

Congressional Closeup by Carl Osgood

CBO Deficit Forecast Jumps by \$100 Billion

The Congressional Budget Office, in its 2004 budget outlook, is forecasting a deficit of \$477 billion, more than \$100 billion more than Fiscal 2003's largest deficit in U.S. history. This, although the CBO is also forecasting 4.8% inflation-adjusted growth for 2004, 4.2% for 2005, and 2.7% annual growth from 2006 to 2014. It also projects a total of \$1.893 trillion in deficits through 2014, providing that the 2001 tax cuts are not extended when they expire in FY 2007. The forecast repeats those of the last four years: Deficits are projected to decline over the next ten years, and tax revenues to increase. But the real outcome of the past three years' forecasts has been that deficits have climbed and revenues have fallen. Tax revenues fell by \$71 billion, or 3.9%, in 2003, the third straight annual decline.

The White House is suggesting that the CBO's numbers are inflated, because of the requirement that it assume no changes in policy when it makes its projections; however, some Republicans in the Congress are becoming increasingly nervous about the unchecked flow of red ink. Democrats, on the other hand, took an "I told you so" attitude. Representative John Spratt (D-S.C.) and Sen. Kent Conrad (D-N.D.), the ranking Democrats on the Budget Committees of their chambers, blasted the Bush Administration's budget policies in a Jan. 26 press conference. "This confirms our fears that deficits loom way into the future . . . and it casts grave doubt on the administration's claim that they can cut the deficit in half over five years," said Spratt.

Conrad actually made reference to the real danger, citing an article in the *Washington Post* that morning on the collapse of the dollar against the euro. He noted that the article reported the fear that foreigners will tire of financ-

ing "America's appetites," with the result that interest rates will rise; inflation, bankruptcies and economic malaise will follow. "That is the risk this President is running," Conrad said. "It is utterly reckless." He still failed to identify the real process behind the dollar collapse he alluded to—the post-industrial policy trends of the last 35 years, that turned the U.S. economy from the world's largest producer into a consumer that has to loot the world to sustain itself.

Senate Passes Omnibus Spending Bill

The U.S. Senate finally closed out the Fiscal 2004 appropriations process, on Jan. 22, when it passed the Omnibus Appropriations bill, wrapping up seven (out of the 13) annual spending bills that had not been passed. The House had passed the bill in late November, and Sen. Robert Byrd (D-W.Va.) frustrated attempts by Majority Leader Bill Frist (R-Tenn.) to pass it on a voice vote.

When the Senate returned from its Winter recess on Jan. 20, Frist began the session by threatening the Senate that if the bill did not pass, it would be replaced by a continuing resolution funding the affected government agencies at Fiscal 2003 levels, creating hardships for veterans, food security, HIV/AIDS victims, and school districts awaiting Federal funds.

Senate Democrats, with the help of a handful of angry Republicans, did delay passage of the bill by a 48-45 cloture vote, but allowed it to pass two days later, 65-28. Senate Minority Leader Tom Daschle (D-S.D.) said repeatedly that the Democrats did not want to be seen as obstructive but rather, wanted the bill fixed, especially to reflect the results of majority votes on issues such as overtime pay, food labeling, and media concentration. He

noted that the positions on all three issues in the bill were written by a handful of people in conference committee, and "So, I think we have to be concerned about democracy and about our Republic as occasions such as this arise."

Showdown Looms on Roads, School Spending

Both Houses of Congress are primed to take up a new six-year highway bill in early February, in what promises to be the first of many collisions between Congress and the White House, on spending priorities in the Fiscal 2005 budget, scheduled to be released on Feb. 3. While the Bush budget proposes a six-year plan of \$247 billion, the Senate is to consider a \$311 billion bill; the House Transportation Committee, chaired by Rep. Don Young (R-Ak.), is looking at a \$375 billion plan. Some say it would take \$450 billion to meet the demands of the nation's clogged roads and crumbling infrastructure.

Young's committee is the largest in the House, with 76 members, and will prove a formidable block if Bush vetoes the highway bill, as some have suggested he might, in order to placate radical conservatives who complain that domestic spending has risen too fast during Bush's tenure. Committee spokesman Steven Hansen told the *Washington Post* on Jan. 24, "If we were to just punt and go with current funding levels, by 2009 our national highway and road system would be in chaos." Confrontation is also looming on funding for special education programs. The Bush budget proposes a \$1 billion increase, whereas Sen. Judd Gregg (R-N.H.), chairman of the Senate Health, Education, Labor and Pensions Committee, is proposing a \$2 billion increase to cover 40% of school districts' special education costs, to meet a 30-year-old promise.