



HOUSE BUDGET COMMITTEE

Democratic Caucus

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June 1, 2004

Administration Confirms Its Plan to Cut Many Services Deeply in 2006

A White House memorandum dated May 19, 2004, confirms that the Administration’s 2006 budget would impose deep cuts in many key government services. This memorandum contradicts earlier Administration denials of 2006 budget cuts buried deep within the unpublished budget numbers issued in February — cuts detailed in a February 19th House Budget Committee Democratic staff report. The May 19 Administration memorandum clearly directs agencies to “[a]ssume accounts are funded at the 2006 level specified in the 2005 Budget database” that shows the spending levels in the President’s budget for agencies and programs for 2005 through 2009.

Hidden Long-Term Cuts in President’s 2005 Budget — In its 2005 budget released in February, the Administration tried to cloak its cuts in 2006 through 2009. For the first time, the Administration excluded from its published budget materials the discretionary funding totals for programs and accounts beyond 2005. Only the Office of Management and Budget (OMB) computer tables show the budget’s proposed funding — and cuts — for 2006 through 2009.

Agencies Cut in 2006, According to President's 2005 Budget

(billions of dollars of budget authority, OMB estimates)

	2005	2006	\$ cut	% cut
Education	57.339	55.864	-1.475	-2.6%
Veterans Affairs	29.654	28.744	-0.910	-3.1%
EPA	7.759	7.609	-0.150	-1.9%
State	10.259	10.003	-0.256	-2.5%
Interior	10.849	10.605	-0.244	-2.2%
Social Security Administration	7.585	7.391	-0.194	-2.6%
National Science Foundation	5.745	5.628	-0.117	-2.0%
Small Business Administration	0.678	0.662	-0.016	-2.4%
Commerce	5.716	5.643	-0.073	-1.3%
Labor	11.880	11.676	-0.204	-1.7%
Health and Human Services	68.157	68.055	-0.102	-0.1%

White House Memo Contradicts Earlier Denials of Planned Cuts — In February, the Administration tried to repudiate the cuts in 2006 through 2009. OMB officials and at least one Cabinet Secretary said that the long-term estimates are calculated by formula and do not reflect policy decisions. However, the Administration’s May 19 memo directs the agencies to abide by those totals for each budget account. Agencies may request higher figures for one or more of their accounts, but if so, they must offset those increases with decreases in their other accounts. In other words, if there is to be greater funding than in the Administration’s 2005 budget for one education program, that increase must be offset by a cut in another education program.

Following are some examples of the planned cuts, for agencies and their programs, in the President’s budget. These cuts come directly from the OMB database that shows the spending levels for 2005 through 2009.

Cuts Department of Education Beginning in 2006

While the budget increases funding for the Department of Education by \$1.7 billion from 2004 to 2005, it cuts the funding by \$1.5 billion for 2006 and essentially freezes it at that low level for the following three years. Cuts for 2006 through 2009 will mean fewer children are challenged to learn and equipped to succeed, helped to meet the goals of the President’s No Child Left Behind Act, or given assistance to afford and attend college.

- **Shrinks Maximum Pell Grant Award** — In the President’s February budget, funding for Pell Grants would fall by \$327 million for 2006, cutting the maximum award by at least \$75 to a level below the 2002 maximum award, assuming that the cut to higher education is spread proportionally across programs.

Cuts Veterans Health Care

For 2006, the President’s budget cuts funding for the Department of Veterans Affairs (VA) by \$910 million (3.1 percent) below the 2005 requested level. And even that 2005 level was \$1.2 billion less than what the Secretary of VA had originally requested. The Secretary also testified this spring that the funding levels for 2006 through 2009 in the President’s budget may not be realistic. Over five years, the President’s budget for appropriated veterans programs is \$1.4 billion below a freeze at the 2004 enacted level. Almost all appropriated funding for veterans pays for medical care and hospital services. Future increases in health care prices and caseload will push VA medical funding needs well above a freeze at the 2004 level.

President’s Budget Cuts Veterans’ Appropriations Below 2004 Level



Cuts to Environmental Protection for 2005 and 2006

For 2005, the President's budget provides less than \$7.8 billion in appropriations for the Environmental Protection Agency, a cut of nearly \$600 million (7.0 percent) below the 2004 enacted level. For 2006, the Administration cuts EPA funding by an additional \$150 million, providing only \$7.6 billion. The Department of Interior will receive only \$10.6 billion in 2006, a cut of \$244 million (2.2 percent) below the proposed 2005 level. For 2005, the President's budget provides less than \$4.0 billion for the Army Corps of Engineers, \$597 million (13.1 percent) below the 2004 enacted level. For 2006, the Corps is cut by an additional \$13 million.

Cuts National Science Foundation (NSF) in 2006 and Beyond

While the President's budget increases funding for NSF by \$167 million for 2005, it then cuts it by \$117 million in 2006. In the five years of the President's budget, NSF never again reaches the 2005 level of funding.

Cuts Department of Commerce in 2006

Despite a net loss of 2.2 million private-sector jobs since the Bush Administration took office, the President's budget cuts appropriations for the Department of Commerce by 1.3 percent from 2005 to 2006.

- ***Shrinking Support for International Trade Administration (ITA)*** — The ITA assists in the creation of U.S. jobs by aiding the growth of export businesses, enforcing U.S. trade laws and agreements, and improving access to overseas markets by pressing for the removal of trade barriers. The budget highlights its \$12 million increase for ITA, for a 2005 total of \$394 million, but then follows this with a \$10 million reduction for 2006 and virtually no growth thereafter.

Cuts Department of Labor Beginning in 2006

For 2006, the President's budget cuts appropriations for the Department of Labor to a level that is below even the 2004 enacted level of \$11.7 billion. To reach that agency level, the President's budget cuts job training. For 2005, the budget essentially freezes funding for training and employment programs at \$5.9 billion, although within that total, the budget cuts existing adult training and dislocated worker programs by \$151 million. For the next four years, the budget cuts total funding below the 2005 amount, with the steepest cut in 2006. This cut in job training comes even though the economy has lost millions of jobs since President Bush took office and an increasing number of jobs are being sent overseas.

Cuts Health and Human Services in 2006

The President's budget cuts funding for the Department of Health and Human Services by \$102 million for 2006. To achieve that cut, the budget cuts appropriations both for programs that help children and for agencies that support health research.

- ***Eliminates Child Care for Nearly Half a Million Children*** — For 2006, the President's budget cuts funding for the Child Care and Development Block Grant by \$53 million below the 2005 level, and for the next three years it cuts funding below the 2004 level. Federal resources for child care also include the Child Care Entitlement to States (which the budget freezes at \$2.7 million through 2009), as well as TANF and Social Services Block Grant funds spent on child care at state discretion. Considering all funding available for child care, the budget projects that the number of children receiving assistance will decline from 2.5 million in 2003 to 2.2 million in 2009. Independent experts estimate that the loss under the President's budget will be even worse, eliminating child care for 447,000 children. Meanwhile, the President's plan to increase work requirements for welfare recipients will increase the demand for affordable child care.
- ***Cuts Funding for Head Start After 2005*** — The President provides sufficient funding to freeze Head Start enrollment for 2005, but then reduces funding in the following years, cutting \$177 million (2.5 percent) for 2006, assuming that the cut to children and family programs is applied across the board. Head Start currently serves less than 60 percent of eligible four-year-olds, but these cuts would mean even fewer children would be able to attend Head Start.
- ***National Institutes of Health (NIH) Increase in 2005 is Reversed in 2006*** — After providing average annual growth of nearly 15 percent from 1998 to 2003 — doubling NIH's budget — the 2005 budget holds NIH funding to its lowest increase in years. The budget provides \$28.6 billion for NIH, an increase of \$711 million (2.6 percent) over the 2004 enacted level. The budget then cuts NIH by 2.1 percent for 2006, and provides minuscule increases for subsequent years. At no time over the five-year period does NIH funding again reach the 2005 level.
- ***Health Resources and Services Administration (HRSA) Cut Two Years in a Row*** — The mission of HRSA is to “improve and expand access to quality health care for all,” and its programs include community health centers, rural health programs, access to health care for people living with HIV/AIDS, and training and recruitment of health care professionals, to name a few. In 2005, the budget provides \$6 billion, a cut of \$638 million below the 2004 enacted level. The budget then cuts HRSA even further for 2006, this time providing \$785 million less than the 2004 level.

Conclusion

The May 19 White House memorandum confirms that the Administration does plan to cut key government services next year, including some it brags about increasing this year. The Administration is requiring these cuts because it chose to promote oversized tax cuts, and now cannot afford to fund vital government services.

OMB Circular A-11 (2004)
Section 30-1

May 19, 2004

BUDGET PROCEDURES MEMORANDUM NO. 870

TO: PROGRAM ASSOCIATE DIRECTORS
PROGRAM DEPUTY ASSOCIATE DIRECTORS

FROM:

SUBJECT: Planning Guidance for the FY 2006 Budget

Purpose. This memorandum provides the planning guidance your agencies will need to prepare submissions for the FY 2006 Budget. The formal transmittal of this guidance will be through OMB Circular A-11, which will not be released until July. In order to provide earlier guidance, an advance copy of the guidance as it will appear in section 30, Basic Policies and Assumptions, is provided as an attachment to this BPM.

Required Actions. RMOs are to share this guidance with their agencies.

Attachment

SECTION 30?BASIC POLICIES AND ASSUMPTIONS

Table of Contents

- 30.1 What should be the basis for my proposals?
- 30.2 What is the scope of the policy estimates?
- 30.3 What economic assumptions should I use when I develop estimates?
- 30.4 What assumptions should I make about growth in agency workload?
- 30.5 How do I develop unit cost information?
- 30.1 What should be the basis for my proposals?

Continuing the strategy of last year's Budget, the 2006 Budget will constrain discretionary and mandatory spending while supporting national

priorities: winning the war on terror, protecting the homeland, and strengthening the economy. We will continue our efforts to assess and improve the performance of Federal programs across the government to help ensure that taxpayer dollars are directed to programs that provide the greatest benefit. Your proposals should:

Assume accounts are funded at the 2006 level specified in the 2005 Budget database. If you propose to increase funding above that level for any account, it must be offset within your agency by proposing to decrease funding below that level in other accounts so that, in total, your request does not exceed the 2006 level assumed for the agency.

Be developed on the basis of a comprehensive results based system that integrates analysis, planning, evaluation, and budgeting. Ensure that PART findings are reflected in your budget requests, whether that be for program expansion, reform, or termination. Proposed reductions should consider PART findings that programs are duplicative, inefficient, or ineffective.

Reflect full implementation of the President's Management Agenda: strategic management of human capital, competitive sourcing, improved financial performance, expanded electronic government, and budget and performance integration. Progress in each of these initiatives should help you identify resources to reallocate to higher priority needs.

Ensure that your information technology investments create a citizen-centered electronic presence, advance the Federal e-government strategy, and support core agency functions.

Demonstrate that you are using your capital planning process to effectively manage your portfolio of capital assets to ensure that scarce resources are appropriately allocated to achieve results.

Provide information on overseas employees at embassies or consulates and describe how any increases to overseas staffing will be offset within your agency.

In developing your estimates, consider the effect that demographic, economic, or other changes can have on program levels beyond the budget year. Be prepared to discuss the impact that program levels and changes in methods of program delivery, including advances in technology, will have on program operations and administration. Also consider the appropriate roles for Federal, State, and local governments, as well as the private sector, in conducting the covered activities. Make sure your estimates are consistent with strategic and annual performance plans.