



NEWS RELEASE

Center for Public Policy Priorities

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FOR TEXAS, THE PRESIDENT'S 2007 FEDERAL BUDGET PROPOSAL WOULD CUT EVEN DEEPER, COMPOUNDING \$40 BILLION IN BUDGET CUTS APPROVED LAST WEEK

Austin, TX—Federal funding for major programs such as Medicaid, highways, housing, education, and nutrition will be cut if President Bush's 2007 budget proposal goes into effect, according to a preliminary analysis by the Center for Public Policy Priorities in Austin.

"These new proposed cuts, coupled with \$40 billion in program cuts passed last week, would cut even deeper into the wounds of students, low-income families, the elderly, people with disabilities, and the millions of other Texans who rely on federal funding every day," said F. Scott McCown, Executive Director of the Center for Public Policy Priorities.

The President announced his fiscal 2007 budget proposal today. Last week, Congress approved \$40 billion in cuts to the fiscal 2006 budget to help fund new tax cuts primarily for upper-income Americans.

"The Administration and Congress must confront two realities—a growing federal deficit and the critical need for education and health and human services," McCown added. "We can't keep cutting taxes for the wealthy and remain a strong nation."

Texas-level estimates analyzed by CPPP show that by 2007, twenty-five major sources of funding for state and local government combined would bring only \$951 (in 2005 dollars) per capita to Texas, down 2.7 percent from \$978 per capita in 2005.

The programs included in CPPP's analysis total \$22.3 billion in fiscal 2005, or roughly 15 percent of federal spending in Texas. Social Security and Medicare account for 33 percent of federal spending in Texas; military, veterans, and other defense spending take up about 24 percent; and the Earned Income Tax Credit, Supplemental Security Income, and unemployment benefits, about 6 percent combined. The remainder consists of other payments to families and individuals (such as agricultural aid and student financial aid); federal employee wages and benefits; and other grants to government or private agencies.

With over 22 million residents and some of the nation's highest rates of poverty and uninsured residents, Texas can not afford continued federal budget cuts. Texans who rely on federal funding include:

- Almost 3.1 million enrolled in Medicaid and CHIP (low-income children, elderly, and people with disabilities)
- 2.9 million children served by the School Lunch Program
- 2.5 million Food Stamp recipients (nutritional assistance)
- 2.4 million Texans receiving retirement or survivor insurance payments through Social Security; 456,000 receiving disability insurance payments
- 425,000 Pell Grant recipients enrolled in institutions of higher education

Federal aid for programs analyzed by CPPP would shrink as a share of the state economy, from 2.6 percent of Gross State Product in 2005 to 2.5 percent by 2007. Federal Medicaid funding would drop from 1.28 percent of the state economy to 1.26 percent; highway funding, from 0.30 percent to 0.29 percent.

Programs that would bring less money to Texas — even without adjusting for population, inflation, or the size of the state's economy — include Community Development Block Grants (27 percent less funding from 2005 to 2007); the Airport Improvement Program (26 percent less); Improving Teacher Quality Grants (0.7 percent less); Title I grants to local school districts (0.1 percent less); Head Start (0.8 percent less); and child support enforcement (0.7 percent less).

The total effect on Texas can't be measured merely by the size of a federal cut. For example, in child support enforcement, fewer federal dollars means hundreds of millions in lost child support collections because Texas' efforts to establish paternity and make parents pay are crippled.

Additional analysis by CPPP on specific federal policy, budget, and tax changes proposed for fiscal 2007 will be forthcoming as more details become available.

State tables used in this analysis are online at:
<http://www.whitehouse.gov/omb/budget/fy2007/bis.html>

The Center for Public Policy Priorities is a nonprofit, nonpartisan research organization committed to improving conditions for low- and moderate-income Texans.