



FY 2009 Bush Budget: More of the Same Missed Opportunities and Misplaced Priorities for America

Key Points:

- **Our national budget should invest in our future and reflect the aspirations of the American people. President Bush's final budget is more of the same we have seen for the past seven years – missed opportunities and misplaced priorities for America.**
- **This Democratic-led Congress will put forward a New Direction budget to:**
 - **Make critical investments to strengthen our economy**
 - **Help Americans struggling to make ends meet in an economic downturn**
 - **Restore fiscal responsibility**

More of the same: the President's budget fails to address the immediate economic challenges facing American families. At a time of a slowing economy and Americans increasingly struggling to make ends meet, the President's budget calls for more than \$1 trillion in tax breaks for the top 1 percent of Americans over 10 years, but cuts vital energy, education and health care initiatives. At a time of rising energy costs, the budget slashes low-income energy assistance and weatherization assistance; at a time of the rising cost of college, the budget eliminates the \$757 million Supplemental Education Opportunity Grant program, which helps lower-income students afford a higher education; and at a time of rising health care costs, the budget proposes slashing Medicare by \$556 billion and Medicaid by more than \$80 billion over 10 years – reducing access to affordable health care for America's seniors and low-income working Americans.

More of the same: the President's budget cuts investments to strengthen and grow our economy over the long-term. Although the President's budget does fund certain items in the Innovation Agenda, such as NSF and the DOE Office of Science, it also freezes or cuts numerous other initiatives that would strengthen and grow our economy over the long-term. For example, the President's budget freezes or cuts high-tech assistance for the manufacturing sector, training for a 21st century workforce, innovation and technology in the classroom, funding to make college more affordable and accessible, and incentives for renewable energy and a greener America to create millions of American jobs and reduce global warming.

More of the same: the President's budget is fiscally reckless – failing to balance in 2012 and instead adding \$1.6 trillion in deficits over the next five years. The President claims that his budget is in balance by 2012, but that is only because he leaves out enormous costs from his budget, including the five-year costs of fixing the Alternative Minimum Tax and the full costs of the Iraq war (assuming only \$70 billion for FY 2009 and no funding beyond 2009). When realistic costs are included, the budget runs significant deficits in each of the next five years. The President has already taken a projected 10-year surplus of \$5.6 trillion, and turned it into a \$3.2 trillion deficit, and this budget continues this path of mortgaging the future of our children and grandchildren. He will have added about \$4 trillion to the national debt during his Presidency, more than during all of the Administrations from George Washington through Ronald Reagan combined.

More of the same: the President's budget continues to try to hide the true costs of the Iraq war – which have more than doubled over the last three years. The President's budget fails to fully fund the Iraq war for FY 2009 – instead requesting only a \$70 billion “bridge fund” for Iraq and Afghanistan. As a result, his deficit projections for each of the next five years are significantly understated. The costs of the Iraq war have been steadily rising. According to the Congressional Research Service, the average monthly cost of the Iraq war hit \$10.3 billion in FY 2007, up from \$4.4 billion in FY 2004.

A New Direction: the Democratic-led Congress will write a budget that helps Americans struggling with rising costs in an economic downturn, strengthens our economy for the long-term, and works to restore fiscal responsibility. While we cannot support the budget the President proposes, Democrats stand ready to work in a bipartisan way to craft a budget that better reflects America's values, invests in the future, and is fiscally responsible.

Instead of investing in our future, the Bush budget represents a series of missed opportunities and misplaced priorities, including:

- **Medicare and Medicaid** -- At a time when more and more Americans are struggling to obtain affordable health care, the President's budget slashes health care for seniors and low-income working Americans. It slashes Medicare by \$178 billion over 5 years and \$556 billion over 10 years – a cut that is more than double what he proposed last year and Congress rejected. These cuts include freezing Medicare payments to hospitals, nursing homes, hospices, home health agencies, and other providers for three years. The budget also includes Medicaid cuts, including both legislative and regulatory, of more than \$30 billion over 5 years and more than \$80 billion 10 years. This will result in increasing the number of uninsured – at a time when there are already 47 million uninsured Americans.
- **Children's Health Care** – The President's budget increases funding for SCHIP (State Children's Health Insurance Program) by \$19.7 billion over 5 years. According to the Administration, this allows enrolling 1.4 million additional children. This falls far short of the 4 million additional children who would be enrolled under the SCHIP legislation that President Bush has vetoed twice.
- **Discretionary Health Care Programs** – At a time when health care is a top concern for American families, the President's budget underfunds key health care priorities. It freezes funding for life-saving medical research at NIH regarding such diseases as Alzheimer's, Parkinson's, cancer and heart disease, at this year's level of \$29.5 billion – resulting in a cut in the number of research grants. It slashes funding by \$433 million or 7 percent for the Centers for Disease Control and Prevention (CDC) – responsible for infectious disease control, prevention programs, and health promotion. It also eliminates a \$301 million program that trains pediatricians and pediatric specialists at children's teaching hospitals at a time when pediatric specialties face critical shortages. In addition, it slashes rural health care by \$112 million or 82 percent.
- **Education** – The Bush budget freezes education funding – which results in cuts in real terms. Instead of investing in innovation in the classroom, the budget eliminates the \$267 million program providing grants to states for classroom technology; and freezes the \$179 million Mathematics and Science Partnerships, targeted at improving achievement in math and science. Instead of making college more affordable, the budget eliminates Supplemental Educational Opportunity Grants, the Perkins loan program, and Leveraging Educational Assistance Program (LEAP) – all of which provide necessary financial support for needy students. In addition, the budget eliminates Vocational Education and slashes Safe and Drug-Free Schools by 45 percent, after-school programs by 26 percent, and Teacher Quality State Grants by \$100 million.

- **Energy** -- At a time of record energy prices, the President's budget severely cuts assistance to seniors and families with children in paying their home heating bills (Low Income Home Energy Assistance), with a cut of \$570 million, forcing states to either reduce the number of households getting help by 1.2 million or reduce the amount of assistance per household to 28 percent. It also eliminates Weatherization Assistance to help Americans lower their energy bills by making improvements to their home's energy efficiency. Over the long term, the budget does not take sufficient steps to make real progress on the Energy bill of 2007-- cutting incentives for renewable energy, including research into solar energy and energy efficiency at manufacturing facilities.
- **Job Training and Employment Services** -- As middle-class workers are seeing their wages stagnate and American jobs are being cut for the first time in four years, the President's budget slashes nearly \$234 million from job training. It also slashes employment services (by more than \$500 million) for Americans looking for work, including eliminating grants to states to provide employment services for job seekers and employers and cutting one-stop career centers.
- **Innovation** -- The President's budget does take some steps to fulfill the promise of the Innovation Agenda with increases for National Science Foundation (NSF) and the Office of Science at the Energy Department. Democrats will work to make education at NSF a priority -- with key investments in Robert Noyce scholarships and Math and Science Partnerships to train Science, Technology, Engineering and Mathematics teachers and students. However, the President's budget eliminates the Manufacturing Extension Partnership (MEP), which helps small U.S. manufacturers with everything from plant modernization to employee training and the Technology Innovation Program (TIP, formerly ATP) which sponsors innovative research to solve manufacturing problems. Innovation in manufacturing is critical with nearly 3.5 million manufacturing jobs that have been lost over the past seven years.
- **Housing Counseling & Foreclosure Prevention** -- Despite the growing problems from the subprime mortgage crisis, the Bush budget cuts loan counseling for those at risk of losing their homes (through the Neighborhood Reinvestment Corporation) by \$155 million (87 percent), while providing a small increase (\$15 million) for loan counseling at HUD.
- **Community Development Block Grant** -- Even though the economy is weakening, the President's budget cuts \$657 million from the Community Development Block Grant (CDBG), a cornerstone of community and economic development and local job creation -- instrumental in affordable, accessible housing through rehabilitation and construction, infrastructure development, and expanding economic opportunities.
- **Social Services** -- During this economic downturn, when more and more communities are struggling, the budget eliminates the Community Services Block Grant, which works to lessen poverty in communities; and cuts funding by \$500 million or 29 percent for the Social Services Block Grant, which provides people with social services directed toward achieving economic self-sufficiency.
- **Highway Funding** -- The President's budget proposes to cut funding for highways by \$800 million below the total guaranteed by SAFETEA-LU. Every \$1 billion in new infrastructure investment creates 47,500 American jobs. A shortfall in highway revenue is projected for FY 2009.
- **Environment** -- Americans want to ensure that the water they drink and the air they breathe is safe -- and yet the President's budget fails to honor these priorities. Because the President threatened to veto the House-passed Interior-Environment Appropriations bill last year, the Congress was

required to cut vital environmental initiatives in the final Omnibus that the President was willing to sign. The President's FY 2009 budget now proposes cutting them further. For example, the overall EPA budget was cut from \$7.7 billion in FY 2007 to \$7.5 billion in FY 2008. The President now proposes cutting EPA to \$7.1 billion in FY 2009. Funding for states' Clean Water revolving loan funds was cut from \$1.1 billion in FY 2007 to \$689 million in FY 2008. The President now proposes cutting it further to \$555 million – which is a cut of 48 percent below FY 2007.

- **Homeland Security** – The President's budget claims a 7 percent increase in funding for the Department of Homeland Security – but this calculation excludes \$2.7 billion in border emergency funding Congress approved for FY 2008. When this is taken into account, the President is only proposing an increase of less than \$100 million in FY 2009 for our homeland security needs. In addition, the budget slashes funding for the State Homeland Security Grant Program (used for first responders) by \$750 million or 79 percent below this year's level and funding for Firefighter Grants by \$450 million or 60 percent below this year. It also slashes funding for port security grants by 48 percent and rail and transit grants by 56 percent.
- **Veterans** -- The President's budget builds on the progress we made last year in providing the largest increase in veterans' health care in history – providing \$1.5 billion more in FY 2009. However, it cuts veterans' health care by \$20 billion over five years and cuts funds for constructing, renovating, and rehabilitating medical care facilities in 2009. For the sixth year in a row, the budget also raises health care costs on 1.4 million veterans, imposing \$5.2 billion in increased co-payments on prescription drugs and new enrollment fees on veterans over ten years.
- **Social Security Privatization** -- Despite the American public's clear opposition to his flawed privatization plan, the President' budget still turns Social Security's guaranteed benefit into a guaranteed gamble in 2013.

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