

Senate to Consider Fifth Debt Limit Increase in Two Years

This week, President Obama asked the Senate to consider legislation to increase the debt limit (currently at \$12.1 trillion). The U.S. House, per the “Gephardt Rule,” has already increased the debt limit to \$13 trillion via passage of the FY 2010 budget resolution. Should this increase in the debt limit be enacted, this will represent the *fifth* increase in the debt limit since September 2007. During this period, the debt limit will have *increased from \$8.9 trillion to \$13.0 trillion*, an increase of \$4.1 trillion or 46.1%.

CBO Baseline Projections: Ten Year Deficit \$8.7 Trillion

Over the August recess, CBO released updated budget projections for the FY 2009-FY 2019 period, which show the federal government running deficits over the 2009-2019 period equal to \$8.7 trillion, even under CBO’s optimistic baseline assumptions. These would be the *eleven highest deficits in U.S. history*:

Quote of the Week:

“Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt problem and a failure of leadership.”

-Senator Barack Obama in 2006

Table: CBO Baseline Projections, FY 2009-2019

In Billions of Dollars

Year	Spending	Tax Revenue	Nominal Deficit	Deficit % of GDP
2008 (actual)	2,983	2,524	459	3.2
2009	3,688	2,100	1,587	11.2
2010	3,644	2,264	1,381	9.6
2011	3,638	2,717	921	6.1
2012	3,600	3,010	590	3.7
2013	3,759	3,221	538	3.2
2014	3,961	3,403	558	3.2
2015	4,135	3,577	558	3.1
2016	4,358	3,737	620	3.3
2017	4,534	3,908	626	3.2
2018	4,703	4,081	622	3.1
2019	4,982	4,260	722	3.4

CBO’s baseline projections likely understate the ten-year deficit outlook, should the President’s policies be adopted. This is because the projections assume no change in tax law (such as extension of the President’s “Making Work Pay Tax Credit,” an AMT patch, or any of the other expiring tax cuts), assume no “doc fix,” and assumes that discretionary spending will grow at the rate of inflation (under the Democrat spending plan for FY 2010 it grows at 8.0%).

FY 2009 Deficit Nears \$1.4 Trillion

According to CBO’s most recent monthly report, the federal government has run a deficit of nearly \$1.4 trillion through the first eleven months of FY 2009. This is \$900 billion (or 180.0% more) than the deficit recorded through August 2008. Revenues are *down* 16% and outlays are *up* 19% compared to this time last year.

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