



# President's Proposed Budget Cuts Would Hurt Minnesotans and Increase Minnesota's Budget Deficit

In February, the President issued his budget proposal for the upcoming fiscal year (FY 2009). Now Congress will consider the President's plan, and go to work on creating its own budget priorities. The stakes are high for Minnesota. With the state facing a budget shortfall and an economic slowdown, Minnesota can ill afford the President's proposed reductions in services and shifting of funding responsibility to the states.

The President had the opportunity to propose a federal budget that funds vital services that make a real difference to Minnesota's quality of life, and to fund those services in a sustainable and fair manner. Unfortunately, the President's budget reflects other priorities. The President's budget calls for \$20.5 billion in funding cuts for domestic discretionary programs outside of homeland security, compared to last year's funding adjusting for inflation.<sup>1</sup> This is the part of the budget that funds services such as education, environmental protection and law enforcement assistance. Many of these areas have already endured sizable cuts in past years. As a result, domestic discretionary spending excluding homeland security is a smaller share of the economy in 2008 than in 2001, and is at one of the lowest levels in decades.

The proposed cuts would not be used to reduce the federal deficit or produce a balanced budget. This is because the President's budget would also extend tax cuts that would otherwise expire in 2010. Extending these tax cuts without finding a way to offset the cost — \$4.3 trillion over the next decade — would increase the size of the federal budget deficit, undermining our nation's ability to address urgent national priorities.<sup>2</sup> In addition, the expiring tax cuts largely benefit the wealthiest Americans; extending them further reduces fairness

<b>Impact in Minnesota of President's FY 2009 Budget</b>		
	FY 2009 funding compared to FY 2001	FY 2009 funding compared to FY 2008
Grants in Aid to States and Localities	-\$143.4 million	-\$283.5 million
Child Care and Development Block Grant	\$4.9 million	-\$500,000
Vocational and Adult Education	-\$23.6 million	-\$19.5 million
WIA Adult Activities Grants to States	-\$3.8 million	-\$1.3 million
WIA Dislocated Worker Activities Program	-\$4.0 million	-\$2.0 million
WIA Youth Activities Grants to States	-\$4.7 million	-\$900,000
Head Start	-\$6.6 million	NA
K-12 Education	+\$81.6 million	NA
Public Housing Capital Fund	-\$24.7 million	-\$6.9 million
Clean Water State Revolving Loan Fund	-\$20.1 million	-\$2.7 million
Low-Income Home Energy Assistance (LIHEAP)	-\$48.1 million	-\$24.4 million
Community Services Block Grants (CSBG)	-\$8.8 million	-\$8.0 million
Social Services Block Grant (SSBG)	NA	-\$8.6 million
Community Development Block Grant (CDBG)	-\$37.9 million	-\$11.2 million
Justice Assistance Grants (JAG)	NA	-\$2.4 million
All figures are adjusted for inflation.		

<sup>1</sup> Except where otherwise noted, the data in this document comes from the Center on Budget and Policy Priorities, *Bush Budget Would Cut Domestic Discretionary Programs by \$20 Billion in 2009*, [www.cbpp.org/2-20-08bud.htm](http://www.cbpp.org/2-20-08bud.htm). Spending cuts have been adjusted for inflation and are compared to FY 2008 unless another year is indicated. State-specific estimates assume that cuts in grants in aids to states and localities would be proportional to the overall distribution of those grants. The actual distribution of the cuts is not specified in the President's Budget.

<sup>2</sup> The cost includes interest costs from additional debt. Center on Budget and Policy Priorities, *Extending the President's Tax Cuts and AMT Relief Would Cost \$4.3 Trillion through 2018*, [www.cbpp.org/1-31-07tax.htm](http://www.cbpp.org/1-31-07tax.htm).

in the federal tax system. To put these figures in perspective: the tax cuts for the wealthiest 1% of American households — those with annual incomes over \$450,000 — are greater than the entire Department of Education budget.

While federal budget deficits have grown, domestic discretionary programs have not contributed much to that growth. Close to 85% of the increase in federal deficits from 2001 to 2011 that came from policy changes (rather than economic or other factors) are due to tax cuts and increases in defense, homeland security and other international spending.<sup>3</sup>

### ***The Impact on Minnesota***

The President's budget proposes to cut grants in aid to states and localities by 7.4% compared to FY 2008 adjusted for inflation.<sup>4</sup> The estimated impact on Minnesota would be a loss of \$283.5 million in federal funding for a broad range of vital services. The remainder of this analysis describes some of the funding cuts that Minnesota could expect under the President's budget.

### **Education**

Minnesotans need to be well educated so they can compete in a global economy, and that requires investing in education. Education funding at all levels, from early childhood to adult education and training, is cut in the President's budget. The President has proposed cutting Child Care Development Block Grants (CCDBG) by 2%. CCDBG helps fund child care assistance to low-income parents so that they can work. Nationally, 200,000 children would lose access to child care assistance.

Funding for Vocational and Adult Education provides adult students the opportunity to earn a high school diploma or equivalency certificate, to acquire workplace skills in English, math, and basic skills, or take citizenship classes. The President would cut Vocational and Adult Education by a staggering 71%. The President would cut funding for Workforce Investment Act (WIA) Adult Activities by 18%. WIA is the main source of federal funding for workforce development activities, with the goal of increasing the number of workers in skilled jobs. WIA funding for programs for dislocated workers would be cut by 17% under the President's budget, and Youth Activities would be cut by 11%.

In Minnesota, the impact of the President's budget would be:

- \$500,000 cut in Child Care Development Block Grants.
- \$19.5 million cut in Vocational and Adult Education.
- \$1.3 million cut in Workforce Investment Act (WIA) Adult Activities Grants.
- \$2.0 million cut in Workforce Investment Act (WIA) Dislocated Worker Activities.
- \$900,000 cut in Workforce Investment Act (WIA) Youth Activities Grants.

The President's budget would cut funding for Head Start by 8% compared to FY 2001 funding levels, despite a significant increase in the number of poor children under the age of five who would benefit from access to this comprehensive preschool program. And K-12 education would be cut 9% compared to FY 2004 levels. In Minnesota, the impact would be:

- \$6.6 million cut in Head Start compared to FY 2001 funding levels adjusted for inflation.
- \$43.0 million cut in K-12 education funding compared to FY 2004 adjusted for inflation.

### **Affordable Housing**

Several federal funding sources that help cover the cost to develop, repair and operate affordable housing would be cut significantly under the President's budget. These cuts would contribute to the lack of affordable housing across Minnesota. The Public Housing Capital Fund, which helps local housing agencies place low-income families into affordable housing, would be cut 19%. In addition, 100,000 families would lose Section 8 Housing Vouchers, which help families afford a safe and stable place to live — a 5% reduction in the number of vouchers available.

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<sup>3</sup> Center on Budget and Policy Priorities, *Federal Budget Outlook*, [www.cbpp.org/budget-slideshow.htm](http://www.cbpp.org/budget-slideshow.htm).

<sup>4</sup> This figure includes both mandatory and discretionary grants in aids, but excludes Medicaid.

In Minnesota the impact would be:

- \$6.9 million cut for the Public Housing Capital Fund.
- A loss of 1,465 Section 8 Housing Choice Vouchers.

### **Environmental Protection**

The Clean Water State Revolving Fund provides resources to states for construction of wastewater treatment facilities and other water quality improvement projects. The President's budget would cut funding by 21%.

- Minnesota would receive \$2.7 million less in funding for clean water projects.

### **Energy Assistance**

Increases in energy prices over the past few years have made the Low-Income Home Energy Assistance Program (LIHEAP) more important than ever. LIHEAP provides funding to states to help vulnerable households – mostly elderly individuals and people with disabilities – pay their home heating and air conditioning bills. LIHEAP is cut 23% under the President's budget, and 1.3 million fewer households would get help.

In Minnesota, the impact would be:

- \$24.4 million less to help low-income households pay their heating and air conditioning bills.
- 30,000 fewer people would receive energy assistance.

### **Community Development and Public Safety**

Community Service Block Grants (CSBG) fund Minnesota's local Community Action agencies in their important work helping low-income Minnesota families with child care, job training, transportation assistance, asset building and financial literacy, and finding affordable housing. Social Services Block Grant (SSBG) funding provides money to states for a broad range of social services, including services for people with disabilities, abused and neglected children and seniors. The President's budget would eliminate CSBG funding – a cut of \$666.8 million – and cut SSBG funding by 30%.

In Minnesota, the impact would be:

- Community Services Block Grant funding would be eliminated – a cut of \$8.0 million.
- Social Service Block Grant funding would be cut by \$8.6 million.

The Community Development Block Grant (CDBG) funds a broad range of community development activities that enhance the quality of life in cities and towns across our state. These activities include rehabilitation of blighted houses and assistance for homeless people. Although CDBG funding has already seen substantial cuts in recent years, the President's budget would cut it by 20%.

- In Minnesota, Community Development Block Grant funding would be cut \$11.2 million.

The federal government provides valuable assistance to state and local government through Justice Assistance Grants, which enable law enforcement agencies to purchase equipment and the tools necessary to enforce our laws and make Minnesota communities safe places to live. The President has proposed completely eliminating these grants.

- Minnesota would lose \$2.4 million in Justice Assistance Grants funding.

### **Choices Ahead for Congress**

Regrettably, the President's FY 2009 budget is deeply flawed. It misses the mark by calling for deep cuts to public services and investments that are critical to maintaining Minnesota's quality of life. And the President's call to permanently extend the temporary tax cuts enacted since 2001 would result in larger deficits that threaten our nation's ability to fund our priorities in the future. Greater income disparities would also result, as those tax cuts primarily reach those with the highest incomes.

The federal budget can reflect a different set of priorities. Congress should reject the President's proposal and instead craft a fiscally responsible budget that funds vital services that make a real difference to Minnesotans' well-being. A larger total for domestic discretionary spending would avoid the harmful cuts to services described above with a small impact on the nation's overall deficit. Congress should also reject

tax proposals that greatly increase deficit and further shift the responsibility for funding the nation's priorities onto low- and moderate-income households. And finally, Congress should be mindful of the impact of their decisions on states. At least 25 states are facing budget deficits in FY 2009, including Minnesota.<sup>5</sup> States cannot afford to have their budget challenges worsened by a reduction in federal funding.

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<sup>5</sup> Center on Budget and Policy Priorities, *21 States Face Total Budget Shortfall of At Least \$36 Billion In 2009; 7 Others Expect Budget Problems*, [www.cbpp.org/1-15-08sfp.htm](http://www.cbpp.org/1-15-08sfp.htm).