Budget 101

August 2025

Committee for a Responsible Federal Budget

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Who Am I?

- **Marc Goldwein** is the *Senior Vice President and Senior Policy Director* for the Committee for a Responsible Federal Budget, where he guides and conducts research on a wide array of topics related to fiscal policy and the federal budget. Contact him at **Goldwein@crfb.org.**

- **The Committee for a Responsible Federal Budget** is a nonpartisan, non-profit organization committed to educating the public on issues with significant fiscal policy impact.

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What's Our Current Fiscal Situation?

COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

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This Year We Spent $1.8 Trillion More than We Raise

IN FY 2025…

TOTAL REVENUE

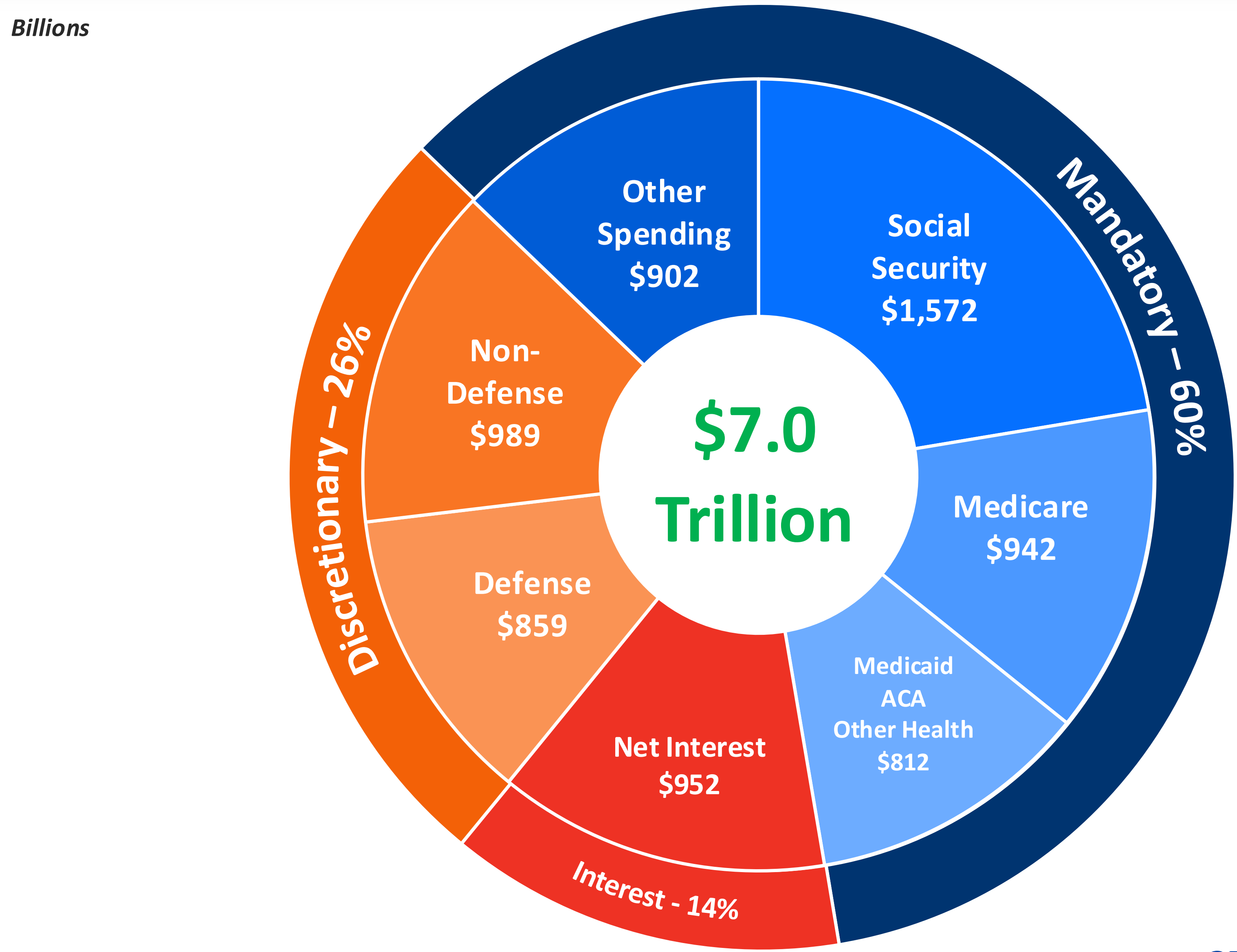
$5.2 TRILLION

TOTAL SPENDING

$7.0 TRILLION

Note: Figures do not incorporate the effects of OBBBA or recent tariff policies.
Source: Congressional Budget Office January 2025 Baseline

Spending in the Federal Budget – FY2025



Note: Figures do not incorporate the effects of OBBBA or recent tariff policies.
Source: Congressional Budget Office January 2025 Baseline

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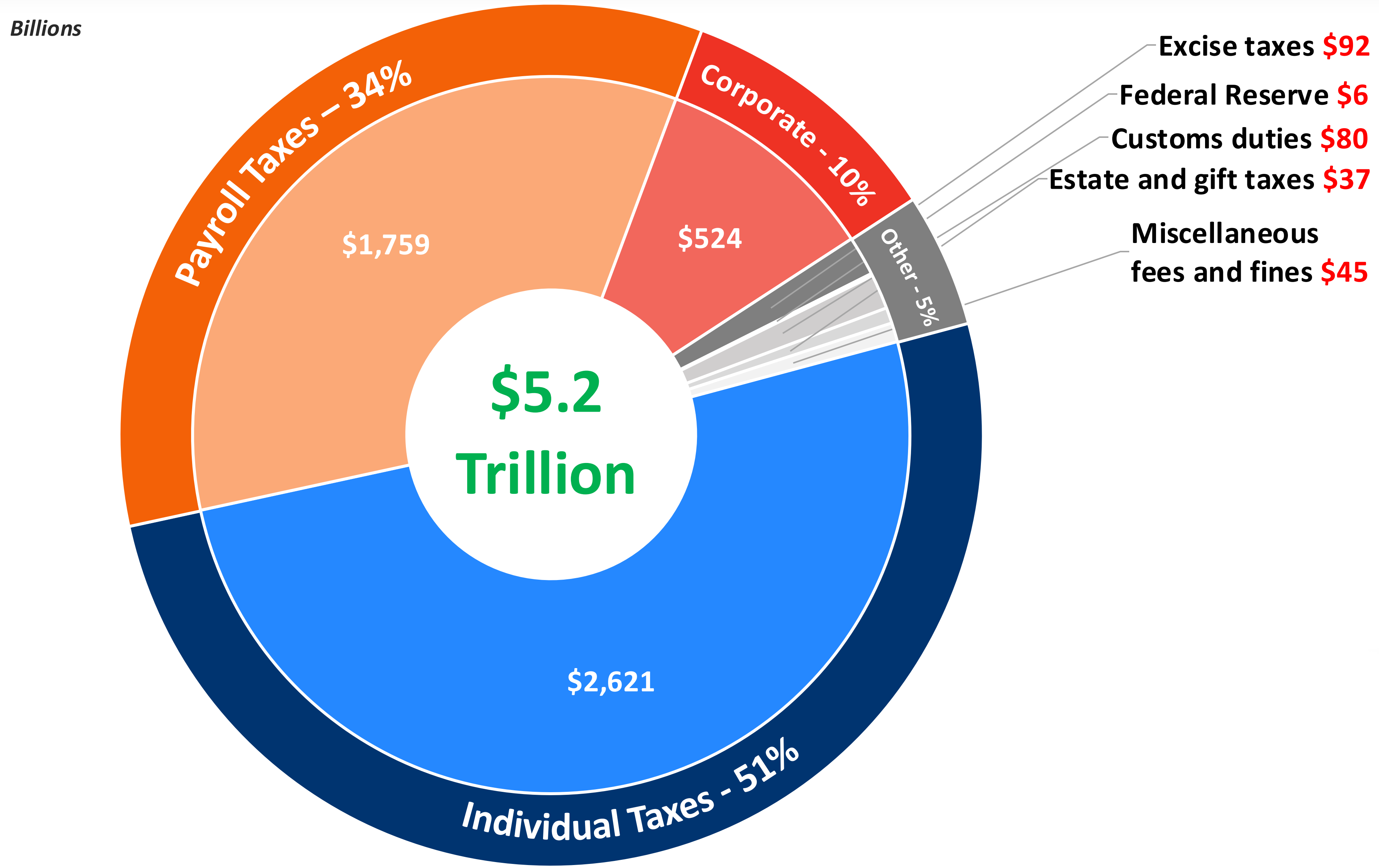
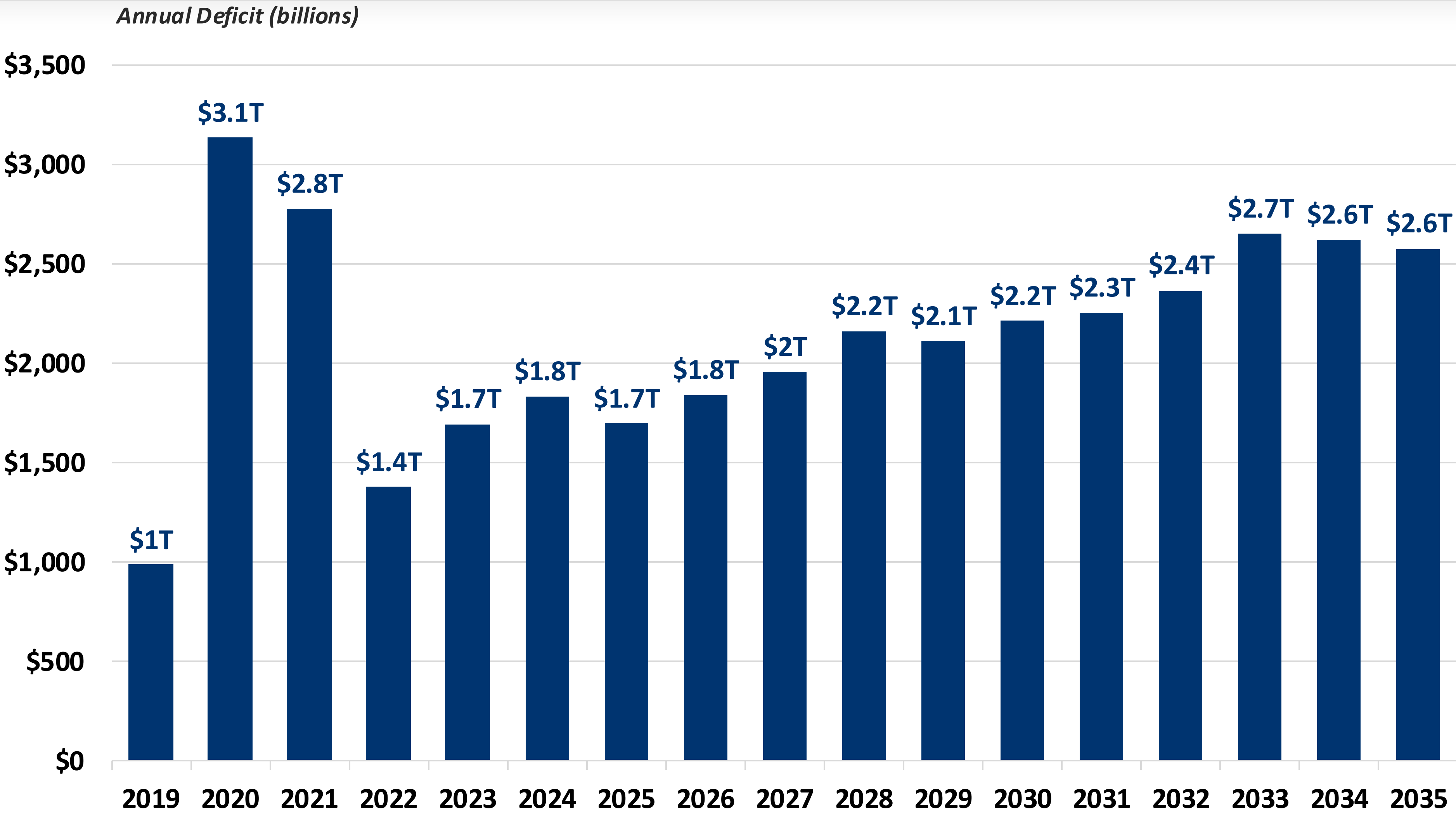
Revenue in the Federal Budget – FY2025



Note: Figures do not incorporate the effects of OBBBA or recent tariff policies.
Source: Congressional Budget Office January 2025 Baseline

Deficits Are Growing Again Post-COVID



Sources: CRFB estimates based on data from Congressional Budget Office, U.S. Census Bureau, and Center for Medicare and Medicaid Services.

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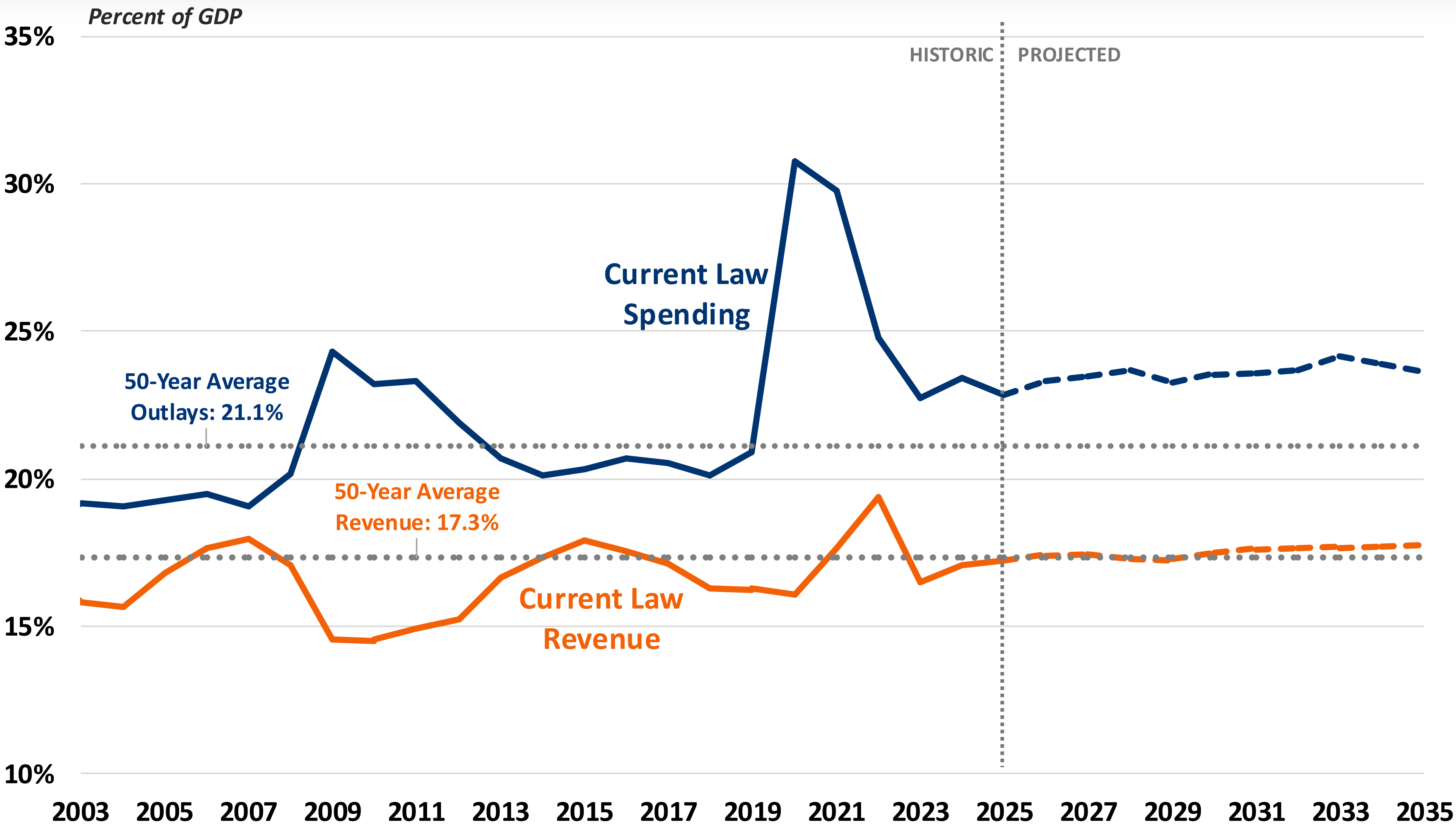
There's a Growing Gap Between Revenue and Spending



Sources: CRFB estimates based on data from Congressional Budget Office, U.S. Census Bureau, and Center for Medicare and Medicaid Services.

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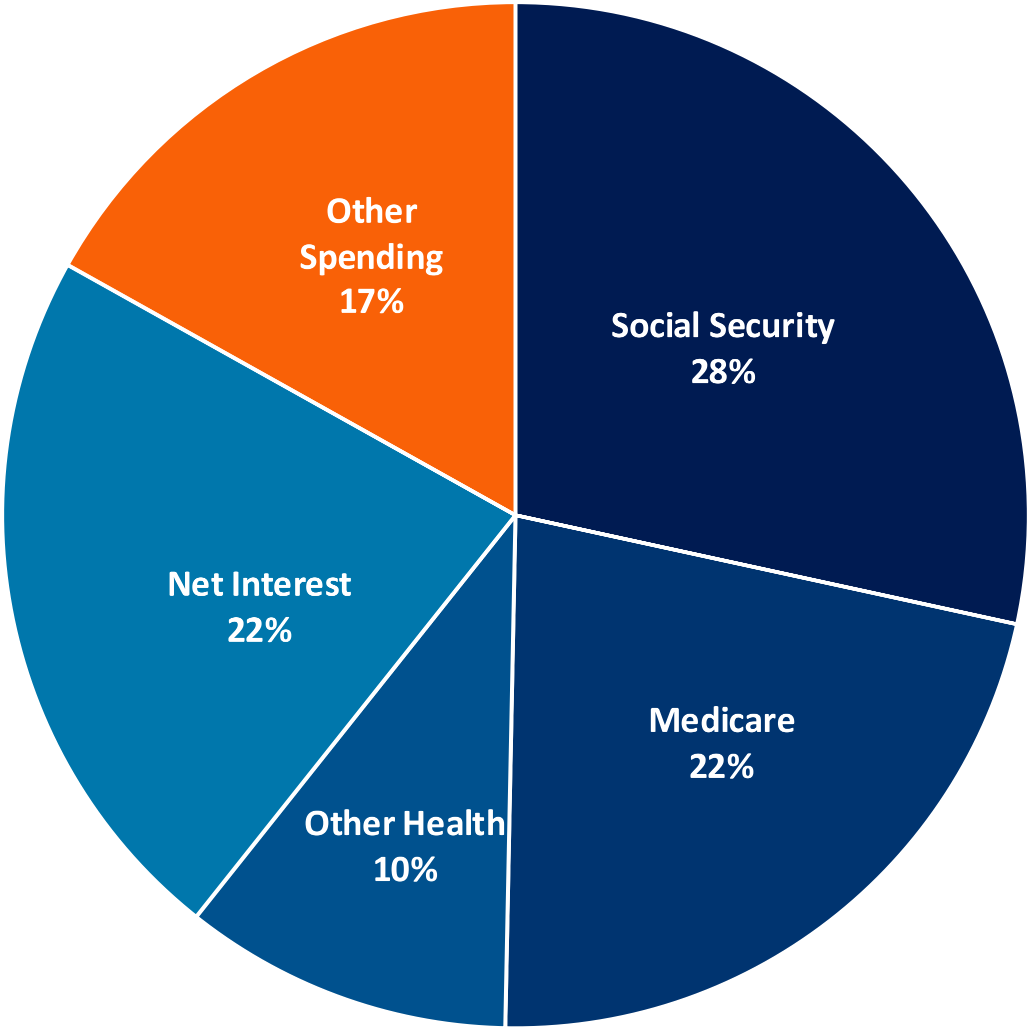
Social Security, Health Care, and Interest Explain 83% of Projected Spending Growth

2025-2035 Nominal Spending Growth Under Current Law



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Note: Figures do not reflect effect of OBBBA.
Sources: Committee for a Responsible Federal Budget, Congressional Budget Office Jan 2025 Baseline.

Fiscal Facts

- We are on course to borrow **$23 trillion** over the next 10 years
- The national debt will exceed **106% as a share of GDP** in **3 years**, the highest ever
- Interest payments will cost **$952 billion** this year, more than the federal government spends on children or Medicaid
- We will spend more on interest payments than on **defense or Medicare this year**
- We will spend roughly **$14 trillion on interest** payments over the coming decade
- Federal spending will be more than **$88 trillion, or 23.6% of GDP**, over the next decade
- Government spending will grow an average of **4.2% per year** over the next decade
- Interest costs will be nearly **$7,200 per household in 2025**
- The national debt will reach nearly **$53 trillion** in 10 years

Sources: CRFB estimates based on data from Congressional Budget Office, U.S. Census Bureau, and Center for Medicare and Medicaid Services.

How Did We Get Here?

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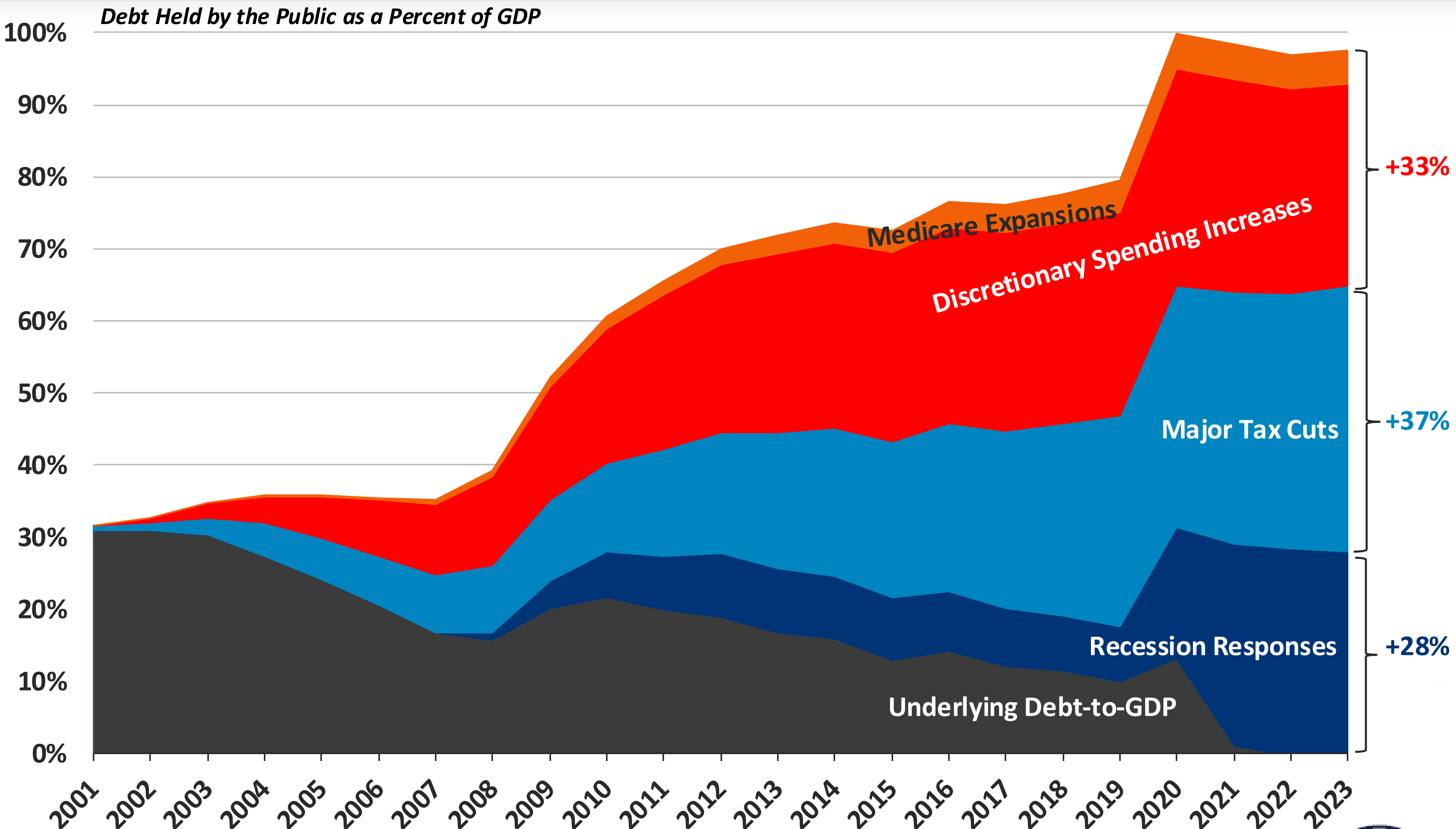
Tax Cuts and Spending Hikes Drove This Debt



Note: This graph accounts for policy changes enacted between 2001 and 2023 and does not incorporate existing built-in changes such as the automatic growth of Social Security and Medicare.

Sources: Congressional Budget Office and Committee for a Responsible Federal Budget

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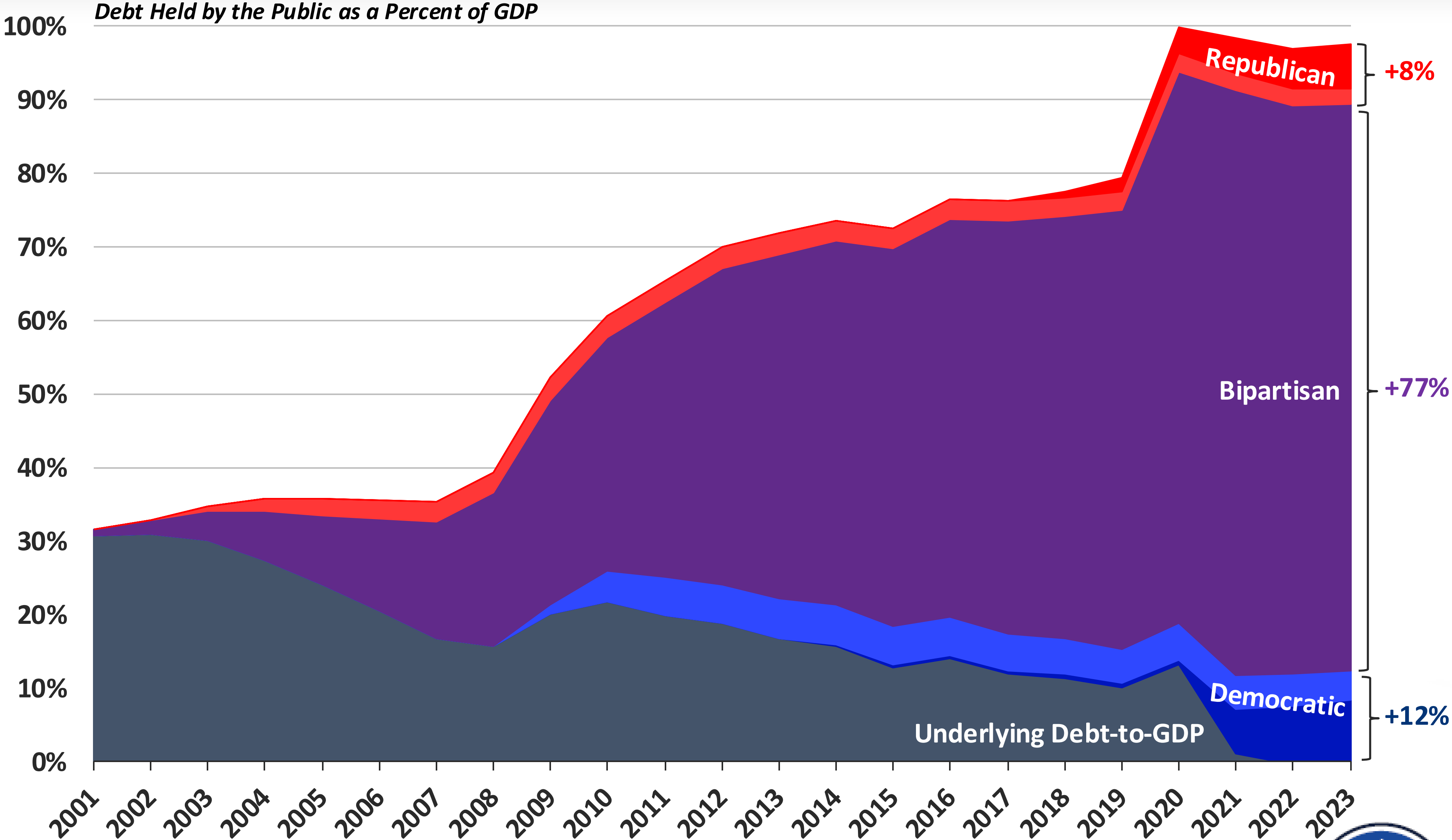
Both Parties Got Us Into This Mess



Note: This graph accounts for policy changes enacted between 2001 and 2023 and does not incorporate existing built-in changes such as the automatic growth of Social Security and Medicare.
Sources: Congressional Budget Office and Committee for a Responsible Federal Budget

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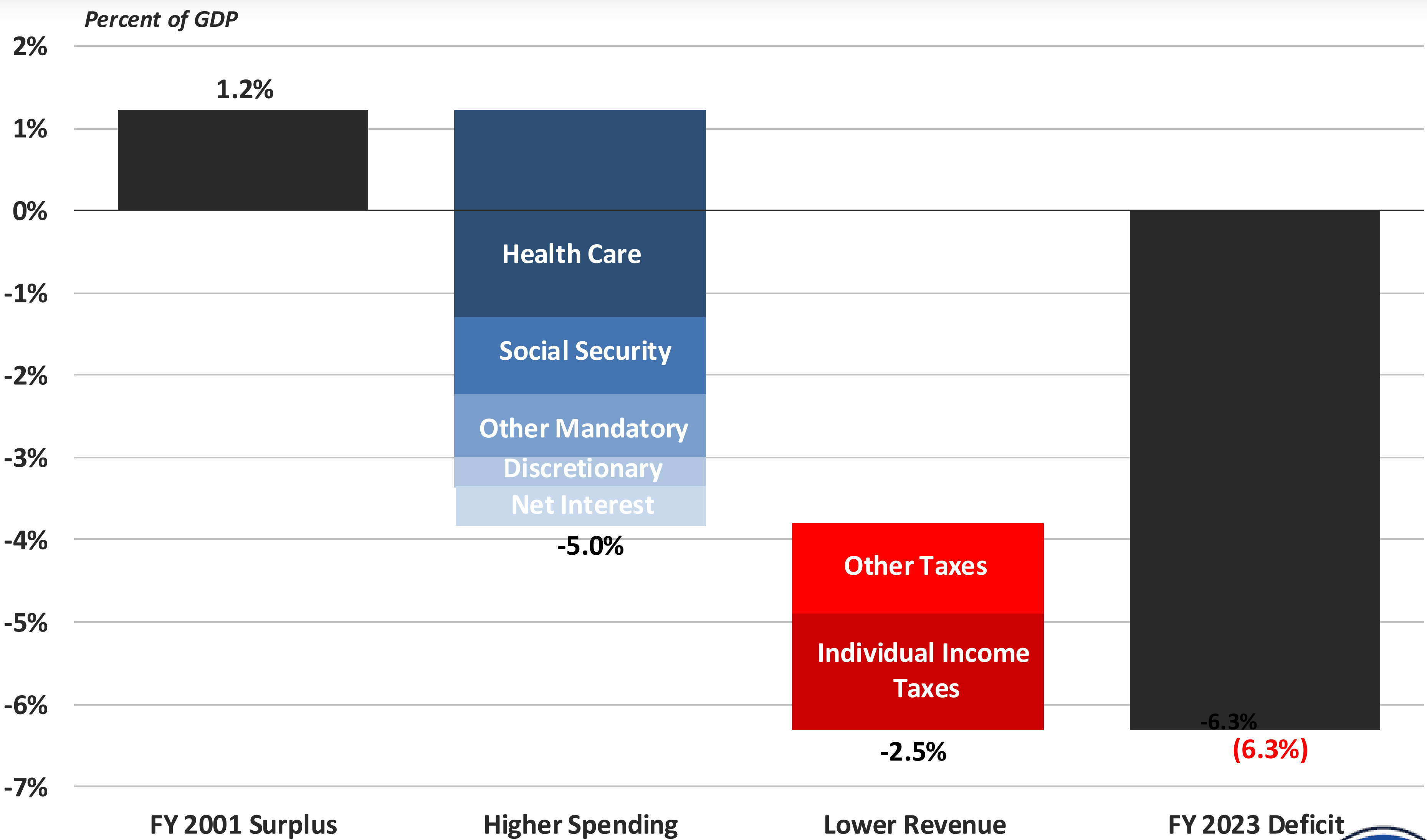
How Did We Go from Surplus to Deficit?



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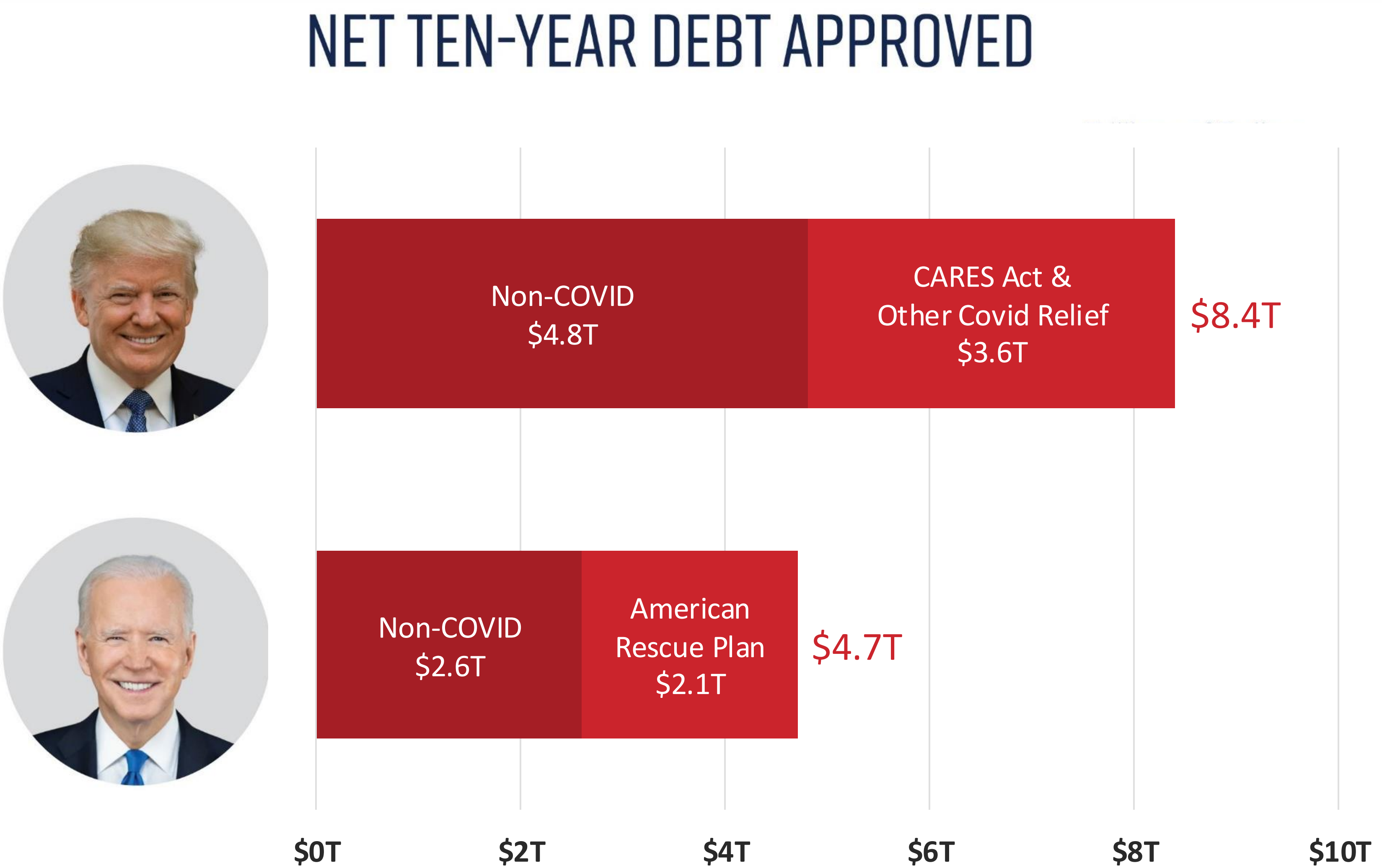
Sources: *Congressional Budget Office and Committee for a Responsible Federal Budget.*

Trump and Biden Both Added Massively to the Debt



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Note: Trump figures only reflect his first term.

Where Are We Headed?

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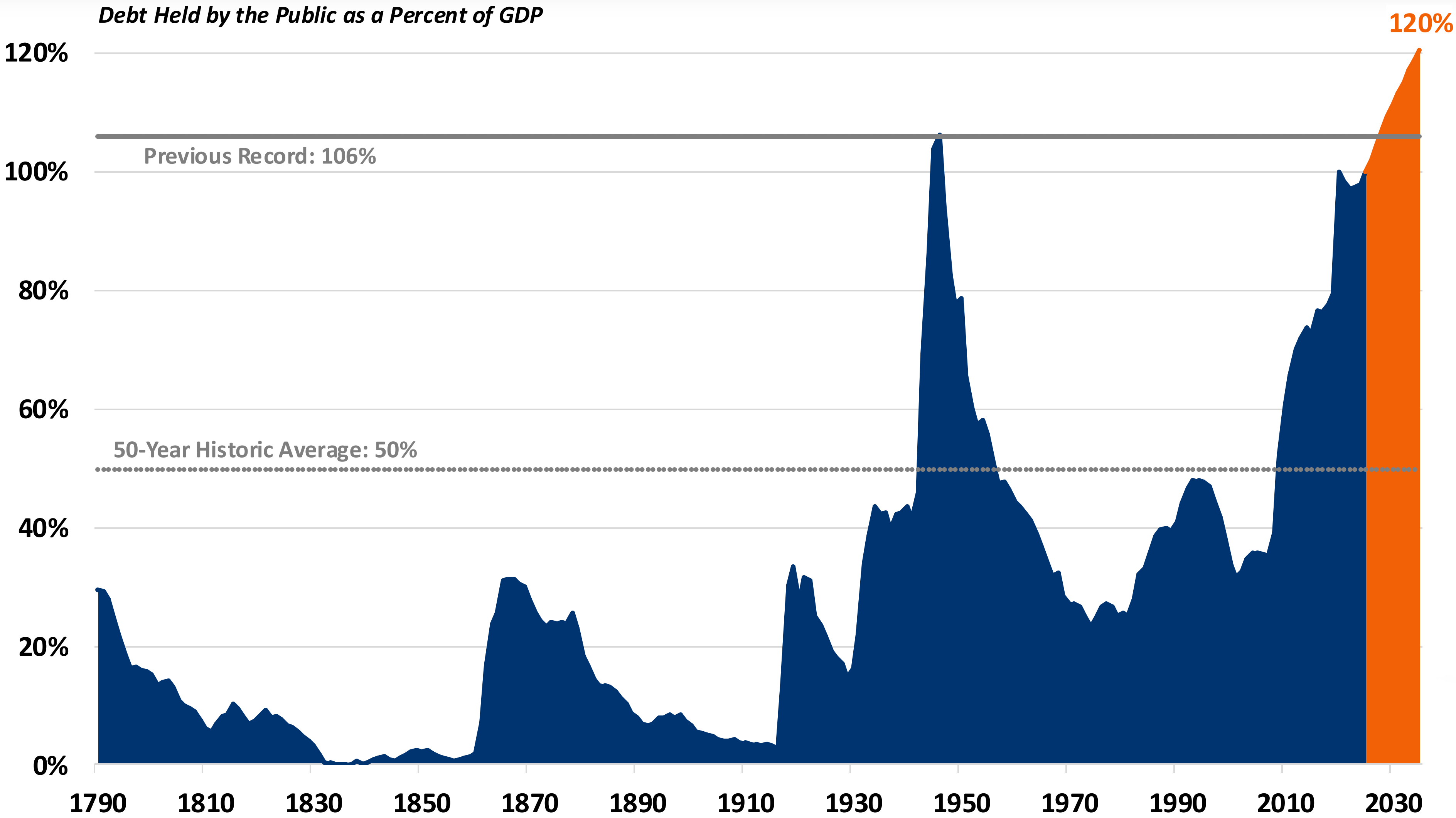
Debt Will Reach Record Levels in the Next Admin…



Sources: CRFB estimates based on data from Congressional Budget Office, U.S. Census Bureau, and Center for Medicare and Medicaid Services.

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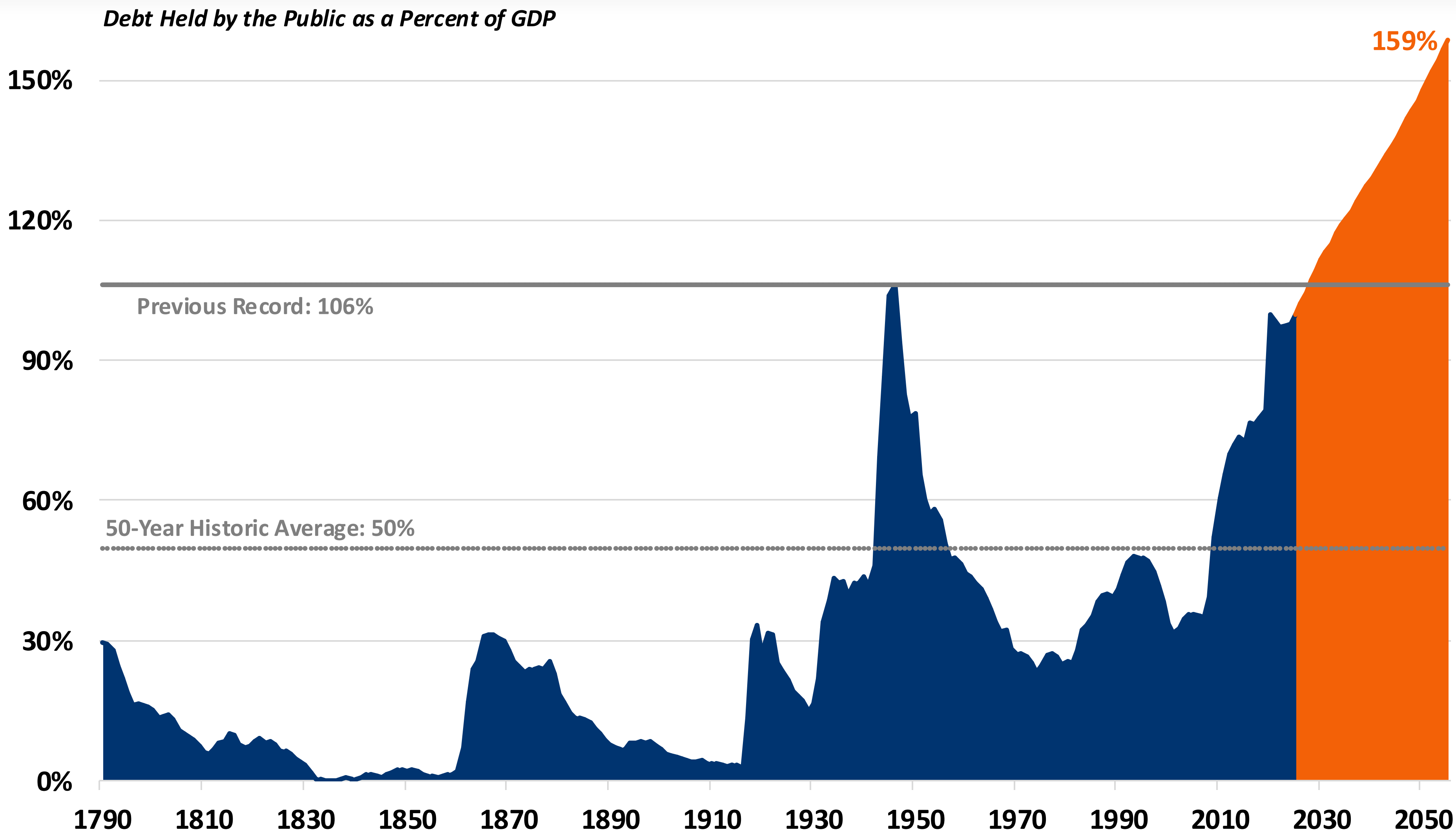
Long Term Outlook is Troubling



Sources: CRFB estimates based on data from Congressional Budget Office, U.S. Census Bureau, and Center for Medicare and Medicaid Services.

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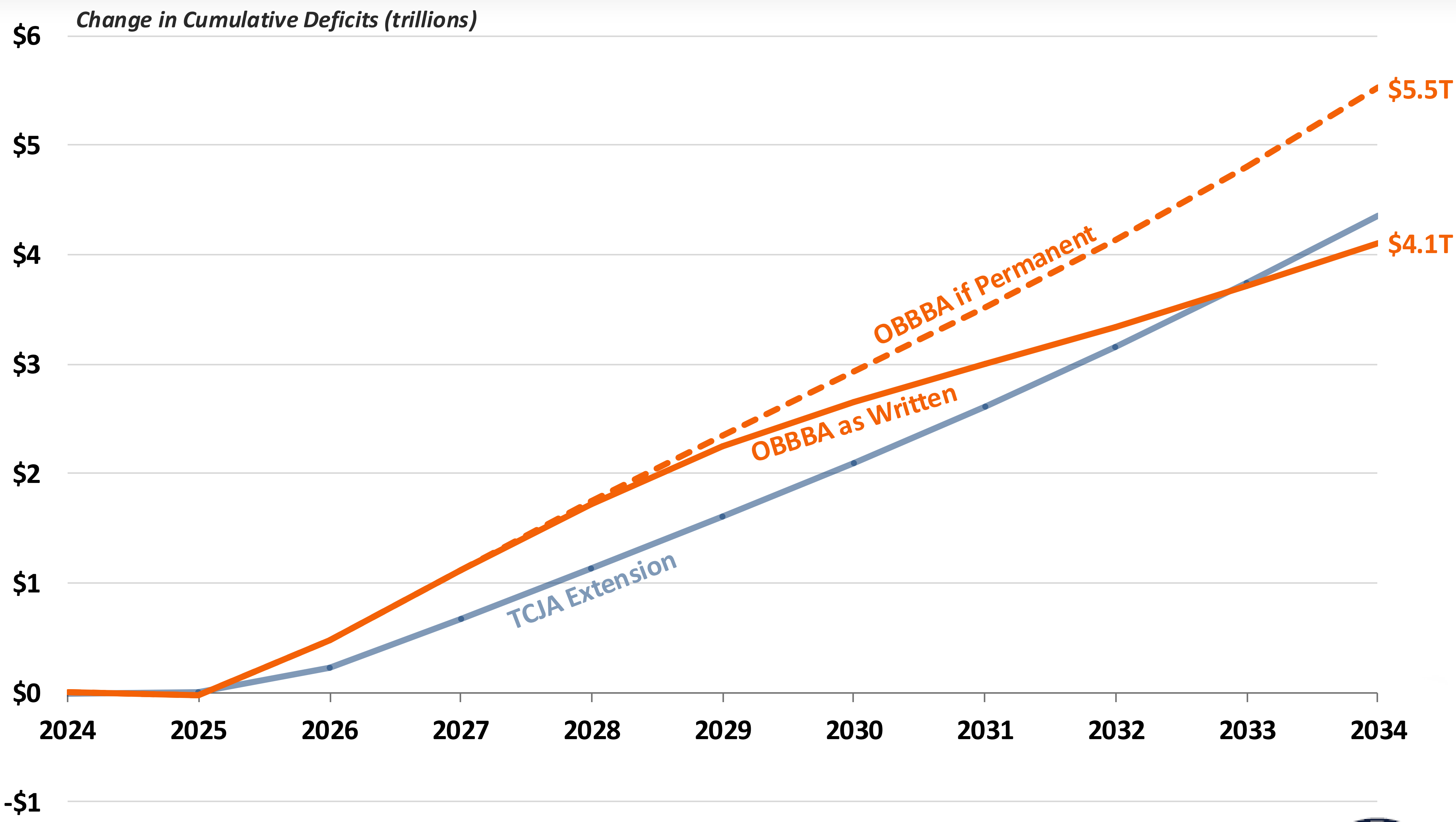
OBBBA Will Add Trillions to Debt



Note: Figures include interest effects.
Sources: Committee for a Responsible Federal Budget, Congressional Budget Office

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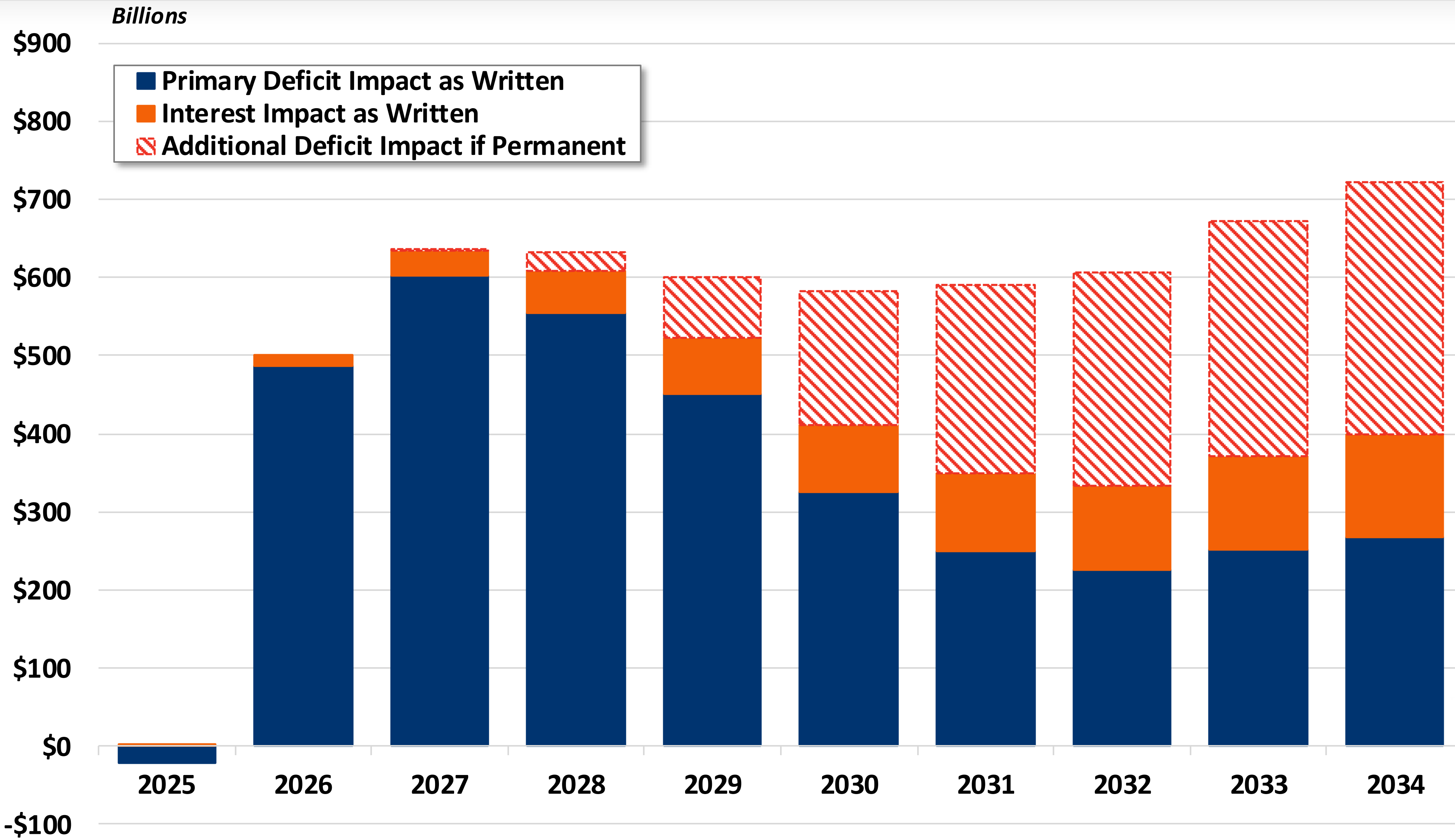
OBBBA Will Significantly Increase Annual Deficits



Note: "Additional Deficit Impact if Permanent" includes additional interest costs.
Sources: Committee for a Responsible Federal Budget, Congressional Budget Office

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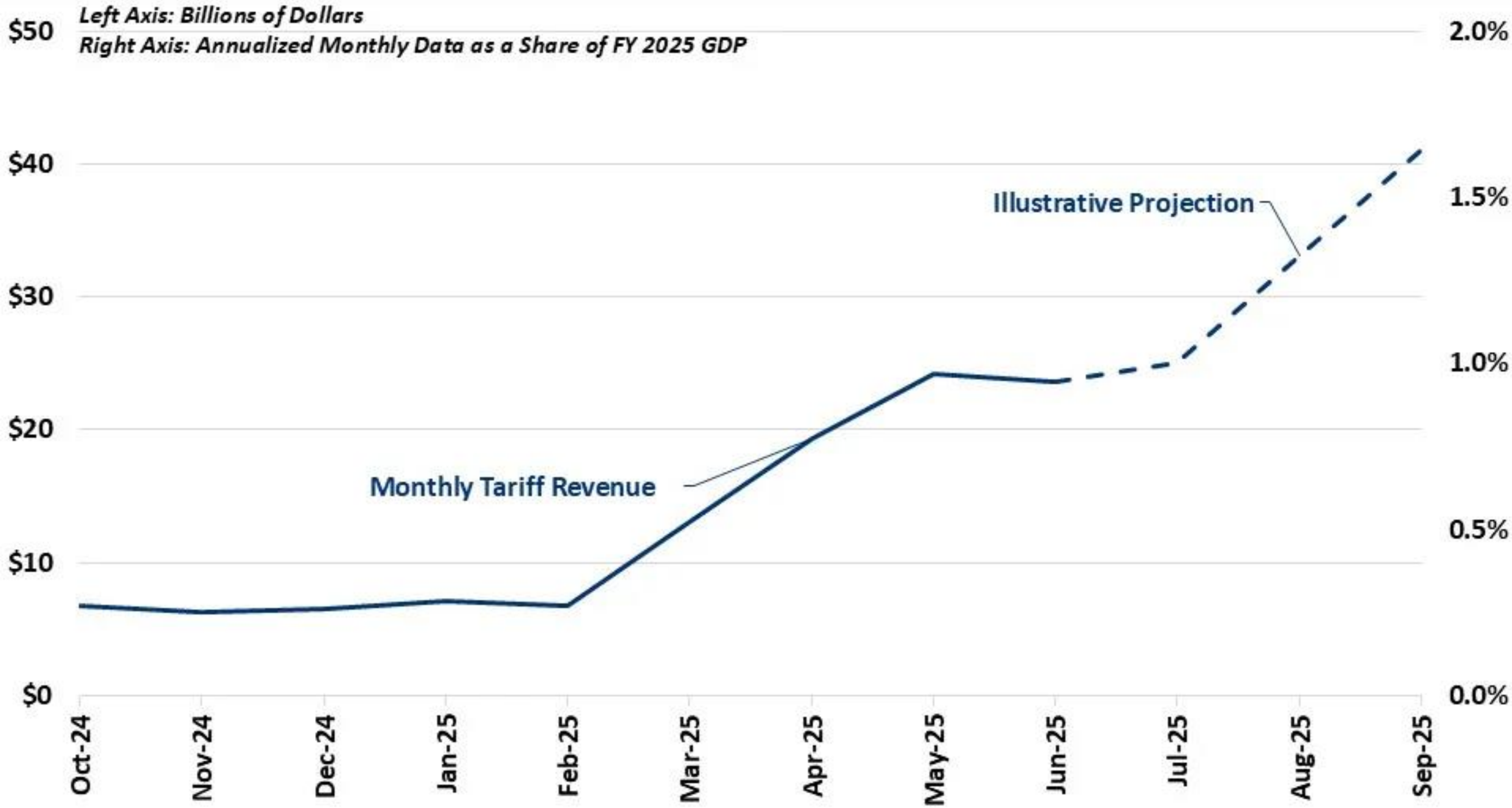
Tariffs Are Generating Significant Revenue



Source: Actual monthly data through June is from U.S. Census Bureau; the Illustrative Projection reflects CRFB estimates and uses some data from U.S. Census Bureau and CBO for July.
Note: The dashed line reflects rough CRFB projections of actual revenue collection through the end of the fiscal year; these projections are a rough extrapolation of recent tariff collection data and do not reflect our standard modeling approach, which tends to be more accurate over the long term than in the short term.

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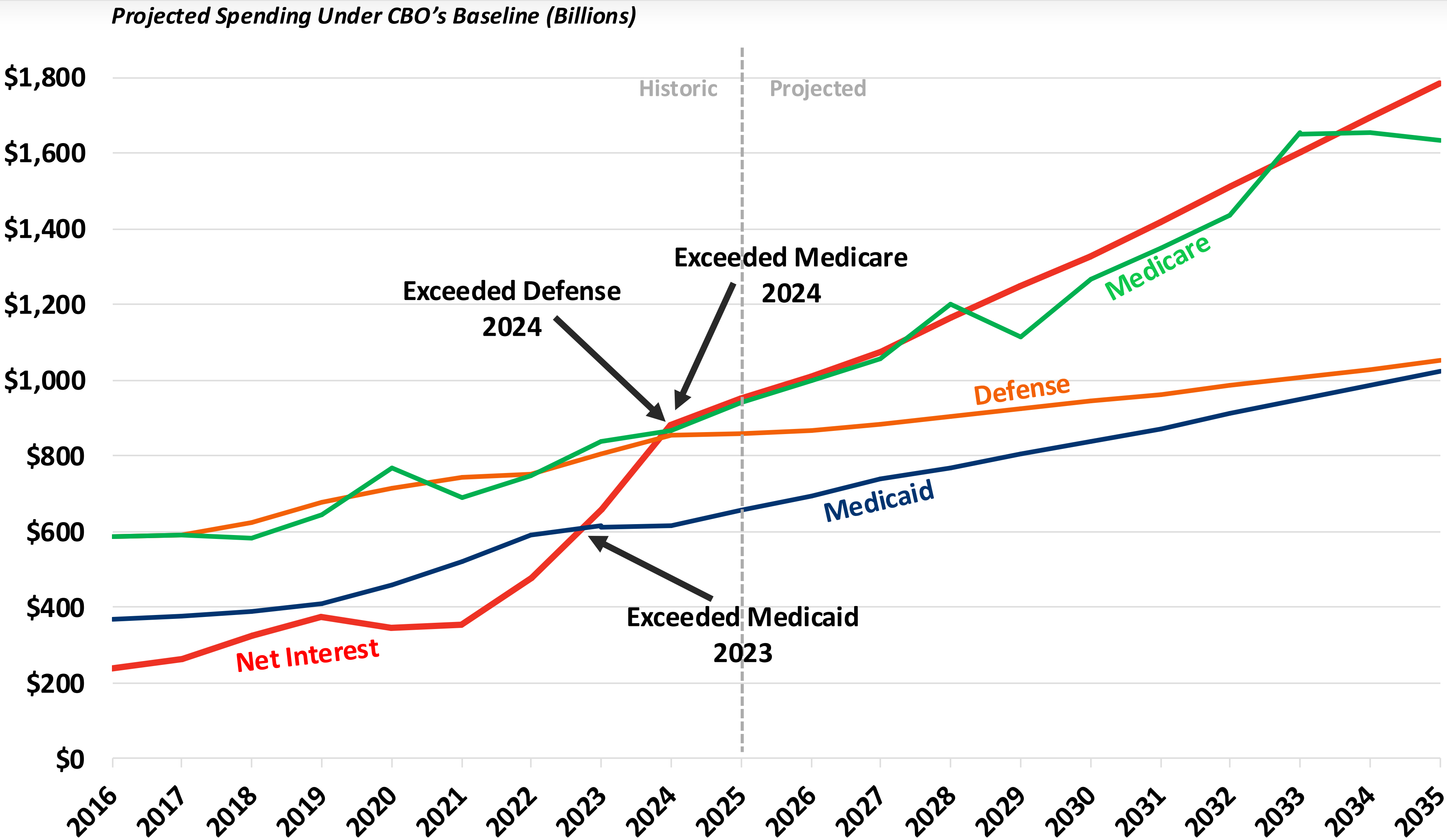
Interest Payments Are Exploding



Note: Figures do not account for effect of OBBBA or President Trump's tariff policies.
Sources: Congressional Budget Office & Office of Management and Budget.

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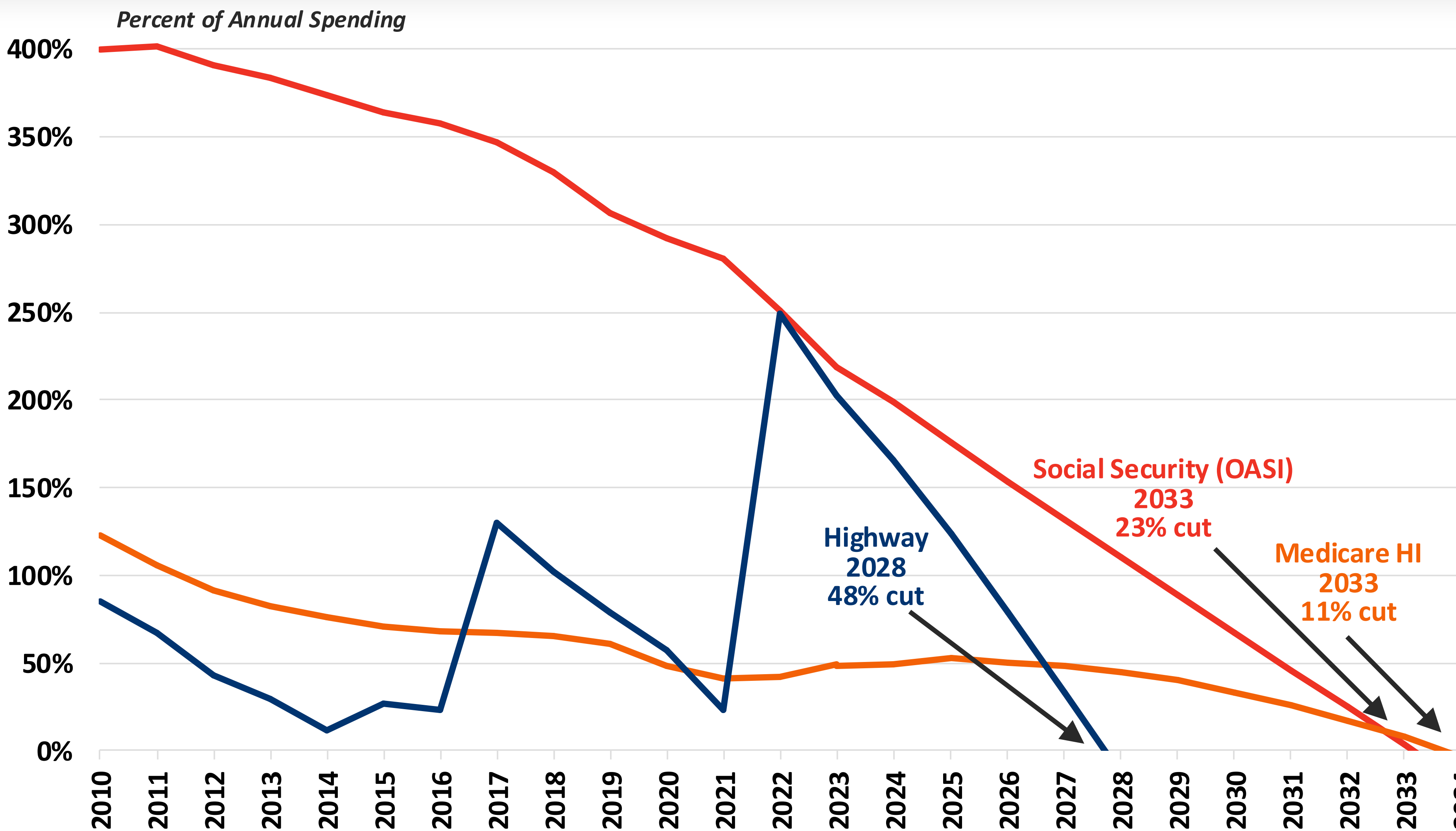
Major Trust Funds Are Approaching Insolvency



Note: Chart reflects projections from the 2025 Social Security and Medicare Trustees reports, which do not incorporate the effects of OBBBA.

Sources: Social Security Trustees, Medicare Trustees, and Congressional Budget Office.

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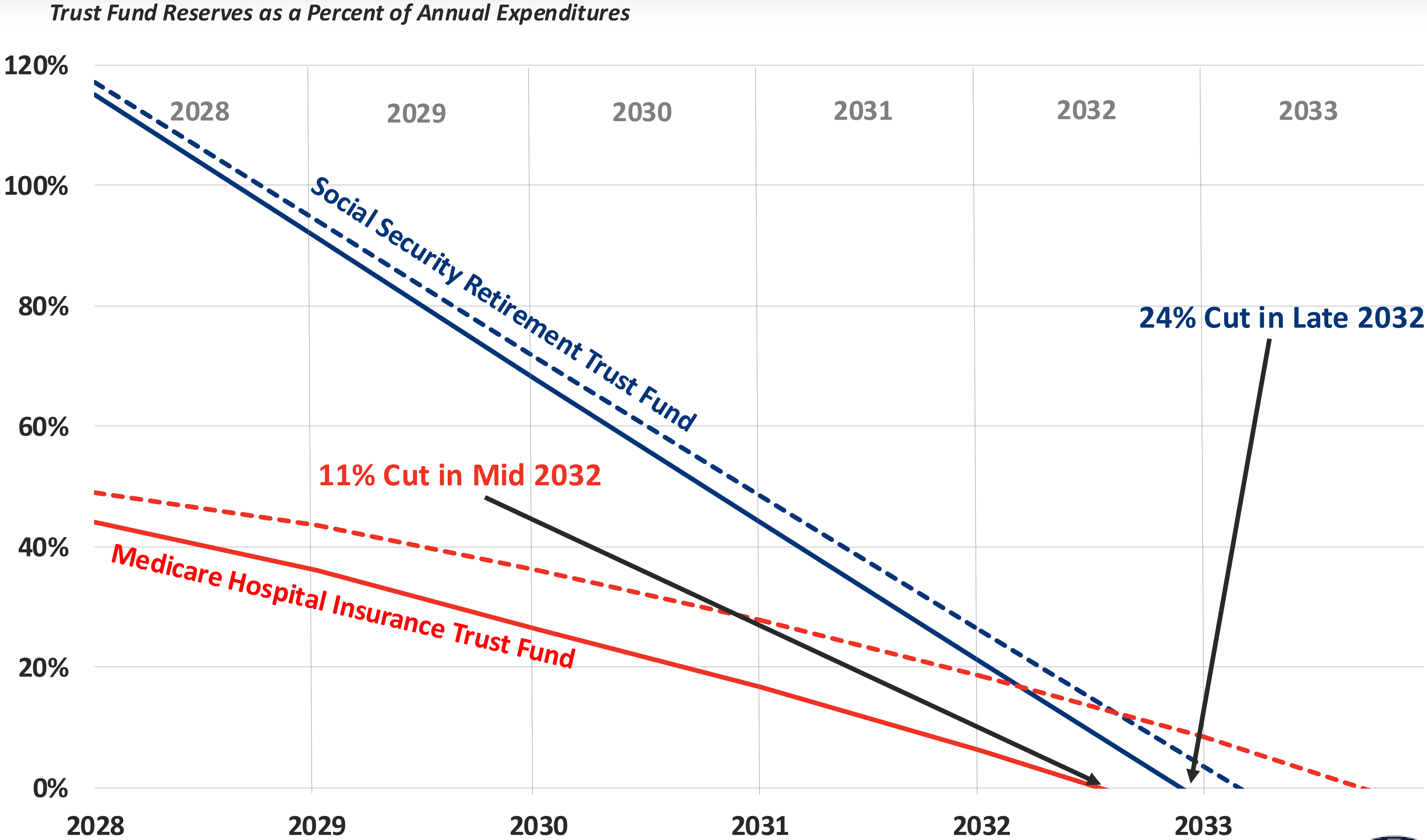
OBBBA Accelerated Trust Fund Insolvency



Source: Social Security Administration, Centers for Medicare & Medicaid Services, and Committee for a Responsible Federal Budget

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Some Fiscal Deadlines

Date	Issue
September 30, 2025	• Fiscal Year Ends • FRA Spending Caps Expire • Medicare, Medicaid, & Other Health Care Extenders Expire • Other expirations (TANF authorization, EV tax credits, flood insurance, some Farm Bill provisions
December 31, 2025	• Enhanced ACA Subsidies Expire • Various IRA Energy Efficiency Credits Expire
January 2026	• Statutory PAYGO Sequester Begins
September 30, 2026	• Surface Transportation Authorization Expires • Export-Import Bank Authorization Expires • New Medicaid Provider Tax Limits Take Effect
December 31, 2027	• IRA Clean Energy Tax Provisions Expire
2028	• Highway Trust Fund Insolvency
December 31, 2028	• Radiation Exposure Compensation Act (RECA) Expires • Various OBBBA tax breaks expire (tips, overtime, car loans, higher senior deduction, factory expensing, Trump Account contributions)
September 30, 2029	• OBBBA Defense, Border Security & Homeland Security Funding Expires
December 31, 2029	• Higher SALT Deduction Cap Expires • Clean Fuel Production Credit Expires
2032	• Social Security Old-Age and Survivors Insurance Trust Fund Exhaustion • Medicare Hospital Insurance (Part A) Trust Fund Exhaustion

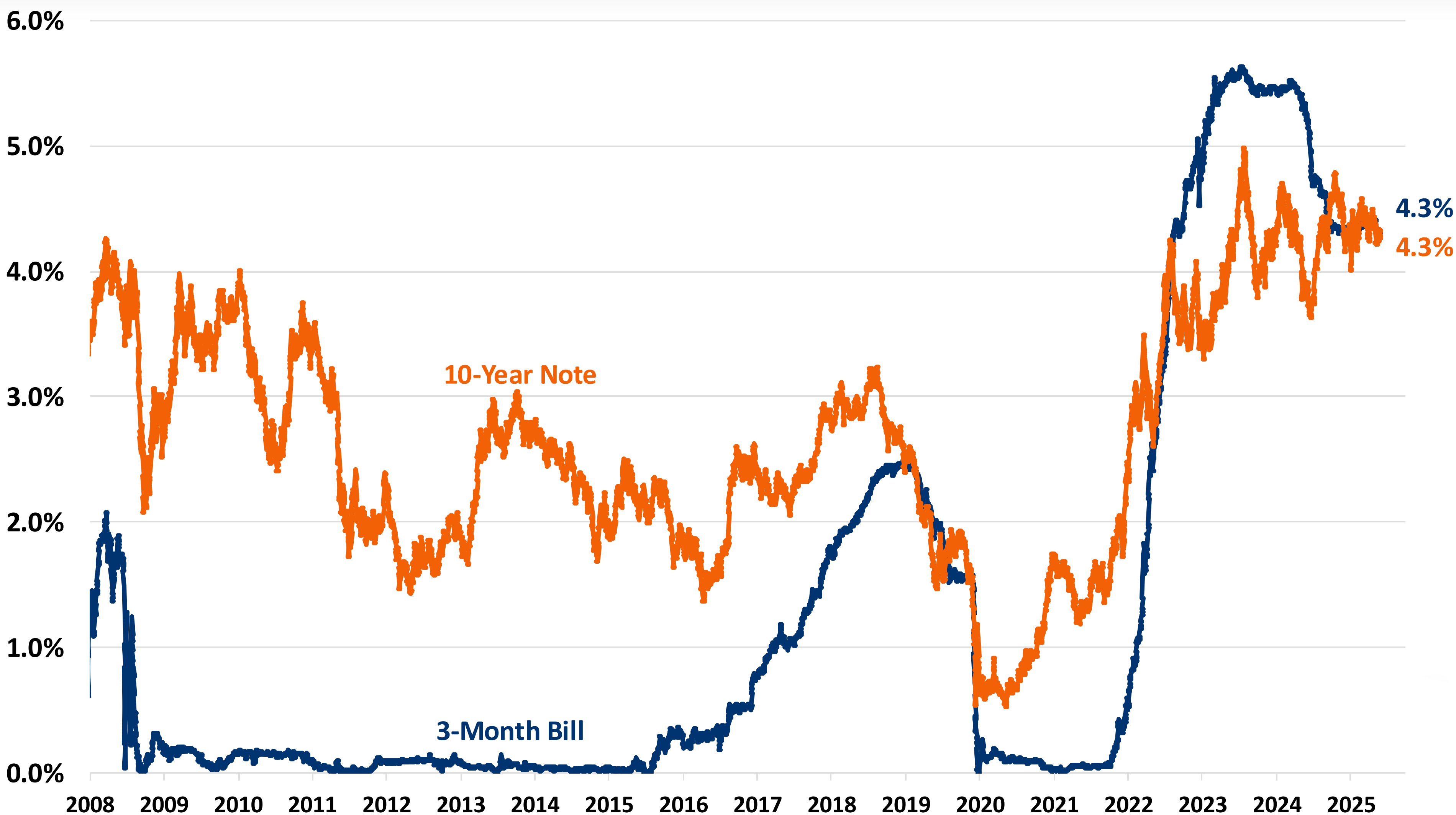
What Are the Potential Consequences?

Rising Debt Has Many Consequences

High and Rising Debt Can Lead To:

- **Slower economic growth** and reduced living standards
- **Increased geopolitical risk** due to our lenders, declining fiscal flexibility, and weakened international standing
- **Rising interest payments** consuming tax revenue
- **Less fiscal space** to respond to disasters or crises
- **Loss of policy dynamism**, leading to inefficient and outdated tax and spending policies
- **Risk of fiscal crisis**, where panic over debt causes financial market turmoil

Rising Debt Pushes Up Interest Rates



Source: U.S. Department of Treasury

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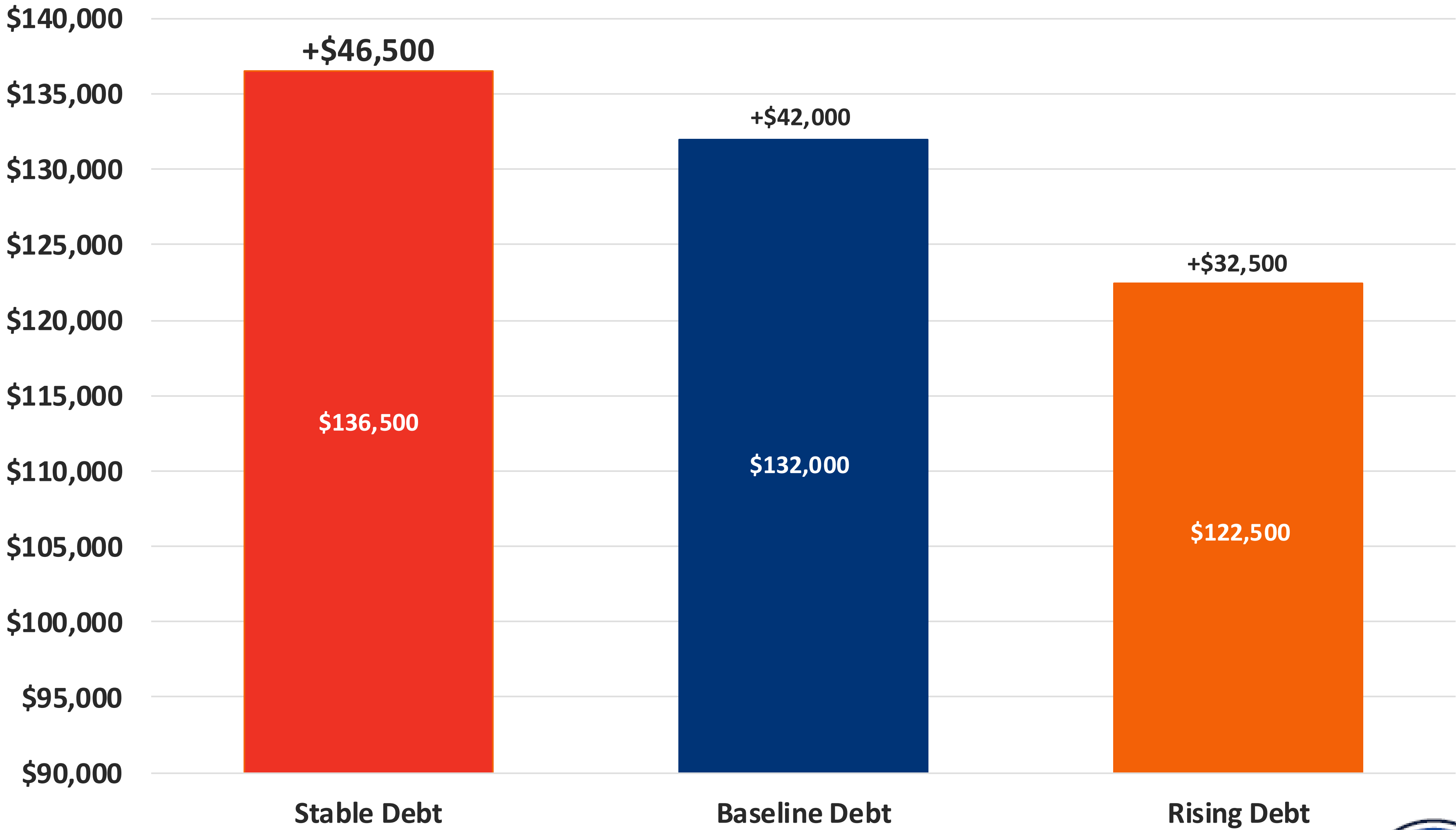
Rising Debt Slows Income Growth

Real Gross National Product Per Person in 2055 (2025 dollars)



Source: Congressional Budget Office and the Committee for a Responsible Federal Budget

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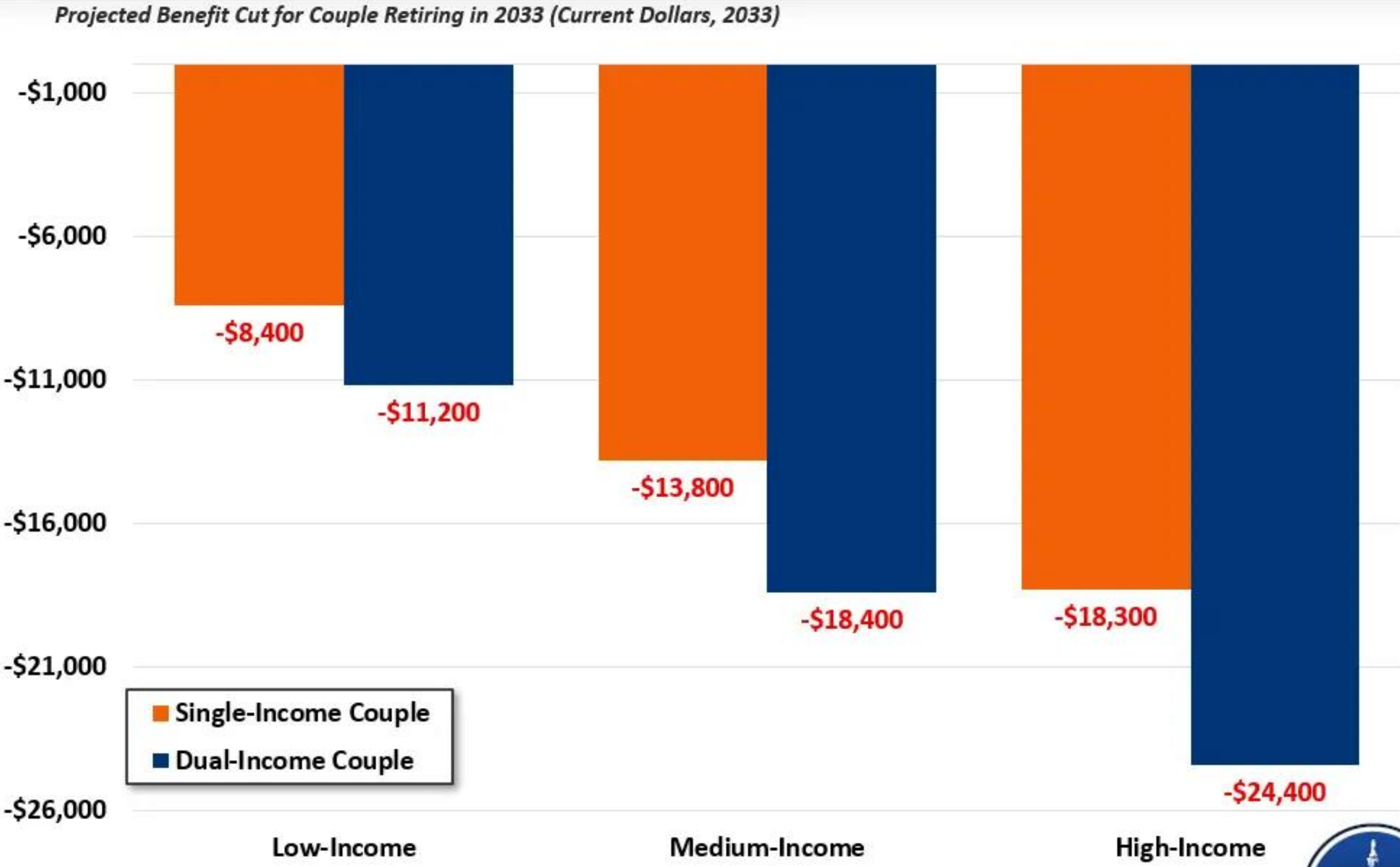
Beneficiaries Face Big Benefit Cuts Upon Insolvency



Source: Social Security Administration and Committee for a Responsible Federal Budget
Note: Estimates are based on benefits for couples retiring in January 2033.

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Solutions

Fiscal Goals

Deficit Reduction Needed to Achieve Certain Fiscal Goals

	FY 2026-2030	FY 2026-2035
Deficit Targets		
4 percent of GDP	$2.5 trillion	$5.0 trillion
3 percent of GDP	**$3.5 trillion**	**$7.5 trillion**
2 percent of GDP	$4.5 trillion	$10.0 trillion
Primary Balance	$3.0 trillion	$5.5 trillion
On-Budget Balance'	$6.0 trillion	$12.0 trillion
Full Budget Balance	$7.0 trillion	$15.5 trillion
Debt Targets		
110 percent of GDP	$0.5 trillion	$4.5 trillion
100 percent of GDP	**$4.0 trillion**	**$9.0 trillion**
90 percent of GDP	$8.0 trillion	$13.5 trillion
80 percent of GDP	$11.5 trillion	$17.5 trillion

It's Time for "Super PAYGO"

- Existing PAYGO rules and laws require $1 of offsets for every $1 of mandatory spending increases or tax cuts.

- "Super PAYGO" would require **at least $2 of offsets for every $1** of mandatory spending increases or tax cuts.
  - For example, a $200 billion spending bill would require $400 billion of offsets, thereby reducing deficits by $200 billion.

- "Super PAYGO" has two primary purposes/benefits:
  - It forces lawmakers to begin reducing deficits and putting debt on a downward path, instead of simply not adding more debt.
  - It ensures remaining deficit reduction options are used to reduce debt and deficits instead of simply offsetting (or partly offsetting) new spending or tax cuts.

Check Out Our Budget Offsets Bank

$700 Billion of Potential Deficit Reduction Options

Policy	2026-2035 Savings
Executive Spending Authority	
Require Future SNAP TFP Updates to be Budget Neutral	$40 billion
Limit Executive Authority to Unilaterally Forgive Student Loans	$30 billion
Limit Executive Power to Increase Agricultural Subsidies	$10 billion
Health Care Spending	
Close Site-Neutral Loophole - End Grandfathering of Hospital-Owned Physician Offices^	$40 billion
Ban Spread Pricing by Pharmacy Benefit Managers (PBMs)	$5 billion
Ban "Facility Fees" for Telehealth and Certain Outpatient Services in Commercial Insurance	$5 billion
Reform Medicaid Managed Care Contracts	$5 billion
Additional Mandatory Spending	
Extend Mandatory Sequester Cuts*^	$85 billion
Equalize Retirement Contributions for Newer and Older Federal Workers^	$40 billion
Close 'married-filing-separate' Student Debt Forgiveness Loophole^	$5 billion
Make Permanent Increase in Maximum Age for SNAP Work Requirements	$5 billion
User Fees and Asset Sales	
Extend FCC Spectrum Auctions*^	$70 billion
Extend Expiring Customs and Border Patrol (CBP) User Fees*^	$20 billion
Extend Mandatory TSA Fees^	$15 billion
Extend Fannie Mae's and Freddie Mac's Guarantee Fees^	$5 billion

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Debt Fixer

Fix the National Debt

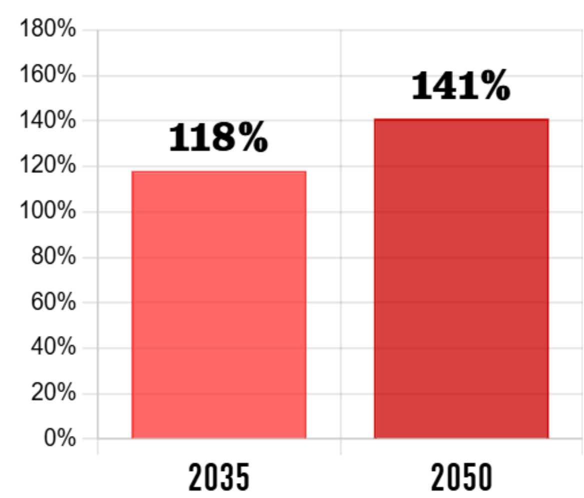
After over two decades of uninterrupted borrowing, the U.S. national debt is higher as a share of the economy than at any time since World War II. Yet policymakers have done little to contain our roughly $30 trillion national debt, and most legislation has added to it in recent years. Learn more about our current path.

Note: This tool does not yet reflect the enactment of the One Big Beautiful Bill Act (OBBBA) nor the new tariffs enacted in 2025. Each section includes guidance to help users approximate these changes. We plan to release an updated Debt Fixer soon.

The Current National Debt Path

The nonpartisan Congressional Budget Office (CBO) estimates that national debt held by the public (which excludes what the government owes itself) will surpass the all-time record of 106 percent of Gross Domestic Product (GDP) by 2029. To put that in perspective, the average over the last 50 years was about 49 percent of GDP.

DEBT AS PERCENTAGE OF GDP



Stabilize the U.S. Debt at 100% of GDP by 2035

Fix the Debt in the short and long term. Make the hard budget choices to stabilize debt at 100% of the economy by 2035 by identifying $7.8 trillion of deficit reduction and bring it down to 60% by 2050.

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Social Security Reformer

Social Security remains insolvent. The trust funds will run out in 2035 at which point all beneficiaries will face a sudden 17% benefit cut.

0%

Percent of 75-year shortfall closed

(0% of shortfall closed in 75th year)

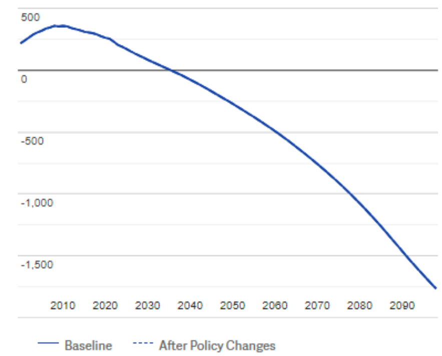
✖ CLEAR SELECTIONS

Benefit Formula | Revenues | Other Benefits | Summary

	% OF GAP CLOSED	INFO
Increase (+) / Reduce (-) Initial Benefits by: 0.0 %	0%	i
Slow Initial Benefit Growth		
Slow Benefit Growth for Top 70% of Earners	58%	i
Slow Benefit Growth for Top Half of Earners	36%	i
Slow Benefit Growth for Top 20% Of Earners	12%	i
Increase Retirement Age		
Raise Age from 67 to 68	13%	i
Index Age to Longevity After it Reaches 67	20%	i
Raise Age to 69 then index to Longevity	39%	i
Modify Cost of Living Adjustments (COLAs)		
Index COLAs to "Chained CPI"	19%	i
Index COLAs to "Chained CPI" and Means-Test Them	41%	i
Index COLAs to "CPI-E"	-13%	i

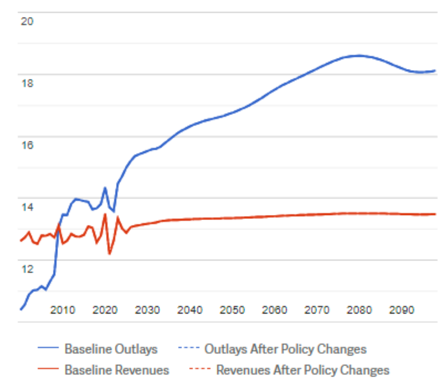
Trust Fund Projections

Percent of Annual Benefits i



Social Security Spending & Revenue

Percent of Payroll (based on scheduled benefits) i



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Where Do I Learn More?

Follow CRFB on twitter @BudgetHawks.

Important Websites

- Committee for a Responsible Federal Budget – www.CRFB.org
- Fix The Debt – www.FixTheDebt.org
- The Congressional Budget Office – www.CBO.gov
- Office of Management and Budget – www.OMB.gov

Online Budget Tools

- Debt Fixer – CRFB.org/debtfixer
- Social Security Reformer – CRFB.org/socialsecurityreformer
- Build Your Own Tax Extensions – CRFB.org/build-your-own-tax-extensions
- Budgeting For the Future – futurebudget.org

People

- Marc Goldwein, Senior Vice President and Senior Policy Director – Goldwein@crfb.org