



## Insight

# GAO: The United States Is in Bad Fiscal Health

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## Executive Summary

- The Government Accountability Office's latest report on the United States' fiscal health projects the national debt will climb to 251 percent of gross domestic product (GDP) by the end of fiscal year (FY) 2056 and the budget deficit will total 17.2 percent of GDP.
- Spending growth will continuously outpace revenue growth; spending will total nearly 35 percent of GDP in FY 2056 and revenue will total 17.1 percent of GDP.
- Interest costs will climb to nearly 10 percent of GDP by FY 2056; by FY 2044, interest will be the single-largest government expenditure.
- GAO suggests Congress and the administration develop a strategy to inform the difficult policy choices needed to improve the nation's fiscal health; it recommends maintaining a debt-to-GDP ratio of 100 percent as a plausible fiscal target.

## Introduction

The Government Accountability Office (GAO) has published its [latest report](#) on the United States' fiscal health. Once again, GAO warns the nation's dismal long-term fiscal outlook poses a series of [risks and threats](#) that lawmakers must address. As it has done for almost a decade, GAO suggests Congress and the administration develop a strategy to inform the difficult policy choices needed to improve the nation's fiscal health.

## GAO's Long-term Budget Projections

GAO projects that federal debt held by the public will grow from 99 percent of gross domestic product (GDP) at the end of fiscal year (FY) 2025 to 251 percent of GDP by the end

of FY 2056. The budget deficit will increase from 5.8 percent of GDP in FY 2025 to 17.2 percent in FY 2056.

GAO's projections of rising debt and deficits are the result of the structural imbalance between spending and revenue. Total spending will grow from 23.1 percent of GDP in FY 2025 to nearly 35 percent in FY 2056. Revenue will fail to keep pace, totaling 17.2 percent of GDP in FY 2025 and 17.1 percent in FY 2056.

GAO notes the projected growth in spending on Social Security and the major health care programs, including Medicare, Medicaid, the Children's Health Insurance Program, and Affordable Care Act premium tax credits, accounts for nearly all the projected growth in non-interest spending. GAO expects Social Security spending to grow from 5.2 percent of GDP in FY 2025 to 6.4 percent in FY 2056 and health care spending to grow from 6.0 percent of GDP to 8.7 percent. Meanwhile, all other non-interest spending will grow from 8.7 percent of GDP in FY 2025 to 9.4 percent in FY 2056.

As the national debt increases, so will the interest costs to service it. GAO estimates interest payments will grow from 3.2 percent of GDP in FY 2025 to nearly 10 percent in FY 2056. While interest costs comprised 14 percent of all federal spending in FY 2025, GAO estimates they will more than double to 29 percent by FY 2056. And by FY 2044, interest will be the single-largest government expenditure.

### **GAO Emphasizes the Need for a Strategy to Improve the Nation's Fiscal Health**

For almost a decade, GAO has suggested that Congress develop a strategy to inform the difficult policy choices needed to improve the nation's fiscal health.

GAO argues that existing fiscal rules are insufficient and stronger ones are needed to improve the nation's fiscal health. The agency highlights several budget process reforms included in a [2020 report on fiscal rules and targets](#), such as revenue floors, spending ceilings, and debt-to-GDP targets.

Specifically, GAO analyzes the mechanics of maintaining the current debt-to-GDP ratio of 100 percent in FY 2056. To do so, the primary (non-interest) budget would need to be close to balanced each year. GAO notes that acting sooner rather than later will reduce the magnitude of the policy changes needed to maintain a 100 percent debt-to-GDP ratio.

If changes were made today, the government would need to collect 26 percent more revenue every year through FY 2056, spend 21 percent less every year through FY 2056, or achieve comparable savings through a combination of revenue increases and spending cuts. If action is delayed for five years, the government would have to take in 33 percent more or

spend 26 percent less every year. Waiting an entire decade to act would require 42 percent more revenue or 31 percent less spending every year.

### **Magnitude of Policy Changes to Maintain 100 Percent Debt-to-GDP Ratio in FY 2056**

	<b>Annual Primary Balance Needed</b>	<b>Revenue Changes Only</b>	<b>Spending Changes Only</b>
Start today (2026)	0.2% of GDP primary surplus	26% more revenue each year (2026-2056)	21% less spending each year (2026-2056)
Start in 5 years (2032)	1.0% of GDP primary surplus	33% more revenue each year (2032-2056)	26% less spending each year (2032-2056)
Start in 10 years (2037)	1.7% of GDP primary surplus	42% more revenue each year (2037-2056)	31% less spending each year (2037-2056)

Source: GAO.

GAO also highlights policy reforms for lawmakers to consider. It suggests reducing or eliminating tax expenditures, which totaled \$1.8 trillion in FY 2025. GAO has [repeatedly stressed](#) the importance of reviewing tax expenditures to see if they’re achieving their intended policy goals.

GAO suggests Congress and the Internal Revenue Service address the [tax gap](#), which is the difference between taxes paid and taxes owed by law. It has [identified many actions](#) to reduce the tax gap, which totaled \$606 billion in 2022.

In addition, GAO highlights several other ways that executive branch agencies can help improve the nation’s fiscal health. This includes [reducing improper payments](#) (which totaled \$186 billion in FY 2025) and [program overlap and duplication](#).

Finally, GAO recommends lawmakers reform mandatory spending, which totaled nearly 60 percent of the budget in FY 2025 and continues to operate on autopilot and avoids annual congressional scrutiny. Any mandatory spending reforms must address the approaching [insolvency of the Social Security and Medicare trust funds](#). GAO recommends lawmakers modify eligibility or benefit limits and adjust funding levels for these programs.