

The President's *Last* Budget: Upside-Down Priorities



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February 7, 2008

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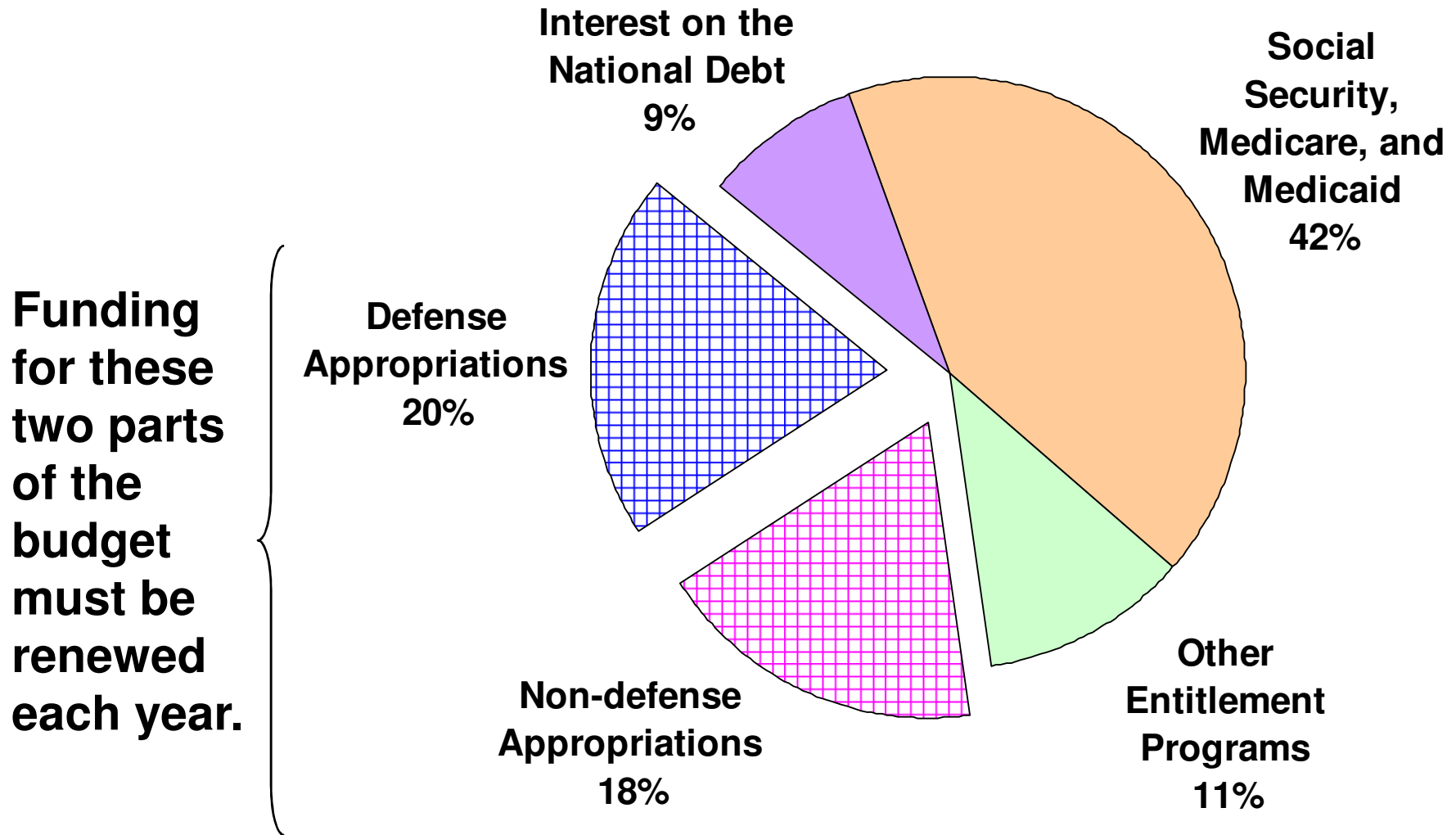
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Budget 101

What's in the Federal Budget?



The Federal Budget in 2007





How much the federal government can spend each year is largely driven by how much tax revenue it collects. Right now, the country is running a deficit because we are not bringing in enough revenue to cover current expenditures.

Revenues	\$2.568 trillion
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Expenditures	\$2.731 trillion
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Deficit	\$ 163 billion
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The Federal Budget Calendar

<p>Winter</p> 	<p>The President sends his budget request to Congress by the first week in February. Congress considers the President's proposal and then begins crafting its own budget resolution.</p>
<p>Spring</p> 	<p>Congress finalizes its budget resolution, which is like a blueprint for the year.</p>
<p>Summer</p> 	<p>Congress begins consideration of individual appropriations, entitlement, and tax bills.</p>
<p>Fall</p> 	<p>Congress finalizes appropriations and other bills, as the President begins formulating his budget request for the following year.</p>

President Bush's Very Last Budget Proposal

Key Elements of the President's Budget

Key Components

- **Cuts in domestic priorities** like LIHEAP, child care, clean water, and K-12 education.
- **Permanent tax cuts**, including for the wealthiest Americans, at a cost of \$2.4 trillion over the next decade
- **Cuts in Medicaid, law enforcement, and other grants to states** already facing budget problems due to the economic downturn
- **Big health care cuts**, in Medicaid and Medicare, plus insufficient funds to maintain SCHIP coverage

Net Effect

- Greater income inequality
- Higher deficits
- Costs shifted to states and localities

Impact of the President's Budget on **DOMESTIC APPROPRIATIONS**

The President's budget cuts domestic appropriations by \$2.4 billion in FY2009, and that's before accounting for inflation. Here are some examples of cuts.

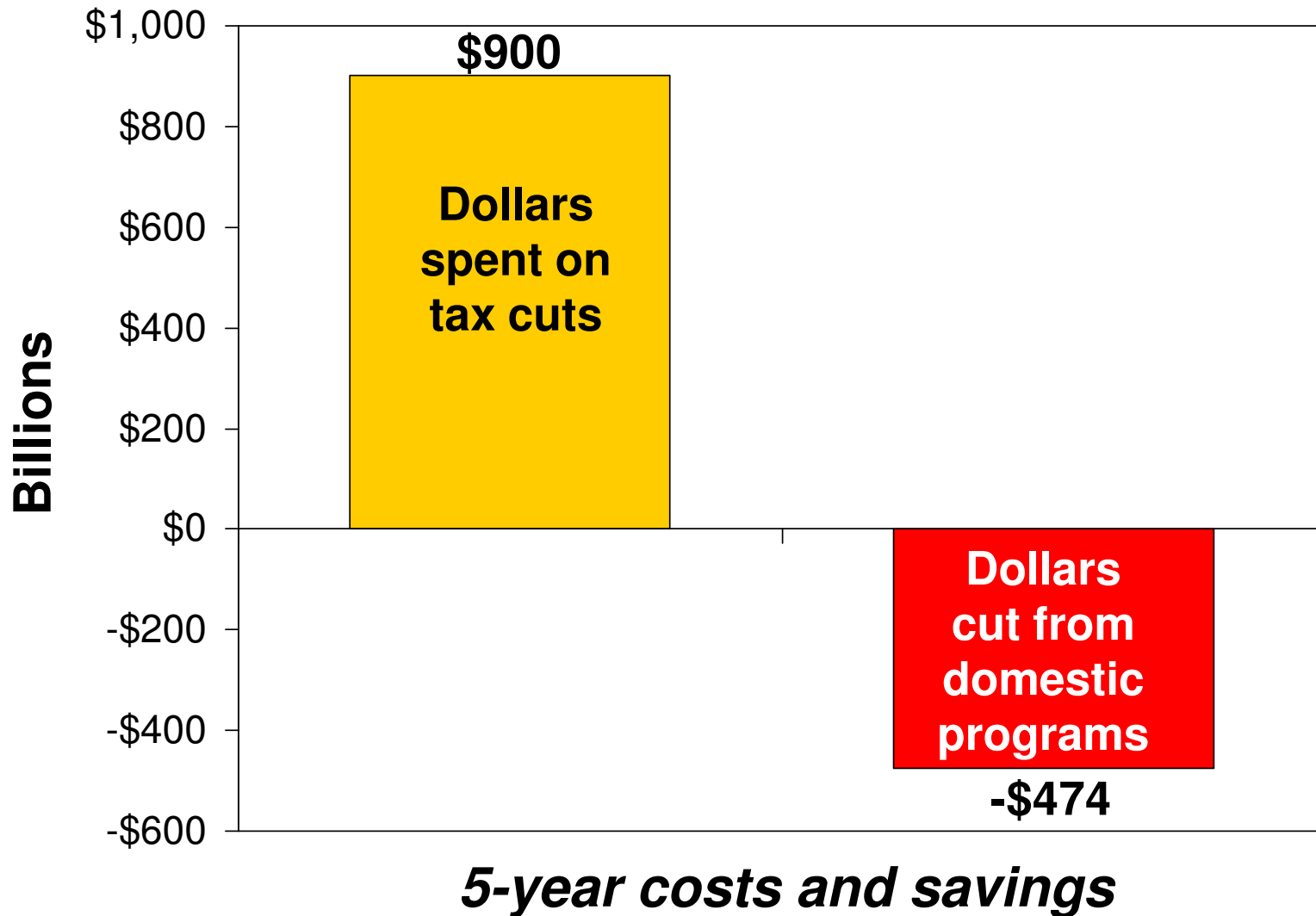
- **LIHEAP** cut by \$522 million (22%)
- **Child care** frozen for the seventh year in a row
- At least 100,000 fewer Section 8 **housing vouchers**
- **Centers for Disease Control** and Prevention cut by \$433 million
- **Environmental Protection Agency** cut by \$330 million
- **K-12 education** funding less than needed to keep pace with inflation

Impact of the President's Budget on **HEALTH CARE**

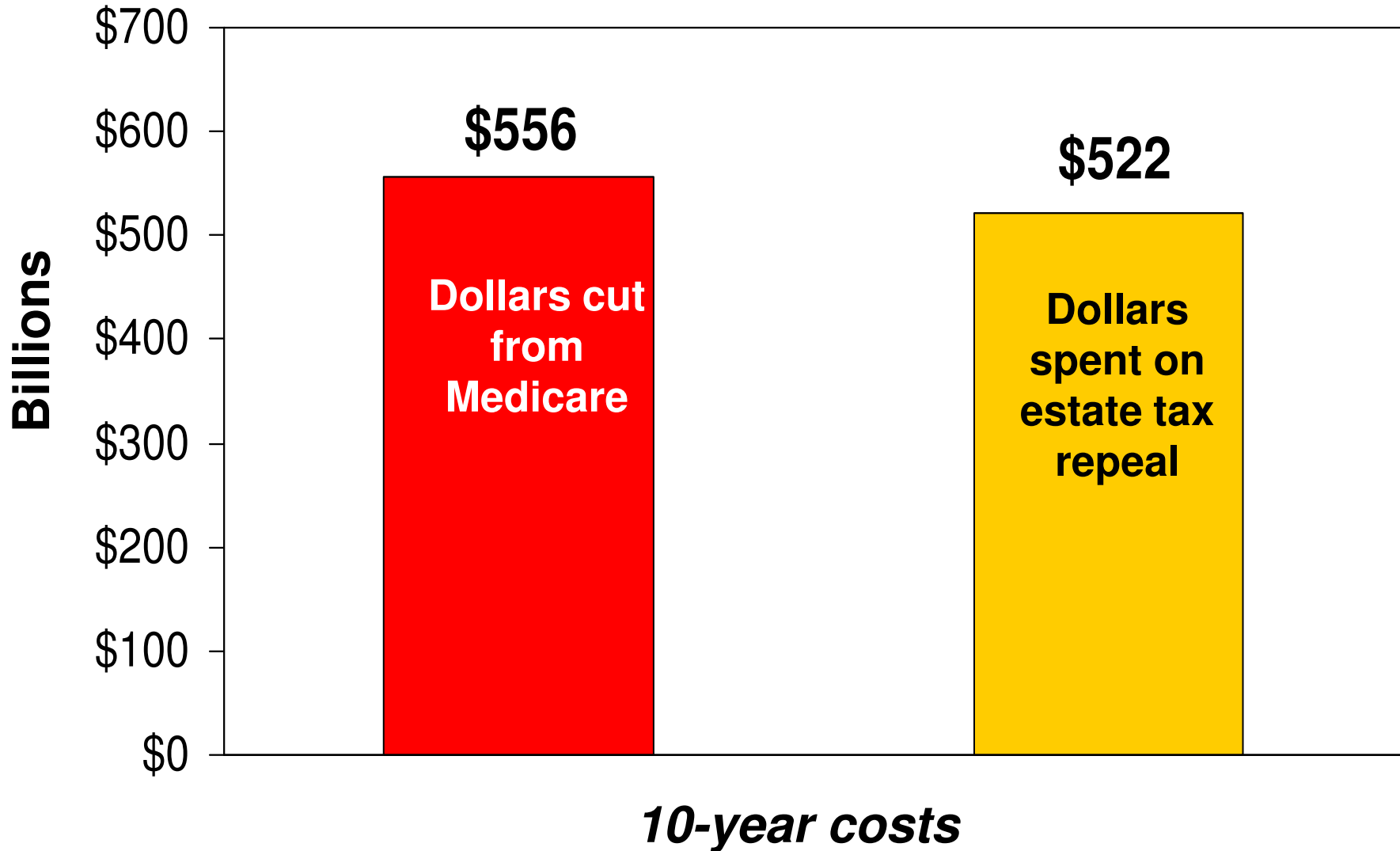
- **Cuts services and shifts health care costs** to states and providers
 - Medicaid cut by \$18.2 billion over 5 years, primarily by shifting costs to states
 - Medicare cut by \$178 billion over 5 years
 - SCHIP funding falls nearly \$2 billion short of what states need to avert reductions in coverage, let alone cover more kids
- **Jeopardizes access** to adequate and affordable health care
 - Medicaid and SCHIP policy changes and Medicare provider cuts will diminish access.
 - Proposes health tax measures that encourage employers to stop offering insurance, leaving sicker people unable to find coverage in the unregulated individual market
- **Continues push to privatize health care** through increased use of managed care in Medicare and Medicaid
- **Further regulatory and administrative actions** in Medicaid still likely to come later this year.

Budgets Are About Choices

Cost of Tax Cuts Far Outweighs Domestic Program Savings in President's Budget

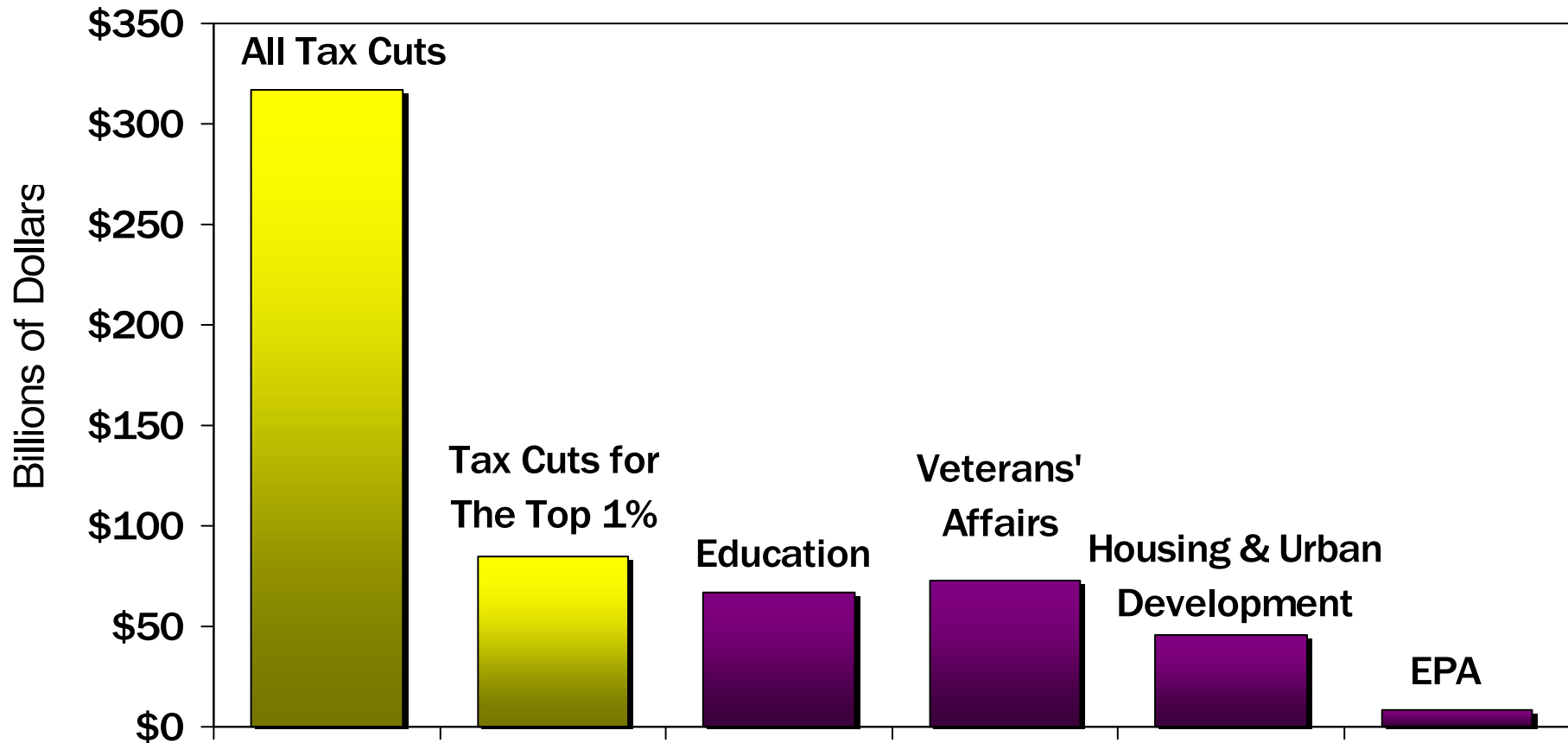


Estate Tax Repeal Would Use Up Savings From Medicare Cuts in President's Budget



Tax Cuts Cost More Than Most Agency Budgets

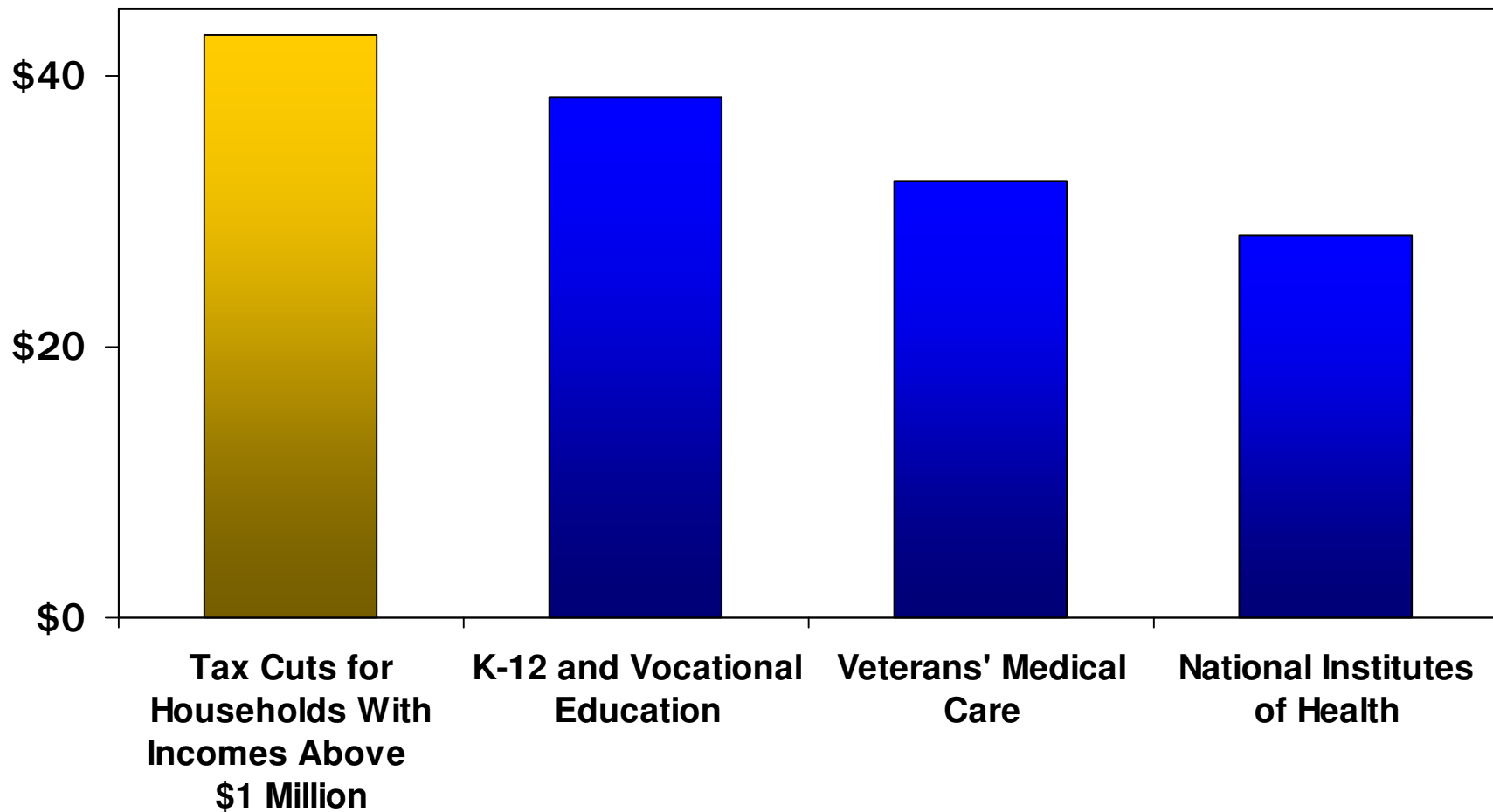
2007 Agency Budgets, Tax Cuts if Fully in Effect in 2007



Source: CBPP calculations based on Treasury Department, Joint Committee on Taxation, and Urban-Brookings Tax Policy Center data.

More Money Spent on Tax Cuts for Millionaires Than on High-Priority Programs

2007 program expenditures and tax cuts, in billions



What's next?

Congress writes its own plan.

**Will they make different
choices?**

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Deborah Weinstein

Coalition on Human Needs

February 7, 2008

Families and communities are stretched thin these days.

What does the President's budget offer them?



Illinois families' unmet needs:

Food:

- nearly 1 in 10 in IL can't afford enough food. 35m nationwide.
- 1.2 million people in IL use food stamps (27m nationwide) - \$1 per person per meal.
- President would cut 300,000 people from Food Stamps; ***eliminates*** Commodity Supplemental Food Program; underfunds WIC and emergency food.

Rising rent and heat are hitting Illinois families.

Shelter:

- Nearly one-quarter in IL pay more than half their income on rent (23% nationwide).
- Rental vouchers: President's funding would mean 100,000 fewer families will get them.
- Housing for elderly: **-28%**
- Housing for people with disabilities: **-34%**

Illinois' working parents need child care.

- More than 3 out of 5 IL children under age 6 have working parents.
- 28% of IL people live below \$35,000 - \$40,000 (200% FPL)
- President's budget means 200,000 fewer children getting child care in FY 09 than in FY 07.
- Head Start just below inflation; would cut 13,000 kids – on top of 8% cuts since FY 2005.
- Cuts afterschool care by 28%.

Ohio families are struggling with high heating costs.

- Ohio oil, gas, and coal are higher than national average.
- Nationally, heating costs up 47% since 02-03.
- The President's budget cuts the Low Income Home Energy Assistance Program (LIHEAP) by **24%** - either 1.2 million fewer households or 28% - 36% dollar cut.
- OH would lose \$16.2m in LIHEAP.
- **Zeroes out** weatherization assistance.

Ohio's low income workers are struggling.

- 6% unemployed, Dec. 2007 (5% nationally).
 - 35,320 jobless Ohioans will exhaust UI by June.
 - 31% below 200% FPL (30% US); 13% poor (12.3% US).
- Adult training: **-19%**
Youth training: **-11%**
Dislocated wkr: **-18%**
Employment svcs replaced with vouchers.
Public housing capital fund down **20%**
Job Corps: **-4%**
Youth Build: **-17%**

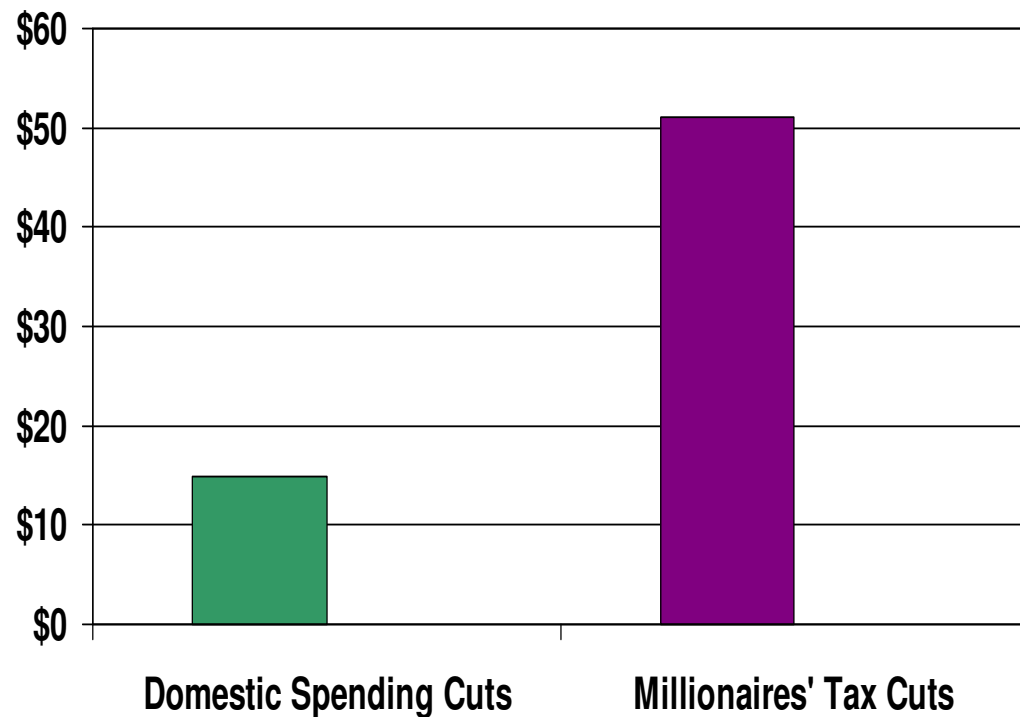
President's budget attacks communities.

- Community Services Block Grant – ***eliminated.***
- Social Services Block Grant – ***cut 31% (\$500m).***
- Community Development Block Grant – ***cut 20% (\$733m).***
- Community supports like emergency food, health care, housing all ***cut.***

Basic health and income supports would shrink.

- Medicaid and SCHIP: eligibility and services reduced by regulation and budget proposals:
 - Working families
 - Child welfare case managers
 - Transportation for children with disabilities
- Child support enforcement cuts will cost families **\$11b** over next 10 years.

The President cuts millionaires' taxes, while slashing health, education, and other vital services.



In 2009:

\$15b cut in domestic approps.

\$51b in tax cuts for millionaires.

In 2012, average millionaire will get **\$162,000**.

Source: Center on Budget and Policy Priorities, OMB, Jt. Com. On Taxation, Urban-Brookings Tax Policy Center.

Congress must begin to reverse past damage.

- Of more than 100 services tracked from FY 2005 to FY 2008, only 11 grew beyond inflation, and another 3 just kept pace with inflation.
- **All the rest were cut:** services that help people work, get health care, educate their children, avoid hunger or homelessness.

Congress can set the *right* priorities in its Budget Resolution.

Entitlement Programs:

- Reverse child support cuts.
- Place moratoria on harmful unilateral Medicaid regulatory cuts.
- Health coverage for children! – SCHIP.
- Fund Food Stamp improvements.
- Increase child care funding.

All more important than more tax cuts for millionaires.

Investing in the *right* priorities means increasing the total for domestic appropriations.

That means enough above inflation to allow more people to be served, and to be served better.

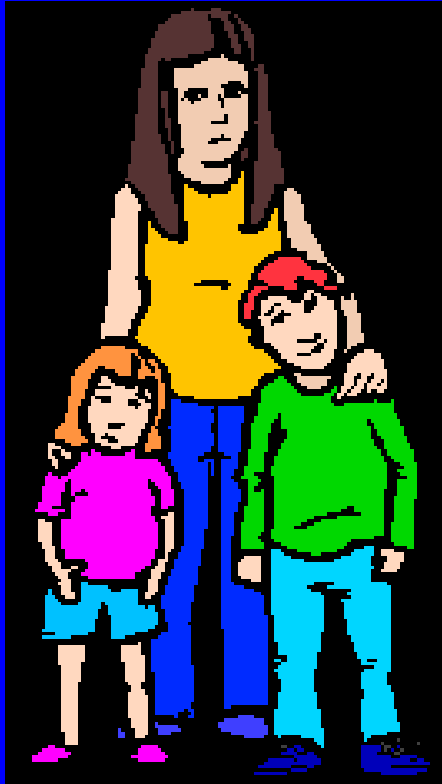
That means enough above inflation so that important services like aid for veterans do not crowd out vital investments in our future.

Priorities?

- For about \$10 billion, Congress could reverse human needs cuts proposed by the President and bring service levels back to where they were in FY 2005.
- One year of tax breaks for hedge fund managers and more deductions for the affluent costs \$10.4 billion.

Priorities?

- Last year the President opposed providing 10 million kids with health insurance for **\$35 billion over 5 years.**
- The cost of the capital gains and dividends tax break in FY 2009? **\$32 billion.**



or



Congress' budget resolution may be early this year.

- Deadline in law:
April 15.
- Congress may try
for March 15 this
year.

**Listen up,
advocates!**

If we work together, in
Washington and
around the country,
priorities will turn
right-side up!

Don't be a stranger!

For more information, and to help make the case for right-side up priorities, contact

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