

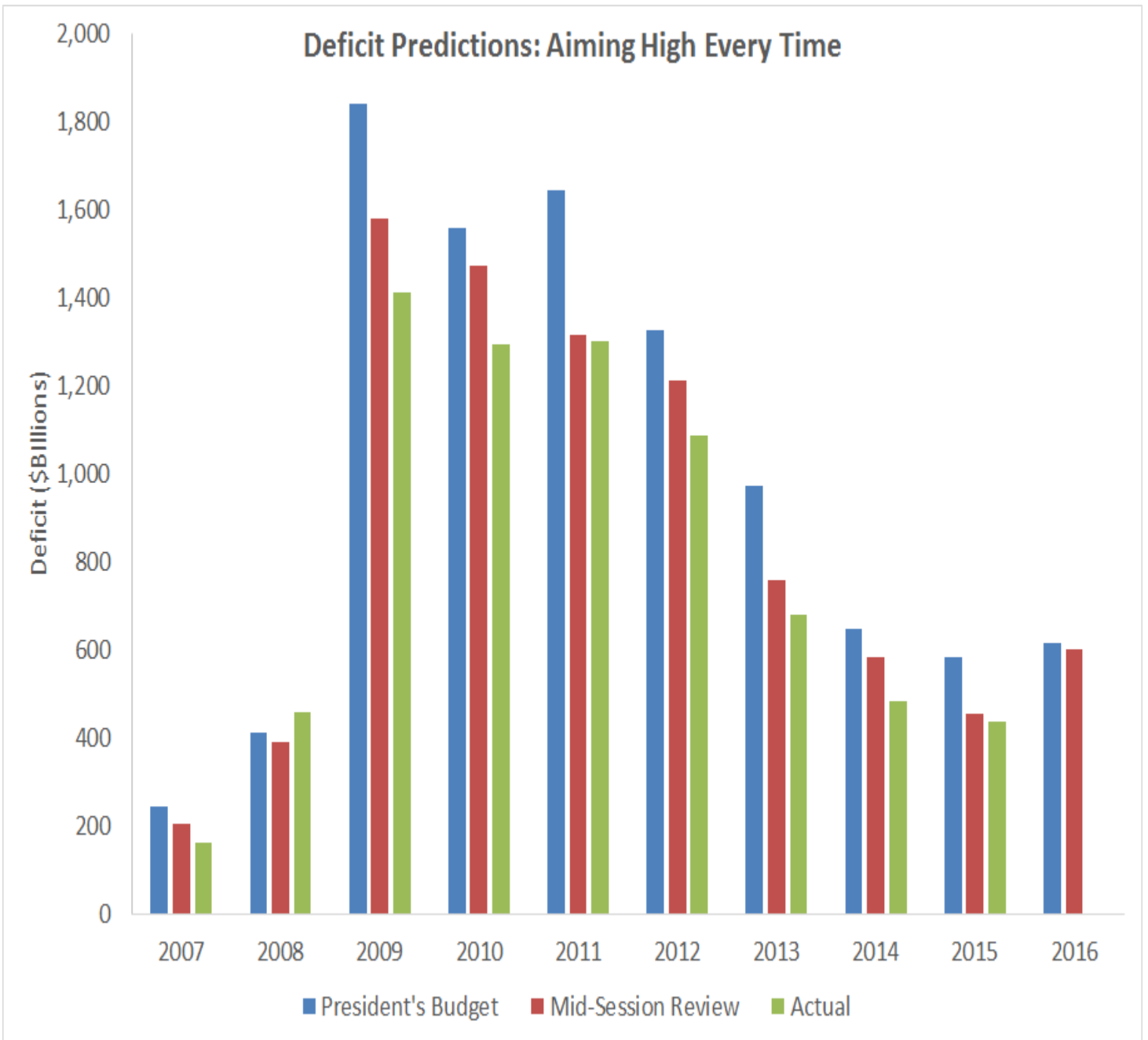


Insight

Deficit Surprise!

GORDON GRAY | JULY 15, 2016

Kudos to the folks at OMB, who discharged their duty to submit the “mid-session” budget update before July 16 – the statutory deadline for updates to the administration’s budget.^[1] And kudos also for following in the grand tradition of past mid-session reviews by downwardly revising the projected deficit this year, but not so much as to allow for yet another happy “surprise” at the end of the fiscal year. In fact, this is a bipartisan, longstanding tradition. Over the last ten years, the mid-session review has projected a lower deficit than that contained in the president’s budget every single time. With one exception, the actual deficit has ended up being even lower than the deficit projection in the mid-session review – essentially allowing 19 opportunities for administrations to claim that the deficit was lower than predicted. The one exception was at the end of the Bush administration when the economy was taking a dive beyond the cushion that OMB gives itself.



So, while today the administration will claim that this year's deficit will be \$16 billion less than they predicted in February, don't be surprised to see the administration celebrate in October when the actual deficit ends being even lower than they're predicting now – they're just doing their jobs.

[1] 31 U.S. Code § 1106