



BARATELLI INSTITUTE FOUNDATIONS

Mentoring at Scale

Reducing the Federal Debt

A practitioner's proforma of the United States budget

Three scenarios · FY2027-FY2036 · 76 scored levers

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The Baratelli Institute

Reducing the Federal Debt

A practitioner's proforma — What the \$40 trillion actually is, what the published baseline says, and what it would take to change the path

On August 18, 2026 the total public debt outstanding of the United States printed above forty trillion dollars for the first time. That number is real, and it is the one in every headline, but it is not the number a practitioner would underwrite against. This document takes the published federal budget apart the way a diligence team takes apart a target's financials: the numbers as filed in one column, an explicit and labeled adjustment in the next, and the adjusted figure carried forward. It then asks a single arithmetic question in three sizes. What would it actually take to change the path?

Nothing here is a recommendation. Every lever in this document is politically difficult, most are politically impossible, and the Institute takes no position on which of them should be pulled. The exercise is analytical. A practitioner who cannot price the alternatives cannot say anything useful about the choice, and a country that has never seen the arithmetic laid out in one place cannot have the argument on the merits.

THE TWO-CLOCK RULE

Every figure in this document carries two dates. The publication date of this edition is August 23, 2026. The measurement date of each figure is stated next to the figure itself, because a number is only as current as the moment it was measured, and that moment is set by whoever measured it. The Congressional Budget Office baseline used throughout was published on February 11, 2026 and carries four separate measurement clocks inside that one date. Section 3.1 sets them out. Correctly sourced is not the same as current.

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1. The number in the headline

1.1 Two debts, not one

The federal government reports two debt figures, and they are not interchangeable. **Total public debt outstanding**, often called gross debt, is every Treasury security in existence. It includes the securities held by the government's own trust funds — Social Security, Medicare Part A, the military and civil service retirement funds — which are, in economic substance, one part of the government owing another part. **Debt held by the public** strips those out. It is what the Treasury owes to everyone who is not the Treasury: households, pension funds, insurers, mutual funds, banks, foreign central banks, and the Federal Reserve.

The gap between the two is intragovernmental holdings. In CBO's own February 2026 projections it is **\$7,335 billion at the end of FY2026** — gross federal debt of \$39,430 billion against debt held by the public of \$32,095 billion. That is not a rounding difference. A reader who takes the gross number from a headline and divides it by GDP will produce a debt-to-GDP ratio twenty-three points higher than the published one, and will then compare it against ratios computed on the other basis.

1.2 What crossed forty trillion, and when

The figure that crossed forty trillion was gross debt. The Treasury publishes it daily in the *Debt to the Penny* series, and the first print above the line came at the **record date of August 18, 2026**, posted the following morning. The House Budget Committee marked the milestone the same day. Five months earlier, in March 2026, the same series had crossed thirty-nine trillion.

Debt held by the public, the series this document projects, stood at **\$30,172 billion at the end of fiscal year 2025**, which is the last audited fiscal-year close and the launching point for every projection that follows.

1.3 Why this document measures debt held by the public

Three reasons, and they are practical rather than ideological. First, debt held by the public is the number that has to be sold into a market and refinanced at a market price, so it is the number that generates the interest expense on the government's income statement. Second, it is the series the Congressional Budget Office projects and the series every published debt-to-GDP comparison uses, domestically and internationally, so it is the only basis on which this work can be checked against anyone else's. Third, intragovernmental holdings move for reasons that have nothing to do with fiscal policy — a trust fund drawing down its balance reduces gross debt while the government's actual position is unchanged — which makes gross debt a noisy measure of the thing we are trying to measure.

Gross debt is the better headline. Debt held by the public is the better instrument. This document uses the instrument and reports the headline.

1.4 The first two-clock problem

CBO's February 2026 baseline projects gross federal debt of **\$39,430 billion at the end of fiscal year 2026**. Gross debt printed at \$40,047 billion on August 18, 2026 — six weeks before that fiscal year closes, and **\$617 billion above** a level the projection did not expect to be reached until the year was over. The projection was six months old at the time.

This is not a criticism of CBO. The agency publishes its assumptions and its cut-off dates in the front of every volume, which is precisely what allows the comparison to be made at all. It is an illustration of the rule this Institute applies to every figure it prints: a number is a measurement taken at a moment, by someone, under stated conditions. When any of those three change, the number changes, and a document that carries only its own publication date gives the reader no way to see it.

ON USING A BASELINE YOU KNOW IS STALE

The baseline in this document is used because it is the only complete, internally consistent, fully published ten-year projection of the federal budget that exists. It is also, on at least one line, already known to be behind events. Both things are true at once, and a practitioner holds both. Where the baseline is stale, this document says so and quantifies the gap rather than quietly substituting a fresher number that would no longer reconcile to anything.

2. The reporting layer and the underwriting layer

Since 2017, USAFacts — the nonpartisan civic data initiative founded by Steve Ballmer after he left Microsoft — has published an annual *Government 10-K*. The idea is exactly what the name says. The Securities and Exchange Commission requires every public company to file a Form 10-K describing its financial position, its results, and its risk factors. Government has no such obligation, so USAFacts writes one on the government's behalf, consolidating federal, state and local finances into a single statement in the form an investor would recognize.

It is the right instinct, and it is the missing half of the work. A 10-K is a **reporting** document. It is backward-looking by construction, it presents results as they occurred, and it does not adjust. That discipline is the source of its authority: a 10-K is credible precisely because it does not tell you what management wishes had happened.

But no practitioner stops at the 10-K. In diligence, the filed statements are the left-hand column. The work is in the columns to the right — the ones labeled with an adjustment and a reason. Normalize for the items that will not recur. Rebase for a different measurement window. Strip out the double counts. Carry the adjusted figure forward and see what it does over the projection period. That is **underwriting**, and it is a different job from reporting.

This document is the underwriting layer. It takes the published record as given, states every adjustment in a numbered column with the reason attached, and then rolls the result forward ten

years. It is meant to sit next to a Government 10-K, not to replace one. The reporting layer says what happened. The underwriting layer says what it implies, and what would have to change.

2.1 A two-clock note on the 10-K itself

The most recent edition is the **2026 Government 10-K**, and it covers **fiscal years 2014 through 2023**. The publication clock reads 2026; the measurement clock on the newest fiscal year in the book reads 2023. USAFacts is explicit about why: delayed Internal Revenue Service data meant the report could not be published by Tax Day for the first time, and the organization filed its own version of an SEC Form 12b-25 — the notification a public company files when it will miss a deadline — before releasing the report two weeks later.

That is exactly correct practice, and it is worth saying plainly, because the point of the two-clock rule is not that stale numbers are a sin. Stale numbers are unavoidable when someone else controls the measurement. The sin is carrying them silently. USAFacts carried them out loud, and filed the notice. The distance between the two clocks is also the reason this document builds its projections on CBO rather than on the 10-K: the debt at the end of fiscal 2023, as reported there, was **\$33.1 trillion** gross. Thirty-four months later the same series printed above forty.

3. The baseline, as filed

Everything that follows is built on one document: the Congressional Budget Office's *The Budget and Economic Outlook: 2026 to 2036*, published February 11, 2026 and reposted with corrections on March 24, 2026. The tables below reproduce its Tables 1-1, 1-2 and 1-3 for the years this document projects. No figure in this section is the Institute's. They are reproduced so that every adjusted number later in the document can be traced back to a published line.

3.1 Four measurement clocks inside one publication date

A single date on the cover of a budget projection conceals the fact that its components were frozen at four different moments. CBO states all four in its own front matter. A reader who takes February 11, 2026 as the as-of date for the whole volume will be wrong about every one of them.

Table 3.1 The measurement clocks behind one publication date

Component	Measured as of
Economic forecast — trade policy	November 20, 2025
Economic developments and enacted law reflected in the forecast	December 3, 2025
Budget projections — laws enacted	January 14, 2026
Publication of the volume	February 11, 2026
Repost with corrections	March 24, 2026

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*, February 11, 2026, front matter. The widest gap inside this single volume is eighty-three days.

3.2 Revenues, outlays, and the total deficit

Table 3.2 CBO baseline: revenues, outlays and the total deficit, FY2026-FY2036 (\$ billions)

Fiscal year	Revenues	Outlays	Total deficit	Deficit, % GDP	Nominal GDP
2026	\$5,596	\$7,449	\$1,853	5.8%	\$31,902
2027	5,885	7,772	1,887	5.7%	33,315
2028	6,071	8,151	2,080	6.0%	34,666
2029	6,320	8,340	2,020	5.6%	36,010
2030	6,595	8,796	2,201	5.9%	37,391
2031	6,869	9,155	2,286	5.9%	38,813
2032	7,130	9,569	2,439	6.1%	40,277
2033	7,391	10,172	2,781	6.7%	41,796
2034	7,669	10,487	2,818	6.5%	43,373
2035	7,972	10,751	2,779	6.2%	45,012
2036	8,301	11,416	3,115	6.7%	46,712

Source: CBO, February 11, 2026, Table 1-1. GDP is the fiscal-year nominal series CBO uses for its own percentage-of-GDP lines; using a calendar-year series here will not reproduce CBO's published percentages.

3.3 The primary deficit, net interest, and the debt

The total deficit splits into two pieces that behave completely differently. The **primary deficit** is what the government spends beyond what it collects, before any interest. It is the piece policy controls. **Net interest** is the price of the borrowing already done, and it compounds whether or not anyone acts — across this window it grows from \$1,039 billion to \$2,144 billion, more than doubling, on a debt stock that rises by eighty-six percent. **Other means of financing** is the reconciling item between the deficit and the change in debt: student loan revaluations, coin seigniorage, and changes in the Treasury's cash balance.

Table 3.3 CBO baseline: the deficit decomposed and the debt path, FY2026-FY2036 (\$ billions)

Fiscal year	Primary deficit	Net interest	Other means of financing	Debt held by the public	Debt, % GDP
2026	\$814	\$1,039	\$70	\$32,095	100.6%
2027	779	1,108	22	34,005	102.1%
2028	862	1,218	9	36,093	104.1%
2029	695	1,324	(10)	38,103	105.8%
2030	769	1,432	(24)	40,280	107.7%
2031	737	1,548	(37)	42,528	109.6%
2032	769	1,670	(45)	44,922	111.5%
2033	996	1,784	(59)	47,644	114.0%
2034	915	1,904	(69)	50,394	116.2%
2035	760	2,019	(70)	53,103	118.0%
2036	971	2,144	(66)	56,152	120.2%

Source: CBO, February 11, 2026, Tables 1-1 and 1-3. Debt held by the public at the end of FY2025 was \$30,172 billion, which is where the projection in Section 4 begins. Positive primary deficit means a deficit; negative other means of financing reduces borrowing.

3.4 Two published deficit series, and which one belongs in a debt roll-forward

CBO publishes the deficit twice. Table 1-1 is unadjusted. Table 1-2 removes the distortion created when October 1 falls on a weekend and certain payments shift into the prior fiscal year. The two series differ in five of the eleven years in this window, by as much as \$178 billion in a single year.

Table 3.4 Where the two published primary-deficit series diverge (\$ billions)

Fiscal year	Table 1-1, unadjusted	Table 1-2, timing-adjusted	Difference
2028	\$862	\$738	(\$124)
2029	695	819	124
2033	996	830	(166)
2034	915	903	(12)
2035	760	938	178

Source: CBO, February 11, 2026, Tables 1-1 and 1-2.

WHICH SERIES, AND WHY

The debt roll-forward in this document uses the **unadjusted** series, because that is the series that reconciles to CBO's own debt table — the cash actually moved in the year the Treasury borrowed for it. The timing-adjusted series is the correct one for any statement about the *trend* in the deficit, because it removes a calendar artifact that has nothing to do with policy. Using the wrong one is a common and quiet error: on the unadjusted series the primary deficit appears to fall by \$167 billion between FY2028 and FY2029, while on the adjusted series it rises by \$81 billion. The direction reverses.

4. The model

4.1 The roll-forward identity

Debt at the end of a year is debt at the start, plus the primary deficit, less whatever savings a scenario assumes, plus the interest accrued during the year, plus other means of financing. The only complication is that interest is charged on the debt as it stands through the year, and the debt as it stands through the year depends on the interest. The identity is therefore implicit and has to be solved rather than simply accumulated:

$$D_t = [D_{t-1}(1 + r/2) + PD_t - S_t + OMF_t] \div (1 - r/2)$$

where interest for the year is r times the average of opening and closing debt. Solving it rather than approximating it matters more than it sounds: a scenario that cuts the primary deficit also cuts the debt, which cuts the interest, which cuts the debt again. That second-order effect is where a material part of every scenario's savings comes from, and a model that charges interest on the opening balance alone will miss it.

4.2 The interest rate is backed out, not assumed

The effective interest rate on debt held by the public is not an input to this model. It is solved for, year by year, as the rate that reproduces CBO's own published net interest line on CBO's own published debt path. That choice removes an entire category of argument: no reader has to accept the Institute's view of where rates are going, because the Institute does not have one here. The solved rates run from 3.34 percent in FY2026 to 3.92 percent in FY2036, against CBO's stated 3.4 percent rising to 3.9 percent.

4.3 Controls

A model that cannot reproduce the published baseline when told to change nothing is not a model. Run with zero savings, the roll-forward is required to land on CBO's own debt and interest figures for all eleven years. It does.

Table 4.1 Control checks: the model against the published baseline

Control	Result	Checked against
Debt held by the public, worst year of eleven	\$2.53B	CBO Table 1-3
Net interest, worst year of eleven	\$0.10B	CBO Table 1-1
Debt-to-GDP in FY2036, modelled versus published	120.2% vs 120.2%	CBO Table 1-3
Revenues less outlays equals the deficit, all years	Reconciles	CBO Table 1-1
Deficit less net interest equals the primary deficit, all years	Reconciles	CBO Table 1-1

The maximum error on an eleven-year, thirty-trillion-dollar debt roll-forward is under three billion dollars, or one hundredth of one percent. It is rounding in CBO's own published tables, not model error: CBO reports whole billions, and in FY2031 the published revenue, outlay, primary deficit and interest lines differ by one billion dollars among themselves for the same reason.

4.4 What the model does not do

It does not forecast the economy. GDP, inflation and the rate structure are CBO's, unchanged in every scenario. It does not model macroeconomic feedback from fiscal consolidation — the effect of a five-percent-of-GDP tightening on growth is real, contested, and outside what can be defended from published scores. It does not model a debt crisis, a rate shock, or a change in the willingness of anyone to hold Treasuries. Each of those would move the answer, and each would require an assumption the Institute cannot source. The model answers a narrower and more answerable question: holding CBO's economy fixed, what size of primary-deficit reduction lands the debt on a stated path?

5. The adjustments column

This is the section that makes the document a proforma rather than a summary. Published budget scores cannot simply be added up and dropped into a different projection window. Five things have to be done to them first, and each one is stated here with its size, its direction, and its reason. A reader who disagrees with any single adjustment can back it out and reprice the whole document.

ADJ-1 Window rebasing

Every option score in the inventory was estimated over fiscal years 2025 through 2034. This document projects fiscal years 2027 through 2036. A policy held constant as a share of the economy raises more over the later window simply because the economy is larger. Using CBO's own published fiscal-year GDP memorandum totals — \$367,905 billion for FY2025-2034 and \$397,364 billion for FY2027-2036 — the rebasing factor is **1.0801**. Every score is multiplied by it. The adjustment is mechanical, it is disclosed, and it adds 8.01 percent to every score it touches.

ADJ-2 The baseline break

Public Law 119-21, signed July 4, 2025, permanently extended the 2017 individual rate structure and rewrote Medicaid and Marketplace subsidy law. Every option score in the inventory predates it. Some options are unaffected; others were scored against a baseline in which the 2017 rates were assumed to expire, and would score differently today. Rather than guess at revised scores CBO has not published, this document **flags** every exposed option and reports the exposed share of each package as a disclosed measurement, so the reader can see exactly how much of a scenario rests on pre-July-2025 law. That share runs from three percent of the Low package to twenty percent of the Medium package.

ADJ-3 Exclusivity, to prevent double counting

Several options in the published inventory overlap. Limiting itemized deductions and capping the charitable deduction touch the same tax base; capping federal Medicaid spending and cutting the federal matching rate are two ways of doing one thing; a uniform Social Security benefit and a means-tested benefit reduction for high earners are alternatives, not additions. Each such family is assigned to an exclusivity group, and no package may contain more than one member of a group. The build fails loudly if it does. Six groups are enforced: the value-added tax, itemized deductions, the individual rate schedule, a new payroll tax, the Social Security benefit formula, and structural Medicaid.

ADJ-4 Interest-rate feedback, deliberately held at zero

There is a good argument that a government which credibly reduces its borrowing pays a lower rate on what remains, and that the effect compounds. The model implements it and it is switched **off**, at zero basis points, in every published table. The reason is simple: turning it on makes every scenario look better than it is, and the size of the effect cannot be sourced to a published score. Leaving it off means the savings reported here are the floor. Anyone who believes in the feedback can only conclude the scenarios are easier than stated, never harder.

ADJ-5 Phase-in

No policy of this size takes effect at full force on day one. Each scenario begins in FY2027 and phases in over five years at twenty, forty, sixty, eighty and one hundred percent, then holds at full strength as a constant share of GDP so the package grows with the economy rather than eroding against it. The phase-in is why the ten-year savings total is meaningfully less than ten times the full-strength annual figure.

Table 5.1 The adjustments, in one place

Ref	Adjustment	Treatment	Direction
ADJ-1	Window rebasing, FY2025-2034 to FY2027-2036	×1.0801	Increases savings
ADJ-2	Pre-OBBA baseline exposure	Flagged and disclosed	Not quantified
ADJ-3	Exclusivity groups, no double counting	6 groups enforced	Reduces savings
ADJ-4	Interest-rate feedback	0 bp, switched off	Conservative
ADJ-5	Five-year phase-in from FY2027	20/40/60/80/100%	Reduces savings

Three of the five adjustments push the reported savings down and one pushes them up. That is not a design goal; it is what the adjustments happen to do. The point of the column is that they are visible.

6. Three scenarios

Each scenario is defined by where debt held by the public ends up in FY2036, as a share of GDP, and by nothing else. The model then solves for the size of the permanent primary-deficit reduction that lands there. Defining the scenarios by outcome rather than by policy is deliberate: it separates the arithmetic question of how large the change must be from the political question of what the change should consist of. Section 7 then shows one way, out of very many, to assemble a package of that size from published scores.

Table 6.1 The three scenarios against the baseline (\$ billions unless noted)

Scenario	Savings at full phase-in, % GDP	Annual savings in FY2036	Primary savings FY2027-36	Interest avoided FY2027-36	Debt % GDP, FY2036	Deficit % GDP, FY2036
Baseline, no action	0.00%	\$0	\$0	\$1	120.2%	6.7%
Low	2.39%	1,117	7,845	1,313	100.6%	3.6%
Medium	3.68%	1,721	12,087	2,022	90.0%	1.9%
High	5.03%	2,348	16,489	2,759	79.0%	0.2%

The baseline row is CBO's own projection carried through the model with no policy change. Interest avoided is the compounding effect described in Section 4.1: it is not a policy choice, it is what stops happening once the debt stops growing as fast.

The single most useful number in that table is the last column. Under the baseline, the unified deficit in FY2036 is 6.7 percent of GDP and the debt is still climbing. The Low scenario — which does nothing more ambitious than hold the debt ratio flat — requires a permanent primary-deficit reduction of 2.39 percent of GDP, which is \$1,117 billion in FY2036 alone and \$7,845 billion of primary savings across the decade. Merely standing still is a trillion-dollar-a-year proposition.

6.1 Low — halt the rise

Target: debt held by the public at 100.6 percent of GDP in FY2036, which is where it stands at the end of FY2026. The debt keeps growing in dollars throughout; it simply stops growing faster than the economy. This is the least ambitious target that can be described as stabilization, and it is not a soft one.

Table 6.2 Low scenario, year by year (target 100.6 percent of GDP in FY2036; \$ billions unless noted)

FY	Savings	Primary deficit after savings	Net interest	Total deficit	Debt held by the public	Debt, % GDP
2027	\$159	\$620	\$1,105	\$1,725	\$33,842	101.6%
2028	332	530	1,206	1,737	35,588	102.7%
2029	517	178	1,296	1,475	37,052	102.9%
2030	715	54	1,380	1,433	38,461	102.9%
2031	928	(191)	1,461	1,270	39,694	102.3%
2032	963	(194)	1,541	1,347	40,996	101.8%
2033	1,000	(4)	1,610	1,606	42,543	101.8%
2034	1,037	(122)	1,681	1,559	44,033	101.5%
2035	1,076	(316)	1,744	1,428	45,391	100.8%
2036	1,117	(146)	1,813	1,667	46,992	100.6%
FY2027-36	\$7,845	\$408	\$14,838	\$15,246	—	—

Debt-to-GDP peaks at 102.9 percent in FY2029 before turning. The ratio is above its FY2026 level for nine of the ten action years and only returns to it at the very end of the window, which is what a target defined on the terminal year does.

6.2 Medium — a decisive downward path

Target: 90 percent of GDP in FY2036. This is the scenario in which the ratio is unambiguously falling rather than merely not rising. It requires a permanent reduction of 3.68 percent of GDP, which is roughly fifty-four percent more than the Low package and reaches \$1,721 billion a year by the end of the window.

Table 6.3 Medium scenario, year by year (target 90 percent of GDP in FY2036; \$ billions unless noted)

FY	Savings	Primary deficit after savings	Net interest	Total deficit	Debt held by the public	Debt, % GDP
2027	\$246	\$533	\$1,104	\$1,637	\$33,754	101.3%
2028	511	351	1,200	1,551	35,314	101.9%
2029	796	(101)	1,281	1,180	36,485	101.3%
2030	1,102	(333)	1,351	1,018	37,479	100.2%
2031	1,430	(693)	1,414	721	38,163	98.3%
2032	1,484	(715)	1,471	756	38,874	96.5%
2033	1,540	(544)	1,516	972	39,787	95.2%
2034	1,598	(683)	1,561	878	40,595	93.6%
2035	1,659	(899)	1,596	698	41,223	91.6%
2036	1,721	(750)	1,634	884	42,041	90.0%
FY2027-36	\$12,087	(\$3,834)	\$14,129	\$10,295	—	—

6.3 High — back to the FY2019 level

Target: 79 percent of GDP in FY2036. At \$16.8 trillion, debt held by the public at the end of fiscal year 2019 equalled 79 percent of GDP — CBO's own figure, published in *Federal Debt: A Primer* in March 2020, measured before the pandemic borrowing began. Returning to that level by FY2036 requires a permanent primary-deficit reduction of 5.03 percent of GDP, \$2,348 billion a year at full strength, and drives the unified deficit to 0.2 percent of GDP in the terminal year — essentially a balanced budget.

Table 6.4 High scenario, year by year (target 79 percent of GDP in FY2036; \$ billions unless noted)

FY	Savings	Primary deficit after savings	Net interest	Total deficit	Debt held by the public	Debt, % GDP
2027	\$335	\$444	\$1,102	\$1,546	\$33,663	101.0%
2028	697	165	1,194	1,359	35,031	101.1%
2029	1,086	(391)	1,266	875	35,896	99.7%
2030	1,504	(735)	1,322	587	36,459	97.5%
2031	1,951	(1,214)	1,365	151	36,573	94.2%
2032	2,025	(1,256)	1,399	143	36,671	91.0%
2033	2,101	(1,105)	1,418	313	36,926	88.3%
2034	2,180	(1,265)	1,436	171	37,028	85.4%
2035	2,263	(1,503)	1,442	(60)	36,897	82.0%
2036	2,348	(1,377)	1,448	71	36,902	79.0%
FY2027-36	\$16,489	(\$8,236)	\$13,392	\$5,156	—	—

A note on what this target is and is not. Seventy-nine percent is the pre-pandemic level, not a long-run average and not a prudential standard. Debt held by the public averaged far less than that over the last half century. The FY2019 reading is used here because it is a real, recent, audited level that the United States actually carried, which makes it a defensible target rather than an aspiration.

7. The lever inventory

Section 6 establishes how large the change has to be. This section shows that a change of that size can be assembled entirely from options that have already been scored by the Congressional Budget Office, without inventing a single number. The inventory contains **76 levers** across revenue, mandatory spending and discretionary spending, with no category excluded — Social Security, Medicare, Medicaid, defense, nondefense discretionary, tax expenditures, tax rates, and the federal balance sheet are all in scope.

7.1 Where the scores come from, and when they were measured

Table 7.1 The measurement clock on the lever inventory

Item	Detail
Publication	CBO, <i>Options for Reducing the Deficit: 2025 to 2034</i>
Published	December 12, 2024
Baseline the scores were measured against	CBO, June 2024
Scoring window as filed	FY2025-FY2034
Volume reposted	October 24, 2025
Re-estimated at the repost?	No. Narrative correction only; the scores are unchanged.

This is the second two-clock finding in the document. The volume's own file date reads October 2025, eleven months fresher than the scores inside it, which are December 2024 measurements taken against a June 2024 baseline. No newer edition exists: the Institute verified this three ways in August 2026 — against CBO's Budget Options topic page, against its live options search sorted by date, and against the publication record.

7.2 The intensity dial

CBO scores most options as a range, because most options can be written at more than one intensity. Reducing the Department of Defense budget scores one way at a small cut and another at a large one. Rather than pick a point inside each range by hand — which would make the package a set of seventy-six private judgments — this document sets a single dial, theta, between the low and high end of every range at once, and solves for the one value of theta that makes the package equal the savings the scenario requires. A reader who wants to reprice an entire scenario has exactly one number to move.

Table 7.2 The proforma bridge: published scores to the savings each scenario requires (\$ billions)

Scenario	Theta	Levers	CBO scores as filed, FY2025-34	ADJ-1 rebasing	Adjusted, FY2027-36	Required by the model	Variance
Low	0.061	55	\$7,263	\$582	\$7,845	\$7,845	\$0
Medium	0.080	69	11,191	896	12,087	12,087	0
High	0.203	71	15,267	1,222	16,489	16,489	0

This is the table the whole document is built to produce: the numbers as published in the left column, one labeled adjustment in the middle, the adjusted figure on the right, and the variance against the requirement carried to the last column. All three packages close to zero.

7.3 What each package contains

The three packages are nested. Low uses payment rates and base broadening only: it changes what the government pays providers and what the tax code exempts, and it does not create a new tax instrument or change a benefit formula for anyone currently receiving a benefit. Medium adds the structural items — the individual rate schedule, itemized deductions, capped Medicaid, and a uniform Social Security benefit. High adds the two instruments the United States does not currently levy at all: a broad-based value-added tax and a price on greenhouse gas emissions.

Table 7.3 Composition of each package (\$ billions, FY2027-2036, adjusted)

Category	Low	Medium	High
Revenue	\$3,711 (47.3%)	\$6,465 (53.5%)	\$10,507 (63.7%)
Mandatory	2,202 (28.1%)	3,601 (29.8%)	3,961 (24.0%)
Discretionary	1,932 (24.6%)	2,021 (16.7%)	2,021 (12.3%)
Total, adjusted FY2027-36	\$7,845	\$12,087	\$16,489
Of which scored on pre-OBBBA law	\$238 (3%)	\$2,466 (20%)	\$3,055 (19%)

The last row is ADJ-2 made visible. Twenty percent of the Medium package rests on options scored against a tax baseline that Public Law 119-21 replaced in July 2025. That does not make those scores wrong; it makes them measured on a legal regime that no longer exists, and a reader is entitled to know which ones.

7.4 The largest levers

Sixteen levers do most of the work in the High package. Each row shows CBO's published range as filed, the value the intensity dial selects inside that range, and the same figure after window rebasing. Nothing between the second and fourth columns is a judgment about policy; it is arithmetic on a published score.

Table 7.4 The sixteen largest levers in the High package (\$ billions)

Lever	Category	CBO low	CBO high	At theta = 0.203	Adjusted FY2027-36	Pre-OBBBA
Impose a 5 percent value-added tax	Revenue	\$2,180	\$3,380	\$2,424	\$2,618	
Eliminate or limit itemized deductions	Revenue	736	3,424	1,282	1,384	Yes
Reduce the Department of Defense annual budget	Discretionary	959	959	959	1,036	
Increase the Social Security taxable maximum	Revenue	728	1,427	870	940	
Impose a tax on greenhouse gas emissions	Revenue	645	919	701	757	
Increase individual income tax rates	Revenue	570	1,185	695	751	Yes
Reduce tax subsidies for employment-based health ins.	Revenue	521	965	611	660	
Establish caps on federal Medicaid spending	Mandatory	459	893	547	591	Yes
Increase premiums for Medicare Part B	Mandatory	510	510	510	551	
Reduce Medicare Advantage benchmarks	Mandatory	489	489	489	528	
Expand the base of the net investment income tax	Revenue	420	420	420	454	
Means-test VA disability compensation	Mandatory	384	384	384	415	
Uniform Social Security benefit	Mandatory	283	607	349	377	
Tax all foreign income at the full statutory rate	Revenue	340	340	340	367	
Reduce selected nondefense discretionary funding	Discretionary	339	339	339	366	
Modify Medicare Advantage health-risk payments	Mandatory	124	1,049	312	337	
Sixteen largest levers		—	—	—	\$12,130	74% of package

Source for every score in the CBO low and CBO high columns: CBO, *Options for Reducing the Deficit: 2025 to 2034*, December 12, 2024. Where CBO publishes a single figure rather than a range, the low and high columns are equal and the dial has no effect on that line. The remaining fifty-five levers in the package supply the balance.

8. The sixty percent bookend

Sixty percent of GDP is the number most often cited as a prudential ceiling for a developed economy. It is worth running, and the answer is worth printing, because it is the only way to see the shape of the problem clearly. It is presented here as a bookend rather than as a fourth scenario, because the arithmetic does not support calling it achievable inside this window.

Table 8.1 What sixty percent would require

Measure	Result
Permanent primary-deficit reduction required, at full phase-in	7.34% of GDP
Annual savings required in FY2036	\$3,431
Primary savings, FY2027-2036	\$24,092
Interest avoided, FY2027-2036	\$4,030
Total ten-year deficit effect	\$28,123
Debt held by the public, FY2036	60.0% of GDP
Unified budget balance, FY2036	2.9% of GDP (a surplus)

The last line is the one that settles it. Reaching sixty percent by FY2036 requires the United States to be running a unified budget **surplus of 2.9 percent of GDP** in the terminal year, and to have sustained a consolidation of 7.34 percent of GDP for most of a decade to get there. The United States has not run a unified surplus of that size since fiscal year 1948. It has run a unified surplus of any size four times since 1970 — fiscal years 1998 through 2001 — and the largest of those, in FY2000, was 2.4 percent of GDP.

WHY THIS IS PRINTED RATHER THAN DROPPED

There is a version of this document in which the sixty percent line is quietly dropped, because it does not produce a comfortable answer. That version would be less useful. The value of running a target you expect to fail is that failure is informative: it tells you the constraint is the length of the window, not the size of the lever inventory. Sixty percent is reachable. It is not reachable in ten years.

9. What this says, and what it does not

9.1 Six things the document establishes

One. The forty-trillion-dollar headline is gross debt. The number that has to be financed in a market is debt held by the public, and it stood at \$30,172 billion at the FY2025 close.

Two. Under the published baseline and no policy change, debt held by the public reaches 120.2 percent of GDP in FY2036 and the unified deficit is 6.7 percent of GDP in that year, still widening.

Three. Holding the debt ratio merely flat requires a permanent primary-deficit reduction of 2.39 percent of GDP, which is \$1,117 billion a year at full strength and \$9,158 billion of total ten-year deficit effect once avoided interest is counted. Stabilization, not improvement, costs that.

Four. Returning to the pre-pandemic FY2019 level of 79 percent of GDP requires 5.03 percent of GDP and produces a near-balanced unified budget in the terminal year. It is large, and it is arithmetically available from published scores.

Five. Sixty percent of GDP is not available in a ten-year window. It requires a sustained surplus larger than any the United States has run since 1948.

Six. Net interest is the line that removes the option of waiting. Under the baseline it grows from \$1,039 billion in FY2026 to \$2,144 billion in FY2036 with no policy change at all. Even under the Low scenario — a permanent \$1,117 billion annual consolidation — net interest in FY2036 is still \$1,813 billion, higher than the savings themselves. Every year of delay raises the size of the package required to reach the same place.

9.2 Five limitations, stated plainly

The baseline is a projection, not a fact. It is CBO's, it is published, it is internally consistent, and it is already known to be behind events on at least one line, as Section 1.4 shows. Everything downstream inherits that.

The option scores predate current law. ADJ-2 flags the exposure rather than correcting it, because CBO has not published re-estimates and the Institute will not manufacture them. Three percent of the Low package and twenty percent of the Medium package rest on pre-July-2025 tax law.

There is no macroeconomic feedback. A consolidation of five percent of GDP would affect growth, and growth affects the denominator of every ratio in this document. The direction and size of that effect are genuinely contested, and modelling it would require an assumption that cannot be traced to a published score.

The packages are illustrative, not unique. Seventy-six levers admit an enormous number of combinations that produce the same total. The packages here were assembled to be internally

coherent and free of double counting, not to be optimal or recommended. Any reader can build a different package of the same size and the debt path will be identical.

Nothing here accounts for implementation. Scores assume policies work as written. Collection lags, behavioural response beyond what CBO already embeds, administrative capacity, and litigation are all outside the model.

9.3 No position is taken

The Institute does not endorse any lever in this document, any package assembled from them, or any of the three targets. Every item in the inventory imposes a real cost on identifiable people, and the question of who should bear it is a political question that arithmetic cannot answer and this document does not attempt. What arithmetic can do is establish the size of the bill before the argument about who pays it begins, and make it impossible to claim that the bill is smaller than it is.

10. Sources and measurement dates

Each source below carries the date it was measured, not only the date it was published, wherever the two differ.

Source	Measurement clock	What it supplies
Congressional Budget Office, <i>The Budget and Economic Outlook: 2026 to 2036</i>	Published February 11, 2026; reposted with corrections March 24, 2026. Four internal measurement clocks — see Table 3.1.	Baseline revenues, outlays, primary deficit, net interest, other means of financing, debt held by the public, fiscal-year GDP
Congressional Budget Office, <i>Options for Reducing the Deficit: 2025 to 2034</i>	Published December 12, 2024, against CBO's June 2024 baseline; volume reposted October 24, 2025 with no re-estimate.	Every one of the 76 lever scores
U.S. Department of the Treasury, <i>Debt to the Penny</i>	Record date August 18, 2026; posted August 19, 2026.	The first print of total public debt outstanding above \$40 trillion
U.S. House Committee on the Budget, press release	August 19, 2026.	Corroboration of the \$40 trillion crossing
Congressional Budget Office, <i>Federal Debt: A Primer</i>	Published March 2020; the figure it reports is measured at the end of fiscal year 2019.	Debt held by the public of \$16.8 trillion, equal to 79 percent of GDP, the anchor for the High scenario
Public Law 119-21	Signed July 4, 2025.	The baseline break behind ADJ-2
USAFacts, <i>2026 Government 10-K</i>	Published 2026; covers fiscal years 2014 through 2023. Late filing disclosed by the publisher.	The reporting-layer comparison in Section 2; gross federal debt of \$33.1 trillion at the FY2023 close

The model itself is two Python files, *debt_model.py* and *levers.py*, and every table in Sections 3 through 8 is generated from them at the moment this document is built. No figure in this document was typed into a table by hand. That is a deliberate control: it makes it impossible for a table to disagree with the model that produced it, which is the most common way a long quantitative document goes wrong.

11. Disclosure and terms of use

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