

May 24, 2001

## President's budget would cut \$2.9 billion in grants to Washington governments

President Bush's proposed budget reduces real discretionary domestic spending by 7.6 percent over the next decade, largely redirecting the savings to support tax reductions. A significant proportion of these cuts are realized through reduced grants to state and local governments; the President proposes a national reduction of 11.2 percent by Federal Fiscal Year 2011.

Federal aid is a significant source of revenue for Washington, totaling over \$6 billion in FY 2001. Much of

these funds support entitlement programs like Medicaid that are not subject to the appropriations process. Slightly more than a third – \$2.3 billion – takes the form of discretionary grant-in-aid funds and are targeted by the President's plan.

The budget proposal, which takes effect in October, would immediately reduce annual grant support by \$198 million, growing to \$406 million over the next decade. Cumulatively, the state stands to lose nearly \$2.9 billion over the next ten years.

### DISPROPORTIONATE IMPACT

The President has proposed different changes to the 194 discretionary grant programs for state and local governments. In most cases, spending is to grow in absolute terms, but fall short of inflation and population pressures. Some grants actually decline in nominal dollars – environmental protection, disaster relief planning, and criminal justice support – indicative of much larger cuts in real terms. Class size reduction and school renovation grants totaling \$2.8 billion are eliminated altogether.

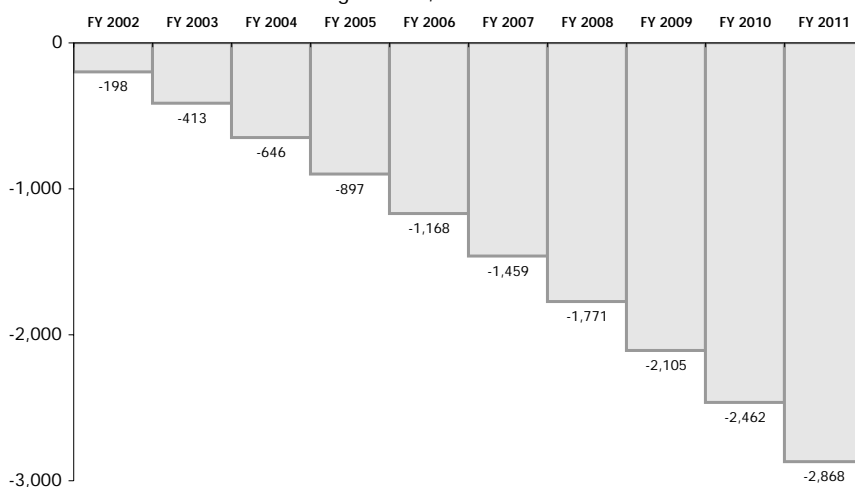
Funds are awarded under myriad criteria, administered as block or performance grants, or under cooperative agreements. The nature of the program, funding levels, implementation, and demographics produce differences for each state. As a consequence, expenditures – and the impact of proposed reductions – vary widely across the country.

### IMPACT ON WASHINGTON

Washington state ranks 15th in discretionary federal grants to state and local governments with \$551 in per capita revenues for FY 2001. The composition of Washington's receipts makes the state slightly more susceptible to cuts under the President's proposal. The state

### Cumulative Reduction in Federal Grants

Washington State, Millions of Dollars



Sources:

Economic Policy Institute; President's Proposed Budget (FY 2002).

# Proposed Federal Discretionary Grant-in-Aid Budget Authority

Washington State, Federal Fiscal Years 2002-2011, Thousands of Dollars

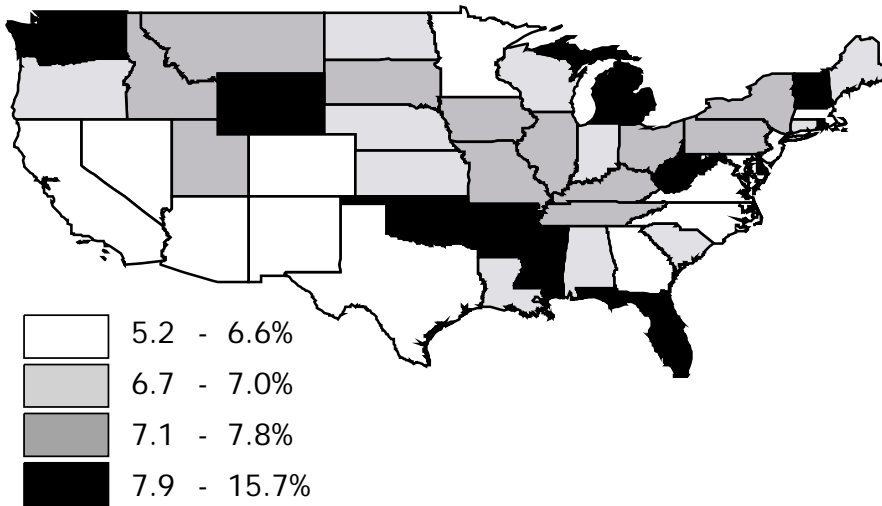
Function and program	FY 2002				FY2011			
	Baseline	Proposed	Δ (\$000)	Δ (%)	Baseline	Proposed	Δ (\$000)	Δ (%)
<b>State Total</b>	2,428,174	2,230,057	-198,117	-8.2%	3,250,178	2,844,058	-406,120	-12.5%
<b>National Defense</b>	2,634	2,470	-164	-6.2%	3,572	3,166	-406	-11.4%
<b>Energy</b>	3,993	6,157	2,164	54.2%	5,102	9,112	4,010	78.6%
<b>Natural Resources and Environment</b>	104,591	83,316	-21,275	-20.3%	143,262	99,062	-44,199	-30.9%
EPA - Drinking Water SRF Grants	21,889	20,967	-923	-4.2%	29,983	24,930	-5,053	-16.9%
Environmental Protection Agency	48,826	32,200	-16,625	-34.1%	66,878	38,286	-28,592	-42.8%
<b>Agriculture</b>	14,532	11,127	-3,405	-23.4%	19,947	14,343	-5,604	-28.1%
<b>Transportation</b>	805,222	742,073	-63,149	-7.8%	1,115,456	943,175	-172,280	-15.4%
Airport Improvement Program	67,496	66,690	-806	-1.2%	93,501	84,763	-8,738	-9.3%
FTA - Section 3 Discretionary Grants	95,083	94,881	-202	-0.2%	131,716	120,593	-11,122	-8.4%
FTA - Section 9 Formula Grants	84,624	88,483	3,859	4.6%	117,227	112,462	-4,766	-4.1%
Highways Aid	550,225	484,109	-66,116	-12.0%	762,215	615,303	-146,912	-19.3%
<b>Community and Regional Development</b>	124,662	77,317	-47,345	-38.0%	161,916	98,038	-63,878	-39.5%
Community Development Block Grant	70,509	68,191	-2,318	-3.3%	91,581	86,466	-5,114	-5.6%
FEMA - Disaster Relief	43,912	0	-43,912	-100.0%	57,035	0	-57,035	-100.0%
<b>Education, Training, Social Services</b>	929,872	922,468	-7,405	-0.8%	1,198,677	1,157,697	-40,980	-3.4%
Adult Education Basic Grant	6,363	5,992	-370	-5.8%	8,202	7,521	-682	-8.3%
Child Care & Development Block Grant	34,988	36,240	1,252	3.6%	45,102	45,481	379	0.8%
Class Size & Teacher Financing	28,182	0	-28,182	-100.0%	36,329	0	-36,329	-100.0%
College Work-Study	19,057	17,945	-1,113	-5.8%	24,566	22,520	-2,046	-8.3%
Community Services Block Grant	7,424	6,990	-433	-5.8%	9,570	8,773	-797	-8.3%
Comprehensive Education -- Title I	148,078	144,143	-3,936	-2.7%	190,884	180,899	-9,985	-5.2%
Dislocated Workers	28,801	23,589	-5,212	-18.1%	37,127	29,604	-7,522	-20.3%
Drug-Free Schools & Communities (State)	7,568	9,046	1,478	19.5%	9,756	11,353	1,597	16.4%
Employment Services Administration	16,705	15,730	-975	-5.8%	21,535	19,741	-1,793	-8.3%
Head Start	97,632	93,786	-3,846	-3.9%	125,855	117,701	-8,154	-6.5%
Impact Aid	47,600	50,048	2,448	5.1%	61,360	62,810	1,450	2.4%
Job Training Partnership Act	22,335	19,924	-2,411	-10.8%	28,792	25,005	-3,787	-13.2%
Pell Grants	167,053	163,900	-3,153	-1.9%	215,344	205,695	-9,649	-4.5%
School Renovation Grants	14,806	0	-14,806	-100.0%	19,086	0	-19,086	-100.0%
Special Education	142,658	154,816	12,159	8.5%	183,897	194,294	10,398	5.7%
Supplemental Educ. Opportunity Grants	13,992	13,175	-817	-5.8%	18,037	16,535	-1,502	-8.3%
Vocational Education	24,770	23,328	-1,442	-5.8%	31,930	29,276	-2,654	-8.3%
WIA Youth Opportunity Grants	24,592	20,192	-4,400	-17.9%	31,701	25,341	-6,360	-20.1%
<b>Health</b>	127,587	126,940	-647	-0.5%	167,735	176,192	8,458	5.0%
AIDS Comprehensive Care - Title II	9,647	9,312	-335	-3.5%	12,683	12,925	242	1.9%
AIDS Emergency Assistance - Title I	6,063	5,852	-211	-3.5%	7,971	8,123	152	1.9%
Consolidated Health Centers	36,279	38,593	2,314	6.4%	47,695	53,567	5,872	12.3%
Maternal & Child Health Block Grant	9,523	9,192	-331	-3.5%	12,520	12,758	239	1.9%
Mental Health Block Grant	8,834	8,527	-307	-3.5%	11,614	11,835	222	1.9%
Substance Abuse Prevention & Treatment	34,965	33,751	-1,215	-3.5%	45,968	46,846	878	1.9%
<b>Income Security</b>	274,309	230,449	-43,860	-16.0%	377,145	307,880	-69,265	-18.4%
Home Investment	36,065	28,747	-7,318	-20.3%	49,586	38,406	-11,179	-22.5%
Low-Income Home Energy Assistance	32,235	28,104	-4,131	-12.8%	44,320	37,547	-6,773	-15.3%
Operation of Low-Income Housing	38,626	35,239	-3,387	-8.8%	53,107	47,079	-6,028	-11.4%
Public Housing Capital Fund	44,527	29,737	-14,790	-33.2%	61,220	39,729	-21,491	-35.1%
WIC/Supplemental Feeding Program	94,932	84,087	-10,844	-11.4%	130,521	112,341	-18,180	-13.9%
<b>Administration of Justice</b>	34,137	23,011	-11,126	-32.6%	47,850	29,546	-18,303	-38.3%
Byrne Drug Control System Improvement	10,485	10,212	-272	-2.6%	14,697	13,113	-1,584	-10.8%
State Criminal Alien Assistance Program	5,625	2,510	-3,115	-55.4%	7,885	3,223	-4,662	-59.1%
<b>General Government</b>	6,635	4,730	-1,905	-28.7%	9,517	5,847	-3,671	-38.6%

**Notes:** The Bush spending proposal is compared with the baseline spending level for FY2002 and 2011. The baseline employed is a per capita real baseline, meaning spending is adjusted for inflation (which varies by function) and population growth. A positive number is an increase over the baseline. A negative number is a "cut," or a reduction relative to the baseline. The inflation estimates are from the Congressional Budget Office. The population growth estimates are from the Census Bureau.

**Source:** Economic Policy Institute analysis of FISS data.

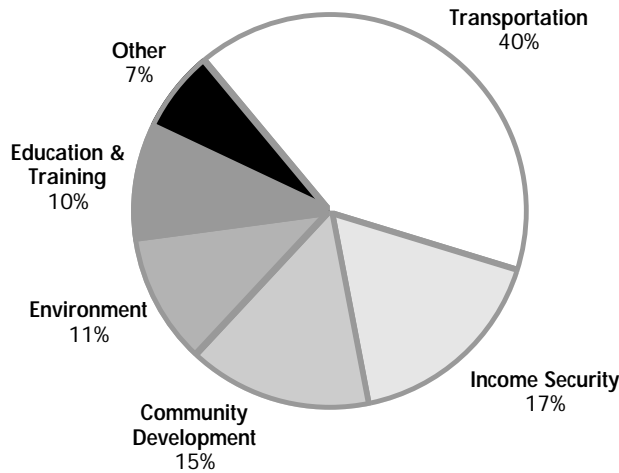
# Percentage Reduction in FY 2002 Grants

President's Proposed Budget, State/Local Government Grant-in-Aid Budget Authority



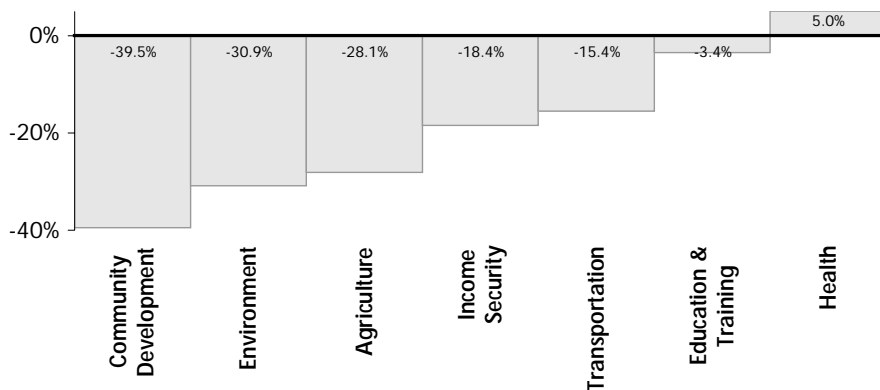
## Proportion of Reductions by Category

Fiscal Year 2011 Budget Authority



## Change Relative to Baseline Spending Level

Washington State, Federal Fiscal Years 2001 and 2011 Compared (Major Categories)



would lose 8.2 percent of these funds in FY 2002, nationally, the 11th largest decline. Relative to the national average, the gap will close by FY 2011 but remain significant, with Washington's grant support falling short of maintenance levels by 12.5 percent compared with the national figure of 11.2 percent.

### LOCAL IMPACT

Most of the loss of Motor Vehicle Excise Tax revenue under Initiative 695 has been borne by county governments and through cuts to statewide transportation spending. Most counties have enacted significant budget reductions, while much of this legislative session has been devoted to debate of a package of new transportation taxes. Both areas are particularly vulnerable to further reductions under the President's budget.

Loss of federal funds would pose a substantial long-term obstacle for budget writers. Much of the overall impact will fall on local governments, further exacerbating shaky post-Initiative 695 finances.

Within transportation, the budget trims \$173 million in annual transportation funds by FY 2011, largely through reduced highway spending. This revenue stream is roughly equivalent to a 2.9¢ per gallon gasoline tax.



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