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CHILD TAX CREDIT IMPROVEMENT ENACTED IN FINANCIAL RESCUE BILL

On October 3, its final day in session, Congress passed and the President signed into law a major improvement in the Child Tax Credit that will help 13 million low-income children. The provision makes families with earnings of $8,500 or more eligible for a partial Child Tax Credit although they don't earn enough to owe federal income taxes (called a "refundable" credit). Approximately 2.9 million children will become newly eligible for the credit and 10.1 million will receive a larger credit. Without the improvement families would have had to earn at least $12,050 in 2008 to be eligible for the partial credit. The reduced earnings requirement was enacted for one year; although advocates have hopes it will not be too difficult to persuade Congress to extend it.

Seventy percent of the children who benefit from the change in the Child Tax Credit live in families in which a parent works 30 or more hours per week year around, and nearly one in ten of the children live in families where either a parent or child has a disability. Many of the parents who would be assisted work in low paying and difficult jobs providing critical services, such as health care to the elderly or ill and teaching young children. For state-by-state estimates of the number of children who will benefit from the Child Tax Credit expansion see the Center on Budget and Policy Priorities report at: http://www.cbpp.org/5-15-08tax.pdf.

A tax package which included changes in the Child Tax Credit, an Alternative Minimum Tax (AMT) 'patch,' renewal of expiring annual tax credits often referred to as 'extenders,' and a number of new tax incentives for the production and use of renewable forms of energy for months had been caught up in a standoff between the House and Senate. House Democrats insisted that the entire cost of the package should be paid for (offset) by raising revenues elsewhere in the tax system. Senate Republicans opposed paying for the AMT and expiring credits; they only supported partially offsetting the remaining provisions. They stymied efforts to bring the fully paid-for House bill, H.R. 6049, to the Senate floor by preventing it from receiving the 60 votes needed to move forward. See ***Human Needs Report*** for July 1 for more details: http://www.chn.org/humanneeds/080701b.html.

It looked as though Congress would recess without passing the tax package until the financial rescue bill provided a potential vehicle for passage. After the rescue bill failed in the House, the Senate revised the bill by adding the stalled tax package plus tax benefits for regions of the Midwest, Texas, and Louisiana affected by Hurricane Ike and major flooding. The Senate gambled that the increasing pressures on the House to pass a rescue plan plus the desire by many House members to adopt some or all of the tax cut/disaster relief package would overcome House opposition to the Senate approach. It worked. Ultimately the Emergency Economic Stabilization Act (H.R. 1424) easily passed the Senate by a vote of 74-25 and garnered enough votes in the House (263-171) to become law. The partly offset tax provisions have a net 10-year cost of $110 billion, added to the $700 billion potential price tag for the bailout.

DOMESTIC SPENDING EXTENDED FOR SIX MONTHS; ALMOST ALL FLAT-FUNDED

With 24 hours to spare, President Bush signed a continuing resolution extending most domestic spending through March 6, 2009. Unable to agree upon most of the separate appropriations bills, Congress instead passed temporary legislation with almost all spending frozen at this year's levels. Human needs advocates had worked hard to secure increased funding for a number of vital services, and were successful in persuading Congress to add urgently needed dollars or improving language for certain nutrition, home energy, and housing programs. The legislation, the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act (PL 110-329), also contains full-year appropriations for Defense, Military Construction and Veterans Affairs, and Homeland Security, as well as disaster relief to help states cope with hurricanes and flooding. The year-long appropriations for military and homeland security programs each had above-inflation increases: nearly 6.2 percent for Defense, 6.1 percent for Homeland Security, and 14.1 percent for Military Construction/Veterans Affairs. (Legislation text available at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h2638enr.txt.pdf.)

Nutrition programs face serious shortfalls because of rising food prices and more people eligible due to recession-induced lost earnings. It was not hard for Congress to see that flat-funding these programs would cause wholesale reductions in the number of people served. So, the Women, Infants and Children (WIC) nutrition program was increased to an annualized $6.658 billion, up from $6.02 billion in FY 2008. House and Senate Appropriations Committees had provided more than $6.7 billion for FY 2009 before giving up and combining all the annual appropriations into one large bill. Nutrition experts believe that the amount provided is adequate to get WIC through the next six months, but estimate that a further increase will be needed if current trends continue. In addition, emergency food packages provided mainly to low-income seniors through the Commodity Supplemental Food Program (CSFP) will receive an annualized $163.2 million, up from $140 million in FY 2008.

Congress also responded to the huge increases in home energy costs by doubling the funding for the Low Income Home Energy Assistance Program (LIHEAP). The $5.1 billion appropriation includes $4.5 billion for the regular formula grants to states (up from $1.98 billion in FY 2008), plus $590 million in emergency contingency funding that can be released as needed by the executive branch (the same level as this year).

Pell grants for low-income college students received an increase of just over $2.5 billion, to $16.761 billion. In addition, language sought by low-income housing advocates was included to ensure that all project-based Section 8 rental units can be renewed.

Other increases in human needs programs were included as part of the bill's disaster relief section. The Social Services Block Grant was increased by $600 million (for a total of $2.3 billion), with the new funding made available to help states directly affected by natural disasters to provide health and mental health services, as well as to repair or construct health/mental health, child care, and other social service facilities. Also included was $15 million in new funding under the McKinney-Vento Homeless Assistance Act for the education of children made homeless by natural disasters.

With the recession cutting deeply into family incomes and state revenues, the need for investment in a full range of social and community services is growing. Most of these services have sustained cuts over the past three or more years. Just to list a few examples, from FY 2005 through 2008, adult job training was cut 12 percent and youth training dropped 14 percent. Child care and Head Start were cut 10 and 8 percent, respectively. Adult basic education shrunk by 12 percent, and family violence/battered women's shelters declined 11 percent. Allowing inflation to cut these programs further at a time of economic crisis holds back the potential for recovery.

When the new Congress takes office in January, it will begin work on finalizing FY 2009's appropriations levels. Congress can enact higher funding more responsive to the nation's need, and does not have to wait until early March to do so. Expected continued turmoil in the economy will put pressure on Congress to act as quickly as possible.

CONGRESS ENACTS LEGISLATION AIMED AT EASING FINANCIAL CRISIS, BUT FAILS TO ADDRESS WORSENIGN RECESSION

Fearing the consequences of more delay in responding to failing financial institutions, frozen credit, and falling stock prices, Congress enacted legislation to throw up to $700 billion at the problem, albeit with somewhat less abandon than originally proposed by Treasury Secretary Henry Paulson. After the House surprised observers by rejecting the deal negotiated on a bipartisan basis, the Senate passed a similar bill with a few significant additions. To reduce the threat of a run on banks, the financial plan added an increase in the size of insured deposits in banks covered by the Federal Deposit Insurance Corporation (FDIC) from $100,000 to $250,000 per account. The Senate also added its $150 billion package of extended tax cuts, new tax incentives for renewable energy, and an improvement in the Child Tax Credit, as well as the bill requiring mental health parity in health insurance plans (see articles about the tax package and the mental health provisions in this issue). The Senate bill passed 75-24 on October 1.

Proponents of more substantial aid for homeowners and more teeth in the requirement that the federal government gain an ownership share of financial institutions bailed out by the bill wanted to see those improvements included in the new version. Adding such provisions would have attracted some of the progressive Members of the House who opposed the bill when it was defeated in the House on Monday, September 29. Instead, the leadership in both House and Senate emphasized the need for more Republican votes (only 65 House Republicans supported the bill when it went down on the 29th). Despite a vigorous push for a change to allow home mortgages to be renegotiated as part of court bankruptcy proceedings as well as efforts to include economic recovery measures such as an extension of unemployment benefits, no additional forms of help for "Main Street" were included.

Even though the bill emerging from the Senate did not substantially strengthen protections for taxpayers and homeowners or help with economic recovery, more House Democrats switched their votes from no to yes than did House Republicans (32 Democrats switched; 26 Republicans did). The final vote for the Emergency Economic Stabilization Act of 2008 (H.R. 1424) was 263-171, on October 3. The President signed the bill the same day.

What the Legislation Does

- **Purchase of Assets:** Authorizes the purchase of mortgages and securities made up of pooled mortgages by the U.S. Treasury Secretary. Through the new Troubled Asset Relief Program (TARP), the Treasury Secretary and his designees can buy up $250 billion in bad loans immediately, plus another $100 billion with a certificate from the President calling for the purchase. The remaining $350 billion can be disapproved by Congress (although their vote can be vetoed by the President).
- **Oversight:** Two panels, one of federal banking regulators and Cabinet officials and another made up of five Members of Congress will review the purchase of assets. In addition, a new inspector general within the Treasury Department will monitor activities.
- **Help for Financial Institutions:** In addition to the purchase of their weak assets, banks who purchased stock in Fannie Mae and Freddie Mac may count losses from these holdings against current income, a more favorable tax treatment than writing the losses off over time. The law also allows the Securities and Exchange Commission to suspend an accounting rule that requires financial institutions to include the current market value of the assets they hold in their balance sheets. Because the current value is so low, this rule forces banks and others to maintain higher reserves to offset the risk. By suspending it, the hope is money will be freed up for new loans, thereby easing the credit crunch. In addition, the Treasury must create a voluntary long-term insurance program for mortgage-backed securities.
- **Protections from Foreclosure:** The Treasury must establish a plan to reduce foreclosures and to encourage companies servicing mortgages to modify loans to make payments affordable by homeowners. Loan guarantees and other measures intended to prevent foreclosure are options available, but not required.
- **Protections for Renters:** The Treasury Secretary is encouraged to permit tenants current in their rent to remain in homes subject to foreclosure. When the Treasury purchases foreclosed rental properties, it must protect current rental subsidies (such as the Section 8 program) and retain federal, state, and local renter protections.
- **Help for Taxpayers:** If after five years the government's sale of the assets purchased under TARP results in losses, the President must submit a plan to Congress to recover costs from the financial industry. In addition, the law requires an equity (ownership) stake by government in companies

- **Executive Pay:** CEO's and top officials of companies getting help from TARP face limits on compensation. Other high-paid traders working for the firm are not subject to these limits.
- **Deposit Insurance:** As noted above, FDIC insurance is increased to $250,000 per account, up from $100,000.

What the Legislation Does Not Do

- **Provide Adequate Prevention of Foreclosures:** Although the law as enacted added some protections, many analysts see them as relatively toothless. Homeowners would be better protected if courts could modify loans in their favor in a Chapter 13 bankruptcy proceeding. The financial industry hotly opposed this, even though mortgages on vacation homes and other luxury property can be modified in bankruptcy court. Other measures, such as blanket mortgage rate reductions, would have strengthened foreclosure prevention.
- **Provide a Boost to the Economy:** Despite nine months of job losses and 800,000 exhausting their extended unemployment benefits on Sunday, October 5, Congress neither included within this bill nor enacted separately urgently needed economic recovery measures. Advocates had sought a further extension of unemployment insurance, aid to states to prevent cuts in Medicaid, child support, and other services, a temporary increase in Food Stamps, infrastructure repair, jobs for youth, and other measures to create or protect jobs, alleviate hardship, and put money back into the economy. The House and Senate each approved such a package but could not come to final agreement. The House also overwhelmingly passed an unemployment benefit extension on the last day of the session, but the Senate failed to do so because the bill required unanimous consent to move forward, and Senator Allard (R-CO) withheld his.

Alarms and Diversions

Service providers are seeing the consequences of the financial crisis in their states and communities, with states like California and Massachusetts unable to do even routine short-term borrowing and many states starting to cut services. Emergency food centers report huge increases in demand and shortages in food supplies. A 90 year old woman in Akron, Ohio shot herself in the chest when deputies arrived to serve eviction papers from her foreclosed home, a grim reminder of the impact of the millions of foreclosures affecting homeowners, disproportionately low-income. While recovering from her wounds, Fannie Mae forgave her loan so she can return to her home (http://www.cnn.com/2008/US/10/03/eviction.suicide.attempt/index.html). Surely there is a better way to address unaffordable mortgages.

Advocates are learning quickly about the causes of the current crisis and how to reduce the damage while preventing taxpayers from footing too much of the bill. They are also having to dispel wild attempts by the right-wing to divert blame to the Community Reinvestment Act (CRA) and to the grass roots organization ACORN (Association of Community Organizations for Reform Now). The CRA is a law passed in the late 1970s to require banks and savings and loans to provide services, including loans, in low-income communities, as a means of redressing previous failure to invest in those communities. Banks and savings and loans were not the source of the irresponsible subprime lending that was one of the causes of the current problem. CRA requirements do not apply to the newer financial institutions that made the subprime loans. Similarly, right-wing Members of Congress and media have made utterly wrong accusations that a provision which would have allowed a portion of the returns from the sale of assets to be placed in the Housing Trust Fund would have gone to ACORN. First, that provision was not included in the final bill. Second, as drafted, groups seeking funds for development of housing would have to apply for grants from the Trust Fund. ACORN has an arm that provides housing counseling, but they do not develop housing and doubted they would even have applied for the funding. These disturbing attempts at "spin" have been refuted by multiple sources, including the organization Media Matters (http://mediamatters.org/items/200810010019?f=s_search) and ***Newsweek*** (http://www.newsweek.com/id/162789).

Next Steps

Both House and Senate leaders have announced they will be back for a post-election session in mid-November. Speaker Pelosi has made several public statements in favor of taking action on economic recovery items during this period, and Majority Leader Reid has also favored action on such a package. With 9.5 million unemployed, the highest since 1992, an underemployment rate of 11 percent, and a rising proportion of the jobless out of work six months or more, Congress may try to act in a lame duck session. Similarly, if the financial rescue package has not worked to ease credit and stop the stock market plunge, Congress may try to revisit that package as well.

FOSTER CARE BILL PASSES

The House passed the bi-partisan Fostering Connections to Success and Increasing Adoptions Act of 2008 (H.R. 6893) by voice vote on September 17, and the Senate passed it by unanimous consent on September 22. The President is expected to sign the bill. The legislation recognizes the contribution grandparents and other relatives make in raising children through guardianship and adoption. It improves education and health care for children in the foster care system and extends federal support for services for youth to age 21 under certain circumstances.

The Act gives states the option of providing assistance payments to grandparents and other relatives who have moved from providing foster care to legal guardianship in order to provide children with a permanent home. The bill provides incentives to promote adoption of children from foster care and it makes it easier to adopt children with special needs. It calls for states to make reasonable efforts to keep siblings together in foster care and encourages kinship guardianship or adoptive placements to promote permanent family connections for children. H.R. 6893 expands the availability of training dollars to cover staff not only in public agencies but in private child welfare agencies, and for court personnel and advocates. It also allows Indian tribes to access funds to administer their foster care or adoption assistance programs.

The bill takes steps to address children's health and education needs by requiring states to develop a plan for ongoing oversight and coordination of health care services for children in foster care. State child welfare agencies are required to improve educational stability by ensuring that children remain in the school they are enrolled at the time of placement into foster care, unless that would not be in the child's best interest. Funds are increased in the bill for education-related transportation.

A more complete summary and analysis of H.R. 6893 from the Center for Law and Social Policy and Children's Defense Fund can be found at:
http://www.clasp.org/publications//FCSAIAActLongSummary091608.pdf.

HUMANITARIAN IMMIGRANTS TO RECEIVE EXTENSION OF SSI BENEFITS

On September 30, President Bush penned into law a long-awaited extension of Supplemental Security Income (SSI) benefits for refugees and other immigrants here on humanitarian grounds. The bill (H.R. 2608), which originated in the House, passed that chamber in July 2007. However, it was not until August of this year, with some slight modifications, that the bill received the Senate's approval. H.R. 2608 then went back to the House and on September 17 Representatives agreed by voice vote to the Senate's amendments and cleared the bill for the White House.

Under the new law, effective October 1, eligible elderly immigrants and persons with disabilities will be able to receive at least two additional years of benefits. Those who have a pending naturalization application at the end of the two-year extension will be able to receive a third year of benefits. The new law will bring relief to thousands of humanitarian immigrants whose benefits have expired or were set to expire, and for whom SSI is their basic means of support.

In 1996 a seven-year time limit for SSI benefits was imposed on humanitarian immigrants. It was assumed that seven years would give individuals sufficient time to naturalize, and thereby maintain their benefits. However, processing delays and other obstacles in the immigration system have made it nearly impossible for people to naturalize within the seven-year time period, resulting in a major loss of income for this vulnerable population.

Humanitarian immigrants include refugees, asylees, Cuban and Haitian entrants, Amerasians, victims of human trafficking, and persons who cannot return to their home countries for fear of persecution.
For details on who may be eligible for the extension please see the National Immigration Law Center's fact sheet: http://nilc.org/immspbs/ssi/SSI-Extension-FAQ-2008-10-01.pdf.

MAJOR VICTORY ON MENTAL HEALTH

The House and Senate managed to reach an agreement on a mental health parity bill and to see it become law before adjourning. The Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act, H.R. 6983, was signed into law on October 3 as part of the $700 billion bailout package. The passage of this legislation marks the culmination of over a decade-long struggle by mental health advocates to gain greater equity in the provision of mental health and substance use disorders services under group health plans. The compromise bill was introduced in the House on September 22 by Representatives Patrick Kennedy (D-RI) and Jim Ramstad (R-MN), two long-standing advocates on mental health.

Several months earlier, the House and Senate each passed mental health parity bills. However, differences between the two bills and Congressional Members' inability to reconcile these differences kept the issue from moving forward. (For details on the differences see *HNR* article, October 1, 2007 http://www.chn.org/humanneeds/071001c.html.) The impasse was resolved when the House agreed to drop its provision requiring coverage for any condition listed in the American Psychiatric Association's "Diagnostic and Statistical Manual of Mental Disorders". Instead, GAO studies will be conducted to analyze trends in coverage and to make sure certain conditions are not excluded. The Senate agreed to language stating that if a plan already offers out-of-network benefits for medical/surgical care, then it must also provide similar benefits for mental health services.

In addition to these provisions the new law requires that insurers that choose to offer mental health services have equivalent treatment limits and financial requirements for these services as for medical/surgical care. State parity laws providing stronger consumer protections, benefits and rights will be preserved. Businesses with less than 50 employees are exempted. The effective date for most health plans will be January 1, 2010. It is estimated that the newly instituted law will improve coverage for 113 million people.

PREMIUM ASSISTANCE FOR LOW-INCOME SENIORS AWAITS PRESIDENT'S SIGNATURE

Legislation to assist low-income seniors with their Medicare Part B premiums made its way quietly to the President's desk this fall. S. 3560, introduced by Senate Finance Committee Chairman Max Baucus (D-MT) and ranking member Senator Charles Grassley (R-IA), would increase funding for Medicare's Qualifying Individuals (QI) program by $45 million.

QI provides payment of Medicare Part B monthly premiums for seniors and people with disabilities with incomes between 120 and 135 percent of the federal poverty line. Congress established the program in 1997 but it only appropriated a limited amount of funds to each state to pay for the program. Earlier this year Congress enacted a Medicare law (see *HNR* http://www.chn.org/humanneeds/080721c.html) that included an extension of the program through December 2009 and authorized $400 million in spending for the benefit in 2008. S. 3560 would increase QI spending to $445 million, bringing much needed help for seniors living near the poverty level. *CQ* reports that without assistance, Medicare Part B premiums, which stand at $96.40 per month in 2008 and 2009, would consume about 10 percent of the monthly income of low-income seniors.

In addition to increasing QI funding, the bill also includes a provision to expand education activities under the Medicaid Integrity Program and incentives for some drug manufacturers to get FDA approval for their antibiotics. S. 3560 would be paid for by requiring states to participate in a federal computer system used to determine eligibility for Medicaid.

The bill passed the Senate by Unanimous Consent on September 25. Two days later the House approved the bill by voice vote and sent it to the White House. The President is expected to sign the bill, though at the time of writing he had not yet done so.