



## President Bush's Fiscal Year 2007 Budget Harms Children, the Elderly and Low Income Families

### How Will the Proposed Budget Affect Missourians?

The Administration's budget calls for \$183 billion in cuts in domestic discretionary (non-entitlement) programs over the next five years. More than 90 percent of the reductions would take place after 2007. By 2011 the budget would be almost 13% below the amount just needed to keep pace with inflation.

Yet the true impact of these cuts — on services, and ultimately on the residents of Missouri and other states — was hidden. In a break with standard budgeting practice, the Administration did not provide funding levels in its official budget documents for specific programs for years after 2007, though it counts on cuts in 2008-2011 to hit the budget's deficit targets.

Even some of the programs President Bush appears to believe are inadequately funded in 2006 — programs that he proposes increases for in 2007 — would be cut below the 2006 level (adjusted for inflation) in subsequent years. For example, funding for Veterans' Medical Care and Hospital Services is increased by \$2.3 billion in 2007. By 2011 funding would be \$3.1 billion less than it is in 2006.

Other programs that are modestly cut in 2007 will be cut by much larger amounts in future years.

If enacted, these cuts would weaken critical services for low income Missourians who bore the brunt of balancing the state budget last year. They also place significant new burdens on the state's budget. And in spite of these cuts, the Administration's proposed budget as a whole *increases* the deficit.

While Congress funds discretionary programs one year at a time, the five-year cuts in the President's budget are critically important because the budget also proposes to cap overall discretionary funding for each of the next five years. The caps are based on the funding limits shown in the budget. Thus, if Congress chooses not to make any particular cut outlined above, it will have to compensate by making still deeper cuts in another area.

The Washington, DC-based *Center on Budget and Policy Priorities* just issued a report showing how the budget would affect specific programs, as well as each state, over the next five years. The report is based on data from an Administration computer run that apparently was released inadvertently. Highlights of Missouri cuts are summarized in the following table.

<b>Programs and services affected (all numbers represent millions of dollars)</b>	<b>Cuts in 2007</b>	<b>Cuts in 2011</b>	<b>Total cuts over 5 years (2005-2011)</b>	<b>Number of individuals affected</b>
Education (Total)		-56.1	-135.4	
Education for the disadvantaged		-\$1.9	+\$47.2	
Special Education		-32.6	-104.7	
School Improvement Program		-18.0	-66.3	
Vocational and Adult Education ( <i>This is a 100% cut</i> )	-12.3	-31.1	-131.7	
WIC ( <i>Women, Infants and Children food supplement program</i> )	-1.3	-11.2	-35.9	7,800 in 2011
Child Care and Development Block Grant ( <i>subsidized care to support low income families' work efforts</i> )	-.85	-5.9	-19.4	
Services to Children and Families ( <i>These cuts include the* cuts that follow</i> )	-19.3	-38.4	-152.3	
*Head Start				1,800 to 2,200 children in 2011
*Community Services Block Grant ( <i>This funds community action agencies. Cuts equal 100% of the grant</i> )	-18.1	-19.7	-94.4	
Public Housing Repair Fund	-4.4	-8.7	-34.7	
Community Development Block Grant	-15.0	-23.4	-99.0	
Low Income Heating Assistance		-16.1	-44.3	
Social Services Block Grant	-9.8			
Commodity Supplement Food Program for the Elderly				9,000 in 2007

### Deficit Grows in Spite of Spending Cuts

The federal government went from a surplus of \$5.6 trillion in 2001<sup>i</sup> to an estimated deficit of \$3.3 trillion in 2006. In spite of spending cuts, the deficit is expected to continue to grow over the next decades. Tax cuts are the primary driver of this alarming trend. The cost of making tax cuts enacted in 2001 and 2003 permanent was about \$250 billion in 2005. By 2011 the approximate cost will be \$450 billion. In 2016 the cost will be an estimated \$600 billion.<sup>ii</sup>

While the spending cuts are absorbed primarily by low income individuals, the tax cuts primarily benefit the wealthy. Individuals in the lowest 20% of income will get a tax benefit of approximately \$23 in 2006. The middle 20% will get an average benefit of \$748. The top 20% will get an average benefit of \$5,406; while the top 1% will get an average benefit of \$39,020. Millionaires will get an average benefit of \$111,549 in 2006.<sup>iii</sup>

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<sup>i</sup> Congressional Budget Office

<sup>ii</sup> Center on Budget and Policy Priorities calculations from the Congressional Budget Office data, 2/14/06.

<sup>iii</sup> Tax Policy Center, 2006