

**February 29, 2012**

**Deficit Spending in the President's 2013 Budget**

*National Priorities Project examines projected deficits in 2013 and beyond.*

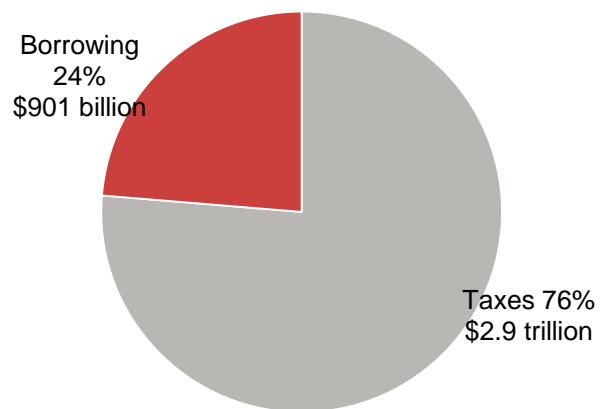
**By Chris Hellman and Mattea Kramer**

If the president is correct about projected revenues in 2013, and the Treasury indeed collects \$2.9 trillion in taxes, then the federal government will run a deficit of roughly \$901 billion next year. That's down from \$1.32 trillion in fiscal 2012—a reduction of 32 percent. Still, borrowing would account for 24 percent of total revenues in 2013.

The new budget projects additional decreases in the deficit over each of the next five years, with the budget deficit dropping to \$612 billion, or 3 percent of GDP, by fiscal 2017.<sup>i,iii</sup> That's down from a high of 10 percent of GDP in 2009, during the height of the Great Recession.

As part of the Budget Control Act of 2011, Congress and President Obama agreed to spending caps that reduce discretionary spending by \$1 trillion over the next decade. Those spending caps are reflected in the president's new budget. By 2022, those caps will reduce annual discretionary spending to 5 percent of GDP, from 8.7 percent in 2011.<sup>iii</sup>

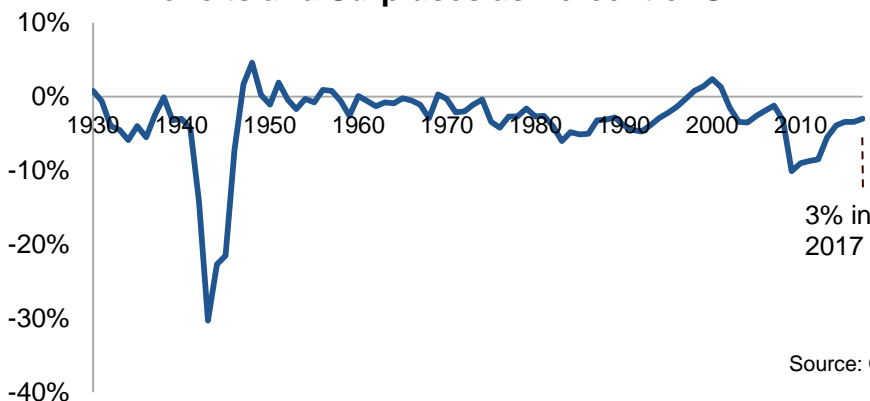
**Total Projected Revenues:  
\$3.8 trillion**



Source: OMB

In all, the Obama administration estimates that the new budget request will result in \$4 trillion in deficit reduction over 10 years, relative to current projections. In addition to reducing spending,

**Deficits and Surpluses as Percent of GDP**



Source: OMB

the budget achieves the \$4 trillion in deficit reduction from the increased tax revenues that result from the stronger economy; reductions in war spending in Iraq and

Afghanistan; and changes in the tax code that increase taxes on the wealthiest Americans and close some corporate tax loopholes. [A February 2012 poll](#) found that 85 percent of Americans favored raising taxes on the wealthy to help reduce budget deficits.

In addition to setting caps on discretionary spending, last year's Budget Control Act also formed the 12-member, bipartisan super committee, which was tasked with finding \$1.2 trillion in deficit reduction over 10 years. The super committee failed to come up with such a proposal, however, and the Budget Control Act thus mandates that automatic spending cuts, called sequestration, will take effect in January 2013. Sequestration would result in cuts to discretionary spending amounting to more than \$100 billion in each of the next ten years. The president's budget, however, does not plan for sequestration to take effect and instead achieves the required deficit reduction by other means.

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<sup>i</sup> Office of Management and Budget, "Historical Table 1.1: Summary of Receipts, Outlays, and Surpluses or Deficits: 1789-2017." 23 February 2012

<<http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/hist01z1.xls>>

<sup>ii</sup> Office of Management and Budget, "Historical Table 1.2: Summary of Receipts, Outlays, and Surpluses or Deficits as Percentages of GDP: 1930-2017." 23 February 2012

<<http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/hist01z2.xls>>

<sup>iii</sup> Office of Management and Budget, "Budget Overview, Budget of the U.S. Government, Fiscal Year 2013." 23 Feb. 2012 <<http://www.whitehouse.gov/omb/overview>>