



HOUSE BUDGET COMMITTEE

Democratic Caucus

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The Mystery of the Missing Mid-Session Review

Though in control of Congress and the White House, Republicans cannot get their act together on the budget. Republicans have failed to approve a budget resolution conference report, pass legislation to raise the debt ceiling, enact meaningful budget enforcement measures, or complete any of the appropriations bills for 2005. Now, the White House has announced that the *Mid-Session Review*, a statutorily required report to update Congress and the public on the status of the nation's fiscal health, is not being delivered on time.

Yet Another Piece of Unfinished Business

For the first time ever when the same party controls the White House, the Senate, and the House of Representatives, Republicans are unable to agree on a budget resolution. Without a blueprint for funding and revenue priorities, spending and tax cut measures cannot be considered within the context of an overall fiscal framework.

For the third time in three years, Republicans need to increase the debt limit. Last year, they enacted the largest debt limit increase in history: \$984 billion. In 2002, they raised the debt limit by \$450 billion. Now, they need another \$690 billion increase to keep the federal government solvent for just one more year.

Republicans are unwilling to recognize the fiscal consequences of their actions. First, Republicans tried to use the "Hastert Rule" to produce an increase in the debt limit through their budget resolution without having to take a separate vote. Then House Republicans tried to cloak the urgently needed debt limit increase in an unrelated must-pass bill. Because both attempts

Republican Budget To Do List

- Set a new deficit record
- Deliver Mid-Session Review on time
- Pass a budget resolution conference report
- Pass a debt ceiling increase
- Pass effective PAYGO extension, spending caps
- Pass appropriations conference reports on time

were unsuccessful, the federal government is likely to run up against the debt limit in September or October, according to the Treasury Department.

With no budget in place to enforce, House Republicans still brought several ill-conceived budget process reform measures to the floor for consideration last month. The lopsided Republican proposal to restrain spending without limiting tax cuts was a bad idea, and the draconian entitlement cap procedure included in some Republican amendments was even worse. Because Republicans were unwilling to compromise, they squandered the opportunity to enact meaningful, bipartisan budget process reform and instead every major proposal was rejected, including a return to the budget rules that worked throughout the 1990s.

Why The Delay?

Although the White House may want to tout new numbers as representing fiscal improvement, the fact is the *Mid-Session Review* will set another deficit record. For that reason, the White House may release the numbers in the dead of August when Congress is not here to receive them.

Republicans Still Headed in the Wrong Direction

Republican budgetary policies have landed on the American economy with a thud. Inherited surpluses have become historic deficits under Republican leadership, and failed economic policy has resulted in a sluggish recovery and enormous job losses.

Because of their unbalanced tax cuts, Republican budgets require deep cuts to important domestic priorities, not just for 2005, but for 2006 and beyond. Republican policies continue to send the country in the wrong direction.

Likely to Be Incomplete When It Finally Arrives

Even while showing record deficits, new figures in the *Mid-Session Review* will likely omit some key items, particularly in the estimates of future deficits. In February, the Administration predicted large deficits, but those estimates failed to include the costs of items such as alternative minimum tax relief, the war in Iraq and Afghanistan beyond 2004, expiring tax provisions, the continuing defense buildup, and realistic discretionary funding amounts. While Democrats expect the *Mid-Session Review* numbers to set new deficit records, the Administration is still likely to leave out many items with large price tags. The actual cost of the Republicans' agenda will be much higher than they acknowledge.

Backsliding Into the Deficit Ditch

From Deficit to Surplus to Deficit Again

