Analysis of CBO's March 2025 Long-Term Budget Outlook
March 27, 2025

Today, the Congressional Budget Office (CBO) released its March 2025 Long-Term Budget Outlook, which builds off its January 2025 ten-year projections to show that the federal budget is on an unsustainable path. The long-term outlook shows**:**

- **Debt Will Surge Past Record Levels.** Federal debt held by the public will rise from 100 percent of Gross Domestic Product (GDP) in Fiscal Year (FY) 2025 to **156 percent of GDP** by 2055 – 50 percentage points above the prior record.
- **Deficits Will Rise Even Higher.** Annual deficits will grow from 6.2 percent of GDP in 2025 – already twice as high as they were as recently as 2016 – to 7.3 percent of GDP by 2055. This is the highest they've ever been outside of a crisis.
- **Spending Will Continue to Outpace Revenue**. Spending has already risen from 20.7 to 23.3 percent of GDP since 2016 and is projected to further increase to 26.6 percent of GDP by 2055. Revenue is projected to grow from 17.1 percent of GDP in 2025 to 18.2 percent in 2027 as the Tax Cuts and Jobs Act expires, then increase gradually to 19.3 percent of GDP in 2055. Historically, revenue has averaged 17.3 percent of GDP and spending 21.1 percent of GDP.
- **Interest Costs Will Explode.** Interest costs will reach a record 3.2 percent of GDP this year – exceeding the cost of defense and Medicare – and further grow to 5.4 percent of GDP by 2055. The average interest rate on debt will exceed the economic growth rate by 2045, sparking the beginning of a debt spiral.
- **Social Security is Only Eight Years from Insolvency**. The Social Security Old-Age and Survivors Insurance trust fund will run out of reserves by 2033 – when today's youngest retirees turn 70 – leading to an immediate 24 percent benefit cut under the law. If combined with the disability insurance trust fund, the combined trust fund would be insolvent by 2034.
- **Improvements from Last Year are Likely to be Swamped by Further Borrowing.** Debt-to-GDP projections for 2054 are 12 percentage points lower than projected in last year's extended baseline – due largely to lower projected interest spending as well as higher projected revenue. However, extending expiring tax cuts would add nearly 50 percent of GDP to debt.

High and rising debt and deficits would have many negative consequences for the budget and the economy including slower income growth, higher interest rates and interest payments on the national debt, increased geopolitical risks, undue burden on future generations, reduced fiscal space to respond to emergencies, and an increased risk of a fiscal crisis.

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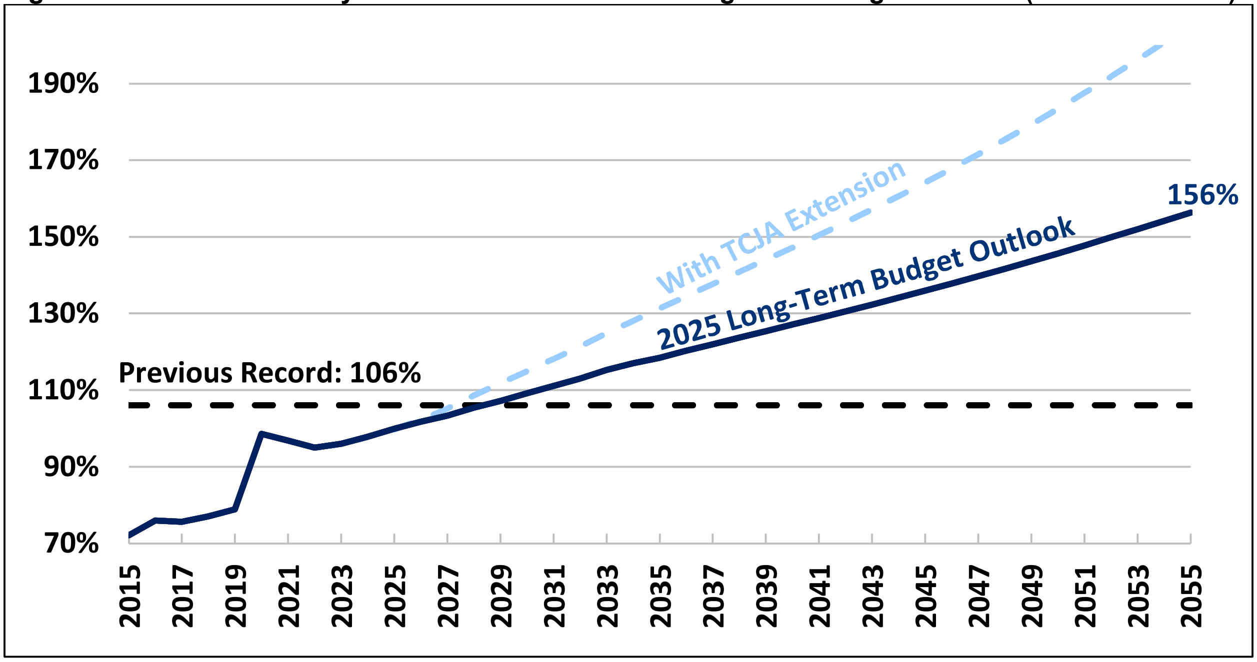
Debt Will Surge Past Record Levels

Under its current law extended baseline, CBO projects that federal debt held by the public will rise from 100 percent of GDP at the end of FY 2025 to a record 107 percent of GDP by 2029 and 156 percent of GDP by the end of 2055. Projected debt in 2055 will be nearly double the pre-pandemic level as a share of the economy and more than triple the 50-year historical average of 50 percent of GDP. In nominal dollars, debt will grow by $108 trillion, from $30 trillion at the end of this year to $138 trillion by the end of 2055.

Fig. 1: Federal Debt Held by the Public Under CBO's Long-Term Budget Outlook (Percent of GDP)



Source: Congressional Budget Office.

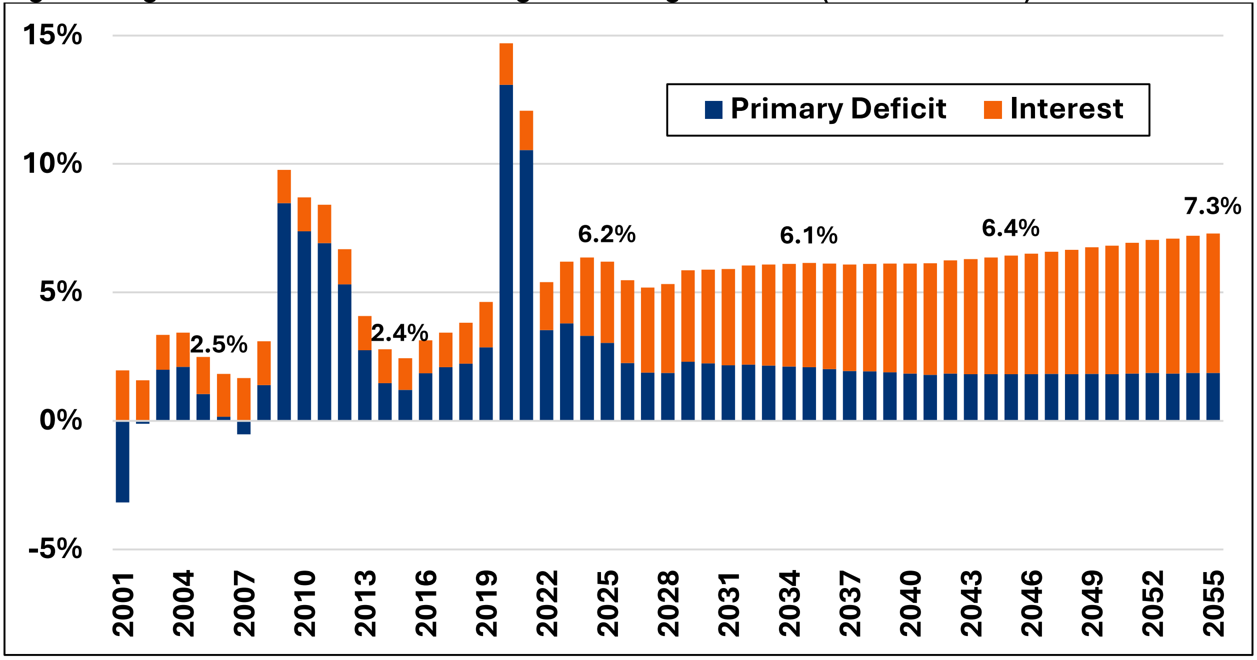
CBO's long-term projections are incredibly troubling, but reality could prove even more unsustainable. If policymakers extend provisions in the 2017 Tax Cuts and Jobs Act (TCJA), it could boost debt by $40 trillion over 30 years, to above 200 percent of GDP. Other changes could boost debt further.

Such high and rising debt comes with a number of significant [risks and threats](#) to the budget and economy and could have severe consequences. CBO specifically notes that rising debt could slow income and output growth by crowding out investment and moving returns abroad. This leaves the United States more vulnerable to rising interest rates, constrains responses to economic and national security threats, erodes confidence in the dollar as the world reserve currency, and increases the risk of an eventual fiscal crisis.

Deficits Will Rise Further

The United States has gone from running a balanced budget in FY 2001 to borrowing an average of 2.4 percent of GDP through 2008, over 3 percent of GDP by 2016, and an estimated 6.2 percent of GDP in 2025. CBO projects deficits will further rise to 7.3 percent of GDP by 2055, which is well above the 50-year historical average of 3.7 percent and will be higher than any time in modern history outside of World War II, the Great Recession, and the COVID-19 pandemic.

Fig. 2: Budget Deficits Under CBO's Long-Term Budget Outlook (Percent of GDP)



Source: Congressional Budget Office. Note: projected deficits are adjusted to remove the effect of timing shifts.

In nominal dollars, budget deficits – which have already risen from $442 billion in 2015 to a projected $1.9 trillion in 2025 – will rise to $2.5 trillion by 2035 and $6.4 trillion by 2055.

Interest costs in particular have risen dramatically in recent years and are projected to explode. Due to a combination of high debt and rising interest rates, interest costs have doubled as a share of GDP from 1.6 of GDP in 2020 to a record 3.2 percent projected for 2025. The federal government now spends more on interest than defense or Medicare.

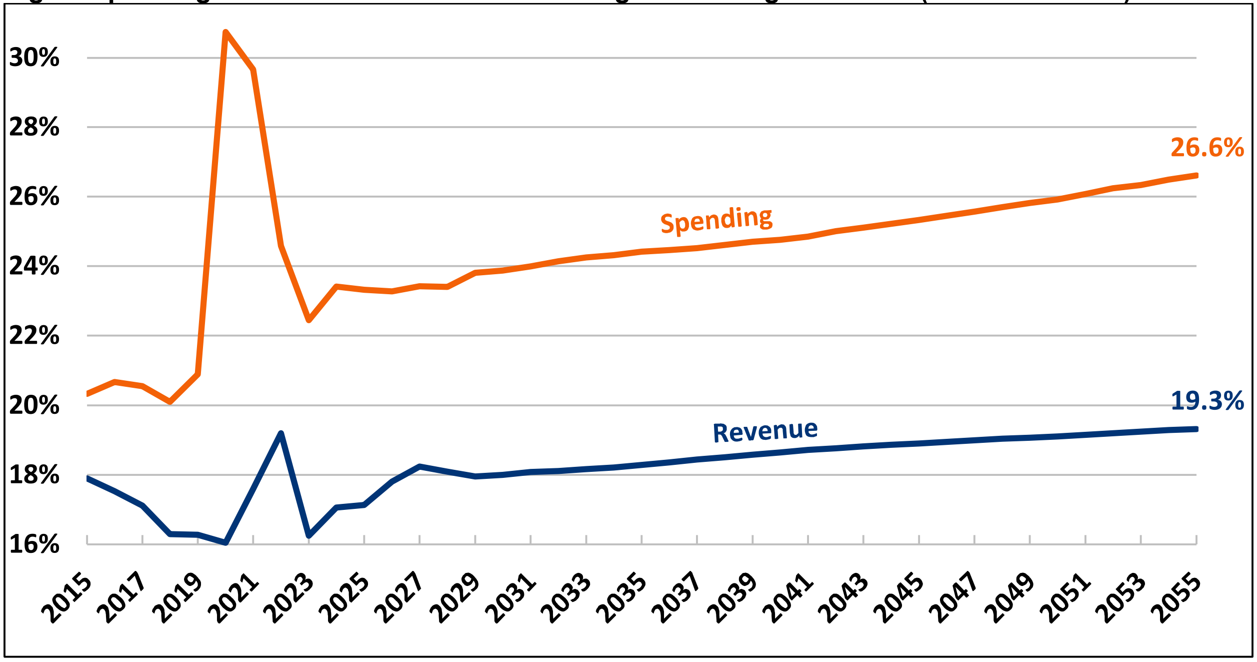
CBO projects interest costs will continue to rise to new records of 4.1 percent of GDP by 2035, 4.6 percent in 2045, and 5.4 percent in 2055 – triple what it was pre-pandemic. Under CBO's long-term outlook, the average interest rate will exceed economic growth (R>G) by 2045, and by 2055 interest costs will consume 28 percent of total revenue collection.

With TCJA extension, deficits and interest would rise much more rapidly. We roughly estimate that deficits would rise to 11 percent of GDP by 2055, with interest costs approaching 8 percent.

Spending Growth Will Continue to Outpace Revenue

Rising deficits and debt are driven by a continued disconnect between spending and revenue. Spending has already grown from 20.7 percent of GDP in FY 2016 to 23.3 percent of GDP in 2025; CBO projects it will further rise to 24.4 percent of GDP by 2035 and 26.6 percent of GDP by 2055. Assuming the TCJA expires, revenue as a share of the economy will rise from 17.1 percent of GDP in 2025 to 18.2 percent in 2027, 18.9 percent by 2045, and 19.3 percent of GDP by 2055. Over the last 50 years, spending has averaged 21.1 percent of GDP and revenue 17.3 percent of GDP.

Fig. 3: Spending and Revenue Under CBO's Long-Term Budget Outlook (Percent of GDP)



Source: Congressional Budget Office. Note: projections are adjusted to remove the effect of timing shifts.

The projected long-term growth in spending is mostly driven by rising health, Social Security and net interest costs. CBO expects spending on these three areas to grow from 14.2 percent of GDP in FY 2025 to 19.6 percent by 2055. In particular, health care spending will grow from 5.8 to 8.1 percent of GDP, Social Security from 5.2 to 6.1 percent, and interest from 3.2 to 5.4 percent.

Fig. 4: Budget Projections Under CBO's Long-Term Budget Outlook (Percent of GDP)

	2025	2035	2045	2055
Spending	**23.3%**	**24.4%**	**25.3%**	**26.6%**
Health Care	5.8%	6.7%	7.6%	8.1%
Social Security	5.2%	6.0%	5.9%	6.1%
Other Mandatory	3.0%	2.4%	2.1%	1.9%
Discretionary	6.1%	5.3%	5.1%	5.1%
Net Interest	3.2%	4.1%	4.6%	5.4%
Revenue	**17.1%**	**18.3%**	**18.9%**	**19.3%**
Deficit	**6.2%**	**6.1%**	**6.4%**	**7.3%**

Source: Congressional Budget Office. Numbers may not sum due to rounding.

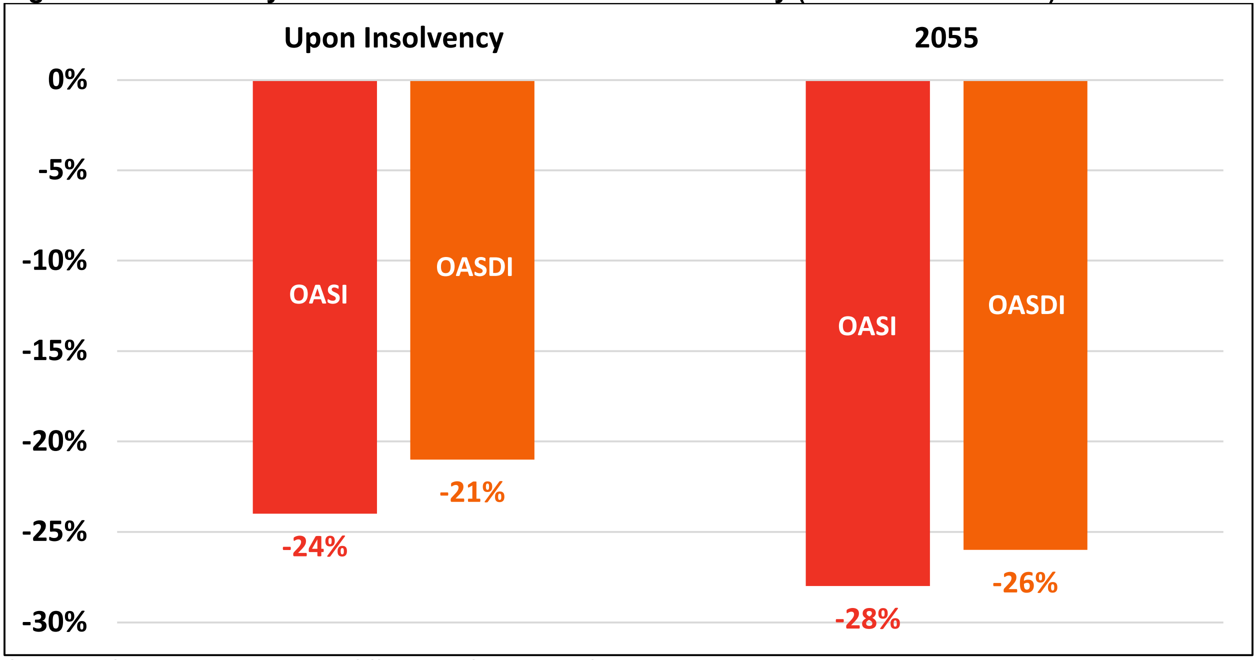
Social Security Is On the Verge of Insolvency

Social Security – the nation's largest retirement program and the government's largest spending program – is only eight years from insolvency, according to CBO projections.

Specifically, CBO finds that the Social Security Old-Age and Survivors Insurance (OASI) trust fund will run out by FY 2033, when today's 59-year-olds reach the normal retirement age and today's youngest retirees turn 70. Upon insolvency, Social Security retirees will face a 24 percent across-the-board benefit reduction, growing to 28 percent by 2055. We previously estimated that a 21 percent cut for a typical couple retiring in 2033 would equate to a lifetime deduction of $16,500. We could then expect a 24 percent cut to be approximately $18,900.

The Social Security Disability Insurance (SSDI) trust fund is in better shape and projected to remain solvent through at least 2055. Using its surpluses to shore up the OASI trust fund would only extend solvency through 2034 and beneficiaries would face a 21 percent cut upon insolvency, growing to 26 percent by 2055.

Fig. 5: Social Security Benefit Cut from Trust Fund Insolvency (Percent of Benefits)



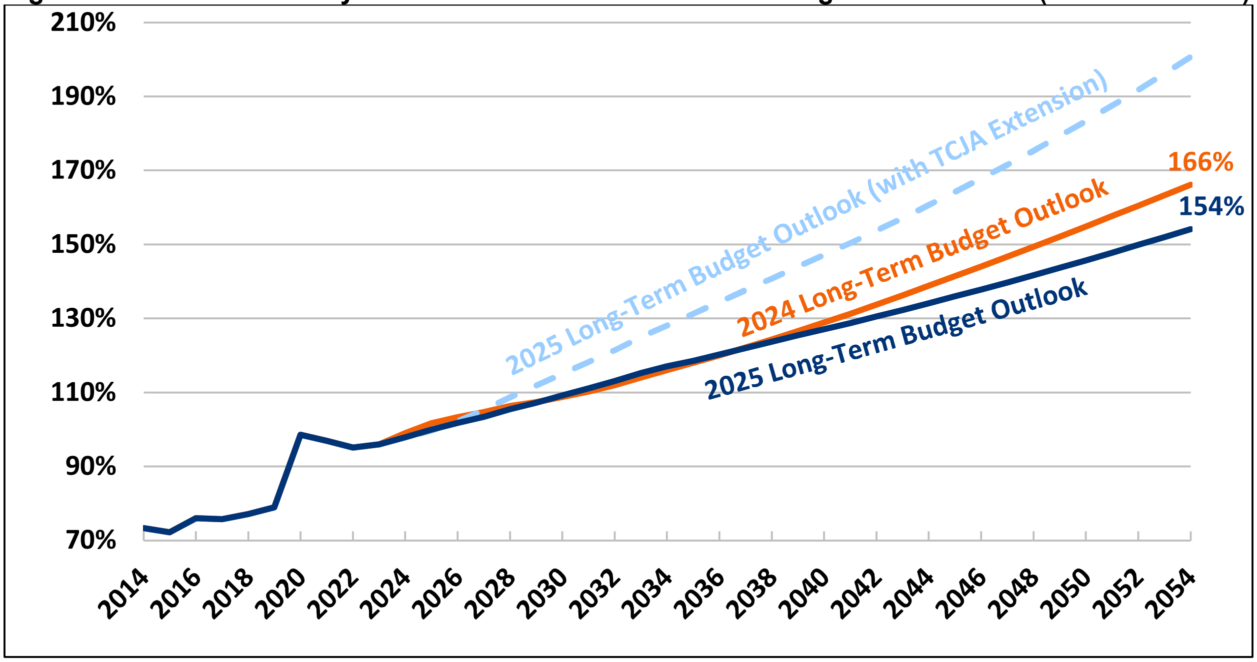
Sources: Congressional Budget Office and Committee for a Responsible Federal Budget.

In addition to Social Security, at least two other trust funds are headed for insolvency – the Highway Trust Fund by 2028 and the Medicare Hospital Insurance trust fund by 2052. The Medicare outlook has improved significantly thanks to a combination of lower projected costs and higher revenue projections. These projections are highly sensitive to economic conditions and health care cost growth, and the insolvency date could arise much sooner than projected.

Improvements from Last Year Leave the Outlook Unsustainable

CBO's latest projections are an improvement from their March 2024 Long-Term Outlook. Debt is now projected to total 154 percent of GDP in 2054, compared to 166 percent of GDP in CBO's prior outlook; CBO projects deficits to total 7.2 percent of GDP in 2054, compared to 8.5 percent previously. These modest improvements will likely be erased several times over by further borrowing, as extending expiring tax cuts would add nearly 50 percent of GDP to the debt.

Fig. 6: Federal Debt Held by the Public Under 2024 and 2025 Long-Term Outlooks (Percent of GDP)



Source: Congressional Budget Office.

Lower deficits and debt projections appear to be driven in part by higher revenue – mainly due to higher assets values, including in tax-deferred retirement accounts – and, more significantly, lower projected interest costs. By 2054, CBO projects interest costs to be 5.3 percent of GDP, compared to their previous projections of 6.3 percent of GDP. These lower costs are primarily the result of lower projected interest rates, as CBO now projects the ten-year yield to reach 3.8 percent by 2054 as opposed to 4.4 percent. These lower rates may be the result of lower assumed "crowd out" effects of higher debt and the two-way interaction between interest rates and debt.

Fig. 7: Changes in CBO's FY 2054 Baseline Projection Since March 2024

	2024 Outlook	2025 Outlook	% of GDP Difference
Total Revenue	**18.8%**	**19.3%**	**+0.5%**
Social Security Spending	5.9%	6.0%	+0.2%
Major Health Care Spending	8.3%	8.1%	-0.2%
Other Mandatory Spending	2.0%	1.9%	-0.1%
Discretionary Spending	4.9%	5.1%	+0.2%
Net Interest Costs	6.3%	5.3%	-1.0%
Total Spending	**27.3%**	**26.5%**	**-0.9%**
Deficit	**8.5%**	**7.2%**	**-1.3%**

Source: Congressional Budget Office. Numbers may not sum due to rounding.

Conclusion

CBO's latest long-term budget outlook reminds us that the federal budget is on an unsustainable long-term path, and policymakers will be faced with decisions this year that will have major implications for the trajectory of our debt over the next 30 years. Under current law, CBO projects that federal debt held by the public will rise from 100 percent of GDP at the end of this fiscal year to 156 percent of GDP by the end of 2055 – nearly twice the pre-pandemic level and *three times* the historical average. Extending the Tax Cuts and Jobs Act without offsets would drive debt above 200 percent of GDP – about *four times* the historic average.

Even without this additional borrowing, the annual budget deficit will reach 7.3 percent of GDP in FY 2055 – higher than at any point outside of World War II, the Great Recession, and the COVID-19 pandemic. Interest costs will also explode, reaching a record 5.4 percent of GDP by 2055 and consuming 28 percent of revenue. And the Social Security Old-Age and Survivors Insurance trust fund will be insolvent by 2033 – in only eight years – at which point benefits will be cut by 24 percent across the board.

Ultimately, high debt and deficits carry significant risks and threats to the economy and the nation. They hinder economic growth by crowding out investments, pushing up interest rates, straining the federal budget through rising interest payments, creating geopolitical challenges and risks, making the response to new emergencies more challenging, imposing burdens on future generations, and increasing the risk of a fiscal crisis.

To address the nation's long-term budgetary challenges, policymakers should restore solvency to Social Security and other trust funds, lower health care costs, reduce spending, cut tax breaks and raise revenue, promote stronger economic growth, and offset any new initiatives. They should not add further to the debt by enacting or extending tax cuts and spending without offsets. Doing so could spark a debt spiral and impose significant costs on current and future generations.