

PRESIDENT'S BUDGET: MORE OF THE SAME MISPLACED PRIORITIES PUTTING SPECIAL INTERESTS AHEAD OF AMERICA'S FAMILIES

Key Points:

- **The Bush Administration's FY 2008 budget continues with more of the same wrong priorities of the past six years -- the same fiscal irresponsibility and misplaced priorities; it takes our country in the wrong direction.**
- **The President's budget is fiscally reckless, adding \$3.2 trillion to the deficit over the next 10 years using honest accounting. Despite the President's claims, his budget does not achieve balance in 2012.**
- **The budget is morally irresponsible, slashing funding for key priorities, such as health care and education, critical to strengthening America's middle class.**

Democrats believe that on every issue our nation faces, we must pursue policies that take our country in a new direction. The Bush Administration's FY 2008 budget fails on that score; it continues with more of the same wrong priorities of the past six years that have failed the American people. It is fiscally reckless, adding trillions to the deficit over the next 10 years, and morally irresponsible, slashing funding for key priorities, such as health care and education, critical to America's middle class. Democrats are fighting for a budget that reflects the values of America's middle class. We are working to restore fiscal responsibility and to deliver results to the American people, along with economic prosperity, a strong national defense, affordable health care and energy prices, and strong public schools.

The Republican budget is fiscally irresponsible, creating trillions of dollars in new deficits that threaten our economy. The Republicans' fiscal recklessness is a tax on our future, creating a deficit in 2007 that is likely to reach \$244 billion. The President's budget creates trillions in new deficits over the next 10 years, squandering nearly \$2 trillion on tax breaks for the wealthy and increasing the national debt by \$2.5 trillion over five years. The President claims that his budget is in balance by 2012, but that is only because he leaves out enormous costs from his budget, including the five-year costs of fixing the Alternative Minimum Tax and the full costs for the Iraqi war (assuming only \$142 billion for FY 2008 and \$50 billion for FY 2009). Republicans have already taken a projected 10-year surplus of \$5.6 trillion, and turned it into a \$2.8 trillion deficit, and this budget continues this path of mortgaging the future of our children and grandchildren with deficits totaling \$3.2 trillion over the next 10 years under honest and realistic accounting.

Military Spending/War in Iraq – The President's budget requests submitted to Congress today include an eye-popping \$716.5 billion for the Department of Defense and for war-related costs. This total of \$716.5 billion includes: a \$481.4 billion FY 2008 base budget request for the Department of Defense; a \$141.7 billion FY 2008 budget request for war costs; and a \$93.4 billion FY 2007 supplemental budget request for war costs. If the President's requests are approved, the U.S. will spend nearly \$50 billion more on the wars in Iraq and Afghanistan in the current fiscal year than was spent in FY 2006, and will spend at least an additional \$142 billion next fiscal year. These huge sums demand the most rigorous congressional scrutiny possible. Furthermore, the President is understating the true costs of his new Iraq strategy. The nonpartisan CBO estimates that the Pentagon will need to send as many as 48,000 troops to implement the President's new strategy, at an estimated cost of \$20 billion to \$27 billion for a year-long deployment. In

discussing sending an additional 21,500 combat troops to Iraq, the President has failed to account for the number of support personnel the Pentagon customarily sends with any deployment of combat brigades.

The Republican budget is morally irresponsible, slashing funding for critical domestic initiatives.

- **Medicare and Medicaid** – The President’s budget slashes Medicare and Medicaid by about \$300 billion over the next ten years – with legislative and regulatory Medicaid cuts totaling about \$50 billion and Medicare cuts totaling \$252 billion. Rather than using these monies to reverse the growing number of uninsured Americans (with an additional 6.8 million uninsured Americans since President Bush took office), almost all of these monies would finance tax cuts for millionaires. The Medicare cuts include premium increases for millions of beneficiaries totaling \$10 billion over the next 10 years. At the same time that the budget slashes Medicare funding, it protects special interests. It leaves untouched massive overpayments by Medicare to HMOs under the GOP 2003 “Medicare Modernization Act.” Many of the federal Medicaid cuts will simply increase state costs or lead to further restrictions in Medicaid benefits. Thus, instead of assisting state efforts to reduce the number of uninsured, the Bush budget will impede these efforts.
- **Health Care** – Under the President’s budget, employee health benefits would, for the first time, be treated as income and would be subject to income and payroll taxes, just like wages. At the same time, the President would create a tax deduction for health insurance of \$15,000 for families and \$7,500 for individuals. This proposal would fail to reduce the number of uninsured. It would also mean a tax increase for millions of middle-class families who have employer-sponsored health insurance worth more than \$15,000. (Also, because the new deduction would reduce taxable income, people’s future Social Security benefits would be reduced as well.) As many health experts have pointed out, the President’s proposal would undermine employer-provided health insurance, and would push people into the individual health insurance market – a market where insurers are able to refuse coverage to workers based on their health. As Karen Davis, head of the nonpartisan Commonwealth Fund, has pointed out about the President’s proposal, “It’s not solving the uninsured problem, and it’s not solving the cost problem, so it’s not really advancing what we need to have happen.”
- **Energy** -- President Bush promised in his State of the Union speech that his Administration was committed to reducing our dependence on foreign oil. The President’s budget fails to fulfill this promise. For example, total energy efficiency and renewable energy funding is essentially at the level in FY 2001. In addition, the President’s budget severely cuts Weatherization Assistance and Low Income Home Energy Assistance. Further, his budget cuts funds for the renewable energy grants program.
- **Homeland Security** – The President’s request for the Department of Homeland Security is only a little more than 1 percent above the FY 2007 enacted level. This is a modest increase for a department that is charged with such a critical mission and has yet to meet its goals for protecting the country. Particularly disappointing is the President’s request for programs that support first responders. Under the President’s budget, state preparedness grants and training would be reduced by 33 percent, to \$1.7 billion, down from \$2.5 billion; and firefighter grants would be reduced by 55 percent, from \$662 million to \$300 million. State and local law enforcement grants through the Department of Justice would also undergo cuts, thus depriving our communities of the critical support they need to operate in the post-9/11 world.

- **Education** – Appropriations for education programs are cut more deeply for each of the next three years, cutting 2010 funding by \$3.1 billion below the FY 2006 enacted level. Pell Grants are increased, but at the cost of recalling all Perkins Loan funds and eliminating nine other higher education assistance programs. Funding for the President’s signature program, No Child Left Behind, which is up for renewal, would remain about \$15 billion below the level promised when the bill was signed into law.
- **Veterans & Military Retirees** -- The President’s budget continues to shortchange veterans’ health care, cutting veterans’ health care by \$3.5 billion over five years and providing less than veterans’ service organizations say is needed to meet the growing needs of veterans, including those returning from Iraq and Afghanistan this year. For the fifth year in a row, the budget raises health care costs on 1.3 million veterans, imposing \$4.9 billion in increased co-payments on prescription drugs and new enrollment fees on veterans over ten years. The budget increases TRICARE health care premiums for the nation’s military retirees and includes several other changes in military health care that have been rejected in previous years. If these proposals are not successful in FY 2008, the budget for military health care will be underfunded by between \$1.8 billion and \$2.3 billion.
- **Economy and Jobs/Innovation** -- Three million manufacturing jobs have been lost over the past six years, and families are struggling to make enough to pay the bills. The budget slashes funding for the Manufacturing Extension Partnership (MEP), which helps small U.S. manufacturers with everything from plant modernization to employee training, by nearly 60 percent, and funding for the Advanced Technology Program, which sponsors research to solve manufacturing problems.
- **Rural Communities** -- Once again this year, the budget freezes funding for rural education and phases out rural health grants. In fact, the President's proposal shortchanges critical rural initiatives, such as renewable energy and conservation and economic development, which could potentially hamper Congress' effort in creating a strong, forward-looking farm bill.
- **Social Security Privatization** -- Despite the American public’s clear opposition to his flawed privatization plan, the President’ budget still turns Social Security’s guaranteed benefit into a guaranteed gamble in 2012.

Democrats are committed to a new direction for America in which the interests of America’s families take priority over the special interests. That kind of honest leadership is needed to bring real solutions to the American people, along with economic prosperity, a strong national defense, health care that works for everyone, fiscal responsibility, and strong public schools. Democrats insist upon fiscal discipline with budgets that pay as you go, and over the coming months, we will fight for a budget that reflects the values of America’s middle class. Together, America can do better than out-of-control deficits and misplaced priorities.

