

First Things First for Minnesota

*The President's Budget Makes the
Wrong Choices for Minnesota*



COALITION ON HUMAN NEEDS

An analysis prepared by the Coalition on Human Needs
for the Emergency Campaign for America's Priorities
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Overview: The President's Budget Makes the Wrong Choices

In Minnesota, we share some basic priorities. We all want our children to grow up healthy. We want to know that if we are sick or hurt, there will be doctors and nurses and ambulances ready to care for us. We want our kids to get a good education so they can get good jobs and strengthen our economy, and because an informed citizenry is the base of a healthy democracy. We want everyone to have enough nutritious food to eat. We want to breathe clean air and drink clean water.

The budget proposal that President Bush just sent to Congress makes the wrong choices. It would cut programs that are needed to build a prosperous future for our communities, Minnesota and the nation. It would make permanent the tax cuts that benefit millionaires and leave a legacy of debt for our children. It would trim the federal budget by shifting costs to Minnesota and other states, and by denying aid to the vulnerable. And it escalates the damage over time, making significant cuts in 2008 that become truly devastating by 2012.¹

For the past six years, Minnesota's unmet needs have been growing. Nationally, 150,000 fewer children receive child care subsidies than in 2000,² 150,000 fewer households get help to keep their rent affordable than in 2004,³ and Food Stamp benefits, which provide an average of only \$1 per person for a meal, have not been adjusted for inflation.⁴ This year, 14 states including ours will run out of money for the State Children's Health Insurance Program (SCHIP), with more states facing the same dilemma in years to come.⁵ Meanwhile, the gap between the richest among us and the rest of us has been growing steadily,⁶ thanks in large part to reckless, inequitable tax cuts that exacerbate the national debt and leave our children and grandchildren to foot the bill.

Our state depends on federal dollars to provide the services that keep our families and our communities strong. In Minnesota, 24 percent of our state budget comes from federal dollars.⁷ If the federal contribution to Minnesota's budget continues to shrink, Minnesota will have to either find the resources to make up the difference or cut services and programs that affect us all.

We need to reverse this course and start setting the right priorities. We call upon Congress to move substantially toward meeting Minnesota's needs and strengthening our economy by providing \$450 billion for domestic, annually appropriated programs in its Budget Resolution for FY 2008, rather than the president's recommendation of \$392 billion. By allotting \$450 billion for domestic annual appropriations, Congress can correct for cuts that occurred since 2005, adjust for inflation and population growth and

¹ Throughout this analysis, we refer to the fiscal year, so that 2008 means the period beginning October 1, 2007 and ending September 30, 2008.

² Center For Law and Social Policy, http://www.clasp.org/publications/2008_budget_child_care.pdf .

³ Center on Budget and Policy Priorities, <http://www.cbpp.org/2-1-07hous2.htm> .

⁴ Food Research and Action Center, <http://www.frac.org/html/news/020707budget.html> .

⁵ Center on Budget and Policy Priorities, <http://www.cbpp.org/6-5-06health2.htm> .

⁶ Center on Budget and Policy Priorities, <http://www.cbpp.org/1-23-07inc.htm> .

⁷ Calculations by AFSCME, based on National Association of State Budget Officers, State Expenditure Report: 2004, p. 93, <http://www.nasbo.org/Publications/PDFs/2004ExpendReport.pdf> .

address some additional unmet needs. Congress can make this investment in our future and be fiscally responsible by reversing next year's tax cuts for millionaires, which, according to the Senate Budget Committee, will cost \$55 billion. To ensure that Minnesota's families are able to pay for necessities, we also call upon Congress to expand the Food Stamp Program and SCHIP, both of which are up for renewal this year, and to restore funds to collect billions of dollars in support owed to children.

Background: Growing Inequality, Less Opportunity in Minnesota

Despite the administration's claims of a strong economy, in Minnesota the rich are getting richer, while hardworking middle-class and low-income folks are barely getting by.

According to the Economic Policy Institute and the Center on Budget and Policy Priorities, in the early 2000s, the richest 20 percent of families in Minnesota had average incomes 5.8 times as large as the poorest 20 percent, up from 4.6 times in the early 1980s, and 2.3 times as large as the middle 20 percent of families, up from 1.8 times in the early 1980s. By the early 2000s, the average income of Minnesota's poorest fifth of all families was \$22,608, and the average income of the middle fifth of all families was \$57,413, while the richest fifth of all families had incomes on average of \$131,460.⁸

If everyone were prospering, such gaps in wealth might not be a problem. But far too many Minnesota citizens are struggling to get by. Over the last six years, as Congress and the president made bad budget choices year after year, poverty rose. In Minnesota, 456,642 people are poor – with incomes below \$19,971 for a family of four. Most families need about twice that income to cover their most basic needs,⁹ yet 1,172,346 people in Minnesota have income below twice the poverty level, or \$39,942. And even that budget does not allow people to make investments in their future that create opportunity, like buying homes or going to college.¹⁰

As a result,

- *Too many Minnesota residents are uninsured and lack access to a doctor.* When people are uninsured, they get less medical care, scrimp on medications and treatment, and often don't catch health problems until they are much more serious. Health care costs from medical crises are one of the biggest causes of bankruptcy today. Over the past decade, the nation has made tremendous progress in reducing the number of uninsured children, but there are still about 86,060 children uninsured in Minnesota today.¹¹ We need to continue reducing the number of uninsured children. Unfortunately, the administration's budget

⁸ Center on Budget and Policy Priorities, <http://www.cbpp.org/1-26-06sfp.htm>

⁹ Economic Poverty Institute data shows that the median family income needed to meet the most basic budget is just over twice the official poverty level. <http://www.epi.org/content.cfm/bp165>

¹⁰ Data compiled by the Coalition on Human Needs from U.S. Census, American Community Survey, http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ts

¹¹ Kaiser Family Foundation, <http://www.statehealthfacts.org/cgi-bin/healthfacts.cgi?action=children>

proposal would reduce the number of children covered by SCHIP nationally, reversing the progress we have made. In contrast to the reduction in the number of uninsured children, the number of adults who are uninsured has been skyrocketing because of reductions in private insurance coverage. According to Census data, 354,410 adults between the ages of 19 and 64 are uninsured in Minnesota.¹² Medicaid has helped protect insurance coverage for adults, and we should not lessen support for this program.

- *Too many Minnesota residents have a hard time feeding their families.* During the period 2003-2005, 7.7 percent of Minnesota families were “food insecure,” according to the Department of Agriculture, up from 7.1 percent during the period 2000-2002.¹³ That means 140,000 families, mostly those with at least one person working full time, had a hard time putting enough food on the table.¹⁴
- *Too many Minnesota residents lack the education they need to get good jobs.* At a time when a high-quality, comprehensive education is essential for a prosperous future, Census Bureau data show that 7.3 percent of adult Minnesota residents lack a high school diploma, and only 34.2 percent have graduated from college.¹⁵
- *Too many Minnesota residents pay more than they can afford for housing.* When housing costs exceed 30 percent of a family’s income, it becomes difficult to meet even the most basic family needs. U.S. Census Survey data show that 45 percent of households in Minnesota are paying more than 30 percent of their income for rent, and 23 percent are paying half or more – leaving too little to pay for other necessities.¹⁶

Minnesota citizens are watching their chance at the American dream slip away. They are finding it harder to make ends meet, educate their children, put food on the table, and keep a roof over their heads. The administration’s proposals would lock these trends into place. We need to reverse them. Congress needs to set the right priorities and put first things first.

Where the President’s Budget Fails Minnesota

We need to expand health insurance and access to health care in Minnesota, not make things worse. We all know children need health care. When they are insured, children are healthier and can do better in school. Every state has made great progress in reducing the number of uninsured children during the last decade. A number of states are further

¹² US Census data, available at <http://www.statehealthfacts.org/cgi-bin/healthfacts.cgi?>

¹³ Food Research and Action Center analysis of US Department of Agriculture data, www.frac.org/pdf/hunger05.pdf.

¹⁴ Food Research and Action Center analysis of US Department of Agriculture data, http://www.frac.org/html/federal_food_programs/federal_index.html#states.

¹⁵ US Census Current Population Survey 2005, <http://www.census.gov/population/socdemo/education/cps2005/tab13.xls>.

¹⁶ U.S. Census, American Community Survey 2005, calculations by the Coalition on Human Needs, http://factfinder.census.gov/servlet/DatasetMainPageServlet?_program=ACS&_submenuId=&_lang=en&_ts

expanding coverage. Yet the administration's budget would not even give states enough money to keep insuring the same number of children, let alone expand coverage. For example, the administration has not proposed any new SCHIP funding to address the fiscal year 2007 federal-funding shortfalls scheduled to affect 14 states in the next several months. Unless Congress acts, our state will face a funding shortfall this year and be forced to cut children's access to health care. The administration's budget also proposes to reauthorize SCHIP at levels well below what is needed for states just to maintain existing caseloads. Many states could be forced to freeze access to their health insurance programs for children, reduce eligibility, and/or cut back on benefits, rather than continue to improve coverage. Far from reducing children's access to health care, we need to expand it so that every child can grow up healthy. Congress should renew and strengthen the SCHIP program to ensure that no one loses coverage, and to continue the significant progress that has been made in reducing the number of uninsured children in the United States.

At the same time, we must avoid making changes that would jeopardize Medicaid. Every person in Minnesota depends on Minnesota having a strong health care system, with adequate emergency care, strong hospitals, and enough doctors and medical providers. Medicaid is the nation's main health insurance program for low-income people, and it is essential to the well-being of our entire health care system. Medicaid helps provide critical support for clinics, hospitals, pharmacies, nursing homes and other health care providers by providing health insurance for low-income children, families, seniors and people with disabilities.

The administration's choice – \$60 billion in cuts to Medicaid nationwide over the next 10 years – threatens the health of all Minnesota residents. The administration's budget proposes to cut Medicaid primarily by reducing federal payments and shifting federal costs of Medicaid onto states' shoulders. This proposal is particularly troubling because it comes on top of the federal cuts enacted in January 2006 – which reduced national Medicaid spending by more than \$28 billion over 10 years – and in addition to the numerous cuts that states made in order to contain costs during the recent economic downturn. Rather than strengthening or preserving Medicaid, the administration's proposals would force states to make damaging decisions to reduce access to health care in their Medicaid programs, to cut other state programs in order to replace lost federal funds, and/or to raise state taxes. Inevitably, these changes will shortchange needy patients and critical health care providers.

We need to invest in education from the earliest years through college.

Head Start. Despite research showing that children do better in school after attending Head Start programs, the administration plans further cuts to Head Start. Minnesota Head Start funding has been cut 7.4 percent since 2001.¹⁷ Already in Minnesota, Head Start programs have been forced to change program hours (which eliminated breakfast), cut classroom supplies, transportation services, training, staff positions, staff raises, and reduce benefits according to a survey conducted by the National Head Start

¹⁷ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm .

Association.¹⁸ If the president's proposals are enacted, Head Start will be cut even more – the National Head Start Association calculates that by 2008 our state will have 349 fewer children in Head Start.¹⁹

Child Care. While we know children in high-quality child care settings do better in school – with low-income children seeing the most benefit – President Bush plans to continue to cut child care funding. By the administration's own calculation, budget cuts have already meant that 150,000 fewer children nationwide were in subsidized care in 2006 than in 2000. Now the administration is proposing cuts that would deprive another 300,000 children of the opportunity for a good start by 2010.²⁰ According to the Center on Budget and Policy Priorities, Minnesota would lose \$5.7 million in child care funding over the next five years compared to 2007.²¹ These cuts come on top of cuts that have been made in child care since 2002. Under the president's proposal, Minnesota will receive \$6.2 million *less* in 2012 alone than it would have received if federal funding had kept pace with inflation since 2002.²²

K-12 Education. Our schools already struggle to meet the demands laid on them under No Child Left Behind, yet the president's budget would cut funding for Minnesota elementary and secondary schools in 2008 by \$48.0 million, when adjusted for inflation, compared with 2003, the program's peak funding year²³

Higher Education. When so few Minnesota residents have a college degree, funding for adult education, as well as vocational education in high school and beyond, is critically important to enable them to get good jobs, and to ensure a highly skilled work force. Yet the administration's budget would cut funding for adult and vocational education again; in 2008 funding would be cut by \$17.6 million compared to peak funding in 2004 when adjusted for inflation.²⁴

A budget that focuses on the right priorities must invest in education. While we applaud the president's proposal to increase Pell grant levels, it is the wrong choice to increase them in large part by cutting other college programs. Yet that is what the administration's budget would do.

Education is vital for a prosperous economy and individual success, but it is only one of the investments needed for Minnesota residents' lifetime success. To do well in school, and in life, our citizens need to be healthy, eat well, have a roof over their heads, and live in a healthy environment.

¹⁸ National Head Start Association, http://www.saveheadstart.org/backpages/NHSA_January_2007_Budget_Survey_Report.pdf

¹⁹ National Head Start Association, <http://www.saveheadstart.org/News/STATEBYSTATEESTIMATESFORFY2008BUSHProposalforCONG APPROPRIATORS.xls> .

²⁰ Center for Law and Social Policy, http://www.clasp.org/publications/2008_budget_child_care.pdf .

²¹ This figure is calculated including the amount needed to adjust for inflation.

²² Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm .

²³ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm .

²⁴ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm .

We need to reduce hunger in Minnesota. Already too many Minnesota residents struggle to feed their families. When people have to spend a huge proportion of their scarce dollars on housing, health care, and child care, they have less money to put food on the table.

Unfortunately, the administration proposes to make food insecurity even more widespread. It plans to eliminate a state option that allows more than 300,000 people in working families to receive food stamps.²⁵ It also wants to eliminate the Commodity Supplemental Food Program, which provides nutritious, monthly food packages mostly to elderly recipients. According to the Center on Budget and Policy Priorities, that means, in Minnesota, 13,500 people will no longer receive nutritious food to supplement their diets.²⁶ The Women, Infants, and Children (WIC) nutrition program is widely recognized to improve the health of children and their mothers and save money in reduced health care costs. Yet although the administration proposes a small increase to enable WIC to keep up with expected growth and provide food packages for 8.3 million participants in 2008, it undermines the effectiveness of WIC by cutting \$175 million in services and essential management. Without these services, fewer children will get immunizations and fewer families will be helped to plan nutritious meals or learn about breastfeeding. Even worse, the budget plan projects future cuts that will mean eligible children and mothers would be turned away; by 2012, under this budget, 5,300 fewer children and mothers would be served.²⁷

Congress should put first things first and reject these cuts. Instead, it should strengthen the Food Stamp Program, which needs to be reauthorized this year, by expanding eligibility, increasing benefit levels, and removing bureaucratic roadblocks to applying for or renewing benefits.

We need to help more families have a decent roof over their heads. With so many Minnesota residents already struggling to pay their rent, the president's proposals to cut housing programs are particularly wrong-headed. The administration's budget will eliminate between 40,000 and 80,000 housing vouchers nationwide, vouchers that keep rent affordable for low-income families. This is in addition to the 150,000 housing vouchers we have lost since 2004.²⁸ Congress restored many of these vouchers in its 2007 spending plan, but the administration's budget would reverse much of this progress. The administration also plans to cut national funding for housing for low-income seniors by almost a quarter, down to \$575 million, and funding for housing for people with disabilities would be cut from \$231 million in 2006 to \$125 million in 2008. In Minnesota alone, the budget would cut \$6.8 million from the Public Housing Capital Fund in 2008, according to the Center on Budget and Policy Priorities.²⁹ These are the wrong choices.

²⁵ Food Research and Action Center, <http://www.frac.org/html/news/020707budget.html> .

²⁶ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm .

²⁷ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm .

²⁸ Center on Budget and Policy Priorities, <http://www.cbpp.org/2-1-07hous2.htm> .

²⁹ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm .

Even people with a roof over their head often need help keeping warm. In the United States, between the winter of 2002 and the winter of 2007, heating oil costs rose 44 percent, while electricity bills rose 17 percent and natural gas bills rose 35 percent. Yet help for families in paying these costs, through the Low Income Home Energy Assistance Program (LIHEAP), has not kept pace.³⁰ The president's budget would cut \$16.6 million in Minnesota in 2008 compared with 2007 when adjusted for inflation. As a result, the Center on Budget and Policy Priorities calculates that the program will serve 22,400 fewer Minnesota households in 2008 than in 2007.³¹

We need the resources to ensure that both parents support their children. In January 2006, Congress and the president cut funding for child support enforcement. According to the Center for Law and Social Policy, Minnesota will lose \$140.6 million over 10 years in child support funding unless this cut is reversed. Because these funds help collect support from absent parents, children actually lose much more than the federal government saves; if these cuts are not restored, Minnesota children will receive \$241.4 million less in child support collections over the next 10 years.³²

We need to protect our most vulnerable children. According to the Child Welfare League of America, Minnesota had 5,519 substantiated cases of child abuse or neglect in 2004.³³ Sadly, nationally, four in ten cases where child abuse was substantiated received no services at all.³⁴ Protecting abused and neglected children is a federal *and* state responsibility. But once again, the administration is proposing a block grant that would cap federal funding for foster care. This proposal would shift costs to Minnesota and make it harder to protect our vulnerable kids. If this proposal is enacted, over time the value of the federal contribution will be eroded by inflation. And if we face another crisis like the current methamphetamine epidemic that requires Minnesota to place many more children in foster care, Minnesota will have to shoulder the entire burden instead of having a federal partner. By denying adequate resources to help abused children, the block grant proposal is likely to worsen this sorry record.

We need to support our communities. Our towns and counties are the front lines in serving children, families and senior citizens. The federal funds on which they depend have been frozen or dwindling for years. Now the president's budget would go even further. The Social Services Block Grant, which communities can use for services to abused and neglected families, services to people with disabilities, home care for the elderly and disabled, and a range of similar programs, is slated to be cut from \$1.7 billion in 2007 to \$1.2 billion for 2008.³⁵ This comes on top of years in which the basic grant has been flat-funded at \$1.7 billion. As a result, Minnesota will receive only \$20.8

³⁰ National Energy Assistance Directors Association, http://www.neada.org/LIHEAP_Issue_Brief_03.pdf .

³¹ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm

³² Center for Law and Social Policy, http://www.clasp.org/publications/incentivepayments_jan18.pdf .

³³ Child Welfare League of America, http://ndas.cwla.org/data_stats/ .

³⁴ National Child Abuse and Neglect Data System, cited in Child Welfare League of America's Summary of Child Welfare Financing Policy Recommendations, <http://www.cwla.org/advocacy/financingpolicyrecommendations.htm> .

³⁵ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm

million in 2008³⁶, a 29 percent cut in one year alone. Moreover, this budget also eliminates any special support for victims of the 2005 hurricanes, many of whom continue to lack jobs, housing, child care, and transportation; while the Social Services Block Grant was increased by a one-time allocation in 2006 to help hurricane victims, the president's budget includes absolutely nothing to address their continuing needs in 2008. The budget would also completely eliminate the Community Services Block Grant, which supports 1,100 community action agencies nationwide that administer everything from Head Start programs to weatherization. For Minnesota, that means a loss of \$7.7 million in 2008 alone.³⁷ And it would slash the Community Development Block Grant, which our cities and towns use to create affordable housing, help low-income families, and address critical community needs that affect our health or welfare, cutting national funding by a third from more than \$4.0 billion in 2006 to \$3.04 billion in 2008. Minnesota will receive \$32.8 million less than we received in 2001, adjusted for inflation.³⁸

We need to protect the water we drink and the air we breathe. The health of every resident of Minnesota depends on whether our air and water are clean. The growing asthma rates in our communities attest to the importance of protecting our air, yet the president's budget cuts the funds that states use to do just that. According to the Environmental Council of the States, the State and Local Air Quality Management Program is one of the state environmental management agencies' highest priorities, yet the president's budget would fund it at \$185 million, a cut from the 2004 funding level of \$237 million³⁹ without even taking inflation into account. The Environmental Council reports that this cut comes on top of a decade in which this funding has already lost 25 percent of its funding through inflation.⁴⁰ Our drinking water would also be more dangerous. In 2008, Minnesota would receive \$19.6 million less from the Clean Water Revolving Fund and the Clean Drinking Water Revolving Fund than it received in 2001, taking inflation into account, funds that it uses for activities like buying land around reservoirs to protect drinking water, or upgrading sewage treatment plants.⁴¹

We need to make sure that Minnesota can meet its own responsibilities to its citizens without bearing the burden of the federal government's responsibilities as well. The overall effect of the president's budget proposal is to shift much of its responsibilities – and its costs – to the states. According to the Center on Budget and Policy Priorities, the president's budget would cut grants in aid to Minnesota by \$150.0 million compared to 2006 funding, taking inflation into account.⁴²

The President's Budget Sets the Wrong Priorities

³⁶ President's Budget for 2008, <http://www.whitehouse.gov/omb/budget/fy2008/pdf/apers/crosscutting.pdf>, p. 141.

³⁷ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm .

³⁸ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm .

³⁹ Environmental Council of the States, <http://www.4cleanair.org/Documents/TheStatesProposaltoCongressforEPAs2008STAGfinal.pdf>

⁴⁰ <http://www.4cleanair.org/FundingNeedsOverview.pdf> .

⁴¹ Center on Budget and Policy Priorities, www.cbpp.org/2-21-07bud.htm.

⁴² Center on Budget and Policy Priorities, <http://www.cbpp.org/2-6-07sfp.htm> .

The president's budget does not include these cuts out of fiscal responsibility. Rather, they are used to partially offset the cost of tax cuts for millionaires. In every year from 2008 through 2012, the cost of the president's tax cuts for millionaires exceeds what his budget would save through cuts to annual funding for domestic programs. For example, in 2012, according to the Center on Budget and Policy Priorities, the president's budget would cut annually funded domestic programs by \$34 billion.⁴³ In that year, millionaires would receive \$73 billion in tax benefits from the 2001 and 2003 tax cuts. According to Congressional Budget Office data, the tax cuts are the single biggest reason that our federal government has gone from an annual budget surplus to an annual budget deficit. Even including the spending on Iraq and Katrina, federal spending as a share of the economy is lower than its average level over the last three decades, according to the Center on Budget and Policy Priorities. We don't need more tax cuts. We need to start investing in our communities and restoring fiscal sanity.

In Minnesota, according to Citizens for Tax Justice, only families with the top 1 percent of income – families that on average have an income of \$1,159,500 – are better off because of the tax cuts, once the cuts' effect on the national debt is taken into account. The rest of us are left with a small cut in our taxes, and a bigger debt to pay. In fact, a family of four with an income in the middle 20 percent – with an average income of \$46,200 – ends up losing \$29,774.⁴⁴

Congress Should Put First Things First

The 110th Congress can expand opportunity and prosperity for the vast majority of Minnesota citizens, ensuring long-term economic growth by investing in critical human needs priorities. It's the wrong choice to leave children uninsured, our youth unprepared for work, and force all Minnesota residents to face further erosion of public services and the environment. It's the wrong choice to cut services that empower our communities and strengthen our economy in order to pay for tax cuts for millionaires. It's the wrong choice to leave our children a legacy of debt, instead of investing in our children and communities for a productive future.

The president's budget makes the wrong choices. We call on Congress to make the right ones.

The Emergency Campaign for America's Priorities is a nationwide campaign of national and grassroots organizations committed to reversing the administration's policy of drastic cuts to programs that primarily benefit the poor and middle class in order to finance tax cuts that benefit the wealthy and special interests.

The Coalition on Human Needs is an alliance of national organizations working together to promote public policies which address the needs of low-income and other vulnerable populations. The Coalition's members include civil rights, religious, labor and professional organizations and those concerned with the well being of children, women, the elderly and people with disabilities.

⁴³ Center for Budget and Policy Priorities, <http://www.cbpp.org/2-5-07tax.htm> .

⁴⁴ Citizens for Tax Justice, <http://www.ctj.org/bushtaxcuts.htm> .