



# THE PRESIDENT'S BUDGET: IMPACT ON NORTH CAROLINA

February 2006

The Bush administration released its budget request for fiscal year 2007 on February 6. It proposes the elimination or significant reduction of 141 programs and deep cuts in domestic spending. Non-security domestic discretionary spending would be cut by \$15 billion, or 4.4%, after taking inflation into account. Many of the administration's proposals would reduce funding in grants to state and local governments across a range of areas.

**Food & nutrition:** The budget proposal would eliminate the Commodity Supplemental Food Program, cutting off at least 400,000 senior citizens from nutritious, packaged meals. The budget also proposes to cut funding for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) by \$200 million, after taking inflation into account. **North Carolina would lose \$5 million in WIC funding**, while 13.8% of the state's residents currently experience food insecurity.

**Community development:** The budget proposes once again to cut Community Development Block Grants (CDBG), which help cities and towns ensure affordable housing, provide services and create jobs. **North Carolina would lose \$16.4 million in CDBG funds** under the budget proposal. The loss to Asheville would total \$297,850 and Greensboro would lose \$446,626.

**Environment:** The budget proposes to cut the Environmental Protection Agency (EPA) budget by 7% and EPA grants to state and local governments by 14%. For example, **North Carolina would lose \$4.1 million in funding for the Clean Water State Revolving Fund** even though 20,874 of North Carolina's residents drink water with a reported health violation.

**Head Start:** The budget proposal includes 'level funding' many domestic programs. But level funding results in a loss of services because of rising prices. For example, level funding of Head Start could cost **North Carolina 402 Head Start slots**.

## Will this budget reduce deficits?

The administration claims that domestic spending cuts are necessary to reduce the deficit. The budget request projects a budget deficit of \$354 billion which is \$69 billion less than the projection for FY2006. However:

- ◆ The budget proposes to make the 2001-2003 tax cuts permanent which would reduce revenues by \$1.7 trillion over the next decade.
- ◆ The budget for FY2007 does not include complete funding for the Iraq or Afghanistan wars, which could add another \$70 billion to the deficit.

**Low-income Home Energy Assistance Program (LIHEAP):** The budget request does not factor in the rapidly rising energy prices in its slight increase for LIHEAP. In view of fuel costs, **North Carolina would lose the equivalent of \$1.5 million.**

**Education:** The Department of Education would be cut by 9% and many programs such as Even Start and vocational education would be eliminated. This year, **North Carolina receives \$34.1 million** for vocational education alone, **all of which would be cut** under the current proposal.

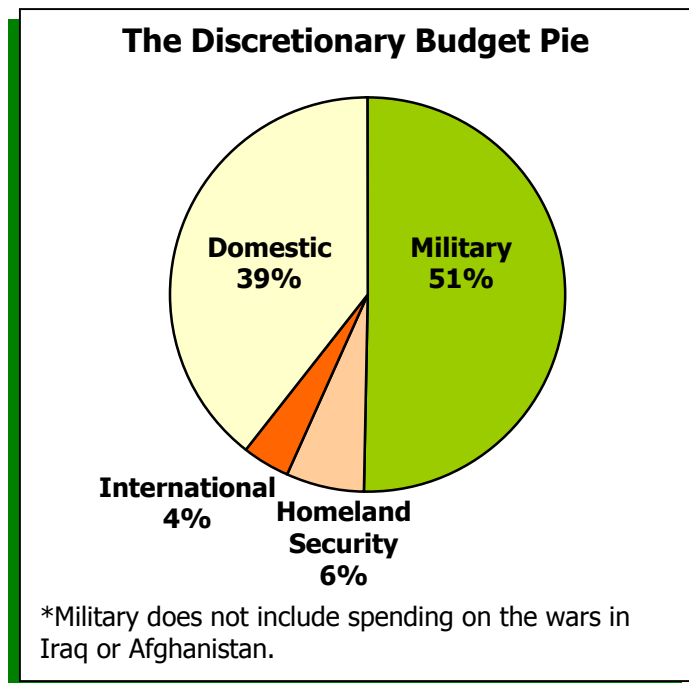
**Community Policing:** The Community Oriented Policing Services would be essentially eliminated. This year, **North Carolina receives \$8.4 million** for community policing, **most or all of which would be lost.**

## Spending would rise for military and war

Though domestic spending is squeezed, the Defense Department budget is on the rise with a \$29 billion increase, or 7% before inflation. But the budget does not fully account for the rising cost of the Iraq War. Only a \$50 billion 'placeholder' is listed for fiscal year 2007 for the wars in Iraq and Afghanistan. Another \$70 billion war-related request for fiscal year 2006 will be submitted to Congress in a few weeks time.

Assuming the \$70 billion request is approved, the total cost of the Iraq War through fiscal year 2006 will be \$311 billion. Spending on the Iraq War in fiscal year 2006 alone will reach \$96 billion.

**The cost to taxpayers in North Carolina of the Iraq War in fiscal year 2006 would be \$2.6 billion with a total taxpayer cost of \$8.4 billion since the Iraq War began.**



**Notes:** Non-security domestic discretionary spending cut is based on current services estimates. State cuts are based on tables in *Budget of the U.S. Government, FY2007, Analytical Perspectives*, Ch. 8, except for: Voc. Ed. is from the Dept. of Ed.; state shares for COPS are based on CFFR obligations in 2004; Clean Water SRF is based on FY2006 state shares as provided by the EPA; city CDBG cuts are based on FY2006 city data from HUD. Number of Head Start slots is from the National Head Start Association. Food insecurity is from the NPP Database. People served by water with health violations is from the EPA. The rate of inflation used was 3%, the CPI in *Analytical Perspectives*, Ch. 12, except for LIHEAP. The average of the past three years consumer price index for fuel and utilities was used because LIHEAP funds would be impacted more by rising (energy) prices. See [nationalpriorities.org](http://nationalpriorities.org) for more information on the taxpayer cost of the war.