

CBO Projects Sharply Smaller Surplus

Deficits to Return for Next Two Years, Report Says

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WASHINGTON — Federal surpluses will dwindle over the next decade and annual deficits will return for the next two years, say new congressional projections that herald a budget squeeze sure to color this fall's election for control of Congress.

The estimates by the nonpartisan Congressional Budget Office mean the government's expected black ink has plummeted sharply from estimates one year ago. CBO is Congress' official budget analyst.

Further dramatizing the worsening fiscal pressures faced by President Bush and Congress, CBO is now projecting one-year deficits of \$21 billion this year and \$14 billion in fiscal 2003, which starts Oct. 1. The government ran annual surpluses for four straight years beginning in 1998.

Just last year, the budget office envisioned surpluses of \$313 billion this year and \$359 billion in 2003. The new projections, if accurate, would mark one of the steepest budgetary downslides ever.

Bush plans to send Congress a \$2 trillion budget for 2003 on Feb. 4. Congressional and administration sources have said it will project deficits of about \$100 billion this year and \$80 billion in 2003 — assuming that Bush proposals for anti-recession tax cuts and extra spending for defense and homeland security are enacted.

The fiscal nosedive has been prompted mostly by the recession, the cost of the \$1.35 trillion, 10-year tax cut Bush muscled through Congress last spring, and the price tag of the war on terrorism. In the short run, the recession is the key reason for the worsening numbers, though the tax cut's costs are more dominant over the entire decade.

With both parties expecting bad news from CBO for weeks, they have already started using the numbers in a blame-game likely to last all year and dominate this campaign-year's budget fight.

Democrats say the Bush tax cut is mostly to blame, along with the Republicans' reliance last year on unrealistically optimistic economic projections for coming years. Because of this, they argue, there is not enough money left for defense, countering terrorists, improving schools and other priorities.

In addition, they say portions of the surplus generated by Social Security and Medicare will now have to be spent to pay for other federal programs. Many of both parties' politicians had promised to set aside Social Security and Medicare surpluses for debt reduction or to overhaul the two programs for the elderly and disabled.

Republicans have blamed the worsening budget picture on the recession and the campaign against terrorism. They say annual surpluses will return shortly if the economy rebounds and if Democratic efforts to boost spending are rebuffed.

The best way to help the economy get stronger is to resist some Democrats who want to block parts of last year's tax cut from taking effect in future years, GOP lawmakers say. They also say that though they want to protect budget surpluses, defending the country takes a higher priority.

The government ran a record \$237 billion surplus in 2000. The biggest deficit was \$290 billion in 1992.

