

# PRESIDENT BUSH'S 2004 BUDGET

## TODAY'S ACTION

- The President's FY 2004 budget, released today, will strengthen our economy, prosecute the war against terror, defend our nation and allow Americans to keep more of their own money. The budget also makes major new investments in top priorities – including education, Medicare, health care, homeland security, energy independence, the environment, compassion and the unemployed.
- President Bush believes that the best way to hold down deficits is to promote pro-growth policies and control government spending. His budget holds the overall increase in government spending to 4% -- the same amount as the paychecks of America's families.

## KEY POINTS ON THE PRESIDENT'S FY 2004 BUDGET

**Strengthening the Economy:** The President's budget includes his jobs and economic growth plan to speed the pace of America's economic recovery and get more Americans back to work.

- The plan provides ***broad, fair and permanent tax relief to 92 million Americans who will keep an average of almost \$1,100 more of their own money.***
- The President's plan accelerates income tax rate reductions, the elimination of the marriage penalty, and the increase in the child tax credit from \$600 to \$1000. A family of 4 with income of \$40,000 would see their federal income taxes fall from \$1,178 to \$45.
- To boost investor confidence, and help nearly 10 million seniors who receive dividend income, the President's plan will ***end the unfair double taxation of dividends.***
- The President's plan also provides new ***incentives for small businesses to grow and invest.*** Under his plan, small businesses that purchase equipment to expand will get assistance through an increase in the expensing limits from \$25,000 to \$75,000.
- The budget provides \$3.6 billion over the next two years for the President's plan for new ***Re-employment Accounts***, which will provide eligible unemployed workers the assistance they need to find a new job.

**Winning the War on Terrorism:** To address the needs of America's military and protect our nation, the budget provides \$380 billion for our nation's military, a \$15 billion or 4.2% increase.

**Securing the Homeland:** The President's budget provides \$41 billion for total homeland security spending. Excluding Department of Defense spending, the budget includes \$35 billion for homeland security, a \$2.5 billion or 7.6% increase that more than doubles funding over the past two years.

The budget includes:

- ***\$890 million as a first installment of new funds for Project BioShield*** to secure new vaccines against smallpox, anthrax, and botulinum toxin.
- ***\$829 million for the DHS' Information Analysis and Infrastructure Protection Directorate*** providing brand new capabilities to access analyze and integrate threat information.
- ***\$500 million to assess the nation's critical infrastructure*** (e.g. nuclear power plants, water facilities, telecommunications networks) and ensure our highest priority vulnerabilities are addressed.

**Modernizing Medicare with Prescription Drug Coverage:** The President's budget proposes to invest \$400 billion over 10 years to strengthen and improve Medicare with prescription drug coverage.

**Excellence in Education:** Last year, the President signed into law historic education reforms through the **No Child Left Behind Act**. The budget provides ***unprecedented levels of education funding*** to help strengthen America's schools. It includes \$53.1 billion for education programs, an increase of \$2.8 billion from FY 2003 and an increase of \$3.2 billion over FY 2002. This funding represents an increase of 47% over FY 2000 and a 131% increase in education spending over the last 8 years. The budget includes \$1.9 billion more ***for Pell Grants***. The Budget strongly supports the **No Child Left Behind Act** with:

- \$1 billion more for ***Title I assistance in high-poverty areas schools***
- \$1 billion more for ***special education***
- Significant increases ***for reading and early childhood learning programs***

**Strengthening Health Care:** The budget provides \$89 billion in ***health care tax credits*** to expand access to health care. It also proposes the creation of new tax-free savings accounts which could be used for health care needs and long-term care.

**Improving the Environment:** The President's budget builds on his strong commitment to protecting our environment through new technology, conservation, and responsible stewardship. It includes:

- \$1.7 billion over the next five years for the ***Freedom Fuel and FreedomCAR*** programs for hydrogen fuel cell research and development to enable the next generation of automobiles to be pollution free.
- Full funding for the ***Land and Water Conservation Fund*** (\$900 million).
- \$2.7 billion for ***conservation programs*** under the new farm bill.
- A \$150 million increase to ***accelerate Superfund cleanups***.

**Promoting Compassion:** The President's budget includes proposals to help extend the America's compassion to helping our neediest neighbors at home and abroad. It includes:

- Funding for the ***Emergency Plan for AIDS Relief, a five-year, \$15 billion initiative*** to turn the tide in the global effort to combat the HIV/AIDS pandemic. This virtually triples U.S. funding to fight the international AIDS pandemic.
- \$450 million over three years to bring ***mentors to more than 1 million disadvantaged students and to the children of prisoners***.
- \$200 million as part of a three-year, \$600 million federal treatment initiative to ***help addicted Americans find needed treatment*** from the most effective programs, including faith-based and community-based organizations. This will make treatment available to help 300,000 more Americans combat their addiction over the next three years.

**Budget Discipline:** The best way to counter deficits is through stronger economic growth and spending discipline in Washington. This budget would hold spending growth to 4%, **no faster than the growth of the average American families' paycheck.**

- The President is committed to balancing the budget as fast as possible and consistent with national priorities.
- Deficits are manageable in historical terms at 2.7% of GDP. This is appropriate in light of the war on terrorism, the continuing effects of the stock market on revenues, and economic needs.
- The budget would be in double digit deficit if had there never been a tax cut in 2001. The budget returned to deficit because of war, recession and emergencies associated with the terrorist attacks of September 11<sup>th</sup>.
- Long-term interest rates have dropped to 40-year lows even as the budget returned to deficit, and interest on the debt is very low. Currently, the federal government pays only 8 cents on the dollar, as compared to a recent high of 15 cents in 1996.

## Budget Basics for FY 2004

- Total government spending in FY 2004 will be \$2.2 trillion, a 4.2% increase over 2003 levels.
- Discretionary government spending will increase by 4%, comparable to the growth in family budgets, and enough to allow the federal government to meet its important priorities.
- The fastest growing major category of discretionary spending is homeland security at 5.5%. Defense grows at 4.2%. The total of all other discretionary spending grows at 3.8%, funding important priorities such as education, health, energy and the environment.
- The President's budget increases non-defense homeland security funding by 7.6%.
- Economic assumptions are in line with CBO and private sector projections. Because of uncertainty in revenue levels, the Administration made an additional downward adjustment in revenues of \$25 billion in 2003 and \$15 billion in 2004.
- Total tax and other revenue collections will be \$1.9 trillion in 2004, a 4.7% increase.
- A combination of the need to fund new priorities and a cautious forecast produces a deficit that peaks in 2004 at \$307 billion, and declines thereafter to \$190 billion by 2008.
- The FY 2004 deficit is expected to be about 2.7% of GDP, manageable and modest by historical standards. It declines to 1.4% of GDP by 2008.
- Publicly-held debt is 36.9% of GDP in 2004, well below average post-World War II levels, and declines to 36.4% by 2008.
- While the deficit rises in 2003, the interest cost on the federal debt declines to 8% of total spending, the lowest level as a percentage of total outlays in over 20 years. Interest expense remains below 10% over the next 5 years.