



CENTER ON BUDGET AND POLICY PRIORITIES

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UNPUBLISHED ADMINISTRATION BUDGET DOCUMENTS SHOW DOMESTIC CUTS WOULD SIGNIFICANTLY REDUCE FUNDING FOR MOST PUBLIC SERVICES

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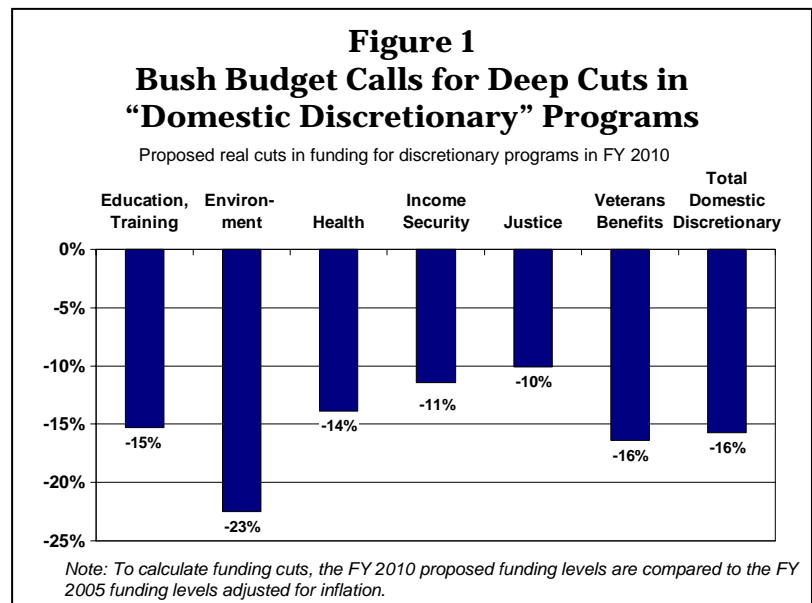
Overview

The Administration's budget calls for \$214 billion in reductions over five years in non-entitlement domestic programs outside homeland security, compared to current funding levels adjusted only for inflation. These "domestic discretionary" programs — that is, annually appropriated programs not related to the Department of Defense, international affairs or homeland security — 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.

One unusual aspect of this budget is the omission of information about how these cuts would affect particular programs. The budget fails to provide proposed funding levels for individual appropriated programs for years after 2006 — the first time since 1989 that an Administration's budget has lacked this type of information. As a consequence, the published, widely available budget documents released by the Administration on February 7 provide programmatic details on how the Administration would achieve only the first \$18 billion of these cuts, the reductions that would occur in 2006. *Some \$196 billion in domestic cuts — all of the reductions in years 2007 through 2010 — are left unidentified.*

The omission of this information is significant because, under the budget, the cuts in domestic discretionary programs would grow much deeper over time. In 2006, the only year for which detail on its discretionary program reductions is provided, the budget would cut domestic discretionary programs by 5 percent. By 2010, these cuts would reach 16 percent and thus be three times deeper.

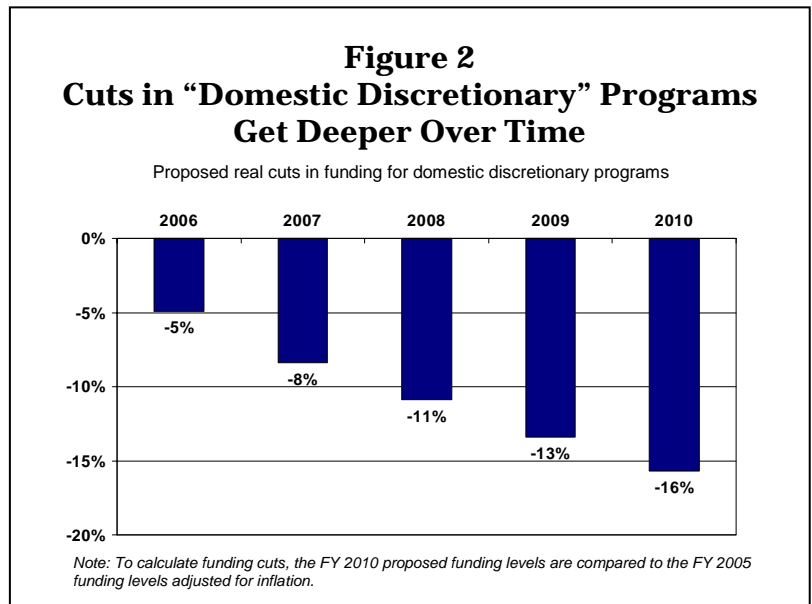
This analysis sheds light on where the Administration would make these cuts. It examines unpublished backup budget documents provided by the Office of Management and Budget to the Budget Committees of Congress. These documents break out the cuts by groups of government programs. The documents show the overall level of budget cuts that would be made in domestic discretionary programs each



year by program area (or by “budget function,” as the program areas are called).¹

In 2010, when the overall cuts in domestic appropriations would reach \$66 billion — or 16 percent (as compared to current funding levels adjusted for inflation) — most major program areas would be hit sharply. The following figures describe the depth of these cuts for the major discretionary program areas. (These data do not indicate how specific programs within these program areas would fare; such information has not been made available.)

- As a group, veterans’ programs would be cut by 16 percent by 2010. These include programs that provide health care to veterans.
- Natural resource and environmental programs would be cut by 23 percent, or nearly one-fourth. Falling within this group are programs that protect the environment, as well as the funding that supports the national parks.
- Agriculture programs would be cut by 17 percent. This includes agricultural research programs and animal and plant health inspection.
- Education and workforce development programs would be cut by 15 percent. These include employment and training programs, community college funding, and federal funding for K-12 education.
- Health programs would be reduced by 14 percent. These include medical research, community health centers, and HIV/AIDS treatment funds.



¹ Because the budget omits funding details for individual programs after 2006, we know the funding levels for homeland security *in total* but not by budget function. As a result, the figures we show for each program area (such as health, transportation, and community development) include both the Administration’s planned cuts in many programs *and* its planned increases for homeland security. Outside of homeland security, the various program areas are generally cut more deeply than we show here. In our overall total of \$214 billion in cuts over five years, we are able to pull out the increases in homeland security, even though we cannot do so in the various program areas.

It also 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 necessitates such an approach.

- Income security programs would be cut by 11 percent. A wide range of programs are contained within this overall category, such as housing assistance programs, some child care assistance, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

While the backup materials show that the cuts would be both large and widespread, these materials do not answer the basic question of which programs would be cut and by how much to achieve the overall level of savings in these program areas that the budget calls for. What makes this omission particularly troubling is that the Administration is also proposing 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 the budget proposes, then domestic programs funded through the appropriations process will have to be cut by \$214 billion over these years, and by \$66 billion in 2010 alone.

In short, the Administration proposes to write into law caps at these levels of discretionary funding without showing the public and Members of Congress how it would achieve the cuts that the caps would require.

This lack of detail allows the Administration to suggest that its budget makes “tough choices” without showing the public and lawmakers the programs and services that would be cut. Moreover, failing to provide more detail on the programs that would be cut hampers debate on the policy trade-offs the budget poses. It is difficult to assess the impact of the proposed caps when one does not know what types of cuts the Administration is planning to achieve them. The omission of information on the cuts that the Administration would need to squeeze discretionary programs under the caps also prevents a clear weighing of the tradeoffs between these cuts and, for example, new tax cuts the Administration is proposing that primarily would benefit high-income households.

Domestic Discretionary Programs Targeted For Cuts Despite Their Small Contribution to the Return to Deficits

Domestic discretionary programs have contributed little to the recent return to deficits.

- The cost of legislation enacted since the start of 2001 equals \$539 billion in 2005, more than the entire budget deficit. Increases in domestic discretionary programs represent only 7 percent of the cost of this legislation.
- By contrast, tax cuts constitute nearly half — 48 percent — of the cost of legislation that has increased the deficit since 2001. Increases in defense and homeland security costs represent another 37 percent of the cost of the deficit-increasing legislation enacted since the start of 2001.

Table 1
President's 2006 Budget Proposes \$214 Billion in Cuts
In Domestic Discretionary Programs
(President's Proposal Relative to the Current Services Baseline, By Budget Category)

| Budget Function | Change in 2010 | | Five Year Change: 2006-2010 |
|---|------------------------|----------------|--------------------------------|
| | In Billions of Dollars | Percent Change | In Billions of Dollars |
| General Science, Space, and Technology | -\$1.1 | -3.9% | -\$2.7 |
| Energy | -\$1.9 | -33.7% | -\$6.5 |
| Natural Resources and Environment | -\$8.0 | -22.5% | -\$27.2 |
| Agriculture | -\$1.2 | -17.0% | -\$4.0 |
| Commerce* | \$3.1 | 151.4% | -\$1.5 |
| Transportation | -\$3.0 | -11.1% | -\$14.8 |
| Community and Regional Development | -\$3.5 | -20.8% | -\$14.9 |
| Education, Training, Employment, and Social Services | -\$13.5 | -15.3% | -\$43.2 |
| Health (NIH, CDC, and other, not Medicare or Medicaid) | -\$8.1 | -13.9% | -\$25.9 |
| Income Security (Housing, WIC, child care, and other) | -\$5.9 | -11.4% | -\$14.3 |
| Veterans Benefits Services (primarily medical care) | -\$5.8 | -16.4% | -\$14.9 |
| Administration of Justice | -\$4.8 | -10.1% | -\$12.7 |
| General Government (White House, Congress, IRS) | -\$2.8 | -14.9% | -\$6.5 |
| Total Domestic Discretionary (All Discretionary Except Pentagon, International, and Homeland Security)** | -\$66 | -15.7% | -\$214.1 |

Notes:

* The 2010 funding level for the commerce category reflects increased funding for the decennial census in that year. The current services baseline does not include this additional funding.

** The functional figures do not add to the total. Not all functions are shown. In addition, the functional figures (but not the total reductions shown for domestic discretionary programs) include homeland security. Given the information that is available, we are unable to exclude homeland security funding from the budget function figures. The commerce, transportation, community and regional development, and justice functions receive significant homeland security funding. If increases in funding for homeland security were excluded from these functions, the cuts in these functions generally would be larger than shown here.

In 2005, domestic discretionary programs will constitute 3.0 percent of the economy (as measured by the Gross Domestic Product). This is in line with the levels over the past 15 years. Under the President's budget proposal, by 2010, domestic discretionary spending as a share of the economy would fall by more than one-fourth, reaching its lowest level as a share of the economy since 1962 or earlier, which was before the federal government began to make significant investments in K-12 education or environmental protection.

Few Areas Within Each Budget “Function” Would Be Immune from Cuts

The backup materials provide enough information to determine not only the cuts in each broad budget “function,” but also the cuts for sub-categories of programs within each function. The data in the backup budget materials show that few areas within these broad budget functions would be immune from cuts.

- For example, within the education function, programs that provide support for K-12 education and vocational education would be sliced 16 percent by 2010, higher education programs would be cut 10 percent, and the employment and training programs would be reduced by 17 percent. The programs related to K-12 education include funding associated with the No Child Left Behind Act, as well as other education programs. The President has proposed increased funding for programs under the No Child Left Behind-related law for 2006. But for those increases to continue through 2010, they would have to be coupled with even deeper cuts in other programs that support K-12 education and vocational education.
- Within the health function, health care services (which include community health centers, HIV/AIDS treatment, and Indian health services) would be reduced by 14 percent; health care research and training (which includes the National Institute’s of Health) would be cut by 13 percent, and consumer and occupational health and safety (which includes, for example, funding for the Occupational Safety and Health Administration, Mine Safety, and the Consumer Product Safety Commission), would be cut by 16 percent.

| Budget Sub-Category | In Billions of Dollars | Change in 2010 |
|---|------------------------|----------------|
| Elementary, secondary, and vocational education | -\$6.7 | - 15.7% |
| Higher education | -\$1.9 | -10.1% |
| Training and employment | -\$1.4 | -17.1% |
| Health care services | -\$3.2 | -14.4% |
| Health care research and training | -\$4.4 | -13.4% |
| Consumer and occupational health and safety | -\$0.6 | -15.9% |
| Conservation and land management | -\$2.7 | -24.8% |
| Recreational resource programs | -\$0.6 | -20.4% |

Are the Cuts by Program Area Just the Result of a Formula?

Last year, the Administration claimed that it had not made any decisions about cuts in specific discretionary programs for years after 2005. This claim, however, was called into question by Office of Management and Budget computer runs that accompanied the fiscal year 2005 budget and showed account-level spending plans — that is, spending on particular programs — through 2009. When confronted by this information, the Administration said that the spending levels specified in the computer runs were merely “formulaic” and had no significance, but a memorandum from OMB to federal departments and agencies indicated otherwise.* As *The Washington Post* reported last May, the OMB memorandum directed agencies to include widespread funding cuts in the fiscal year 2006 budgets that they were to submit to OMB last summer. The memo specifically directed agency heads to adhere to the funding levels contained in the OMB computer runs from the 2005 budget. The memo told agency heads that if they wanted to propose a higher level of funding for a budget account than the amount shown in the OMB computer run, they would have to offset the increase by proposing deeper cuts in other budget accounts within their agency.**

This year, OMB excluded from the computer runs accompanying the fiscal year 2006 budget any information about specific discretionary programs for years after 2006. But data provided in those runs about total spending and mandatory spending by budget function and subfunction for 2007 through 2010 allows the calculation of the level of discretionary spending assumed in the budget by function and subfunction in 2007 through 2010. Those calculated amounts form the basis for the analysis in this paper.

The Administration may once again claim that the amounts assumed in the budget that are derived by this calculation are simply “formulaic” and do not represent any policy decisions. The amounts, however, do *not* appear to follow any discernable formula. For instance, discretionary funding for the Natural Resources and Environment function (function 300) decreases by 2 percent (in nominal terms) between 2006 and 2010, but funding for General Science, Space, and Technology (function 250) grows by 5.8 percent. Even within a single function, the path of spending varies. Funding for Conduct of Foreign Affairs (subfunction 153) declines by 4 percent between 2006 and 2010 while funding for International Development and Humanitarian Assistance (subfunction 151) grows by 18 percent. Perhaps most tellingly, funding for Other Advancement of Commerce (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 hard to imagine a formula that could produce this result.

* See Richard Kogan and David Kamin, “President’s Budget Contains Large Cuts in Domestic Discretionary Programs,” Center on Budget and Policy Priorities, Revised June 7, 2004.

** For more details, see David Kamin, Richard Kogan, and Bob Greenstein, “Administration Memo Confirms Plans for Budget Cuts in Many Domestic Discretionary Programs in 2006,” Center on Budget and Policy Priorities, Revised June 1, 2004.

- Within the natural resources and environment function, conservation and land management programs would be cut by one-quarter, or 25 percent, while recreational resource programs (such as national parks) and pollution control and abatement programs would be cut 20 percent.

A few sub-functions would be shielded from cuts under the Administration’s proposals, but most sub-functions would be slated for cuts. For example, in the transportation function, air and ground transportation programs are slated for reductions, while the Administration is proposing to increase funding for programs related to water transportation. (The increase in “water transportation” programs appears related to increases in homeland security programs such as port safety efforts.)