

THE COMMITTEE ON THE BUDGET

B-71 Cannon House Office Building
 Washington, DC 20515
 Representative Paul D. Ryan, *Ranking Republican*

Phone: (202)-226-7270
 Fax: (202)-226-7174
 Augustine T. Smythe, *Republican Staff Director*

CBO'S BUDGET AND ECONOMIC OUTLOOK
DEFICIT APPROACHES \$1.2 TRILLION

7 January 2009

RECORD DEFICIT

Federal spending is projected to outpace revenue by an unprecedented \$1.186 trillion this year (fiscal year 2009), according to estimates released today by the Congressional Budget Office [CBO]. But because that record budget deficit is based on “current law” – assuming only enacted legislation – it does not account for additional policy actions Congress is certain to take, which will significantly increase the government’s red ink (see table below and Figure 1, next page).

FISCAL YEAR 2009 DEFICIT ESTIMATES
 (dollars in billions)

CBO Current-Law Deficit Estimate	-1,186
Additional Expected Policy Actions:^a	
□ Remaining War Funding	-26 ^b
□ Fiscal Year 2009 Omnibus Appropriations	-7 ^c
□ \$1-Trillion ‘Stimulus’ Bill	-500 ^d
Total Deficit Including Additional Projected Costs	-1,719

^a Minus signs indicate increases in the deficit.

^b Assumes an additional \$80 billion in budget authority in fiscal year 2009 supplemental.

^c Based on fiscal year 2009 budget resolution level.

^d Reflects an estimate of fiscal year 2009 costs of an expected multiyear measure.

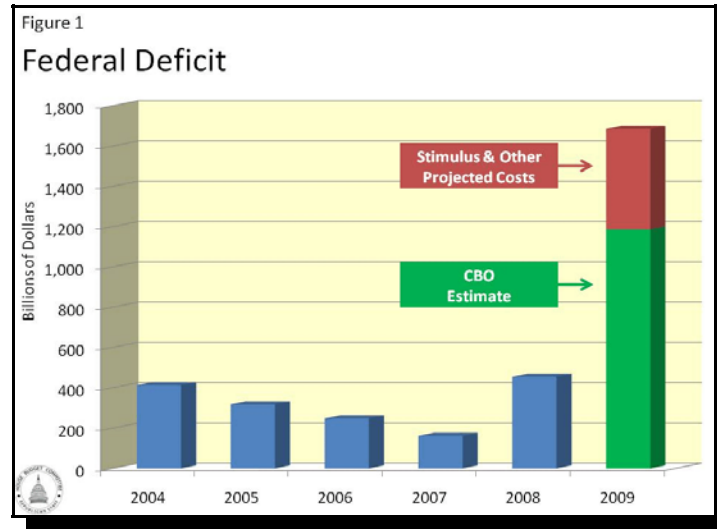
The \$1.186-trillion deficit is the largest in history, more than twice last year’s deficit of \$455 billion. At 8.3 percent of gross domestic product [GDP], it is also the largest deficit as a share of the economy since World War II (the previous post-war record was 6 percent in 1983). If the additional costs of “stimulus” legislation are added, the deficit rises to 12 percent of GDP.

TRILLIONS COME IN THREES

- **Deficit:** Exceeds \$1 trillion in fiscal year 2009 (first time in history).
- **Regular Appropriations:** Exceed \$1 trillion in fiscal year 2009 (first time in history).
- **‘Stimulus’ Bill:** Obama transition team rumored to be developing a “stimulus” bill with a price tag of as much as \$1 trillion (first time in history).

RECORD DEBT

The National Debt exceeded \$10 trillion last September. Based on CBO estimates and projected costs, the debt will increase by \$2 trillion this year, to \$12 trillion.



THE ENTITLEMENT CRISIS

Even before the current financial crisis occurred, the government faced a tidal wave of entitlement spending that is now at hand, as the first of the baby boomers begin to retire.

- Based on Treasury's financial report, the government has \$56 trillion in unfunded liabilities (of which \$36 trillion is in one program: Medicare).
- Each year Congress fails to act, that long-term problem grows by \$2 trillion to \$3 trillion.
- This unsustainable rate of spending will smother the U.S. economy and sacrifice the longstanding American legacy of leaving the next generation better off.