



THE PRESIDENT'S BUDGET IMPACT ON NORTH CAROLINA

February 2005

The President's budget request for fiscal year 2006 would cut total spending on discretionary domestic services by 7%, not including homeland security, while at the same time increasing military spending by 2%, after adjusting for inflation.¹ Military spending does not include the cost of the wars in Iraq or Afghanistan.

Discretionary spending on federal grants to state and local governments would be cut under this budget proposal by 9%, after adjusting for inflation.²

In North Carolina, the budget proposal includes cuts of \$198.8 million for discretionary grants to state and local governments, including:

- ✘ \$62.8 million for community and economic development;
- ✘ \$4.3 million for low-income home energy assistance; and
- ✘ \$7.0 million for the Clean Water State Revolving Fund.

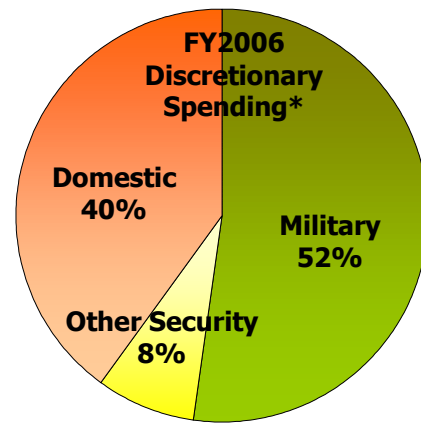
In North Carolina, programs constituting the No Child Left Behind Act (NCLB) would remain **underfunded by \$282.1 million**. The NCLB legislation authorizes funding each year for its programs. However, the budget would underfund them nationwide in fiscal year 2006 by \$13.1 billion.³

While taxpayers in North Carolina would lose local services, they will pay increasingly more for the Pentagon, including:

- ✘ \$461.6 million for the proposed increase in military spending; and
- ✘ \$3.6 billion for what Congress has so far allocated for the Iraq War.⁴

Domestic Spending Squeezed

The President's budget does not provide full information about discretionary spending in the future. It lays the foundation for steeper declines in domestic spending with continued increases in military spending. The Center on Budget and Policy Priorities estimates that domestic discretionary spending would decrease by 16% in real terms by 2010.⁵ Military spending would increase by 6%.



*Chart does not include funding for wars in Iraq or Afghanistan.

Priorities that would impact the nation...

- ✘ **Veterans:** This budget proposes to charge annual medical fees and increase pharmaceutical co-payments for higher-income veterans. More than \$400 million in “savings” would be shifted onto veterans for medical care.
- ✘ **Children:** The budget request does not allocate the funding authorized in the No Child Left Behind Act, leaving states and local school districts to come up with the necessary funding to meet the many federal mandates of the Act.
- ✘ **Healthy environment:** All natural resources and environmental funding would be cut by close to 10%. Funding for a variety of important services would be cut, including the National Park Service and Environmental Protection Agency state grants.
- ✘ **Low-income families:** The budget proposes to reduce the number of families eligible for the Food Stamp program. Three million fewer people would receive Food Stamps by 2010. Community and economic development, home energy assistance and other services aimed at low- and moderate-income Americans are also targeted for reduction.
- ✘ **Safe communities:** State and local law enforcement assistance would be eliminated (from a current level of \$1.2 billion) and the Community Oriented Policing Services (COPS) would be nearly eliminated, suffering a cut of 95%.
- ✘ **Students:** Federal funding for vocational and adult education would be cut in half. Vocational and adult education programs prepare students for postsecondary careers and technical education, and provide adults with basic skills and literacy training.
- ✘ **Taxpayers:** Net interest payments on the debt will go up nearly 20% to \$211 billion. While we must pay this money regardless of what happens during the budget process, it signifies the payment we are making for poor fiscal discipline over the past four years. The President’s budget to extend tax breaks in future years will create fiscal problems for generations to come.

Notes: ¹All information and figures, unless otherwise noted, are based on an analysis of the *Budget of the U.S. Government, FY2006*, all volumes available at www.whitehouse.gov/omb. ²For more information on state breakdowns and programs, go to www.nationalpriorities.org/budget. ³Based on authorizations made in PL 107-110. ⁴State breakdowns based on IRS data; Iraq estimate based on analysis of relevant legislation as of February 10, 2005. ⁵See <http://www.cbpp.org/2-9-05bud.htm>.