

# **CBO Estimates Show Budget On Course to Return to Surplus**

- Surplus achieved in fiscal year 2006.
- Fiscal year 2002 deficit of \$157 billion—virtually the same as the Administration.
- Fiscal year 2003 baseline deficit of \$145 billion.
- Decline in surplus projections since March resulted from bipartisan spending and technical changes that lower expected tax collections.
- Baseline estimates do not include additional spending for defense and homeland security assumed in the House budget resolution.

# CBO Baseline Budget Estimates

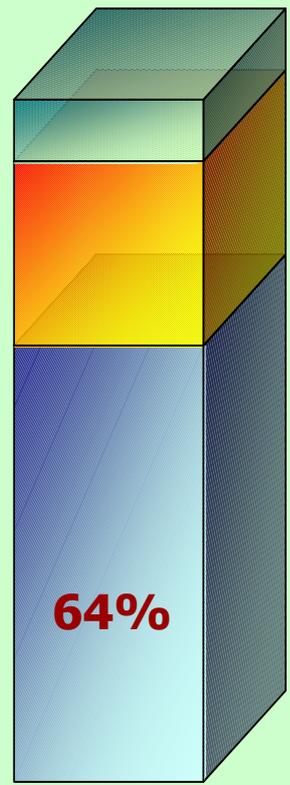
## *August 2002*

(By fiscal year in billions of dollars)

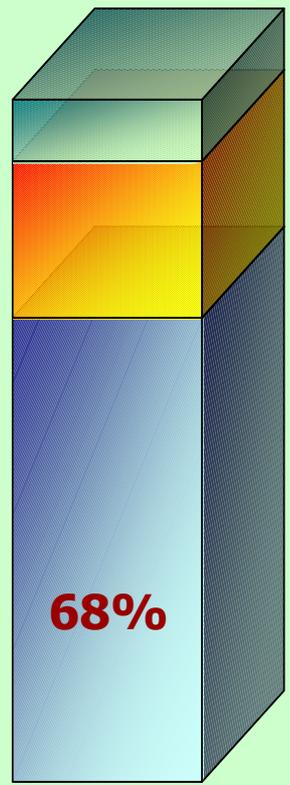
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2003-07</u>	<u>2003-12</u>
Receipts	1,860	1,962	2,083	2,244	2,381	2,513	11,184	26,379
Outlays	<u>2,017</u>	<u>2,107</u>	<u>2,195</u>	<u>2,283</u>	<u>2,366</u>	<u>2,461</u>	<u>11,413</u>	<u>25,364</u>
Surplus	-157	-145	-111	-39	15	52	-229	1,015

# CBO and OMB Agree — Economy Responsible for 2002 Deficit

The economic downturn accounts for 64% and 68%, respectively, of the OMB and CBO changes for 2002.



**OMB**

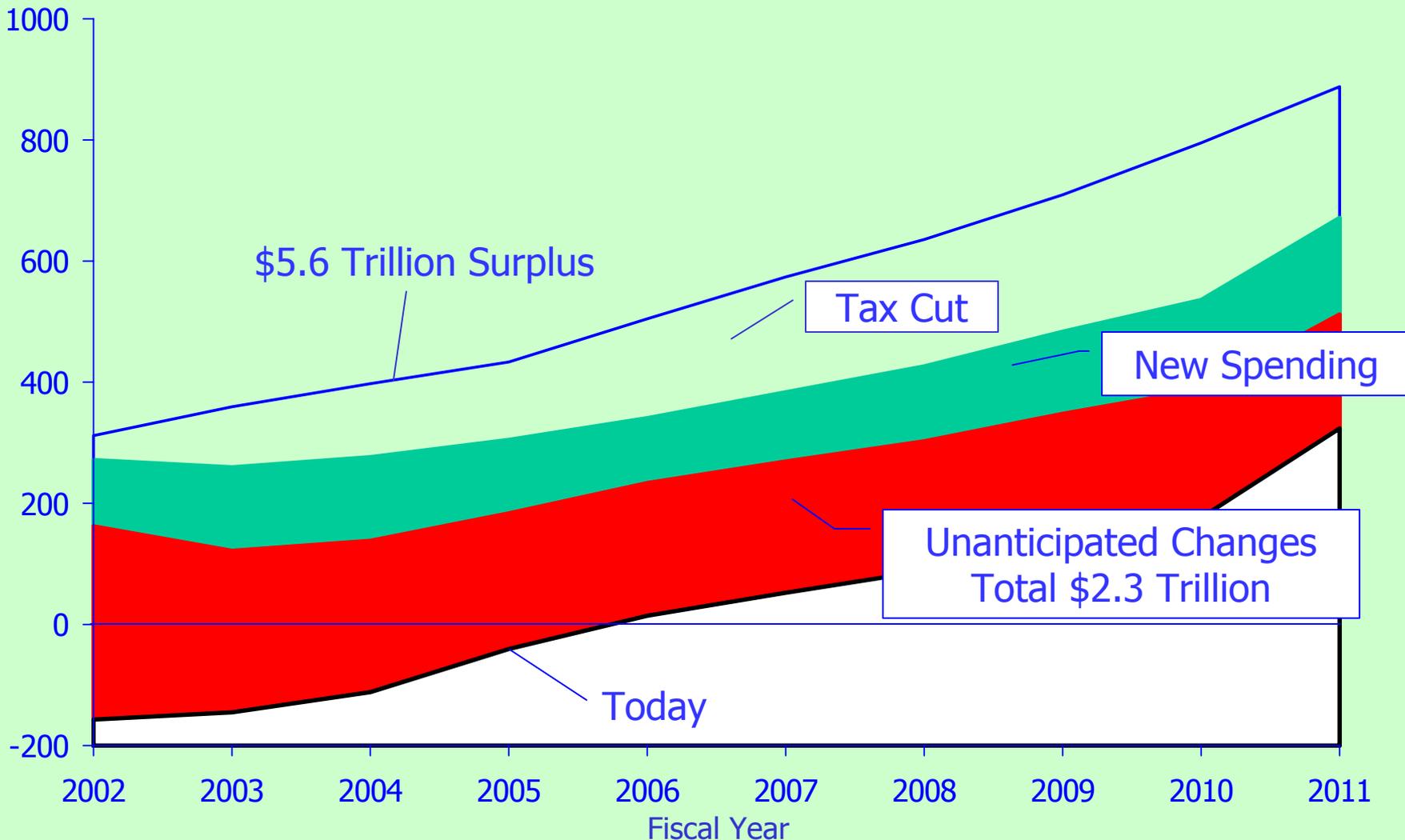


**CBO**

-  Tax Cut
-  Spending, Incl. Stimulus Package
-  Weak Economy

# Factors Beyond Our Control Responsible For Surpluses Becoming Deficits

Billions of dollars



# Where Has the Surplus Gone?

*A Review of the Past 18 Months*

**(By fiscal year in billions of dollars)**

	<u>2002</u>	<u>2003</u>	<u>2002-11</u>
Jan. 2001 Surplus Estimate	313	359	5,610
Tax Relief	-42	-99	-1,656
Economic Slowdown			
Revenues	-302	-254	-1,923
Outlays	<u>-18</u>	<u>-11</u>	<u>-397</u>
Subtotal, Economic Slowdown	-320	-266	-2,321
All Other (Incl. Stimulus)	<u>-108</u>	<u>-140</u>	<u>-1,297</u>
August 2002 Surplus Estimate	-157	-145	336

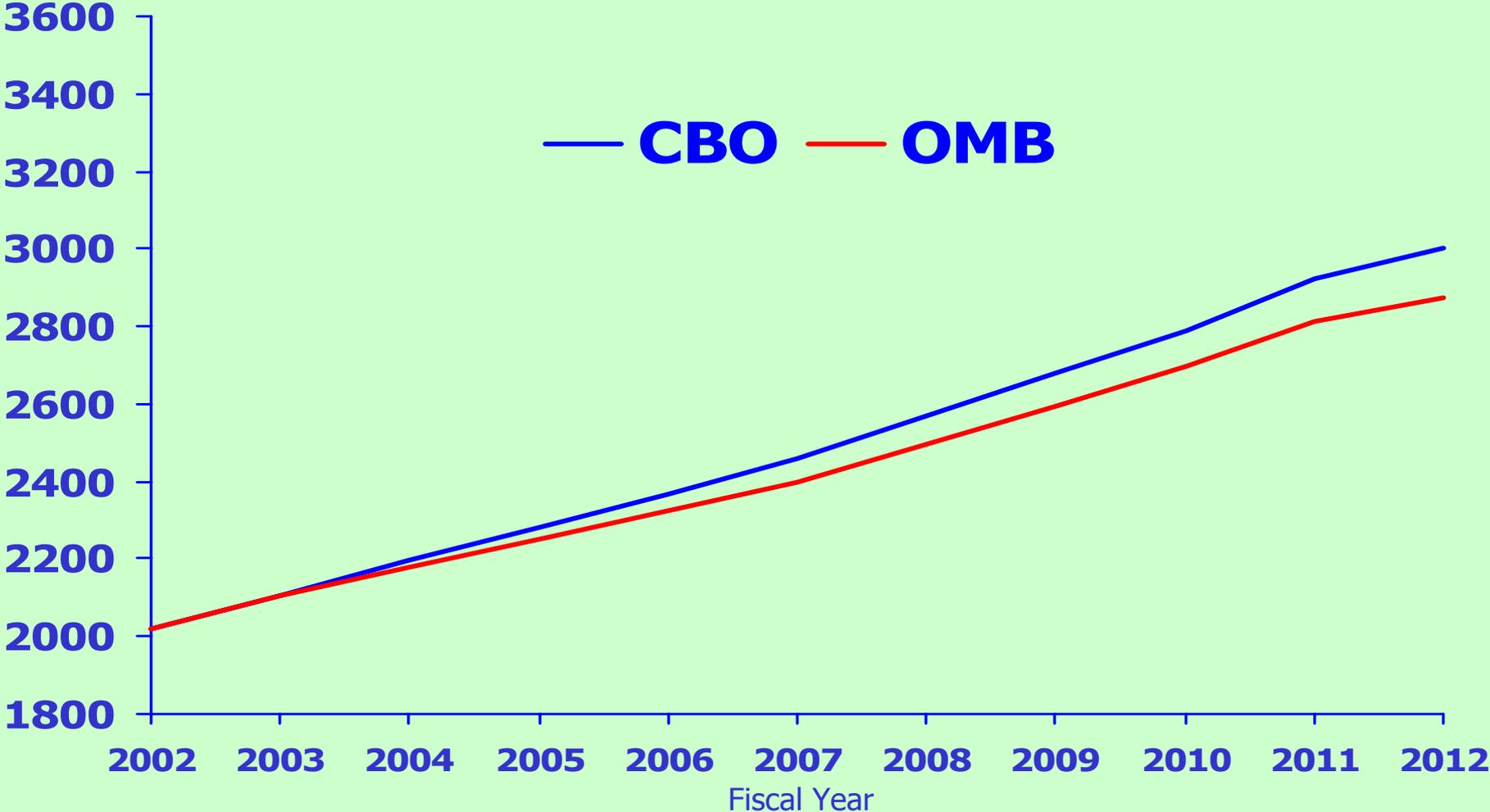
# CBO and OMB Estimates of Spending Are Fairly Similar Near Term

(Outlays by fiscal year in billions of dollars)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2003-07</u>	<u>2003-12</u>
CBO	2,017	2,107	2,195	2,283	2,366	2,461	11,413	25,364
OMB	<u>2,018</u>	<u>2,106</u>	<u>2,179</u>	<u>2,253</u>	<u>2,324</u>	<u>2,401</u>	<u>11,262</u>	<u>24,730</u>
Difference	-2	2	16	31	43	61	151	634

# CBO and OMB Estimates of Spending Are Fairly Similar Near Term

Billions of Dollars



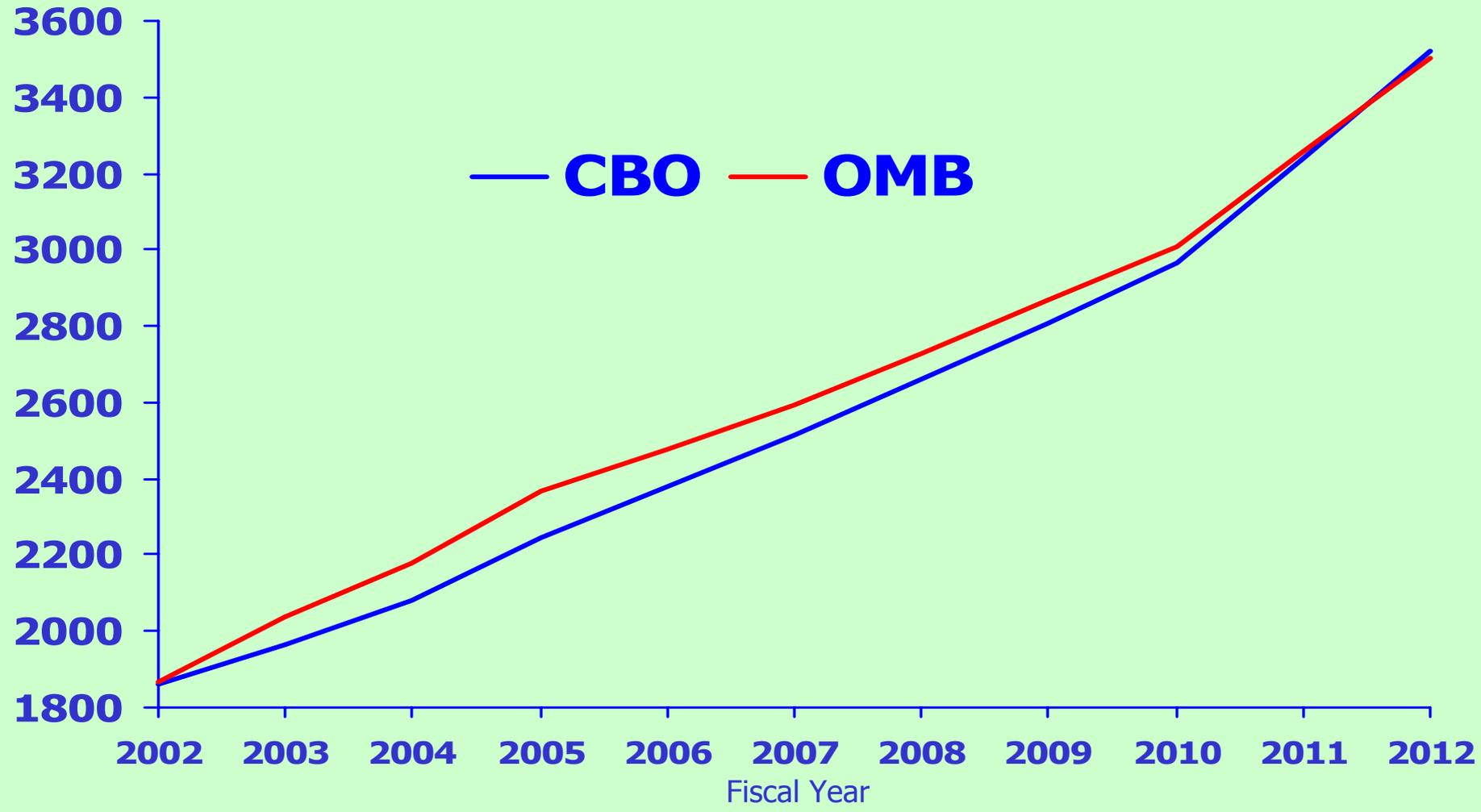
# CBO and OMB Estimates of Receipts Are Quite Different Near Term

(Receipts by fiscal year in billions of dollars)

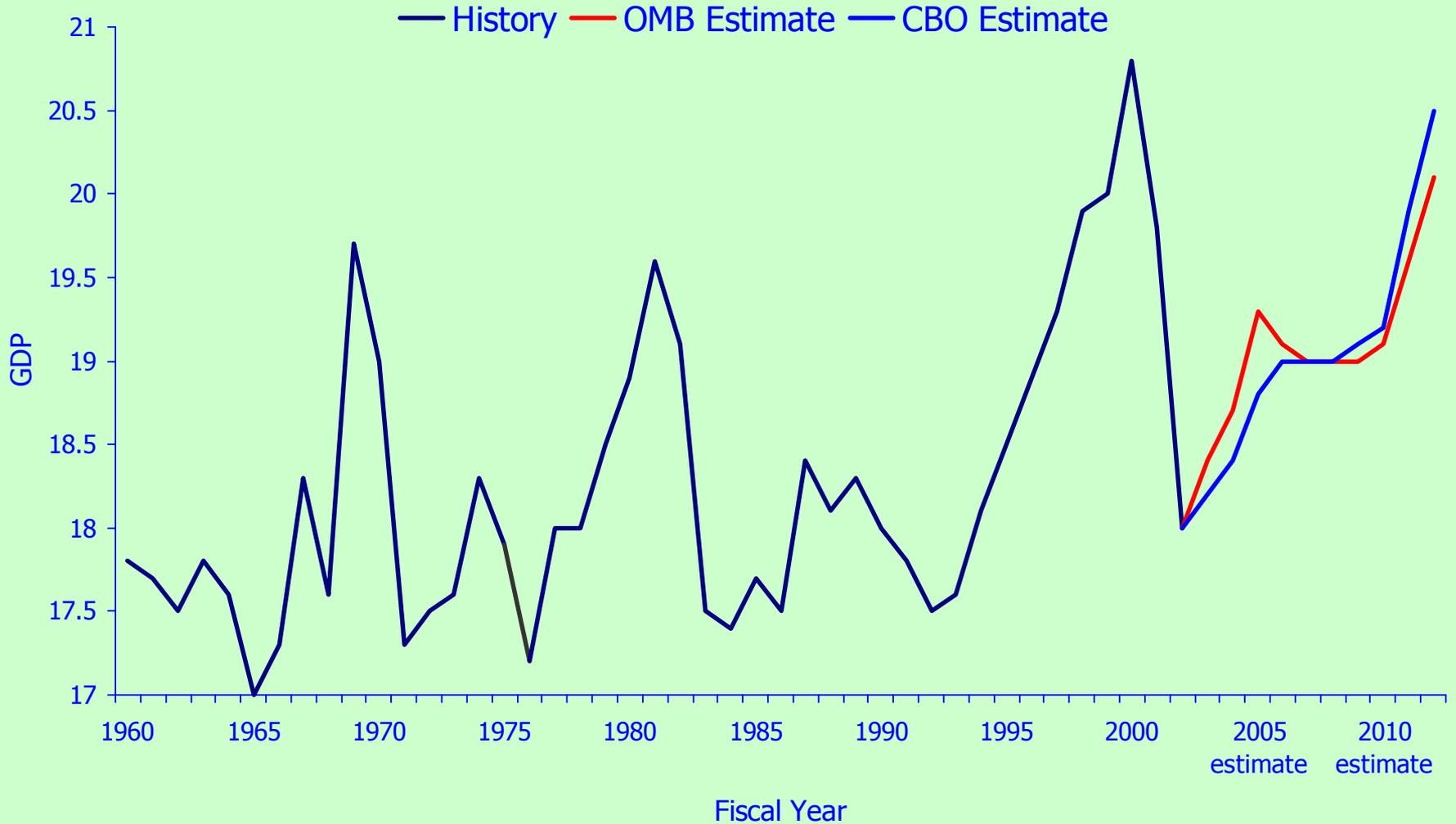
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2003-07</u>	<u>2003-12</u>
CBO	1,860	1,962	2,083	2,244	2,381	2,513	11,184	26,379
OMB	<u>1,868</u>	<u>2,035</u>	<u>2,180</u>	<u>2,369</u>	<u>2,475</u>	<u>2,595</u>	<u>11,653</u>	<u>27,017</u>
Difference	-8	-72	-97	-126	-93	-81	-469	-638

# CBO and OMB Estimates of Receipts Are Quite Different Near Term

Billions of Dollars



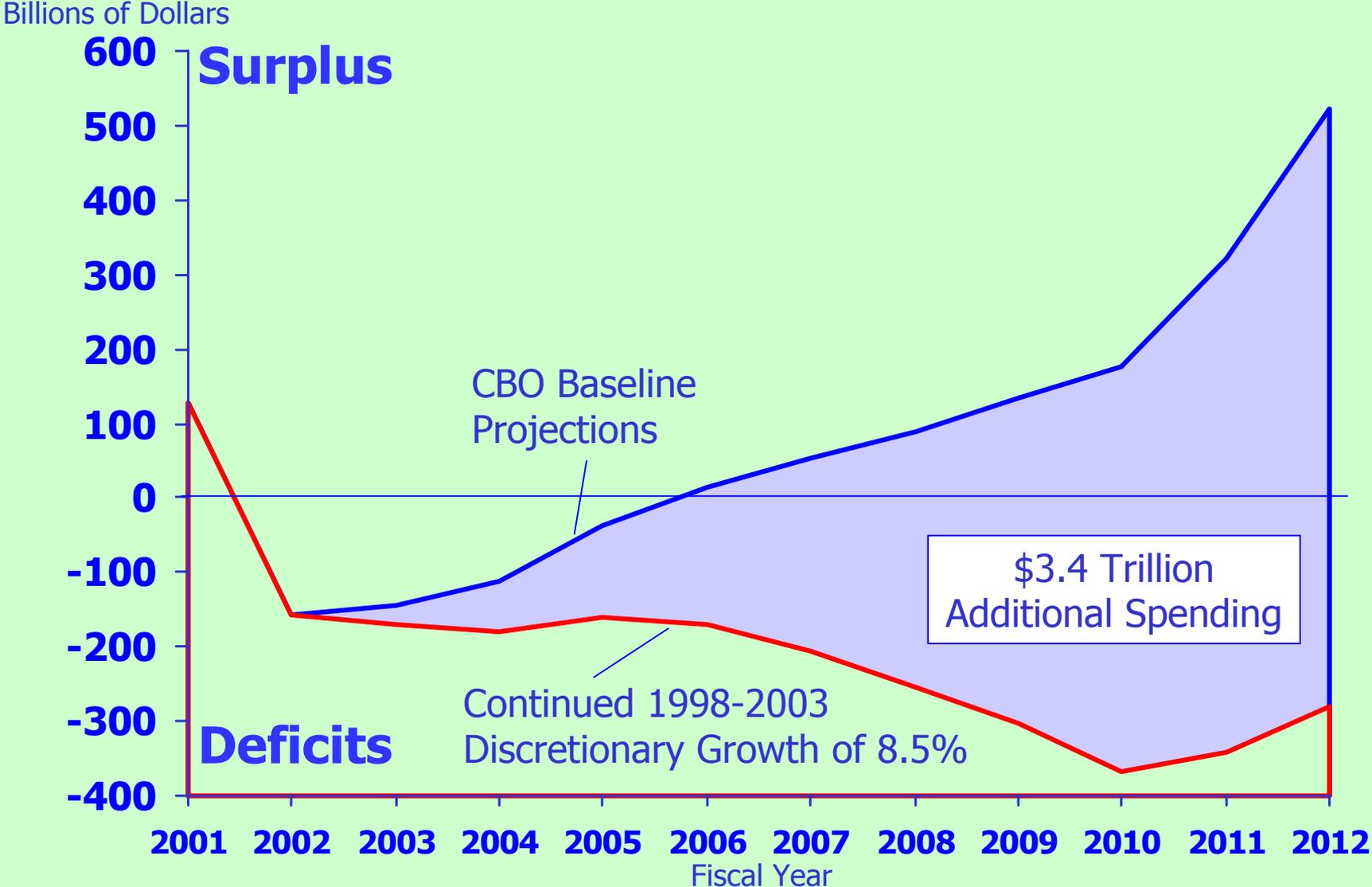
# CBO Expects Lower Tax Yield as Share of Economy Near Term



# Differences in Revenue Projections Suggest Need to Control Spending

- OMB estimates higher revenues than CBO as a result of higher wage income growth through 2005 based on the economic data available at the time of their report.
- The burden of taxation on the economy remains high, so raising taxes is not a prudent option for achieving balance.
- As a result, Congress must control what it can control—government spending.
- Exceeding the budget plan passed by the House is the biggest threat to a return to surpluses in the near term.

# Continuing Recent Spending Growth Leads to Perpetual Deficits



Prepared by the House Budget Committee based on CBO data.

# Continuing Recent Spending Growth Leads to \$6 Trillion in Public Debt

Trillions of Dollars

