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HEADLINE: Bush Budget to Run Up Record Deficits

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BODY:

President Bush's \$2.23 trillion budget is a potential nightmare for deficit hawks and fiscal conservatives, an election-year grab bag that would run up record deficits of over \$300 billion a year even without a war with Iraq.

Bush was moving ahead with the plan even though he lacked support for some key provisions from several influential Republicans and other usual allies on Capitol Hill.

The annual spending blueprint, covering the budget year that begins next Oct. 1, appeared carefully tailored to provide maximum political lift for the president as he seeks re-election. It offers the biggest bang for the buck over the next year while delaying until after the November 2004 elections the heaviest costs. While Bush cited "a recession and a war we did not choose" as the main reasons why surpluses became deficits, his budget documents also cast those surpluses as an aberration - linked to the now-burst stock market "bubble" of the late 1990s.

His budget was as much a sweeping political manifesto as a spending blueprint.

It would spend heavily on defense and homeland security, speed up tax cuts and child-care credits, establish a new prescription drug benefit for Medicare recipients, increase education spending and even provide a boost in NASA's budget - put in before Saturday's Columbia disaster.

It also offers a range of initiatives that seem designed to appeal to independent swing voters and minorities: a \$15 billion five-year program to combat the international AIDS epidemic, mentoring programs to help children of imprisoned parents, a new drug-rehabilitation program, a federal effort to develop pollution-free cars, and an ambitious "BioShield" proposal to let the government stockpile vaccines.

To pay for some of these items and his tax cuts, Bush is asking Congress to sharply pare back spending in hundreds of other programs. He would also authorize states to cut Medicaid benefits to the poor and disabled.

"The Bush administration does not have a budget. It has a 308-page press release ... pure P.R. with color pictures of little children and brave soldiers designed to distract the American public from the truth," said Rep. Charles Rangel, D-N.Y., the top Democrat on the House Ways and Means Committee.

But Democrats weren't the only ones with issues.

Senate Finance Committee Chairman Charles Grassley, R-Iowa, has reservations over some of the administration's tax cut proposals, including moving at this time on the elimination of federal taxes on stock dividends, which represents roughly half of the \$670 billion Bush is seeking in tax relief.

Sen. Olympia Snowe, R-Maine, calls the Bush tax-cut plan "exorbitant."

Meanwhile, supply-side conservatives were unhappy with some Bush spending proposals.

"This budget, which I find a lot to like in, is excessive in terms of how much money it's willing to spend and how many new government programs it would create to solve every problem, up to and including AIDS in Africa," said Stephen Moore, president of the Club for Growth, a tax-cut advocacy group. "Bush philosophically believes you can do good things with government money. That's very different from the Reagan theme that government isn't the solution, it's the problem."

Bush called for a defense budget of \$380 billion, up 4.2 percent from this year. But that doesn't include possible war with Iraq, which Budget Director Mitch Daniels has said could cost an additional \$50 billion to \$60 billion. It also doesn't include an expected supplemental administration request for \$15 billion to fight terrorism.

Why was Iraq not included? "It would have been very unnatural to include costs for a conflict that Saddam Hussein could avert at any day," Daniels said.

Meanwhile, the administration chose this time to switch to a five-year projection in its budget instead of the previous 10-year forecasts. Budget officials claimed the longer projections proved to be "erroneous and unreliable."

But shortening the forecast also enabled them to avoid showing the huge costs of Bush's tax-cut plan in later years - and deficits with no end in sight.

"There's no doubt that the president's budget is affected by the election-year cycle. It's also a budget that has gone through yeoman's efforts to manipulate it so that it minimizes the real costs and maximizes the benefits," said Norman Ornstein, a scholar at the American Enterprise Institute.

Bush was emboldened by the GOP takeover of both houses of Congress. Still, given the reservations of some moderate Republicans and the razor-thin GOP control of the Senate, fierce budget battles were all but assured.

EDITOR'S NOTE - Tom Raum has covered Washington for The Associated Press since 1973.

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Document 1 of 1

