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Dear Republican Colleague,

In testimony to the House Budget Committee yesterday, the Congressional Budget Office [CBO] reported we have deficits in the near term, and a return to the trend of budget surpluses in the outyears. Let's look at the deficits and why they are here.

As the chart alongside shows, *the budget deficits of 2002 and 2003 are mostly the result of the economic recession.* These near-term deficits – which are our immediate budgetary problem – are reflected in the components called “economy” and “technical.” (Technical factors are those that CBO cannot explain specifically, even though they reflect a loss of revenue from economic conditions.) When taken together, these two factors outweigh the effects of both spending increases and tax cuts in reducing surpluses.

CBO Director Dan Crippen reiterated this point yesterday in his testimony to the Budget Committee, saying: “The deficit projected for this year – \$21 billion – represents a change of more than \$300 billion from last January’s projection. Over 70 percent of that reduction results from the weak economy and related technical factors . . .”

Again, these deficits, resulting mainly from the economic downturn, are the most pressing budgetary problem we face.

Sincerely,

Jim Nussle
Budget Committee Chairman

