

The President's Last Budget: Upside-down Priorities



COALITION ON HUMAN NEEDS

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The President's Upside-Down Budget Priorities

Continuing a seven-year trend, President Bush's last budget once again sacrifices services for low- and moderate-income working families in order to preserve tax cuts for the rich. As the country falls into a recession, Bush's upside-down priorities cement his legacy as a president who has failed repeatedly to invest in programs and policies that meet human needs.

Everyday more Americans watch their chance at the American Dream slip away. Filings for home foreclosures rose 75 percent in 2007 to 2.2 million. The percentage of unemployed who continued to look for work after six months is now over 18 percent, compared with 11 percent at the start of the 2001 recession. Thirty-seven million Americans remain mired in poverty. Forty-seven million go without health insurance.

President Bush's budget effectively locks these trends in place by failing to provide adequate funding for health care, housing, child care, job training and a host of other programs. What's more, the proposed budget would make the deficit worse by continuing to give stunningly high tax cuts overwhelmingly to the rich. Tax cuts for millionaires alone will cost \$51 billion in FY 2009. The cuts in services needing annual appropriations may be painful, but at \$15 billion they are dwarfed by the tax cuts. They are also far from necessary, and in many cases represent a set of recklessly bad choices, the worst of which have been rejected by Congress in the past.

The Coalition on Human Needs has tracked more than 100 human needs services in the federal budget, covering health, jobs, housing, nutrition, education, and community-building. Since FY 2005, only 11 have experienced growth; another three have stayed even with inflation. Congress needs to step in and reverse this trend. It needs to insist on a budget that truly gives every American the chance at a healthy and productive life. It should start by taking these minimal steps in its budget resolution:

- **Leave room for vital investments in:**
 - Children's health insurance
 - Food Stamps
 - Child support enforcement funding
 - Supports for the poor through improvements in the Child Tax Credit and Earned Income Tax Credit.
- **Place moratoria on harmful Medicaid/SCHIP regulations.**
- **Stop the unaffordable flow of tax breaks to the richest among us:**
 - Continuing the capital gains and dividend cut for one year costs \$32 billion. Assuring health coverage for 10 million children,

including 3.8 children now uninsured, would cost \$35 billion **over 5 years**. Healthy children are a more productive investment.

- Tax breaks that let the very affluent take advantage of more deductions and let hedge fund managers and some others pay low tax rates will cost \$10.4 billion in FY 2009. For that amount, Congress could undo **every appropriations cut** tracked by the Coalition on Human Needs and restore those services back to their 2005 levels.

- **Set a total for domestic appropriations high enough to start rebuilding.** With the economy turning downward, we have no time to waste. In just one year Congress may not be able to restore all cuts that have been seven years in the making, but it should allow more people to be served, and to be served more effectively. Certain costs will be high – such as responding to the needs of a growing number of veterans. That means the total for domestic appropriations must be high enough so that meeting those needs does not force cuts in other areas.

A budget resolution that addresses these priorities will help the country rebuild. In painful contrast, the President's last budget continues to ignore, and ultimately makes worse, the growing problems facing Americans today.

Housing crisis? The budget cuts important housing and community development assistance by more than \$1.3 billion.

Millions of people struggle every day to pay their rent. Growing numbers face losing their homes from the sub-prime lending crisis; renters too have been caught up in foreclosures not of their own making. The president's response is to make deep cuts in programs that offer help. Under Bush's budget, at least 100,000 fewer low-income households would receive vouchers that make rent affordable.¹ The administration also plans to cut housing assistance for low-income seniors by 28 percent and for people with disabilities by 34 percent. Funds used for rehabbing housing and helping new homeowners (through the Community Development Block Grant) are cut 20 percent.

Rising unemployment? Funding for job training and employment services is slashed by over a billion dollars.

The President's proposed cuts would eliminate training for 161,000 adults, dislocated workers and youth who lack the skills necessary to get a decent job and help the economy grow.² The budget would replace Workforce Investment Act training programs as well as employment services with vouchers worth \$6,000 over two years – at the same time cutting the funding massively. The budget also cuts two other programs helping youth to prepare for work: Job Corps (cut 4 percent adjusted for inflation) and Youth Build (cut 17 percent).

Once again, the administration would eliminate funds to train migrant and seasonal farmworkers, a move Congress has repeatedly rejected.

Although 1.2 million would-be workers have been jobless so long they will exhaust their unemployment benefits by June, the administration offers nothing – and has opposed extending unemployment insurance.

Skyrocketing energy costs? Home heating assistance is cut nearly a quarter.

The cost of heating our homes is 80 percent higher today than it was seven years ago. Yet the President's budget would fund the program that provides relief – the Low Income Home Energy Assistance Program (LIHEAP) – at exactly the same level as in 2001. It cuts LIHEAP's budget by \$570 million to \$2 billion – a 24 percent drop, counting inflation. According to the National Energy Assistance Directors' Association, the President's budget would either result in 1.2 million low-income families and elderly people losing assistance entirely, or the average amount of assistance dropping by 28 – 36 percent.³ From 2003 to 2007, the average LIHEAP benefit dropped from \$349 to \$305 annually, because funding did not keep pace with rising demand. Congress responded by increasing LIHEAP funds this year to \$2.57 billion – an increase the President would eliminate. Home energy costs are particularly unmanageable if a home's heating system is inefficient or the house needs insulation. But the President would zero out weatherization assistance.

Communities fraying from the compounded effects of the burst housing bubble, economic downturn and growing needs of families unable to keep pace with rising costs? Attack program after program that strengthens communities.

Chipping away at community-strengthening services is a consistent theme in this budget. The Community Services Block Grant, for example, funds community action agencies that administer LIHEAP, Head Start, and various job training, housing, and/or nutrition programs. The President would eliminate it. The Social Services Block Grant provides funding for services including child care, family counseling, help for children at risk of abuse or neglect, meals on wheels and adult day care programs. The President cuts it by \$500 million (31 percent, counting inflation), and would eliminate it by 2012. The Community Development Block Grant, which funds child care and other social service facilities as well as job-creating development projects and housing assistance, is cut 20 percent, as noted above. Rural health centers, community health centers, substance abuse and mental health treatment are all cut. Support for battered women's shelters shrinks with inflation. Juvenile justice/delinquency prevention programs are lumped together and cut 57 percent.

Health care crisis? Restrict eligibility for Medicaid and children's health insurance.

The Bush administration's plan to slice Medicaid by \$1.8 billion next year and more than \$18 billion over five years will cause serious hardship to millions of Americans who rely on the nation's primary health insurance program for low-income people. An additional \$14.7 billion in five-year cuts would come from new or already proposed

regulations. The administration is seeking rules to stop payments from Medicaid for case managers for abused and neglected children, disallow payments for school transportation for children with disabilities, eliminate payments for graduate medical education, and prohibit states from serving families with incomes of 300 percent of the poverty line. That would allow states to decide who is eligible for Medicaid, effectively removing many people who would otherwise be uninsured and who struggle to pay high medical expenses. In addition to denying care to vulnerable people, these rules deprive states of much-needed funds as the recession shrinks revenues.

Although the budget includes a \$19.7 billion funding increase for the State Children's Health Insurance Program (SCHIP), this figure is not adequate to cover rising health care costs over the next five years. It would take \$21.5 billion in new funding over this period to continue today's level of services.⁴ The President's funding would require states to slightly scale back their SCHIP programs or come up with their own funding to maintain the program. The President opposed Congress' 2007 attempt to provide \$35 billion over five years to protect children currently served and enroll an additional 3.8 million children.

Growing child care needs? Freeze funding for child care assistance for low-income families.

Nearly two-thirds of mothers with children under six and 78 percent of mothers with children aged six to 17 work outside the home.⁵ Bush's response? For the seventh year in a row, his administration would freeze child care funding, which has already fallen by about 17 percent since 2002. Making things worse, under the President's FY 2009 budget 200,000 fewer children in low-income families would receive federal child care assistance than did so in 2007. This means thousands of struggling families will not be able to place their children in the high-quality child care settings that would give them the start they need to succeed in school and lead productive lives.

The President's funding for Head Start does not quite keep pace with inflation, and cuts Head Start eight percent below its FY 2005 level, taking inflation into account. According to the National Women's Law Center, 13,000 fewer young children would benefit from Head Start in FY 2007 compared with FY 2009.⁶ Hundreds of thousands of children in afterschool care would suffer too, with a 28 percent one-year cut in the 21st Century Community Learning Centers, adjusted for inflation.

Increasing child abuse and poverty? Shrink the federal role in providing child welfare services and child support enforcement.

The comment period has just closed on proposed regulations that would end Medicaid funding for case managers serving abused and neglected children. These funds have been part of states' budgets for child protective services; ending them just when states are starting to experience revenue shortfalls poses a threat to essential services. Similarly, the administration is once again proposing to limit currently open-ended

funding for children needing foster care, asking states to trade more dollars up front for cuts in future years.

States are now starting to lay off child support enforcement workers because of cuts enacted as part of the Deficit Reduction Act in 2006. The reduced staffing will mean children and their families will lose \$11 billion in support owed to them by their noncustodial parent over 10 years. Child support enforcement has been one of government's quiet success stories – \$24 million was collected in 2006 on behalf of more than 17 million children. For every one dollar spent, \$4.58 is collected.⁷ The Bush budget is silent about this cut; Congress should undo it before too much harm is done.

Rising food insecurity? Slash funds for food stamps and other nutrition programs for the poor.

Although the number of households in this country facing moderate or serious food insecurity has grown to 35.5 million, the President's budget calls for reductions in programs aimed at ensuring that all Americans receive adequate nutrition. For the fourth year in a row, the budget would deny food stamp coverage to 300,000 low-income working families and children. It also fails to support increases in the minimum monthly food stamp benefit from the current average of just \$1 per meal, which has bipartisan support and is a key component of the upcoming Farm Bill. To make matters worse, for the third year the Bush administration's budget includes elimination of all funding for the Commodity Supplemental Food Program. If adopted, this would prevent nearly 500,000 poor seniors, mothers and children under age six from receiving nutritious monthly food packages that prevent them from going to bed hungry.

In addition, the Women, Infants and Children nutrition program (WIC) does not keep pace with inflation. The recently passed omnibus appropriations bill for the current fiscal year added funds for WIC to ensure that it would be able to absorb higher food prices and serve all eligible children and mothers. Especially in a rocky economy, WIC must be able to respond to growing need.

Growing financial pressures on schools? Cut overall funding for K-12 education.

The President's budget does little to help cash-strapped schools struggling to meet demands under No Child Left Behind. Funding for elementary and secondary schools serving low-income children (Title I) is a hair below inflation, but the budget proposes diverting money that had been spent on K-8 to high schools. Doing more with essentially the same amount is not a recipe for leaving no child behind. The failure to fund schools adequately has meant that children are tested but that the funds for teaching and supporting them are inadequate. Funds to educate children with disabilities (IDEA grants to states and to children and families) would also shrink slightly, despite the federal government's commitment to increase its share of special education costs to 40 percent.

Congress can make its budget resolution an expression of the nation's most vital priorities – reducing the number of uninsured, improving education, helping people find good jobs, reducing poverty and protecting us from disasters – natural or man-made. A healthy and humane democracy cannot expect individuals to overcome such obstacles on their own. Congress needs to step in and do what is right.

¹ Douglas Rice and Barbara Sard, "Preliminary Analysis of HUD Provisions of President's Budget for FY 2009," Center on Budget and Policy Priorities, February 5, 2008

² The Workforce Alliance, Effects of FY 2009 Budget Request on Total WIA State by State Funding and Recipients, <http://www.workforcealliance.org/atf/cf/%7B93353952-1DF1-473A-B105-7713F4529EBB%7D/FY%2009%20Budget%20Effects%20on%20WIA%20FINAL%202-6-08.pdf>

³ National Energy Assistance Directors' Association, <http://www.neada.org/appropriations/2008-02-04.htm>

⁴ Robert Greenstein, James Horney, and Richard Kogan, "The Dubious Priorities of the President's FY 2009 Budget," Center on Budget and Policy Priorities, February 4, 2008, <http://www.cbpp.org/2-4-08bud2.htm>

⁵ National Women's Law Center, "The Reality of the Workforce: Mothers are Working Outside the Home," March 2004, <http://www.nwlc.org/pdf/WorkforceFactSheet2004.pdf>

⁶ National Women's Law Center, "Budget Woes: President's FY 09 Budget Seeks to Lock in Gains for the Rich, Cut Services for Women and Families," February 6, 2008, <http://www.nwlc.org/BushBudgetFY09/>

⁷ Coalition on Human Needs, "Ensure that a Decade of Progress in Child Support Enforcement is Not Lost," <http://www.chn.org/pdf/2007/childsupportfacts.pdf>