



## The Proposed Fiscal Year 2008 Budget: Little to Reflect Our Values

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The federal budget is the ultimate embodiment of our nation's priorities and direction, a roadmap of our shared plans as a society. What will our tax money buy? What are the moral mandates we share? What are our national aspirations today? What are our intentions with regard to future generations?

The Fiscal Year 2008 budget request released by the Administration this week offers a troubling response to these questions. The request seeks the highest level of military spending in two decades – even before supplemental funds for current conflicts in Iraq and Afghanistan are taken into account. It includes supplemental FY07 war funding for Iraq and Afghanistan that would bring the annual expenditure for those conflicts to a level *more than five times higher than the entire State Department budget* for the same period. It proposes cuts to essential programs that help children receive health care and elders pay their heating bills, while spending billions for a “virtual fence” on our southern border.

The proposed FY08 budget sets a course toward deepening the nation's investment in war over diplomacy, walls over community-based development, and tax breaks for the wealthiest over the long-term needs of children, elders, and others who are particularly vulnerable. *The American Friends Service Committee has an important role to play in articulating a different course for our nation's moral map.*

AFSC's engagement spans from comprehensive work on community-based human needs to multifaceted international peacebuilding – we stand in a unique position to offer an alternative vision for U.S. priorities. Recognizing this special niche, AFSC has raised the issue of budget priorities as one of its top areas of focus for the 110<sup>th</sup> Congress.

A brief summary of notable components in the FY08 and supplemental FY07 budget requests is outlined below. The AFSC Washington Office looks forward to working with the board, staff, and constituents of AFSC to bring a clear message to Congress as it considers this request and advances its own proposal: **Build a federal budget that reflects the best of our nation's ideals and dreams, not the worst of its greed and fears.**

**The Big Picture** – The Administration has suggested that its proposed budget would increase 2008 funding for domestic discretionary programs by one percent over 2007 levels (before accounting for inflation). But the Center on Budget and Policy Priorities has determined that the proposal would actually constitute a \$1 billion cut in domestic discretionary funding<sup>1</sup>. Domestic homeland security programs within the domestic discretionary budget would also grow by roughly \$3 billion, resulting in \$4 billion in cuts for domestic programs outside homeland security, approximately one percent of current funding. If inflation is taken into account, the proposed cut in 2008 funding is even larger.

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1. The Center's analysis compares the proposed increase with a more up-to-date figure than that used by the White House Office of Management (OMB) in its calculations. Delays in passage of the FY07 budget are headed for resolution shortly, and the Center bases its analysis on the budget levels passed by the House last week which will be considered shortly by the Senate. The Administration's budget request was drafted before the House and Senate completed work on some areas of the FY07 budget, and for the most part reflect FY06 funding levels. We have specified in this document where a calculation is based upon the House-passed CR – all other estimates reflect the OMB numbers.



**Military Spending** – The President’s proposed budget seeks \$481.4 billion for the Department of Defense in Fiscal Year 2008, **the highest levels sought since the military build-up undertaken by the Reagan Administration in the 1980s**. This request is \$49 billion over the current level of \$432.4 billion, an increase of 11.3 percent (and an inflation-adjusted increase of 8.6 percent). This request does NOT include the costs of ongoing military operations in Iraq and Afghanistan, nor does it reflect funding for the nuclear weapons activities of the Department of Energy. The Office of Management and Budget estimates that total annual funding for the Defense Department alone will grow to \$495 billion by Fiscal Year 2012, a figure which is undoubtedly low. Total Pentagon spending, not including funding for the Department of Energy or for actual combat operations for the period FY’08 through FY’12 will exceed \$2.3 trillion.

*Military Budget Line Items of Note* – The request includes funding for weapons systems that together total billions more than the budget seeks for children’s health, environmental protection, and low-income housing assistance combined. The Administration is requesting \$8.9 billion for the Missile Defense Agency in FY’08. Missile defense continues to receive more funding than any other weapons program in the annual Pentagon budget. The proposed budget also includes funding for the continued development of the Aircraft Carrier Replacement Program and procurement of one vessel at a cost of \$3.1 billion, the DDG-1000 Destroyer Program at \$3.5 billion, and the Littoral Combat Ship at \$1.2 billion for three vessels. It includes \$2.7 billion for the purchase of one “Virginia” class nuclear attack submarine. The request includes \$2.6 billion for 24 of the Navy’s “Super Hornet,” \$2.6 billion for procurement of 26 “Osprey” tilt-rotor aircraft, \$6.1 billion for 12 F-35 Joint Strike Fighters and \$4.6 billion for 20 F-22A “Raptor” fighters.

The Administration is requesting *reduced* funding of \$348.0 million for the Nunn-Lugar Cooperative Threat Reduction program, which assists Russia and the former Soviet republics safeguard weapons of mass destruction and related technologies. The request also recommends a \$1 million rescission from current funding. The request is 6.5 percent below the current level of \$372.1 million and 15 percent below FY06.

The Department of Energy requested \$88.8 million for the Reliable Replacement Warhead (RRW) for FY 2008, an increase of \$61.1 million or 220.4 percent from DOE's FY 2007 request. Arms control experts have advised that this program could open the way for new nuclear testing.

**Supplemental War Appropriations** – In addition to its annual budget request, the Pentagon is also requesting **\$93.4 billion in supplemental funding for combat operations in Iraq and Afghanistan for Fiscal Year 2007** (in addition to \$70 billion in FY’07 supplemental funding approved by Congress as part of their regular 2007 budget work) **and an additional \$141.7 billion to cover Iraq and Afghanistan operations during FY’08**. The Supplemental request DOES NOT include additional funding for Bush’s plan to send 21,500 additional troops to Iraq, and the Administration has indicated it may seek additional funds to cover the added costs.

Congress has already approved over \$500 billion in supplemental funding for operations in Iraq and Afghanistan, and the additional request would bring total spent in Iraq and Afghanistan to \$661 billion, **eclipsing the total cost of the Vietnam War** in real (inflation adjusted) dollars.

**Border Provisions within the Homeland Security Budget** – Under the President’s proposed budget Department of Homeland Security funding would be increased by \$2.3 billion to \$34.4 billion, including \$1.8 billion for a “virtual fence” at the border, 3000 new border patrol agents, and 600 new detention beds.



**Health Care** – Increases for the state-federal Children’s Health Insurance Program are proposed at \$5 billion over the next five years, far short of the \$12 to \$15 billion needed to keep covering the 6 million children now in the program, and even further short of the \$45 billion that would be needed to extend the program to cover all children. States would face new fiscal incentives to push children in families with incomes at 200% of the poverty level (just over \$35,000 for a family of three) off the State Children’s Health Insurance Program, most likely into the ranks of the uninsured.

Medicaid and Medicare would be cut by \$78 billion over the next 5 years, with the bulk of the cuts impacting payments for healthcare providers, likely limiting the number of doctors and hospitals who will accept these programs as a form of insurance. The healthcare proposal raised in the President’s State of the Union address is encompassed in the proposed budget, which seeks to tax employer-provided health insurance plans as income in order to offset a tax credit for self-purchased plans.

**Housing** – The proposed budget would gut home heating assistance for low-income families by 44%, taking \$1.4 billion from the \$3.2 billion FY06 level despite the sharp increases in fuel prices in recent years and OMB’s own forecast that fuel prices will be higher in 2008 than in 2007. \$100 million in additional funds sought for Section 8 would not keep pace with inflation or increased demand for the program. The request would also once again seek to eliminate the \$99 million Hope VI program to restore dilapidated properties. The budget requests an 8% cut in overall funding for housing programs relative to the funding level anticipated for fiscal year 2007, from \$38.3 billion to \$35.2 billion. The proposal seeks to merge Community Development Block Grants with several other programs and cut the group by \$1.2 billion, more than 28% relative to FY06 numbers.

**Food Security** – The proposed budget would cap state spending on several food programs and tighten eligibility for food stamps within a 6.6% cut in food and agriculture programs. The budget would increase spending on Women Infants and Children (WIC) by about 3% or \$180 million, but would cap certain state spending on the program to save approximately \$148 million. The proposed budget would cut about 329,000 individuals from eligibility for food stamps. The Commodity Supplemental Food Program, which provides supplemental food packages worth a little less than \$20 each month to 440,000 needy elderly people, would be terminated.

**Childcare** – According to the Administration’s own figures, the number of children in low-income families who receive child care assistance would be cut by 300,000 between 2006 and 2010. In the wake of several years of frozen funding, the Head Start program would be cut to a level \$100 million below the 2007 level in the House-passed Continuing Resolution before adjusting for inflation.

**Community Programs in Department of Justice** – In the Justice Department budget overall spending would be increased, but local law enforcement assistance would be cut. For example, the Community Oriented Policing Services (COPS) program budget would be reduced by \$1.7 billion.

**Department of Interior** – Increased funding for National Parks would be offset in the budget request by an assumption that the Department will collect \$8 billion from auctioning off drilling rights in the Arctic National Wildlife Refuge. In addition to the environmental toll of drilling in the refuge, the move is strongly opposed by the Gwich’in people whose subsistence lifestyle would be destroyed by the likely impact on the calving grounds of the Porcupine River caribou herd.

**Tax Cuts for the Wealthy** – People with incomes of more than \$1 million would get tax cuts averaging \$162,000 a year (in 2012 dollars) in perpetuity under the proposal according to the Urban Institute-Brookings Institution Tax Policy Center if the President’s tax cuts are made permanent.



Households in the top 1 percent of the population (currently those with incomes over \$400,000) will receive tax cuts averaging \$67,000 a year by 2012. In today's dollars, that amount is larger than the entire annual income of the typical American household. If Alternative Minimum Tax (AMT) relief is continued, making the President's tax cuts permanent will cost \$3.5 trillion over the next ten years, based on the CBO estimates.

**Balancing Budgets With Bad Math and Long Term Erosion of Human Needs** – The long-term cost of the tax cuts proposed combined with the cost of the defense build-up planned in the President's budget would dwarf the long-term savings from the sizable cuts proposed in domestic programs. As a result, the budget would enlarge deficits in both the near term and the long term.

In January the Congressional Budget Office estimated that the deficit for FY'07 will be \$172 billion. While this is lower than the FY'06 deficit of \$248 billion, it assumes that only \$70 billion will be appropriated for military operations in Iraq and Afghanistan, and does not include the \$93 billion in additional supplemental funding requested. **Including those funds, the projected FY'07 deficit jumps to \$265 billion.**

The proposed budget assumes \$155 billion more in revenue in 2012 than the Congressional Budget Office does for the same policies. It also implicitly includes the assumption that the Alternative Minimum Tax will be allowed to swell massively to affect more than 40 million households in 2012, something that no one believes will take place. At the same time, the proposed budget would cut funding for domestic discretionary programs by a total of \$114 billion over five years from the funding levels in the full-year Continuing Resolution for 2007 that the House recently passed, as adjusted for inflation. By 2012, these programs would be cut by \$34 billion. While unspecified, these cuts would directly impact elementary and secondary education, job training, environmental protection, veterans' health care, medical research, meals on wheels, child care, low-income home energy assistance, and dozens of others.

***Overall Funding Sought by Agency (OMB numbers, not adjusted for inflation, and with supplemental war funding excluded) in order of largest increase to largest cut in dollars:***

- Defense Department:** \$481.4 billion – an increase of \$51.8 billion (12% increase)
- State Department:** \$35.0 – an increase of \$6.3 billion (22% increase)
- Veterans Affairs:** \$39.4 billion – an increase of \$6.2 billion (19% increase)
- Homeland Security:** \$34.3 billion – an increase of \$2.3 billion (7% increase)
- Energy:** \$24.3 billion – an increase of \$1.5 billion (7% increase)
- Transportation:** \$12.1 billion – an increase of \$1.4 billion (13% increase)
- Commerce:** \$6.6 billion – an increase of \$1 billion (18% increase)
- Justice:** 20.2 billion – an increase of \$0.8 billion (4% increase)
- Treasury:** \$12.1 billion – an increase of \$0.7 billion (6% increase)
- Agriculture:** \$20.2 billion – an increase of \$0.6 billion (3% increase)
- Housing and Urban Development:** \$35.2 billion – an increase of \$0.5 billion (1% increase)
- Interior:** \$10.6 billion – an increase of \$0.3 billion (3% increase)
- Health and Human Services:** \$69.3 billion – an increase of \$0.2 billion (0.3% increase)
- Education:** \$56 billion – No change from FY07
- Environmental Protection Agency:** \$7.2 billion – a reduction of \$0.3 billion (4% cut)
- Labor:** \$10.6 billion – a reduction of \$1.1 billion (9% cut)