

Impact of the President's Proposed 2007 Budget on Minnesota

President's Budget Imposes Deep Cuts on Domestic Discretionary Spending

President Bush's budget for fiscal year 2007 calls for deep cuts in federal funding for nutrition, education, housing, community development, environmental protection, energy assistance, and more. In fact, the President's budget would cut nearly every area of the domestic discretionary part of the budget.¹

Under the President's budget, total funding for domestic discretionary programs would be cut by \$183 billion over the next five years. In a budgetary sleight-of-hand, the true impact of these cuts is hidden, as over 91% of the proposed cuts would occur *after* 2007. This results in an overall cut to domestic discretionary programs of 13% by 2011, compared to current levels of funding adjusted for inflation.² However, individual programs face significantly larger cuts, even elimination.

The proposed cuts would not be used to reduce the federal deficit or produce a balanced budget. Instead, these cuts are combined in the President's budget with \$285 billion in additional tax cuts over the next five years and increases in defense and homeland security spending, ensuring that the federal budget deficit will grow.

President's Budget Shifts More Funding Responsibilities to State and Local Governments

Many domestic discretionary programs are administered through grants to state and local governments. Nearly half of the proposed reductions fall into this category. These proposals continue a disturbing trend of Washington abandoning federal responsibilities and shifting the associated costs onto state and local governments. Minnesota's precarious budget status makes it very difficult for the state to assume these responsibilities.

Below is some of the estimated impact on Minnesota from the President's proposed cuts in domestic discretionary spending.

Education and Training

Education funding at all levels — early childhood, K-12, and adult education and training — is cut significantly in the President's budget.

- **Minnesota stands to lose at least 1,100 Head Start slots in 2011 because of federal cuts.** This means 10% fewer children will be served, when even current funding levels allow fewer than half of eligible children to participate.
- **Federal funding for K-12 education in Minnesota would be cut by \$124 million** over the next five years; \$89 million would be cut from special education programs serving the needs of children and young people with disabilities — a 13% cut to federal special education funding by 2011.

¹ Domestic discretionary programs are those programs that have their funding renewed each year, but excludes defense, homeland security, and foreign aid.

² The data in this document comes from the Center on Budget and Policy Priorities, *Program Cuts in the President's Budget: Cuts Grow Deeper Over Time and Will Hit States Hard*, www.cbpp.org. The cuts described in this document are compared to current levels of funding adjusted for inflation.

- **Vocational and Adult Education in Minnesota would be cut by \$113 million** over five years under the President's proposal. Vocational Education would be eliminated after 2007, as would seven other related programs.
- **Adult Basic Education, the only part of the vocational and adult education budget not eliminated by the President's proposal, would be cut by 14% by 2011**, despite its important role in providing adult learners the opportunity to earn a high school diploma or equivalency certificate, as well as provide workplace skills enhancement, English as a Second Language (ESL) instruction, citizenship classes, and basic skills education.
- By 2011, the President's budget would **cut by 21% funding for job training programs** under the Workforce Investment Act, dislocated worker training, Job Corps, and other employment and training programs.

Nutrition

Under the President's proposed cuts to discretionary nutrition programs, the incidence of hunger and malnutrition in Minnesota would increase and the resources of community food shelves would be strained even further.

- Nearly **12,000 low-income Minnesota seniors would lose access to nutritious food** through the Commodity Supplemental Food Program in 2007.
- **In Minnesota, 7,300 low-income mothers, pregnant women, and children would lose access to nutritional assistance through WIC**, the Special Supplemental Nutrition Program for Women, Infants, and Children, by 2011. Minnesota would lose \$35 million over five years in funding for WIC, a 13% reduction by 2011.

Affordable Housing

Several federal funding streams that help cover the cost to develop, repair, and operate affordable housing would be cut drastically under the President's budget. These cuts are likely to contribute to the failure of both national and state-level efforts to end chronic homelessness.

- **Minnesota is expected to lose \$36 million for the repair of public housing** over the next five years — a 23% reduction in funding by 2011.
- Cuts to the Supportive Housing for the Elderly Program would mean **a 43% reduction in the number of new housing units for low-income seniors produced by this program** in 2007, with the impact growing over time.
- Funding for **Supportive Housing for Persons with Disabilities is cut by 57%** by 2011, eroding efforts to enable people with disabilities to live independently.

Community Development Block Grants (CDBG)

Minnesota could lose \$85 million for community and economic development from cuts over the next five years to the Community Development Block Grant (CDBG). CDBG funds are used by state and local governments to finance a wide range of community and economic development activities, in addition to rehabilitation of substandard housing and assistance to the homeless.

Energy Assistance

Minnesota would lose \$76 million over the next five years in federal energy assistance through the Low-Income Home Energy Program (LIHEAP), which helps low-income Minnesotans cope with the high costs of keeping their homes warm in the winter months. Although the President's budget increases LIHEAP funding in 2007, it then cuts it severely in future years, reaching a 29% cut in 2011. Energy assistance funding already is insufficient to meet the needs of Minnesotans, and pressure will likely build for the state to do more in this area.

Supports for Children and Families

- Under the President's budget, **Minnesota would lose \$81 million over the next five years from projected cuts to children and family services.** This includes cuts to Head Start, services for abused and neglected children, and the loss of \$41 million from **the elimination of the Community Services Block Grant (CSBG), which funds the state's Community Action agencies** in their work to help low-income Minnesotans with child care, job training, transportation assistance, asset building and financial literacy, affordable housing, nutrition, and health care.
- Discretionary funding for **child care assistance to low-income working families is reduced by 14% by 2011 in the President's budget.** Minnesota is expected to lose \$13 million over the next five years in Child Care and Development Block Grant funds. (Elsewhere in the budget, the President freezes funding for child care through two other funding streams at their FY 2006 levels.)

Environmental Protection

Minnesota would lose \$35 million over five years because of cuts to the Environmental Protection Agency's Clean Water/Drinking Water Revolving Funds — a 24% cut by 2011. The loss of these funds will be felt keenly in communities working to ensure safe and clean drinking water for their residents. This portion of the budget was also cut significantly in FY 2006.

The President's Budget Does Not Represent Minnesota Values

The President's budget calls for deep cuts to services that are critical for the quality of life in Minnesota. That these cuts are not used to help produce a balanced budget, but instead are used to finance additional tax cuts, add insult to injury. In addition, these federal cuts would create additional pressure on state and local governments to make up the difference. There are real questions about the ability of the state, counties, and cities to absorb these funding cuts, coming after years of severe budget shortfalls. Congress should take another path, and reject these harmful cuts in federal discretionary spending.