



2004 Federal Budget Year in Review

December 2004

The federal budgetary situation worsened for the fourth year in a row with the budget deficit climbing to \$413 billion for fiscal year 2004. This was \$35 billion more than last year's total, and a larger portion of gross domestic product at 3.6%.¹ Severe deficits over the past few years required Congress to raise the statutory debt limit by almost a trillion dollars in November. The debt limit is the maximum which can be borrowed by the federal government. This is the third increase in the past three years.²

Community services squeezed

As in every year, the Administration released its budget proposal in February. However, Congress only completed decision-making on the budget just a few weeks before the end of this calendar year and two months after fiscal year 2005 began. Most of the budget took the form of one large piece of legislation that appropriates funding for most aspects of government. Federal funding that helps state and local communities provide important services was cut in many areas, and underfunded in others:

- ▶ **The environment.** Total money for state assistance grants for environmental services has been cut by 8%, or \$300 million. About 19% was cut from the Clean Water State Revolving Fund, a major program which provides financial assistance to states to ensure safe water.³ To find out how much your state will lose, click [here](#).⁴
- ▶ **Education.** Though spending on education increased, the final budget continues to provide fewer funds for programs in the No Child Left Behind Act (NCLB) than Congress authorized in the legislation. For example, the Title I program, which aims to improve the teaching and learning of at-risk students, was authorized at \$20.5 billion in the NCLB legislation but Congress has only appropriated \$12.7 billion for fiscal year 2005.⁵ To find out how much your state will be underfunded for Title I, click [here](#).⁶
- ▶ **Community development.** Community development funds, which assist local economic development, have been cut by more than \$400 million, or 5%.⁷
- ▶ **Public safety.** While funding of state and local law enforcement for crime fighting initiatives will be more than what the Administration requested in its February budget, they have been cut by 5% compared to last fiscal year.⁸ Included is a 20% cut to the Community Oriented Policing Services (COPS) program.

Sources: ¹Congressional Budget Office, Monthly Budget Review, November 2004. ²PL 108-415, limit also raised in May 2003 and June 2002.

³For FY04, see H. Rept. 108-401; FY05, see H. Rept. 108-792, both were subject to rescissions of .059% and .08% respectively.

⁴www.nationalpriorities.org/cwsrf⁵Amounts authorized are contained in the NCLB legislation, PL 107-110 and for FY05 see H. Rept. 108-792.

⁶www.nationalpriorities.org/titleI. ⁷See H. Rept. 108-792. ⁸Ibid.

National Priorities Project ♦ 17 New South Street, Suite 302 ♦ Northampton, MA 01060
413-584-9556 ♦ info@nationalpriorities.org ♦ www.nationalpriorities.org

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Cost of Iraq War climbs

The Administration's budget proposal for FY2005 did not include the cost of war in Iraq or Afghanistan. By May, it became apparent that the money Congress allocated was running out so the Administration made a supplementary spending request of \$25 billion. Approved by Congress, this brought the total allotted for the Iraq War beyond the \$150 billion mark.⁹ Officials from the military reported to Congress that military operations were costing at least \$7.8 billion per month¹⁰ and by the end of the year it became clear that the Administration will request a significant sum of additional war spending early in 2005.

Of the money allocated for Iraq, less than 14% was allotted for reconstruction efforts. By September, the Administration requested Congress to shift money from reconstruction to military operations.¹¹

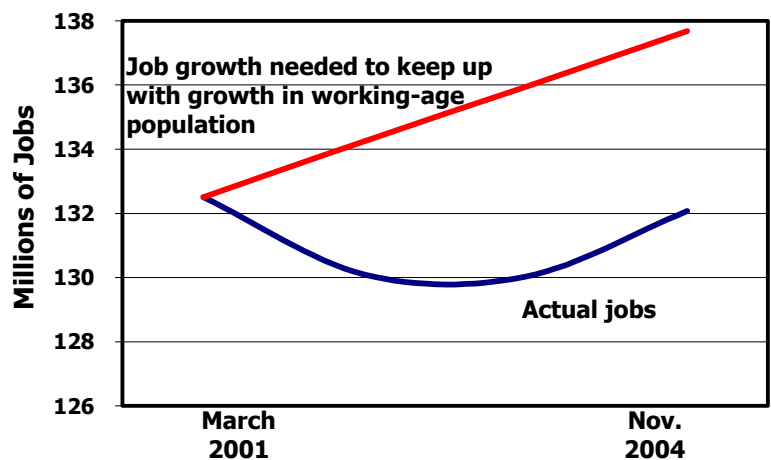
The National Intelligence Estimate provided by U.S. intelligence agencies to the Bush Administration in July indicated a gloomy outlook for Iraq, including possible civil war.¹² By the end of the year, more than 1,300 U.S. troops had been killed in the war and nearly 10,000 wounded while tens of thousands of Iraqis have lost their lives.¹³ In December, after one of the bloodiest months of the conflict, the Administration announced that it was increasing the number of troops in Iraq.¹⁴

Corporate tax breaks instead of jobs

On the revenue side of the budget, the Administration and Congress continued to press on for more tax breaks for the wealthy and corporations, in spite of the lack of economic stimulus inherent in these policies. In October, Congress passed \$210 billion in new corporate tax breaks over the next ten years.¹⁵ These tax breaks follow earlier ones aimed at the wealthy which were passed or extended every year since the Administration took office.

Forty-four months after the start of the 2001 recession, *the U.S. has fewer jobs*, raising the question of what these tax breaks have done for working families. In every other recovery after every recession since World War II, there have been *more jobs* at the same point in time - at least 3% and sometimes as much as 8%.¹⁶ Moreover, in order to keep up with the growth in the working-age population, we would need an additional 5 million jobs.¹⁷

Economic Recovery? 5.6 Million Jobs Short



Source: Census Bureau and Bureau of Labor Statistics.

⁹Analysis of three pieces of legislation, PL 108-011, PL 108-106, and PL 108-287; includes military operations and other war-related spending.

¹⁰Testimony to the House Armed Services Committee, Nov. 17, 2004. ¹¹*New York Times*, 'Senators see budget shift on Iraq as sign of trouble,' Sept. 15, 2004. ¹²*Reuters*, 'U.S. intelligence offers gloomy outlook for Iraq,' Sept. 16, 2004. ¹³Iraq Coalition Casualty Count and L. Roberts et al. 'Mortality before and after the 2003 invasion of Iraq: cluster sample survey,' www.thelancet.com, Oct. 29, 2004. ¹⁴Dept. of Defense, 'Media roundtable on troop extensions,' Dec. 1, 2004. ¹⁵Citizens for Tax Justice, 'Congress passes \$210 billion in new corporate tax breaks,' Oct. 12, 2004. ¹⁶www.jobwatch.org. ¹⁷Based on total nonfarm employment, payroll survey, Bureau of Labor Statistics and Census Bureau population estimates by age.