

BUDGET WOES: PRESIDENT'S FY 09 BUDGET SEEKS TO LOCK IN GAINS FOR THE RICH, CUT SERVICES FOR WOMEN AND FAMILIES

February 6, 2008

Overview

After seven years of widening inequality, rising insecurity, and erosion of the safety net, President Bush has put forward a budget that would permanently increase the wealth of those at the top while continuing to shrink supports for women and families struggling to get by and get ahead in an increasingly tenuous economy.

The President's budget would cut a wide range of services for low- and moderate-income people at a time when unemployment, food and energy costs, and foreclosures are rising. And the cuts to domestic programs proposed in this budget come on top of years of freezes and cuts that have left ordinary Americans more vulnerable. Even when the overall economy was growing, the Administration's policies failed to produce gains for average Americans. In fact, most families have still failed to recover the ground lost in the last recession.

Almost five million more people lived in poverty in 2006 than in 2000, including 2.2 million women and 1.2 million children.¹ The average real earnings of women working full-time, year-round increased by less than \$500 over the same period, while the median income of single-mother families fell by more than \$1,200. The ranks of uninsured women grew by nearly 3.4 million between 2000 and 2006. Meanwhile, the share of income going to the richest one percent of households has reached a level not seen since the 1920s.² In 2005, they received 21.2 percent of all income, while households in the bottom half of the income distribution received just 12.8 percent.³

Yet, the President's budget proposes to spend trillions of dollars over the next ten years to lock in the 2001 and 2003 tax cuts, which overwhelmingly benefit the very wealthiest. At the same time, the budget would cut health care; child care and early education; services for vulnerable people, including services for victims of domestic violence, housing, energy, and nutrition assistance for low-income individuals and families, child support enforcement, and other social services; and programs that promote equal educational and employment opportunity. The budget also proposes changes to budget process rules that would lock in these distorted priorities for years to come.

¹ NWLC analysis of data from the Annual Social and Economic Supplement to the Current Population Survey.

² Emmanuel Saez, Updated figures for "Income Inequality in the United States: 1913-1998," October, 2007, available at <http://elsa.berkeley.edu/~saez/> (last visited February 1, 2008).

³ Internal Revenue Service, Individual Statistical Tables by Tax Rate and Income Percentile, Table 5, available at <http://www.irs.gov/pub/irs-soi/05in05tr.xls> (last visited February 1, 2008).

Methodology

This report is based on an analysis of the Administration budget released on February 4th, including related documents issued by the Office of Management and Budget and federal agencies. Unless otherwise noted, all comparisons in this report contrast the Administration's proposed FY 09 funding levels with enacted FY 08 levels and funding levels in FY 02, less any emergency spending. Funding is measured based on budget authority, or what is provided (or proposed to be provided) by Congress, rather than outlays, or what is actually spent by agencies. The reason is that spending (outlays) in a given year may come from resources authorized in other years, yielding an inaccurate picture of current funding priorities.

Since funding for many programs critical to women and their families has been frozen for several years, this report focuses on the budget picture in real terms, adjusting for inflation to account for what current spending levels can buy in today's dollars. Inflation is measured by the CPI-U, the Consumer Price Index for all urban consumers. Inflation in the current year and future years is measured using the forecast of the Congressional Budget Office contained in its January Budget and Economic Outlook.

Undermining our crumbling health care system

As the number of people in this country who lack health care continues to grow, the need for health reform has never been greater. Yet the President's budget proposal would only further destabilize our already fragile health care system by cutting health care funding for the young and old alike, the poor, the disabled, and those who live in rural areas, as well as threatening health care for those who get their health insurance through their employers. Despite these massive cuts to health programs for vulnerable populations, the President still manages to propose tax cuts that would primarily benefit the wealthy.

Together, the Medicare and Medicaid programs provide critical health care for nearly 50 million elderly, low-income, and disabled women.⁴ Instead of providing funding to adequately support these programs that provide vital health care to the most vulnerable Americans, the President would instead cut a combined total of more than \$200 billion from the Medicare and Medicaid programs over the next 5 years.

- Arbitrary across-the-board provider cuts in Medicare would slash payments to hospitals, nursing homes and home health care providers. These actions would do little more than reduce access to health care for American seniors; the reasons for health care inflation are complex, and merely cutting reimbursement rates does nothing to address the underlying causes of rising health care costs. Moreover, the President's budget protects "Medicare Advantage" (MA) plans from these

⁴ Kaiser Family Foundation, *Medicaid's Role for Women* (2007). Available at: http://www.kff.org/womenshealth/upload/7213_03.pdf; Medicare Payment Advisory Commission (MedPAC), *Medicare Beneficiary Demographics* (2006). Available at: http://www.medpac.gov/publications/congressional_reports/Jun06DataBookSec2.pdf

cuts, despite the fact that the private insurers participating in this program are overpaid by an average of 13 percent.⁵

- At a time when states are facing significant budget deficits and increased Medicaid enrollment due to the declining economy, the President's budget would cut Medicaid by \$1.9 billion this year alone and more than \$17 billion over 5 years. This would be accomplished primarily through shifting costs to the states by arbitrarily cutting the federal Medicaid reimbursement rate for several programs, such as those providing case management and administrative services. Among the proposals: a \$570 million cut this year alone for the highly successful Medicaid Family Planning Services program, putting these critical services at risk for millions of low-income women (see discussion below). These cuts are exacerbated by damaging regulatory changes announced by the administration that would further cut funding for vital Medicaid health care services.⁶ In the face of these arbitrary cuts, states will be left with difficult choices: try to find new funding in the face of climbing budget deficits, cut important health care benefits, or cut recipients from their programs.

The budget plan looks to the tax code to try to address our health system woes, and merely recycles proposals from last year's budget that would provide the most assistance to the wealthiest taxpayers.

- The President again proposes last year's health-related tax cut proposal that could threaten employer sponsored health insurance for millions of people, further destabilizing our health care system. This proposal would cost more than \$98 billion over the next five years, and would primarily benefit the wealthiest taxpayers, yet would do little if anything to help low-income families—who comprise nearly two-thirds of the nation's uninsured—obtain quality affordable health care.
- Furthermore, by eliminating the tax incentive that employers receive for providing health insurance to their employees, it could cause the loss of employer-sponsored health care, leaving many people with no option but to try to buy health insurance through the individual market, which is typically more expensive than employer-sponsored health coverage – especially for women and people with pre-existing health conditions.
- This proposal once again champions Health Savings Accounts (HSAs), which would push more individuals into high-deductible health plans with fewer covered services and higher out-of-pocket costs. Studies have shown that HSAs tend to primarily benefit individuals with higher incomes and better overall health and

⁵ Medicare Payment Advisory Commission (MedPAC), *Private Fee-for-Service Plans in Medicare Advantage* (2008). Available at:

http://www.medpac.gov/documents/MedPAC_Jan08_testimony_PFFS.pdf

⁶ National Association of State Medicaid Directors, *Proposed 2008 Medicaid Regulations* (2007). Available at: <http://www.nasmd.org/home/doc/Regulations08.pdf>

that these accounts are more often used as tax shelters by wealthy individuals.^{7,8} Women are at a particular disadvantage in an HSA arrangement; compared to men, they need more health services throughout their lives and spend more of their income on out-of-pocket health care costs.⁹

While the President claims in his budget to have increased funding for the State Children's Health Insurance Program (CHIP), the amount provided is not sufficient to support those currently enrolled in this program for the full five years. The President's budget increases funding for CHIP by \$19 billion over 5 years- but full funding to support those currently enrolled through 2013 will require \$21.5 billion.¹⁰ Furthermore, the plan provides no additional funding to provide health care for uninsured children who are eligible for, but not yet enrolled in, CHIP.

The President's budget once again shows his misplaced priorities by cutting funding for programs that provide critical reproductive health care for millions of women.

- The budget would slash funds for family planning services provided through Medicaid by \$570 million this year alone, a proposal that would leave millions of low-income women without contraceptives and other basic family planning services. At a time when 17 million women are in need of publicly-funded contraceptives, the President's devastating cuts will make it harder for low-income women to plan their families, protect their health, and improve their lives.¹¹
- The proposed budget also fails once again to provide needed funding increases for the Title X program, the only federal program dedicated to providing contraceptive care and other basic preventive services to low-income women. Had Title X funding kept pace with medical inflation since 1980, it would now be funded at more than \$700 million--instead of the \$300 million the Administration has now proposed.¹²
- Finally, the budget's continued commitment to failed abstinence-only programs is further evidence of the Bush Administration's misplaced priorities. The President's budget proposes a total of \$204 million for abstinence-only programs, programs that promote gender stereotypes, censor life-saving information about

⁷ Steffie Woolhandler and David U. Himmelstein, "Consumer Directed Healthcare: Except for the Healthy and Wealthy It's Unwise," *Society of General Internal Medicine* 22: 879-881. (2007) .

⁸ Government Accountability Office, "Consumer-Directed Health Plans: Early Enrollee Experiences with Health Savings Accounts and Eligible Health Plans," GAO-06-798 (August 8, 2006).

⁹ E.M. Patchias and J. Waxman, *Women and Health Coverage: The Affordability Gap* (2007). Available at: <http://www.nwlc.org/pdf/NWLCCCommonwealthHealthInsuranceIssueBrief2007.pdf>

¹⁰ Greenstein, Horney, Kogan, Center on Budget & Policy Priorities, "The Dubious Priorities of the President's FY 2009 Budget," (February 4, 2008). Available at: <http://www.cbpp.org/2-4-08bud2.htm>

¹¹ Guttmacher Institute, *One Million New Women in Need of Publicly Funded Contraception*, The Guttmacher Policy Report, Vol. 9, No. 3 (Summer 2006). Available at: <http://www.guttmacher.org/pubs/gpr/09/3/gpr090320.html#table1>

¹² The Alan Guttmacher Institute, Memo (February 12, 2007).

condoms and contraceptives, and undermine young people's confidence in contraception when they do become sexually active. Since 2002, \$1.08 billion has gone to abstinence-only programs, despite mounting evidence that these programs distort facts and fail to prevent teen pregnancies or sexually transmitted diseases.¹³

The President's budget hands rural families a particularly bad deal. Difficulties accessing health care in rural areas have long been documented, yet the President's proposal would decimate funding for programs designed to improve health care in rural areas by 87 percent or \$150 million.

At a time when many areas face critical shortages of health providers, including a dearth of professionals in nursing, the President's budget would devastate the health professions training programs with a cut of almost 90 percent, or \$557 million, in 2009. This includes eliminating funding for graduate medical education in children's hospitals.

The President once again proposes a 10 percent reduction in funding for the Department of Health and Human Services' Office of Women's Health, which works to address and reduce inequities that have historically placed the health of women at risk, including inequalities in health research, the provision of health care services, and educational opportunities.

Diminishing Support for Child Care and Early Education

Access to child care and early childhood education is vital to women's economic well-being and the ability of their children to succeed in school. The Administration's FY 09 budget continues its long-standing pattern of freezes or cuts to child care and early education programs that will continue to reduce access to these services.

- With no increase in funding proposed for the Child Care and Development Block Grant (CCDBG), the Administration estimates that 200,000 low-income children and their families will lose child care assistance between FY 07 and FY 09. Already, thousands of children have lost child care assistance since FY 02 due to virtually flat funding (representing a 12 percent real cut).
- The small increase for Head Start proposed by the Administration—\$149 million—is not even sufficient to cover inflation. This is on top of a cut of \$11 million in the FY 08 budget. As a result, 13,000 fewer low-income infants, toddlers, and preschoolers will be able to enroll in this comprehensive child development program in FY 09 compared to FY 07. Moreover, the proposed funding level does not provide the additional resources needed to carry out the program expansions and quality improvements that were approved with broad bipartisan support in last year's reauthorization of Head Start.

¹³ SIECUS, *Spending for Abstinence-Only-Until-Marriage Programs (1982-2008)*(6006). Available at: <http://www.siecus.org/policy/states/2006/federalGraph.html>

- The Even Start program would be eliminated. This is the fourth straight year that the Administration has proposed to eliminate Even Start, which already absorbed a funding cut of over 50 percent in 2006.

Several other programs would be frozen or targeted for reductions:

- Child Care Access Means Parents in School (CCAMPIS) funding would be frozen, hurting mothers' ability to stay in school.
- The Administration's budget would cut the 21st Century Community Learning Centers after-school program by \$281 million—over 25 percent. This would result in hundreds of thousands of children losing vital after-school support. In addition, the Administration proposes to convert the program from a community-based grant program to a voucher program, which would jeopardize the high-quality, stable after-school opportunities that the program currently makes available to low-income school-age children.
- The Grants for Infants and Families and Preschool Grants programs, under the Individuals with Disabilities Education Act (IDEA), would be flat-funded. Real funding for these programs, which provide crucial early intervention and education services to young children with disabilities, has already fallen by 20 percent and 13 percent, respectively, since 2002.

Cutting Services for Vulnerable People

The President's budget would cut supports for vulnerable and low-income people, disproportionately women and children, including services for victims of domestic violence; energy, nutrition, and housing assistance; child support enforcement, and other vital social services.

- *Programs to combat violence against women* in the Department of Justice, which provide funding for individual victim service organizations, police, prosecutors and judges, would be cut by over \$100 million, a reduction of over 25 percent. Funding for services in the Department of Health and Human Services, including funding for the domestic violence hotline, shelters, and prevention services, would be frozen, meaning a cut in real terms for service providers already struggling to absorb the impact of cuts in last year's budget.
- The *Low-Income Home Energy Assistance Program* would be cut by 22 percent (\$570 million), despite rising energy prices. If implemented through reductions in eligibility, more than one million low-income households—mostly headed by single mothers and elderly women—would lose assistance.
- *Housing assistance programs* especially important for women and their families would be cut.

- Housing assistance for the elderly would be cut from an estimated \$735 million in 2008 to only \$540 million in 2009. Women are 70 percent of the elderly poor.¹⁴
- Housing assistance for people with disabilities would be cut from an estimated \$237 million in 2008 to only \$160 million in 2009. The majority of people with disabilities are women.¹⁵
- Funding proposed for the Section 8 housing voucher program is over \$1 billion less than the amount needed to renew all current vouchers in 2008, according to the Center on Budget and Policy Priorities (CBPP).¹⁶ As a result, CBPP estimates that at least 100,000 fewer households would receive housing vouchers under the President’s budget.¹⁷ In 2000, 84 percent of the households receiving Section 8 certificates and vouchers were headed by women and 56 percent of those households were headed by women with children.¹⁸
- *Nutrition assistance programs* would be underfunded, even as low-income people struggle to cope with rising food costs and increasing economic difficulties.
 - Food Stamp eligibility would be denied to over 300,000 people in low-income, overwhelmingly female-headed families by eliminating the option for states to provide automatic Food Stamp eligibility for families that are receiving Supplemental Security Income and Temporary Assistance for Needy Families services but not cash assistance. The loss of Food Stamp benefits carries other consequences for the children in these families, who would lose their automatic eligibility for free school breakfast and lunch programs.¹⁹
 - Though the President’s budget increases overall funding for Food Stamps, and includes a contingency fund to cover the rising cost of food and program participation, it does not fund key Farm Bill provisions, such as raising the minimum monthly benefits, nor does it take the advice of leading economists and grant a short term increase in Food Stamp benefits

¹⁴ U.S. Census Bureau, Annual Social and Economic Supplement.2007.

¹⁵ U.S. Census Bureau, Americans with Disabilities: 2002, P70-107 (May 2006).

¹⁶ The Department of Housing and Urban Development (HUD) budget cites \$14.319 billion for Section 8 contract renewals in 2009. In calculating this number, HUD includes FY 2009 appropriations and advanced appropriations enacted in FY 2008 for FY2009. The Center on Budget and Policy Priorities (CBPP) cites \$14.161 billion for Section 8 contract renewals in 2009. In calculating this number, CBPP includes FY 2009 appropriations and advanced appropriations enacted in FY 2009 for FY 2010. CBPP handles advances this way because the housing voucher program operates on a calendar year, not a fiscal year, basis. As a result, the advance of funding for FY 2010 is to be used in the 4th quarter of calendar year 2009. CBPP estimates the cost of renewing all current vouchers at \$15.5 billion.

¹⁷ Robert Greenstein, James Horney and Richard Kogan, Center on Budget and Policy Priorities, “The Dubious Priorities of the President’s Budget” (February 4, 2008).

¹⁸ Department of Housing and Urban Development, “A Picture of Subsidized Households – 2000.” Available at <http://www.huduser.org/picture2000/index.html>, accessed February 5, 2008.

¹⁹ Food Research and Action Center, “FRAC Statement: Nutrition Program Changes in the President’s Budget” (February 4, 2008). Available at <http://www.frac.org/news/budget02.04.08.html>, accessed February 5, 2008.

to target assistance to low-income people who will spend it quickly and boost local economies.

- Funding for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) would increase by just one percent, not enough to keep pace with inflation. This represents a real cut of \$113 million and would be insufficient to meet the need created by the economic downturn and rising food prices.²⁰
- The Commodity Supplemental Food Program, which provides nutritious food packages to an estimated 473,000 low-income seniors, pregnant and post-partum women, and young children each month, would be eliminated. Though the budget includes a transitional food stamp program to help the elderly losing CSFP, the benefits of this program amount to only \$20 per month. For many of those elderly who need both food stamps and CSFP, this will not be enough.²¹
- Funding cut from *child support enforcement* as part of the Deficit Reduction Act would not be restored. The cuts, which started to take effect in FY 08, represent a 17 percent reduction in funding²² for a program that served over 17 million children and collected \$24 billion in child support from noncustodial parents in 2006.²³ The cuts will cost families about \$1 billion per year in uncollected child support (\$11 billion over ten years), according to preliminary estimates from the Congressional Budget Office (CBO). Nine out of ten of the custodial parents seeking government services in collecting child support are mothers.²⁴ The funding cuts will also affect promising initiatives to provide employment and case management services to low-income noncustodial parents, mostly fathers.
- The *Social Services Block Grant*, which funds a range of services including meals on wheels and other services for the elderly and people with disabilities, child care, and services for abused and neglected children, would be cut by 30 percent (\$500 million). Funding for this program has already been frozen for the past six years—a 14 percent cut in real terms—and the Administration seeks to have the program terminated in 2010.
- The *Community Services Block Grant*, which provides a range of health, nutrition, education, and employment services for low-income, elderly, and disabled individuals, is proposed for elimination again this year.
- The *Administration on Aging*, which encompasses a number of programs for older Americans, would receive a 2 percent (\$32 million) cut in funding under the

²⁰ *Id.*

²¹ *Id.*

²² The Lewin Group and ECONNorthwest, *Anticipated Effects of the Deficit Reduction Act Provisions on Child Support Funding and Performance* (2007).

²³ Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, *Child Support Enforcement, FY 2006 Preliminary Report* (2007).

²⁴ U.S. Census Bureau, *Custodial Mothers and Fathers and Their Child Support: 2005* (2007), detailed table 2.

Administration's budget. The cut stems from the elimination of preventive health and Alzheimer's demonstration programs.

Short-Changing Programs that Promote Equal Educational and Employment Opportunity

The President's budget freezes discretionary education funding and eliminates critical programs at a time when it is more important than ever to ensure that all students are receiving a quality education. It cuts the Department of Labor's discretionary budget authority by around \$900 million and reduces funding for employment and training programs at a time when economic conditions have led to rising unemployment rates for women and men.

- The President proposes ending federal support for career and technical education (CTE) programs, which last year constituted over \$1.1 billion. Although Congress reiterated its commitment to CTE programs in its reauthorization of the Carl D. Perkins Act in 2006, the Bush Administration claims that these funds should instead be directed toward programs that help to address the dropout crisis. But the Administration fails to recognize that CTE programs themselves hold the promise of keeping students in school. Moreover, it is particularly important that CTE monies be used to encourage girls to enter CTE programs that are nontraditional for their gender. Girls remain vastly under-represented in the traditionally male CTE courses that can lead to high-skill, high-wage, high-demand jobs and are still funneled in large numbers to traditionally female - and low-paying - fields like cosmetology. In its reauthorization of CTE programs in 2006, Congress enhanced school accountability for improving recruitment and retention of students in nontraditional CTE classes; the President's budget would effectively eviscerate schools' ability to meet this critical goal.
- The President once again proposes to eliminate several Workforce Investment Act (WIA) programs that provide employment and training services for workers: the WIA Adult Program, the WIA Dislocated Worker Program, and the WIA Youth Program. The President proposes replacing the WIA programs with Career Advancement Accounts (CAAs). At the same time, the President proposes reducing the overall budget for training and employment services from an estimated \$3.5 billion in 2008 to 3.1 billion in 2009.
- As of July, 2009 funding will be eliminated for the Women in Apprenticeship and Non-Traditional Occupations (WANTO) program. WANTO provides funding for initiatives designed to increase the participation of women in apprenticeable occupations and non-traditional occupations. This program is of vital importance to women. Despite progress, the U.S. labor force remains largely segregated along gender lines. Women account for less than 25 percent of computer software engineers, construction workers, and truck drivers. Yet, these very same

occupations generally offer higher wages and more benefits than female-dominated occupations.²⁵

- The President also eliminates the Supplemental Educational Opportunity Grant program, which last year provided \$757 million in need-based grant aid to eligible undergraduate students to help reduce financial barriers to postsecondary education. Higher education is especially critical for women, who make up a majority of undergraduate students. Because women are paid less than men to perform the same work, women need some college education to earn as much, on average, as male high school dropouts.²⁶
- Once again, President Bush would eliminate funding for the Women's Educational Equity Act (WEEA), which provides curricula and materials to help schools comply with Title IX, research and information on model programs to promote gender equity, and technical assistance and training programs. The Bush Administration explains the elimination by asserting that "there is no longer a need for a program focused on eliminating the educational gap for girls and women." But this statement is flatly inconsistent with the realities faced by many young women and demonstrates a misunderstanding of WEEA. Despite improvements that have decreased some of the gaps in education between the sexes, educational equity is far from a done deal, and female students still face pervasive inequities. For example, women's participation in the high-paying STEM disciplines -- science, technology, engineering, and math -- still lags far behind that of men.²⁷ Furthermore, WEEA does more than simply strive to reduce the educational gap; it supports a range of much-needed programs (including technical assistance) to schools to prevent and respond to sexual harassment and to help pregnant and parenting teens stay in school.
- The budget would increase Title I local education grants, the main source of federal funding for low-income students, by only 3 percent, an amount insufficient to keep pace with inflation. This critical program remains dramatically underfunded in spite of the President's rhetoric about improving educational outcomes.
- The President's budget flat funds Training and Advisory Services under Title IV of the Civil Rights Act, a three percent decrease in real dollars. These funds support grants that provide technical assistance to school districts in addressing educational equity related to issues of race, gender, and national origin. Such

²⁵ "A Women Work! Factsheet: Gender Occupational Segregation: It's still blue collars and pink ghettos." Women Work! October 2007. Available online at <http://www.womenwork.org/pdfresources/nontrad.pdf>.

²⁶ U.S. Census Bureau, Current Population Survey, 2007 Annual Social and Economic Supplement.

²⁷ Today, women receive only 20% of bachelor's degrees, 21% of master's degrees, and 16% of doctorate degrees in engineering. United States Government Accountability Office, "Gender Issues: Women's Participation in the Sciences Has Increase, but Agencies Need to Do More to Ensure Compliance with Title IX" (July 2004). Available on-line at <http://www.gao.gov/new.items/d04639.pdf>, accessed February 5, 2008.

funding is critical to addressing the struggles and discrimination that students of both sexes, particularly students of color, face in school.

- President Bush reduces funding for several programs which have the promise of reducing dropout rates. Currently, one in four girls and one in three boys fail to graduate from high school in four years, and the numbers are even worse for students of color. Although we know that students are more likely to drop out when they feel unsafe at school,²⁸ the President eliminates almost \$200 million, nearly two-thirds of the previous funding, from the Safe and Drug-Free Schools and Communities State Grants program, which supports research-based approaches to keep students safe in school.
- As noted in the Child Care and Early Education section of this report, the Administration's budget would cut over \$280 million from the 21st Century Community Learning Centers program. The cut would cause hundreds of thousands of children to lose vital after-school support, even though numerous studies have shown that after-school programs improve graduation rates and academic achievement.²⁹ These cuts illustrate the President's short-sighted approach to the dropout crisis.

Privatizing Social Security

Social Security is a vital safety net for women and their families at all stages of their lives. Social Security provides secure, lifetime, inflation-adjusted benefits that women are more reliant upon than men in retirement. Social Security also provides benefits to spouses, surviving spouses, and children if a worker dies or becomes disabled. These family protections are especially important to women and children: 95 percent of adults who receive benefits as a family member of a disabled, deceased or retired worker are women, and over five million children live in households that rely on income from Social Security. Diverting resources from Social Security to private accounts would undermine this vital social insurance system.

Attempting to resurrect its failed privatization effort, the Administration again proposes to take resources from the Social Security system to fund private accounts and, as part of the plan, cut Social Security benefits for the middle class. The privatization plan neither strengthens Social Security nor the overall federal budget; according to the Administration's estimates, privatization would cost \$647 billion over the 2009 to 2018 period, even though implementation would not begin until 2013.

²⁸ Russell W. Rumberger, *Dropping Out of Middle School: A Multilevel Analysis of Students and Schools*, 32 Am. Educ. Res. J. 583, 607 (Fall 1995).

²⁹ Nat'l Women's Law Ctr., *When Girls Don't Graduate, We All Fail: A Call to Improve High School Graduation Rates for Girls* 19 (2007).

Trillions in Tax Cuts for the Wealthy Few

While the President's budget freezes or cuts funding for most domestic programs, there is one area in which no expense is spared: making permanent the 2001 and 2003 tax cuts. By the Administration's own estimates, renewing the tax cuts which expire at the end of 2010 would cost \$2.1 trillion over the next decade. But even this enormous sum grossly understates the full cost. When the costs of added interest on the national debt and extending relief from the Alternative Minimum Tax (AMT) after 2009 are included, the cost of making the tax cuts permanent rises to more than \$4.3 trillion over the next decade.³⁰ Once again, the Administration has failed to include the cost of AMT relief in its budget beyond a one-year patch, in order to hide the true cost of its other tax cuts. Yet the Administration has claimed that it favors AMT relief, and Congress has passed such relief every year since the tax cuts were enacted.

Renewing the Bush tax cuts will provide little or no immediate benefit to the economy,³¹ but their immense cost will likely harm the economy in the long run, as rising government debt makes investment more costly. The Bush tax cuts already account for just over half of the resurgent deficit spending since 2001,³² and the cost of extending them would be staggering. The annual cost of the tax cuts when they are fully in effect will exceed the *combined* budgets of the Departments of Education, Homeland Security, Housing and Urban Development, Veterans' Affairs, State, Energy, and the Environmental Protection Agency.³³

The benefits of making the 2001 and 2003 tax cuts permanent would go overwhelmingly to the wealthiest Americans. The top one percent of households (currently those with incomes above \$450,000) would receive over \$1.1 trillion in tax breaks over the next ten years.³⁴ The top one percent would receive 31 percent of the tax benefits. The bottom 80 percent of households would get just one-quarter of the tax benefits,³⁵ but would bear most of the pain from the cuts in services imposed to help pay for tax breaks for those at the top.

The budget also proposes to expand tax-sheltered savings opportunities that would primarily benefit higher-income individuals through the creation of new retirement savings accounts and employer retirement savings accounts. It does not propose the

³⁰ Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2008 to 2018* (January, 2008).

³¹ Congressional Budget Office, *Options for Responding to Short-Term Weakness* (January, 2008).

³² Center on Budget and Policy Priorities, "Tax Cuts: Myths and Realities" (November, 2007). This figure applies to budget deficits between 2001 and 2006. Increased military and homeland security spending account for most of the remaining deterioration in the budget.

³³ Aviva Aron-Dine, Center on Budget and Policy Priorities, "Extending the President's Tax Cuts and AMT Relief Would Cost \$4.3 Trillion Through 2018" (February 1, 2008). This calculation compares the cost of the tax cuts if fully in effect in 2007 to the 2007 budgets of these agencies.

³⁴ Aviva Aron-Dine, "Center on Budget and Policy Priorities, "The Skewed Benefits of the Tax Cuts: With the Tax Cuts Extended, Top 1 Percent of Households Would Receive More than \$1.1 Trillion in Tax Benefits Over the Next Decade (February 4, 2008).

³⁵ *Ibid.*

creation of a more meaningful savings incentive for low- and moderate-income Americans by making the Saver's Credit refundable, to enable those with little or no federal income tax liability to benefit. The budget again proposes health-related tax cuts that would primarily benefit the wealthiest taxpayers, do little if anything to help low-income families obtain quality affordable health care, and threaten employer-sponsored health insurance for millions. For more information, see the Health Care section of this report.

The budget would cut funding for taxpayer assistance programs for people who do not have their own tax lawyers and tax accountants. Taxpayer Assistance and Outreach programs are cut by \$31 million and funding for the Taxpayer Advocate is cut by \$7.7 million.

Locking in Distorted Priorities with One-Sided and Deceptive Budget Process Rules

The FY 09 budget would change the rules for setting the federal budget. These new budget rules would severely limit spending for services vital to women and their families for years to come, while promoting even more unaffordable tax cuts for the wealthy few.

- Under the Administration's proposed budget rules, any increase in the cost of entitlement programs, such as Medicaid, Medicare, or Food Stamps, would have to be paid for by cuts in other services. The rules would prohibit financing improvements in these programs by raising revenue—for example, by closing tax loopholes.
- Under the proposed rules, the cost of new tax cuts, including the multi-trillion dollar cost of renewing the Bush tax cuts, would not have to be paid for.
- To hide this embarrassing reality, the Administration is proposing a change in budget rules which would make it appear as if making the tax cuts permanent would cost nothing! Under the proposed budget rule, the enormous cost of making the tax cuts permanent would be reported as zero, because the Congressional Budget Office would be forced to assume that the tax cuts had already been made permanent.
- The Administration proposes to freeze discretionary spending at the levels proposed in the 2009 Budget, resulting in cuts in real spending and reductions in services over the next five years. The spending cap would be enforced by across-the-board spending cuts: if legislation passes that exceeds this cap, that legislation would trigger a "sequester," or an automatic reduction, in non-exempt discretionary programs.
- In addition to the Medicare cuts proposed in the budget, the Administration is proposing automatic, steadily increasing cuts to Medicare if the Medicare

Trustees forecast that general revenue expenditures for Medicare will exceed 45 percent of Medicare's total expenditures.

- The budget renews the President's request for line-item veto power, a proposal that raises serious constitutional questions.
- In addition, the Administration seeks the power to redesign or eliminate programs authorized by Congress—without going through the inconvenient process of getting Congress to change the law. The budget states, "Today, proposals to restructure or consolidate programs or agencies so they can perform better require a change in law and often face long odds of being enacted due to a cumbersome process that requires approval from multiple congressional committees." To get around the messiness of the democratic process, with all its checks and balances, the Administration proposes the creation of a "Results Commission" and a "Sunset Commission" which would have the power to restructure or eliminate programs in accordance with the Administration's preferences.

Past budget rules designed to control deficits, and the rules adopted by the 110th Congress, have restrained both new spending and new tax cuts. In contrast, instead of promoting a responsible budget process, the rules proposed in the President's budget would distort it, and lock in the distorted priorities in the President's budget for years to come.