

SENATE BUDGET COMMITTEE
DEMOCRATIC CAUCUS
KENT CONRAD, RANKING MEMBER

FOR IMMEDIATE RELEASE
July 30, 2004

Contact: Stu Nagurka (202) 224-7436
Steve Posner (202) 224-7925

**STATEMENT BY SENATOR KENT CONRAD (D-ND)
ON OMB'S 2004 MID-SESSION REVIEW**

In an effort to distract attention from its record of fiscal irresponsibility, the Bush administration is trying to invent some good news by claiming that its Mid-Session Review shows that the deficit is coming down. Don't believe it for a minute. The deficit this year is once again getting worse, not better.

According to its new projection, the Bush administration's policies will create a \$445 billion deficit this year – setting yet another record and topping last year's deficit by \$70 billion. When viewed on an operating basis – that is, when Social Security is excluded – the 2004 deficit will actually be \$595 billion, which represents 5.2 percent of GDP. I hardly think that represents something to cheer about.

The negative turnaround since President Bush took office in 2001 is stunning. And fully 68 percent of the deterioration in the 2004 budget forecast – when comparing the administration's original 2004 deficit projection to this current projection – is due to the President's tax cuts and other changes in revenue.

The only way the administration can claim that the deficit is coming down in 2004 is by comparing its new \$445 billion deficit projection to its \$521 billion projection released in February. The problem is that the administration's \$521 billion deficit projection was never realistic. It seems clear that the administration inflated that earlier projection so that it could claim an improvement prior to the election, even when there is none. It reminds me of the old advertising trick where a store increases its prices just before announcing a sale. The customer thinks they are getting a good deal, but they are really being taken for a ride.

Perhaps the only thing more disturbing than these short-term deficits is the growing deterioration in the nation's long-term budget outlook. By providing only five-years of deficit figures, the Bush administration conceals the surge in deficits that will occur as the baby boom generation retires and the costs of the President's deficit-financed tax cuts explode.

Given this outlook, it is all the more troubling that the Bush administration would seek to characterize this year's record deficit as an improvement. It is not. The American people deserve an honest accounting of our country's fiscal situation and they deserve it now.

- END -