

Congressional Budget Office

BASELINE

J a n u a r y 2 0 2 5

Today, the Congressional Budget Office (CBO) released its updated budget projections for fiscal years **(FY) 2025-2035**. CBO's report helps Congress understand the fiscal and economic challenges facing the country. **According to the report:**

Gross Federal Debt:

- Totals **\$59.2 trillion** (134.8 percent of GDP) in 2035, up from **\$36.2 trillion** (123.2 percent of GDP) now. Debt is currently at the highest level in American history and keeps rising.

FY 2025 Deficit:

- Totals **\$1.9 trillion**, the **third highest figure** in American history.
- The FY 2025 deficit is equivalent to **6.2 percent of GDP** (the 50-year average is 3.8 percent). This historically high projection coincides with a **17.1 percent of GDP** revenue projection (roughly equal to 50-year average of 17.3 percent). Higher spending, **23.3 percent of GDP** compared to 50-year average of 21.1 percent, is primarily to blame.

Ten-Year Deficit:

- Totals **\$21.8 trillion**, greater than all deficit spending by the federal government from **1789 to 2020**.
- The deficit increases by **36 percent** over the budget window, growing from \$1.9 trillion this year to \$2.5 trillion (5.8 percent of GDP) in 2035.

Spending:

- Totals **\$89.3 trillion** over ten years.
- Grows from **\$7.0 trillion** (23.3 percent of GDP) in 2025 to **\$10.6 trillion** (24.0 percent of GDP) in 2035.
- CBO projects mandatory spending (including interest) will increase from **74 percent** of the budget in 2025 to **78 percent of the budget** in 2035.



Mandatory Spending:

- **\$54.4 trillion over ten years.**
- Grows from **\$4.2 trillion** (14.0 percent of GDP) in 2025 to **\$6.5 trillion** (14.7 percent of GDP) in 2035.

Net Interest Spending:

- **\$13.8 trillion** over ten years.
- Grows from \$952 billion (3.2 percent of GDP) in 2025 to **\$1.8 trillion** (4.1 percent of GDP) in 2035.
- In 2025, interest spending will be the second largest item in the federal budget behind only Social Security.
- Interest spending exceeds defense spending every year of the budget outlook.
- From 2027 onwards, interest spending as a percent of GDP is at the highest recorded level in American history.
- Interest spending has increased by **\$600 billion** or 170 percent under the four years of the Biden Administration.
- Interest costs are projected to increase from **9 percent** of federal revenue in 2021 to **18 percent** of federal revenue in 2025 to **22 percent** of federal revenue in 2035.
- Over the next ten years, for every dollar the federal government borrows, **64 cents** will go to paying interest on the national debt.

Discretionary Spending:

- **\$21.1 trillion** over ten years.
- Grows from \$1.8 trillion (6.1 percent of GDP) in 2025 to **\$2.3 trillion** (5.3 percent of GDP) in 2035.

Revenue:

- Totals **\$67.5 trillion** over ten years.
- Grows from \$5.2 trillion (17.1 percent of GDP) in 2025 to **\$8.0 trillion** (18.3 percent of GDP) in 2035.
- Revenue averages **18.1 percent of GDP** over the decade, above the 50-year average of 17.3 percent of GDP.
- CBO increased their projection of revenues by **\$1.9 trillion** over 10 years compared to last June.

Economic Growth:

- **1.9 percent** in 2025.
- **1.8 percent** annual average over the next decade.

CPI Inflation:

- **2.3 percent** in 2025.
- **2.2 percent** annual average over the next decade.

Interest Rates:

- The projected interest rate on 10-year Treasury notes for 2025 has increased from 2.1 percent when President Biden took office to **4.1 percent** in CBO's latest projection.
- The 10-year average interest rate projection is **3.9 percent**.

