

Public Assets Institute

government for the people

PO Box 942
Montpelier, VT 05601
802.223.6677
www.publicassets.org

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Contact:
Paul Cillo
Public Assets Institute
802-223-6677
paul@publicassets.org

New Analysis Finds Vermont Hit Hard by Cuts in President's Budget for 2008

(Montpelier) – Vermont would lose \$34 million in federal funding next year alone for a wide range of public services, including K-12 education and Head Start, under the President's budget for 2008 according to a report released by the Washington, DC-based Center on Budget and Policy Priorities. The funding cuts, scheduled to deepen in future years under the President's proposal, would force Vermont to either raise taxes to compensate for the lost federal funds, or reduce support for Vermont's critical public structures.

Paul Cillo, President of the Public Assets Institute, who reviewed the analysis, expressed disappointment at the President's priorities. "This budget says that maintaining critical infrastructure in Vermont such as education, safe drinking water, and public safety is not as important as extending tax breaks, including tax giveaways for millionaires. These priorities would send Vermont and the country in the wrong direction," he said.

"This budget is especially bad news for Vermont," Cillo said, "because the state has become increasingly reliant on federal funds to pay for basic public services. About one-third of the state's services are paid for with federal dollars."

Cillo noted that this budget worsens the federal deficit by including massive tax cuts along with the program cuts. "The President's budget deepens the federal deficit because the tax cuts would cost much more than the program cuts would save," he said.

"This budget is also roadmap toward greater inequality," Cillo added. Under the President's budget, the average millionaire nationally would receive \$162,000 in 2012 alone, while funding cuts would harm low- and moderate-income families in Vermont and across the country. Many low income families could end up losing child care assistance and job training. Pregnant women could lose supplemental nutrition for themselves and their young children. The elderly and individuals with disabilities could lose help with heating their homes.

Some programs that help large numbers of Vermonters would be eliminated entirely. Other programs would be cut deeply over the next five years. The new Center on Budget and Policy Priorities report estimates, for example, that the President's budget would:

- Cut federal K-12 education funding to Vermont by \$25 million over the next five years, relative to the 2007 level. The President's proposal would take back much of the additional funding Congress provided to help states implement the federal No Child Left Behind law and would push property taxes higher.

- Cut Vermont's child care funding by \$600,000 over the next five years relative to the 2007 level. Today, federal child care funding is already below the 2002 level.

- Cut Vermont's Head Start funding by \$5 million over the next five years relative to the 2007 level. These cuts would come on top of cuts already made to the program.

Faced with these funding cuts, Vermont's Head Start programs have several choices. They can serve fewer children; cut back on teachers' salaries, classroom materials, and the specialized services they provide to children; or they can try to raise money from other sources. The federal funding Vermont would receive in 2008 would serve 200 fewer children than we would serve if funding had kept pace with inflation since 2002.

- Cut Vermont's funding for low-income energy assistance by \$2 million next year and by \$12 million over the next five years. The Low-Income Home Energy Assistance Program (LIHEAP) provides funding to states to help vulnerable households pay their home heating bills. Most households that receive LIHEAP include someone who is elderly or a person with disabilities. The increase in energy prices over the past few years has made LIHEAP more important than ever.

- Cut Vermont's funding for clean and safe drinking water by \$2 million next year and by \$13 million over the next five years. Some of the biggest cuts in the President's budget would come in environmental programs. Vermont relies on federal resources for sewage treatment plants and clean drinking water programs. Wastewater infrastructure projects would be cut significantly. Under the budget, these funds nationally would be 40 percent smaller in 2008 than in 2001.

- Cut Vermont's community development funding by \$1.7 million next year and by \$10 million over the next five years. The Community Development Block Grant (CDBG) helps fund a range of community development projects in Vermont including housing and homeless programs, improvements to public facilities such as senior and youth centers, and economic development. CDBG already has seen substantial funding cuts in recent years.

- Eliminate grants that assist state and local law enforcement in Vermont, costing Vermont \$1.2 million in funding next year and \$6.5 million over the next five years. The budget would replace a program that supports crime prevention and corrections activities, and a program which helps offset the cost of incarcerating undocumented immigrants, with two much smaller competitive grant programs. The new programs would receive only about half the funding of the programs they replace. While some states would qualify for funding under the new competitive programs, there is no way to know how the funds would be distributed.

Cillo concluded with a call to change direction. "It's time now to set a new course. By making the right choices, Congress can craft a budget that meets Vermonters' priorities while pursuing a more fiscally responsible path than the President has proposed."

For more information and the complete reports and estimates from the Center on Budget and Policy Priorities go to: <http://www.cbpp.org/2-21-07bud.htm>

The Public Assets Institute does independent research and analysis on budget, tax, and economic issues (www.publicassets.org).