

# The February 2026 CBO Baseline:

## What It Says (and What It Means)



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Committee for a  
Responsible Federal Budget



# **What is the Baseline?**

# CBO's Budget and Economic Outlook

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## ★ Budget Baseline – Taxes (Revenues) and Spending (Outlays) Projected Over the Next Decade

- Generally assumes *current laws* stay in place
- Assumes most temporary tax cuts and spending increases expire as scheduled
- Assumes discretionary spending grows with inflation, certain temporary programs (food and nutrition programs, surface transportation taxes and spending) continue despite scheduled expiration

## ★ Economic Baseline – Forecasts the Economy Over the Next Decade

- Uses model to project short-run economy (next 5 years)
- Uses estimates of economic capacity to project long-run economy (latter 5 years)
- Consults with a nonpartisan Panel of Economic Advisers for inputs

## ★ Generally Produced Biannually (Twice a Year)

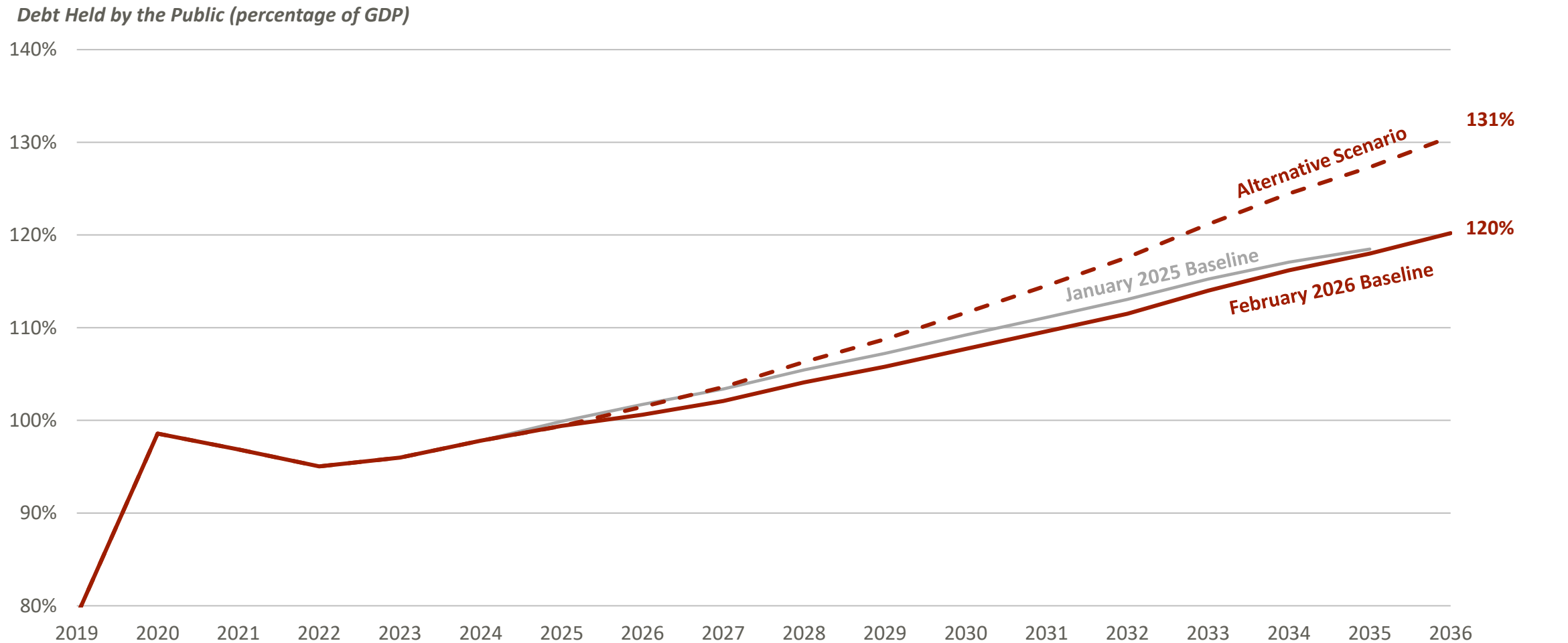
- Sometimes only once (January 2025 was sole baseline for 2025)





# Key Takeaways

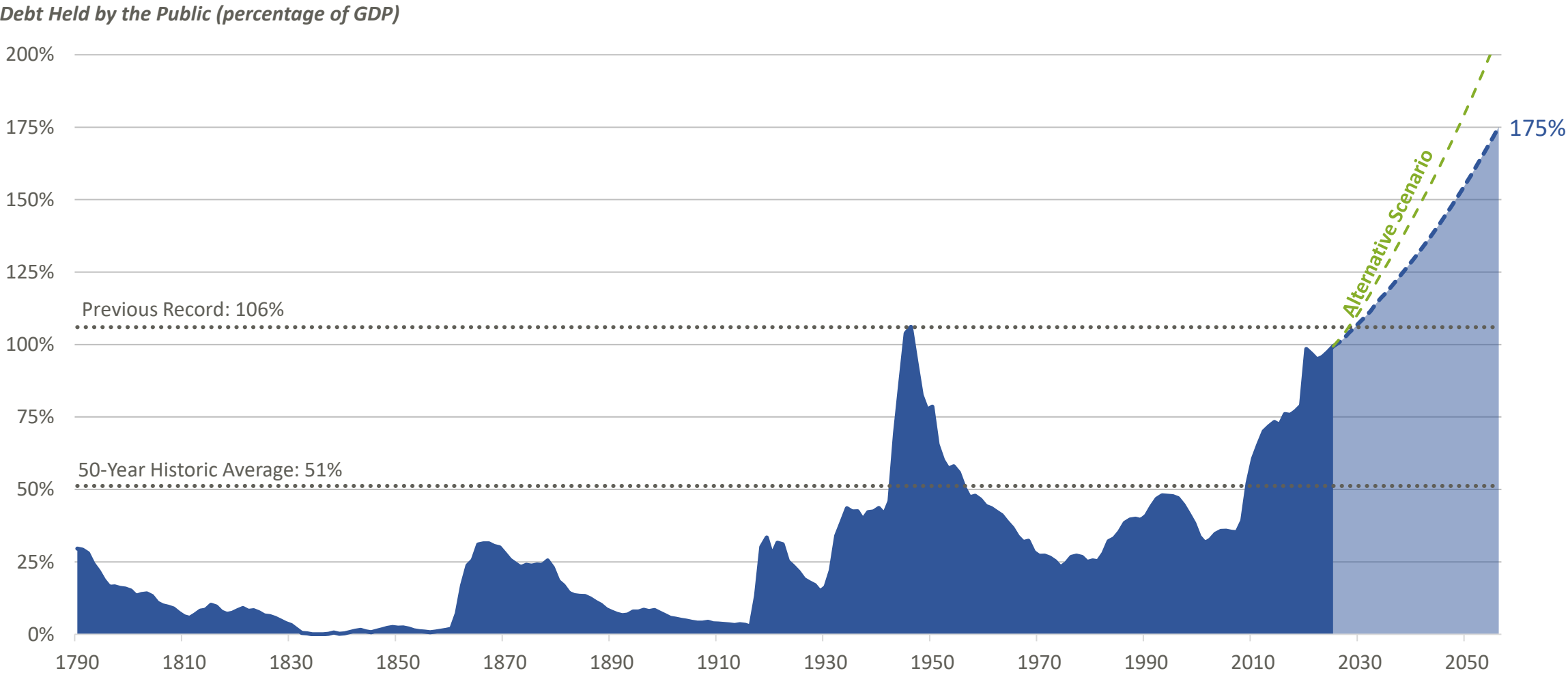
# The National Debt Will Reach 120% of GDP by 2036



Note: "Alternative Scenario" assumes a permanent OBBBA, tariff revenues only from legal tariffs, and enhanced ACA subsidies are revived on a permanent basis.

Source: Committee for a Responsible Federal Budget, Congressional Budget Office

# The National Debt Will Surge Past Record Levels

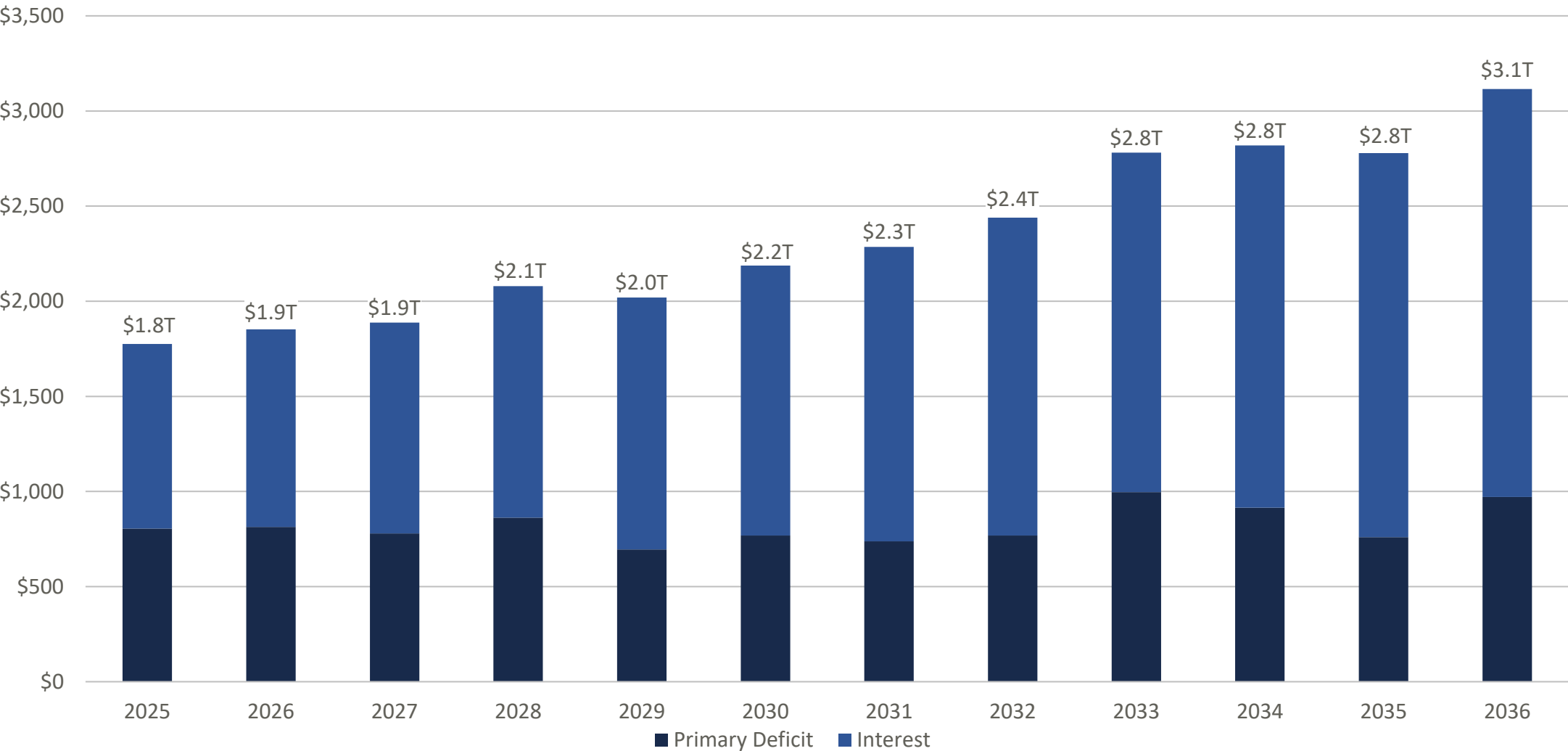


Note: “Alternative Scenario” assumes a permanent OBBBA, tariff revenues only from legal tariffs, and enhanced ACA subsidies are revived on a permanent basis.

Source: Committee for a Responsible Federal Budget, Congressional Budget Office

# Deficits Will Exceed \$3 Trillion By 2036

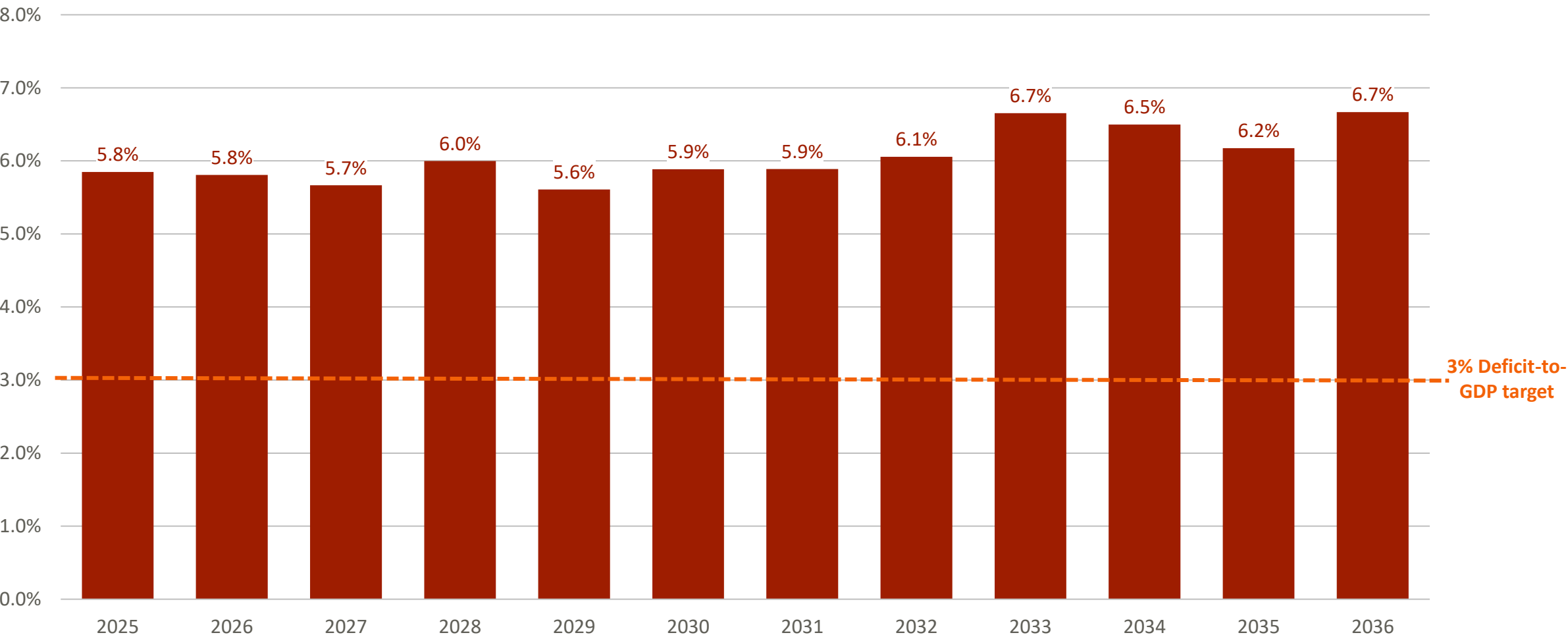
Primary Deficits and Interest Costs (billions)



Source: Congressional Budget Office

# Deficits Are About Double the Sustainable 3% Target

Total Budget Deficits (percentage of GDP)

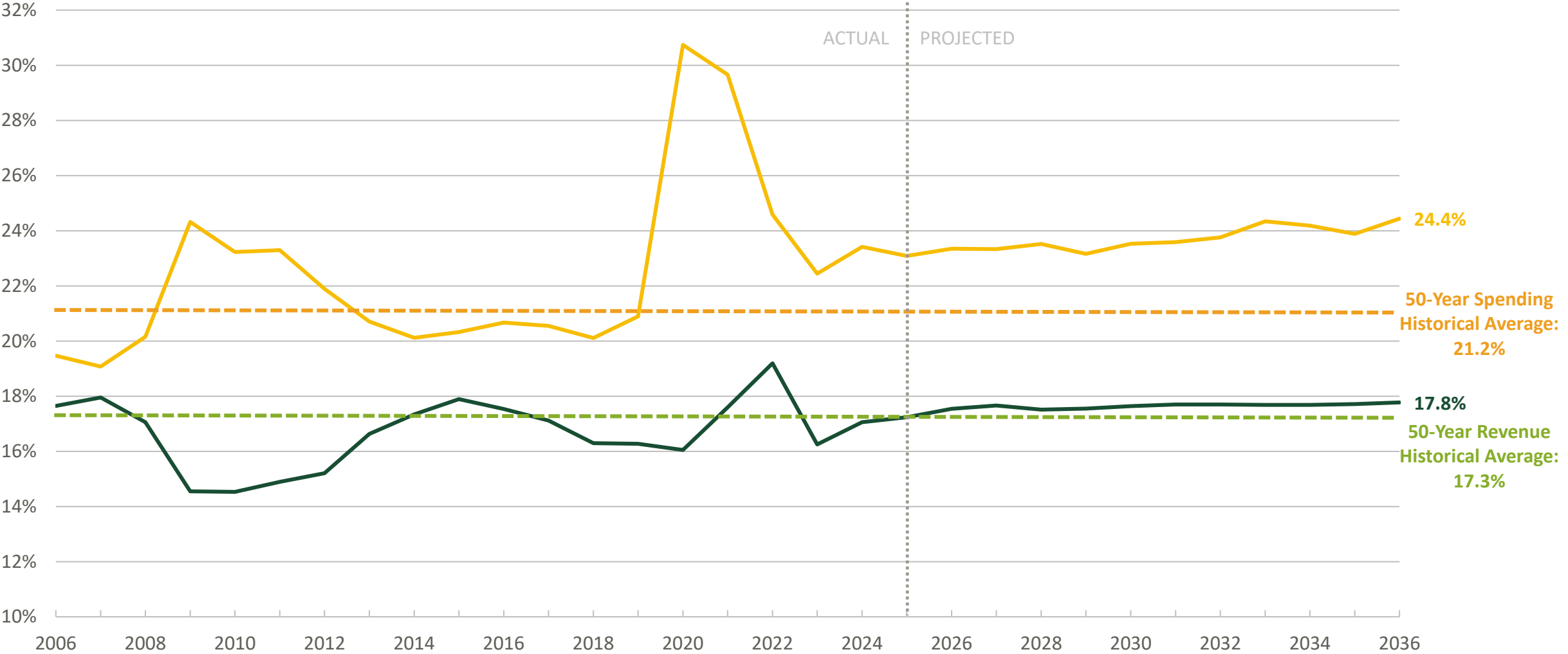


Source: Congressional Budget Office



# Taxes and Spending Are Far Out of Line

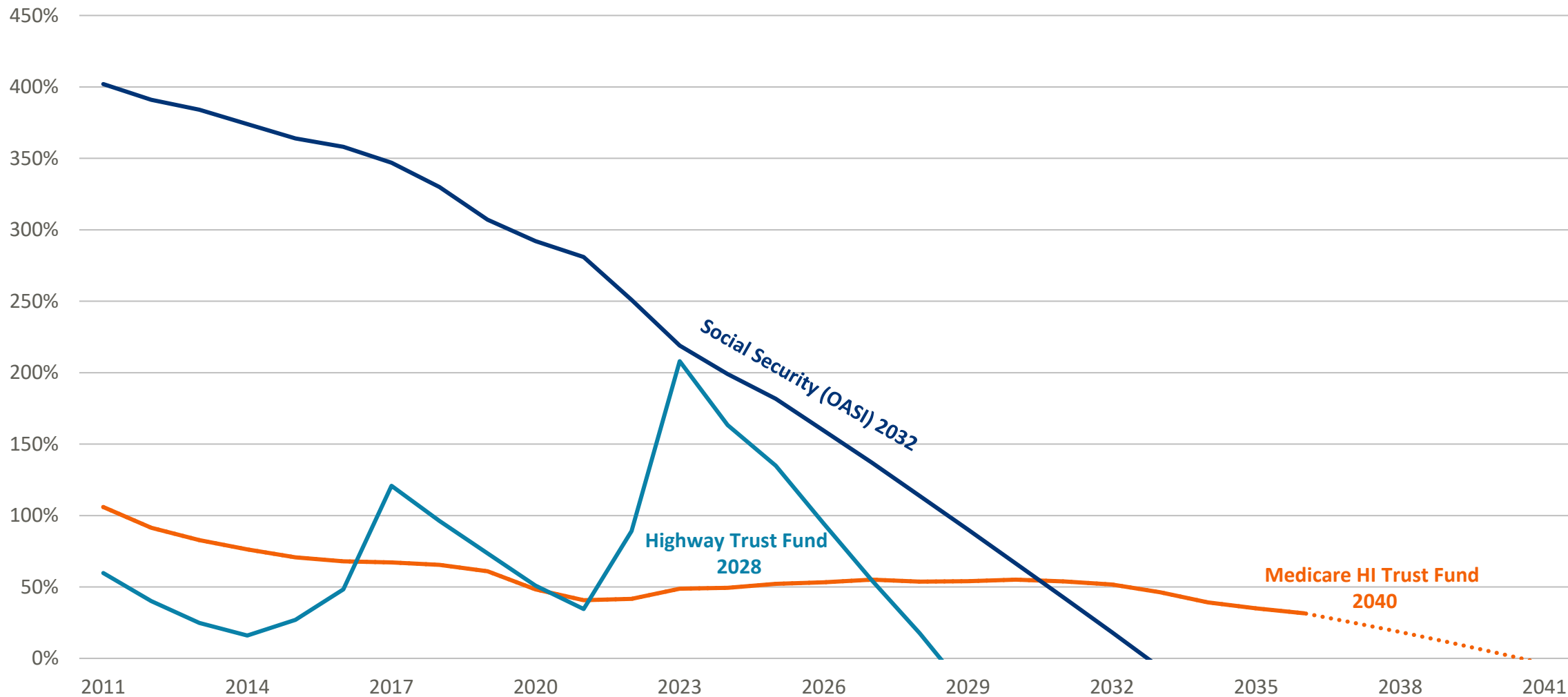
Annual Outlays and Revenue (percentage of GDP)



Source: Congressional Budget Office

# Major Trust Funds Are Approaching Insolvency

Trust Fund Balances (percentage of annual spending)



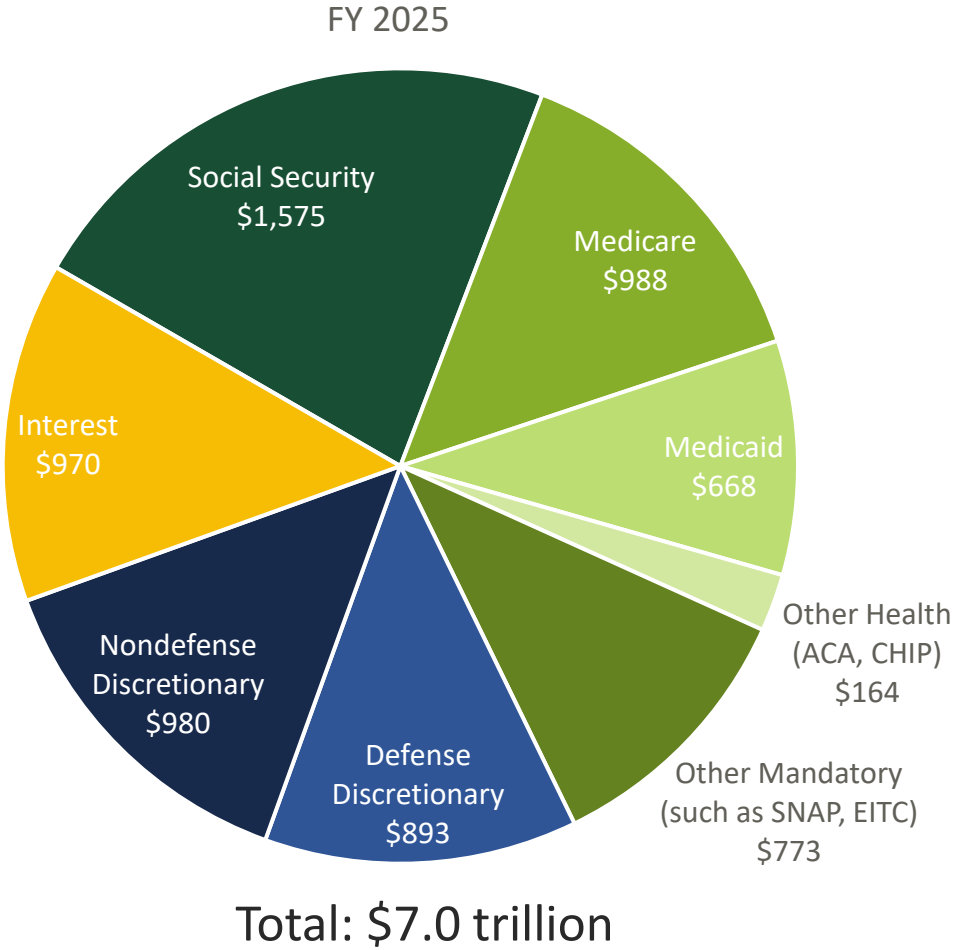
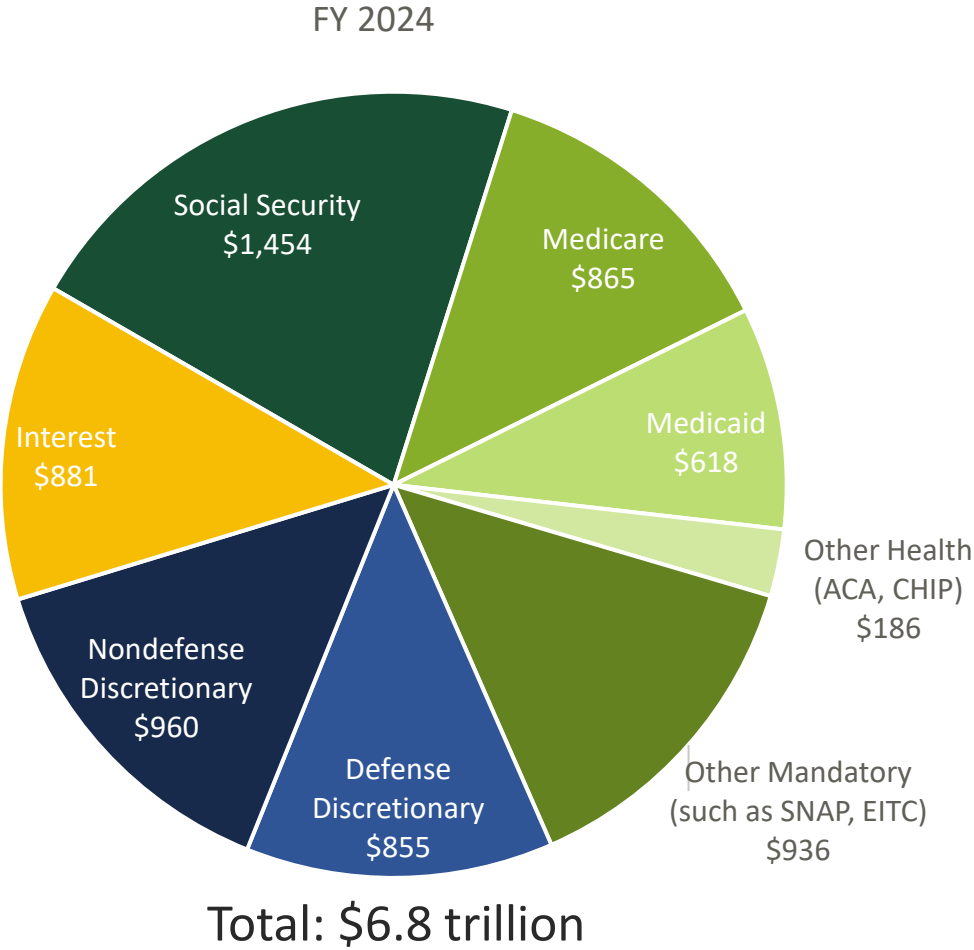
Source: Congressional Budget Office



# Diving Deeper

# Spending Composition, 2024 vs. 2025

Outlays by Category (Billions)

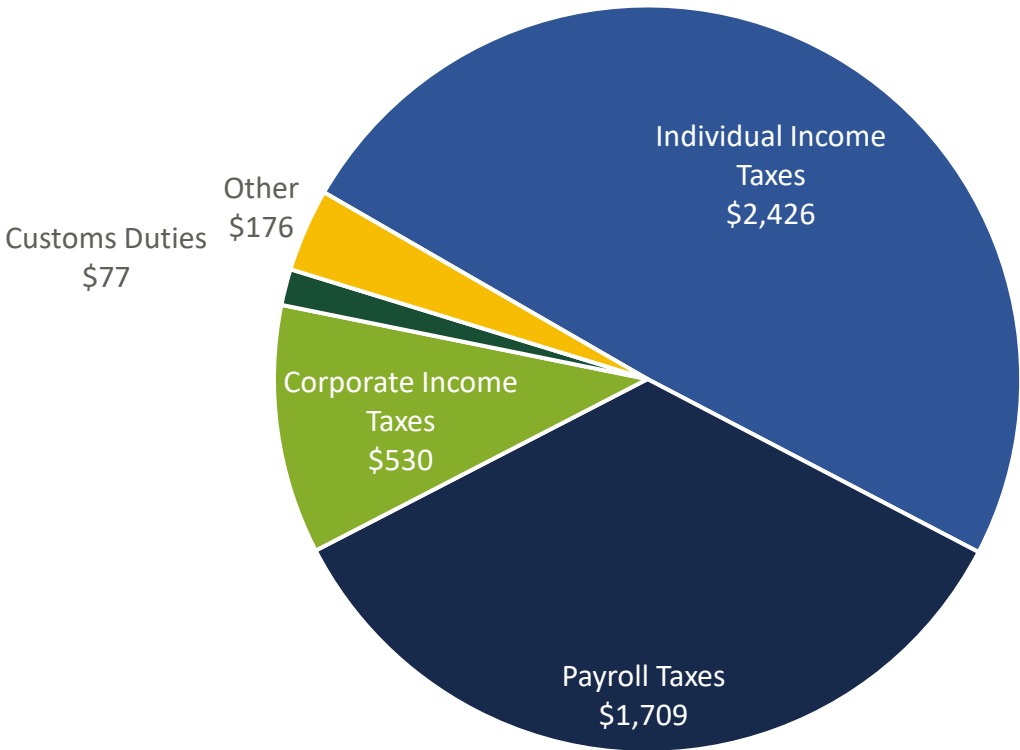


Source: Congressional Budget Office

# Taxes Composition, 2024 vs. 2025

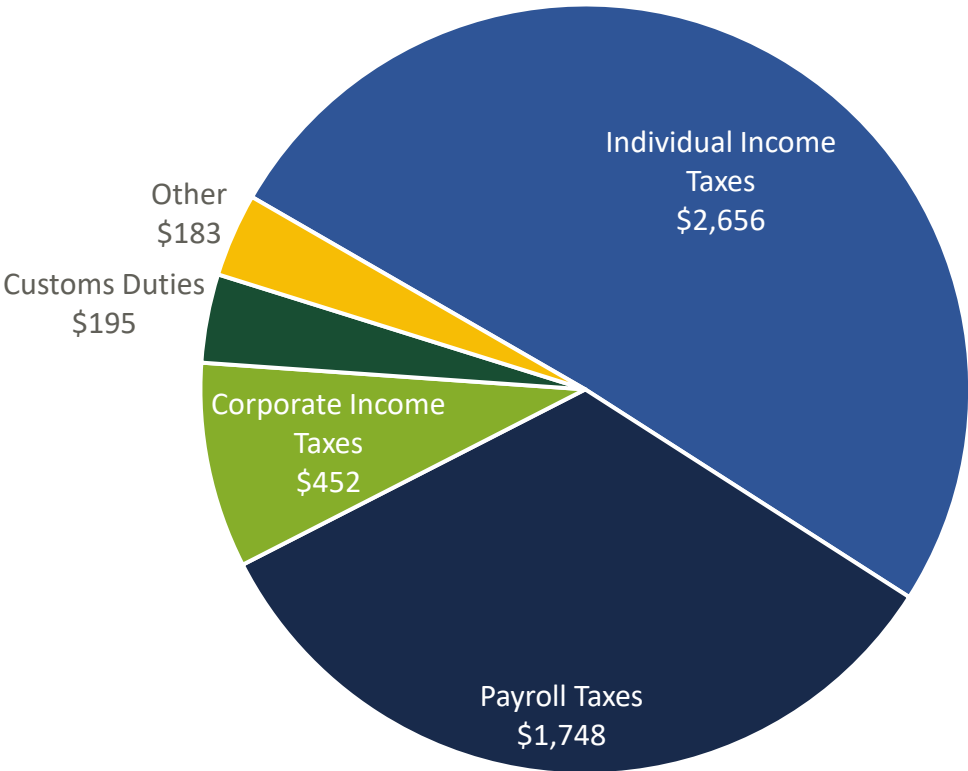
Revenues by Category (Billions)

FY 2024



Total: \$4.9 trillion

FY 2025

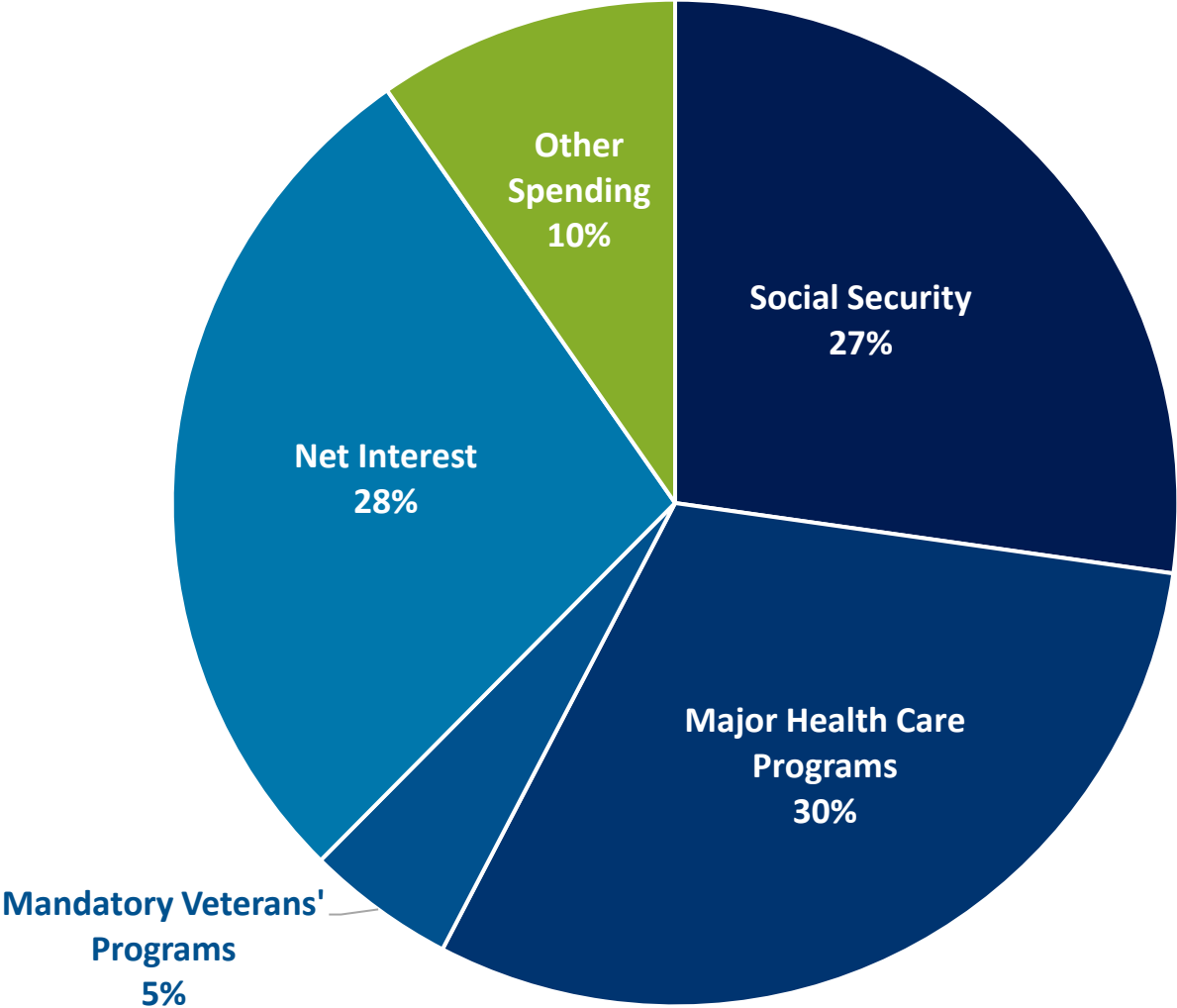


Total: \$5.2 trillion

Source: Congressional Budget Office

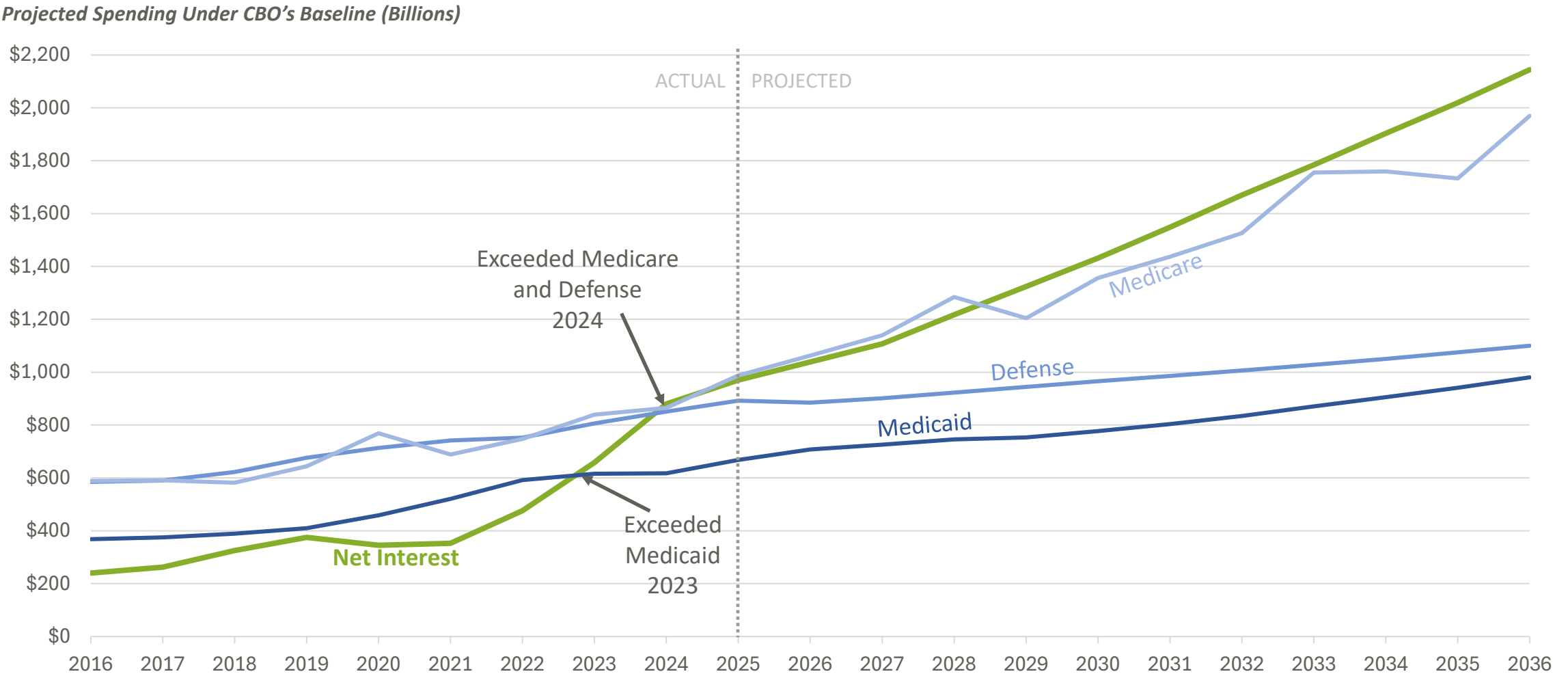
# Social Security, Health Care, Interest, and Mandatory Vets' Programs Explain 90% of Projected Spending Growth

2026-2036 Nominal Spending Growth Under Current Law



Source: Committee for a Responsible Federal Budget, Congressional Budget Office

# Interest Payments are Exploding



Sources: Congressional Budget Office & Office of Management and Budget.

# Policy Changes Added \$2 Trillion to Deficits

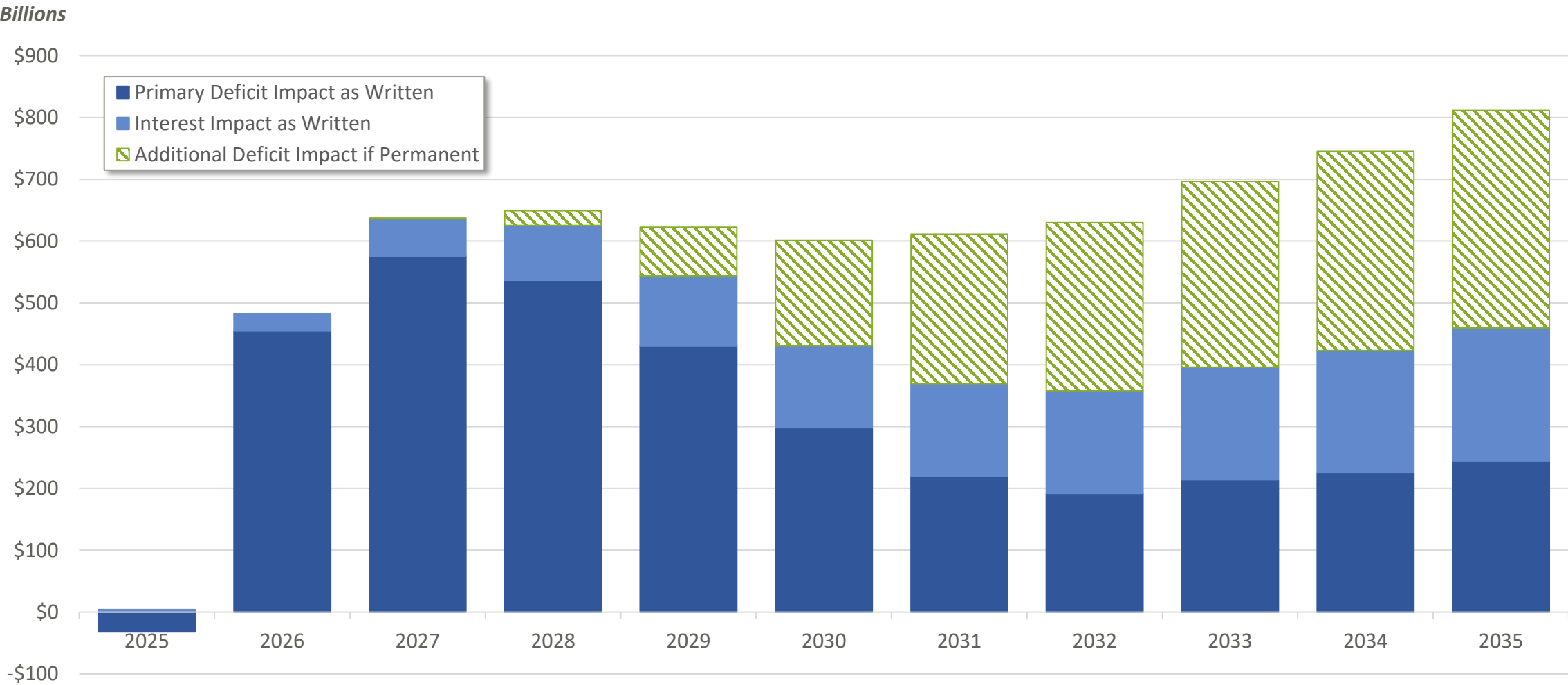
## Major Policy Changes from January 2025 Baseline

Policy Changes	2026-2035
One Big Beautiful Bill Act (OBBBA)*	+\$4.7 trillion
New and Increased Tariffs*	-\$3.0 trillion
Immigration Restrictions and Enforcement*	+\$0.5 trillion
Other Major Administrative Actions and Legislation^	-\$0.2 trillion
Subtotal	+\$2.0 trillion

Sources: Congressional Budget Office and CRFB estimates. Notes: Subtotal is the sum of rounded numbers. \*Numbers include interest and economic effects. ^Number includes interest, roughly calculated by CRFB.



# OBBBA Will Significantly Increase Deficits and Debt



Notes: Figures reflect dynamic feedback effects. “Additional Deficit Impact if Permanent” includes additional interest costs.

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

# Total Deficits Are \$1.4 Trillion Higher Than January 2025 Baseline

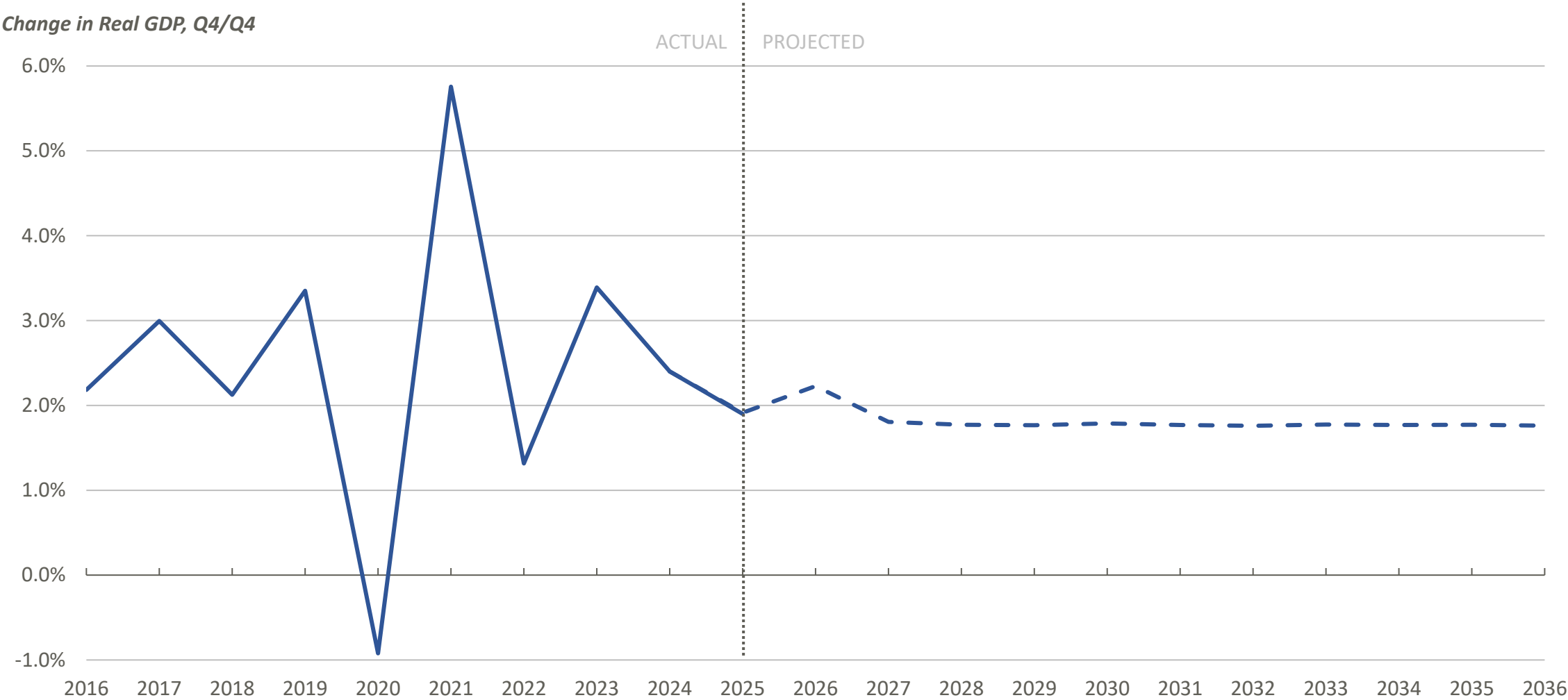
## CBO’s Legislative, Economic, and Technical Changes from January 2025 Baseline

	2026-2035
Deficit in January 2025 Baseline	\$21,758 billion
Legislative Changes	+\$3,427 billion
Lower Revenue, Mainly from Tax Cuts	+\$4,867 billion
Lower Outlays from Spending Reductions and End of Emergency Spending	-\$2,182 billion
Higher Interest from Debt Service	+\$742 billion
Economic Changes	+\$704 billion
Higher Revenue Collection, Mainly from Income Taxes	-\$573 billion
Higher Outlays, Mainly on Social Security and SNAP	+\$339 billion
Higher Interest Costs, Mainly from Higher Interest Rates	+\$938 billion
Technical Changes	-\$2,747 billion
Higher Revenue Collection, Mainly from Tariffs	-\$4,246 billion
Higher Spending, Mainly on Health Care and Veterans	+\$1,968 billion
Lower Interest, Mainly from Debt Service	-\$469 billion
Total Change in Deficit	+\$1,385 billion
Deficit in February 2026 Baseline	\$23,143 billion



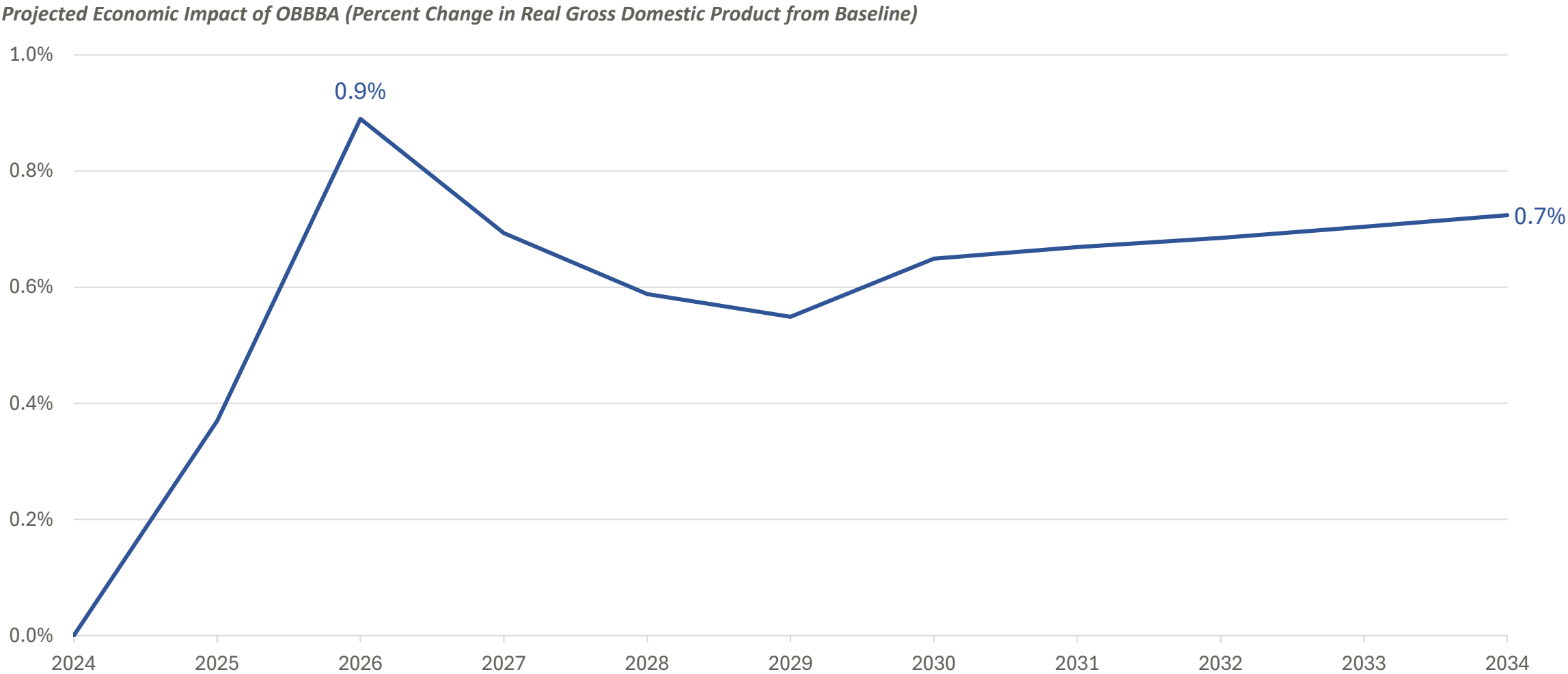
# **The Economic Outlook**

# Growth Will Pop in 2026 Before Slowing to 1.8% Trend



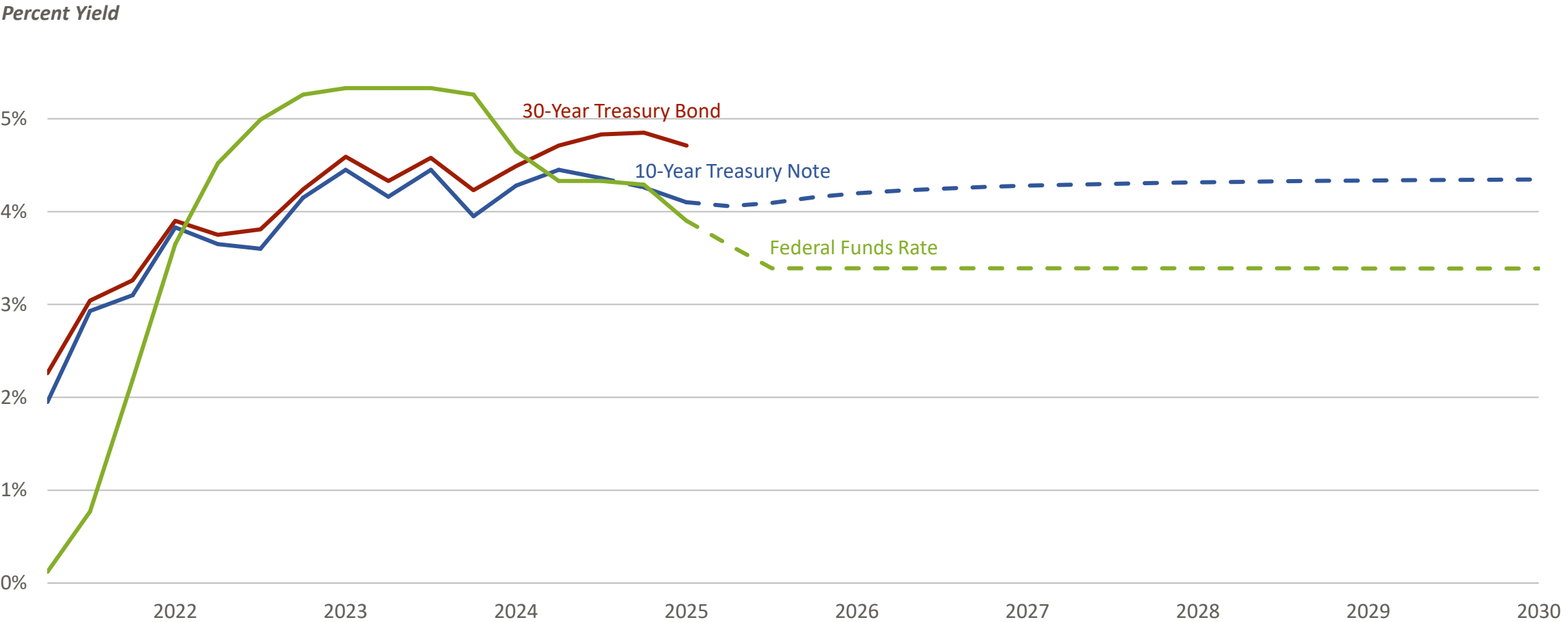
Source: Congressional Budget Office

# OBBBA Will Give the Economy a Modest Boost



Source: Congressional Budget Office

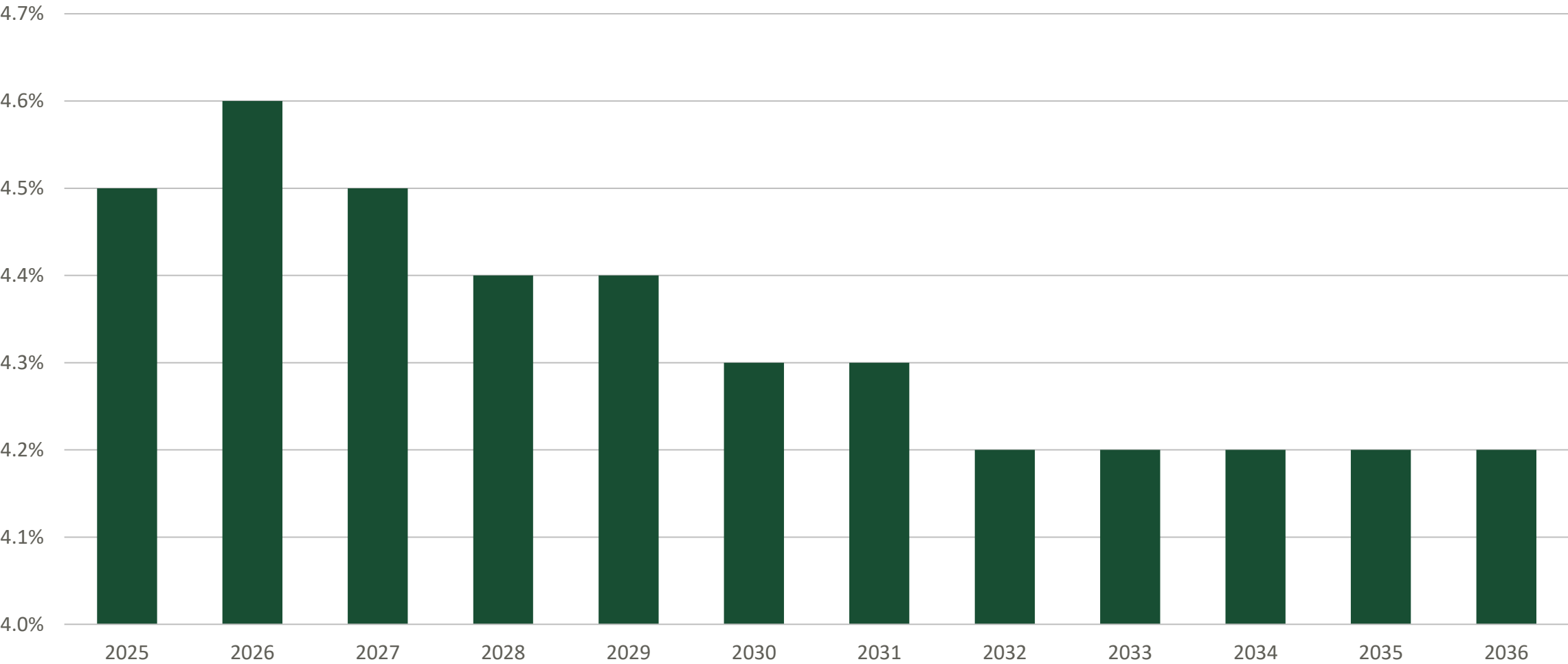
# Interest Rates Will Remain High



Sources: Federal Reserve, U.S. Department of Treasury, Congressional Budget Office.

# Unemployment Will Level Off to 4.2%

Q4 Unemployment Rate



Sources: Congressional Budget Office. Figures are rounded to nearest 0.1%.