

SENATE BUDGET COMMITTEE

KENT CONRAD, CHAIRMAN

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STATEMENT BY SENATOR KENT CONRAD (D-ND) ON CBO JANUARY 2007 BUDGET OUTLOOK

Nothing in CBO's new projections alters the fact that our nation remains on an unsustainable fiscal path.

Looking just at 2007, CBO's deficit estimate understates the shortfall because it doesn't account for the \$100 billion war supplemental President Bush is expected to request next month or the cost of AMT relief. And over the next ten years, once we factor in those and other costs, such as the extension of expiring tax cuts and President Bush's proposed defense buildup, CBO's projections show the continuation of significant deficits. Those deficits are occurring at the worst possible time – just as the baby boom generation begins to retire.

The revenue improvement in CBO's report results primarily from adjustments in CBO's calculations that have nothing to do with stronger economic growth. In fact, CBO's latest figures for economic growth in 2006 and 2007 are actually weaker than the agency predicted last August. The revenue improvement must be considered in the context of the complete collapse in revenue that occurred after 2000. It is important to remember that revenue as a share of GDP fell to its lowest level in 45 years in 2004. And real revenues – that is, adjusted for inflation – only returned to their 2000 level last year.

The improvement the new CBO figures show in the near-term does not erase the damage done by the fiscal policies of the Bush administration over the last six years. We are still carrying the higher debt that has accumulated; we are still borrowing every penny of the Social Security surpluses to pay for other government expenses; and this administration has still offered no plan for how to address the long-term fiscal imbalance – which has dramatically worsened since 2001.

The truth is that our long-term outlook is unchanged and the hard work lies ahead. Putting our fiscal house back in order will require tough choices, a bipartisan effort, and real Presidential leadership. I stand ready to work with my colleagues and the White House to get the job done.

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