

SENATE BUDGET COMMITTEE

KENT CONRAD, RANKING MEMBER

FOR IMMEDIATE RELEASE
July 13, 2005

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

STATEMENT BY SENATOR KENT CONRAD (D-ND) ON FY 2006 OMB MID-SESSION REVIEW

It is good news that this year's deficit is lower than last year's record. But this is hardly a time for celebration.

While there's some improvement in the deficit, the debt continues to pile up. When we add in the Social Security and other trust fund dollars also being spent, the debt in 2005 will actually increase by \$587 billion. By using Social Security trust fund dollars to pay for tax cuts and other government spending, the \$333 billion advertised deficit significantly understates the true fiscal imbalance this year.

Looking forward, deficits and debt will explode just outside the administration's five-year budget window – as the rising cost of tax cuts and other administration policies collide with the retirement of the baby boom generation. Our big problem isn't in the near term. We're in the sweet spot of the budget cycle now.

It is also important to remember that the administration continues to omit large costs from its deficit projections, such as long-term ongoing war costs and the cost of reforming the Alternative Minimum Tax (AMT) so that it does not become a middle-class tax trap. Because no resources were provided in the budget to reform the AMT, the number of taxpayers hit by the AMT could rise to 29 million by 2010.

The improved revenue projections for this year are encouraging. But revenues as a percent of GDP are still down dramatically. And projected revenues in 2005 are still far below the administration's original projections for the year. It is also too soon to know whether the revenue increase will continue. Many economists have noted that the revenue spike has stemmed from temporary factors, such as the expiration of the business bonus depreciation tax cut, that are unlikely to carry forward.

It would be a huge mistake to conclude from today's news that our fiscal problems are behind us. We continue to face serious long-term budget problems that must be addressed. Instead of celebrating today, we should be focusing on finding real, bipartisan solutions – that address all of the budget challenges before us – to put our fiscal house back in order.

- END -