensation in the form of cash earnings. The shift led to an estimated increase in revenues because cash earnings, unlike employer-sponsored insurance, are fully taxable.

CBO's analysis of the Raise the Wage Act, 2021, likewise includes ways in which the provisions of the proposed legislation would affect the behavior of people and thus affect the budget. However, the analysis of the Raise the Wage Act encompasses a much broader range of behavioral effects than that of the 2017 tax act, and the increased minimum wage would in turn affect a broader range of budget functions than CBO estimated that the change in the mandate penalty would.

The estimated budgetary effects of the ANWR provisions of the 2017 tax act fell within budget functions 270 (energy), 300 (natural resources and environment), 800 (general government), and 950 (undistributed offsetting receipts). As the list above shows, increasing the minimum wage would affect more budget functions than CBO estimated that the ANWR provisions would.

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<sup>2</sup> See Congressional Budget Office, cost estimate for the conference agreement on H.R. 1 (December 15, 2017), [www.cbo.gov/publication/53415](http://www.cbo.gov/publication/53415). H.R. 1 subsequently became P.L. 115-97.

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I hope this information is helpful to you. Please let me know if you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip L. Swagel", with a long, sweeping flourish extending to the right.

Phillip L. Swagel  
Director

cc: Honorable Lindsey Graham  
Ranking Member

Honorable John Yarmuth  
Chairman, House Committee on the Budget

Honorable Jason Smith  
Ranking Member, House Committee on the Budget