
REPUBLICAN CAUCUS
THE COMMITTEE ON THE BUDGET

B-71 Cannon House Office Building
Washington, DC 20515
Representative Paul Ryan, *Ranking Republican*

Phone: (202)-226-7270
Fax: (202)-226-7174
James T. Bates, *Republican Staff Director*

**BUDGET DEFICIT CONTINUES TO SHRINK
BUT DEMOCRATS' TAX-AND-SPEND PLAN THREATENS OUTLOOK**

July 11, 2007

The deficit in 2007 is projected to fall to just above \$200 billion – a \$39-billion decrease from the Administration's February estimates – according to revised estimates released today by the Office of Management and Budget [OMB]. Despite Democrats' excess spending to date, we remain on course to reach balance by 2012 *without raising taxes*. This positive outlook will be severely threatened, however, should Democrats succeed in raising spending above the President's levels. Key points:

- **Lower Taxes, Higher Revenue, Falling Deficit.** Faster-than-expected revenue growth continues to drive the dramatic reduction in the deficit – a product of the solid economic growth and job creation spurred by GOP pro-growth tax policy.
 - ▶ Revenue is \$34 billion higher than OMB estimated in February. Revenues grew by 11.8% in 2006, and are expected to increase by 6.9% – or \$167 billion – this year to nearly \$2.6 trillion.
 - ▶ As a share of GDP, revenue is expected to rise from 18.4% in 2006 to 18.8% this year – higher than the average of the past four decades.
- **Spending Control Critical.** OMB's estimates assume adherence to the President's spending levels – a near-freeze on non-defense discretionary spending, and modest savings from entitlement reform.
- **Democrats' Tax and Spend Plan Threatens Outlook.** The Democrats' budget calls for adding \$21 billion to the President's spending levels, and promises another \$190 billion in new entitlement spending – with no means to pay for it. This is on top of their current-year spending hikes of \$6 billion in the 2007 omnibus, and \$17 billion in the Iraq supplemental. This ever-higher spending plan clearly threatens the prospects for balancing the budget by 2012 – *unless taxes are raised sharply*.
- **Long-Term Outlook.** The Democrats' budget not only fails to reform entitlements, it promises to add billions more to their already-unsustainable rate of growth – threatening to worsen our nation's budgetary and economic outlook far beyond 2012.

President's Mid Session Review Budget Estimates

(By fiscal year in billions of dollars)

	2007	2008	2009	2010	2011	2012
Outlays ^a	2,779	2,918	3,016	3,078	3,184	3,267
Revenue ^b	2,574	2,659	2,803	2,954	3,095	3,300
Deficit (-) ^{a,b}	-205	-258	-213	-123	-89	33
Deficit as a % of GDP ^{a,b}	-1.5	-1.8	-1.4	-0.8	-0.5	0.2

^a OMB's spending estimates for future years assume the continuation of supplemental emergency spending for the Global War on Terrorism through 2009.

^b Revenue estimates for 2011 and thereafter assume extension of 2001 and 2003 tax relief provisions.

Totals may not add due to rounding.

Source: Office of Management and Budget.
