



Written by [Veronika Kyrylenko](#) on February 18, 2026

CBO: America's Debt-spiral Risk Grows as Spending Outpaces Revenue

The federal government's fiscal trajectory is darkening.

Last Wednesday, the Congressional Budget Office (CBO) [released](#) its latest Budget and Economic Outlook. The report updates its baseline to reflect the One Big Beautiful Bill Act ([OBBBA](#)) signed into law last July, tariffs, immigration changes, and recent economic shifts.

The bipartisan agency responsible for providing budget and economic information to Congress states plainly:

CBO's latest baseline shows an unsustainable fiscal outlook, with debt approaching record levels, deficits remaining elevated at more than twice a reasonable target, and interest costs exploding.



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The CBO's warning leaves little room for complacency, as the longer policymakers delay meaningful reform, the more painful and constrained their choices are likely to become.

Debt at Historic Levels

Debt held by the public now equals roughly 100 percent of Gross Domestic Product (GDP), meaning the federal government owes an amount roughly equal to the total value of goods and services the entire U.S. economy produces in a year. That places it near the peak reached in the aftermath of World War II. And it continues to rise.

As the report states,

CBO projects that debt held by the public will grow by \$25 trillion, from nearly \$31 trillion today to \$56 trillion by 2036. As a share of the economy, debt will grow from 100% of GDP today to a record 108% by 2030 and 120% by 2036.

The significance lies in the ratio itself. Debt as a share of GDP measures federal obligations against national output. When that ratio climbs, the consequences are anything but benign.

The CBO does not soften the warning:

High and rising debt levels present significant [risks and threats](#) to the economy and the nation as a whole.



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The report points to slower growth, higher interest rates, inflationary pressure, and a “greater risk of a fiscal crisis.”

Over the longer horizon, the trajectory steepens further. The agency projects debt could reach a staggering 175 percent of GDP by 2056. In plain terms, Washington would be carrying obligations approaching twice the nation’s annual output, not as a crisis response, but as business as usual.

Deficits Above \$3 Trillion

Annual deficits are widening. The CBO projects that

deficits will total \$24.4 trillion (6.1% of GDP) over the next decade, rising from \$1.8 trillion (5.8% of GDP) in 2025 to \$3.1 trillion (6.7% of GDP) by 2036.

Put differently, the government is on track to borrow more than \$3 trillion a year within a decade. That is not a one-time emergency outlay. It is baked into the baseline.

The agency adds:

As a share of the economy, CBO projects deficits will average 6.1% of GDP over the next decade — twice the 3% of GDP deficit target needed to put the debt on a sustainable path.

That 3-percent benchmark is not arbitrary. Many economists view it as a rough ceiling for stabilizing debt relative to GDP. Stay near that level and debt can plateau; drift far above it — and debt accelerates.

The outlook has also deteriorated since last year. The CBO now projects \$1.4 trillion more borrowing between 2026 and 2035 than it did in its January 2025 baseline. Policy changes account for much of that shift:

OBBBA, alone, will add \$4.7 trillion to deficits through 2035 including interest and macrodynamic effects, while changes in immigration policy will add an additional \$0.5 trillion.

Tariffs will “subtract \$3 trillion,” partially offsetting the increase.

The lesson is direct: Deficits do not simply happen — they reflect policy decisions.

Spending Outruns Revenue

The core imbalance stems from a government that is living far beyond its means. The report says it without drama:

Spending is larger and growing faster than revenue.

It then shows just how wide that gap is. Spending will climb from 23.1 percent of GDP, or \$7.0 trillion, in 2025 to 24.4 percent, or \$11.4 trillion, by 2036. Revenue will edge up from 17.2 percent of GDP, or \$5.2 trillion, to 17.8 percent, or \$8.3 trillion.

The composition of spending makes the challenge harder. The CBO reports that Social Security and



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federal healthcare programs will grow from a combined 11.2 percent of GDP in 2025 to 12.5 percent by 2036. Net interest costs will more than double in nominal terms.

These programs run largely on autopilot. Unless Congress changes the underlying statutes, they expand automatically. As they grow, they squeeze discretionary spending or force higher taxes. There is little middle ground.

Tariffs will provide a temporary revenue bump. Collections are projected to reach \$421 billion in 2027. Yet tariff revenue will shrink as a share of GDP later in the decade. It does not fundamentally close the gap.

There are other major expenses not mentioned in the report, such as defense. The Pentagon's annual budget is already near \$1 trillion. But long-running transparency and accountability issues have raised deeper concerns. Independent analyses found that over a multi-decade period the Departments of Defense (DOD) and Housing and Urban Development (HUD) recorded [over \\$21 trillion](#) in unsupported accounting adjustments, meaning entries that could not be traced or documented in the public records.

If the Trump administration moves ahead with a proposed increase to \$1.5 trillion next year, those additional hundreds of billions would amplify deficits. The CBO has already [warned](#) the move would add "\$5.8 trillion to the national debt when interest is included."

Interest Costs "Will Explode"

The CBO uses unusually forceful language on debt service: "Interest costs will explode."

Nominal interest costs will more than double, from \$970 billion in 2025 to \$2.1 trillion by 2036. As a share of GDP, they will rise from 3.2 percent to 4.6 percent.

This metric is critical because interest payments do not buy new services or benefits. They simply finance past borrowing. As interest consumes a larger share of the budget, lawmakers must either cut other spending, raise taxes, or borrow even more.

The CBO also notes that later in the decade "the average interest rate on all federal debt will exceed nominal economic growth."

That condition signals potential instability. When interest rates exceed growth, debt can expand even if primary deficits narrow. The government must devote more resources simply to keep up with compounding interest.

Trust Funds Near Insolvency

The report also warns that "major trust funds are approaching insolvency":

The Highway Trust Fund will deplete its reserves by 2028, the Social Security retirement trust fund in 2032, and the Medicare Hospital Insurance trust fund around 2040.

These dates carry concrete consequences. "Upon insolvency, the law calls for spending to be cut to match revenue," the CBO explains.

That would trigger a 40-percent immediate cut to highway spending and an average 28-percent cut to Social Security retirement and survivor benefits.

It would affect retirees, infrastructure projects, and hospitals. The CBO further notes that, under its



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baseline, the trust funds will run a combined \$5.6 trillion in cash deficits over the next decade.

If benefits were limited strictly to incoming revenue, the CBO projects, debt in 2036 would be \$3.4 trillion lower. It also estimates that economic output would be 1 percent higher by 2036 after an initial adjustment period.

Those findings highlight the tradeoff between near-term disruption and long-term sustainability.

A Short-term Growth Bump

In the near term, the economy will see a boost.

The CBO projects real GDP will grow by 2.2 percent in 2026, “due in part to economic stimulus from OBBBA,” before slowing to 1.8 percent annually.

Inflation will reach 2.7 percent in 2026 and then return to the Federal Reserve’s 2-percent target by 2030.

The agency describes this as a surge followed by normalization. That pattern suggests that policy changes can temporarily lift output but do not alter the long-term fiscal trajectory.

The report closes with a direct appeal to Congress and the president to stop adding to the debt, and to focus on reducing deficits and restoring solvency to “beleaguered trust funds.”



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