

Despite some short-term improvements made in recent years, long-term debt challenges remain, and in the coming decades, the debt will squeeze budgetary resources that are vital to our economic success and competitiveness will be stymied.

The COVID-19 pandemic and the legislation enacted in response created an additional set of issues, which need to be considered.

- The U.S. budget deficit ballooned eight percent from just under \$1.7 trillion to over \$1.8 trillion for FY2024. This accounts for 6.4 percent of U.S. gross domestic product (GDP).
- Federal debt held by the public also rose in comparison to the size of the economy, with the public holding 97.8 percent of federal debt at the end of FY2024.
- According to the Congressional Budget Office, governmental receipts are estimated to have increased to \$4.9 trillion in FY2024 – that amounts to an increase of \$479 billion, or roughly 11 percent over FY2023.
- The national debt continues to climb at a staggering pace, reaching more than \$35.46 trillion in 2024, up from \$27 trillion in October 2020. A combination of recessions, response to the COVID-19 pandemic, defense budget growth, and tax cuts has raised the national debt-to-GDP ratio to record levels. This is a stark contrast to the year 2001, when the federal government had a surplus of \$125 billion, and the national debt was less than \$3.5 trillion.

For NSBA, meaningful tax reform, which includes deficit reduction and entitlement reform, is critically important in the effort to help grow the economy and help improve the fiscal situation.

WORKING SOLUTIONS

While there are still plenty of options available to make improvements on both fronts, the Small Business community demands action and soon.

Avoiding economically disastrous growth in the national debt will require an aggressive combination of reduced spending and increased revenue over the long term. Significant progress can be made by offsetting all new spending or tax cuts and by assuring solvency of all major trust funds. The sooner we act to get our debt under control, the easier pill it will be to swallow with more gradual changes we can hope to enact versus driving our economy off a fiscal cliff.