

HOUSE BUDGET COMMITTEE

Democratic Caucus

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The Administration's Hidden Budget: Cuts in Programs for 2005 and Beyond

Although the President's 2005 budget increases appropriated resources for every year, these increases are only for defense, homeland security, international affairs, and the National Aeronautics and Space Administration (NASA). As shown in the table below, **the budget cuts funding for domestic non-homeland security programs by \$1.2 billion for 2005, then cuts it further for 2006.**

President's Budget: 2004 - 2006				
(Budget Authority and Obligation Limitations in Billions of Dollars)				
	2004*	2005	2006	2004-06
Domestic Non-Homeland Security	383.3	382.1	380.8	-0.7%
International Affairs	27.0	31.6	34.0	26.1%
<i>Subtotal: Non-Defense, Non-Homeland Security</i>	<i>410.3</i>	<i>413.7</i>	<i>414.8</i>	<i>1.1%</i>
National Defense	394.8	420.7	442.6	12.1%
Homeland Security	26.6	30.6	29.6	11.3%
Total Resources	831.7	865.0	886.9	6.6%

*The 2004 enacted figures exclude funding from the 2004 supplemental funding bill.

Budget Obscures Appropriation Levels for 2006-2009 — In a sharp break with all previous budgets, the President's 2005 published budget materials do not show discretionary funding totals, or program or account totals, beyond 2005. Only the Office of Management and Budget (OMB) computer tables show the budget's proposed funding — and cuts — for 2006 through 2009. Some of these cuts are detailed on the following pages.

Programs and Agencies Cut in 2005	
<u>Millions of Dollars Cut</u>	
Environmental protection programs	2,300
State and local law enforcement	1,300
First responder programs	648
COPS	646
Health Resources & Services Admin.	638
Community Development Block Grants	317
Agricultural assistance programs	190
Rural Community Advancement	183
Energy programs	115
Essential Air Service	52
Empowerment zones (eliminated)	28
Brownfields redevelopment (eliminated)	25

Programs and Agencies with One-Year Increases But Long-Term Cuts

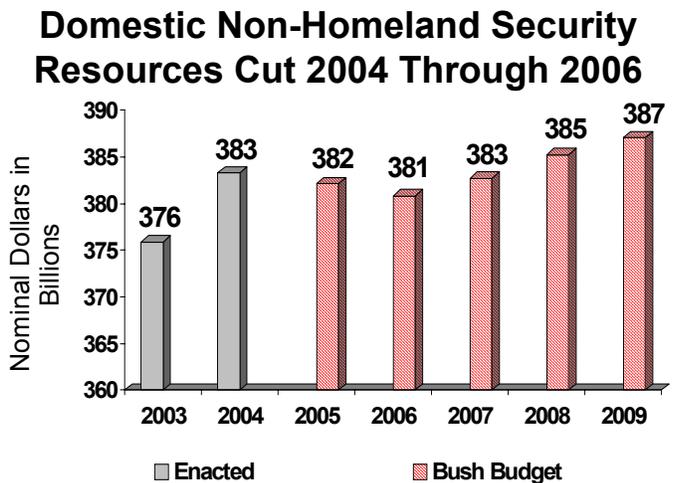
Department of Education (all programs)
WIC
Head Start
HOME Investment Partnerships
National Science Foundation
Veterans' health care
Job training programs
International Trade Administration
National Institutes of Health
Food and Drug Administration

Unconvincing Administration Attempts to Disavow Cuts — The Administration has tried to repudiate the hidden totals for appropriations and obligations limitations for 2006 through 2009. Officials have said that the long-term estimates are calculated by formula and do not reflect policy decisions, which is not credible because the budget does increase funding for certain programs and areas. The budget specifically increases funding after 2005 for defense, international aid, homeland security, and NASA, and specifically cuts funding in other areas, such as education, law enforcement, transportation, and public health.

Furthermore, the budget accomplishes specific deficit targets with these funding levels for 2006 through 2009. If one is to dismiss the funding levels for those years as irrelevant and not-based-on-policy, then one must also dismiss the President's claim that his policies will cut the deficit in half over the same period.

2006 Through 2009: Most Programs Cut Below 2005 Level

Not only does the President's budget cut domestic non-homeland security funding for 2005 below the 2004 enacted level, it cuts it even deeper for 2006. As shown in the chart to the right, the President cuts domestic funding in nominal terms for three straight years, from 2004 to 2006. Only by 2007 does the President's budget return domestic programs to the 2004 nominal enacted level of funding. However, for many domestic programs, funding levels never return to their 2004 or 2005 levels — let alone cover increased program costs due to inflation.



Following are some examples of the President's hidden cuts for 2006 through 2009.

Cuts that Hurt Working Families

Budget Eliminates Child Care for Nearly Half a Million Children — The budget provides \$2.1 billion in appropriations for the Child Care and Development Block Grant for 2005, basically a freeze at the 2004 level. However, the budget cuts the block grant by \$53 million in 2006 and

cuts funding below the 2004 level for 2007 through 2009. Federal resources for child care also include the Child Care Entitlement to States (which the budget freezes at \$2.7 million through 2009), as well as TANF and Social Services Block Grant funds spent on child care at state discretion. Considering all funding available for child care, the budget projects that the number of children receiving assistance will decline from 2.5 million in 2003 to 2.2 million in 2009. Independent experts estimate that the loss under the President's budget will be even worse, eliminating child care for 447,000 children. Meanwhile, the President's plan to increase work requirements for welfare recipients will increase the demand for affordable child care.

Funding for WIC Drops in 2006 — For 2005, the budget provides \$4.8 billion for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), a level that the Administration estimates is sufficient to serve all 7.9 million individuals expected to be eligible and seeking services. For 2006, however, the budget cuts \$122 million from the 2005 level. For 2007 through 2009, the budget continues the cuts below the 2005 level.

Cuts Funding for Head Start After 2005 — The President provides sufficient funding to freeze Head Start enrollment for 2005, but then reduces funding in the following years, cutting \$177 million (2.5 percent) for 2006, assuming that the cut to children and family programs is applied across the board. Head Start currently serves only 13.5 percent of eligible children, but these cuts would mean even fewer children would be able to attend Head Start.

Only a One-Year Commitment to Increased Home Ownership — As part of the President's initiative to increase home ownership, the budget provides \$2.1 billion for the HOME Investment Partnerships program — a \$78 million increase above the 2004 enacted level. This program funds activities that expand the supply and affordability of housing through construction, acquisition, and rehabilitation. However, the budget cuts \$53 million in 2006. For 2007 through 2009, the budget continues the cuts below the 2005 level.

Shortchanging Education

Cuts Department of Education Beginning in 2006 — While the budget increases funding for the Department of Education by \$1.7 billion from 2004 to 2005, it cuts the funding by \$1.5 billion for 2006 and essentially freezes it at that low level for the following three years. Cuts for 2006 through 2009 will mean fewer children are challenged to learn and equipped to succeed, or helped to meet the goals of the President's "No Child Left Behind" Act.

Shrinks Maximum Pell Grant Award — Funding for Pell Grants would fall by \$327 million for 2006, cutting the maximum award by at least \$75 to a level below the 2002 maximum award, assuming that the cut to higher education is spread proportionally across programs.

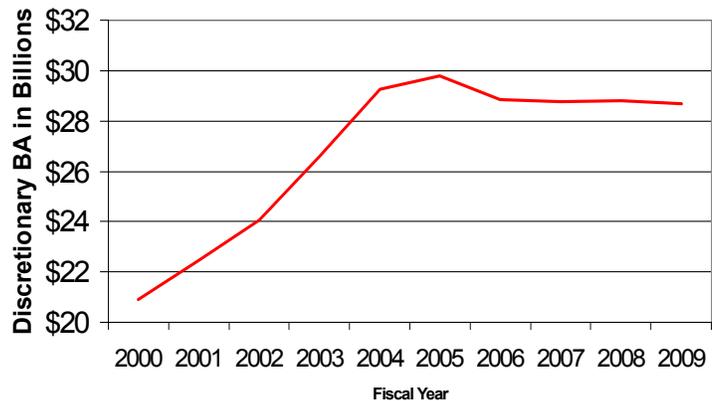
Cuts to Veterans Benefits and Services

Budget for Veterans is Below the Freeze Level — While funding for 2005 is \$520 million above the 2004 enacted level, over five years the budget for appropriated veterans programs is \$1.4 billion below a freeze at the 2004 enacted level. Almost all appropriated funding for veterans pays for medical care and hospital services. Future increases in health care prices and caseload will push VA medical funding needs well above a freeze at the 2004 level.

Secretary of Veterans Affairs Sought Additional Funding

— The Secretary of Veterans Affairs has testified that the VA budget for 2005 is \$1.2 billion below the amount that VA requested from the White House, and that the funding levels for 2006 through 2009 in the President's budget may not be realistic.

President's Budget Cuts Veterans' Appropriations Below 2004 Level



Worsening the Jobs Deficit

Cuts to Job Training — For 2005, the budget essentially freezes funding for training and employment programs at \$5.9 billion, although within that total, the budget cuts existing adult training and dislocated worker programs by \$151 million. However, for the next four years, the budget cuts total funding below the 2005 amount, with the steepest cut in 2006. This cut in job training comes despite the reality that the economy has lost 2.9 million private-sector jobs since President Bush took office and that an increasing number of jobs are being sent overseas.

Shrinking Support for International Trade Administration (ITA) — The ITA assists in the creation of U.S. jobs by aiding the growth of export businesses, enforcing U.S. trade laws and agreements, and improving access to overseas markets by pressing for the removal of trade barriers. The budget highlights its \$12 million increase for ITA, for a 2005 total of \$394 million, but then follows this with a \$10 million reduction for 2006 and virtually no growth thereafter.

The Wrong Prescription for Health Programs

National Institutes of Health (NIH) Increase in 2005 is Reversed in 2006 — After providing average annual growth of nearly 15 percent from 1998 to 2003 — doubling NIH's budget — the 2005 budget holds NIH funding to its lowest increase in years. The budget provides \$28.6 billion for NIH, an increase of \$711 million (2.6 percent) over the 2004 enacted level. However,

the budget then cuts NIH by 2.1 percent for 2006, and provides minuscule increases for subsequent years. At no time over the five-year period does NIH funding again reach the 2005 level.

Health Resources and Services Administration Cut Two Years in a Row — The mission of the Health Resources and Services Administration is to “improve and expand access to quality health care for all,” and its programs include community health centers, rural health programs, access to health care for people living with HIV/AIDS, and training and recruitment of health care professionals, to name a few. In 2005, the budget provides \$6 billion, a cut of \$638 million below the 2004 enacted level. The budget then cuts HRSA even further for 2006, this time providing \$785 million less than the 2004 level.

Cuts That Weaken Our Communities

First Responders Cut for 2005 Through 2009 — The budget includes a total of \$3.8 billion within the Department of Homeland Security for first responder funding, which is \$648 million (14.7 percent) less than the amount enacted for 2004. Within this total, the budget doubles funding for specific high-threat urban areas to \$1.5 billion, but decreases formula-based grants by \$821 million (36.5 percent) from 2004. For 2005, the budget provides \$500 million for firefighter assistance grants, a cut of \$246 million (33.0 percent) from the 2004 enacted level. (In addition, the budget reorganizes law enforcement grant programs within the Department of Justice and sharply reduces their funding.) Over the five years, the President’s budget cuts first responder programs by a total of \$1.3 billion below a freeze at the 2004 enacted level.

Cuts Community Oriented Policing Services (COPS) — The budget slashes the COPS program for 2005, providing only \$97 million (including \$53 million in funds carried over from prior years), a \$646 million (87.0 percent) cut below the 2004 enacted level. The budget cuts the program to \$43 million for 2006 and freezes funding at that level through 2009. These cuts assume the elimination of COPS hiring programs and technology and safe schools initiatives.

Cuts State and Local Criminal Justice and Juvenile Justice — The budget eliminates \$1.3 billion of law enforcement programs, including Edward Byrne formula and discretionary grants, the State Criminal Alien Assistance Program, and Local Law Enforcement Block Grants. The budget uses some of these savings to increase funds for Office of Justice programs (which manage activities for the Bureau of Justice Assistance, Bureau of Justice Statistics, National Institute of Justice, Office of Juvenile Justice and Delinquency Prevention, and the Office for Victims of Crime) by approximately \$1.0 billion (271 percent) over the 2004 enacted level in each year through 2009.

Community Development Block Grant (CDBG) Program Cut — Community Development Block Grants provide funds for programs and activities that promote economic development in low- and moderate-income communities. The President’s budget provides \$4.6 billion for CDBGs in 2005, a \$317 million (6.9 percent) cut below the 2004 enacted level. By 2009, the budget cuts funding by almost half a billion dollars below the 2004 level.

Failure to Keep Pace with our Nation's Transportation Needs

No Increase for Surface Transportation Reauthorization After 2005 — The President's transportation reauthorization bill, dubbed the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003 (SAFETEA) totals \$256 billion over a six-year period, which is \$38 billion over the amount authorized under the Transportation Equity Act for the 21st Century. It is noteworthy that while the Administration claims to be increasing overall investment in our nation's transportation infrastructure over the life of the reauthorization, the program levels under SAFETEA provide no yearly increases in highway or transit funding levels after 2005, an effective cut in funding.

Damaging Cuts to Environmental and Agricultural Programs

Decreased Environmental Protection — For 2005, the President's budget significantly cuts funding for programs that protect the environment and public health. The budget provides \$28.0 billion in appropriations for these programs, a cut of \$2.3 billion (7.7 percent) below the 2004 enacted level. More noteworthy is that the Administration cuts this funding further for 2006, providing only \$27.7 billion. This would be the first time since 1981 that environmental programs would be cut in two consecutive years. The President's budget continues to squeeze these programs in subsequent years. Over five years (2005-2009), the President cuts environmental programs by an average of 1.7 percent per year.

If You're a Farmer, Take a Number and Wait in Line — The President's budget provides \$5.4 billion for appropriated agriculture programs for 2005, \$190 million (3.4 percent) below the 2004 enacted level. For 2006, the budget cuts agriculture funding further, to \$198 million (3.5 percent) below the 2004 enacted level. The bulk of this cut will affect USDA personnel and infrastructure. As funding fails to keep pace with inflation, employees face salary freezes and layoffs. In field offices around the country as well as in Washington, D.C., USDA staff are the primary link between farmers and the programs that often keep their farms afloat. They administer farm loans and crop insurance, provide disaster relief, and assist with crop development and pest management. If the number of these civil servants dwindles too far, farmers and ranchers can expect long lines at field offices and sluggish responses in times of dire need.