



TEXAS AND THE FEDERAL 2009 BUDGET PROPOSAL

On Monday, February 4, the President will issue his 2009 budget, continuing the contentious debate over our nation's budget priorities. The stakes for Texas are considerable: federal spending in Texas in 2005 totaled nearly \$149 billion, more than state and local government spending combined (\$122 billion). Recent attention has focused on a federal economic stimulus package, but it is the federal budget that determines whether critical areas ranging from health care to environmental protection to education will be strengthened or weakened next year. Congress may also make tax decisions this year that could have a big impact on the country's long-term fiscal health. Below are some criteria you might find useful in evaluating the budget proposal, along with a few striking statistics.

1) Does the budget have the right priorities?

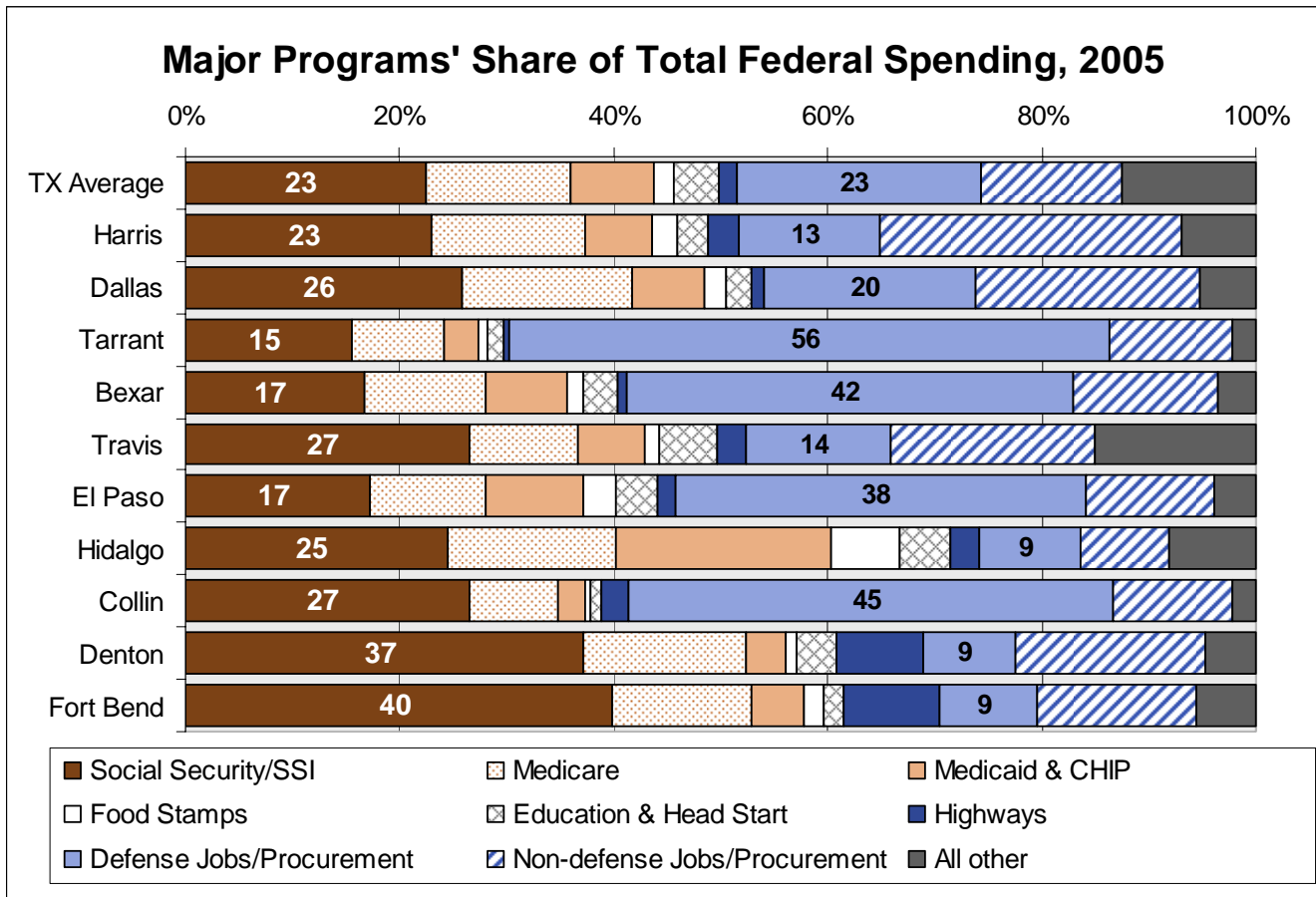
- In the State of the Union address, the President repeated his call for Congress to extend the 2001 and 2003 tax cuts, scheduled to expire in 2010. If the tax cuts and Alternative Minimum Tax relief are extended but not paid for (through budget cuts or increases in other taxes), \$4.3 trillion will be added to the national debt over the next decade, seriously worsening our already severe long-term budget problems.
- The biggest tax cuts by far would continue going to the people who need them least: the very wealthy. In 2010, for example, households that make more than \$1 million a year will each receive an average tax cut of more than \$150,000. So big are the tax cuts for high-income people that the top 1% of the population—those with incomes over \$400,000—will get more in total tax cuts each year than the federal government spends on elementary/secondary education or veterans' medical care.
- Even as they have lavished large tax cuts on a small group of high-income people, the President's budgets have underfunded a range of programs that help millions of middle- and low-income Americans. For example, elementary/secondary education funding has declined nationally by 8% over the past five years, after adjusting for inflation; Head Start funding has declined by 11% over the past six years. These and other programs could be slated for still more cuts under the President's 2009 budget.
- The President says that extending his tax cuts would help the economy. But studies by Congress's Joint Committee on Taxation, the Congressional Budget Office (CBO), and the Brookings Institution have all found that large tax cuts reduce economic growth over the long run if they aren't paid for. This is because large, persistent deficits are a drag on the economy. As a study by Brookings Institution economist William Gale and then-Brookings economist (now CBO director) Peter Orszag concluded, making the 2001 and 2003 tax cuts permanent without offsetting their cost would be "likely to reduce, not increase, national income over the long run."
- If Congress pays for tax cuts only by reducing domestic spending, however, this would significantly reduce our ability to improve critical public infrastructure and to make other important investments in our nation's long-term economic health. America simply can't afford tax cuts.

2) Is the budget good for Texas?

- Nationwide, more than half of the states are forecasting budget deficits as a result of the economic downturn. Texas isn't currently projecting a state budget deficit, but its ability to fund critical services would likely be squeezed by a continuing downturn as revenues weaken and the ranks of the unemployed grow. Among the 50 states, Texas is the 8th most dependent on federal funds, with 35% of its total spending in 2006 coming from federal revenue.
- Last year the President's budget included a series of Medicaid changes—including limits on federal support for public hospitals and for services for people with disabilities—that would shift \$11 billion in costs to states over the next five years. These changes don't require congressional approval and could force Texas and other states to cut back their Medicaid programs. Congress has temporarily blocked some of those changes, but the President's new budget is expected to include a new round of cost-shifting regulations in Medicaid.
- If key domestic programs—such as education, job training, and environmental funding for water projects—are cut, states could find still larger holes in their own budgets.

Additional information on federal spending

Following are a chart and table with more detail on federal spending in Texas and its ten most populous counties.



Federal Spending in Texas and Selected Counties
(in million \$, Federal Fiscal 2005)

	Social Security & Supplemental Security Income	Medicare	Medicaid & CHIP	Highway Planning/ Construction	Food Stamps	Defense Payroll, Pensions, & Procurement	Other Federal Jobs & Purchasing	Public & Higher Education	All Other*	Total
Texas	\$33,525	\$19,942	\$11,676	\$2,709	\$2,659	\$33,743	\$19,656	\$6,172	\$18,600	\$148,683
Harris	4,547	2,815	1,237	589	474	2,601	5,542	556	1,380	19,741
Dallas	3,127	1,929	817	143	240	2,397	2,525	284	634	12,097
Tarrant	2,064	1,155	426	78	118	7,475	1,519	191	296	13,321
Bexar	2,192	1,478	991	114	207	5,469	1,756	402	464	13,072
Travis	1,181	449	278	119	65	606	848	238	4,255	8,038
El Paso	928	575	488	93	165	2,053	642	209	208	5,361
Hidalgo	707	453	581	82	182	272	237	136	235	2,885
Collin	565	177	53	55	11	965	237	20	47	2,130
Denton	421	173	41	93	13	97	200	42	55	1,134
Fort Bend	362	119	44	81	18	83	136	17	50	909

Data for other counties available on request; email deluna.castro@cPPP.org.

Source for chart and table: U.S. Census Bureau. Loans and insurance programs are not included.

*All Other includes agricultural aid, environmental protection, natural resources, criminal justice, housing, nutrition, research funding, economic development, transit and other transportation, income support (Unemployment Insurance, child support enforcement, welfare block grant), and other social services.

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The Center for Public Policy Priorities is a nonpartisan, nonprofit research organization committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans.