



CENTER ON BUDGET AND POLICY PRIORITIES

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BROAD CUTS IN DOMESTIC PROGRAMS AFTER 2005 UNDER ADMINISTRATION BUDGET

A new Center report, *Administration's Budget Would Cut Heavily into Many Areas of Domestic Discretionary Spending After 2005*, examines the

The full report can be viewed at
<http://www.cbpp.org/2-27-04bud2.pdf>

President's proposal to cut discretionary spending in nearly all domestic areas of the government over the next five years. These cuts have received little public attention, largely because they were omitted from the budget books OMB issued on February 2. The proposed cuts are far more significant than "out year" budget figures in previous budgets because the budget would institute binding caps that would essentially lock cuts of this magnitude in place.¹ The cuts would:

- **Affect nearly every area of domestic programs.** Under the federal budget, every program is grouped into one of 19 "budget functions," such as national defense, energy, education, environment and natural resources, veterans' benefits and services, and health. The proposed budget would cut discretionary funding after 2005 in every "function" except defense, international affairs, and general science and space technology.
 - Title I education funding.
 - Loans to states to pay for sewage treatment plants.
 - Housing vouchers for low-income families.
 - Head Start and WIC.
 - Veterans' health benefits.
- **Grow over time.** Energy programs, for example, would be cut by 7 percent between 2004 and 2005 (after adjusting for inflation) but would be cut by 27 percent between 2004 and 2009. Similarly, environmental and natural resources programs would be cut by 10 percent between 2004 and 2005 but would be cut by 20 percent between 2004 and 2009. Cuts this large would inevitably result in large reductions in government services.
- **Total \$49 billion by 2009.** By 2009, funding for domestic discretionary programs outside homeland security would be \$49 billion (12 percent) below the 2004 funding levels adjusted for inflation.² By contrast, defense and homeland security programs would grow, even in inflation-adjusted terms, in all years from 2005 to 2009.
- **Affect many programs where the Administration is touting funding increases for 2005.** For example, while the budget highlights an increase in special education funding in 2005, it would cut special education funding in later years. By 2009, special education funding would be \$530 million below the 2004 level adjusted for inflation.

¹ Under the President's budget, if Congress approved funding for discretionary programs above the capped levels, across-the-board cuts would be made automatically.

² This analysis compares proposed funding levels in 2009 to the OMB baseline for 2009, which equals the 2004 funding levels for discretionary programs, adjusted for inflation. If the Administration's 2009 funding levels are instead compared to the CBO baseline, the reduction in 2009 totals \$45.4 billion (10.4 percent). The CBO baseline is slightly lower because of lower inflation projections.

Cuts Would Affect Vast Majority of Domestic Programs

The proposed cuts include:

- ✓ A cut by 2009 of \$660 million in the **Title I education program**, which provides funding to school districts to improve educational outcomes for low-income and other disadvantaged children. (This means that the funding level the budget shows for this program in fiscal year 2009 is \$660 million below the OMB baseline. The baseline equals the 2004 funding level, adjusted for inflation.)
- ✓ A cut in 2009 of \$530 million in **special education**, which provides resources to states for educating children with disabilities.
- ✓ A cut of \$5.7 billion — or 17 percent — in **veterans' health benefits**.
- ✓ A cut of 37 percent — or \$507 million — in 2005, and deeper cuts in subsequent years, in the **Clean Water Act State Revolving Fund**, which loans money to states to pay for sewage treatment plans.
- ✓ A cut in the **Supplemental Nutrition Program for Women, Infants, and Children** (WIC) that could result in the program serving 450,000 fewer low-income pregnant women, infants, and young children in 2009 than it could otherwise serve. Similarly, the cut in the **Head Start** program could result in the program serving 62,000 fewer children in 2009 than it could otherwise serve.
- ✓ An especially deep cut in the nation's principal low-income housing assistance program, the **Section 8 housing voucher program**. It would be cut 30 percent by 2009, forcing housing agencies to take such steps as slicing the number of low-income families and elderly and disabled households assisted by 600,000, or requiring that families pay an average of \$2,000 a year more in rent even though most of them live in poverty. Such a cut would be the deepest cut in a major program for the poor since at least the early years of the Reagan Administration.

The proposed cuts are so large, an accompanying Center report shows, that by 2009, total funding for domestic non-entitlement programs outside homeland security would fall to its lowest level, measured as a share of the economy, since 1963.

Spending Cuts Won't Reduce Deficit Because Proposed Tax Cuts Are Even Costlier

Even as it proposes these program cuts, the Administration also is proposing significant tax cuts that would cost more than the program cuts would save. As a result, the spending cuts would essentially be used to help pay for the tax cuts, not to shrink the deficit.

Serious deficit-reduction efforts of the sort made in the late 1980s and 1990s are again needed. Those efforts involved shared sacrifice and coupled reasonable restraints on discretionary programs with tax increases — especially on those who could most afford them — and entitlement reductions. The new proposals, by contrast, single out domestic discretionary programs and the people they serve for cuts, while conferring lavish tax benefits on the well-off.