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Bush looking at freezing domestic spending

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WASHINGTON (AP) -- The White House is telling federal agencies to expect lean budgets next year, with congressional aides and lobbyists saying President Bush appears ready to propose freezing or even slightly cutting overall domestic spending.

Targeted would be all annually approved programs except for defense and domestic security.

Excluding those two would leave a part of the budget the administration estimates will total \$388 billion for the fiscal year that began October 1. Also excluded are automatically made payments like Social Security and interest on the federal debt.

Bush's stringent approach comes as record federal deficits that hit \$413 billion last year hinder his ability to pay for overhauling Social Security and extending his tax cuts. He also has tied the budget shortfalls to the weakening dollar, and pledged to reduce red ink to help prop up the currency.

At his White House economic conference on Thursday, Bush said he made "good progress" in holding the growth of non-defense, non-homeland-security programs this year to about 1 percent.

"What I'm saying is we're going to submit a tough budget," he said. "And I look forward to working with Congress on the tough budget."

The president is still making final decisions about the \$2.5 trillion budget for 2006 he will propose in February.



Congressional aides and lobbyists say President Bush appears ready to propose freezing or slightly cutting domestic spending.

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But House and Senate aides, speaking on condition of anonymity, said cuts appeared destined for such programs as housing, grants for community development, purchases of new equipment for the Federal Aviation Administration, and Army Corps of Engineers water projects.

Even the National Aeronautics and Space Administration, an administration favorite, was facing an increase of just 1 percent, pending appeals to the White House by outgoing NASA Administrator Sean O'Keefe, a lobbyist said.

The zero-sum game that is federal budgeting means that if spending for next year is held flat, for every dollar increase that administration favorites like education or veterans receive, another dollar must be cut elsewhere.

Even a program receiving the same as this year would lose purchasing power due to inflation, now running about 3 percent annually.

Bush's spending blueprint would be among the toughest for domestic programs since President Reagan's budgets of the 1980s.

Overall domestic spending has grown every year but three since 1987 -- in 1995 and 1996, when Republicans first recaptured Congress, and in 2000, immediately after a one-time influx of U.S. aid to help poor and debtor countries.

Even as domestic spending growth has slowed, overall expenditures including defense and domestic security continue to climb, largely due to the costs of wars in Iraq and Afghanistan.

Congress approved \$87.5 billion for those wars in fall 2003 and \$25 billion more last spring, and Bush is expected to request another \$75 billion to \$100 billion early in 2005.

As word of Bush's still-evolving plans for domestic spending has seeped out, it has cheered conservative Republicans. They spent much of Bush's first term criticizing him for letting spending grow too rapidly and pressuring congressional leaders to try clamping down on spending.

Excluding homeland security and emergencies like hurricanes, domestic spending has grown by 27 percent since Bush took office in 2001.

"I really do believe that this White House gets it," said Rep. Mike Pence, R-Indiana, a leading House conservative.

Last February, Bush proposed a 0.5 percent increase for domestic programs, which Congress eventually doubled. Advocates of cutting spending are hoping for better

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results next year, since November's elections will bring more conservatives to the House and Senate for the new Congress.

"They've run out of excuses," said Stephen Slivinski, budget director of the conservative-leaning Cato Institute. "They can't blame anyone else."

Still, Democrats and many moderate Republicans are certain to fight for their priorities when Congress begins translating Bush' budget proposal to actual spending legislation next year.

"This tells you the administration's priority is tax cuts over fiscal responsibility and providing central services to the American people," said Thomas Kahn, Democratic staff director of the House Budget Committee.

Last May, the White House budget office distributed a memo to federal agencies warning them to anticipate an overall domestic spending cut of about 0.7 percent next year. At the time, White House officials called the document an early step in the budget process.

"The budget process is still under way," White House budget office spokesman Chad Kolton said Thursday. He said the administration still intends to cut the deficit in half in five years, and the next budget "will reflect our commitment to stay on that path."

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