



CENTER ON BUDGET AND POLICY PRIORITIES

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WHERE WOULD THE CUTS BE MADE UNDER THE PRESIDENT'S BUDGET?

An Analysis of Reductions in Education, Human Services, Environment, and Community Development Programs

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Summary

The Bush Administration's budget calls for substantial reductions in a wide range of "domestic discretionary" programs. These are the programs funded by annual appropriations, except for programs related to the Department of Defense, homeland security, or international affairs. The budget calls for \$214 billion in reductions over five years in these programs, compared to current funding levels adjusted only for inflation. These programs encompass a broad array of public services such as education, environmental protection, transportation, veterans' health care, medical research, law enforcement, and food and drug safety inspection. Many of these programs provide funding to states and localities and are essential to the services that states provide to their residents, as well as to the soundness of state budgets. (The President's budget also calls for cuts in "entitlement" programs such as Medicaid, food stamps, and agricultural subsidies. These cuts are not discussed in this analysis.)

While the overall level of the reductions proposed in this part of the budget is reflected in Administration budget documents (including supplementary budget materials that the Office of Management and Budget has provided to the budget committees of Congress), the budget obscures important information for assessing these proposals. The budget does not directly show how the proposed reductions in discretionary funding would affect particular programs after fiscal year 2006. Only the first \$18 billion of these \$214 billion in program reductions — those that would occur in 2006 — are identified by program. The budget does not detail how the remaining \$196 billion in cuts — for the years 2007 through 2010 — would affect individual programs. It thereby obscures the impact of its proposed policy on benefits and services that affect a broad swath of the public. The omission of this information breaks sharply with longstanding budget practice. It is the first time since 1989 that an Administration's budget has not provided information about the proposed levels of funding for individual discretionary programs for years beyond the coming year.

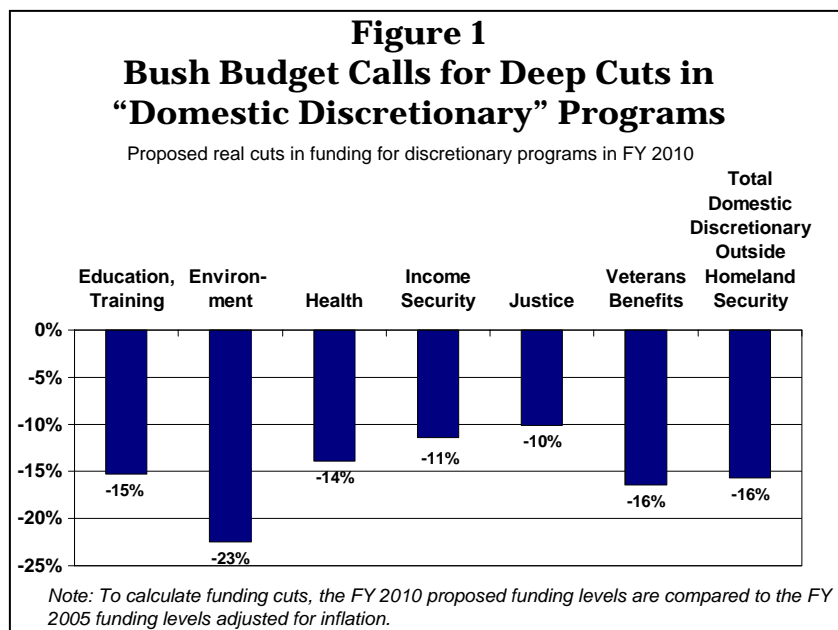
Despite the unwillingness of the Administration to provide details about its plans for cuts in discretionary spending in 2007 through 2010, those plans should be taken seriously. For instance, the cuts in domestic discretionary spending in years after 2006 are an integral part of the Administration's plan "to cut the deficit in half by 2009." More importantly, the Administration is proposing that the levels of overall discretionary funding (including domestic

discretionary, defense, and homeland security funding) assumed in the President’s budget for 2007 through 2010 should be enforced by statutory caps it wants enacted this year. Enactment of such caps would lock in substantial cuts in domestic discretionary spending through 2010 even though the Administration was unwilling to detail and defend those cuts in the President’s budget.

This analysis provides estimates of cuts in a number of specific programs or closely related program areas that are consistent with the Administration’s plans for domestic discretionary spending. These estimates are based on information that the Administration has released, including background information provided to the Congressional budget committees. That information enables analysts to calculate (through simple addition and subtraction of the Administration data) the levels of funding proposed by the President’s budget for 57 categories of domestic programs over the next five years and how these levels differ from current funding levels, adjusted only for inflation. As the methodology section of this analysis explains, we have then taken the further step of estimating the level of funding for individual programs for 2007 through 2010 implicit in the President’s budget. To do this, we started with the level of funding that the President’s budget proposes for each program for 2006 and assumed that each program in a given program category would grow (or shrink) after 2006 at the rate that the budget proposes for that program category. The federal budget is divided into 20 budget “functions” or groups. Those functions are subdivided into a total of 57 “subfunctions” or categories that group similar programs together. For example, there is one category for federal funding for K-12 education and adult and vocational education. Another category covers federal funding for pollution control and abatement.

This approach is based on the belief that, in the absence of any information to the contrary from the Administration, the priorities of the Administration in allocating funds within each domestic discretionary program category in 2006 (as shown by the Administration’s funding requests for 2006) are the best indication of the Administration’s priorities for allocating funds within that category in 2007-2010. This approach allows us to estimate the level of reductions that would be needed in individual programs in order to maintain the priorities of the Administration and comply with the total level of funding that the budget assumes for each budget category in each of the next five years. We also estimate the effects of these reductions on a state-by-state basis.

The reductions in domestic discretionary programs called for in the budget grow significantly deeper over time. The budget calls for \$18 billion in cuts in



domestic discretionary programs in 2006, but \$66 billion in cuts in these programs in 2010. Domestic discretionary programs would have to be cut an average of 16 percent in 2010. To illustrate the dimensions that the proposed reductions would reach, this analysis focuses on the reductions both over the 2006-2010 period and in 2010.

The findings include:

- **Education:** The overall level of funding for education and training programs would be reduced in 2006, with the reductions growing larger in subsequent years. In 2010, funding for education programs would be cut 14 percent below the 2005 level adjusted for inflation.

These cuts would not spare K-12 education programs. Overall funding for the major elementary and secondary education programs — Education for the Disadvantaged, Special Education funding, School Improvement programs, and Impact Aid — would be reduced by \$11.5 billion over the 2006-2010 period and by \$4.6 billion, or 12 percent, in 2010 alone.

- **Low-Income Programs:** Programs targeted on low-income families that provide food assistance to pregnant women, infants, and young children; early childhood education and child care; and home energy and rental assistance would all be subject to substantial cuts by 2010. These cuts could significantly reduce the number of low-income people who are served by these programs. For instance, the projected cuts in this area suggest that, in 2010, some 670,000 fewer women, infants, and children would be served under the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). In addition, 300,000 fewer children in low-income working families would be provided child care, 370,000 fewer families and elderly and disabled individuals would receive rental assistance vouchers, and nearly 120,000 fewer children would be served through Head Start. (These estimates assume that cuts would be achieved by reducing the number of participants rather than cutting the value of the benefits or services provided.)
- **HIV/AIDS Treatment Funding:** The federal government provides funding to states and communities for HIV/AIDS treatment services, including funding to help those with HIV/AIDS purchase drugs. Under the budget, this funding would be cut by \$550 million over the 2006-2010 period and by \$191 million, or 10 percent, in 2010 alone.¹
- **Environmental Protection:** The reductions to environmental protection and natural resource programs (including national parks) would be severe. Overall, environmental and natural resource programs would be cut by \$27 billion over the 2006-2010 period and by \$8 billion, or 23 percent, in 2010 alone. This would require widespread, deep cuts in these programs. For instance, the set of EPA

¹ This analysis only considers funding under Titles I and II of the Ryan White Care Act. The other funding under the Ryan White Care Act does not go to states and cities on a formula basis but is awarded on a competitive basis to individual service providers.

programs that support state and local environmental efforts related to ensuring clean drinking water, upgrading sewage treatment facilities, and reducing air pollution (known as the State and Tribal Assistance Grants) would be reduced by \$1.1 billion — a cut of 28 percent — in 2010.

- **Community Development Funding:** The Administration is proposing to consolidate 18 community development and community service programs — including the Community Development Block Grant and the Community Services Block Grant — into a single block grant with reduced funding. Under this proposal, funding for community and economic development to states and localities would fall by more than one-third in 2010.
- **Impact on States and Localities:** The impact on state and local budgets would be substantial. In 2010, federal grants to states and localities provided through discretionary programs would decline by nearly \$22 billion. The cumulative reduction over the five-year period from 2006 to 2010 would amount to \$71 billion. In effect, the federal government would be shifting a sizable amount of program costs to other levels of government. To cope with the drop in federal funding, states and localities would have to choose between reducing services and raising taxes.

The remainder of this paper proceeds as follows. The section immediately below explains the background and methodology underlying this analysis. Section II provides more detail on reductions in various programs under the Administration’s budget. Finally, Section III provides an array of tables that show the state-by-state effects of most of the cuts discussed here.

I. Background and Methodology

The Administration’s budget proposes to set statutory limits on overall discretionary spending — called “discretionary caps” — for each of the next five years. The annual caps would be set at levels equal to the total amount that the President’s budget requests for discretionary programs in each of these next five years. If these caps are established and Defense Department, homeland security, and international affairs programs are funded at the levels proposed in the budget, then domestic programs funded through the annual appropriations process would have to be cut by \$214 billion over these years, and by \$66 billion — or 16 percent — in 2010 alone.² (These reductions are measured relative to OMB’s current services baseline projections of discretionary spending for 2006 through 2010, which are based on enacted appropriations for 2005, adjusted only for inflation. Unless otherwise noted, all reductions in funding discussed in this analysis are measured on the same basis.)

² See James Horney, Robert Greenstein, and Richard Kogan, “What the President’s Budget Shows About the Administration’s Priorities,” Center on Budget and Policy Priorities, Revised February 9, 2005.

It should be noted that the part of the budget that would be reduced \$214 billion over five years includes programs outside of the Defense Department that are considered part of the defense budget function, such as atomic energy programs of the Energy Department. The OMB documents provide budget details in a way that requires this approach to measuring reductions in domestic discretionary programs outside homeland security.

Would Congress Comply with Discretionary Caps?

Questions may be raised about whether Congress would comply with discretionary caps, in light of Congressional evasion of such caps in the late 1990s and early years of this decade. But that ignores the earlier history of statutory caps, which were first enacted as part of the Budget Enforcement Act of 1990 when the current President's father and Congressional Democrats and Republicans agreed to a major deficit-reduction package. Most observers agree that the caps had a substantial effect and that Congress and the White House took compliance with the caps very seriously through most of the 1990s, when the nation confronted large deficits. It was only when budget deficits fell sharply in the late 1990s and surpluses were achieved that evasion of the caps became common. Now, with the return of large deficits and with a President who is calling for these caps, it is likely that caps enacted into law would be taken seriously and adhered to.

Moreover, the details of the Administration's discretionary cap proposal would make it difficult for Congress to exceed the caps. Under the President's proposal, if Congress approved funding in excess of the cap, across-the-board cuts would be imposed automatically. To change the level of the caps, Congress would have to pass a bill raising the caps and the President would have to sign the bill into law. If the President did not consent to the increase in the caps, a two-thirds majority in both the House and Senate would be required to override his veto. Similarly, if Congress tried to breach the cap by writing into a bill a declaration that the bill be considered as "emergency spending" or otherwise be exempt from the cap, the President would have to sign that bill and agree to the emergency designation. If the President did not want the discretionary cap breached through such a mechanism, he could veto the bill, and, once again, a two-thirds majority would be required to override the veto. In short, the President is calling for discretionary caps that almost certainly would require his consent to raise.

The Administration has not provided the customary level of information regarding funding levels for discretionary programs for years after the coming year. Budgets in recent years have typically detailed proposed funding levels for each discretionary program or account for at least each of the next five years.

This year, in the budget documents widely distributed to the public, the Administration provided no information on proposed funding levels for discretionary programs for years beyond 2006 even at the level of budget "functions" (large groupings of programs with similar policy ends) or subfunctions (smaller groupings within each budget function), much less at an account or program level. A recent report by the Center on Budget and Policy Priorities, however, showed the proposed function and subfunction levels for discretionary programs for 2007-2010, using both the published budget documents and unpublished supplementary budget tables and data that the Office of Management and Budget has provided to the budget committees of Congress.³

Even the unpublished information, however, fails to provide proposed funding levels for individual discretionary programs or accounts for any year after 2006, a departure from the

³ See Sharon Parrott, Isaac Shapiro, David Kamin, and Ruth Carlitz, "Unpublished Administration Documents Show Domestic Cuts Would Significantly Reduce Funding for Most Public Services," Center on Budget and Policy Priorities, revised February 14.

historic practice. For at least the last 17 years, Administrations have provided this information for more than just the year ahead.

How Program Funding Levels Were Estimated

This analysis attempts to provide some clarity about the effects that the Administration's proposed levels of funding for discretionary programs — which it proposes should be enforced by statutory caps — could have on specific domestic programs. The following method is used to estimate funding levels for selected programs:

- We begin with the actual funding levels the Administration proposes for each program for fiscal year 2006. (This information is readily available in Administration budget materials.)
- We then calculate from published and unpublished OMB data how much funding is proposed for each function and subfunction in 2007 through 2010. (This calculation involves only simple addition and subtraction of Administration data and does not entail making any assumptions on our part.⁴) Domestic discretionary programs are divided into 15 budget functions and 57 subfunctions. Each function and subfunction groups together similar programs. For example, programs dealing with education, training, employment, and social services are grouped together in one function. That function is then divided into six separate subfunctions dealing with programs related to: K-12 education and vocational education; higher education; research and general education aids; training and employment; other labor services; and social services.
- For each program in this analysis, we identify both the funding level proposed for the program in 2006 under the President's budget and the overall level of funding that the budget proposes for 2006 for the subfunction that contains the program. From these data, we calculate the percentage of the subfunction's funding that the particular program would receive in 2006. We then calculate the projected amount of funding in the budget for the program in 2007 through 2010 by assuming that the percentage of the subfunction's funding that would go to the program in the years from 2007 through 2010 would be the same as the percentage that would go to the program in 2006.

In other words, we assume that the relative priorities reflected within each subfunction in the Administration's budget proposal for 2006 would continue in the years from 2007 through 2010. Thus, if the Administration proposes that a particular program receive 40 percent of the total funding for its subfunction in 2006, we assume the program would similarly receive 40 percent of the funding that the budget includes for that subfunction in 2007, 2008, 2009, and 2010.

⁴ For a detailed description of the data sources and the calculations involved, see Ruth Carlitz, "Domestic Discretionary Funding Levels for 2006 through 2010, Detailed Data," Center on Budget and Policy Priorities, February 15, 2005, www.cbpp.org/2-15-05bud.htm.

In this straightforward manner, we project funding levels for a range of human service, education, community development, and environmental programs. The goal is to provide examples across a range of programs of the depth of the reductions that would be needed to meet the President's overall targets for reducing discretionary spending. As noted, the budget would require that these targets be locked in through the enactment of restrictive discretionary caps.

It is worth noting that the reductions in particular programs described here are not worst-case examples; we do not look only or primarily at programs that would be subject to larger-than-average reductions. To the contrary, the reductions described here are broadly typical of the domestic program reductions reflected in the budget.

For example, we examine reductions in the WIC program, which provides nutrition assistance to low-income pregnant women, infants, and young children. This program appears to be slated for somewhat *lower*-than-average reductions, although the reductions in the WIC program would still have substantial impacts. We also examine education programs, which are slated for about-average cuts, and environmental and community development programs, which are slated for larger-than-average cuts. In a budget that calls for a 16 percent reduction in overall domestic discretionary funding in 2010, few areas are spared from significant cuts.

- Under the budget, overall funding for discretionary programs would be reduced in 2010 in 13 of the 15 budget *functions* that include domestic discretionary programs. (The only two functions *not* slated for cuts are the function that consists solely of the administrative costs for operating the Medicare program, including the costs of administering the new drug benefit, and the function that is dominated in 2010 by funding for the decennial census that must be carried out that year.)
- Similarly, funding for discretionary programs would be cut in 2010 in 49 of the 57 *subfunctions* that contain domestic discretionary programs. In 45 of these subfunctions, the reduction would exceed 10 percent.

It should be noted that the budget calls for some program areas to receive modest *increases* in funding in 2006, such as “education for the disadvantaged” (which is designed to strengthen educational efforts for low-income and other disadvantaged students). In a number of the cases where the budget proposes an increase for a program in 2006, however, funding would then be reduced significantly in the years *after* 2006 for the budget subfunction of which the program is a prominent part. This means that a number of the programs that would be increased in 2006 would be slated for reductions in the years that followed.

Why These Estimates Are Necessary

If the Administration had released program-by-program budget proposals for discretionary programs for 2007 through 2010 and those proposals were consistent with the funding levels reflected in the budget for the functions and subfunctions, the calculations described above would not be necessary. The Administration's figures would themselves facilitate a full and open debate about the priorities in the budget. Unfortunately, the Administration has elected not to make public the funding levels it envisions for individual

discretionary programs after 2006, despite proposing five-year discretionary caps that would lock in reductions in such programs. As a result, the estimates provided here of the funding levels for individual programs, which are fully consistent with all of the information the Administration has released about its plan, are important if policymakers and the public are to engage in a more fully informed debate about the policies the Administration has proposed and the appropriate path for American fiscal policy.

Administration officials may respond that these estimates do not reflect their policies and that they have not proposed the cuts discussed here. By failing to provide program-specific details about the discretionary funding cuts that its budget would require, the Administration may hope to be able to say to particular constituencies that certain programs or groups of programs would not be cut. If such claims are made, however, the Administration should be asked to identify the programs or program areas that it plans to cut *more deeply* than is indicated by the function and subfunction funding levels reflected in the budget materials it has provided to the Congressional budget committees. Deeper reductions would be required to come up with the savings the Administration would need to avert any cuts it may claim it would not make. Without deeper cuts in some discretionary programs, the Administration would not be able to cut other programs less deeply than this analysis shows and still meet the caps on discretionary spending it has proposed and seeks to have enacted into law.

Do the Proposed Cuts Represent Policy or Are They Merely “Formulaic”?

Last year, the Administration provided proposed funding levels by program for each year over the 2005-2009 period. These data were not provided in the published budget volumes, as had been customary since 1989, but rather in supplementary budget materials provided to the congressional budget committees. When asked about the cuts in individual programs after 2005, the Administration claimed those proposed funding levels did not represent a policy decision but were strictly formulaic. In the spring of 2004, it became clear that this was not the case, however, when the Director of the Office of Management and Budget issued a memorandum instructing federal agencies to adhere to the proposed funding levels shown for 2006 in these supplementary budget documents when the agencies developed their 2006 budget requests.

The Administration is now once again claiming that the reductions in funding that its budget documents reflect for numerous budget functions and subfunctions for 2007-2010 are merely “formulaic” and should not be regarded as representing its policy. The discretionary funding levels that the budget includes for the various functions and subfunctions, however, do *not* appear to follow any discernable formula. For instance, discretionary funding for the Natural Resources and Environment function (function 300) would decrease by 2 percent (in nominal terms) between 2006 and 2010, but funding for General Science, Space, and Technology (function 250) would grow by 5.8 percent (in nominal terms). Even within a single function, the path of spending varies. Funding for Conduct of Foreign Affairs (subfunction 153) would decline by 4 percent between 2006 and 2010, while funding for International Development and Humanitarian Assistance (subfunction 151) would grow by 18 percent. Perhaps most tellingly, funding for the “Other Advancement of Commerce” subfunction (subfunction 376) suddenly more than doubles (from \$3.4 billion to \$7.3 billion) between 2009 and 2010, presumably to accommodate the increased funding needed by the Census Bureau to carry out the 2010 census. It is extremely difficult to imagine a formula that could produce these results.

More importantly, the discretionary caps that the Administration has proposed would be set at exactly the overall discretionary funding levels that are produced by adding the discretionary funding amounts the budget documents include for the various budget functions (and subfunctions). In other words, the caps would lock in the overall level of cuts in discretionary programs that are reflected in the function and subfunction funding levels that we analyze here. If the Administration claims that programs within a particular subfunction would not be cut as deeply as its proposed funding level for that subfunction would indicate, then other subfunctions would have to be cut more deeply than the Administration's budget documents show.

II. Cuts in Domestic Discretionary Programs Under the President's Budget and State-by-State Effects of those Cuts

This section provides more detail on estimated funding cuts in a variety of areas, such as various types of education programs, HIV/AIDS programs, community development, and the low-income home energy assistance programs. Following this section are tables that show the state-by-state effects of most of these cuts. The estimates of the state-by-state funding reductions have been computed by assuming that the cuts in these programs would be distributed proportionately across states. Thus, if a state currently receives five percent of the funding under a particular program, this analysis assumes it would absorb five percent of the funding reduction in that program. Each table provides notes on the data used to determine the state-by-state distribution of the funding reductions.

In some cases, the descriptions of cuts in this section and the tables that follow this section include estimates of the number of families or individuals who could lose assistance due to the funding reduction. These estimates generally are straightforward calculations based on the most recent program data available. For instance, the funding cut in the WIC program is projected to be eight percent in 2010. In fiscal year 2005, the Administration expects 8.2 million pregnant women, infants, and young children to be served by the program. Thus, this analysis assumes that an eight percent reduction translates into 670,000 fewer people being served (which is eight percent of 8.2 million). To distribute the reduction in the number of recipients in a particular program by state, we relied on the most recent data about the number of recipients across states. Thus, if five percent of WIC recipients currently reside in a state, our method would indicate that the WIC cuts would reduce its number of recipients by 33,500 (five percent of 670,000).

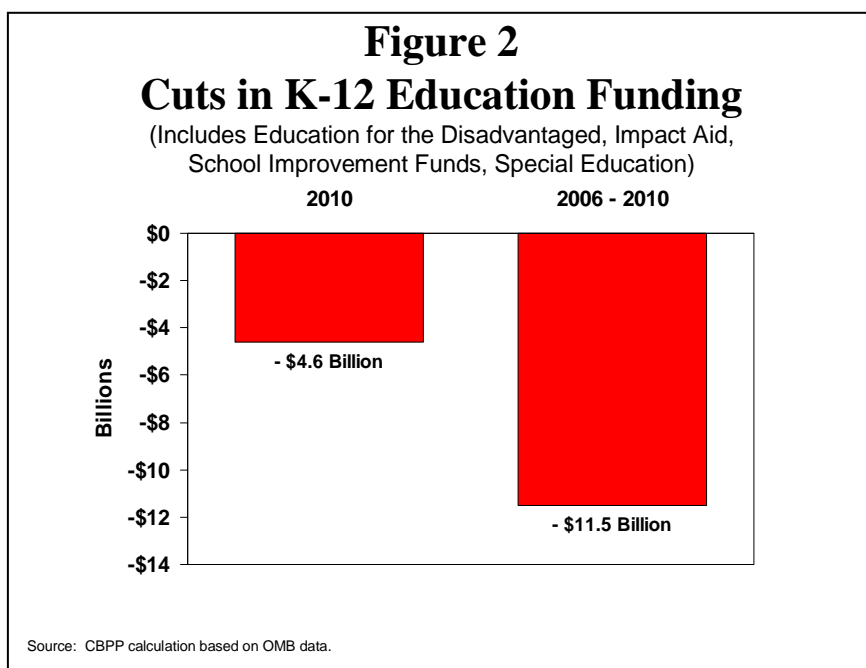
In some programs, states and localities could choose to cut their programs in different ways in the face of insufficient funding. In this analysis, we provide estimates of the number of individuals or families who would lose assistance under the proposed funding reductions, assuming that states or localities did not choose instead to reduce the average benefit or level of services provided under the program.

Education

Education programs, including the K-12 education programs funded under the No Child Left Behind Act, are slated for significant cuts under the President's budget. Total education funding would fall by \$28.5 billion over the next five years, and by \$9.2 billion — or 14 percent — in 2010 alone.⁵

Funding for K-12 education would not be spared. The Administration is proposing to cut the Elementary, Secondary and Vocational Education subfunction by \$20.5 billion over the 2006-2010 period — and by \$6.7 billion, or 15.7 percent, in 2010.

Under the budget, adult and vocational education would be reduced significantly starting in 2006. The President's budget does not reduce overall funding for K-12 education in 2006 (although funding for Special Education and School Improvement would fall). But after 2006, the funding levels proposed for the Elementary, Secondary, and Vocational Education subfunction are such that substantial reductions in funding for K-12 education programs would have to be made.



- **K-12 Education.** The major K-12 education funding streams — Education for the Disadvantaged, Impact Aid, School Improvement funds, and Special Education — all are part of a single subfunction. The budget proposes that these programs receive 90 percent of the funding for this subfunction in 2006. Under the budget, these programs would be cut by \$11.5 billion over the 2006-2010 period, and by \$4.6 billion, or 12 percent, in 2010 alone.

These estimates take into account the reduction of more than 50 percent that the Administration is proposing in adult and vocational education funding in 2006. In years after 2006, reductions in key K-12 education programs would be required in *addition to* these sharp cuts in adult and vocational education. (See Tables 1 - 4

⁵ This reflects total discretionary funding for subfunctions 501, 502, and 503.

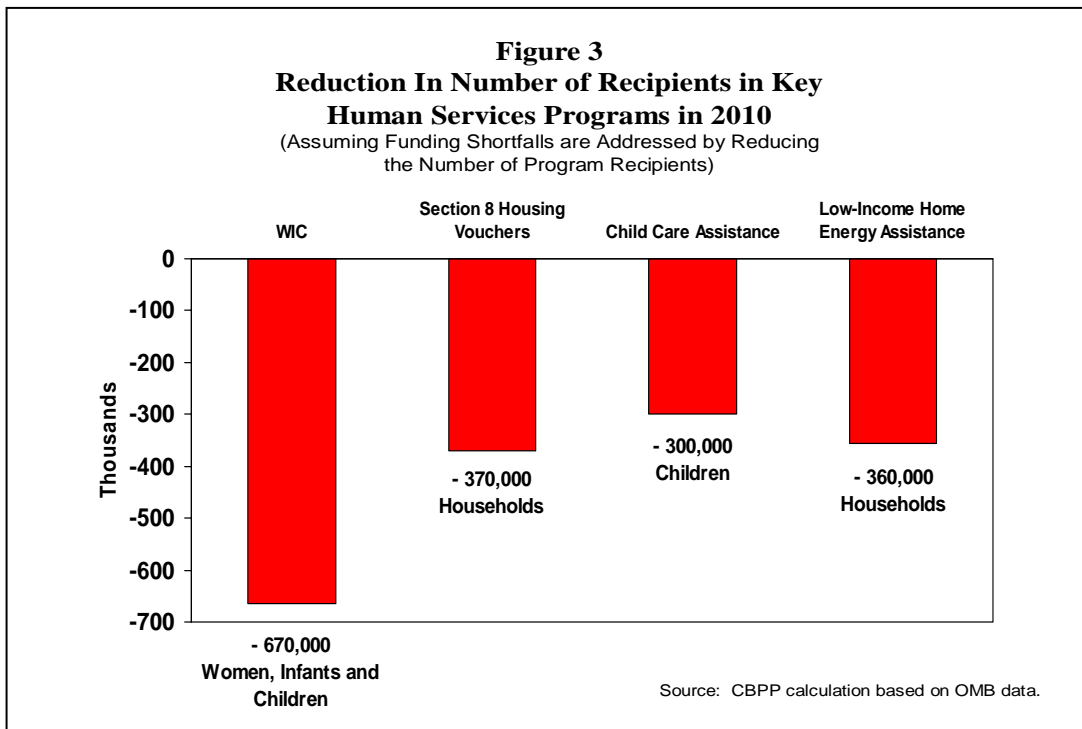
for state-by-state estimates on cuts in overall K-12 funding, education for the disadvantaged, special education, and school improvement funding.)

- *Education for the Disadvantaged* — The President has proposed to increase funding for education for the disadvantaged in 2006. Assuming that this program continues to receive the same proportion of total funding under the Elementary and Secondary Education subfunction after 2006 as it would receive under Administration policy in 2006, states would receive a net increase in funding under this program over the 2006-2010 period. Nevertheless, funding in each year after 2006 would fall below the 2006 level adjusted for inflation. And, in 2010, funding for education for the disadvantaged would fall below the 2005 level, adjusted for inflation, by \$868 million, or five percent.
- *Special Education* — Under the President’s budget, special education funding would be cut by \$7.6 billion over the 2006-2010 period, and by \$2.3 billion, or 18 percent, in 2010 alone.
- *School Improvement* — This program includes several funding streams designed to improve school quality, including grants to states for teacher quality initiatives, educational technology grants, funding for school assessment mechanisms (such as testing), and before- and after-school enrichment programs in low-income communities. Under the President’s budget, funding for school improvement would be sliced by \$4.1 billion over the 2006-2010 period, and by \$1.2 billion, or 19 percent, in 2010 alone.
- **Vocational and Adult Education:** This provides funding for states for vocational education, adult education, and English literacy and civics classes for immigrants. The President’s budget calls for deep cuts in this funding beginning in 2006, when funding would be chopped by \$1 billion — or 50 percent — compared to 2005 levels adjusted for inflation. Over the 2006-2010 period, funding for vocational and adult education would be cut by \$5.9 billion. In 2010, funding would be \$1.3 billion — or 58 percent — below the 2005 level adjusted for inflation. (See Table 5 for state-by-state figures.)

Human Service Programs

The Administration’s budget proposals would be damaging to large numbers of the nation’s most vulnerable citizens. Under the President’s proposed budget, key programs for low-income Americans would face significant reductions.

- **WIC.** While the Administration proposes to “fully fund” the WIC program in 2006 — that is, provide enough funding to serve all individuals who are eligible and who apply for the program — the Administration’s budget calls for



significant funding reductions to the WIC program after 2006.⁶ *We estimate that the WIC program would be cut by \$658 million over the 2006-2010 period. The cut in 2010 alone is projected to be \$470 million, or eight percent.*

If the cut in WIC funding in 2010 were achieved by reducing the number of pregnant and breastfeeding women, infants, and children who participated in the program (rather than by reducing the level of nutrition assistance that individuals receive) *an estimated 670,000 fewer individuals could participate in the program in 2010 as compared to 2005.* (See Table 6 for state-by-state figures.)

- **Children and Family Services.** This set of programs includes Head Start, services for abused and neglected children, adoption-related services, and several small programs such as abstinence education and services for homeless youth.⁷ In

⁶ According to Administration figures, total funding for all programs in the subfunction containing WIC would be cut by 9.6 percent in 2010. Since WIC funding constitutes 92 percent of its subfunction, significant reductions in the subfunction cannot be attained without cutting WIC funding.

⁷ Under current law, the children and family services programs also include several programs, such as the Community Services Block Grant, that the Administration has proposed to merge into a new block grant to be administered by the Commerce Department. As explained earlier, this analysis uses the President's proposals for 2006 as a basis for measuring cuts in years after 2006. Accordingly, the programs that would be included in this block grant are not considered in the analysis here of the level of reductions in children and family services' programs. Funding for the programs that would be moved into the block grant was subtracted from the OMB baseline for children and family services programs and was not considered when comparing projected funding levels for children and family services programs under the President's budget to the OMB baseline levels. For a brief discussion of the Administration's proposed new block grant for community development and community services programs, see page 15.

2006, funding for Head Start would constitute 82 percent of the funding for this set of programs. *Under the Administration's budget, this set of programs would be cut by \$3.3 billion over the 2006-2010 period.* The cut in 2010 would equal \$1.1 billion, or 13 percent. If all programs within this budget account were cut by the same percentage, *Head Start would serve 118,000 fewer children in 2010 than it currently serves.*⁸ (See Table 7 for state-by-state figures.)

- **LIHEAP.** The Low-Income Home Energy Assistance Program provides assistance to needy households — including seniors and families with children — to help them pay their utility costs, principally home heating costs. The program is designed to help avert utility shut-offs, and the single largest use of LIHEAP funds is for heating assistance. *Under the budget, the LIHEAP program is projected to be cut by \$219 million over the 2006-2010 period, and by \$165 million — or eight percent — in 2010.* If these cuts were achieved by reducing the number of households receiving utility assistance, the number receiving help in 2010 would be 360,000 less than are expected to receive assistance in 2005.⁹ (See Table 8 for state-by-state figures.)
- **Housing.** Under the Administration's budget, funding for the Section 8 Housing Choice Voucher program — the government's main rental assistance program — would fall well short of the funding needed to continue to serve the number of households that now receive such assistance. *Under the budget, 370,000 fewer low-income households would receive rental assistance in 2010 than will receive this help in 2005, if the funding shortfalls in the program were addressed by reducing the number of households that the program assists.* (See Table 9 for state-by-state figures.)¹⁰
- **Child Care.** The federal child care block grant includes both discretionary funding and “entitlement” funding.¹¹ States also use some of the funds they receive under the Temporary Assistance for Needy Families (TANF) block grant

⁸ In 2006, funding for children and family services would constitute 70 percent of the funding in its subfunction. This makes it unlikely that the Administration could achieve its target for cuts in the subfunction without cutting the major components of children and family services — Head Start and child welfare services.

⁹ In 2005, additional funding for LIHEAP was included in the omnibus appropriations bill with an emergency designation. These emergency funds were approved to help offset the sharp increases in fuel costs that were expected in 2005. CBO estimates that this additional funding will not lead to an increase in the number of households receiving LIHEAP assistance over the 4.5 million households that have received this help in recent years. The analysis presented here of LIHEAP funding levels compares projected future funding levels to the 2005 funding level *excluding the emergency appropriation*, which is not considered part of the program's baseline funding by OMB. Thus, if fuel prices remain at the 2005 levels, the funding shortfalls that would result under the Administration's budget proposal would be significantly larger than the shortfalls that we project here.

¹⁰ For more information on the cuts to Section 8 housing choice vouchers, see “President's Budget Would Restore Some Rental Vouchers Cut In 2005 But Reduce The Program Substantially In Future Years: 370,000 Fewer Families Could Receive Voucher Assistance By 2010,” <http://www.cbpp.org/2-18-05hous.htm>.

¹¹ Funding for entitlement or “mandatory” programs is set for multiple years in existing law and is not determined through the annual appropriations process.

and the Social Services Block Grant for child care assistance. Under the President's budget, funding for all four sources of child care funding would remain frozen for the next five years at the 2005 funding level, without any adjustment to account for inflation. The cost of child care rises over time, however, because the wages and salaries of child care workers, the cost of renting space, and the cost of supplies increase over time. *The Administration's own budget shows that its proposed funding levels for these various child care funding sources would result in 300,000 fewer children receiving child care assistance in 2010 than received such help in 2004.*¹² (See Table 10 for state-by-state figures.)

- **Ryan White HIV/AIDS Funding:** Funding for HIV and AIDS treatment and services for low-income Americans is provided to states and cities through two sets of formula grants under Titles I and II of the Ryan White Care Act. These funds are used for HIV/AIDS health services, counseling, and testing. In 2004, some 45 percent of these funds were for the AIDS Drug Assistance Program (ADAP) which helps those living with HIV/AIDS afford antiretroviral drugs. Under the President's budget, funding for HIV/AIDS grants to states and cities would be cut by \$550 million over the 2006-2010 period, and by \$191 million - or 10 percent - in 2010 alone. (See Table 11 for state-by-state figures.)

Environmental Programs

The President's proposed budget calls for deep cuts in environmental programs beginning in 2006. In 2006, overall funding for the Natural Resources and Environment budget function would be cut by 10 percent. The reduction in funding would reach 23 percent in 2010. Over the 2006-2010 period, cuts in environmental and natural resources programs would total \$27 billion.

The Natural Resources and Environment function is divided into five subfunctions. Each of these subfunctions is slated for large cuts under the President's proposed budget. One of these subfunctions — Pollution Control and Abatement — houses all of the funding for the Environmental Protection Agency (EPA) and funding for efforts to reduce pollution under the Clean Air Act and the Clean Water Act. The President's budget would cut funding in this subfunction by \$6.4 billion over the 2006-2010 period, and by \$1.9 billion, or 20 percent, in 2010 alone.

About 45 percent of the funding under this subfunction is for State and Tribal Assistance Grants — grants to states and tribes for efforts to reduce air and water pollution and ensure safe drinking water. Under the President's proposed budget, funding for these grants — which include funding for individual projects, for two revolving funds related to sewage treatment and water purification, and for formula grants to states — would be cut by \$4.5 billion over the 2006-2010 period and by \$1.1 billion, or 28 percent, in 2010 alone. (The Center does not have adequate data to estimate the cuts on a state-by-state basis.)

¹² See page 393 of the 2006 Analytical Perspectives volume of the President's budget, www.whitehouse.gov/omb/budget/fy2006/pdf/spec.pdf. The Administration's estimate assumes that states will continue to devote the same level of TANF and Social Service Block Grant funds to child care each year over the 2006-2010 period that they devoted to child care in 2003.

Community Development

The President is proposing to consolidate 18 different community development and community service programs into a single block grant housed in the Commerce Department. The two largest sources of community development funding — the Community Development Block Grant and the Community Services Block Grant — would be among the programs folded into the new “Strengthening America’s Communities” (SAC) block grant.

Like many block grant proposals in the past, the Administration’s proposal would substantially reduce overall funding for the programs to be merged into the block grant. In 2006, the Administration proposes to fund the SAC block grant at \$3.7 billion. The programs being consolidated into this new block grant received a total of \$5.3 billion in 2005.

Over the 2006-2010 period, projected funding for the SAC block grant would fall a total of \$9.2 billion below the funding levels that the affected programs received in 2005, adjusted for inflation. The cut in 2010 alone would be \$2.1 billion, or 36 percent. (See Table 13 for state-by-state estimates of the loss in funding under this proposal.)

Overall Grants in Aid to State and Local Governments

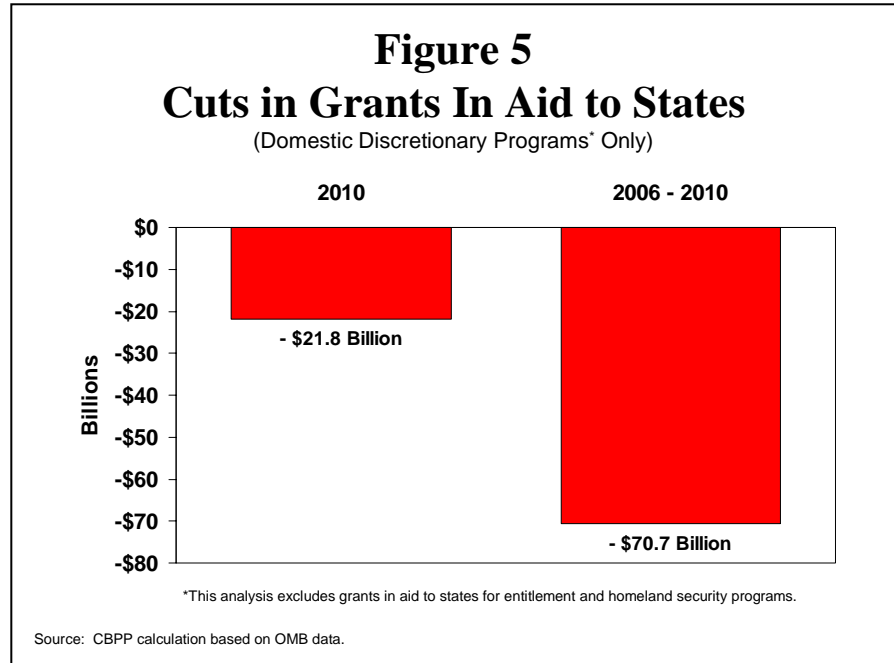
Federal funds going to states and localities are known collectively as “grants in aid” to states and localities. The individual education, human service, environmental, and community development programs discussed above all provide assistance through such grants in aid to states and localities. The cuts proposed for these programs thus constitute a reduction in overall grants in aid.

Many other federal programs not discussed here also provide funding for various public services through grants in aid to states and localities. The budget includes reductions in many of those programs, as well.

Under the budget, grants in aid to states and localities from domestic discretionary programs would be cut by a total of \$5.9 billion, or 3.6 percent, in 2006 alone.¹³ One-third of the proposed cut in overall domestic discretionary funding in 2006 would come from cuts to programs that provide funding to states and localities. This is not surprising, since grants in aid to states and localities constitute about 40 percent of total domestic discretionary funding in 2005.

¹³ In 2006, overall grants in aid to states and localities — including both domestic discretionary programs, homeland security funding, and entitlement programs but excluding Medicaid — would fall by \$10.7 billion as compared to 2005 levels adjusted for inflation. See “Deep Cuts in Federal Grants in FY 2006 Budget Will Squeeze States And Localities,” by Iris Lav, Center on Budget and Policy Priorities, February 2005. <http://www.cbpp.org/2-7-05sfp.htm>.

States are ill-prepared to absorb such cuts. For example, at least 26 states must close deficits as they enact their fiscal 2006 budgets. Shortfalls in these states are projected to amount to at least \$32 billion, averaging roughly eight percent of state general fund expenditures. States already face tough choices about how to balance their budgets. Federal funding cuts will force states to choose between additional reductions in programs and services and raising additional revenue.



As noted earlier, the cuts in domestic discretionary programs would grow substantially larger over time and amount to \$214 billion over the 2006-2010 period. If, as would be the case in 2006, one-third of the reductions in domestic discretionary programs in years after 2006 came from cuts in grants in aid to states and localities, then states and localities would lose a total of \$70 billion over the 2006-2010 period under the Administration’s budget. In 2010 alone, the cuts in discretionary grants in aid to states and localities would reach \$22 billion.

Cuts of this magnitude — coming in education, human services, environmental protection, and community development programs, as well as in transportation and health care — would leave states few easy options. Over the next five years, states are likely to struggle with the rising costs of health care in our society, as reflected in their employee health costs and in Medicaid and other health-related programs. There also is substantial pressure in many states to improve their education systems. Faced with such cuts in federal aid on top of these internal pressures, many states would need to cut public services significantly, raise taxes to make up for the federal funding reductions, or do both.

III. State-by-State Tables

The following provide estimates of the cuts in the programs discussed above, with the exception of the State and Tribal Assistance Grants in the Environmental Protection Agency.