

## NEWS RELEASE

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### REVENUES AT ALL LEVELS OF GOVERNMENT COMBINED DROP TO LOWEST SHARE OF ECONOMY SINCE 1968 New Data Question Affordability of More Tax Cuts

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Combined federal, state, and local revenues fell last year to their lowest level as a share of the economy since 1968, according to a Center analysis of just-released Commerce Department data that provide the first look at revenues and expenditures for all of fiscal year 2003. Total *expenditures* for government at all levels rose in 2003 but remained lower as a share of the economy than in every year from 1980 through 1996.

Tracking changes in government revenues and expenditures as a share of the economy is the standard way that analysts and institutions such as the Congressional Budget Office assess budget trends over extended periods of time.

“The steep drop in revenues — especially federal income tax revenues — over the past few years is the main reason why government as a whole now faces a substantial deficit,” stated Isaac Shapiro, the report’s lead author. “If new tax cuts are enacted that aren’t paid for, deficits will grow still larger.”

Total Government Expenditures Are Below Historical Average as a Share of GDP, But Revenues Are Even Further Below

	Average 1980-2002	2003
Expenditures	31.4%	30.6%
Revenues	29.1%	27.0%
Deficits	2.3%	3.6%

#### Weaker Revenues Could Worsen Boomer-Related Budget Crunch

Revenues fell at all levels of government in 2003, but most sharply at the federal level. In fact, federal revenues fell to their lowest level as a share of the economy since 1959, a time when Medicare, Medicaid, most federal education aid, most environmental programs, and various other federal endeavors did not exist. This decline primarily reflects a weakening of federal income taxes, which in turn is the result of the poor economy and the tax cuts enacted since 2001.

If the tax cuts are made permanent, federal revenues will remain at historically low levels even after the economy recovers. That could lead to a severe budget crunch when the baby boomers retire and government retirement programs grow much costlier.

The report, *Total Revenues from All Levels of Government Drop to Lowest Share of Economy Since 1968*, is available at the Center’s website at <http://www.cbpp.org/1-15-04bud.htm>.

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