



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR IMMEDIATE RELEASE
July 12, 2002

2002-41*

OMB Director Mitchell E. Daniels, Jr. Previews Mid-Session Review

Washington, DC – OMB Director Mitchell E. Daniels, Jr. today projected that the federal government will run a FY 2002 deficit of \$165 billion but potentially return to balance by FY 2005. The mid-session review also revises the economic growth projection for 2002 to 2.6%, compared to February’s projection of 0.7%. While receipts have fallen, especially those related to capital gains, the economy remains strong due in part to last year’s tax cut and the economic stimulus plan passed in February. The Mid-Session Budget Review will be available Monday, July 15 at www.omb.gov.

<u>BUDGET PROJECTIONS</u>	FY02	FY03	FY04	FY05	FY06	FY07	FY03-12
Mid-Session Budget Review	-165	-109	-48	53	60	84	\$ 827B
February budget submission	-106	-80	-14	61	86	104	\$1.00T

BACKGROUND

- The Mid-Session Budget Review shows the federal budget returning to a pattern of surpluses beginning in FY2005 based on three assumptions: spending restraint, economic growth, and no unforeseen war-related events. Failing to reverse the spending trends of the past few years – when discretionary spending grew an average of 7 percent a year – would add \$2 trillion of federal spending above the President’s request and guarantee a decade of deficits.
- The Mid-Session Budget Review projects the GDP to grow 2.6% in 2002, up from the 0.7% growth rate projected in February’s budget submission. OMB’s projected growth rates are more conservative than average Blue Chip forecast of 2.8% growth for 2002 and 3.6% for 2003. Despite projected growth, Treasury revenues will be lower as a result of the recession and declines in the stock market, which caused a sharp reduction in capital gains tax revenues.
- In the first quarter of 2002, the economy grew at 6.1% compared to 1.2% in 2001. Americans began receiving checks from the Treasury in late July, 2001, pumping \$40 billion back into the economy and boosting consumer spending at a critical time. The tax cut will help create 800,000 jobs by the end of 2002, according to the White House Council of Economic Advisers.

* The initial press release posted in this space contained errors that have since been removed concerning the relationship between the bipartisan tax relief law and the change in the federal fiscal position. Please see the actual Mid-Session Review document for a complete analysis.

###