



The *Real* State of the Union

How the Administration's and Congress' Irresponsible Choices Failed Low-Income Families and Workers in 2003

When the President addresses the nation about the State of the Union, will he see a nation in which millions of out-of-work and low-earning Americans are struggling? He is likely to offer a selective picture – one that points to the welcome third quarter economic growth but fails to emphasize the continuing and painful joblessness of this “recovery.”

The President should confront a nation whose wealth is very inequitably shared, and in which the opportunities to build better lives are shrinking for low-income families. Real wages have fallen since the onset of the recession. Of the 8.4 million officially unemployed, 1.9 million have been out of work for more than half a year. In the last 50 years, the proportion of long-term jobless was higher only in 1983, when overall unemployment reached double-digit rates. Since the beginning of the recent recession, we have lost well over 2 million jobs, the worst record since the Great Depression. Despite this, federal unemployment benefits for the long-term unemployed were allowed to run out at holiday time.

Nearly 35 million Americans were poor in 2002; poverty rates rose two years in a row after a long decline. Forty-three million people lack health insurance – in fact, 75 million will go without health insurance for some time over any two-year period. Housing costs are rising – in 2003, it took an hourly wage of \$15.21, almost triple the federal minimum wage, to afford rent for a fair market value two-bedroom apartment, up 37 percent from 1999.

Need is growing, and a fair assessment of the state of the union must address the need for jobs with decent wages, health coverage, educational opportunities, affordable housing and child care, and the services needed to strengthen families and protect children.

A fair assessment of the state of the union must also look at the stewardship of the nation. America's hard-won budget surplus has been replaced by a nearly \$400 billion deficit in 2003, with deficits projected by the Administration for the next 75 years. A substantial proportion of the deficit has been caused by reckless tax cuts that rob government of its ability to meet needs in exchange for grossly disproportionate benefits for the wealthiest among us. In 2003 alone, the tax cuts passed in the last three years cost \$260 billion in lost revenue. Last year, millionaires received an average of \$113,000 in new tax cuts, while households earning between \$10,000 and \$20,000 received an average of \$307.

The real state of the union is one where the President and Congress have made irresponsible choices. What have we gotten for the \$260 billion in foregone revenues? Precious few jobs. Those billions have not been invested in improving education, expanding job training, protecting the

unemployed, feeding our children, building affordable housing, or providing health coverage to the uninsured. The lowest income families will lose far more than they can buy with their \$307 tax cut. In a jobless recovery, some are jobless, and some are recovering nicely. Low-income families are clearly not in the latter group.

In the past year, there were many missed opportunities to make the investments that build towards a shared prosperity. A clear-eyed look at the *real* state of the union directs us to the real solutions for struggling Americans and outlines the ways for Congress and the President to begin making responsible choices for Americans, young and old.

The *Real* State of the Union:

~~///~~ **The state of the jobless workers:** In December Congress left town without renewing the federal program of extended unemployment benefits. Every week starting December 21st another 90,000 long-term unemployed workers will lose federal benefits; more than two million workers over the next six months will no longer qualify for any federal jobless aid. This has come at a time when there are 1.9 million long-term unemployed. The latest unemployment data, showing only 1,000 jobs created in December and revising downward the October and November job growth figures is evidence that this is not the time to abandon people who have exhausted their state unemployment benefits.

The responsible choice: The President should end his silence by vigorously urging Congress to restore extended federal benefits for unemployed workers.

~~///~~ **The state of the uninsured:** The number of uninsured Americans grew to 43 million this year, as fewer people got private health insurance through work and financially strapped states cut back on Medicaid coverage. Early in 2003, the President's budget proposed turning the Medicaid program into a block grant, which would limit the federal funds available to Medicaid and further squeeze state programs in a time of growing costs. Congress did not act on this plan.

- In one victory for uninsured children, Congress approved a bill to allow states to continue to tap Children's Health Insurance Program funds that had not yet been spent, rather than allowing those funds to revert to the Treasury.
- But thousands of low-income children with disabilities and approximately 155,000 legal immigrant children remain without health insurance because Congress failed to enact the Family Opportunity Act and the Immigrant Children's Health Improvement Act. Congress also failed to permanently extend transitional Medicaid assistance, which provides health insurance for families leaving welfare for work.

The responsible choice: The President should announce plans to work with Congress to pass the Family Opportunity Act and the Immigrant Children's Health Improvement Act immediately and to extend permanently the transitional Medicaid Assistance program. He should work with Congress to ensure that Children's Health Insurance Program funds continue to be available for states to spend on health care for children.

~~✍~~ **The state of families moving from welfare to work:** For the second straight year, Congress failed to renew the Temporary Assistance for Needy Families (TANF) legislation to help families move from welfare rolls into jobs. Both the Senate Finance Committee bill and the House-passed bill increase the number of hours of work required by parents and the proportion of those receiving help who must work. But neither bill gives families the resources and tools they need to prepare for, move to, and stay at work. Plagued by joblessness and tight budgets, states do not need more rigid mandates as proposed by the President and Congress. States do need the funding and flexibility to provide job preparation and the supports appropriate for each family.

The responsible choice: At a minimum, the President and Congress should reject work requirements that are more restrictive than current law, add significant new funds for child care assistance, give states more options to help families overcome barriers to employment such as low skills and disabilities, and restore help to legal immigrant families.

~~✍~~ **The state of children at risk of abuse or neglect:** Despite the President's repeated promises to increase funding for the premier federal prevention and support program for abused and neglected children by \$1 billion over five years, Promoting Safe and Stable Families funding remains frozen. Last year, the President and Congress actually cut total discretionary spending for child welfare services for 2004, including funding for adoption incentives. Washington's obvious lack of commitment to protect America's most vulnerable children will weaken efforts to prevent child abuse and neglect, reduce training and family support services, and shrink support for adoptive families.

The responsible choice: Americans expect the President to deliver on the \$1 billion he promised to the child victims of abuse and neglect, in addition to ensuring essential placement and treatment services, recruitment and support for trained child welfare specialists, and rigorous standards with strong federal and state accountability.

~~✍~~ **The state of low-income senior citizens:** Congress approved a massive bill that would provide prescription drug coverage to Medicare participants. Many of the 6.4 million low-income and disabled Medicare recipients who are also eligible for Medicaid prescription drug benefits could be made worse off under the new law. These seniors could be charged higher co-payments for prescriptions and some could lose access to particular drugs if those medications are not covered under their Medicare drug plan.

The responsible choice: The President and Congress should make sure that low-income seniors have complete access to affordable prescription drugs and should guarantee that no seniors will be made worse off under the new prescription drug law.

~~✍~~ **The state of undernourished children:** Despite the fact that over 13 million children in the U.S. live in food-insecure households, expiring child nutrition programs have yet to be reauthorized and improved by Congress. If we are to leave no child behind, every child must have enough nutritious food to eat. Federal programs such as the National School Breakfast and Lunch Programs, Summer Food Program, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and the Child and Adult Care Food Program are vital to the millions of children who rely on them as a primary source of daily food. Last year's

reauthorization efforts for child nutrition programs were frustrated due to a lack of new federal funding for program expansion and improvement.

The responsible choice: This year, the President and Congress should work to ensure adequate funding for and full access to food and nutrition programs.

✍ The state of child care for working parents: Last year the President ignored a growing child care crisis in America when he proposed freezing child care funding for low-income parents. His own budget acknowledged that freezing funds would result in 200,000 fewer children receiving care over the next five years. The House of Representatives and the Senate Finance Committee passed separate Temporary Assistance for Needy Families (TANF) bills that included an additional \$1 billion in child care funding. But that was far too little to cover the extra work hours both bills required of parents receiving assistance and the growing need of other low-income working families. Without increased child care funding, hundreds of thousands of children with working parents stand to lose access to child care assistance - even if the work requirements in TANF are left unchanged. Last year more than 30 states made cuts to their child care programs.

The responsible choice: The President and Congress should make sure the final TANF bill includes at least \$7 billion in new child care funds.

✍ The state of low-income taxpayers: The President and Congress left behind 12 million children in 2003 when they refused to accelerate a planned child tax credit to low-wage working families that would have given nearly 4 million families refund checks worth up to \$400. The failure by Congress to accelerate the refundable child tax credit left behind one out of every four children under age 17, including nearly half of all Black and Latino children. More than half of the families who would have benefited are headed by single parents. Parents who would have been helped by the accelerated child tax credit earn between \$10,000 and \$26,600 per year.

In addition, the Bush administration proposed making major changes to the application procedure for the Earned Income Tax Credit that would have made the tax credit more difficult for four to five million applicants to receive. Through intense efforts by advocates and national organizations, the IRS scaled back its plans.

The responsible choice: Congress should roll back the massive, reckless and unfair tax cuts for high-income households. The Administration should work to ensure that low-income taxpayers receive all of the tax credits for which they are eligible.

✍ The state of workers in need of training: The Administration and Congress continued to short-change the job training needs of workers despite almost unprecedented long-term joblessness. Last year the President proposed significant funding cuts for the Workforce Investment Act, the nation's primary job training program, and to turn it into a block grant, thereby threatening future funding allocations. Although the House of Representatives passed a version of the President's proposal to block grant the program, the Senate has thus far rejected this approach.

The responsible choice: The President should seek to restore funding for the nation's job training programs back to the 2002 level of \$5.79 billion, adjusted for inflation, and should abandon efforts to limit funds through a block grant.

~~✍~~ **The state of workers who earn overtime pay:** The Administration proposed new rules to limit overtime pay for up to eight million workers. Although the Senate voted to turn back those rules, the omnibus spending bill that will soon be considered in Congress will allow the Labor Department to implement the rules. In fact, the Labor Department recently published tips for employers on how to cut overtime pay for their workers.

The responsible choice: President Bush should throw out the proposed overtime rules.

~~✍~~ **The state of Head Start children:** Rather than ensuring that all of America's low-income children have the opportunity to succeed in school, the Administration proposed to dismantle Head Start, a successful 39-year-old federal program with bipartisan support. The President's plan, which passed the House of Representatives by one vote in a slightly revised form, would block grant the program in eight states, weakening program performance standards and funding guarantees. The Senate proposal is still in negotiations.

The responsible choice: The President should heed the call of Head Start experts and child development specialists and abandon his plan to dismantle Head Start. He should challenge Congress to provide adequate funding so that all eligible children may be served.

~~✍~~ **The state of schoolchildren:** Once again Congress and the President failed to fully fund the No Child Left Behind Act. Funding for schools with low-income students remains more than \$6 billion below the \$18.5 billion planned for Title I under the President's own education bill.

Special education under the Individuals with Disabilities Education Act (IDEA), which serves over 6.5 million students, also continues to be underfunded by the President and Congress. The Act authorizes the federal government to reimburse states for 40 percent of the average per-pupil special education cost, but has never reimbursed more than 18 percent, the current rate. Washington's fiscal neglect leaves cash-strapped states unable to provide students with disabilities the services legally guaranteed to them under IDEA. Because the program is currently running on \$8.9 billion in discretionary spending, there is no annual guarantee for even the current level of reimbursement.

The responsible choice: The President should keep his own promise to America's schoolchildren by providing the full authorized amount for No Child Left Behind. In addition, the President and Congress should guarantee a 40 percent reimbursement rate to states through mandatory funding of IDEA.

~~✍~~ **The state of families in need of housing assistance:** Only about one in four households with incomes low enough to qualify for federal housing assistance receives such aid. But in 2003, the Administration first proposed to turn the Section 8 Housing Voucher Program into a block grant administered by the states and also proposed funding so inadequate that tens of thousands of households would have lost the vouchers that make their housing affordable. The block grant would add a new layer of state bureaucracy and would almost certainly lead to funding that would not keep pace with housing costs, further shrinking the supply of low-cost units. After

extensive lobbying efforts by advocates, Congress increased Section 8 funding so that no vouchers would be eliminated in Fiscal Year 2004. The block grant proposal was not acted upon, but remains a priority for the Administration.

Last year Congress and the President failed some of the most vulnerable families when they did not adequately fund the Low Income Home Energy Assistance Program (LIHEAP), which helps low-income individuals pay their heating and cooling bills. Fewer than one in five eligible households receives LIHEAP assistance. The omnibus spending bill that will soon be considered in Congress funds LIHEAP at \$1.8 billion, plus \$100 million in contingency funds. This level of funding is even \$100 million less than the President requested in his budget for Fiscal Year 2004 and does not begin to address the need, now greater because of the extreme cold in many parts of the nation. The Senate Health, Education, Labor and Pensions Committee took an important step in rectifying the shortfall when it passed a LIHEAP reauthorization bill that authorizes the program at \$3.4 billion.

The responsible choice: President Bush should drop his Section 8 block grant plans and should expand, not cut, the supply of housing vouchers for low-income households. He should respond to the unmet need for energy assistance by supporting a reauthorization of LIHEAP funded at \$3.4 billion and should insist that the program is appropriated at that level.