

FOR IMMEDIATE RELEASE

Contact: Herb Ettel, 202-234-8494 ext. 213 or 202-291-2258 (eve.)
John S. Irons, 202-234-8494 ext. 235; 703-798-0699 (cell)

OMB Mid-Session Review confirms worsening deficits, lowest revenue in 50 years

Washington, D.C., July 29, 2004 - The White House's Office of Management and Budget today belatedly released its annual budgetary "Mid-Session Review," which attempts to put a positive spin on massive and worsening deficits and the lowest level of revenue in a half century.

The Mid-Session Review shows the federal budget running a \$445 billion deficit for fiscal year 2004, up from a \$375 billion deficit in 2003. Once we exclude the Social Security surplus, the current deficit reaches \$600 billion, or 5.2 percent of GDP. (See chart below.) In addition, federal revenue, at just 16.2 percent of gross domestic product is at its lowest level since 1959.

OMB Watch Economist John Irons today said, "The data again show an unprecedented swing from record surpluses in the late 1990's to massive deficits under current policy."

While temporary deficits can help the economy recover from a recession, unless significant policy changes are made, the current massive deficits are projected to persist. Irons said, "The current situation will not simply go away, but will need to be addressed by significant tax reforms that must raise additional revenue." In addition, he noted "The recent trend has been to shift the tax responsibilities onto lower- and middle-income taxpayers and onto work; and away from investments and the wealthy – thus making the system less fair for most Americans."

The near term outlook seems dismal as well. The Republican led Congress and the President have failed to pass a budget for next year, and are continuing to press for changes to the tax code that would reduce revenue by tens of billions of dollars.

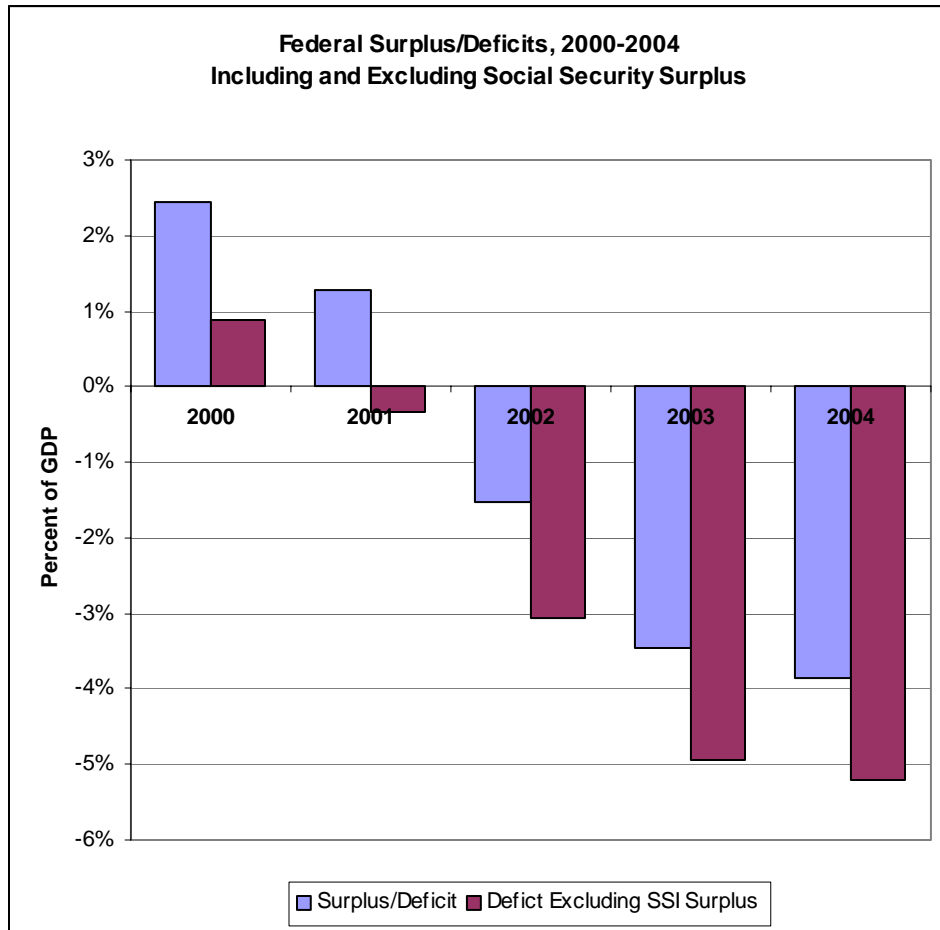
Gary Bass, Executive Director of OMB Watch today said "The current budget situation represents a failure of the budgeting process, and a failure to address both current and future needs."

The budgetary situation will become even more dire when looking out over the next 10 years and beyond. With the retirement of the baby-boom generation, increases in expenditures for Social Security and Medicare will combine with massive deficits and low revenue to put an extreme squeeze on the rest of the budget. The squeeze will ultimately impact many essential governmental areas, including education funding, student loans, services for families and children, funding for parks and historic preservation, and many other programs of vital importance to the American public.

Overall, recent economic policy has been:

- Irresponsible, because it shifts trillions of dollars of the tax burden to future generations, and away from those that can best afford to pay.
- Reckless, because it threatens our ability to respond to future crises and challenges, and harms the economy in the long run.
- A lost opportunity, because it does not deal with longer-term issues such as the viability of Social Security or Medicare.

###



OMB Watch is a 501(c)(3) nonprofit organization located in Washington, DC, and was founded to promote government accountability and citizen participation. OMB Watch was formed in 1983 to lift the veil of secrecy shrouding the White House Office of Management and Budget (OMB), which oversees regulation, the budget, information collection and dissemination, proposed legislation, testimony by agencies, and much more. As the years have progressed, tracking OMB activities has led to other concerns about the federal government's institutional responsiveness to public needs. For more information see www.ombwatch.org.