



COLORADO FISCAL
POLICY INSTITUTE

FACT SHEET:

The President's FY 2009 Budget Proposal and a Seven-Year Legacy of Fiscal Neglect
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BUDGET OVERVIEW

The President's budget proposal, unveiled earlier this month, is more of the same: more debt, more deficit spending, more cuts to vital public services, more strain on states and local governments, and most importantly, more strain on ordinary Coloradans.

The good news is that Congress can reject this proposal and consider its own, hopefully, more responsible budget. However, the bad news is that where Congress has the most flexibility, the benchmark has been lowered significantly—the president's proposal would **cut \$20.5 billion from discretionary domestic programs**, and cut \$474 billion over five years.¹

After adjusting for inflation, the budget proposal would include a broad range of cuts in areas such as child care, energy assistance, environmental protection, and job training. In other areas, such as K-12 education and Head Start, funding has essentially been frozen for several years despite federal mandates and other rising cost drivers.

Perhaps more concerning is the pattern of **shifting costs to states and local government**. Through budget cuts, stagnated spending levels, and administrative rule changes, the Administration has consistently shifted billions of dollars in costs to states and local communities.

The president's proposal cuts **\$18 billion in funding to states** and local governments, not including Medicaid, after adjusting for inflation. This is funding that would otherwise go to COPS program, housing, energy assistance, school improvements, and other vital public structures.

DEBT OVERVIEW

While the Administration touts this as a fiscally responsible document, it in fact raises deficits when the costs for operations in Iraq or Afghanistan, as well as the extension of the 2001 and 2003 tax cuts are included in the equation. The bottom line is that this budget again reflects the wrong priorities for America, part of a seven-year pattern of fiscal neglect:

- Over the last seven years, the national debt has nearly doubled and now stands at **\$9.1 trillion** dollars.
- The deficit for Fiscal Year 2008 will rise to approximately **\$400 billion**, which is near record levels.
- This year alone, taxpayers will foot the bill for **\$239 billion** in interest on the national debt. That means close to ten percent of the tax dollars that we pay to the federal government are

¹ Center on Budget and Policy Priorities, FY 2009 Federal Budget Analysis, "Bush Budget Would Cut Domestic Discretionary Programs," 2/20/08.

simply going to pay interest on our debt (not schools, not health care, not public safety or national defense).

- Since 2001, the federal government has borrowed **\$1.23 trillion** from foreign sources.
- In the past eight years, the federal government has sent **\$709 billion** abroad in the form of interest payments— **\$155 billion** in 2007.²

POLICY IMPLICATIONS

Energy Assistance

The President's budget proposal cuts funding for the low-income heating assistance program (LIHEAP) by 22 percent, even though home-heating and utility costs are rising rapidly. The funding level the President proposes for LIHEAP in 2009 — \$2.0 billion — is identical to the program's funding level in 2001, even though home energy prices are now 65 percent higher than in 2001.

Child Care

After adjusting for inflation, child care funding has already fallen by almost 17 percent since 2002. Between 2002 and 2006, the last year for which data are available, the number of low-income children *grew* by more than 8 percent.

State and Local Government

The budget would cut federal Medicaid expenditures by \$18.2 billion over five years (with \$17.4 billion in reductions from legislative changes and another \$800 million from regulatory changes). These "savings" would primarily be achieved *not* by lowering health care costs, but rather by shifting costs to the states.

Medicare

As noted, the budget's Medicare proposals would cut projected expenditures by \$556 billion over ten years. The Medicare cuts would adversely affect tens of millions of Americans who are elderly or have serious disabilities. Ironically, the proposal to make the estate/inheritance tax repeal permanent would cost \$522 billion. Repealing the estate tax, in contrast, would benefit only the wealthiest 1 to 2 percent of Americans — and would be worth the most by far to fabulously wealthy individuals, whose estates would receive up to tens or even hundreds of millions of dollars *apiece* in tax cuts.

State Children's Health Insurance Program (SCHIP)

States need an increase of \$21.5 billion over the next five years simply to maintain current SCHIP programs. Just to MAINTAIN, because of escalating health care costs. The Administration's proposal provides a \$19.7 billion increase in SCHIP funding.

IMPACT ON COLORADO

Reductions in federal dollars hit Colorado particularly hard since the TABOR amendment prevents state and local governments from enacting changes to backfill the loss. If the President's proposal was adopted Colorado would lose the following funding:

(Proposed cuts in federal funding to Colorado in 2009 dollars)³

² United States Treasury, Bureau of Economic Analysis; Congressional Research Service; U.S. Census Bureau.

³ Center on Budget and Policy Priorities, Federal Budget Initiative, State-by-State Tables, 2/19/08.

Grants in Aid to States and Local Governments (other than Medicaid)

\$228.6 million cut from 2008 level

\$396 million cut from 2003 peak level

K-12 Education

(includes school improvement, special education, and other school funding)

\$42 million cut from 2004 peak level

Vocational and Adult Education

\$16.9 million cut from 2008 level

\$20.5 million cut from 2001 level

Head Start

\$6.3 million cut from 2001 level

Low-income Heating Assistance

\$9.9 million cut from 2008 level

\$19.4 million cut from 2001 levels

Workforce Investment Act Grants

(provides funding for job training and education programs for adults, youths, and dislocated workers)

\$5.2 million cut from 2008 level

\$16 million cut from 2001 level

Clean Water State Revolving Fund

(provides resources to states and localities for sewage and wastewater treatment, watershed management, and other water clean-up projects)

\$1.2 million cut from 2008 level

\$8.7 million cut from 2001 peak level

Community Development Block Grants

(includes public facilities improvements such as senior and youth centers, housing and homelessness programs, economic development, and more)

\$7.4 million cut from 2008 level

\$24.9 million cut from 2001 level

Community Services Block Grants

(funds a range of social and community services, as well as Community Action Programs)

\$5.8 million cut from 2008 level

\$6.3 million cut from 2001 level

Social Services Block Grants

(services for abused and neglected children, child care, elderly day care and other services for low-income children, families, and people who are elderly or have disabilities)

\$7.9 million cut from 2008 level

CONCLUSION

Any objective analysis results in the same conclusion: that this budget proposal is simply more of the same misguided priorities that place undue strain on states, local communities, and everyday Coloradans. In 2008, these priorities are particularly harmful as the economy is lagging and taxpayers are struggling to make ends meet.

Instead of making smart investments in health care, education, child care, job training, economic development, and other vital public structures, this proposal employs the same tired, ill-advised fiscal policies that have led to families and communities struggling in the first place.

The one unique achievement of this proposal is that it somehow is both fiscally reckless and draconian at the same time. Domestic discretionary spending is not the factor driving increased national debt or annual deficits, yet the Administration is pushing for severe cuts to these vital areas. Balancing the budget is something to strive for, but it cannot be done by simply focusing on one part of the budget. Real reform requires looking at the whole picture—all spending, including every aspect of the budget, all federal tax policies, and the underlying causes for increased spending, such as skyrocketing health care costs.

The President's 2009 budget proposal pushes the U.S. into an ever more precarious fiscal situation by focusing only on a small part of the federal budget and ignoring the major contributors to our soaring deficits and national debt.

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For a detailed analysis of the President's budget and the impact on the states, visit The Center on Budget and Policy Priorities at www.cbpp.org.