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AN UPDATE ON THE FEDERAL BUDGET OUTLOOK

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ABSTRACT

We examine the federal fiscal outlook in light of the most recent Congressional Budget Office (CBO) projections. While the CBO projects that the ratio of federal debt to GDP will rise from 99% currently to 175% in 2056 under current law, we show that under current-policy adjustments (including extending the temporary tax provisions of the 2025 One Big Beautiful Bill Act and maintaining government services), debt would rise to 211% by 2056. Under either projection, debt would continue to rise relative to the economy in subsequent years. Net interest payments rise to exceed either Social Security or Medicare outlays by 2047. Under current-law projections, the current debt-to-GDP ratio could be sustained in 2056 with immediate and permanent spending cuts or tax increases equaling 2.33% of GDP—equivalent to a 27% increase in income tax revenues or a 20% cut in spending other than Social Security, Medicare, and interest payments—or with larger changes enacted later. (Under current-policy projections, the required reductions are substantially larger.) How quickly actions are needed will depend on many factors, including the path of interest rates.

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DISCLOSURES

I. Introduction

In light of recent economic trends and the most recent Congressional Budget Office projections (CBO 2026a), we offer perspectives on the medium- and long-term fiscal outlook, updating our previous work, most recently in Auerbach and Gale (2025a, 2025b).

The basic story has two components. First, federal non-interest spending and revenues are out of balance, generating sizable primary deficits that are persistent relative to historical patterns, especially given that the projections generally involve near-full-employment assumptions. Second, net interest payments rise steadily and substantially relative to GDP due to high pre-existing debt, persistent primary deficits, and gradually increasing interest rates. Together, these two patterns generate rising unified deficits and public debt as a share of GDP.

Under CBO's current-law (CL) projections for the next 10 years, primary deficits will average 2.1% of gross domestic product (GDP). Net interest payments will rise from 3.2% of GDP in 2025 (tied with 1991 as the all-time high) to 4.6% in 2036, as the average nominal interest rate on government debt rises to exceed the nominal economic growth rate by 2031. The unified deficit will approach 6.7% of GDP within 10 years. Even the cyclically adjusted deficit will exceed 6% of GDP. Debt will rise from 99% of GDP at the end of 2025 to 120% by 2036, well beyond the previous all-time high.

Over the following two decades, the projected trends are even less auspicious. Sizable primary deficits persist indefinitely. The gap between the average nominal interest rate on government debt and the nominal economic growth rate continues to widen, setting off the possibility of explosive debt dynamics. By 2056, relative to GDP, annual net interest payments reach 6.9%, the unified deficit reaches 9.1%, and the public debt stands at 175%. All these figures would be all-time highs (except for deficits during World War II, the 2008 financial crisis, and in the first two years of the COVID-19 pandemic) and would continue to grow after 2056.

Budget outcomes would be even worse under "current-policy" (CP) projections that incorporate more realistic policy choices than those required of CBO in its baseline calculations. Making temporary tax provisions—such as those in the 2025 One Big Beautiful Bill Act (OBBBA)—permanent and making plausible assumptions about future discretionary spending (to maintain government services) would drive the debt-to-GDP ratio to 211% by 2056.

Fiscal gap calculations indicate the magnitude of the changes required to meet a future fiscal target. For example, starting from the CL baseline, we estimate that to keep the debt-to-GDP ratio at its current level (99%) in 2056 would require a combination of permanent spending cuts or tax increases equaling 2.33% of GDP if implemented starting in 2027. This represents about $707 billion in today's economy or about 27% of current income tax revenues, 14% of all current tax revenues, 12% of current non-interest spending, or 20% of current non-interest spending other than Social Security and Medicare. Delaying the implementation of the actions—or using a CP scenario as the baseline—would raise the size of the intervention needed.

Compared to last year's estimates, CBO now projects higher debt and deficits over the next 10

years. At the same time, CBO also projects that GDP will be higher, enough so that the projected debt-to-GDP ratio for 2035 has fallen slightly, even incorporating the effects of 2025 legislation. Nevertheless, the long-term fiscal outlook has deteriorated, with the 2055 debt-to-GDP ratio increasing from 156% last year to about 172% in the current CL projection. Policy changes account for much of this change. The direct deficit-increasing effects of the OBBBA exceeded the projected deficit-reducing impacts of newly imposed tariffs, even before the Supreme Court ruled that some of the tariffs were unconstitutional (Gale et al. 2026; Marimow 2026). In addition, higher average interest rates on government debt, due in part to the policy changes, raise debt further.

Long-term budget projections, of course, are sensitive to parameter choices in general and to interest rate projections in particular. But it would take quite favorable variation in baseline parameters to put fiscal policy on a sustainable course in the absence of major policy changes.

Section II describes the construction of different budget baselines. Section III summarizes how projections for GDP and interest rates have changed over the past year. Section IV examines the 10- and 30-year CL budget projections as of February 2026 and compares them to the March 2025 CL baseline. Section V estimates the effects of CP adjustments. Section VI discusses cyclically adjusted deficits and sensitivity analysis with respect to tariff revenue and other factors. Section VII calculates fiscal gaps under various scenarios. Section VIII concludes with a discussion of the role of policymaker choices.

II. Constructing budget baselines

A. 10-YEAR OUTLOOK

To provide perspective on both the current budget outlook and how it has changed over the past year, we examine three baselines. The 2025 and 2026 CL baselines come from CBO (2025e) and CBO (2026a). We also construct a CP baseline for 2026, as explained below.[1]

CL projections serve an important purpose—they show where the budget is headed under the assumption that Congress does (almost) nothing in the way of new programs or tax changes for the next 10 years. But the CL projections do assume that Congress increases or suspends the debt limit as needed to carry out the tax and spending programs in the baseline, that temporary entitlement programs (like SNAP and TANF) are reauthorized on schedule, and that outlays for discretionary spending programs remain constant in real terms over the decade, unless such authority is governed by a specific law.

Most importantly, the CL projections assume that when the Social Security, Disability, and Medicare (part A) trust funds are exhausted, Congress will (a) authorize full payment of promised benefits and (b) cover any shortfalls with general revenue. Because of the imminent exhaustion of these funds (see below), this assumption now seems less innocuous than it did a few decades ago. Unlike typical CBO practice, it assumes a change in law that implements a specific policy response to trust fund exhaustion, notably one that obviates the need for any tax increases or spending cuts to address entitlement program reform.

The CP baseline builds on the CL baseline in several ways. It maintains the assumptions above about debt limits, reauthorization, and responses to trust fund exhaustion, but it also assumes that

Congress follows its past patterns in a kind of "business as usual" way. Specifically, it starts with the CL projections and then makes several adjustments. These adjustments simply show the effects of what, in our judgment, can be viewed as a continuation of current policies. Given the uncertainty about how Congress will approach temporary OBBBA provisions and ongoing shifts to the United States' tariff posture, judgments about what constitutes current policy are particularly difficult under present circumstances, so we take a conservative approach and focus narrowly on items that are conventionally included in CP estimates. Notably, we adhere to the CL assumptions regarding tariffs, which essentially continue indefinitely the tariffs that were in effect prior to the recent Supreme Court ruling striking some of the tariffs down. We consider the effects of other possible paths for tariffs below.

To adjust taxes, we assume that, as it has often done in the past, Congress makes temporary tax-cut provisions permanent, including the temporary provisions in OBBBA (CBO 2025a).[2]

We project non-defense discretionary spending to be constant on a real, per-capita basis at its 2025 level. This accounts for the fact that maintaining current services for these programs is likely to require a population adjustment. In contrast, defense spending, which largely provides a non-rival public good, plausibly can maintain current services over the relatively short 10-year horizon without a population adjustment. We therefore adjust the projected values of defense spending only to maintain the real level of such spending in 2025. This adjustment may well be optimistic (from a budget perspective) given the situations with China, the Middle East, Ukraine, Venezuela, and elsewhere and in light of the administration's announcement that it would seek $500 billion in additional defense spending (McLeary, O'Brien, and Gould 2026).

To calculate added net interest payments under current policy, we first calculate, using the CL baseline, the average interest rate on government debt, defined as the ratio of (a) net interest payments in a given year to (b) the sum of (i) half of the primary deficit in that year (to approximate the fact that the primary deficit accrues over the course of the year) plus (ii) debt at the end of the previous year. In each year, we apply this interest rate to half of the increases in the primary deficit due to the CP adjustments. This generates added net interest payments. The increase in the primary deficit and the added interest payments in turn generate higher unified deficits and higher debt. The CP projections are also conservative in using the same interest rate assumptions as the CL projections; incorporating any upward impact of higher debt in the CP projections on interest rates would raise debt by additional amounts.

B. 30-YEAR OUTLOOK

Looking only at the next 10 years gives an incomplete picture of the fiscal outlook, even with adjustments made to characterize current policy. Projections covering 30 years are generally sufficient to capture most long-term trends. For the 2025 and 2026 CL baselines, we use data from CBO's Long-Term Budget Outlooks (CBO 2025e and 2026c).

For the CP projections, we use CL values for mandatory spending for 2037 to 2056. For revenues, we start with the 2036 value under the CP scenario and grow it at the same rate as revenues in the CL baseline. For discretionary spending, we assume that outlays remain a constant share of GDP at their 2036 values in the CL baseline. With the combination of changes in revenues and discretionary spending, we can calculate the added primary deficits under the CP projection and, using the same approach described above for the first 10 years, the added net interest payments and the increase in unified deficits and debt.

III. Economic projections

Projections for major economic statistics and the changes in those projections over time have an important influence on budget outcomes. Both future GDP (Figure 1) and future government interest rates (Figure 2) are projected to be higher in the 2026 CL baseline than in the 2025 CL baseline.

Over the longer term, a key assumption is related to the relationship between the average nominal government interest rate and the nominal economic growth rate. Figure 3 (Panel b) shows that, in the 2026 CL baseline, the average nominal interest rate is projected to rise gradually and remain below the nominal growth rate for about five years and then to exceed the growth rate by increasing amounts starting in 2031. The average nominal government interest rate exceeds the nominal economic growth rate by 0.63 percentage points in 2056. In contrast, in the 2025 CL baseline (Figure 3, Panel a), interest rates would not exceed the growth rate until 2046 and would be only 0.19 percentage points above the growth rate in 2055.

IV. Current-law baselines: 2025 and 2026

A. THE 2026 CURRENT-LAW BASELINE

Under the 2026 CL baseline, revenues are 17.5% of GDP in 2026. Tax revenues slowly rise to 17.8% in 2036 and eventually to 18.8% of GDP in 2056 (Figure 4). Income tax revenues increase in the long term due to bracket creep.

Non-interest spending is 20.1% of GDP in 2026, falling slightly to 19.6% by the middle of the 10-year budget window and subsequently rising to 21.0% of GDP in 2056 (Figure 5). Social Security and health care expenditures account for more than 100% of the long-term increase in spending as a share of GDP; the other categories of non-interest spending decline as a share of GDP (Figure 6).

The primary deficit is 2.6% of GDP in 2026, declines through 2031 to 1.9%, and then rises gradually back to 2.2% in 2056 (Figure 7).

Net interest payments grow steadily as a share of the economy over the next 10 years, growing from 3.3% of GDP in 2026 to 4.6% in 2036 and 6.9% of GDP by 2056 (Figure 8). By comparison, the peak historical share of net interest in the economy was 3.2%, a level observed in both 1991 and 2025. Over the next 30 years, net interest is projected not only to rise faster than other programs but to become the biggest single expenditure item (Figure 6).

Unified deficits, which combine the effects of primary deficits and net interest payments, are 5.8% of GDP in 2026, dip slightly before increasing to 6.7% in 2036, and then reach 9.1% in 2056 under current law (Figure 9).

Debt is projected to be 101% at the end of 2026 and 120% at the end of 2036 (Figure 10). After 2036, debt accumulates more rapidly and reaches 175% in 2056. By comparison, the previous peak in the debt-GDP ratio occurred in the 1940s at 106%.

B. COMPARISONS WITH THE 2025 CURRENT-LAW BASELINE

Between 2026 to 2035, the 2026 CL baseline includes an additional $1.3 trillion in projected outlays and a decrease of less than $0.1 trillion in projected revenues relative to the 2025 CL baseline. This may be surprising given the enactment of OBBBA. However, while legislative changes are projected to reduce revenues by $4.9 trillion, economic changes (such as upward revisions of GDP) and technical changes (the majority of which reflect new tariff revenue, which did not result from legislation) combine to increase revenues by $4.8 trillion.

Over the 30-year horizon, the 2026 CL projections show a substantial increase in debt relative to the 2025 CL projections. Projected debt in 2055 was 156% of GDP in the 2025 CL baseline and is 172% in the 2026 CL baseline. The difference arises largely because of the effect of OBBBA in raising primary deficits and interest rates, net of the increase in tariff revenue.

V. 2026 current law versus 2026 current policy

While comparing the 2025 CL baseline to the 2026 CL baseline shows the impact of OBBBA, new tariffs, and other developments in 2025, comparing the 2026 CL baseline to 2026 CP projections shows the impact of certain "business as usual" changes that Congress tends to make. These differences occur during the first 10 years, given our process for generating projections, but they have ramifications for longer-term outcomes as well because we assume that the differences persist.

Making the temporary provisions of the OBBBA permanent and providing modest adjustments to spending cause the primary deficit to diverge sharply from its CL values starting in 2026. By 2036, revenues would be just 17.4% of GDP compared to 17.8% under current law (Figure 4), while non-interest spending would be 20.5% of GDP compared to 19.8% under current law. The primary deficit would rise to 3.1% of GDP, and interest payments would rise to 4.9% of GDP compared to 2.1% and 4.6%, respectively, under current law (Figures 7 and 8). Under current policy, the 2036 debt-to-GDP ratio would be 129% compared to 120% under current law (Figure 10).

The long-term effects of the CP assumptions are quite substantial. By 2056, revenues would be just 18.4% of GDP compared to 18.8% under current law (Figure 4), while non-interest spending would be 21.8% of GDP compared to 21.0% under current law. The primary deficit would rise to 3.4% of GDP, and interest payments would rise to 8.3% of GDP compared to 2.2% and 6.9%, respectively, under current law (Figures 7 and 8). Under current policy, the 2056 debt-to-GDP ratio would be 211% compared to 175% under current law (Figure 10).

VI. Extensions and sensitivity analysis

A. CYCLICALLY ADJUSTED DEFICITS

Figure 11 shows that projected actual GDP and potential GDP are close to each other in the second half of the budget window, consistent with the CBO convention of not including business cycle fluctuations in its economic forecast once short-term adjustments have played out. The ratio of projected to potential GDP over that period is 0.996. Using the approximate relationship between the output gap and the size of automatic stabilizers reported in CBO (2024), we show historical and projected future cyclically adjusted deficits in Figure 12.[3] Projected cyclically adjusted deficits would be persistently high relative to historical values other than during the Great Recession and the COVID-19 pandemic. At the end of the 10-year budget window, we estimate a cyclically adjusted deficit equal to 6.4% of GDP.

B. VARIATION IN ECONOMIC PARAMETERS

The projections above are sensitive to a variety of economic parameters. We report the sensitivity of the budget projections over a 10-year horizon for the 2025 baseline using the CBO workbook (2025b) and over a 30-year horizon for the March 2025 Long Term Budget Outlook (2025d).

As CBO (2025b) reports, if annual productivity growth rates were lower than projected by 0.1 percentage points for each of the next 10 years, the debt-to-GDP ratio would rise by 2.5 percentage points by 2035 under current law. If labor force growth rates were 0.1 percentage points lower than predicted over the next 10 years, the debt-to-GDP ratio would increase by 1.2 percentage points by 2035 under current law. If interest rates were 0.1 percentage points higher than predicted over the next 10 years, the debt-to-GDP ratio would be higher by 0.8 percentage points by 2035 under current law. If both interest rates and inflation were higher by 0.1 percentage point, debt-to-GDP would fall by 0.5 percentage points 2035 under current law—the increase in GDP would outweigh the higher debt service payments.

CBO (2025d) reports sensitivity analysis over a 30-year period. For example, if total factor productivity in the non-farm business sector were 0.5 percentage points higher than in the baseline, the debt-to-GDP ratio would be 43 percentage points lower by 2055 relative to the CL projections. If the average nominal government interest rate were boosted by a differential starting at 5 basis points in 2025 and rising by 5 basis points each year (before macroeconomic responses), 2055 debt-to-GDP would increase by 48 percentage points, again relative to the CL projections. If a dollar of public debt crowds out twice as much private investment as CBO typically assumes (that is, 66 cents per dollar instead of the typical 33 cents assumption), the debt-to-GDP ratio would increase by more than 94 percentage points relative to the March 2025 CL baseline by 2055.

As an extreme example of how results might differ at the 30-year horizon, we estimate a scenario under current law where the average nominal interest rate paid by the government remains constant through 2056 at the 2027 level projected in the February 2026 long-term outlook. In that scenario, debt rises to 152% of GDP by 2056, and net interest payments rise

to 4.9% of GDP. These figures are lower than the 175% debt-to-GDP ratio and 6.9% net interest-to-GDP ratio projected under the CL baseline with rising interest rates, but they are still substantially higher than the current values of debt and net interest relative to GDP.

C. TARIFFS

That there are substantial uncertainties surrounding projections of future tariff revenue is an understatement. The estimates in earlier sections assume that the revenue effects of tariffs are what CBO estimated them to be before the Supreme Court issued a ruling on tariffs, basically carrying forward tariffs then in effect. On February 20, 2026, however, the Supreme Court found that the International Emergency Economic Powers Act (IEEPA) did not justify the 10% tariff that the president imposed on almost all countries in April 2025, nor did IEEPA justify some additional stronger tariffs that were imposed on major trading partners. Various estimates find that the prohibited tariffs account for between 52% and 60% of the expected $3.4 trillion in revenue that CBO projected that tariffs would have raised over the next 10 years (Cato Institute 2026; Penn Wharton Budget Model 2026; The Budget Lab 2026; CBO 2026a). If half of the projected tariff revenues disappeared, the primary deficit would be higher on average by 0.43 percentage points of GDP in 2036 and 0.46 percentage points of GDP in 2056. The debt-to-GDP ratio would increase by 5.9 percentage points in 2036 and 16.0 percentage points in 2056.

The Court did not clarify how previously paid tariffs should be refunded; refunds, of course, would increase deficits and debt. The president immediately responded that the administration was imposing 10% tariffs based on Section 122 of the Trade Act of 1974. The next day, the president announced the rate would increase to 15%, but it has remained at 10% as of publication. These tariffs, however, can only be enacted for 150 days without Congressional action and are themselves potentially subject to legal challenge (Swanson and Romm 2026). Notably, Section 122 has never been invoked to impose tariffs and was aimed at dealing with a balance of payments crisis. A final resolution remains uncertain.

Several other sources of uncertainty surround tariff policy. First, it is unclear how long the U.S. can sustain tariffs at Depression-Era levels without significant economic damage. Second, unlike most taxes, tariffs can be imposed or withdrawn unilaterally by the executive branch, making them less stable and more sensitive to political pressures (Looney and Patel 2025). Third, the administration has frequently revised its tariff schedules, and it is unclear whether current tariffs are intended as a permanent revenue source or as a negotiating tool that may change once certain trade or non-trade objectives are achieved. Fourth, recent public statements from the administration proposing to rebate tariff revenue directly back to households—such as one-time payments of $2,000 per person—could cost nearly $5 trillion over the next decade, far exceeding even the most optimistic tariff revenue estimates and therefore increasing deficits and debt (Holtzblatt, McClelland, and Wong 2025).

D. TRUST FUNDS

The federal government runs several trust funds, most notably for Social Security (Old-Age and Survivors Insurance), Disability Insurance, Medicare (two separate funds), civilian and military retirement, and transportation spending. All the projections highlighted above integrate the trust funds into the overall budget. These projections also assume that scheduled benefit

payments will be made even if trust fund balances run to zero. However, many of the trust funds are not legally allowed to pay out benefits that draw their balances below zero.

This is not just an academic concern. This trust fund constraint was one of the proximate causes of Social Security reform in 1983; the trust fund literally had almost run out of money, an eventuality that would have required cuts in promised benefits so that they would not exceed incoming revenue.

In the current projections, the Social Security (Old-Age and Survivors Insurance) Trust Fund is scheduled to be depleted by 2032 according to CBO (2026a) and 2033 according to the Social Security trustees (Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds 2025). The Disability Insurance Trust Fund is not scheduled to be depleted before 2056 according to CBO (2026a), and it is projected to be able to adequately pay full benefits through the 75-year projection period according to the Social Security trustees. The budget projections above assume that Social Security continues to pay scheduled benefits (i.e., what retirees have earned) even when the combined OASDI trust fund is exhausted, which is projected to occur in 2034. According to CBO (2025e), the Medicare Part A (Hospital Insurance) Trust Fund appears likely to hit a similar constraint by 2052; according to the Medicare Trustees (Board of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Trust Funds 2025) the constraint will occur in 2033.

Each of those dates may prompt at least limited fiscal action, as legislators will be forced to reduce benefits, raise taxes, make interfund transfers, or allow for general revenue funding. In contrast, the Medicare Part B (Supplementary Medical Insurance) and Part D (Prescription Drug Coverage) trust funds are designed to receive substantial general revenue funding and do not have the constraint that spending can be financed only by trust fund payments. We note that "solving" the problems of Social Security and Medicare Part A through the use of general revenue funding is what is implicit in our current-law and current-policy projections.

VII. Fiscal gap

In addition to projecting debt and deficits over the 30-year horizon, we also present estimates of the "fiscal gap," an accounting measure that is intended to reflect the long-term budgetary status of the government.[4] The fiscal gap answers the question: If one starts a policy change in a given year to reach a given fiscal target in a given future year, what is the size of the annual, constant-share-of-GDP increase in taxes or reductions in non-interest expenditures (or combination of the two) that would be required, holding projected economic performance unchanged? For example, one might ask what immediate and constant-share-of-GDP policy change would be needed to obtain some debt-to-GDP target in 2056.[5] Or one might ask what constant share-of-GDP change would be required starting in 2032 to achieve a real net interest-to-GDP ratio of 2% by 2056.

Results are presented in Table 1. We begin with CL projections and policy actions beginning in 2027. Under those circumstances, obtaining a debt-to-GDP ratio in 2056 equal to its current level of approximately 99% would (ignoring any macroeconomic feedback effects) require permanent tax increases or non-interest spending cuts equaling 2.33% of GDP. This would equal

about $707 billion in today's economy and would be the equivalent to a sustained tax increase equal to about 27% of current income tax revenues or 14% of all current tax revenues; a 12% reduction in current non-interest spending; or a 20% reduction in all non-interest spending other than Social Security and Medicare.

Policymakers could choose a net-interest-to-GDP target instead of a debt target. To hold 2056 interest payments equal to 3.2% of GDP—the historical maximum for this ratio, obtained in 1991 and 2025—would require policy changes equal to about 2.92% of GDP starting in 2027 under current law.

Furman and Summers (2020) argue that real net interest payments of 2% of GDP would be an appropriate target to stay below to ensure fiscal sustainability. To achieve that goal by 2056 would require fiscal retrenchment of 1.32% of GDP. Furman and Summers also suggest that 150% would be an appropriate debt-to-GDP ratio to stay below. To achieve that target by 2056 would require spending cuts or tax increases equal to 0.77% of GDP.

As Table 1 shows, all the required policy changes to reach a given target would be larger under the CP scenario. Likewise, the fiscal gaps are larger if policymakers delay action because the debt must be brought down to meet the assumed target over fewer years.[6]

VIII. Perspectives

If projected trends continue, the U.S. will soon be in uncharted fiscal waters. From the nation's founding until about 1980, debt as a share of the economy rose only when we were at war or in recession, and it only rose temporarily. After the war or recession ended, the debt-GDP ratio fell rapidly as policymakers ran primary surpluses and interest rates stayed low.

Starting in 1981, Ronald Reagan's tax cuts and defense spending increases raised the debt-GDP ratio during peacetime prosperity. A series of tax increases and budget deals from 1990 to 1997 along with the "peace dividend" associated with the breakup of the Soviet Union helped turn persistent deficits into surpluses by the end of the century.

Auerbach and Yagan (2025) show that, during the 1984 – 2003 period, policymakers responded in a fiscally stabilizing manner to changes in the deficit, undoing through legislation a significant share of increases in projected deficits. However, they also find that this stabilizing behavior completely disappeared in the ensuing 20 years, even as deficits and debt were increasing as a share of GDP. Given that the fiscal paths shown above are unsustainable, how policymakers react in the future will have a first-order effect on the fiscal outlook (Gale 2025).

How quickly those actions are needed will depend on many factors including the path of interest rates, the performance of the economy, and political developments at home and abroad.

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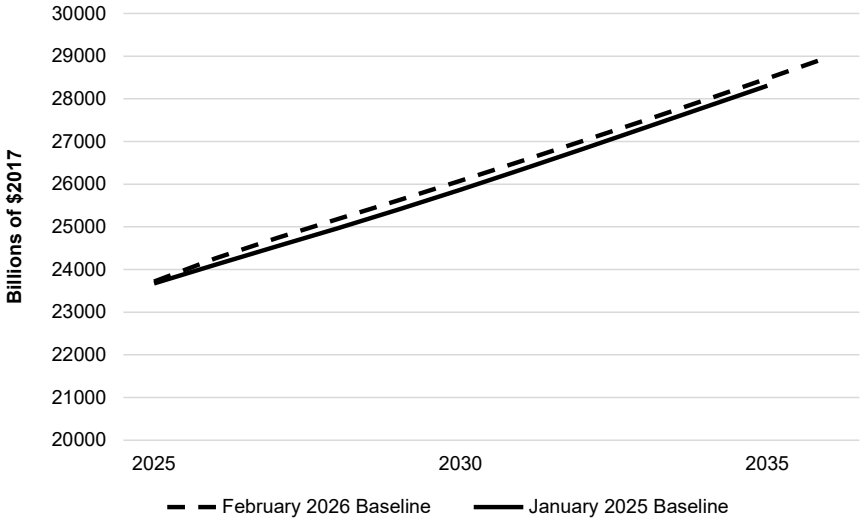
Figures and appendix

FIGURE 1

Real GDP, 2025 – 2036



SOURCE: CBO (2025c, 2026a)

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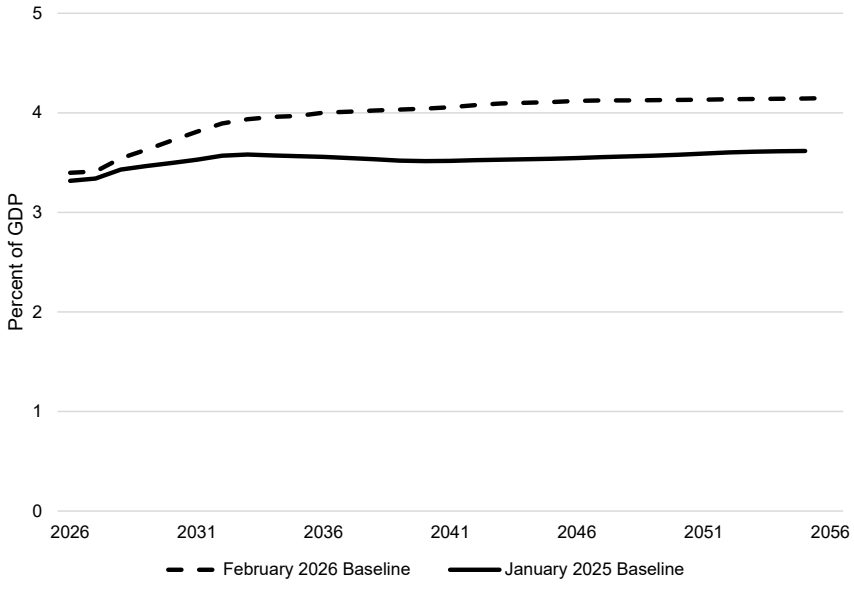
FIGURE 2

Average Nominal Government Interest Rate, 2026 – 2056 (February 2026)



SOURCE: CBO (2025c, 2026a) and authors' calculations.
NOTE: Nominal interest rate on government debt is calculated as the ratio of net interest payments to the sum of (a) debt at the end of the prior year and (b) one-half of the primary deficit in the given year.

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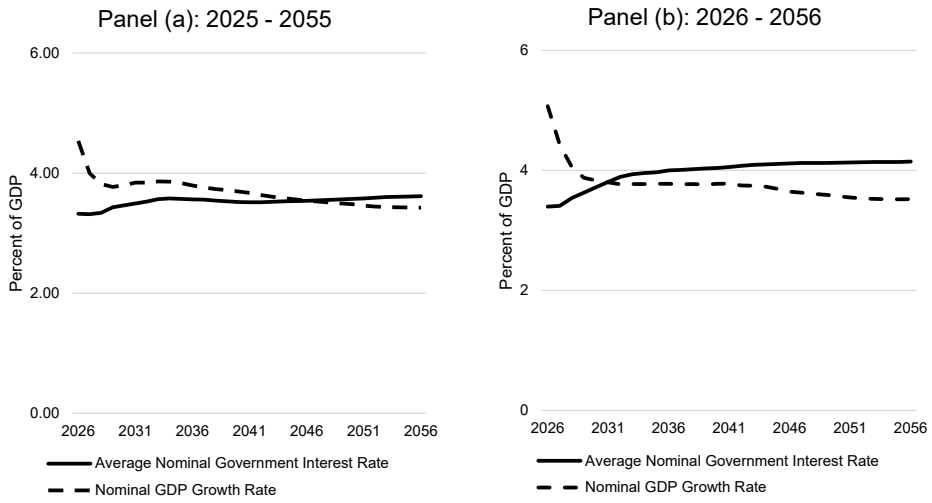
FIGURE 3

Nominal Average Government Interest Rate and GDP Growth, 2025 – 2055 (January 2025) and 2026 – 2056 (February 2026)



SOURCE: CBO (2025c, 2026a) and authors' calculations.
NOTE: Nominal interest rate on government debt is calculated as the ratio of net interest payments to the sum of (a) debt at the end of the prior year and (b) one-half of the primary deficit in the given year.

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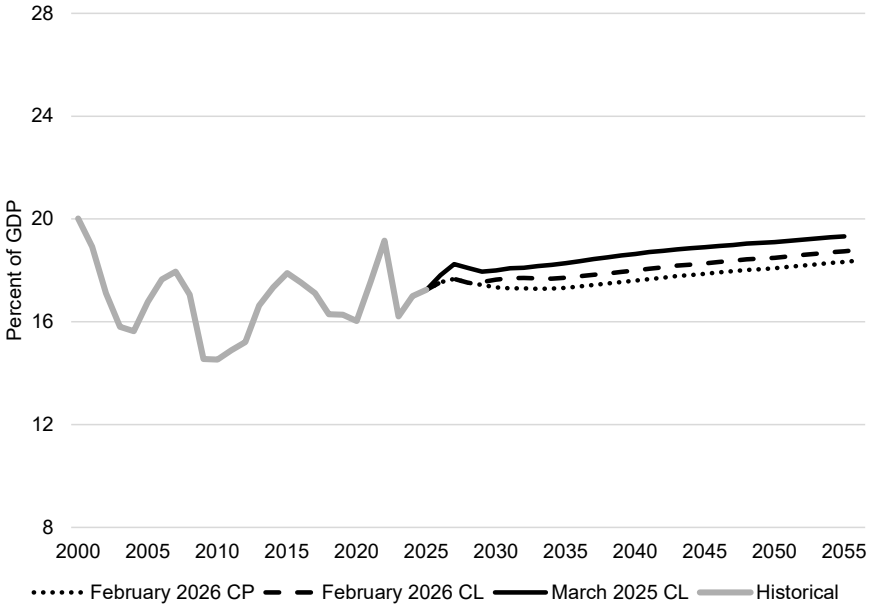
FIGURE 4

Total Revenue, 2000 – 2056



SOURCE: CBO (2025c, 2026a) and authors' calculations.

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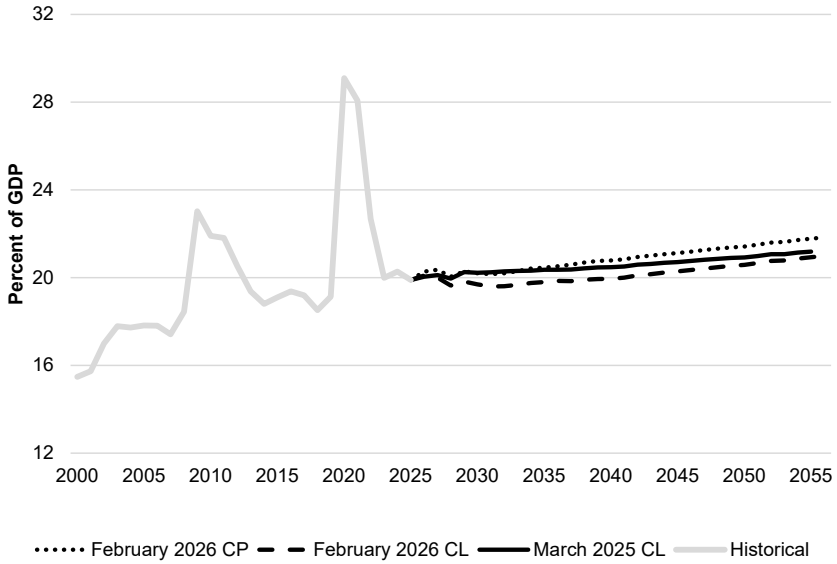
FIGURE 5

Non-Interest Spending, 2000 – 2056



SOURCE: CBO (2025c, 2026a) and authors' calculations.

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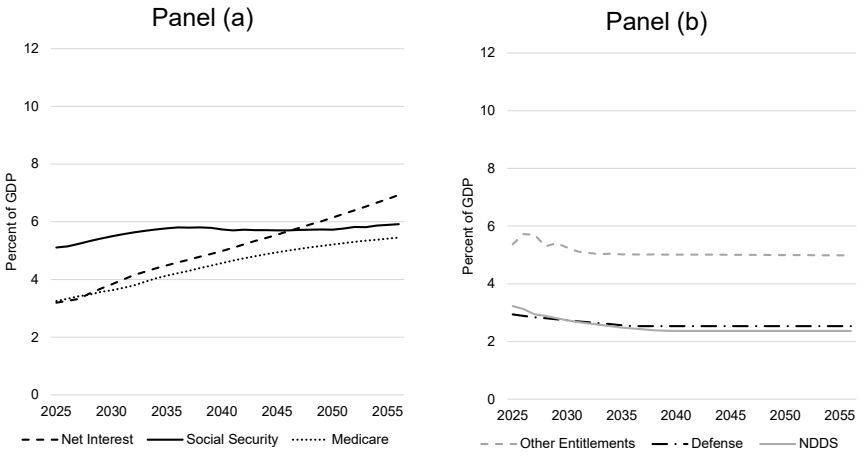
FIGURE 6

Major Spending Categories under Current Law



SOURCE: CBO (2026a) and authors' calculations.

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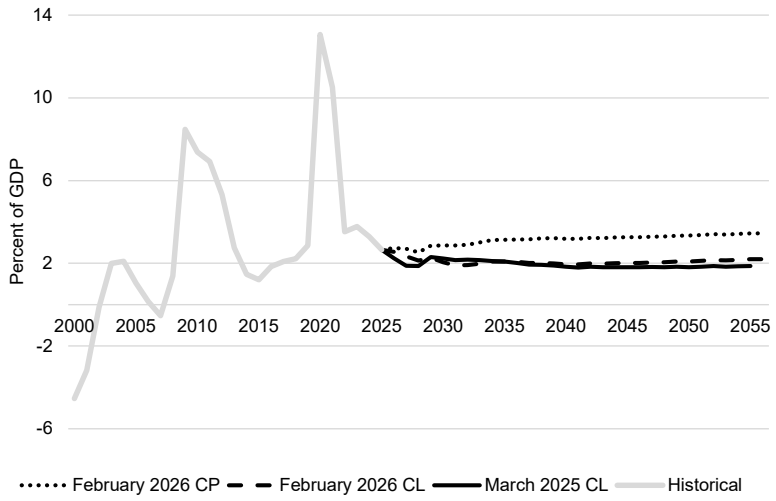
FIGURE 7

Primary Deficit, 2000 – 2056



SOURCE: CBO (2025c, 2026a) and authors' calculations.

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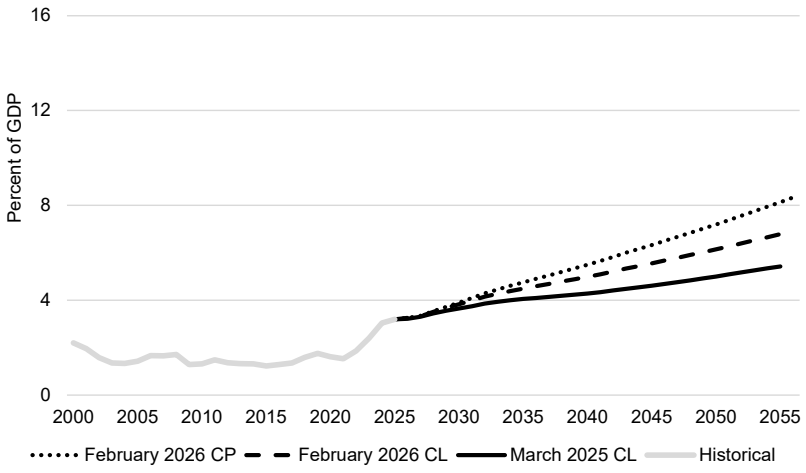
FIGURE 8

Net Interest Payments, 2000 – 2056



SOURCE: CBO (2025c, 2026a) and authors' calculations.

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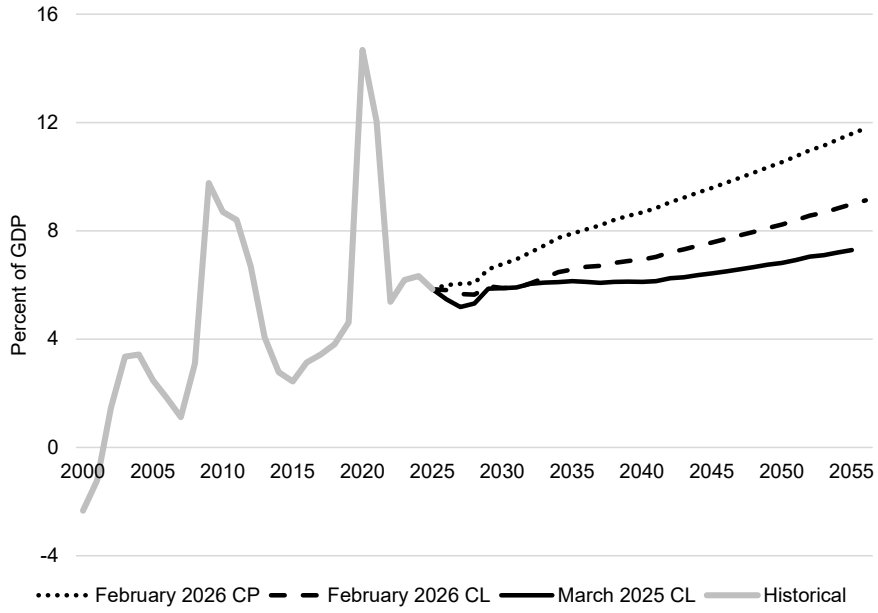
FIGURE 9

Unified Deficit, 2000 – 2056



SOURCE: CBO (2025c, 2026a) and authors' calculations.

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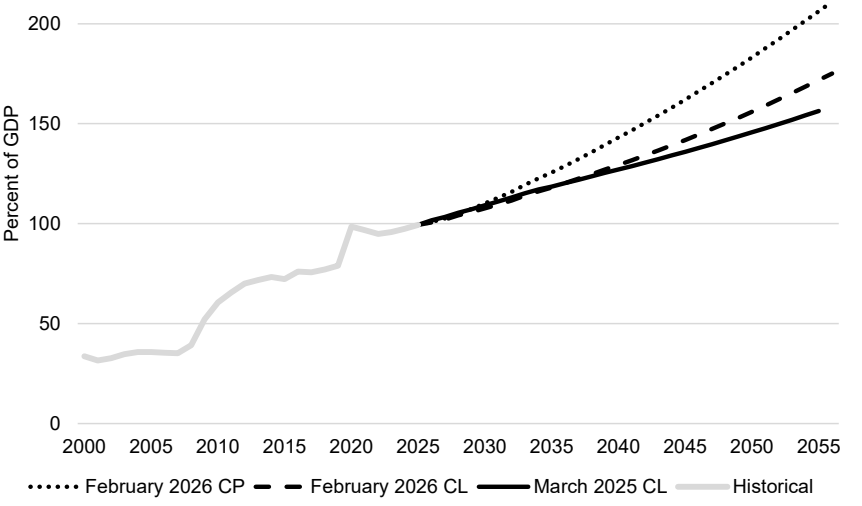
FIGURE 10

Public Debt, 2000 – 2056



SOURCE: CBO (2025c, 2026a) and authors' calculations.

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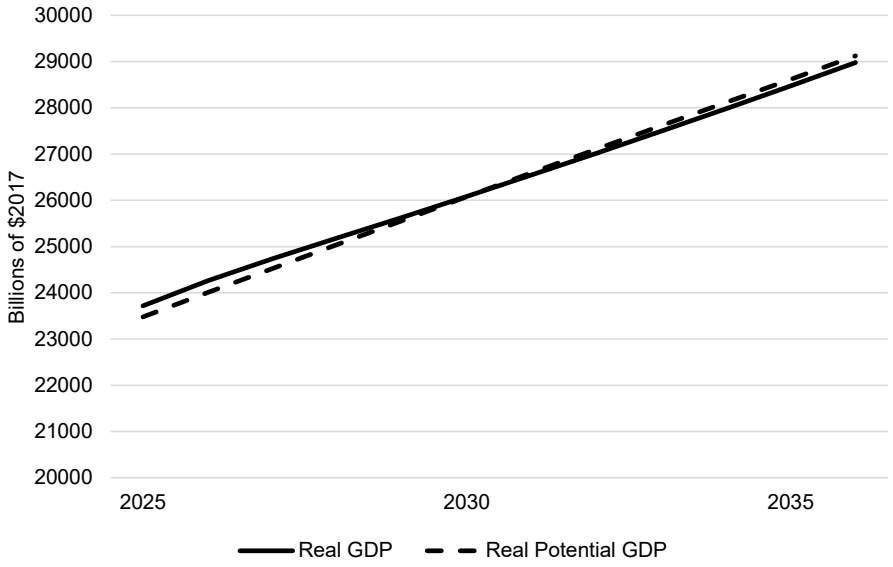
FIGURE 11

Projected Actual and Potential GDP, 2025 – 2036



SOURCE: CBO (2026b) and authors' calculations.

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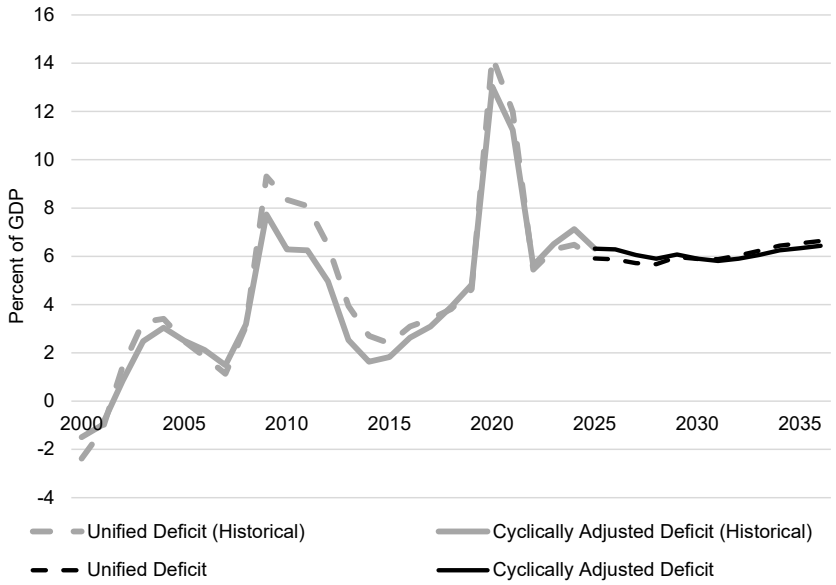
FIGURE 12

Cyclically Adjusted and Unified Deficit, 2000 – 2036



SOURCE: CBO (2024, 2026a, 2026b), authors' calculations.
NOTES: CBO (2024) reports the output gap and the size of the automatic stabilizers (both variables as a share of potential GDP) for the historical data from 1974 – 2023 and for projected data from 2024 – 2036. Regressing the size of the automatic stabilizers on the output gap yields a coefficient of about 0.4, for a sample using the historical data, the projected data, or the combined data (with or without a constant term, which is estimated very precisely to be zero). We use the historical data on cyclically adjusted deficits for 2000 – 2023. For 2024 – 2036, we use CBO (2026b) data on actual GDP in 2024, projected GDP for 2025 – 2036, and estimates of potential GDP for 2025 – 2036. We estimate the output gap for each year by applying the coefficient noted above to generate the size of automatic stabilizers in that year, which we subtract from the projected unified deficit to generate an estimate of the cyclically adjusted deficit.

TABLE 1

Fiscal Gaps to Reach 2055 Targets

	Current law beginning		Current policy beginning	
Target	**2027**	**2032**	**2027**	**2032**
Debt = 99% of GDP	2.33	2.82	3.43	4.14
Debt = 150% of GDP	0.77	0.93	1.87	2.26
Net Interest = 3.2% of GDP	2.92	3.53	4.02	4.86
Real Net Interest Payments = 2% of GDP	1.32	1.60	2.41	2.93

APPENDIX TABLE 1

2025 Current Law Baseline

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2024	4,918.1 (17.060)	5,869.1 (20.359)	951.0 (3.299)	881.0 (3.056)	6,750.1 (23.415)	1,832.0 (6.355)	28,199.4 (97.819)
2025	5,162.9 (17.132)	6,075.7 (20.161)	912.8 (3.029)	952.3 (3.160)	7,028.1 (23.321)	1,865.1 (6.189)	30,102.7 (99.889)
2026	5,580.3 (17.805)	6,283.3 (20.048)	703.0 (2.243)	1,010.1 (3.223)	7,293.4 (23.271)	1,713.1 (5.466)	31,882.6 (101.727)
2027	5,934.9 (18.240)	6,547.0 (20.121)	612.0 (1.881)	1,075.4 (3.305)	7,622.4 (23.426)	1,687.4 (5.186)	33,636.2 (103.375)
2028	6,108.3 (18.091)	6,738.4 (19.957)	630.0 (1.866)	1,164.5 (3.449)	7,902.9 (23.406)	1,794.6 (5.315)	35,600.6 (105.438)
2029	6,289.9 (17.947)	7,097.0 (20.250)	807.1 (2.303)	1,247.3 (3.559)	8,344.4 (23.809)	2,054.5 (5.862)	37,580.4 (107.228)
2030	6,549.4 (17.996)	7,361.4 (20.227)	811.9 (2.231)	1,327.6 (3.648)	8,689.0 (23.875)	2,139.6 (5.879)	39,747.8 (109.216)
2031	6,834.3 (18.084)	7,650.3 (20.243)	815.9 (2.159)	1,416.8 (3.749)	9,067.1 (23.992)	2,232.8 (5.908)	41,992.3 (111.114)
2032	7,106.3 (18.104)	7,962.7 (20.286)	856.5 (2.182)	1,514.0 (3.857)	9,476.7 (24.143)	2,370.5 (6.039)	44,371.7 (113.042)
2033	7,404.7 (18.163)	8,281.2 (20.313)	876.5 (2.150)	1,604.6 (3.936)	9,885.8 (24.249)	2,481.1 (6.086)	46,985.0 (115.250)
2034	7,708.4 (18.210)	8,600.7 (20.318)	892.3 (2.108)	1,693.6 (4.001)	10,294.3 (24.319)	2,586.0 (6.109)	49,555.4 (117.068)
2035	8,031.6 (18.280)	8,947.7 (20.365)	916.1 (2.085)	1,782.5 (4.057)	10,730.2 (24.422)	2,698.6 (6.142)	52,056.0 (118.480)
2036	8,366.6 (18.352)	9,284.8 (20.366)	918.2 (2.014)	1,868.3 (4.098)	11,153.1 (24.464)	2,786.4 (6.112)	54,824.4 (120.256)
2037	8,721.7 (18.442)	9,635.8 (20.375)	914.2 (1.933)	1,959.8 (4.144)	11,595.6 (24.519)	2,874.0 (6.077)	57,683.1 (121.971)
2038	9,077.0 (18.505)	10,019.3 (20.426)	942.3 (1.921)	2,054.8 (4.189)	12,074.0 (24.615)	2,997.0 (6.110)	60,672.8 (123.692)
2039	9,449.4 (18.578)	10,409.7 (20.466)	960.3 (1.888)	2,152.5 (4.232)	12,562.2 (24.698)	3,112.8 (6.120)	63,785.8 (125.406)

APPENDIX TABLE 1 CONT.

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2040	9,830.0 (18.642)	10,796.0 (20.474)	966.0 (1.832)	2,258.4 (4.283)	13,054.5 (24.757)	3,224.5 (6.115)	67,009.2 (127.079)
2041	10,225.8 (18.712)	11,206.2 (20.506)	980.4 (1.794)	2,373.4 (4.343)	13,579.5 (24.849)	3,353.8 (6.137)	70,362.4 (128.755)
2042	10,620.1 (18.757)	11,660.2 (20.594)	1,040.1 (1.837)	2,497.5 (4.411)	14,157.6 (25.005)	3,537.6 (6.248)	73,900.0 (130.521)
2043	11,038.0 (18.821)	12,098.4 (20.629)	1,060.3 (1.808)	2,627.4 (4.480)	14,725.8 (25.109)	3,687.8 (6.288)	77,587.7 (132.295)
2044	11,455.5 (18.861)	12,558.5 (20.677)	1,103.0 (1.816)	2,761.1 (4.546)	15,319.6 (25.223)	3,864.1 (6.362)	81,450.8 (134.105)
2045	11,887.4 (18.902)	13,027.6 (20.715)	1,140.2 (1.813)	2,902.4 (4.615)	15,930.0 (25.330)	4,042.6 (6.428)	85,493.1 (135.941)
2046	12,336.7 (18.948)	13,516.5 (20.760)	1,179.8 (1.812)	3,052.3 (4.688)	16,568.7 (25.448)	4,232.0 (6.500)	89,724.9 (137.809)
2047	12,799.1 (18.991)	14,025.7 (20.811)	1,226.6 (1.820)	3,210.7 (4.764)	17,236.4 (25.575)	4,437.3 (6.584)	94,161.6 (139.715)
2048	13,281.4 (19.041)	14,548.1 (20.857)	1,266.7 (1.816)	3,377.4 (4.842)	17,925.5 (25.699)	4,644.1 (6.658)	98,804.5 (141.652)
2049	13,763.4 (19.068)	15,083.6 (20.897)	1,320.2 (1.829)	3,551.3 (4.920)	18,634.9 (25.817)	4,871.5 (6.749)	103,675.6 (143.633)
2050	14,264.5 (19.101)	15,620.6 (20.917)	1,356.2 (1.816)	3,734.7 (5.001)	19,355.3 (25.918)	5,090.9 (6.817)	108,767.9 (145.647)
2051	14,792.2 (19.148)	16,210.6 (20.984)	1,418.3 (1.836)	3,931.4 (5.089)	20,141.9 (26.073)	5,349.7 (6.925)	114,117.4 (147.721)
2052	15,339.0 (19.196)	16,832.5 (21.065)	1,493.5 (1.869)	4,136.8 (5.177)	20,969.3 (26.242)	5,630.3 (7.046)	119,746.6 (149.857)
2053	15,901.8 (19.240)	17,418.4 (21.075)	1,516.6 (1.835)	4,349.0 (5.262)	21,767.4 (26.337)	5,865.6 (7.097)	125,610.8 (151.980)
2054	16,489.5 (19.290)	18,077.8 (21.148)	1,588.3 (1.858)	4,567.3 (5.343)	22,645.1 (26.491)	6,155.6 (7.201)	131,765.9 (154.144)
2055	17,082.7 (19.322)	18,731.5 (21.187)	1,648.9 (1.865)	4,795.4 (5.424)	23,526.9 (26.611)	6,444.2 (7.289)	138,209.4 (156.327)

APPENDIX TABLE 2

2026 Current Law Baseline

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2025	5,234.6 (17.241)	6,040.0 (19.893)	805.4 (2.653)	969.9 (3.195)	7,010.0 (23.088)	1,775.4 (5.847)	30,172.4 (99.375)
2026	5,595.9 (17.541)	6,409.6 (20.092)	813.7 (2.551)	1,039.0 (3.257)	7,448.6 (23.348)	1,852.7 (5.807)	32,095.2 (100.605)
2027	5,885.2 (17.665)	6,664.7 (20.005)	779.5 (2.340)	1,107.7 (3.325)	7,772.4 (23.330)	1,887.2 (5.665)	34,004.5 (102.069)
2028	6,071.5 (17.514)	6,809.7 (19.644)	738.2 (2.130)	1,217.8 (3.513)	8,027.5 (23.157)	1,956.1 (5.643)	36,092.7 (104.116)
2029	6,319.8 (17.550)	7,138.6 (19.824)	818.8 (2.274)	1,324.5 (3.678)	8,463.1 (23.502)	2,143.3 (5.952)	38,102.8 (105.811)
2030	6,595.0 (17.638)	7,363.8 (19.694)	768.8 (2.056)	1,431.8 (3.829)	8,795.6 (23.524)	2,200.6 (5.886)	40,279.6 (107.726)
2031	6,869.5 (17.699)	7,606.8 (19.599)	737.3 (1.900)	1,548.4 (3.989)	9,155.2 (23.588)	2,285.7 (5.889)	42,528.3 (109.573)
2032	7,129.7 (17.702)	7,898.7 (19.611)	769.0 (1.909)	1,670.4 (4.147)	9,569.1 (23.759)	2,439.4 (6.057)	44,922.5 (111.535)
2033	7,391.5 (17.685)	8,221.9 (19.672)	830.4 (1.987)	1,784.4 (4.269)	10,006.3 (23.941)	2,614.8 (6.256)	47,644.2 (113.992)
2034	7,668.9 (17.681)	8,571.5 (19.762)	902.6 (2.081)	1,903.8 (4.389)	10,475.3 (24.151)	2,806.3 (6.470)	50,393.9 (116.186)
2035	7,971.9 (17.711)	8,909.9 (19.795)	938.0 (2.084)	2,019.1 (4.486)	10,929.0 (24.280)	2,957.1 (6.570)	53,103.2 (117.977)
2036	8,300.8 (17.770)	9,271.8 (19.849)	971.1 (2.079)	2,144.3 (4.591)	11,416.1 (24.439)	3,115.4 (6.669)	56,152.4 (120.209)
2037	8,640.8 (17.826)	9,620.5 (19.847)	979.7 (2.021)	2,271.9 (4.687)	11,892.4 (24.534)	3,251.6 (6.708)	59,354.8 (122.449)
2038	8,993.9 (17.880)	10,010.9 (19.902)	1,016.9 (2.022)	2,408.4 (4.788)	12,419.3 (24.690)	3,425.4 (6.810)	62,747.3 (124.742)
2039	9,366.6 (17.945)	10,408.2 (19.940)	1,041.5 (1.995)	2,550.8 (4.887)	12,959.0 (24.827)	3,592.3 (6.882)	66,323.8 (127.066)
2040	9,749.1 (17.998)	10,805.7 (19.949)	1,056.6 (1.951)	2,702.4 (4.989)	13,508.1 (24.938)	3,759.0 (6.940)	70,083.4 (129.383)

APPENDIX TABLE 2 CONT.

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2041	10,152.6 (18.060)	11,244.8 (20.003)	1,092.2 (1.943)	2,865.3 (5.097)	14,110.1 (25.100)	3,957.5 (7.040)	74,042.0 (131.710)
2042	10,568.5 (18.120)	11,728.6 (20.109)	1,160.1 (1.989)	3,042.8 (5.217)	14,771.4 (25.326)	4,202.9 (7.206)	78,245.6 (134.155)
2043	11,002.3 (18.183)	12,201.0 (20.164)	1,198.7 (1.981)	3,227.5 (5.334)	15,428.6 (25.498)	4,426.2 (7.315)	82,673.6 (136.631)
2044	11,438.0 (18.223)	12,697.5 (20.230)	1,259.5 (2.007)	3,416.4 (5.443)	16,113.9 (25.673)	4,675.9 (7.450)	87,351.1 (139.168)
2045	11,889.9 (18.268)	13,203.0 (20.286)	1,313.1 (2.017)	3,614.9 (5.554)	16,817.8 (25.840)	4,928.0 (7.571)	92,281.2 (141.784)
2046	12,364.0 (18.328)	13,727.4 (20.349)	1,363.5 (2.021)	3,829.0 (5.676)	17,556.4 (26.025)	5,192.5 (7.697)	97,476.7 (144.497)
2047	12,844.7 (18.374)	14,273.4 (20.418)	1,428.7 (2.044)	4,049.0 (5.792)	18,322.4 (26.210)	5,477.7 (7.836)	102,957.0 (147.277)
2048	13,346.6 (18.427)	14,834.5 (20.481)	1,487.9 (2.054)	4,278.4 (5.907)	19,112.9 (26.388)	5,766.3 (7.961)	108,726.2 (150.113)
2049	13,847.3 (18.455)	15,412.4 (20.541)	1,565.1 (2.086)	4,518.5 (6.022)	19,930.9 (26.563)	6,083.5 (8.108)	114,813.6 (153.018)
2050	14,367.9 (18.489)	15,992.6 (20.580)	1,624.7 (2.091)	4,773.8 (6.143)	20,766.4 (26.723)	6,398.4 (8.234)	121,214.6 (155.982)
2051	14,922.3 (18.544)	16,627.4 (20.663)	1,705.1 (2.119)	5,044.6 (6.269)	21,672.0 (26.932)	6,749.7 (8.388)	127,969.7 (159.029)
2052	15,497.3 (18.601)	17,296.0 (20.760)	1,798.7 (2.159)	5,332.1 (6.400)	22,628.1 (27.160)	7,130.8 (8.559)	135,104.9 (162.163)
2053	16,083.7 (18.647)	17,930.3 (20.788)	1,846.5 (2.141)	5,631.5 (6.529)	23,561.8 (27.317)	7,478.0 (8.670)	142,589.2 (165.314)
2054	16,701.1 (18.704)	18,638.6 (20.874)	1,937.5 (2.170)	5,945.0 (6.658)	24,583.6 (27.532)	7,882.5 (8.828)	150,477.8 (168.524)
2055	17,323.2 (18.741)	19,351.5 (20.935)	2,028.3 (2.194)	6,276.3 (6.790)	25,627.8 (27.725)	8,304.6 (8.984)	158,788.8 (171.785)
2056	17,987.8 (18.798)	20,088.9 (20.994)	2,101.1 (2.196)	6,631.3 (6.930)	26,720.2 (27.924)	8,732.5 (9.126)	167,529.9 (175.076)

APPENDIX TABLE 3

2026 Current Policy Baseline

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2025	5,234.6 (17.241)	6,040.0 (19.893)	805.4 (2.653)	969.9 (3.195)	7,010.0 (23.088)	1,775.4 (5.847)	30,172.4 (99.375)
2026	5,595.9 (17.541)	6,469.2 (20.278)	873.2 (2.737)	1,040.0 (3.260)	7,509.1 (23.538)	1,913.2 (5.997)	32,155.7 (100.795)
2027	5,885.2 (17.665)	6,785.0 (20.366)	899.8 (2.701)	1,111.8 (3.337)	7,896.8 (23.703)	2,011.6 (6.038)	34,189.5 (102.624)
2028	6,071.5 (17.514)	6,948.0 (20.043)	876.5 (2.528)	1,226.8 (3.539)	8,174.8 (23.582)	2,103.3 (6.067)	36,425.0 (105.075)
2029	6,276.6 (17.430)	7,305.0 (20.286)	1,028.5 (2.856)	1,340.4 (3.722)	8,645.4 (24.008)	2,368.8 (6.578)	38,660.5 (107.360)
2030	6,484.0 (17.341)	7,555.3 (20.206)	1,071.2 (2.865)	1,458.2 (3.900)	9,013.5 (24.106)	2,529.4 (6.765)	41,166.2 (110.097)
2031	6,714.1 (17.299)	7,823.2 (20.156)	1,109.0 (2.857)	1,589.2 (4.095)	9,412.4 (24.251)	2,698.3 (6.952)	43,827.5 (112.920)
2032	6,968.8 (17.302)	8,137.9 (20.205)	1,169.1 (2.903)	1,728.8 (4.292)	9,866.7 (24.497)	2,897.9 (7.195)	46,680.1 (115.899)
2033	7,224.9 (17.286)	8,482.5 (20.295)	1,257.6 (3.009)	1,861.9 (4.455)	10,344.4 (24.750)	3,119.5 (7.464)	49,906.5 (119.405)
2034	7,498.7 (17.289)	8,853.5 (20.412)	1,354.7 (3.123)	2,002.2 (4.616)	10,855.7 (25.029)	3,357.0 (7.740)	53,206.8 (122.672)
2035	7,795.2 (17.318)	9,209.6 (20.461)	1,414.4 (3.142)	2,140.2 (4.755)	11,349.8 (25.215)	3,554.6 (7.897)	56,513.6 (125.554)
2036	8,117.5 (17.378)	9,587.4 (20.524)	1,469.9 (3.147)	2,290.8 (4.904)	11,878.2 (25.428)	3,760.7 (8.051)	60,208.1 (128.892)
2037	8,450.0 (17.432)	9,979.9 (20.589)	1,529.9 (3.156)	2,445.6 (5.045)	12,425.6 (25.634)	3,975.6 (8.202)	64,134.4 (132.309)
2038	8,795.3 (17.485)	10,408.5 (20.692)	1,613.2 (3.207)	2,612.7 (5.194)	13,021.2 (25.886)	4,225.9 (8.401)	68,327.5 (135.835)
2039	9,159.8 (17.549)	10,837.5 (20.763)	1,677.7 (3.214)	2,788.6 (5.343)	13,626.1 (26.105)	4,466.3 (8.557)	72,778.0 (139.431)
2040	9,533.8 (17.601)	11,259.9 (20.787)	1,726.1 (3.187)	2,976.8 (5.496)	14,236.7 (26.283)	4,702.9 (8.682)	77,481.5 (143.041)

APPENDIX TABLE 3 CONT.

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2041	9,928.4 (17.661)	11,716.1 (20.841)	1,787.7 (3.180)	3,179.6 (5.656)	14,895.7 (26.497)	4,967.3 (8.836)	82,449.8 (146.666)
2042	10,335.1 (17.720)	12,217.7 (20.948)	1,882.6 (3.228)	3,400.4 (5.830)	15,618.0 (26.778)	5,282.9 (9.058)	87,733.5 (150.422)
2043	10,759.4 (17.782)	12,708.4 (21.003)	1,949.0 (3.221)	3,631.3 (6.001)	16,339.7 (27.004)	5,580.3 (9.222)	93,315.5 (154.218)
2044	11,185.4 (17.821)	13,223.8 (21.068)	2,038.4 (3.248)	3,868.8 (6.164)	17,092.6 (27.232)	5,907.2 (9.411)	99,224.3 (158.084)
2045	11,627.3 (17.865)	13,748.7 (21.124)	2,121.4 (3.259)	4,119.1 (6.329)	17,867.9 (27.453)	6,240.5 (9.588)	105,466.9 (162.043)
2046	12,090.9 (17.923)	14,293.1 (21.188)	2,202.1 (3.264)	4,389.4 (6.507)	18,682.4 (27.694)	6,591.5 (9.771)	112,061.5 (166.117)
2047	12,561.1 (17.968)	14,859.6 (21.256)	2,298.5 (3.288)	4,668.4 (6.678)	19,527.9 (27.934)	6,966.8 (9.966)	119,030.9 (170.270)
2048	13,051.9 (18.020)	15,441.8 (21.320)	2,390.0 (3.300)	4,960.2 (6.848)	20,402.0 (28.168)	7,350.1 (10.148)	126,384.0 (174.492)
2049	13,541.5 (18.047)	16,041.5 (21.379)	2,500.0 (3.332)	5,266.3 (7.019)	21,307.9 (28.398)	7,766.3 (10.351)	134,154.2 (178.794)
2050	14,050.7 (18.081)	16,644.2 (21.418)	2,593.6 (3.337)	5,592.3 (7.196)	22,236.5 (28.614)	8,185.8 (10.534)	142,342.5 (183.170)
2051	14,592.7 (18.135)	17,302.1 (21.501)	2,709.3 (3.367)	5,938.5 (7.380)	23,240.6 (28.881)	8,647.9 (10.747)	150,995.8 (187.644)
2052	15,155.1 (18.190)	17,994.6 (21.598)	2,839.5 (3.408)	6,306.4 (7.569)	24,301.0 (29.168)	9,145.9 (10.978)	160,146.0 (192.219)
2053	15,728.6 (18.235)	18,653.5 (21.626)	2,924.9 (3.391)	6,690.5 (7.757)	25,344.0 (29.383)	9,615.5 (11.148)	169,767.8 (196.824)
2054	16,332.3 (18.291)	19,387.3 (21.712)	3,055.0 (3.421)	7,093.7 (7.944)	26,481.0 (29.657)	10,148.7 (11.366)	179,922.5 (201.500)
2055	16,940.7 (18.327)	20,126.6 (21.774)	3,185.9 (3.447)	7,520.2 (8.136)	27,646.8 (29.910)	10,706.1 (11.582)	190,634.9 (206.238)
2056	17,590.6 (18.383)	20,891.3 (21.832)	3,300.7 (3.449)	7,977.4 (8.337)	28,868.7 (30.169)	11,278.1 (11.786)	201,921.8 (211.017)

Endnotes

1 Appendix Tables 1, 2, and 3 provide details on the key budgetary aggregates—in billions of dollars and as a percentage of GDP—in the three baselines.

2 For 2026 – 2034, we scale the revenue changes given in CBO (2025a) by the growth in GDP between the 2025 and 2026 baselines. For 2035 and 2036, we assume that the revenue impact of extending OBBBA's tempo-rary policies remains at the 2034 share of GDP.

3 CBO (2024) reports the cyclically adjusted deficit, the output gap, and the size of automatic stabilizers (all as a share of GDP) for historical data from 1974 – 2023 and for projected data for 2024 – 2034. Regress-ing the size of automatic stabilizers on the output gap yields a coefficient of about 0.4 (with a t-statistic of about 50), for a sample using the historical data, the projected data, or the combined data (with or without a constant term, which is estimated very precisely to be zero). We use the historical data on cyclically adjusted deficits for 2000 – 2023. For 2024 – 2036, we use CBO (2026b) data on actual GDP in 2024, projected GDP for 2025 – 2036, and estimates of potential GDP for 2025 – 2036. We estimate the output gap for each year by applying the coefficient noted above to generate the size of automatic stabilizers in that year, which we subtract from the projected unified deficit to generate an estimate of the cyclically adjusted deficit.

4 Auerbach (1994). Auerbach et al. (2003) discuss the relationship between the fiscal gap, generational ac-counting, accrual accounting, and other ways of accounting for government. Note that estimates of the fiscal gap do not in any way imply that level reductions as a share of GDP are the best way to achieve a given fiscal target, rather than, say, level reductions as a share of primary deficits (which in the present circumstance would imply a growing path of primary deficit reductions) or some other pattern over time. The fiscal gap measure just provides one convenient way to think about the magnitude of a fiscal shortfall given a future fiscal goal.

5 Implementing the adjustments indicated by the fiscal gap does not stabilize debt after the target year; it only adjusts tax and spending trajectories so that the debt hits a target by the target year (e.g., 2056). Under all the scenarios considered in this paper, the debt-to-GDP ratio would continue rising after hitting the specified target in a specified year.

6 Note that delaying the adjustments would still increase the size of the required adjustment even if the debt were to be brought down over 30 years, if the target date were moved later, because of the growing deficit-to-GDP ratio.

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