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Cutting $10 Billion in Appropriations for Poverty and Other Programs While Promoting a $670 Billion Tax Cut: Does This Represent Fiscal Discipline and Balanced Policy?

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The omnibus appropriations bill for fiscal year 2003 that the Senate is now considering contains a series of cuts that would adversely affect workers hard hit by the economic downturn, significant numbers of low-income elderly and disabled individuals and low-income children, and state governments that are in the midst of their most serious fiscal crises in 50 years. The new legislation cuts approximately $10 billion from the funding levels the Senate Appropriations Committee approved, on a unanimous and bipartisan basis, last summer and fall.

This cut of $10 billion has been made at the White House's insistence. Press reports make clear that the Senate Appropriations Committee was given no choice but to adhere to the total funding level set by the White House and that the leadership of the Committee appealed unsuccessfully to the President on behalf of the levels it had agreed to on a bipartisan basis last summer and fall.

The White House has contended that these cuts are needed to maintain fiscal discipline and address budget deficits. In light of the White House's proposed $674 billion "growth package," the Administration's rationale is difficult to discern.

- The Administration argues that its $674 billion package is needed to shore up a struggling economy. Yet by the White House's own figures, only $59 billion of the $674 billion would occur in *calendar* year 2003 and less than $40 billion would go out the door in fiscal year 2003. Furthermore, a substantial part of this less-than-$40 billion would be ineffective in boosting the economy in fiscal year 2003 because it would consist of tax cuts that are *saved* by taxpayers rather than spent. A number of Members of Congress of both parties have said in recent days that the economy needs a larger immediate injection, coupled with much greater fiscal restraint in the period after the economy has recovered.

- Many of the cuts in the omnibus appropriations bill would take money out of the economy now. For example, the $101 million cut in the Child Care and Development Block Grant means that $101 million less would be spent assisting poor working families pay for child care. The majority of funds provided for this program are injected into the economy quickly. While the $101 million amount is small in an economy as large as ours, this and other of the appropriations cuts go in the wrong direction in terms of boosting the economy now.

- Moreover, it is difficult to understand why fiscal discipline demands shaving $10 billion from fiscal year 2003 appropriations but permits the more than $630 billion in revenue losses that would occur *after* fiscal year 2003 under the Administration's growth package. (It may be argued that the $10 billion in fiscal year 2003 appropriations would be reflected in the budget baseline for future years and would amount to somewhat more than $100 billion over ten years. While true, two points should be noted: first, unlike the proposed tax cuts, these appropriations levels assumed in the baseline for future years would *not* be in law and could be changed if Congress and the President determine such reductions are needed when they write the appropriations bills for future years; second, the higher appropriations levels that would be assumed in the baseline would amount to about one-fifth of the future revenue losses under the Administration's "growth package.")

- Despite some Administration claims, the $10 billion in funding reductions are not necessary to avoid a "spending explosion" in domestic appropriations. Funding for domestic programs outside homeland security would decline as a share of the economy (that is, of the Gross Domestic Product) in 2003, even if none of the $10 billion in reductions were made. In other words, funding for these programs would consume a smaller portion of the nation's resources even at the original Senate levels.

Values and Priorities

At bottom, the issue is one of values and priorities. Should funds for job training for the unemployed, child care and education for disadvantaged children, and maintenance and repairs to public housing be cut back to free up resources for more tax cuts disproportionately geared to the nation's most affluent members? The Administration's "growth package" would reduce the 2003 tax liability of the top one percent of households by $28 billion. Of that amount, $18 billion would go to households that make more than $1 million a year — the top 0.2 percent of households — who would secure average tax cuts of $90,000 apiece in 2003. (These estimates are based on calculations by the Brookings-Urban Institute Tax Policy Center.)

Moreover, the $10 billion in appropriations reductions includes a number of troubling cuts. These reductions include both specific cuts in programs and an additional 2.9 percent across-the-board cut in all programs. (The savings from the across-the-board-cuts would be plowed back into drought relief, election reform, firefighting, Medicare provider payments, and a new block grant to states for education.) The examples below show some of the program reductions in the omnibus appropriations bill as it stands on January 23 (including the effects of the across-the-board cuts). As the bill now stands, outside of education, programs serving low- and moderate-income families and individuals would be cut 4.2 percent — or $2.0 billion — below the 2002 level, adjusted for inflation.

- Job training programs for dislocated workers and other adults and youth would be cut $684 million from the levels the Senate approved earlier, $648 million below the CBO baseline, and $530 million below the 2002 level without any adjustment for inflation. (Appropriations for adult job training, dislocated workers, youth training, and youth opportunity grants would be cut from a total of $3.68 billion in 2002 — and $3.85 billion in the 2003 appropriations bill the Senate Appropriations Committee approved in July — to $3.23 billion in the new bill. Other job training programs would be reduced as well.)

- Head Start would be reduced $395 million from the earlier Senate-approved bill, to a level $194 million below the CBO baseline and $63 million below the 2002 level.

- The Child Care and Development Block Grant, which assists poor working families in paying for child care while adults are at work, would be cut $101 million below the CBO baseline and $61 million below the 2002 level.

- Funding for public housing projects, to assist with operating costs such as utilities, maintenance, and security, and to provide major repairs, such as repair of a defective heating system or replacement of a leaking roof, would be cut $280 million below the earlier Senate level, placing it $305 million below the 2002 level and $425 million below the CBO baseline. The likely result would be more deferred repairs and maintenance and further deterioration of some public housing projects, as well as decreased security. These reductions are especially problematic because the funding for 2003 in this bill will also have to cover a recently discovered $250 million shortfall in federal funding for operating costs in 2002.[1]

- Funding for health resources and services would be reduced by $172 million from the level provided in 2002, some $236 million below the level approved by the Appropriations Committee last summer, and $294 million below the CBO baseline. This funding covers a number of programs that provide health care to low-income families and individuals, including maternal and child health grants, community health centers,

[1] The figures in this paragraph cover the combined funding levels for the public housing operating fund and the public housing capital fund.

Low-income Education Programs

In the omnibus appropriations bill, education programs serving low- and moderate-income students, such as Title 1 grants and Pell Grants, have been cut $1.7 billion below the levels the Appropriations Committee approved last summer. Funding for these programs now stands only $0.4 billion above the CBO baseline, and the funding level for Title 1 falls far short of the amount needed to reach the goals set in the "No Child Left Behind" law. It should be noted, however, that in addition to specific funding for existing education programs, the Senate bill includes a new education block grant of $5 billion that states and school districts could use for any activity authorized by the Elementary and Secondary Education Act, the Higher Education Act, or the Individuals with Disabilities in Education Act. (This new block grant was added as a floor amendment and is one reason the across-the-board cut to specific funding levels has reached 2.9 percent.) Because state and local authorities would have wide leeway in choosing how to use the funding this new block grant would provide, it is impossible to say what portion of it might be devoted to the needs of low-income students.

family planning, the community access program (which facilitates coordination of health care services for the uninsured), and health care to some persons with HIV or AIDS, whose condition often leaves them without jobs or health insurance.

- Overall, the bill would reduce funding for programs serving low-income families and individuals, other than education programs, by $2.0 billion, or 4.2 percent, below the CBO baseline. While this is a bit smaller than the overall reduction of about 4½ percent in these programs that President Bush proposed, this adverse result could have been avoided if the President had not insisted that the Senate, in the name of "fiscal discipline," cut $10 billion from the bills the Senate Appropriations Committee approved last year on a bipartisan basis.[2]

[2] These figures exclude the housing certificate fund, which finances Section 8 housing vouchers. The subcommittee with jurisdiction over that program devised a new way to finance the program that will allow all authorized vouchers to be renewed while providing a lower amount of funding than would have been needed under the previous financing approach. As a consequence, the apparent funding reduction in this program relative to the baseline or the previous Senate bill does not constitute a reduction in benefits.