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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*

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Contact: Angela Kuck  
202-226-9844

## **FY07 Deficit Falls to \$158 Billion**

### *Democrats' Tax and Spend Plan Threatens Progress*

Strong federal revenues continue to drive down the deficit, says a report released today by the Congressional Budget Office [CBO]. According to the agency's *Budget and Economic Outlook: An Update*, the FY07 deficit is projected to fall to \$158 billion – a \$19-billion decrease from its March estimate. This estimate is also \$47 billion less than the Administration's July deficit estimate, and \$90 billion lower than the 2006 budget deficit.

For the economy, CBO projects overall growth rates of 2.1% this year, and 2.9% next year. These projections do not, however, account for the economic impact of potential tax increases, such as the tobacco tax increase recently passed by the House – nor do they reflect any impact from recent turbulence in financial markets.

For future years, the report projects a budget surplus of \$62 billion in FY2012. While this estimate assumes a continuation of emergency war funding, it does not account for the more than \$20 billion in new appropriations spending – or non-offset entitlement expansions – passed to-date by the House of Representatives. The report also assumes Congress will allow automatic tax increases starting in 2011, resulting from a complete elimination of the 2001 and 2003 tax relief provisions, as was also assumed in the Democrats' FY08 budget.

Paul Ryan (R-WI), Ranking Republican on the House Budget Committee, said the following:

*"The continued drop in the deficit is the result of higher-than-expected revenue growth. But a continuation of this progress is far from guaranteed.*

*"Since the start of this year, Congress has veered onto a dangerous course of massive spending increases and growth-busting tax hikes, while simply ignoring the coming financial crisis of our entitlement programs. It is my sincere hope that, upon return from the August break, Congress will act immediately to reverse this damaging, irresponsible course so that the fiscal progress we're seeing today can continue in the future."*

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