

COMPETING SPENDING PRIORITIES

A comparison of the Senate Democratic and Republican budgets

by Barbara Chow

President George W. Bush has proposed a set of budget priorities, whose aggregate cost has yet to be announced, that emphasizes a large tax cut, some limited spending initiatives, and lower non-defense spending overall. In addition, he has mentioned other priorities and programs—a review of the nation's defense policies, the need for a missile defense system, and the transfer of payroll tax revenue from the Social Security Trust Fund into private accounts—that will have serious budgetary implications. Administration spokespersons have also acknowledged the likelihood of a reform of the alternative minimum tax, which will cost the federal government several hundred billion dollars.

The president's framework will likely be reflected in Republican budget resolutions being finalized in Congress. Proposed spending for many programs under the Republican plan will dip below what is required to maintain current service levels.

Senate Democrats have chosen a different approach. Their budget resolution includes higher debt reduction, a smaller tax cut, and higher spending on selected priorities like education than does the GOP plan.

This analysis compares the alternatives offered by Senate Democrats and Republicans in terms of the impact, in both dollars and persons affected, on important federal programs in 2011, the year in which the Bush tax cut would be fully phased in. (The methodology for computing the program impacts is described in the appendix.)

Education

Head Start: the \$1.2 billion less in spending under the GOP plan compared to what is proposed by Senate Democrats would reduce the number of Head Start slots by over 150,000 in 2011. The Head Start and Early Head Start programs serve children from birth to age 5, pregnant women, and their families, with the

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goal of increasing the school readiness of young children in low-income families. Research has demonstrated the key foundation that high-quality early childhood education can play in establishing positive long-term academic and social behavior.

Title I, Education for the Disadvantaged: spending would be about \$1.6 billion lower in the GOP plan, eliminating funding for more than 1.4 million disadvantaged students.

The class-size reduction program: lower spending of over \$310 million under the GOP plan (assuming it continues this program) would result in 6,600 fewer teachers being hired, thus precluding the move of almost 20,000 children into smaller classes. Studies show that reducing class sizes in early grades can boost student achievement in later years. The effects are strongest in inner-city schools with the poorest students (Council of the Great City Schools 2000).

After school/summer school program: lower GOP spending of over \$160 million would reduce extended learning opportunities in safe, drug-free environments for as many as 215,000 students. Considering that over three-quarters of women with school-age children are in the workforce (most working full time), that nearly five million children are left home alone each week, and that research shows that violent juvenile crime peaks in the hour after the end of the school day (CDF 2001a), the need for high-quality after school programs is acute.

School renovation: the GOP plan reduces school repair funding by \$230 million, lowering the number of schools that could be repaired by about 225. According to the General Accounting Office (report number HEHS-95-61, 1995-6), 25,000 schools—or one-third of all schools—need extensive repairs; the total funding needs are \$112 billion just to repair existing schools across the nation. Moreover, the average school is 42 years old, and schools begin to deteriorate more rapidly after 40 years (White House 2000).

Teacher quality: lower GOP spending reduces teacher-quality funding by over \$90 million and the number of teacher training slots by over 130,000. Research shows that teacher quality is a key indicator of student performance.

Technology training for teachers: lower GOP spending would reduce the number of technology training slots for teachers by over 31,000.

GEARUP: lower GOP spending of over \$55 million could reduce by about 230,000 the number of students participating in the GEARUP program, which provides disadvantaged youth early college preparation and awareness activities, including mentoring, tutoring, college visits, and financial aid information.

Children and families

Child Care Development Block Grant: lower GOP spending of over \$30 million would result in 9,500 fewer child care opportunities. Nationally, only one in 10 children who are eligible for child care assistance under federal law receive any help (CDF 2001b). In many states, the cost of child care now

outstrips the cost of attending a public college. In 15 states, tuition (in-state) for a single year of public college is less than half that of child care tuition (CDF 2001c).

Family Caregiver Program: the GOP plan could reduce the number of families served by 38,000. According to the most recent National Long Term Care Survey, more than seven million persons are informal caregivers—providing unpaid help to older persons who live in the community and experience at least one limitation on their daily activities (Family Caregiver 2001).

Worker training and assistance

Dislocated workers: the GOP plan would cut assistance to dislocated workers by about \$305 million, affecting services for almost 135,000 workers. The program serves those who have been permanently laid off or have received a termination notice or layoff notice from their employer. Over 3.3 million workers are laid off each year (U.S. Department of Labor 2001).

Re-employment services: the GOP plan would reduce the number of workers helped by this program by over 23,000. Re-employment services provide essential training, job placement, and other employment services.

Youth training: the GOP plan would reduce spending on the youth job-training program by over \$200 million, cutting services to 105,000 young workers. The youth job-training program assists low-income youth in finding summer employment, year-round counseling, mentoring, and internship opportunities.

Housing

Community Development Block Grant (CDBG): the GOP plan would reduce the CDBG program by over \$60 million, denying affordable housing assistance to over 1,800 households. CDBG provides flexible funding to cities and smaller communities to meet local housing and economic development needs.

Housing Opportunities for Persons With AIDS (HOPWA): the GOP plan would reduce the number of units funded by over 450. A 1999 report by the Centers for Disease Control estimated that 650,000 to 900,000 persons are living with HIV infection, including those living with AIDS (HUD 1999b).

HOME Investment Partnerships Program: GOP cuts would reduce the HOME program by over \$20 million, resulting in 1,000 fewer available housing units and almost 2,900 fewer families receiving rental assistance. A 1999 HUD report found that 13 million Americans pay more than half their household income for rent or live in substandard housing. Between 1993 and 1995, 900,000 affordable rental units were lost, a 9% reduction (HUD 1999a).

HOPE VI: the GOP plan would reduce the number of housing units replaced by over 90. HOPE VI pays for demolition of obsolete and severely distressed public housing, as well as community service and self-sufficiency initiatives.

Conclusion

The current Senate budget debate will have major implications for the nation's budget, economy, and well-being for years to come. At the center of the controversy is President Bush's \$1.6 trillion tax cut proposal that, if enacted, could significantly affect future budget decisions by putting additional pressure on discretionary spending or leading to on-budget deficits. The size of this tax cut may be incompatible with a range of other national commitments, from massive programs like national defense and Social Security to the smaller though crucial initiatives—like Head Start, child care, and job training—that families depend on.

Appendix: Assumptions and methodology

The analysis is based on the difference between the Bush proposals for discretionary spending (as re-estimated by the Congressional Budget Office) and proposals by Senate Democrats. The estimation of the program impact starts with the budgetary difference in functional spending categories. It is assumed that the budgetary gap for each program is proportional to the funding gap in functional categories. This produces a budgetary difference for a given program in 2011. The budgetary gap is then divided by the per participant cost (adjusted for inflation) to determine the number of participants affected by the budget gap. This calculation produces the “program impacts” presented in the text.

Take, for example, the class-size program, which pays for teacher hiring in the early grades. It was funded at \$1.6 billion in FY 2001, and is part of Function 500 (Education and Training). The Bush budget for Function 500 provides for about 34% growth between 2001 and 2011. Thus, the class size program under the Bush framework would end up at \$2.2 billion in 2011. Using the growth rates for Function 500 included in the Senate Democratic Alternative, the program would be funded at about \$2.5 billion in 2011, for a difference of about \$310 million. The average cost of a teacher salary today is \$37,500; in 2011, using the CBO functional current services growth rates, that same teacher will cost \$47,000. The Bush framework, then, would mean that 6,600 fewer teachers (\$310 million divided by \$47,000) could be hired in 2011.

Key assumptions

- The unit costs of a given program will vary at the same rate as the function in which it resides (as estimated by the CBO current services baseline).
- All programs within a function grow at the same rate as the function as a whole.

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