

Mid-Session Budget Status

Jim Nussle

Chairman

House Budget Committee

OMB Estimates Show Economy Delays Return to Surplus

- Fiscal year 2002 deficit of \$165 billion.
- Return to surpluses in fiscal year 2005.
- Almost all of the change in the surplus estimates this year is the result of slower-than-expected revenue collections.
- Return to surpluses contingent on sticking to the policies in the House budget resolution.

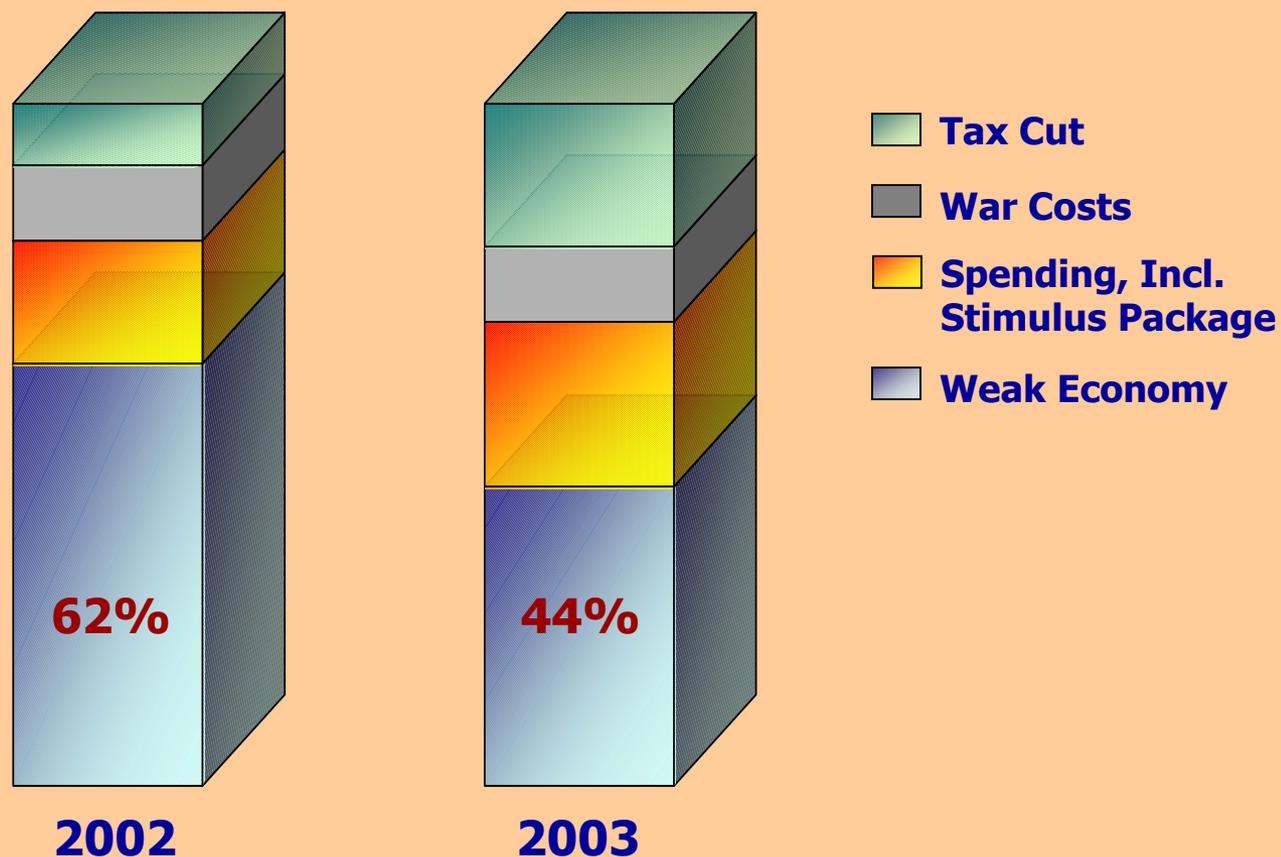
OMB Budget Estimates July 2002 Update

(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	1,867	2,029	2,169	2,351	2,451	2,567	11,567	26,476
Outlays	<u>2,032</u>	<u>2,138</u>	<u>2,217</u>	<u>2,298</u>	<u>2,390</u>	<u>2,483</u>	<u>11,526</u>	<u>25,649</u>
Surplus	-165	-109	-48	53	60	84	41	827

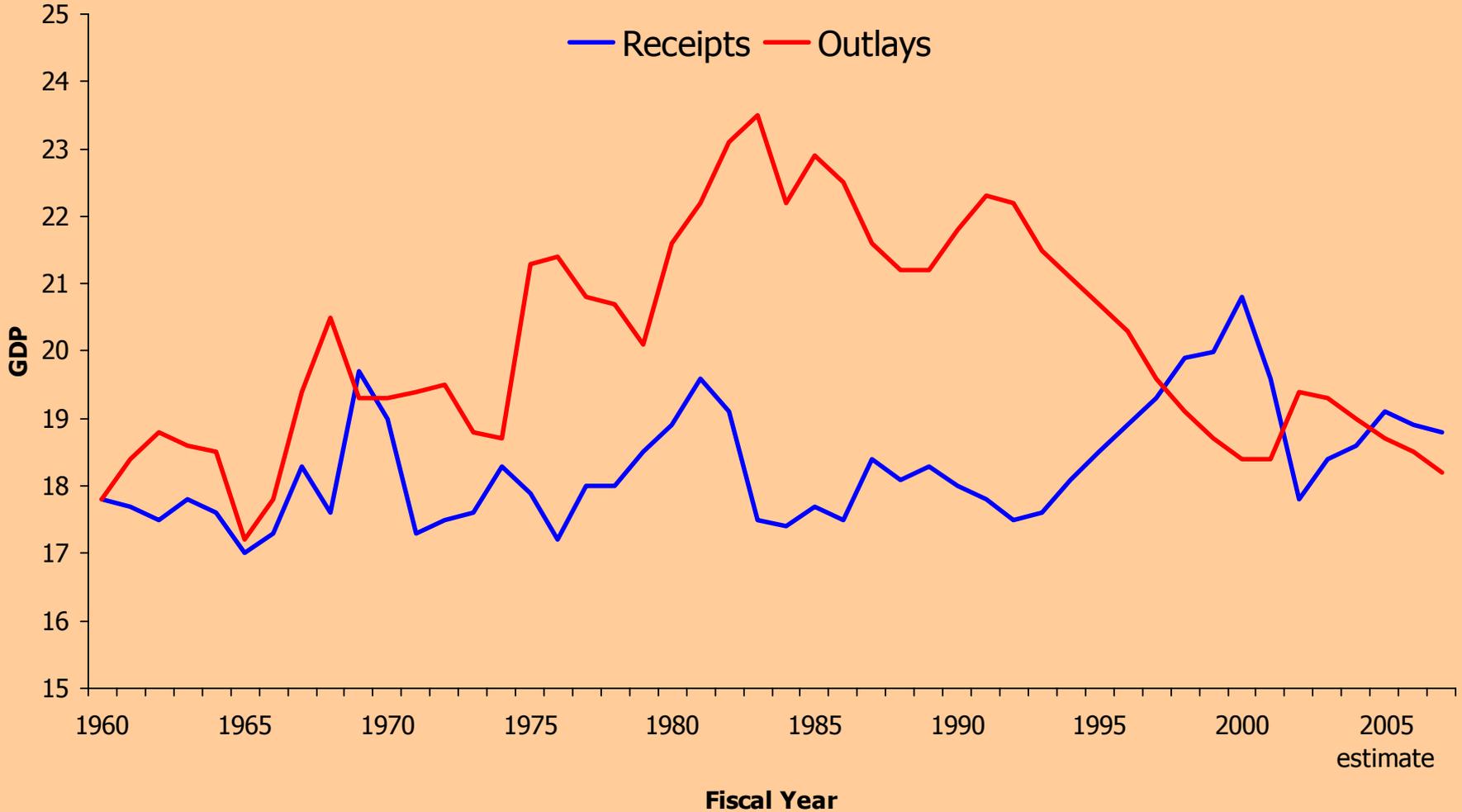
Largest Cause of Deficits in 2002 and 2003 is the Economy

The economic downturn accounts for 62% and 44%, respectively, of the total 2002 and 2003 changes.



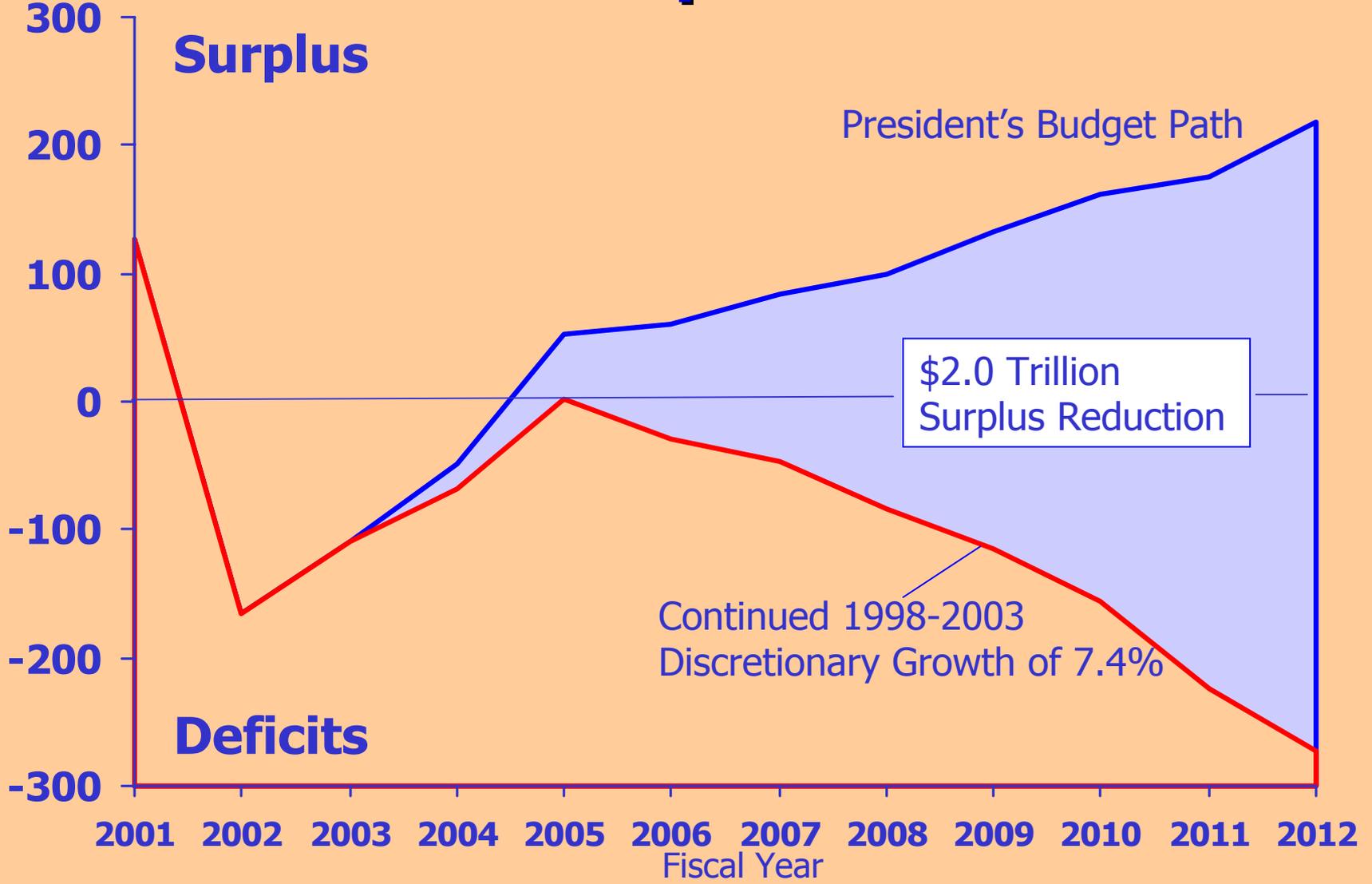
Restraining Spending Key to Budget Surpluses

Taxes as Share of Economy Still High



Continuing Recent Spending Growth Leads to Perpetual Deficits

Billions of Dollars

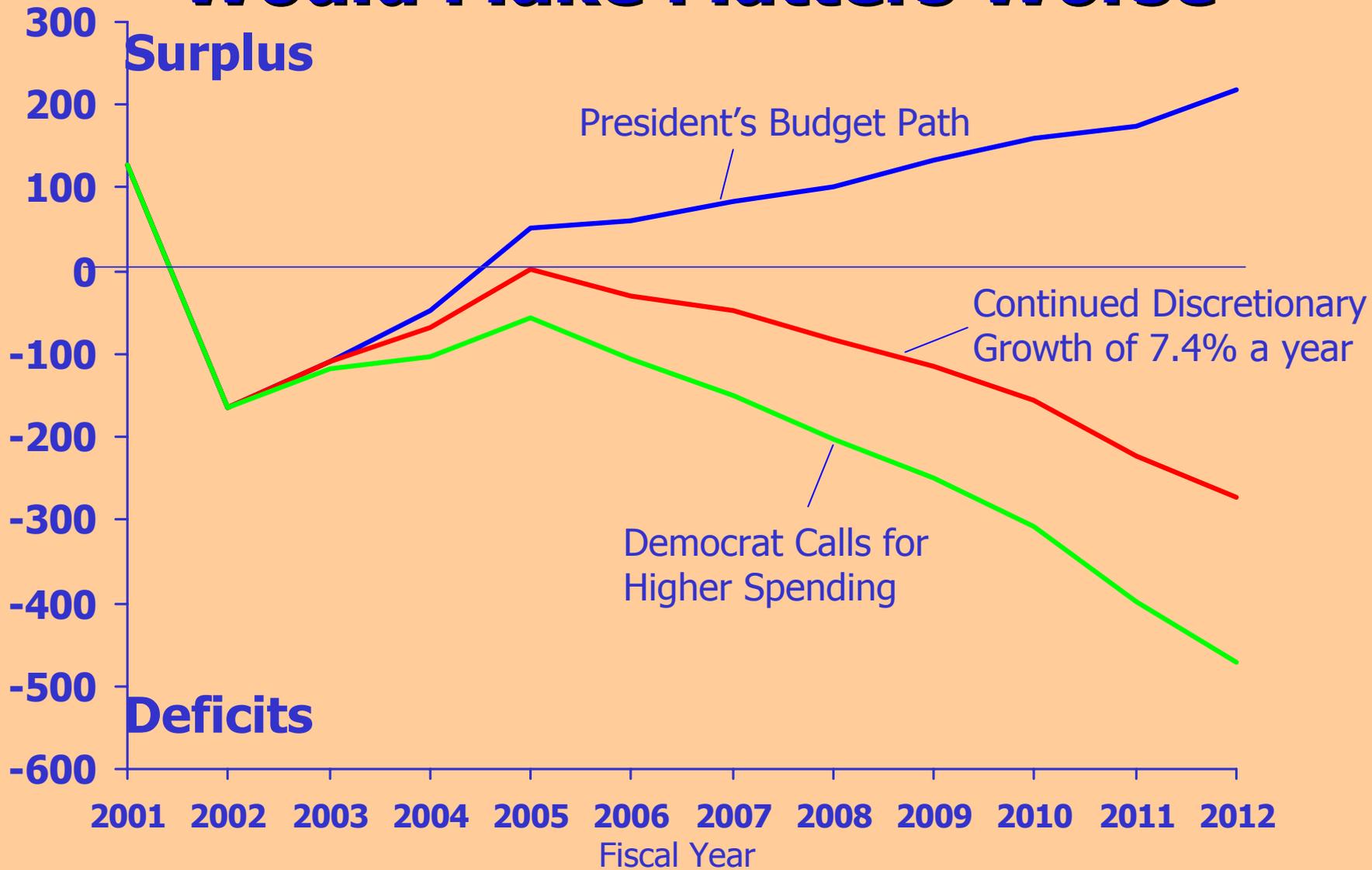


2003 is assumed to be level of President's request.

Prepared by the House Budget Committee.

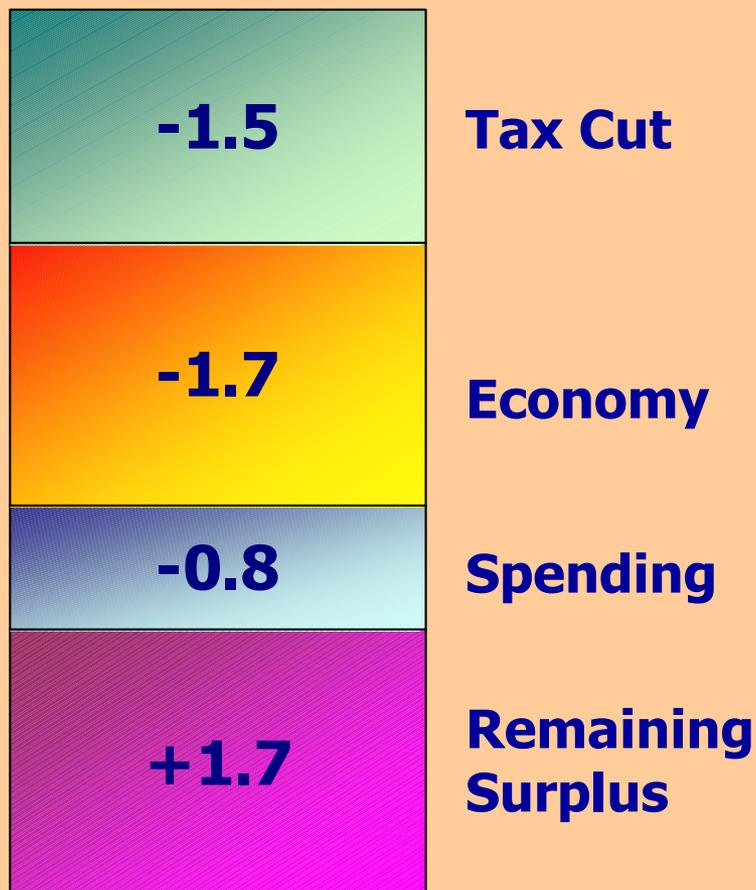
Democrat Spending Proposals Would Make Matters Worse

Billions of Dollars



10-Year Surplus "Estimates" Drop Sharply

From +\$5.6 Trillion Last January to +\$1.7 Trillion This July



2002-2011 Total (Trillions)

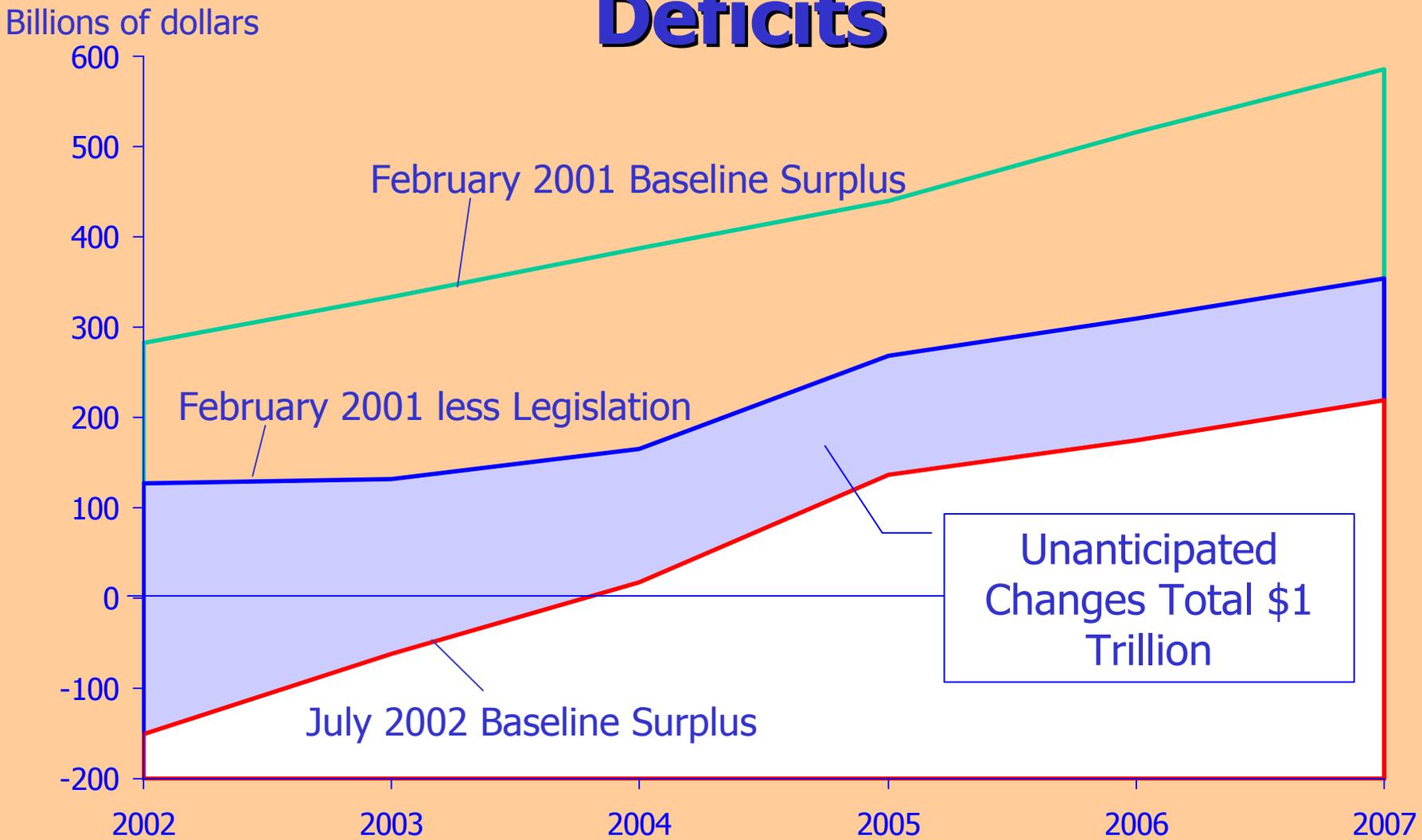
Where Has the Surplus Gone?

A Review of the Past 18 Months

(By fiscal year in billions of dollars)

	<u>2002</u>	<u>2002-11</u>
Jan. 2001 Surplus Estimate	283	5,637
Tax Relief	-41	-1,491
Economic Slowdown		
Revenues	-267	-1,442
Outlays	-10	-227
All Other (Incl. Stimulus)	<u>-115</u>	<u>-760</u>
July 2002 Surplus Estimate	-150	1,717

Factors Beyond Our Control Responsible for Surpluses Becoming Deficits

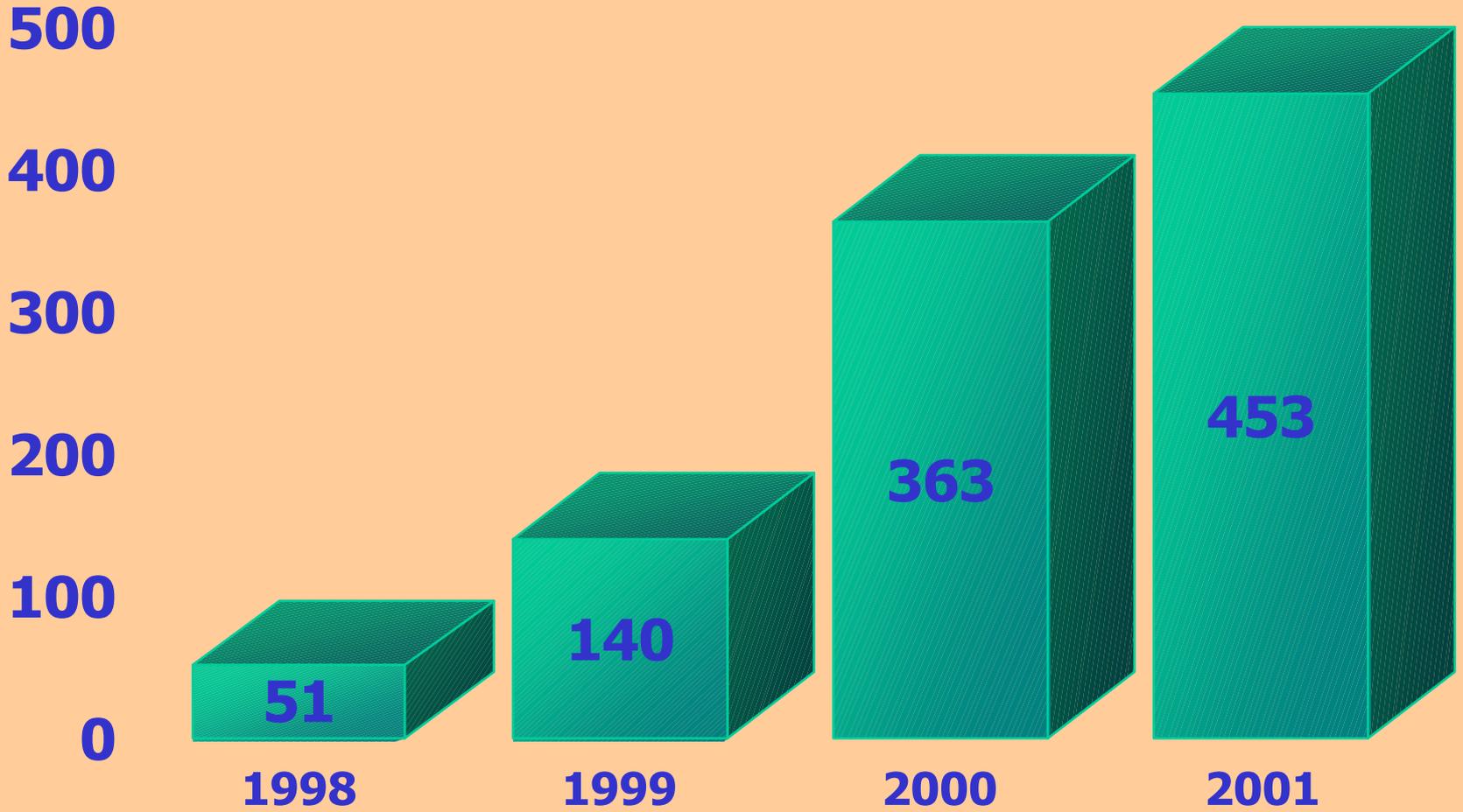


Importance of Spending Restraint

- The House Budget Resolution assumes that total appropriations will not exceed \$759 billion for fiscal year 2003.
- Increased base levels of government spending will make balanced budgets unachievable in the near-term.
- Deficit spending will reverse the progress we have made in paying off the debt.

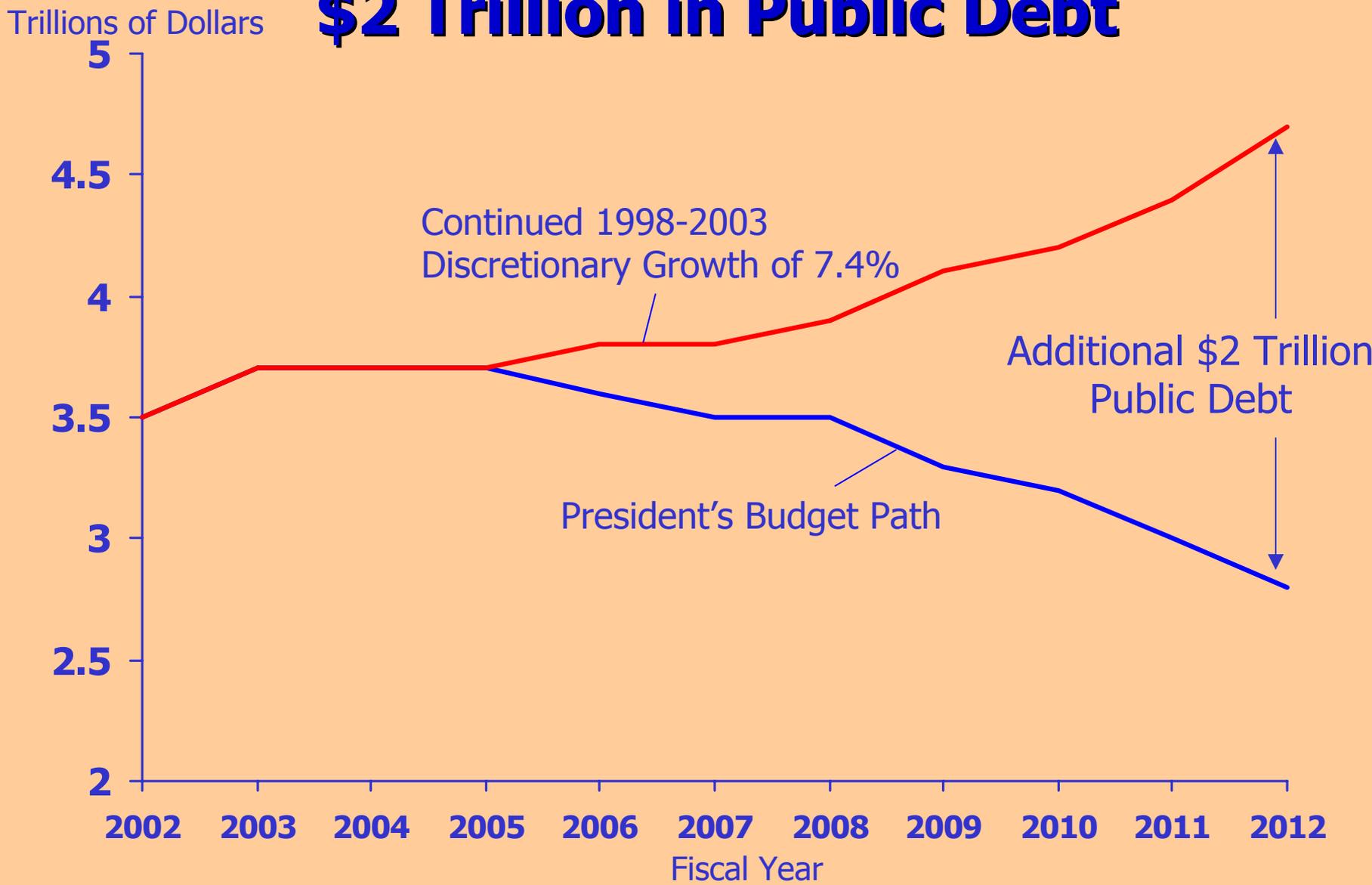
A Record of Accomplishment: \$453 Billion in Debt Paid Off Prior to War and Recession

(Cumulative Reduction in Billions of Dollars)



End of fiscal year reduction in Debt Held by the Public.
Prepared by the House Budget Committee. Source: '98-'01 Actual.

Continuing Recent Spending Growth Adds \$2 Trillion in Public Debt



2003 is assumed to be level of President's request.

Prepared by the House Budget Committee.