

FACT SHEET

Federal Budget Outlook

Overview

As the federal deficit continues to grow, there is increased pressure on the President to find ways to slow spending. Increased costs for both the war in Iraq and Afghanistan, emergency spending such as rebuilding the Gulf Coast and the Administration's continued promotion of policies that reduce revenues through tax cuts, creates a situation where domestic programs, all the programs we care about, become targeted for large cuts.

Here are the facts regarding the growth of the federal deficit, federal spending and revenues and the President's FY 2007 budget proposal

Issue: Growth in Domestic Discretionary Spending

Fact:

- Federal spending, as a share of the economy (*or GDP – gross domestic product*), remains significantly lower than its average level over the past thirty years.¹
- Spending for domestic discretionary programs accounted for one-sixth of the federal budget in 2005.
- Funding for domestic discretionary programs, adjusting for inflation, has only risen 8 percent from 2001-2005.²
- Spending on programs funded through the Department of Housing and Urban Development and the Department of Health and Human Services has decreased steadily over the past five years.

Issue: Growth of Other Federal Spending

Fact:

- The costs of the Iraq war, the war in Afghanistan, rebuilding the gulf coast and other emergency spending has been happening without off-sets (checks to the overall budget).
- Funding for defense and security related programs, after adjusting for inflation, have risen by 44 percent from 2001 – 2005.³
- From 2001 – 2005 the average annual growth rate for defense and security related programs was 9.5 percent and the average growth rate for domestic discretionary programs was 1.9 percent. Domestic spending is not keeping up with inflation.⁴
- Defense, homeland security and international affairs accounted for 72 percent of federal spending from 2001-2005.⁵

Issue: Tax Cuts

- Various tax cuts have contributed to the federal budget going from a record surplus (approximately \$230 billion) to a record deficit (estimated to reach \$423 billion this year).
- Decreases in revenue due to tax cuts enacted in 2001 have contributed to 49 percent of the deficits in 2005.⁶
- Federal revenues have decreased from 21 percent of GDP in 2000 to 16.8 percent of GDP in 2005.⁷

Issue: The President's FY 2007 Budget⁸

Facts:

The President's budget proposes:

- Increasing defense spending by 6 percent and other Military and Veteran programs by 16.2 percent,
- Homeland Security and Foreign Operations programs are proposed to increase by 1.3 percent and 14.5 percent respectively,
- Tax cuts totaling \$285 billion over the next five years,
- To eliminate 141 programs totaling \$15 billion in cuts. In addition, \$65 billion is proposed to be cut from mandatory programs (including Medicare, Medicaid, TANF and child welfare)

If the President's Budget is adopted:

- The Department of Housing and Urban Development's percentage of discretionary spending would be 3.8 percent, a 12 percent decrease since 2001 and
- The Department of Health and Human Services' percentage of discretionary spending would be 7.76 percent, a 7.5 percent decrease since 2001.

¹ Nissenbaum, E (2006). *National Low-Income Housing Coalition Budget Process Presentation*. Delivered to the National Low-Income Housing Coalition Conference, Monday, February 27, 2006.

² Source: Kogan, Richard, et. al., 'Have Domestic Appropriations Exploded?: Claims of Runaway Costs Not Supported by the Data; Growth in Defense Funding Far Outpaces Domestic Funding Growth', Center on Budget and Policy Priorities. December 8, 2005

³ Kogan (2005) op cit.

⁴ Ibid.

⁵ Coalition on Human Needs, "You've Got to Cut the Butter". *Threats to Human Needs Priorities in the FY 2006 Federal Budget*, January 2005, pg.1.

⁶ Ibid.

⁷ Ibid.

⁸ *The President's Budget of the United States Government Fiscal Year 2007*, (February 2007). Available online at: <http://www.whitehouse.gov/omb/budget/fy2007/>