



May 21, 2021

Honorable Lindsey Graham  
Ranking Member  
Committee on the Budget  
United States Senate  
Washington, DC 20510

*Re: Three Scenarios for the Budget as Specified by Senator Graham*

Dear Senator:

As you requested, the Congressional Budget Office has calculated the budgetary outcomes under three scenarios. Specifically, you asked how recently enacted legislation and certain amounts of additional spending would change the budget projections that CBO released on February 11, 2021.<sup>1</sup> This letter details those changes.

**CBO's February 2021 Baseline Projections.** In CBO's most recent baseline, projected deficits amounted to \$14.5 trillion over the 2021-2031 period, and debt held by the public was projected to reach \$35.3 trillion by the end of 2031, equal to 107 percent of gross domestic product (GDP). Those projections were completed before the enactment of Public Law 117-2, the American Rescue Plan Act (ARPA), which CBO has estimated will add \$1.8 trillion to deficits over the 2021-2031 period (excluding interest costs on the added debt).<sup>2</sup> Those effects, along with additional legislative, economic, and technical changes, will be incorporated into CBO's next set of budget and economic projections.

To provide a benchmark against which the Congress can consider the budgetary effects of legislation, CBO's baseline is constructed under an assumption that current law remains generally unchanged. Consequently, if

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1. See Congressional Budget Office, *The Budget and Economic Outlook: 2021 to 2031* (February 2021), [www.cbo.gov/publication/56970](http://www.cbo.gov/publication/56970). The amounts noted here are based on CBO's most recent economic forecast. See Congressional Budget Office, *An Overview of the Economic Outlook: 2021 to 2031* (February 2021), [www.cbo.gov/publication/56965](http://www.cbo.gov/publication/56965).
  2. See Congressional Budget Office, estimated budgetary effects of H.R. 1319, the American Rescue Plan Act of 2021 (March 10, 2021), [www.cbo.gov/publication/57056](http://www.cbo.gov/publication/57056).

the Congress acted to increase spending, CBO's projections of spending also would increase. The amounts below show how three scenarios might affect the agency's budget projections.

**First Scenario.** For Scenario 1, you asked CBO to add the budgetary effects of ARPA to its baseline projections of deficit and debt, including the effects on the government's interest costs. The legislation will add \$1.8 trillion to deficits and to debt held by the public over the 2021-2031 period, CBO estimates (see Table 1). The interest payments made on that additional debt will amount to an estimated \$208 billion over that same period.<sup>3</sup> All told, under the scenario, by 2031, deficits and debt would be nearly \$2.1 trillion higher than in CBO's February 2021 baseline and debt held by the public would reach 113 percent of GDP. That amount does not include the budgetary effects that might result from differences in the economy relative to CBO's February 2021 economic forecast.

**Second Scenario.** For Scenario 2, you asked CBO to calculate how projections might change if:

- ARPA's budgetary effects were added and
- Nondefense discretionary budget authority was set at \$768 billion for fiscal year 2022 and increased with inflation in subsequent years.

Under this scenario, by 2031, deficits and debt would be \$2.7 trillion higher than in CBO's February 2021 baseline and \$665 billion higher than under Scenario 1 (see Table 2). Debt held by the public would equal 115 percent of GDP in 2031.

CBO's baseline projection for nondefense discretionary funding for 2022 amounted to \$709 billion. Scenario 2 would add \$59 billion in budget authority for nondefense discretionary programs in 2022, increasing to nearly \$80 billion in 2031 (after increases for inflation). In total, through 2031, those changes would add \$618 billion to discretionary outlays, deficits, and debt. The cost of servicing that additional debt along with the debt resulting from ARPA would amount to \$255 billion over the 2021-2031 period (\$47 billion more than under Scenario 1).

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3. For more information on calculating debt service costs, see Congressional Budget Office, *How Changes in Revenues and Outlays Would Affect Debt Service, Deficit, and Debt* (February 2021), [www.cbo.gov/publication/56993](http://www.cbo.gov/publication/56993).

Honorable Lindsey Graham

Page 3

**Third Scenario.** For Scenario 3, you asked CBO to calculate the effects of:

- Incorporating the assumptions of Scenario 2,
- Adding \$2.7 trillion in funding for new and existing programs in 2022, and
- Increasing noninterest mandatory outlays by \$180 billion in each year starting in 2022.

Under this scenario, deficits over the 2021-2031 period and debt in 2031 would be \$7.6 trillion higher than the amounts in CBO's February 2021 baseline and \$4.9 trillion higher than under Scenario 2 (see Table 3). Debt held by the public would equal 130 percent of GDP in 2031.

Based on how quickly some of the money provided by the American Reinvestment and Recovery Act of 2009 was spent, CBO calculates that adding \$2.7 trillion in funding in 2022 would increase the cumulative deficit by \$2.6 trillion by 2031. Meanwhile, adding \$180 billion in mandatory outlays each year beginning in 2022 would add \$1.8 trillion to the deficit over the next 10 years. The interest costs on the additional debt under this scenario would amount to \$681 billion by 2031, \$426 billion more than under Scenario 2.

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

Sincerely,



Phillip L. Swagel  
Director

cc: Honorable Bernie Sanders  
Chairman

Honorable John Yarmuth  
Chairman, House Committee on the Budget

Honorable Jason Smith  
Ranking Member, House Committee on the Budget

**Table 1.  
First Scenario Specified by Senator Graham**

**CBO's February 2021 Baseline Plus the Estimated Budgetary Effects of ARPA**

	By Fiscal Year, Billions of Dollars											2021-2031
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Deficit in CBO's Baseline	-2,258	-1,056	-963	-905	-1,037	-1,026	-1,048	-1,352	-1,346	-1,650	-1,883	-14,524
	<b>Increase or Decrease (-) in the Deficit</b>											
ARPA <sup>a</sup>	1,164	529	114	59	32	-6	-11	-4	-8	-13	-11	1,844
Debt Service	<u>2</u>	<u>4</u>	<u>6</u>	<u>8</u>	<u>11</u>	<u>16</u>	<u>22</u>	<u>27</u>	<u>32</u>	<u>37</u>	<u>42</u>	<u>208</u>
Subtotal	1,165	533	121	67	43	10	11	23	25	24	31	2,052
<b>Estimated Deficit Under Scenario 1</b>	<b>-3,423</b>	<b>-1,589</b>	<b>-1,083</b>	<b>-972</b>	<b>-1,080</b>	<b>-1,036</b>	<b>-1,060</b>	<b>-1,375</b>	<b>-1,371</b>	<b>-1,674</b>	<b>-1,913</b>	<b>-16,577</b>
<b>Memorandum:</b>												
Debt Held by the Public in CBO's Baseline	22,461	23,541	24,547	25,488	26,559	27,596	28,702	30,162	31,593	33,331	35,304	n.a.
Estimated Debt Held by the Public Under Scenario 1	23,626	25,239	26,366	27,373	28,488	29,535	30,652	32,135	33,591	35,353	37,356	n.a.
	<b>As a Percentage of GDP</b>											
Debt Held by the Public in CBO's Baseline	102.3	102.0	102.0	101.4	101.2	100.9	101.0	102.2	103.2	105.0	107.2	n.a.
Estimated Debt Held by the Public Under Scenario 1	107.6	109.3	109.6	108.9	108.5	108.0	107.8	108.9	109.7	111.3	113.4	n.a.

Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Components may not sum to totals because of rounding. Amounts are based on CBO's February 2021 economic forecast, which has not been updated since its release.

ARPA = American Rescue Plan Act of 2021; GDP = gross domestic product; n.a. = not applicable.

a. For more information, see Congressional Budget Office, estimated budgetary effects of H.R. 1319, the American Rescue Plan Act of 2021 (March 10, 2021), [www.cbo.gov/publication/57056](http://www.cbo.gov/publication/57056).

**Table 2.  
Second Scenario Specified by Senator Graham**

**CBO's February 2021 Baseline Plus the Estimated Budgetary Effects of ARPA and Additional Discretionary Funding**

	By Fiscal Year, Billions of Dollars											2021-2031
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Deficit in CBO's Baseline	-2,258	-1,056	-963	-905	-1,037	-1,026	-1,048	-1,352	-1,346	-1,650	-1,883	-14,524
	<b>Increase or Decrease (-) in the Deficit</b>											
ARPA <sup>a</sup>	1,164	529	114	59	32	-6	-11	-4	-8	-13	-11	1,844
Increase Discretionary Nondefense Funding by \$59 Billion in 2022, Then Increase With Inflation <sup>b</sup>	0	29	49	57	61	64	67	69	72	74	77	618
Debt Service	<u>2</u>	<u>5</u>	<u>7</u>	<u>8</u>	<u>12</u>	<u>19</u>	<u>26</u>	<u>33</u>	<u>40</u>	<u>48</u>	<u>56</u>	<u>255</u>
Subtotal	1,165	562	170	125	105	77	82	98	104	109	121	2,717
<b>Estimated Deficit Under Scenario 2</b>	-3,423	-1,618	-1,132	-1,030	-1,142	-1,102	-1,130	-1,450	-1,450	-1,759	-2,004	-17,241
<b>Memorandum:</b>												
Debt Held by the Public in CBO's Baseline	22,461	23,541	24,547	25,488	26,559	27,596	28,702	30,162	31,593	33,331	35,304	n.a.
Estimated Debt Held by the Public Under Scenario 2	23,626	25,268	26,444	27,509	28,685	29,799	30,987	32,544	34,080	35,927	38,021	n.a.
	<b>As a Percentage of GDP</b>											
Debt Held by the Public in CBO's Baseline	102.3	102.0	102.0	101.4	101.2	100.9	101.0	102.2	103.2	105.0	107.2	n.a.
Estimated Debt Held by the Public Under Scenario 2	107.6	109.5	109.9	109.5	109.3	108.9	109.0	110.3	111.3	113.2	115.4	n.a.

Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Components may not sum to totals because of rounding. Amounts are based on CBO's February 2021 economic forecast, which has not been updated since its release.

ARPA = American Rescue Plan Act of 2021; GDP = gross domestic product; n.a. = not applicable.

a. For more information, see Congressional Budget Office, estimated budgetary effects of H.R. 1319, the American Rescue Plan Act of 2021 (March 10, 2021), [www.cbo.gov/publication/57056](http://www.cbo.gov/publication/57056).

b. For spending after 2022, CBO used the procedures specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 to inflate the additional budget authority specified in the option. How quickly agencies would spend that budget authority was estimated using an aggregated rate for nondefense discretionary programs. In CBO's February 2021 baseline, budget authority for such programs in 2022 amounts to \$709 billion.

**Table 3.  
Third Scenario Specified by Senator Graham**

**CBO's February 2021 Baseline Plus the Effects of ARPA, Additional Discretionary Funding, \$2.7 in Additional Funding in 2022, and Additional Mandatory Outlays**

	By Fiscal Year, Billions of Dollars											2021-2031
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Deficit in CBO's Baseline	-2,258	-1,056	-963	-905	-1,037	-1,026	-1,048	-1,352	-1,346	-1,650	-1,883	-14,524
	<b>Increase or Decrease (-) in the Deficit</b>											
ARPA <sup>a</sup>	1,164	529	114	59	32	-6	-11	-4	-8	-13	-11	1,844
Increase Discretionary Nondefense Funding by \$59 Billion in 2022, Then Increase With Inflation <sup>b</sup>	0	29	49	57	61	64	67	69	72	74	77	618
Add \$2.7 Trillion in Funding in 2022	0	330	956	717	314	155	71	48	23	25	1	2,639
Increase Noninterest Mandatory Outlays by \$180 Billion in Each Year <sup>c</sup>	0	180	180	180	180	180	180	180	180	180	180	1,800
Debt Service	<u>2</u>	<u>6</u>	<u>12</u>	<u>20</u>	<u>31</u>	<u>49</u>	<u>70</u>	<u>89</u>	<u>111</u>	<u>134</u>	<u>157</u>	<u>681</u>
Subtotal	1,165	1,073	1,311	1,033	618	442	376	383	378	400	403	7,582
<b>Estimated Deficit Under Scenario 3</b>	-3,423	-2,129	-2,274	-1,938	-1,655	-1,468	-1,424	-1,735	-1,724	-2,050	-2,285	-22,106
<b>Memorandum:</b>												
Debt Held by the Public in CBO's Baseline	22,461	23,541	24,547	25,488	26,559	27,596	28,702	30,162	31,593	33,331	35,304	n.a.
Estimated Debt Held by the Public Under Scenario 3	23,626	25,779	28,096	30,070	31,759	33,238	34,720	36,562	38,372	40,510	42,886	n.a.
	<b>As a Percentage of GDP</b>											
Debt Held by the Public in CBO's Baseline	102.3	102.0	102.0	101.4	101.2	100.9	101.0	102.2	103.2	105.0	107.2	n.a.
Estimated Debt Held by the Public Under Scenario 3	107.6	111.7	116.7	119.7	121.0	121.5	122.1	123.9	125.3	127.6	130.2	n.a.

Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Components may not sum to totals because of rounding. Amounts are based on CBO's February 2021 economic forecast, which has not been updated since its release.

ARPA = American Rescue Plan Act of 2021; GDP = gross domestic product; n.a. = not applicable.

- a. For more information, see Congressional Budget Office, estimated budgetary effects of H.R. 1319, the American Rescue Plan Act of 2021 (March 10, 2021), [www.cbo.gov/publication/57056](http://www.cbo.gov/publication/57056).
- b. For spending after 2022, CBO used the procedures specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 to inflate the additional budget authority specified in the option. How quickly agencies would spend that budget authority was estimated using an aggregated rate for nondefense discretionary programs. In CBO's February 2021 baseline, budget authority for such programs in 2022 amounts to \$709 billion.
- c. To determine the rate at which the additional funding in this scenario would be spent, CBO used an estimated aggregated rate for the funding provided for fiscal year 2009 by the American Recovery and Reinvestment Act of 2009. Funding for a program in 2009 was excluded if that act provided funding for that program for other years as well.