

Congressional Budget Office

BASELINE

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Today, the Congressional Budget Office (CBO) released their budget projections for fiscal years (FY) 2024-2034. CBO's annual report helps Congress understand the fiscal and economic challenges facing the country. *According to the report:*

Gross Federal Debt:

- Totals **\$54.4 trillion** (130.6 percent of GDP) in 2034, up from **\$34.2 trillion** (122.2 percent of GDP) now.

FY 2024 Deficit:

- Totals **\$1.5 trillion**, the *fourth highest figure* in American history.
- The FY 2024 deficit is equivalent to **5.3 percent of GDP** (the 50-year average is 3.7 percent).

Ten-Year Deficit:

- Totals **\$20.0 trillion**.
- The deficit increases by **71 percent** over the budget window, growing from \$1.5 trillion this year to \$2.6 trillion (6.2 percent of GDP) in 2034.

Spending:

- Totals **\$82.7 trillion** over ten years.
- Grows from **\$6.4 trillion** (22.9 percent of GDP) in 2024 to **\$10.1 trillion** (24.1 percent of GDP) in 2034.
- CBO projects mandatory spending (including interest) will increase from **73 percent of the budget** in 2024 to **79 percent of the budget** in 2034.

Mandatory Spending:

- **\$51.0 trillion** over ten years.
- Grows from **\$3.8 trillion** (13.6 percent of GDP) in 2024 to **\$6.3 trillion** (15.2 percent of GDP) in 2034.

Net Interest Spending:

- **\$12.4 trillion** over ten years.
- Grows from \$870 billion (3.1 percent of GDP) in 2024 to **\$1.6 trillion** (3.9 percent of GDP) in 2034.

Discretionary Spending:

- **\$19.2 trillion** over ten years.
- Grows from \$1.7 trillion (6.2 percent of GDP) in 2024 to **\$2.1 trillion** (5.1 percent of GDP) in 2034.

Revenue:

- Totals **\$62.6 trillion** over ten years.
- Grows from \$4.9 trillion (17.5 percent of GDP) in 2024 to **\$7.5 trillion** (17.9 percent of GDP) in 2034.
- Revenue averages **17.8 percent of GDP** over the decade, above the 50-year average of 17.4 percent of GDP.

Economic Growth:

- **1.8 percent** in 2024.
- **2.0 percent** annual average over the next decade.

CPI Inflation:

- **2.6 percent** in 2024.
- **2.2 percent** annual average over the next decade.

Interest Rates:

- The projected interest rate on 10-year Treasury notes for 2024 has increased from 1.5 percent when President Biden took office to **4.6 percent** in CBO's latest projection.
- The 10-year average interest rate projection is **4.1 percent**.

Congressional Budget Office

BASELINE

February 2024

Comparison of 10-Year Projections by Baseline

10-Year Budget Projections (billions)	May 2023	Feb 2024	\$ Change	% Change
Revenues	\$59,777	\$62,649	\$2,872	4.8%
Spending				
<i>Mandatory</i>	\$48,277	\$50,999	\$2,722	5.6%
<i>Discretionary</i>	\$21,255	\$19,231	-\$2,024	-9.5%
<i>Net Interest</i>	\$10,559	\$12,435	\$1,876	17.8%
Total Spending	\$80,091	\$82,665	\$2,574	3.2%
Deficit	\$20,314	\$20,016	-\$298	-1.5%

10-Year Average Annual Economic Projections

Real GDP Growth	2.0%	2.0%	0.0%
CPI Inflation	2.3%	2.2%	-0.1%
10-Year Treasury Yield	3.8%	4.1%	0.3%
Unemployment Rate	4.6%	4.5%	-0.1%

Comparison of FY 2024 Projections by Baseline

FY 2024 Budget Projections (billions)	May 2023	Feb 2024	\$ Change	% Change
Revenues	\$4,848	\$4,935	\$87	1.8%
Spending				
<i>Mandatory</i>	\$3,828	\$3,838	\$10	0.3%
<i>Discretionary</i>	\$1,845	\$1,734	-\$111	-6.0%
<i>Net Interest</i>	\$745	\$870	\$125	16.8%
Total Spending	\$6,418	\$6,442	\$24	0.4%
Deficit	-\$1,571	-\$1,507	\$64	-4.1%

The BASELINE: DEFICITS *and* DEBT

CBO Projects Deficit of \$1.5 Trillion in FY 2024

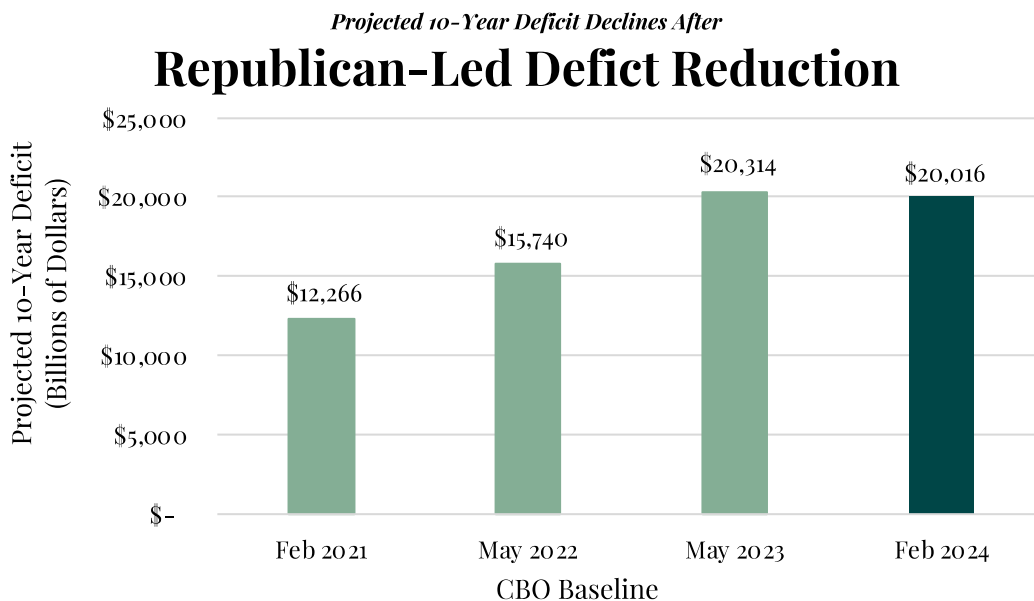
The FY24 budget deficit is projected to be **\$1.5 trillion** (5.3 percent of GDP). The budget deficit will then increase to **\$1.8 trillion** in FY25 and reach **\$2.6 trillion** by FY34.

Over the decade, cumulative deficits are projected to be **\$20.0 trillion**. This is greater than *all cumulative deficit spending* by the federal government from *1789 to 2019*.

CBO revised their projections of spending *downward* by **\$2.6 trillion** due to changes to discretionary spending enacted by this Congress, primarily the result of the **Fiscal Responsibility Act (FRA)**. On net, however, CBO reduced its overall deficit projection for the 2024-2033 timeframe (from the May 2023 baseline) by **\$1.4 trillion** over ten years, from \$20.3 trillion to \$18.9 trillion, due to factors like increased mandatory spending and interest costs.

As a result, the 10-year deficit declined in CBO's updated baseline.

- By comparison, it increased by an average of **\$4 trillion** in each of the past two years.



Comparison of FY 2024 Projected Deficit by Baseline

FY 2024 Deficit Projections (billions)	Feb 2021	Feb 2024	Change (\$)	Change (%)
Revenues.....	\$4,352	\$4,935	\$583	13.4%
Spending.....				
<i>Mandatory</i>	\$3,389	\$3,838	\$449	13.2%
<i>Discretionary</i>	\$1,585	\$1,734	\$149	9.4%
<i>Net Interest</i>	\$284	\$870	\$586	206.3%
<i>Spending Total</i>	\$5,258	\$6,442	\$1,184	22.5%
Deficit.....	\$905	\$1,507	\$602	66.5%

Gross Federal Debt

Gross federal debt is projected to be **\$34.8 trillion** (122.2 percent of GDP) at the end of FY24.

- *By comparison, gross federal debt was just \$27.8 trillion when President Biden took office.*

Debt is then projected to grow to **\$54.4 trillion** (130.6 percent of GDP) by the end of FY34.

- *To put this in perspective, at the end of FY 2000, the gross federal debt was just \$5.7 trillion.*

Debt Per Person

Debt per person is projected to equal more than **\$100,000 in FY24**, or **\$400,000 per family of four**.

This will increase to **\$150,000 per person**, or **\$600,000 per family of four**, by FY34.

The *BASELINE* and SPENDING

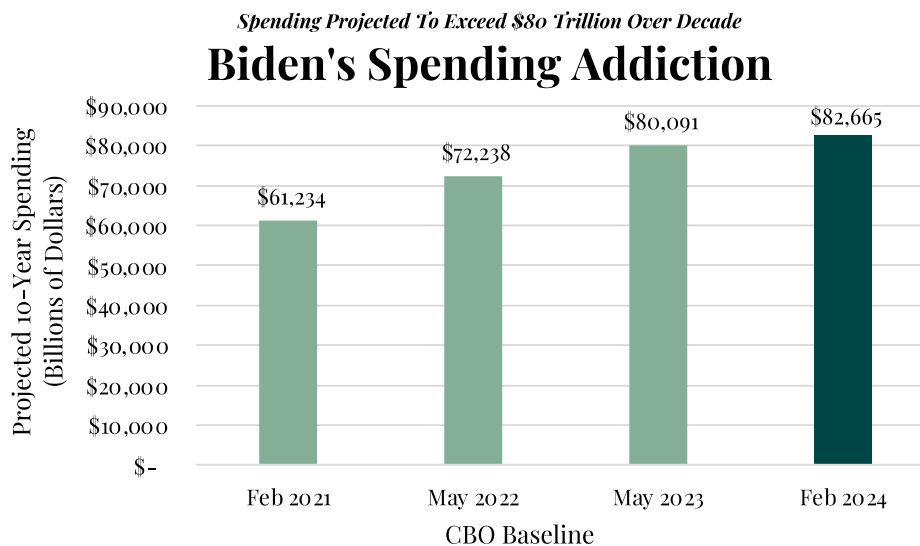
Over the past three years, Democrats have financed their radical agenda and vast expansion of the federal government with unprecedented levels of spending, adding **\$6.4 trillion** to the national debt in just three years.

Projected 10-Year Spending

CBO's report details that total spending over the decade is projected to be **\$82.7 trillion**. By comparison, projected 10-year spending when President Biden took office was **\$61.2 trillion**.

This consists of:

- **\$51 trillion in mandatory spending**
 - **\$19.9 trillion** for Social Security
 - **\$13 trillion** for Medicare
 - **\$7.1 trillion** for Medicaid
- **\$19.2 trillion in discretionary spending**
 - **\$9.4 trillion** for defense
 - **\$9.8 trillion** for nondefense
- **\$12.4 trillion in net interest costs**



Comparison of FY24 Projected Spending by Baseline

Spending projections for FY24 have *increased significantly* since President Biden took office.

Compared to the February 2021 CBO baseline, FY24 projected spending has increased by almost **\$1.2 trillion**, or 22.5 percent.

The table below breaks down the changes in these projections.

FY 2024 Spending Projections (billions)	Feb 2021	Feb 2024	Change (\$)	Change (%)
Mandatory.....	\$3,389	\$3,838	\$449	13.2%
<i>Social Security</i>	\$1,344	\$1,453	\$109	8.1%
<i>Medicare</i>	\$861	\$851	-\$10	-1.2%
<i>Medicaid</i>	\$504	\$557	\$53	10.5%
<i>Income Security Programs</i>	\$326	\$407	\$81	24.8%
<i>All Other Mandatory</i>	\$354	\$570	\$216	61.0%
Discretionary.....	\$1,585	\$1,734	\$149	9.4%
Defense	\$767	\$822	\$55	7.2%
Nondefense	\$818	\$917	\$99	12.1%
Net Interest.....	\$284	\$870	\$586	206.3%
TOTAL SPENDING	\$5,258	\$6,442	\$1,184	22.5%

The *BASELINE* and REVENUES

As outlined in House Budget Committee’s [FY24 – FY33 “Reverse the Curse” Budget Resolution Blueprint](#): economic growth is essential to reining-in our deficits and reducing our nation’s indebtedness. Growth generates more revenue for our country, reduces spending by lifting American families out of poverty and off government dependence, allowing taxpayers to keep *more* of their hard-earned income.

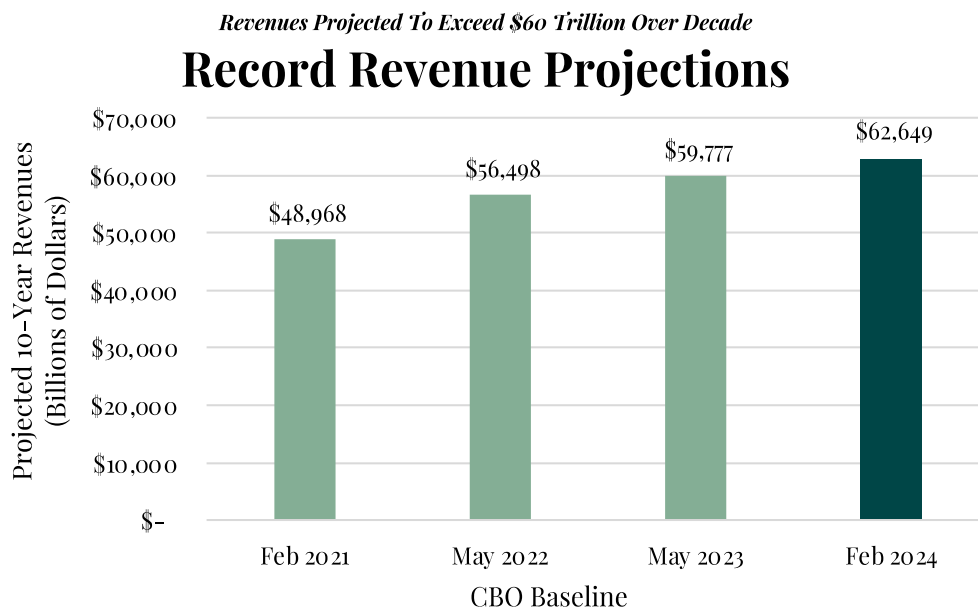
Projected 10-Year Revenues

For fiscal years 2025–2034, the Congressional Budget Office (CBO) budget baseline provides an estimate for incoming revenues based on individual income and corporate tax collections, tax exemptions and incentives, interest rates, recently enacted legislation and the corresponding changes to tax liability.

CBO’s February Baseline for 2025–2034 projects:

Federal revenues will total roughly **\$62.6 trillion** over the next decade, consisting of:

- **\$33 trillion** in individual income taxes
- **\$20.9 trillion** in payroll taxes
- **\$5.1 trillion** in corporate income taxes
- **\$3.7 trillion** in other revenues



Comparison of FY 2024 Projected Revenue by Baseline

By comparison, projected 10-year revenues when President Biden took office were **\$49 trillion**. This increase in projected revenues has been driven by high inflation and the positive economic effects of tax reform.

For example, in 2021 CBO projected nominal GDP would reach \$37 trillion in 2034. This projection has since been increased to \$42.4 trillion. As nominal incomes increase, nominal income taxes increase as well. This effect is further influenced by some aspects of the tax code, such as the Child Tax Credit, which is not indexed for inflation – pushing up real (inflation-adjusted) income taxes for taxpayers with children.

Further, previous projections failed to accurately predict the positive economic boost from Republican tax reform. CBO incorporated Republican tax reform into its budget projections in the April 2018 budget outlook. Under these projections, the federal government would have collected \$22.6 trillion in revenue since enactment of TCJA. Actual tax collections were \$23.6 trillion—more than \$1 trillion above CBO’s April 2018 projection.

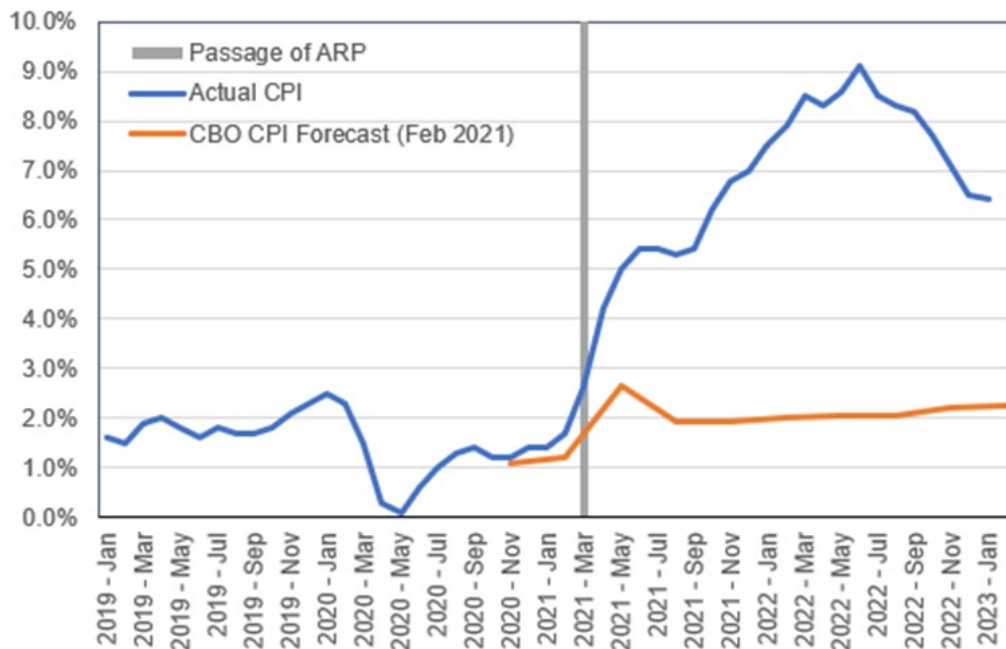
Compared to the February 2021 CBO baseline, FY24 projected revenues have increased by **\$583 billion**, or **13.4 percent**, depicted in the chart below:

FY 2024 Revenue Projections (billions)	Feb 2021	Feb 2024	Change (\$)	Change (%)
<i>Individual Income Taxes</i>	\$2,139	\$2,469	\$330	15.4%
<i>Payroll Taxes</i>	\$1,507	\$1,663	\$156	10.4%
<i>Corporate Income Taxes</i>	\$328	\$569	\$241	73.5%
<i>Other</i>	\$379	\$234	-\$145	-38.3%
Total Revenue.....	\$4,352	\$4,935	\$583	13.4%

The BASELINE *and* INTEREST COSTS

The House Budget Committee’s [FY 2024- FY 2033 “Reverse the Curse” Budget Resolution Blueprint](#), and economic experts alike, [correctly attribute](#) the enactment of the partisan, Democrat-led American Rescue Plan to the corresponding surge of record 40-year high inflation rates and the subsequent federal interest rate hikes.

CPI (YoY) vs CBO Pre-ARP Forecast



Since then, interest costs have soared to \$659 billion in fiscal year 2023, according to the Treasury Department—up \$184 billion, or 39% increase—from the previous year.

Projected, Net Interest Costs

The Congressional Budget Office’s (CBO) February 2024 baseline projects net interest costs in FY24 to be **\$870 billion**.

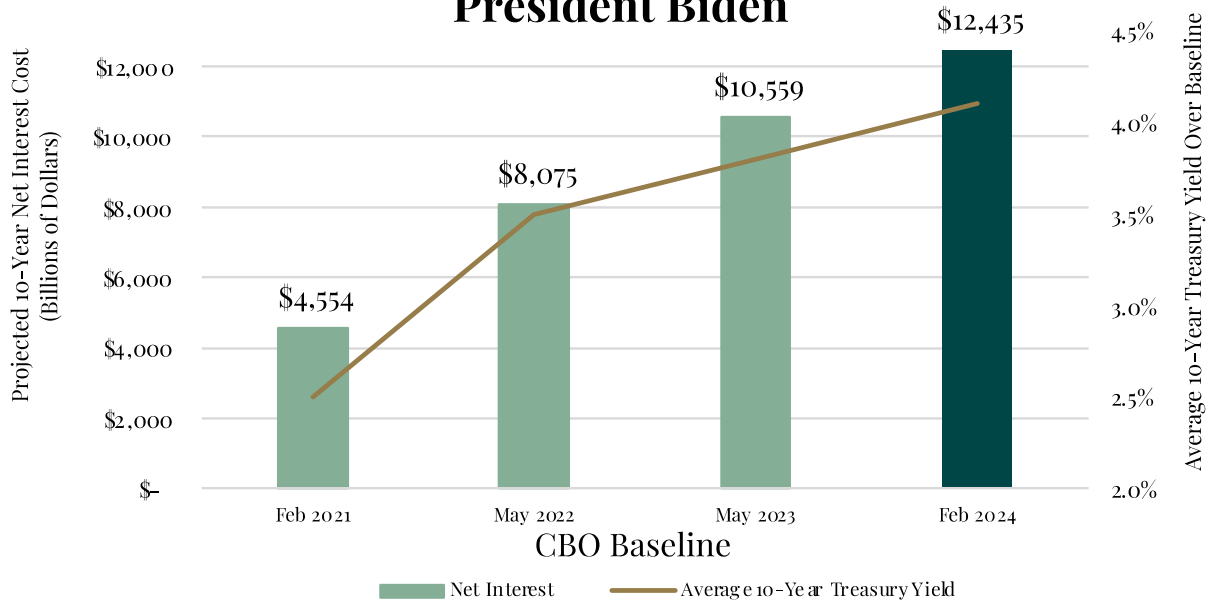
- Net interest costs will subsequently **increase to \$951 billion in FY25** and balloon up to **\$1.6 trillion by FY34**.

Over the 2025-2034 budget window, cumulative interest costs are projected to reach a staggering **\$12.4 trillion**.

- By comparison, CBO projected 10-year interest costs were **\$4.5 trillion** when President Biden took office *in January 2021*.

Government Projected To Pay Over \$12 Trillion On Interest

Interest Costs Have Almost Tripled Under President Biden



Projected Interest Rates

The 10-year yield on Treasuries is **projected to be 4.6 percent in 2024**.

- Over the next decade, CBO projects the yield on 10-year Treasuries to **average 4.1 percent**.
- The projected yield on 10-year Treasuries when President Biden took office was merely 1.8 percent in 2024, with an **average of 2.5 percent** over the budgetary window.

The federal funds rate is now projected to **average 5.1 percent in 2024**.

- Projections for the federal funds rate are estimated to **average 3.1 percent** over the next decade
- When President Biden assumed office, the projected federal funds rate was only 0.2 percent in 2024, with an **average of 1.2 percent** projected over CBO's budget window.

The **BASELINE** *and the* **BORDER CRISIS**

Impact of Surging Migration

The Congressional Budget Office's (CBO) most recent baseline for fiscal year 2024 states the current surge in immigration will “expand the labor force and increase economic output” but will ultimately result in “*a decline in labor force participation due to slowing demand for workers.*”

Assuming the influx of current immigration rates will continue through 2026, CBO projects migration would:

- ***Lead to economic growth***, adding an average of about **0.2 percentage points** to the annual growth rate of real GDP.
- ***Lower Real GDP Per Person in 2034***, a reduction of **0.8 percent**.
- ***Reduce Total Factor Productivity (TFP)*** in the near term, due to immigration's effect on the supply of goods and services, while **raising TFP by 0.2 percent in 10 years**.
- ***Put Downward Pressure on Average Wages**** due to:
 - Immigrants working in sectors of the economy that pay relatively low[er] wages; and,
 - Projected increases in net total of workers reduces the amount of capital (factories and machinery) per worker.

**CBO increased their labor force size projection for 2033 by 5.2 million stating that “[m]ost of that increase results from higher projected net immigration.” This major increase in low wage labor will further drive down wages.*

What's Missing?

CBO's calculations on the fiscal impact of the border crisis focuses on *spending at the federal level* but *does not* capture the expenditures associated with illegal immigration *at the state and local level*.

The fiscal impact on state and local governments and communities would include the cost of localized crime and law enforcement, along with the state-based costs for housing, clothing, educating, and providing health services for immigrants *and* their dependents.

Further, and most importantly, CBO's baseline findings are born from calculating the cost of *legal immigration* and its subsequent impact on the federal budget and broader economy.

Thus, CBO's current assumptions acknowledge that, if we remain on the current trajectory, immigration cost estimates are subject to change, stating: "**areas of uncertainty that have particularly [significant] implications** for CBO's projections after the next few years include... **net immigration.**"

The Bottom Line

While the CBO's balanced approach acknowledges the importance of legal immigration on our economy—both negative and positive—it is critical that we **continue to improve the accuracy with which we calculate the effects of illegal immigration at the local, state, and federal level.**

The **BASELINE** *and* **TRUST FUNDS**

Federal trust funds are mechanisms created by Congress to manage revenues intended for important services for the American public, such as Social Security, Medicare, highway construction, and more.

The Congressional Budget Office's (CBO) recent baseline provides useful analysis on the current condition of the Trust Funds while also **showcasing the severity of their potential downfall if Congress does not act to save them.**

Social Security Trust Funds

The Social Security program is supported by two separate trust funds:

- ***The Old-Age and Survivors Insurance (OASI) Trust Fund***, which encompasses the majority of Social Security benefits, is used to provide retired workers, their families, and survivors of deceased workers with benefits.
- ***The Disability Insurance (DI) Trust Fund***, which provides support to workers who are unable to continue employment due to serious, long-term disabilities. The trust funds are funded by a 12.4% tax, split evenly between employers and employees.

According to the report, the OASI Trust Fund **will be unable to meet its financial obligations in 2033.** Once the reserves are exhausted, and absent a change in law, the OASI Trust Fund will experience across-the-board benefits cuts of 25% for all recipients.

CBO's projection is a clear reminder that the current predicament of the Social Security trust funds necessitates congressional action to mitigate benefit cuts, **which could impact the lives of millions of beneficiaries and upend the economic stability of families on a fixed income.**

Medicare (Hospital Insurance) Trust Fund

The Hospital Insurance (HI) Trust Fund provides funding for Medicare Part A, which primarily covers inpatient hospital care for Medicare beneficiaries. The HI Trust fund's income is derived primarily from the 2.9 percent Medicare payroll tax.

CBO projects the HI Trust Fund to be **solvent and able to pay 100 percent of scheduled benefits through the 10-year projection window.**

However, the Medicare Trustees, often regarded as the gold standard in forecasting solvency of the HI Trust Fund, [forecasted](#) in 2023 the HI Trust Fund **will become insolvent in 2031**, at which point Medicare will only be able to cover *89% of scheduled Part A benefits*.

Highway Trust Fund

The Highway Trust Fund (HTF) is composed of two Trust Funds:

- ***The Highway Account***, which funds interstate projects such as highway construction, bridges, and general maintenance
 - The primary sources of HTF revenue include an 18.4-cent-per-gallon tax on gasoline and a 24.4-cent-per-gallon tax on diesel fuel (fuel taxes are not indexed to inflation).¹
- ***The Mass Transit Account***, which was added to the HTF in 1983, funds public transportation initiatives.

CBO's latest baseline projects the HTF to become insolvent in 2028 due to the last major Department of Treasury general fund bailout of \$118 billion provided by the Infrastructure Investment and Jobs Act (P.L. 117-58). **Over the ten-year**

¹ Other sources of revenue include truck tire taxes, truck registration fees, and interest paid on the HTF's balances by the Department of Treasury; Congress has increased motor fuel taxes four times: 1959, 1982, 1990, and 1993.

budgetary window. CBO projects HTF spending to exceed incoming revenue by a cumulative shortfall of \$279.3 billion; this is incredibly unsustainable.

Due to spending being enacted at unsustainable rates for decades, the HTF has repeatedly faced potential sudden and significant spending reductions which could eventually be felt at the state level in the form of lower reimbursements from the federal government. Moreover, since 2008, Congress has approved a total of ***\$275 billion in general fund transfers*** from the Treasury to the HTF.

CBO's latest baseline projections once more exhibit the importance of addressing the long-term solvency issues facing the HTF. **It is imperative for Congress to resolve these solvency problems** in order to provide the nation with a tangible, long-term fiscal outlook that can bestow necessary resources for all Americans.

CORRECTIONS *to* PREVIOUS BASELINES

Since the last baseline update in May 2023, CBO has *reduced* their deficit projections by **\$1.4 trillion** within the 10-year budget window of fiscal year 2024 to 2033. Meaning, the projected deficit over this period *declined* from \$20.3 trillion to **\$18.9 trillion**.

This deficit reduction was the result of:

- **\$2.6 trillion** of deficit reduction from **legislative changes**.
- **\$121 billion** of deficit increases from **economic changes**.
- **\$1.1 trillion** of deficit increases from **technical changes**.

Legislative Changes

CBO revised their projections of spending downward by **\$2.6 trillion** due to changes to discretionary spending enacted by this Congress, primarily as a result of spending and deficit reduction included in the **Fiscal Responsibility Act of 2023 (FRA)**.

Within this amount, CBO revised their projections of *emergency discretionary* spending downward by **\$0.7 trillion**.

Economic Changes

CBO increased its deficit projections by **\$121 billion** due to changes in economic outlook projections. This change is a result of **\$766 billion** in higher projected *spending*, which was partially offset by **\$645 billion** in higher *revenues*, including:

Spending:

- *Net interest costs* are **\$1.2 trillion** higher due to increased interest rate projections.
- *Mandatory spending* was reduced by **\$321 billion**, largely due to reduced projections for inflation and wages.
- *Discretionary spending* was reduced by **\$69 billion**, primarily due to lower inflation projections.

Revenues:

- *Corporate tax revenues* increased by **\$541 billion** due to higher projected corporate profits.
- *Payroll taxes* increased by **\$98 billion** due to higher projected wages and salaries.
- *Individual income taxes* increased by **\$8 billion** due to higher expected capital gains and pass-through business income.
- *Federal Reserve remittances* declined by **\$38 billion** due to higher interest rates.
- *Other revenues* from estate and gift taxes, excise taxes, and customs duties were increased by **\$37 billion** largely due to higher projected asset values.

Executive Actions and Technical Changes

CBO updated their budget and economic outlook to account for changes that were not economic or legislative in nature, which accounted for more than **\$1.1 trillion** over ten years.

Nearly *half* of that \$1.1 trillion stems from an Environmental Protection Agency (EPA) rule imposing stricter vehicle emissions standards and CBO's re-estimate of the cost of the electric vehicle tax credits from the Inflation Reduction Act (IRA).