



President's Budget Full of Cheap Rhetoric; Wrong Priorities

President Favors Tax Cuts for the Wealthy Over Domestic Needs

With the release of his Fiscal Year 2008 (FY 08) budget proposal on Feb 5, President George W. Bush has once again traded in his "compassionate" conservative label and adopted one of outright hostility toward investing in services benefiting middle- and low-income Americans. While the president has shifted his rhetoric this year in an awkward attempt to be perceived as fiscally responsible, the specific priorities reflected in his budget proposal are little different from previous years.

The president is attempting to balance the federal budget on the backs of regular Americans – slashing investments in children's health care, education, nutrition supports, cancer research, housing, environmental protection, and home energy assistance and many other areas – all the while continuing tax cut giveaways for the well-off. This unrealistic sham of a budget continues to neglect urgent needs, sacrificing investments in improving the quality of life of all Americans to extend irresponsible tax cuts, and expands the use of budget gimmicks and omissions to feign fiscal responsibility. As a whole, the budget represents a continuation of the wrong priorities for America.

Tax Cuts for the Rich, Program Cuts for Everyone Else

Despite the massive cost and questionable economic benefits of the first term tax cuts, the FY 08 budget continues to recklessly advocate for their extension beyond 2010 without offsets, giving continued benefits almost entirely to the wealthiest in America and continuing to drive massive build-ups of debt. Extending the tax cuts through the budget window would cost \$374 billion over the next five years according to the president's budget, the vast majority of that cost coming in 2011 and 2012.

The result of making the tax cuts permanent would be a continued windfall for the wealthy, with people with incomes over \$1 million receiving an average of \$158,000 per year [according to estimates](#) by the Tax Policy Center. These tax cuts will exacerbate, not improve, income and wealth inequality in America – a growing problem that the president appears only willing to pay lip service to.

To offset the cost of his massive tax cuts in 2011 and 2012 and be able to claim that he will balance the budget, the president makes equally large cuts in spending over the next five fiscal years. Bush's FY 08 budget proposal makes drastic cuts to both non-defense discretionary spending and entitlement programs – especially Medicare and Medicaid. The budget proposes nearly \$100 billion in cuts to Medicare and Medicaid over the next five years through legislative and regulatory changes in the programs, and would cut non-defense discretionary spending in real terms by 23 percent. Cuts of this magnitude would ultimately result in less health care, more costs for beneficiaries, and increased hardship for low- and middle-income Americans.

Yet even with these cuts, the president still must make misleading or unlikely assumptions about spending and revenues in order to bring his budget into balance. Despite attempts at

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creating a more transparent and truthful budget submission this year, the president's budget continues to make use of gimmicks and omissions, the most glaring of which relate to war funding and the Alternative Minimum Tax (AMT).

There is absolutely no way the cuts included in the president's budget could all be enacted in Congress, regardless of who is in control. But even if we were to assume his drastic cuts in the budget are all enacted, the federal budget would still not come into balance, because of the continued manipulation of spending and revenue assumptions beyond what is reasonable to expect. This budget callously ignores the critical needs of real people around the country while manipulating and misleading the public on the bottom line of the president's proposed policies.

Future Large Discretionary Cuts Masked with Budget Caps

As with previous budgets, discretionary spending is slated for large cuts in the FY08 budget. Discretionary spending includes programs from job training and environmental protection to scientific research, human services, veterans and education programs. Accounting for well under half of the overall budget, discretionary spending would bear a disproportionate share of the proposed cuts in FY08.

More alarming than any of the specific cuts in FY08 are the president's vague plans for the following years. The President proposes discretionary spending caps for each year until 2012. Defense spending would receive its own cap from 2007 to 2009. From 2010 to 2012, defense would be combined with non-defense spending under one cap.

Under this accounting, homeland security would fall under the non-defense discretionary cap and would compete with human services and other programs. The president has made some assumptions about how much non-defense spending would go to homeland security, but if Congress increases that amount, it will have to lower spending in other non-defense discretionary programs.

Under the President's assumptions, non-defense programs – outside of homeland security – **would be cut an incredible 23 percent between FY 2007 and FY 2012** when adjusted for inflation. This is even more drastic than previous budget requests from President Bush. In 2006, [we calculated](#) that the president's FY 07 budget assumptions would have cut non-defense, non-homeland security discretionary funding by 16 percent over five years after adjusting for inflation.

Discretionary Spending Under Bush Assumptions*

(In Billion of Dollars)

	Actual 2006	2007 (Est.)	2008	2009	2010	2011	2012	% Change 2007- 2012	% Change Adj. Inflation 2007-2012
Defense	432	456	502	531	563	597	633	38.9%	23.0%
Homeland Security from Non-Defense	38	42	43	44	46	47	48	14.3%	1.3%
Non-Defense	451	375	384	388	364	348	325	-13.3%	-23.1%

** based on discretionary spending caps and other spending assumptions in President's FY 08 Budget, Analytical Perspectives*

These cuts will have a considerable impact on government services across the board. Particularly hard hit by such cuts would be nonprofit service providers and research organizations that depend on government resources to continue to provide services as population grows. In light of the obvious increase in need that will result from a population that is both aging and growing, such an enormous cut to spending would be devastating.

Exclusion of Future Costs Makes 'Balanced Budget' Claim Ring Hollow

The drastic level of cuts in non-defense discretionary spending in this budget, especially in the out years of the budget window, are proposed in order to show, at least on paper, a world where the president's tax cuts can be extended while still balancing the budget. Yet even with such damaging reductions in spending on services, the president still requires additional gimmicks to balance the budget.

Likely Future War Costs Excluded From Budget

Yielding to increasing pressure from many on Capitol Hill and those outside of Congress, President Bush proposes a budget which takes a tentative step toward increased transparency by actually including details about military costs in Iraq and Afghanistan in his proposal. The FY 08 budget includes \$149 billion for the war in Iraq, which is on top of a nearly \$100 billion FY 07 supplemental war funding request that was released to Congress along with the FY 08 budget. Even though the president has included costs for FY 08, there is nothing preventing the administration from submitting additional supplemental funding proposals for the war during the fiscal year if the \$145 billion ends up being insufficient for war costs.

Despite the inclusion of war costs for FY 08, the president's budget includes only \$50 billion for funding for the following year, and **zero** funding for FY 2010 – FY 2012, far lower than the \$170 billion total the wars are costing this year. Unless U.S. involvement in Iraq is significantly scaled back in the next 18 months, the future costs will be much higher than \$50 billion, making it significantly harder for the president's balanced budget plan to happen.

President Assumes AMT Tax Hike to Balance Budget

In addition to omitting likely war costs past 2008, the president's budget also assumes billions in increased revenues from the Alternative Minimum Tax that are highly unlikely to materialize. In FY 08, the budget assumes a revenue loss of \$47.9 billion due to passage of a "fix" or "patch" for the AMT. Yet the very next year, Bush assumes the AMT will actually bring in an additional \$11.4 billion. The \$59.3 billion difference between 2008 and 2009 is approximately the same as the cost of a [one-year AMT patch](#).

Fixing the AMT either by enactment of one-year patches or through a more comprehensive reform is widely supported in Congress. It is more than disingenuous to include additional revenues from the AMT in order to show balanced budgets when it is almost guaranteed that Congress will continue their previous policies and prevent additional upper-middle and middle-income taxpayers from having to pay the tax, as they have for every year of the Bush presidency.

Additional Excluded Costs Only Undermine Bush's Rhetoric

These two gimmicks alone – excluding future war costs and not accounting for reform in the AMT – involve hundreds of billions of dollars in paper projections, culminating in an artificial projected surplus of \$61 billion in 2012. Yet there are additional revenue and spending assumptions in the budget that are highly unlikely to be borne out – such as over \$4 billion in

leasing revenue from drilling in the Artic National Wildlife Refuge – when even recent *Republican* Congresses have rejected the proposal many times.

Even worse than including revenues for proposals Congress has already rejected, the budget does not include spending that Congress previously mandated should be enacted. The Vocational Rehabilitation State Grant program in the Department of Education is required by law to include at least an inflationary adjustment each year based on the consumer price index. The president's FY 08 budget excludes that adjustment – the first time it has ever been done in a presidential budget proposal. While this particular example is a small sum of money, it certainly is not the only place Bush has misled in his budget proposal.

By including such unrealistic assumptions in his budget projections, President Bush actually makes the chances of accomplishing his otherwise laudable goal of balancing the budget by 2012 look that much more remote and raises questions about the sincerity of his goals. Taken as a whole, these types of budget antics discredit Bush's budget proposal and rhetoric altogether.

Sham FY 08 Budget is Typical of Misplaced Priorities of Bush Administration

In total, these omissions and gimmicks only underscore the fact that the president's efforts to show balanced budgets in his proposal this year are more than unrealistic – they are purely rhetorical with no hope of enactment. They are being used to justify the drastic cuts to social service spending that will pay for continuation of enormous huge tax cuts for the wealthy. These proposed cuts would have a real and debilitating impact in the lives of Americans and make it more difficult for millions of people to get access to adequate health care, education, nutritional assistance, child care, affordable housing, and a host of other services that help so many families make ends meet.

While his fiscal rhetoric has changed over the last few months, the principles behind Bush's policies are as strong as ever – taking care of the well-off first and making it more difficult for the majority of American to just get by. America deserves better.