

2010 Keating Report on government budgets and spending

Jan 29, 2010 12:44 PM, By Michael Keating (michael.keating@penton.com)

Government spending continues to shore up the economy, with \$38 billion potentially on tap through jobs bill.

Few believe the U.S. economy will completely bounce back to solvency and strength in 2010, but there already are signs that a recovery is under way. Corporate earnings are getting stronger, the stock market recently hit a new 15 month high, unemployment growth rates are slowing, the Standard & Poor's/Case-Shiller price index is signaling that home prices are starting to climb, and sales of previously owned U.S. homes jumped to the highest level in nearly three years last month.



Michael Keating, senior editor for Government Product News

On the less optimistic side of the ledger, however, the federal deficit for the 2009 budget year, which ended on Sept. 30, set an all-time record in total dollars, at \$1.42 trillion. That was \$958 billion above the 2008 deficit, the previous record holder.

Budget watchdogs in the Obama administration aim to curb the flow of red ink in coming years so as not to stall the fledgling economic recovery. Tentative plans call for freezing or

modestly cutting federal agencies' budgets as part of an election-year push to rein in the budget deficits that threaten the economy and Democrats' political prospects this fall.

Even with the potential spending freeze, federal purchases of goods and services will rise to \$1.19 trillion in 2010, up from \$1.14 trillion in 2009, according to Waltham, Mass.-based economic forecasters IHS Global Insight (<http://www.ihsglobalinsight.com/>). Contact Michael Keating (michael.keating@penton.com) for a chart outlining IHS Global Insight's forecasts covering purchases by all levels of government.

Federal revenues, says the Congressional Budget Office (CBO), also are expected to grow in the years ahead. Contact Michael Keating (michael.keating@penton.com) to see the chart from the CBO's recent "The Budget and Economic Outlook: An Update." Download the [CBO Outlook summary](#) from the CBO's Web site.



Brian Riedl

"I see no evidence that President Obama and Congress will stop the spending spree in 2010," said Brian Riedl, a senior policy analyst at the Washington-based Heritage Foundation, a research institute that formulates and promotes conservative public policies. "Stimulus spending is projected to top \$350 billion, and many of the TARP, Fannie Mae and Freddie Mac bailouts will incur large costs. President Obama and Congress also continue to insist on 8- to 10-percent increases in discretionary spending, and are considering massive government expansions in health, education, highways, and energy." Riedl's overall conclusion about the federal budget in 2010: "Expect the trillion-dollar budget deficits to continue."



Michael Balsam

Federal stimulus dollars from the American Recovery and Reinvestment Act (ARRA) of 2009 will affect the economy in 2010. "We anticipate that approximately \$100 billion in stimulus contracts will reach the private sector next year, creating about 1 million jobs, with California,

Texas, Florida, New York and Washington state serving as the biggest engines of job growth," said Michael Balsam, chief solutions officer for Onvia, a Seattle-based company that tracks federal stimulus spending on its Web site, recovery.org.

Balsam told *Government Product News* that most of the federal stimulus dollars up to now have funded transportation and infrastructure project contracts. "In 2010, Onvia expects the spending to shift to longer-term investment areas such as health care technology, clean water and renewable energy," he said.

Beyond ARRA stimulus funding, President Obama and the Democratic majority in Congress are assembling "Jobs for Main Street" legislation that would devote as much as \$174 billion to job-creation projects in 2010. Lawmakers are moving swiftly to get a 2010 jobs bill to Obama's desk sometime this month or in February.

Parts of the legislation address government needs with significant funding, including:

- \$1.18 billion for law enforcement jobs (primarily the COPS program)
- \$27.5 billion in additional highway infrastructure investments
- \$8.4 billion for public transportation investments
- \$1 billion for the Clean Water State Revolving Fund
- \$1 billion for the Safe Drinking Water State Revolving Fund

[Next: State government spending >](#)

Find this article at:

<http://www.govpro.com/news/govt-budgets-spending-forecast-20100129/index.html>

Check the box to include the list of links referenced in the article.

© 2008 Penton Media, Inc. All rights reserved.