



## COLORADO FISCAL POLICY INSTITUTE

Justice and Economic Security for *all* Coloradans

### **President's Budget Reflects Wrong Priorities for Colorado and the Country**

#### **The Impact of the President's Proposal on Colorado (February 22, 2007)**

Despite the rhetoric about reducing income inequality and promoting greater fiscal responsibility, the President's 2008 budget request does neither. The budget would weaken a broad range of government services — from education to environmental protection to child care — while extending tax cuts that provide windfall gains to the very wealthy. The budget simply reflects the wrong priorities for Colorado.

According to the nonpartisan Urban-Brookings Institution Tax Policy Center, people with incomes of more than \$1 million would get tax cuts averaging \$162,000 a year (in 2012 dollars) in perpetuity.

In addition, they argue that if the President's tax cuts are made permanent as proposed, households in the top 1 percent of the population (currently those with incomes above \$400,000) will receive tax cuts averaging \$67,000 a year by 2012.

At the same time, funding for the domestic discretionary programs that benefit a broad range of Coloradans and Americans would be cut by a total of \$145 billion over five years, according to the Center on Budget and Policy Priorities. By 2012, these programs would be cut by \$41 billion.

Some programs, such as the Commodity Supplemental Food Program, that help large numbers of Coloradans would be eliminated entirely. According to a report released today by the Center on Budget and Policy Priorities, the President's budget would:

- ***Cut Colorado's K-12 education funding by \$88 million over the next five years relative to the 2007 level adjusted for inflation.*** The President's proposals would take back much of the additional funding Congress provided to help states implement the federal No Child Left Behind law. Under the President's proposal, **nationally** K-12 education funding would be \$6.3 billion lower in 2012 than it would be if funding were at the 2003 level adjusted for inflation.
- ***Cut Colorado's child care funding by \$5.4 million over the next five years relative to the 2007 level adjusted for inflation. Federal child care funding stands well below its levels in 2002 (after adjusting for inflation).*** Even before these cuts, most children

eligible for child care assistance under federal rules did not receive it due to funding shortages. The proposed cuts would only worsen this problem. The Administration's own data show that the number of children receiving child care assistance would fall to 2 million in 2010, down from 2.45 million in 2002, under proposed funding levels.

- ***Cut Colorado's Head Start funding by \$2.3 million next year and by \$25.1 million over the next five years relative to the 2007 level adjusted for inflation.*** These cuts would come on top of cuts already made to the program. Under the President's budget, funding in 2008 would be 10.8 percent lower than in 2002 (taking inflation into account). This loss in funding since 2002 would mean that Head Start programs in Colorado would get \$5.4 million less in 2008 than would be the case if funding had kept pace with inflation.

Faced with these funding cuts, Colorado's Head Start programs have several choices. They can serve fewer children; cut back on teachers' salaries, classroom materials, and the specialized services they provide to children; or they can try to raise money from other sources. If they continue to spend the same amount per child as they spent in 2002 (adjusted for inflation), the federal funding we'd receive in 2008 would serve 1,100 fewer children than we served in 2002.

- ***Cut Colorado's funding for low-income energy assistance by \$7.3 million next year and by \$41.2 million over the next five years compared to the 2007 level adjusted for inflation.*** The Low-Income Home Energy Assistance Program (LIHEAP) provides funding to states to help vulnerable households pay their home heating and air conditioning bills. Most households that receive LIHEAP include someone who is elderly or a person with disabilities. The increase in energy prices over the past few years has made LIHEAP more important than ever. Yet the President's budget would cut LIHEAP funding by roughly \$420 million next year and even more after that, forcing states to cut back on the number of people helped or the amount of assistance.
- ***Cut Colorado's funding for clean and safe drinking water by \$3.5 million next year and by \$20.7 million over the next five years relative to the 2007 level adjusted for inflation.*** Some of the biggest cuts in the President's budget would come in environmental programs. For example, EPA **provides resources** to states for sewage treatment plants and clean drinking water and wastewater infrastructure projects would be cut significantly. Under the budget, these grants would be 40 percent smaller in 2008 than in 2001, after adjusting for inflation.
- ***Completely eliminate the Commodity Supplemental Food Program, which helps 12,200 low-income elderly Coloradans.*** This program provides nutritional food packages to more than 400,000 low-income elderly people nationally, more than a third of whom are over age 75.
- ***Cut Colorado's community development funding by \$7.8 million next year and by \$46.5 million over the next five years relative to the 2007 level adjusted for inflation.*** The Community Development Block Grant (CDBG) helps fund a broad range of community development activities in Colorado and other states, including housing and homelessness programs, improvements to public facilities such as senior and youth centers, and economic development. Although CDBG already has seen substantial funding cuts in recent years, the Administration's budget would slash it by an additional 21 percent in 2008, and more in later years.

- **Eliminate a set of grants that assist state and local law enforcement, costing Colorado \$13.5 million in guaranteed funding next year and \$69.8 million in guaranteed funding over the next five years.** The budget would replace the Justice Assistance Grant (which supports a wide range of law enforcement activities, including crime prevention and corrections) and the State Criminal Alien Assistance Program (which helps offset the cost of incarcerating undocumented immigrants), along with several related programs, with two much smaller competitive grant programs. **The new programs would receive only about half the funding of the programs they replace**, and while some states would qualify for funding under the new programs, there is no way to know how the funds would be distributed.

In addition to the proposals in the President's budget, Congress faces important decisions this year about other programs as well. The Food Stamp Program and the State Children's Health Insurance Program (SCHIP) are both up for renewal in 2007, and hunger and health care advocates, including the Colorado Fiscal Policy Institute, have urged Congress to strengthen these highly successful programs so they can help more of those who need it.

In Colorado more than 479,000 people have difficulty putting a meal on the table and Food Stamps is the first line of defense against hunger in our communities. Food Stamps helps approximately 253,039 Coloradans every month combat hunger. The \$313 million in federal food stamp funds received by Colorado impacts the lives of growers and grocers throughout our state. For every \$5 in Food Stamp benefits \$9.20 in additional funds are generated in local community spending.

Similarly, while SCHIP has helped reduce the share of low-income children who are uninsured, states will need additional funds in coming years to maintain their SCHIP programs and cover more of the uninsured. According to the Covering All Kids Coalition of the Colorado Community Health Networks, Colorado needs \$126.5 million more to cover our currently enrolled children, our currently eligible but not enrolled children, and our children that live in working families earning between 200 and 300% of the Federal Poverty level.

These programs that serve vulnerable seniors, children and a wide range of Coloradans should not be used to pay for tax policies that benefit the few. Congress should take a different path and reject the President's proposal.

For more information, please contact:

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