

Congressional Budget Office

BASELINE

F e b r u a r y 2 0 2 6

Today, the Congressional Budget Office (CBO) released its updated budget projections for fiscal years **(FY) 2026–2036**. CBO’s report helps Congress understand the fiscal and economic challenges facing the country. **According to the report:**

Gross Federal Debt:

- Totals **\$63.7 trillion** (136.4 percent of GDP) in 2036, up from **\$38.6 trillion** (123.1 percent of GDP) now. Debt is currently at the highest level in American history and keeps rising.

FY 2026 Deficit:

- Totals **\$1.9 trillion**, the **third highest figure** in American history.
- The FY 2026 deficit is equivalent to **5.8 percent of GDP** (the 50-year average is 3.8 percent), the same as last year and down from 6.3 percent in 2024. This projection coincides with a **17.5 percent of GDP** revenue projection (higher than 50-year average of 17.3 percent). Higher spending, **23.3 percent of GDP** compared to 50-year average of 21.2 percent, is the primary cause of higher-than-average deficit.

Ten-Year Deficit:

- Totals **\$24.4 trillion**, greater than all deficit spending by the federal government from **1789 to 2023**.
- The deficit increases by **68 percent** over the budget window, growing from \$1.9 trillion this year to \$3.1 trillion (6.7 percent of GDP) in 2036.

Spending:

- Totals **\$94.6 trillion** over ten years.
- Grows from **\$7.4 trillion** (23.3 percent of GDP) in 2026 to **\$11.4 trillion** (24.4 percent of GDP) in 2036.
- CBO projects mandatory spending (including interest) will increase from **75 percent** of the budget in 2026 to **80 percent of the budget** in 2036.



Mandatory Spending:

- **\$57.9 trillion over ten years.**
- Grows from **\$4.5 trillion** (14.2 percent of GDP) in 2026 to **\$7.0 trillion** (15.0 percent of GDP) in 2036.

Net Interest Spending:

- **\$16.2 trillion** over ten years.
- Grows from \$1.0 trillion (3.3 percent of GDP) in 2026 to **\$2.1 trillion** (4.6 percent of GDP) in 2036.
- In 2026, interest spending will be the third largest item in the federal budget behind only Social Security and Medicare.
- Interest spending exceeds defense spending every year of the budget outlook, and is almost double defense spending by 2036.
- In every year of the budget outlook, interest spending, as a percent of GDP, is at the highest recorded level in American history.
- Interest costs are projected to increase from **9 percent** of federal revenue in 2021 to **19 percent** of federal revenue in 2026 to **26 percent** of federal revenue in 2036.
- Over the next ten years, for every dollar the federal government borrows, **66 cents** will go to pay interest on the national debt.

Discretionary Spending:

- **\$20.5 trillion** over ten years.
- Grows from \$1.9 trillion (5.9 percent of GDP) in 2026 to **\$2.2 trillion** (4.8 percent of GDP) in 2036.
- CBO reduced projected discretionary spending by more than \$1 trillion due to legislation enacted by this Congress.

Revenue:

- Totals **\$70.2 trillion** over ten years.
- Grows from \$5.6 trillion (17.5 percent of GDP) in 2026 to **\$8.3 trillion** (17.8 percent of GDP) in 2036.
- Revenue averages **17.7 percent of GDP** over the decade, above the 50-year average of 17.3 percent of GDP.

Economic Growth:

- CBO projects 1.9 percent economic growth in 2025. The average annual rate of growth during the first three quarters of 2025 was 2.5 percent. With the Atlanta

Fed's GDPNow forecast projecting 3.7 percent for fourth quarter, growth would be close to 3 percent in 2025.

- CBO projects 2.2 percent growth in 2026 and a 1.8 percent annual average over the next decade.
- After enactment of the reconciliation law, CBO projects economy to be 2.4 percent larger by 2035 than previously projected.

CPI Inflation:

- **2.9 percent** in 2026.
- **2.3 percent** annual average over the next decade.

Interest Rates:

- The projected interest rate on 10-year Treasury notes for 2026 has increased from 2.5 percent when President Biden took office to **4.1 percent** in CBO's latest projection.
- The 10-year average interest rate projection is **4.4 percent**.

Unemployment:

- **4.6 percent** in 2025.
- **4.3 percent** annual average over the next decade.
- CBO notes that the reconciliation law reduces the unemployment rate in 2026 and 2027.

