FISCAL POLICY NOTE$

The Fight over Federal Appropriations: Impact on New York State

July 17, 2007

Last month, the United States House and Senate appropriations committees established funding levels for each of the twelve appropriations bills for fiscal year 2008, and have begun producing bills that meet these targets. The Bush administration has charged that these funding levels represent large, fiscally irresponsible increases in federal spending that would threaten fiscal stability and the economy and has threatened to veto most of the forthcoming appropriations bills.

The administration's sharp criticisms have been echoed by a number of Republican congressional leaders, such as Rep. Jerry Lewis (R-CA), the ranking minority member of the House Appropriations Committee, who accused the Democratic majority of "spending lust." Some 147 House Republican members—more than one-third of the House membership—have pledged to sustain the anticipated vetoes. Three New York Congressman, John R. (Randy) Kuhl, Peter King and Thomas M. Reynolds were among the 147 signers of the letter. New York's other three Republican members did not sign the letter: Vito Fossella, John M. McHugh and James T. Walsh.

The strong criticism of the funding levels set for the appropriations bills received wide coverage. But comparing these levels with the current year's appropriations and the president's own budget request for 2008 reveals a picture sharply at odds with the attacks.

- Some 81 percent of the $53.1 billion increase in appropriations under the emerging bills consists of increases for military and homeland security programs that the president himself requested. (These increases are not related to Iraq and Afghanistan, which are classified as "emergency spending" and hence not included in this analysis.)

- This 81 percent figure climbs still higher when one takes into account the congressional increases for the State Department and international affairs that the Administration also requested.

- Less than one-tenth (or $5 billion) of the $53.1 billion funding increase reflected in the congressional targets for the 2008 appropriations bills is for increases for the eight domestic appropriations bills.

- Under the planned appropriations bills, overall funding for domestic programs—which include education, health and scientific research, transportation and infrastructure, housing, commerce, the environment, and law enforcement—would increase a modest 1.4 percent above the Congressional Budget Office baseline (that is, the 2007 level adjusted for inflation). In real per capita terms—that is, after adjustment for both inflation and population growth—funding for these programs would barely increase at all. As a share of the economy, funding for these programs would actually edge down slightly.

- Although funding for the domestic appropriations bills would be about $21 billion above the president's request, these bills would not cause a $21 billion increase in funding. The president has proposed more than $16 billion in cuts in the programs funded in the domestic bills. Therefore, most of the $21 billion difference reflects the decision by the congressional majority to reject those cuts; as noted, the proposed increase for the domestic appropriations bills is only $5 billion.

In other words, the bulk of the allegedly irresponsible increase in funding for appropriated programs reflects the president's own request for additional military and security funding. The increase that congressional leaders plan for domestic discretionary programs is quite small.

The notion that this modest domestic increase of $5 billion, which follows several years of cuts in these programs, could have a noticeable effect on the $14 trillion U.S. economy is not credible. Nor is the claim that funding for domestic discretionary programs would put significant pressure on the deficit and force a tax increase, since these programs would grow less rapidly than either the economy or tax revenues.

Many programs and services in New York would be cut if appropriations were limited to the amounts proposed by the president in his budget request.

Under the president's budget, grants to state and local governments for all programs other than Medicaid would decline by $12.7 billion or 5.1 percent from fiscal year 2006 to 2008 after adjusting for inflation. New York's share of this cut would be over $1 billion in 2008.[1]

Appropriations at the level of the president's budget would:

- **Cut New York's funding for Vocational and Adult Education by $40.8 million (40.1 percent).**

- **Cut New York's child care funding by $2 million (1.9 percent).**

- **Cut New York's funding for clean and safe drinking water by $48.6 million (21.9 percent).** Among the programs affected are EPA grants to states for sewage treatment plants and clean drinking water and wastewater infrastructure projects.

[1] Iris J. Lav, "Federal Grants to States and Localities Cut Deeply in Fiscal Year 2008 Federal Budget," Center on Budget and Policy Priorities, February 5, 2007.

- **Cut New York's Head Start funding by $14.7 million (3.3 percent).** These cuts would come on top of cuts already made to the program. Under the president's budget, programs would serve 5,300 fewer children than in 2002.

- **Cut New York's funding for low-income energy assistance by $49.4 million (19.1 percent).** The cuts in the Low-Income Home Energy Assistance Program (LIHEAP) would vastly curtail the ability of states to provide assistance to vulnerable households, often the elderly or persons with disabilities, despite increases in energy prices in recent years.

- **Completely eliminate the Commodity Supplemental Food Program, which helps 28,300 low-income elderly New Yorkers**. This program provides nutritious food packages to more than 400,000 low-income elderly people nationally, more than a third of whom are over age 75.

- **Eliminate funding for New York's Community Services Block Grant, a cut of $55.4 million next year.** The Community Services Block Grant provides core operating support to New York's 52 community action agencies that work to alleviate poverty in their communities.

- **Cut the Community Development Block Grant by $71.5 million (21.3 percent).**

- **Eliminate a set of grants programs that assist state and local law enforcement, costing New York $85.6 million in guaranteed funding next year.**

Conclusion

The vast bulk of the increase in overall appropriations under the congressional plan reflects Congress's decision essentially to go along with the president's request for sizeable increases in military funding.

For domestic programs, in contrast, the administration is insisting on cuts, and is threatening to veto appropriations bills unless those cuts are made. Claims that Congress's rejection of those cuts represents "spending lust" are unfounded. The question is not whether there should be large increases in domestic appropriations—since large increases are not on the table—but whether domestic programs should be cut (as the president demands) or increased modestly (as the Congressional majority favors).

In addition, the administration is threatening to veto the defense appropriations bill because the large increase it is slated to contain—$29 billion, or almost six times the increase in the eight domestic appropriations bills combined—is a few billion dollars less than the increase the administration wants. Also, the administration is seeking hundreds of billions of dollars more in deficit-financed tax cuts over the next five years than the congressional budget plan authorizes. All of this indicates that in the emerging battle over the fiscal year 2008 appropriations bills, the administration and its supporters are misrepresenting a disagreement over budget priorities as a disagreement over fiscal responsibility.

Examples of New York Impact of Budget Cuts Proposed by President Bush

	Cut in FY 2008 Relative to FY 2007	
	$$ in millions Cut in New York	National Percentage Cut
Community Services Block Grant	$55.4	100.0%
State and Local Law Enforcement Formula Grants	$85.6	100.0%
Vocational and Adult Education	$40.8	41.0%
Social Services Block Grant	$32.8	29.4%
EPA Clean Water/Drinking Water State Revolving Funds	$48.6	21.9%
Community Development Block Grant	$71.5	21.3%
Low-Income Energy Assistance	$49.4	19.1%
Public Housing Capital Fund	$78.0	18.6%
Head Start	$14.7	3.3%
Child Care and Development Block Grant	$2.0	1.9%

Source: Fiscal Policy Institute analysis of data from the Center on Budget and Policy Priorities.

The Fiscal Policy Institute (FPI) is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the quality of life and the economic well being of New York State residents.

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