The Budget Outlook

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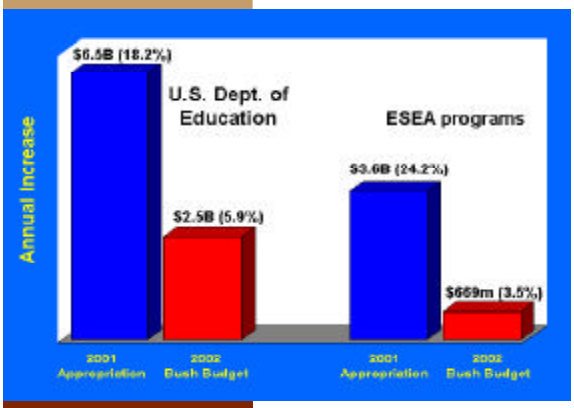

Figure 1-1
The Bush budget fails to make adequate investments in education.

President Bush's Education Budget:

Leaving Too Many Children Behind

PRESIDENT BUSH has set education reform as his highest legislative priority, promising to "leave no child behind." But the numbers in the President's budget clearly contradict his rhetoric.

The President's budget employs accounting gimmicks to create the appearance that the Bush Administration is increasing funding for education by $4.6 billion, or 11.5 percent (which he claims is the largest percentage increase of any department). However, this estimate is based on the assumption that the Department of Education's funding level in 2001 was $39.9 billion – a figure that excludes $2.1 billion in advanced appropriations for the 2001 school year. (These advanced appropriations were included in the 2001 appropriations bill and are normally included in estimates of education funding for a school or program year.) With these advances excluded, resources available in 2001 are understated, and the increase between 2001 and 2002 is overstated. In reality, the budget for the Department of Education in 2001 was $42.1 billion.

A quick calculation makes clear that President Bush's budget, which would provide $44.5 billion for the Department of Education in 2002, would increase funding by only $2.5 billion, or 5.9 percent, above the 2001 level (see Figure 1-1). Even the Office of Management and Budget has acknowledged this, noting in its February 28th Budget Blueprint (p.103) that when it "[c]orrects for the distortion of advance appropriations, [the budget] provides a $2.5 billion, or 5.9 percent increase, for Education Department programs..." Further still, if you adjust this for inflation, the increase is a mere $1.8 billion, or 4.4 percent, about one-third the size of the increase claimed by the President.

Contrary to his statements, the funding President Bush is proposing for education would not be a dramatic increase from previous years. In fact, his education budget does not even keep pace with recent increases in education funding. Last year's increase was $6.5 billion, or 18.2 percent, and over the last five years, funding for the Department of Education has increased by an average of 12.9 percent annually.

> *"The President's budget employs accounting gimmicks to create the appearance of increasing funding for education."*

While the overall budget numbers in President Bush's education proposal are themselves disturbing, looking at the specifics in his plan is cause for even more concern:

Elementary and Secondary Education Shorted

The President's proposed budget for programs authorized under the Elementary and Secondary Education Act (ESEA) in 2002 would provide a net increase of only $669 million, or 3.5 percent. By comparison, last year's appropriations bill provided an increase of $3.6 billion, or 24 percent (see Figure 1-1). Notably, the President's budget would eliminate all funding for the school renovation grants program enacted last year.

After taking into account Bush's proposed increase for Impact Aid, only about $500 million would be left to cover increases in *all* other elementary and secondary education programs in the Department of Education. (Some limited additional funds for education would be included in Bush's budget for other departments.) This falls far short of the $10.2 billion in new investments called for in S.1, the Better Education for Students and Teachers Act, supported on a unanimous, bipartisan basis by the Senate Health, Education, Labor and Pensions Committee.

(continued on page 4)

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The Truth About a New 10 Percent Tax Bracket:

An Affordable Tax Cut For Everyone

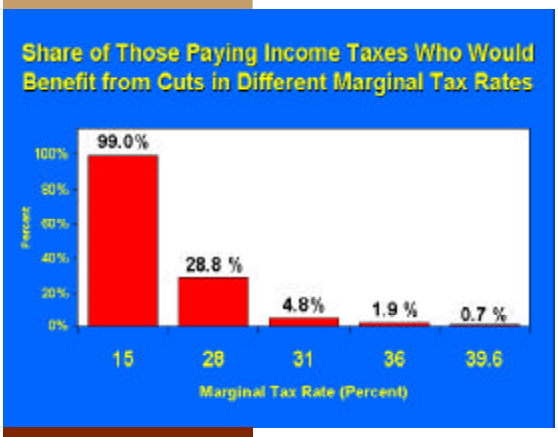

Figure 2-1

Fewer than 5 percent of all taxpayers would benefit from a cut in the 31 percent rate and fewer than 1 percent would benefit from a cut in the 39.6 percent rate.

SUPPORTERS OF PRESIDENT BUSH'S tax plan have tried to argue that you need to cut every tax rate to benefit every taxpayer. One Senate supporter recently said: "Why would you want to do one bracket instead of the rate cut for everybody?" Another wrote an op-ed stating: "[S]ome... want us to reduce tax rates for only the lower-bracket taxpayers." These statements confuse the issue. In fact, cutting only the lowest income tax bracket would provide a tax cut for virtually everyone who pays income taxes, since everyone pays the lowest rate on at least a portion of their income.

Under an alternative tax cut plan offered in the Senate, a new 10 percent bracket would be created for the first $6,000 in taxable income -- $12,000 for couples and $10,000 for heads of households. (The President has proposed creating the same bracket as part of his plan to cut all rates.) Except for a small group of low-income people with only capital gains income, everyone who pays income taxes would benefit from this rate reduction. In contrast, fewer than 5 percent of all taxpayers would benefit from a cut in the 31 percent rate and fewer than 1 percent would benefit from a cut in the 39.6 percent rate (see Figure 2-1).

Supporters of the Bush tax plan have also claimed that lower- and middle-income taxpayers would be the major beneficiaries of across-the-board rate cuts. This too is false. For lower- and middle-income taxpayers, most of the benefits of the Bush rate cuts come from the introduction of the 10 percent bracket, since few of them pay the higher rates. On average, taxpayers in the middle fifth of the income distribution (with incomes of $27,000 to $44,000) would receive an extra $350 per year with the new 10 percent bracket. These taxpayers would receive little additional relief from the more sweeping Bush rate cuts.

Upper-income taxpayers would be the main beneficiaries of the Bush rate cuts. The top 10 percent of the income distribution would receive an average tax cut of $3,600; and the top 1 percent would receive an average tax cut of more than $28,000. This benefit for the top 1 percent would be roughly doubled under the complete Bush plan, which includes a proposal to repeal the estate tax, as well as other provisions that would disproportionately benefit higher-income taxpayers.

It is notable that cutting the higher-bracket rates adds greatly to the cost of the Bush tax plan. The implementation of the Bush rate cuts would be twice as expensive as the Senate alternative proposal when fully phased in. Almost all of the extra cost of the Bush plan comes from the huge tax cuts that would go to the top fifth of the income distribution (see Figure 2-2), with much of that going to just the top 1 percent.

As the debate shifts to the design of the tax cut we will pass this year, it should be clear to everyone that few taxpayers would benefit from cuts beyond the lowest bracket, almost all of the benefit from higher-bracket cuts would go to high-income Americans, and those additional cuts would come at a substantial cost. ■

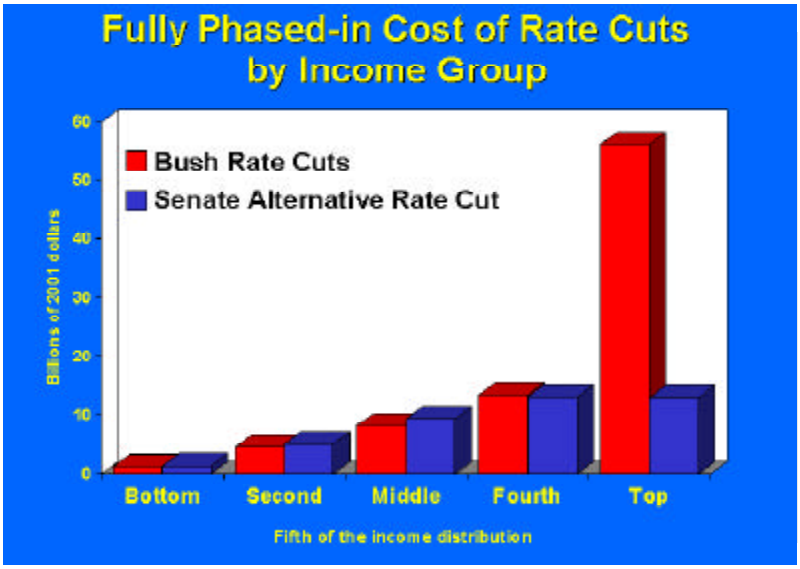

Figure 2-2

Almost all the extra cost of the Bush plan comes from the huge tax cuts that would go to the top fifth of the income distribution.

The Top Ten Worst Cuts in the Bush Budget

10. Cuts Public Housing Programs

The Bush budget would cut public housing programs by roughly $1 billion in 2002. Specifically, it would cut $700 million (23 percent) from the Public Housing Capital Fund, which pays for critical building repairs in public housing. It would also terminate the Public Housing Drug Elimination Program, which Congress funded at $309 million in 2001.

9. Cuts Workforce Training and Employment Programs

In a time of rising unemployment, the Bush budget would cut employment and training programs in the Department of Labor by $541 million (9.5 percent) from the 2001 level. Assistance to dislocated workers would be cut by $207 million (13 percent), youth job training by $147 million (13 percent), and adult training by $50 million (5 percent). Funding for the Incumbent Worker and Reintegration of Youth Offenders programs would also be eliminated.

8. Cuts Aid to Small Businesses

The Bush budget would cut the Small Business Administration's business loan programs by $252 million (35 percent) from the 2001 level. It would raise $153 million by increasing fees for the 7(a) General Business Loan program, Small Business Investment Companies (SBIC), and Small Business Development Centers. The budget would also eliminate the New Markets Venture Capital and technical assistance programs, the Program for Investment in Microenterprises (PRIME), and the Business LINC program.

7. Eliminates Community Access Program (CAP)

The Bush budget would eliminate the Community Access Program for 2002 -- a $125 million cut. The CAP funds grants to coordinate health care services to the under-insured and uninsured offered by community providers such as public hospitals, community health centers, and disproportionate share hospitals.

6. Cuts Nuclear Contamination Cleanup

The Bush Budget would cut $354 million (6 percent) from the Department of Energy Environmental Management program designed to clean up sites contaminated by nuclear waste and residue from American nuclear weapons production and nuclear research. According to American Rivers, Washington's State Attorney General has threatened to sue the government if this funding cut is approved.

5. Cuts Children's Hospital Graduate Medical Education (GME)

The Bush budget would cut funding for pediatric training by 15 percent in 2002. GME funds are currently used by children's teaching hospitals to offset the higher costs of providing advanced training to pediatricians.

4. Cuts Clean Energy and Energy Efficiency Programs

In a time when our country faces not only clean air and water problems, but also regional energy shortages and price spikes, the Bush budget would cut $156 million (13 percent) from programs to increase the efficiency of existing energy supplies and to develop more energy with less pollution from renewable sources like wind, solar, and biomass.

3. Cuts Community Oriented Policing Services (COPS)

The Bush budget would cut the Community Oriented Policing Services (COPS) program by $182 million (17.6 percent) from the 2001 level, providing only $855 million for COPS overall. The budget would specifically shift resources away from grants used to hire new community police officers, cutting that part of the COPS program by $271 million (46 percent) from the 2001 level.

2. Cuts Funding for the Environmental Protection Agency

The Bush budget would cut EPA funding by $500 million. Specifically, it would cut clean water projects by $382 million (15 percent) from the 2001 level, cut clean air programs by $25 million (4 percent), from $590 million to $565 million, and cut $528,000 from ongoing climate research and other climate change programs.

1. Eliminates School Renovation Grants

Despite the well-documented need for more investment in school facilities and a $127 billion backlog in school modernization and repair needs, the Bush budget would eliminate the school renovation grants program in 2002 and would retroactively redirect part of the $1.2 billion already appropriated for this year to special education and technology. ■

Education *(continued from page 1)*

Special Education Shorted

The President's budget would provide an increase of only $1.0 billion for state grants for the Individuals with Disabilities Education Act (IDEA). This increase would fund just 17 percent of the national average cost-per-pupil of administering this program – much less than the 40 percent goal agreed upon when IDEA was enacted. By comparison, last year's appropriation bill provided an increase of $1.35 billion. Overall, the President's budget would provide far less than the Senate voted to provide for children with disabilities when it adopted both the Harkin and Breaux-Jeffords amendments to the Senate budget resolution.

Pell Grants Shorted

The President's budget would provide an increase of $1.0 billion for Pell Grants in 2002, which would allow for only a $100 increase in the maximum award, from $3,750 to $3,850. By comparison, Congress increased the maximum award last year by $450.

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It is no wonder that the Senate rejected the President's proposed funding level for education and approved amendments to the Senate budget resolution to provide an additional $258 billion over the next ten years in education and related programs and another $70 billion for IDEA – a clear acknowledgment that President Bush's plan would simply leave too many children behind. ■

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