

March 1, 2003

## PRESIDENT'S CLAIM OF NINE PERCENT INCREASE IN AID TO STATES IS HIGHLY MISLEADING

by Richard Kogan and Iris J. Lav

President Bush this week countered criticism that he is not helping the states with their fiscal crises by pointing to increases in grants-in-aid to state and local governments that are included in his fiscal year 2004 budget. He stated on February 24 that his budget provides a nine percent increase in these grants. “One of the interesting things about the ’04 budget I’ve submitted is that there’s \$400 billion worth of grants to states. That’s a 9 percent increase,” the President said.<sup>1</sup>

The full report is posted to:  
<http://www.cbpp.org/3-1-03sfp.htm>

This claim of nine percent increase is, however, highly misleading.

- The numbers in the President’s budget show that funding for grants to state and local governments would increase by less than one-third of that amount — or 2.9 percent — between fiscal years 2003 and 2004.
- Moreover, the 2.9 percent figure does not take inflation into account and is skewed upward by the inclusion of Medicaid. To track whether changes in federal funding for states are responding to state and local needs during the economic downturn and the resulting state fiscal crises, the changes in federal Medicaid funding need to be set to the side. Increases in both federal and state funding for Medicaid primarily reflect the rapid increases in health care costs that are affecting the private and public sectors alike, not expansions in who is eligible for Medicaid or in the health services that Medicaid covers.
- Under the President’s budget, grants to state and local governments for all programs other than Medicaid would *decline* by 2.8 percent, after adjusting for inflation.

The President also stated that the nine percent increase in grants-in-aid to state and local governments exceeds the four percent overall increase in his budget for spending for discretionary (or annually appropriated) programs.<sup>2</sup> This statement, as well, is misleading. Under the President’s budget, grants provided to state and local governments through discretionary programs would *decline by 0.6 percent* between 2003 and 2004, after adjusting for inflation

<sup>1</sup> Address to the Governors, February 24, 2003, available at <http://www.whitehouse.gov/news/releases/2003/02/20030224-1.html>.

<sup>2</sup> The President said: “Of the 4 percent increase in discretionary spending, \$400 billion, or a 9 percent increase, goes directly to the states. That’s a bigger increase than 4 percent, I guess is the point I’m trying to make to you.”