



# FACT SHEET

# CBO BUDGET OUTLOOK

# FY 2005-14

PREPARED BY: SENATE BUDGET COMMITTEE, DEMOCRATIC STAFF  
January 27, 2004

The Congressional Budget Office's (CBO) January 2004 Budget and Economic Outlook confirms that President Bush is the most fiscally irresponsible President in our nation's history. This President's tax cut and spending policies have led to a dangerous deterioration in our fiscal outlook, threatening the fundamental economic security of the nation. With the retirement of the first of the baby boom generation just four years away, we can no longer afford to continue on the President's path of fiscal irresponsibility.

**RECKLESS  
FISCAL  
POLICIES  
PRODUCE  
RECORD  
DEFICITS**

**Deficit in 2004.** CBO's figures show the deficit in 2004 reaching \$477 billion, or \$629 billion when Social Security is excluded. President Bush has taken us from the largest unified surplus ever in fiscal year 2000 (\$236 billion) to the largest deficit ever in 2004. Under the President's leadership, we are spending \$900,000 per minute more than we are taking in. The deficit level in 2004 without counting Social Security represents 5.5 percent of GDP, nearly the highest level since the end of World War II.

**Deficits over the next decade (2005-14).** CBO's baseline has deficits that generally decline over the next ten years. The baseline follows rules that require CBO to assume that tax cuts expire as scheduled under current law. But according to figures provided by CBO, if expiring tax cuts are extended as recommended by the President and the Alternative Minimum Tax (AMT) is reformed, deficits will exceed \$400 billion every year for the next 10 years and grow to \$577 billion in 2014, or \$861 billion when Social Security is excluded. If changes in the AMT are not made, the number of taxpayers affected by it will grow to more than 40 million by 2013. For the entire 2005-2014 period, the unified deficit would total \$4.8 trillion and the deficit excluding Social Security would total \$7.1 trillion.

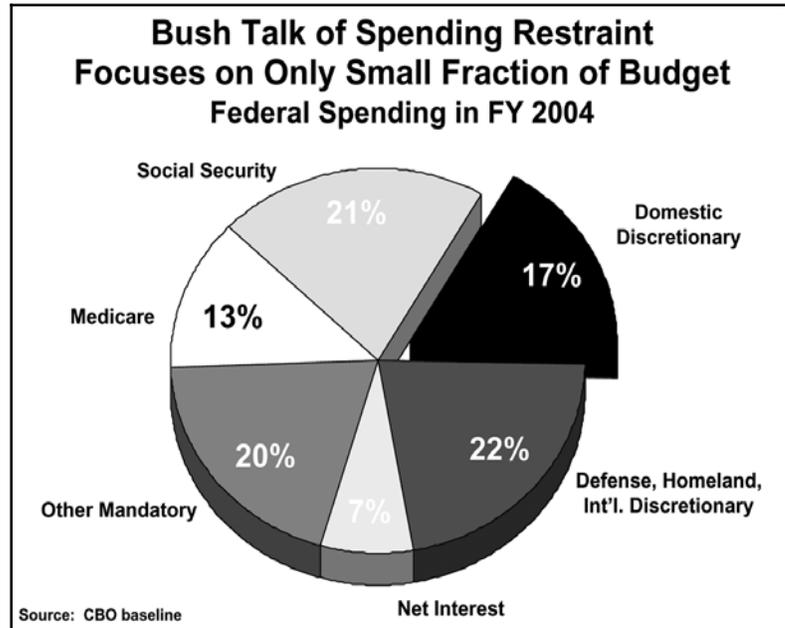
Table 1 – CBO January Baseline Deficits with GOP Tax Cuts and AMT Reform			
(\$ billions)	2004	2005	2005-14
<b>CBO baseline deficits</b> . . . . .	<b>-477</b>	<b>-362</b>	<b>-1,893</b>
GOP tax policies and AMT reform . . . . .	6	-65	-2,417
Net interest costs . . . . .	(*)	-1	-472
<b>Deficits with GOP tax cuts and AMT reform</b> . . . .	<b>-471</b>	<b>-428</b>	<b>-4,782</b>
<i>Deficit without Social Security</i> . . . . .	-623	-600	-7,139

**A stunning fiscal reversal.** When President Bush took office, CBO projected there would be a \$5.6 trillion surplus over the period 2002 through 2011. Now, for that same period, there is a projected deficit of \$4.2 trillion if the expiring tax cuts are made permanent and the AMT is reformed – a stunning reversal of \$9.8 trillion.

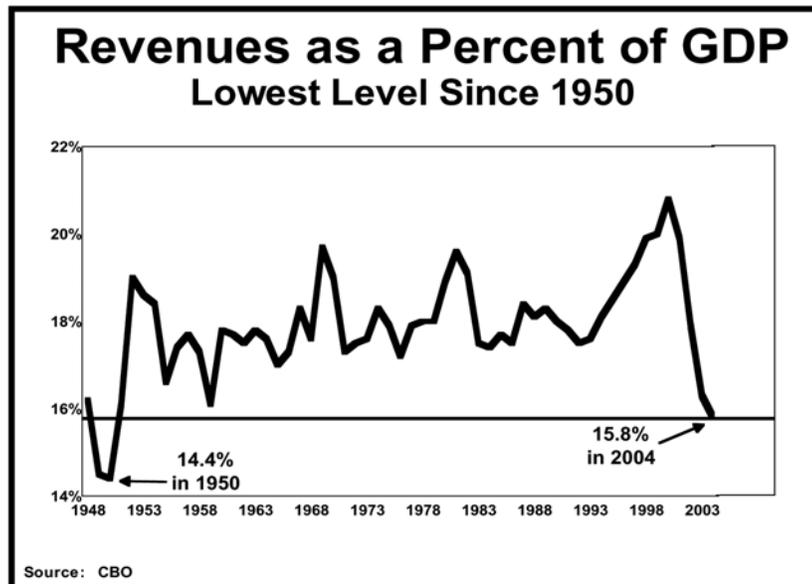
**BUSH PLAN FOR DOMESTIC SPENDING FOCUSES ON SMALL PORTION OF BUDGET**

**Bush promise to limit domestic discretionary spending will do little to cut deficit.** President Bush has argued that controlling domestic spending will bring down the deficit and has promised to hold the growth to less than one percent, excluding homeland security. This will not solve our deficit problem. While discretionary spending has gone up under his watch, 92 percent of the increase over the 2001-2004 period has come in the areas of defense, homeland security, and response to the attacks of September 11.

Further, non-homeland domestic discretionary spending represents only 17 percent of all federal spending in 2004. So enacting all of the savings the President wants in the domestic discretionary area would barely make a dent in the expected 2004 deficit of \$629 billion, excluding Social Security. In fact, when adjusted for inflation, non-homeland security domestic spending has already been flat over the past two years. Virtually all of the real growth in spending over those two years has come in the areas of defense, homeland security, and international affairs.



**DRAMATIC DECLINE IN REVENUES IS KEY FACTOR CREATING DEFICITS**

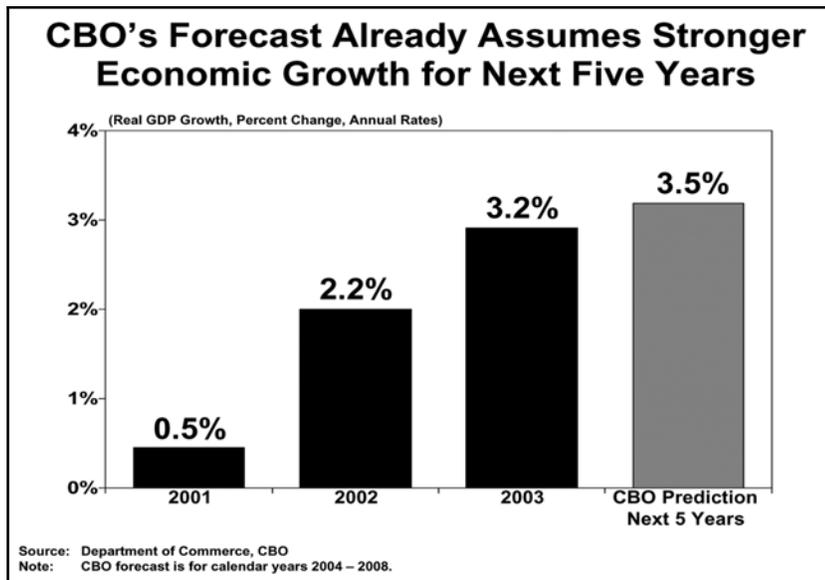


**Revenues have declined to lowest level since 1950.** The deficits have exploded in large measure because revenues as a percentage of our gross domestic product have declined to their lowest levels since 1950. CBO estimates that revenues will fall to 15.8 percent of GDP in 2004.

**ECONOMIC GROWTH WILL NOT BE ENOUGH TO ELIMINATE DEFICIT**

**CBO deficit estimates already assume strong economic growth in the future.** The President also claims that economic growth, generated by his tax cuts, will reduce deficits in the future. But CBO's deficit projections already assume that the economy will post robust growth this year and next, and that rapid productivity growth will fuel a steady

expansion from 2006 to 2014. In fact, CBO's estimates assume a 3.5 percent growth rate over the 2004-2008 period – higher than the growth achieved during each of the last three years. Even with such good economic performance assumed for the next decade, CBO projects that the budget would remain in substantial deficit if expiring tax cuts are made permanent and the AMT is reformed.



**LONG-TERM BUDGET OUTLOOK CONTINUES TO WORSEN**

**CBO numbers show that deficits will continue to climb.** Overall, CBO's estimates show that if we extend GOP tax cuts and reform the AMT, deficits will continue to climb well into the future. As the baby boom generation begins to retire in 2008, deficits will skyrocket even further.

**President's emphasis on next five years diverts attention from longer-term problem.** The President has been claiming that he has a plan to cut the deficit in half in five years. By focusing attention on the next five years, he diverts attention away from the exploding deficits created by his policies years down the road.

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