



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

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### President's Budget Promises: Which Will He Break?

At the Republican convention this month, President Bush promised a costly domestic agenda that is inconsistent with his earlier pledge to cut the deficit in half in five years. The President has a choice: either he can break his promise to increase funding for the programs he listed in New York, or he can break his promise to cut the deficit in half in five years. But he cannot keep both promises.

The President's pledge of more domestic spending, coupled with his proposals to permanently continue his 2001 and 2003 tax cuts and to partially privatize Social Security, *have a multi-trillion-dollar price tag* over ten years at a time of record budget deficits. Just making permanent the tax cuts that are set to expire in 2010 will cost \$1.1 trillion from 2010 through 2014 alone. Such proposals are not compatible with reducing the record deficits that have occurred under this Administration.

Consider the President's promises at the convention, this Administration's record, and the budget reality.

#### Social Security

**Promise:** *"We must strengthen Social Security by allowing younger workers to save some of their taxes in a personal account, a nest egg you can call your own..."*

**Reality: Budget Fails to Fund \$1 Trillion-Plus Privatization Cost** — The President favors depositing Social Security funds into individual accounts rather than continuing to build the Social Security surplus in preparation for the looming retirement of the baby-boom generation. However, his proposal would worsen the unified deficit by at least \$1 trillion over ten years and plenty more for decades to come. The President's budgets have provided no funding to cover this enormous cost.

#### Education

**Promise:** *"By raising performance in our high schools, and expanding Pell grants for low and middle income families, we will help more Americans start their career with a college diploma..."*

**Reality: President Freezes Maximum Pell Grant for Three Years** — Only once in four years (in his first budget, for 2002) has the President proposed to increase the maximum Pell Grant award. His

2005 budget request freezes the maximum Pell Grant at \$4,050 for the third straight year. However, for a third straight year the *average* award has fallen — to only \$2,399 — at a time when college costs continue to rise. This year the President did propose \$33 million (0.26 percent of total Pell Grant funding) for enhanced grants of up to \$1,000, but instead of helping all of the more than 4 million Pell Grant recipients, the enhanced grants would be for only several thousand students who complete the State Scholars curriculum, offered in high schools in only 14 states.

**Reality: President Plans to Cut Education Funding by \$1.5 Billion for 2006** — A White House memorandum of May 19 confirms that, despite previous denials, the President is planning a fiscal year 2006 budget that will impose deep cuts in key government services, with programs at the Department of Education suffering a cut of \$1.5 billion below the President’s proposed 2005 budget.<sup>1</sup> Rather than expanding Pell Grants, the President’s 2006 budget would cut funding for Pell Grants by \$327 million, cutting the maximum award by at least \$75 — to a level below the 2002 maximum award — assuming a proportional cut.

## Job Training

**Promise:** *“So we will double the number of people served by our principal job training program...”*

**Reality: President Plans to Cut Labor Funding by \$204 Million for 2006** — The President’s budget for 2005 cuts Department of Labor funding by \$63 million below what it needs to maintain purchasing power at the current level. The President’s plan for 2006 will cut Labor funding further, by \$204 million below the 2005 request, with a \$68 million cut for adult training services, dislocated worker programs, youth services, and training for older Americans, assuming a proportional cut.<sup>2</sup> The 2006 funding cut would continue the Administration’s pattern of annually diminishing support for training programs; funding for all programs under the Workforce Investment Act already has declined by \$550 million (9.7 percent) from 2001 to 2004.

## Health Care

**Promise:** *“In a new term, I will ensure every poor county in America has a community or rural health center.”*

**Reality: President Plans to Cut Health Funding for 2006** — Despite the President’s convention promise, the Administration has told the Department of Health and Human Services to cut funding for 2006 by \$181 million below its 2005 budget request, with \$147 million of the cut in the Health Resources and Services Administration (HRSA), which funds community health centers. For 2006, HRSA would receive \$953 million (13.9 percent) less than the amount needed to maintain services at

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<sup>1</sup>See *Will “Back to School” Be Harder Next Year? Bush Administration Plans Steep Cuts for 2006 Education Funding*, House Budget Committee Democratic staff report, 8/31/04, [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

<sup>2</sup> See *Labor Day Plans of a Different Kind: The Administration Targets Worker Programs for Cuts in 2006*, House Budget Committee Democratic staff report, 9/1/04, [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

the current level. If the President does increase funds for community health centers while cutting HRSA overall, he will be making very deep cuts in the other HRSA programs, including the Ryan White AIDS program and the Maternal and Child Health Block Grant.

## **Tax Cuts**

**Promise:**     *“...my plan will encourage investment and expansion by restraining federal spending, reducing regulation, and making tax relief permanent.”*

**Reality: Permanent Tax Cuts Cost \$1.1 Trillion** — The President wants to make permanent all the 2001 and 2003 tax cuts that are scheduled to expire in 2010. This action will cost \$1.1 trillion from 2010 through 2014, and more in the years to follow. Continuing tax cuts permanently will significantly worsen the deficit after 2009, which makes a mockery of the President’s vow to cut the deficit in half in 2009, and clearly means that the deficit will worsen sharply thereafter.

**Reality: Fixing AMT Costs \$500 Billion** — The Administration has acknowledged the need to address the effects of the Alternative Minimum Tax (AMT), which affects an increasingly broader cross-section of the public than originally intended, and in fact wipes out much of the President’s own tax cuts for many taxpayers. The President’s budget included only a one-year fix costing \$23.3 billion. But the Congressional Budget Office and the Joint Committee on Taxation estimate that comprehensive reform of the AMT, if the tax cuts are made permanent, would cost at least \$500 billion over 2005-2014.

## **Conclusion**

The President cannot keep his promises both to spend more and reduce revenue, and to cut the deficit in half.

If he is re-elected, the President may seek to reduce the deficit over five years, in which case he will adhere to his recent budget instructions telling many federal agencies to cut funding for 2006. But that means cutting funding for domestic education, training, and health programs — the very programs that he promised at the convention to increase. And pursuing his long-term revenue-reduction plans, as well as privatizing Social Security, will dramatically worsen the deficit after five years. On the other hand, the President may try to keep his convention promises, but that means spending more on these programs than his budget allows, and breaking his February promise to cut the deficit in half.