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**STEEP DOMESTIC DISCRETIONARY SPENDING CUTS IN HOUSE BUDGET FAR EXCEED SUBSTANTIAL CUTS IN SENATE AND PRESIDENT'S BUDGET**

**House Cut Is Triple the Cut in the President's Budget for 2004 and Totals \$244 Billion Over Ten Years**

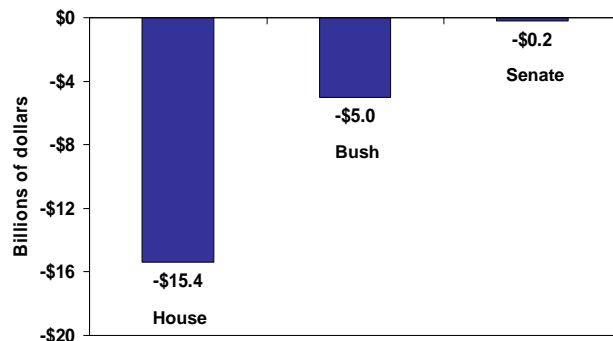
by Richard Kogan and Isaac Shapiro

Many important government programs and services fall into the category of domestic "discretionary" (or non-entitlement) programs. This part of the budget includes a wide variety of basic government programs, ranging from education to environmental protection to housing to various programs for poor children such as Head Start.

These programs are slated for especially significant reductions under the budget that passed the House, but also would be cut substantially under the budget that passed the Senate (though the Senate reductions would not occur immediately), as well as under the Administration's budget. Under all three budgets, the cuts in these programs would be alongside large tax cuts that would cost far more than the program cuts would save.

- The House budget would cut domestic discretionary programs by \$15.4 billion in fiscal year 2004 alone, compared to the Congressional Budget Office baseline, which equals the 2003 funding levels for these programs, adjusted for inflation. This is triple the \$5 billion cut in the President's budget and much farther above the Senate budget, which essentially holds these programs even in 2004.

**Domestic Discretionary Funding Cuts, FY 2004**  
(relative to CBO baseline)



- Over ten years, the House budget would cut \$244 billion out of these programs. The Senate would cut \$146 billion. The President's budget proposes \$149 billion in cuts.
- These cuts would do little to provide fiscal discipline, as their fiscal effects would be swamped and washed away by the tax cuts in these budgets. The House tax

cut in 2004, for example, would cost *more than seven times* as much as the cuts in domestic discretionary programs would save. In fact, the cost in 2004 of the House tax cuts just for taxpayers with incomes above \$1 million, a mere 0.2 percent of taxpayers, would exceed the total savings from all the domestic discretionary program cuts.

- Under the House budget, domestic discretionary spending would drop below three percent of the Gross Domestic Product by 2009, falling to its lowest level as a share of the economy since 1963. Under the Senate and Administration proposals, domestic discretionary spending would fall to this low level in 2010.

## Domestic Discretionary Funding in 2004

This analysis examines domestic “discretionary,” or annually appropriated, programs. It does not include defense or international affairs programs. Following standard analytic practice, in examining the changes for the coming fiscal year, we examine funding levels (also known as “budget authority”) for 2004, as compared to the Congressional Budget Office baseline.<sup>1</sup>

As Table 1 indicates, the funding cuts in 2004 range from \$0.2 billion under the Senate budget to \$15.4 billion under the House budget. Although some have argued that these cuts are needed for fiscal discipline, the savings from them would be canceled out many times over by the revenue losses that would result from the tax cuts in these budgets. For example, the House budget calls for tax cuts of \$117 billion in 2004, more than seven times the \$15.4 billion it proposes to save by cutting domestic discretionary programs. In fact, the House budget would provide approximately \$21 billion in tax cuts in 2004 — more than the total cuts in domestic discretionary programs — just to taxpayers with incomes exceeding \$1 million.<sup>2</sup>

**Table 1. Domestic Discretionary Funding in 2004**

	Budget authority in 2004 (in billions)	Cuts relative to CBO baseline (in billions)
CBO baseline	\$362.9	
President’s budget (CBO’s est.)	\$357.9	-\$5.0
Senate budget	\$362.7	-\$0.2
House budget	\$347.5	-\$15.4

## Cuts Over the Next 10 Years

We also examine cuts in domestic discretionary spending over the next 10 years, from 2004-2013, by looking at actual spending or “outlays.” It is standard practice for analysts to

<sup>1</sup> “Budget authority” reflects the amount of new funds provided to a program in a particular year; not all of those funds have to be spent in the year they are provided.

<sup>2</sup> This calculation is based on data on the distribution of the tax cuts in the Administration’s “growth” package published by the Urban Institute-Brookings Institution Tax Policy Center. The House budget explicitly assumes that slightly more than \$720 billion of its tax cuts would be dedicated to the growth package.

examine proposed funding levels when looking at changes proposed for the coming year but to look at spending levels when examining changes over the next 10 years;<sup>3</sup> this is the approach used in the Congressional Budget Office’s March 2003 report on the Administration’s budget.<sup>4</sup>

Under all three budgets, the expenditure reductions would grow deeper with each passing year. The House budget would reduce domestic discretionary expenditures by \$244 billion over the ten-year period. Domestic discretionary spending would be cut by \$146 billion under the Senate budget and \$149 billion under the Administration’s budget.

In 2013, the final year of the ten-year period, the cuts would be deeper under the Senate budget than under the House or Administration budgets. When writing its budget, the Senate Budget Committee sharply reduced domestic discretionary spending in the last few years of the ten-year period in order to produce a balanced budget (on paper) by 2013.

These reductions in domestic discretionary programs could be avoided without raising deficits more than these budgets already do if the tax cuts were scaled back modestly. Over ten years, the size of the tax cuts in both the House and Senate budget proposals is more than six times the size of the domestic discretionary spending reductions in the respective proposals.

**Table 2. Reductions in Expenditures for Domestic Discretionary Programs, 2004-2013**

	Cuts in billions of dollars	Percentage cut in 2013
President’s budget (CBO’s est.)	-\$149	-4.5%
Senate budget	-\$146	-7.1%
House budget	-\$244	-6.9%

### **Domestic Discretionary Spending as a Share of the Economy**

Currently, domestic discretionary spending constitutes 3.6 percent of the economy (i.e., of the Gross Domestic Product). This share would drop under the proposed budgets. The last time domestic discretionary spending equaled less than three percent of the economy was 40 years ago, in 1963. Under the House budget, domestic discretionary spending would fall to less than three percent of the economy in 2008. Under the Senate and the President’s budgets, domestic discretionary spending would fall to less than three percent of the economy in 2010.

<sup>3</sup> Since not all funding provided for a program is spent in the year that it is provided, it can take more than a year for a change in funding levels to translate into a change in expenditures. Thus, one-year changes in funding levels rather than one-year changes in expenditures provide a better snapshot of the change that a budget proposes in the level of commitment to a particular area. Over longer periods, however, lags between the time that funds are provided for a program and the time when the funds are actually spent become less of an issue. Over longer periods of time, the normal practice is to compare actual expenditure levels, because it is the expenditure levels, by definition, that indicate how much in resources is actually being used by particular programs.

It should also be noted that if our 10-year figures were based on funding levels rather than expenditure levels, the results would be very similar to those shown here. One modest difference is that the degree to which the House cuts are deeper than those in the other two budgets would appear slightly larger.

<sup>4</sup> Congressional Budget Office, *An Analysis of the President’s Budgetary Proposals for Fiscal Year 2004*, March 2003.