

Federal Budget Tip Sheet: Debt and Deficit

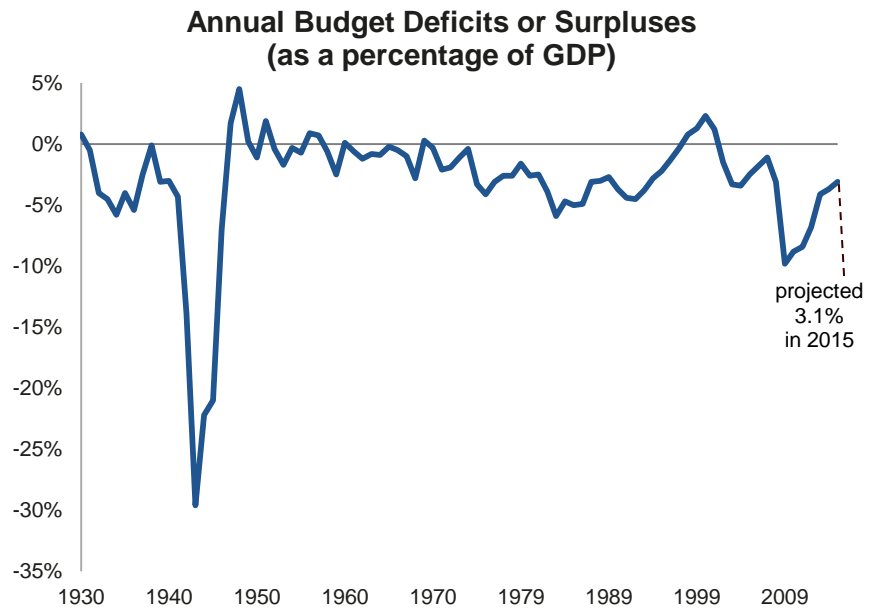
Key Fact: Budget deficits have declined sharply in recent years, down from about 10 percent of the U.S. economy in fiscal 2009, to a projected 3.1 percent in 2015. Over the past 50 years, the budget deficit averaged 2.8 percent of the U.S. economy.ⁱ

President Obama's 2015 Budget:

The president's budget would run a deficit of \$563 billion in fiscal 2015ⁱⁱ, with projections to lower the deficit over the next 10 years. By 2025, the president projects a budget deficit of 2.0 percent of the economy.ⁱⁱⁱ

What is the Budget Deficit?

The size of the budget deficit in a given year is determined by two factors: the amount of money the government spends that year and the amount of revenue the government collects. If revenues match spending in a given year, the government has a balanced budget. If, however, spending exceeds revenues, the result is a budget deficit. In the last half century, the U.S. has run a deficit in 45 out of 50 years.



Source: OMB
National Priorities Project

Federal Debt: The federal debt, or national debt, is the sum of all past years' deficits. Every year that the federal government runs a deficit, that amount is added to the federal debt. In the event of a surplus, the extra money is used to pay down the existing debt. The president projects total national debt at \$18.7 trillion dollars in fiscal 2015.

The Debt Ceiling: The debt ceiling is the limit set by Congress on the total amount that the U.S. Treasury can borrow. If the level of federal debt hits the debt ceiling, the government cannot borrow additional funds. Congress has the legal authority to raise the debt ceiling as needed. Doing so does not authorize new spending, but allows the Treasury to pay the bills for spending that has already been authorized by Congress.

Public Opinion: A recent Pew Research poll found that deficits have fallen as a priority among Americans. In January 2013, 72 percent of poll respondents said deficit reduction was a top priority; a year later, that had fallen to 63 percent.^{iv}

More on Debt and Deficit: bit.ly/NPPdebtdeficit

ⁱ Office of Management and Budget, Historical Table 1.2.

ⁱⁱ Office of Management and Budget, Historical Table 1.1.

ⁱⁱⁱ Office of Management and Budget, [Long Range Budget Projections](#).

^{iv} [Pew Research](#) poll conducted Jan. 15-19, 2014.