



COALITION ON HUMAN NEEDS

Guide to the FY 2007 Federal Budget

What's at Stake for Human Needs

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The Coalition on Human Needs is an independent alliance of faith-based organizations, service providers, policy experts, and other advocates concerned about federal responses to the needs of low-income and vulnerable people.

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Table of Contents

| | |
|---------------------------------------------------------------|----|
| Overview | 4 |
| Federal Budget Timetable | 15 |
| What Exactly Is A Budget Resolution? | 17 |
| Human Needs Program Details in the President's FY 2007 Budget | 18 |
| Education Slashed | 18 |
| Early Education for Fewer Children | 19 |
| Less Training for Unemployed Workers | 20 |
| Far Less Help for Troubled Youth | 21 |
| Less Food Aid | 22 |
| Fewer Social and Community Services | 23 |
| Less Affordable Housing | 24 |
| Health Care: Making Things Worse | 26 |
| Social Security Privatized | 28 |

Introduction

What kind of America do we want to live in five years from now?

Most of us hope that families will be under less stress – that the long-term trends of shrinking wages and fewer benefits will be reversed, and that families will have more of the supports they need to raise healthy children. We want every child to have the chance to prosper, through a good education and increasing access to college or vocational training. We hope that our aging population will be secure in retirement, able to get the help they need to live independently as long as possible. We want opportunity and security to be more easily within the grasp of all Americans.

Every year, the President and Congress make federal budget decisions that affect our future. This Administration's decisions have reduced opportunity, diminished security, and squandered resources. Although Congress never swallows the White House budget whole, in recent years it has gulped down substantial parts.

Last year, the President proposed nearly \$67 billion over five years in cuts to mandatory programs (also known as "entitlements") such as Medicaid, Food Stamps, and student loans. Congress finally agreed to \$39 billion in cuts to Medicaid, student loans, child support enforcement, foster care assistance, and certain other programs.

But Congress did swallow pretty much whole the President's proposals for another broad category of spending – the programs that need annual appropriations (known as "discretionary" programs). These include defense, homeland security, education, housing, job training, community development, certain nutrition and children's services, and much more. Last year, the President proposed \$214 billion in reductions to these programs over five years, with defense and homeland security exempted (these areas grew). Congress agreed to \$212 billion in such cuts in its FY 2006 budget resolution. (Mandatory, entitlement, discretionary – confusing jargon. Explanation on page 6.)

This year, the Congressional budget committees are poised to accept the President's totals for discretionary spending again, which add up to \$221 billion in cuts between FY 2007 and FY 2011, as analyzed by the [Congressional Budget Office](#). There are reports that Congress will be much more reluctant to go along with the President's \$65 billion in five-year cuts to Medicare, Medicaid, Food Stamps, and other mandatory services, although no one should assume that all these programs will emerge unscathed.

The other side of the budget equation is revenues. The President has proposed another \$282 billion in tax cuts over five years. This substantial loss of revenue means that spending reductions that disproportionately hurt low-income and vulnerable people will pay for tax cuts favoring those with high incomes. Congress has in the past given the President what he has asked for in tax cuts and some in the leadership have expressed a willingness to do so again.

Three Ways to Prevent a Budget that Squanders Our Resources Instead of Investing Them

- Oppose any budget with funding for appropriations that is so low it will result in service cuts that hurt low-income children, families, elderly, or people with disabilities.
- Oppose cuts in entitlement programs that serve low-income Americans such as Medicaid, Food Stamps, and social services.
- No tax breaks that deepen the deficit and take funds away from needed services.

For those who care about meeting human needs and investing in the nation's future, the cost of the tax cuts is very high. The tax breaks in the President's FY 2007 budget will cost \$1.7 trillion over 10 years. Each year, the worsening revenue picture will be the rationale for further cuts in health, nutrition, education, housing, community development and environmental protection. Families whose earnings have not kept pace with inflation will find it harder to afford housing and energy costs, child care, and health coverage. Government will do less to help.

The High Cost of Tax Cuts: Which is the Right Choice?

- Extending capital gains/dividends tax breaks: \$21b over 5 years,

OR avoiding cuts in:

- **WIC:** up to 1.6m fewer participants in FY08
- **Food Stamps** (down 300,000 people); **school meals** (down 40,000 children)
- **Commodity Supplemental Food Program** (down 420,000 elders; 50,000 children/moms)
- **Education for the disadvantaged:** cut by \$2.4b
- **Pell Grants:** (frozen maximum grant worth \$900 less than 30 years ago)
- **Employment/Training Services:** (funds cut, on top of 17% reduction in trainees from 1998 to 2003)
- **Child care:** (650,000 fewer children helped in 2011 than in 2000)
- **LIHEAP** (home energy): - \$1.9b (10% increase in applicants this year, to record 5.6 million households)

Translating the Congressional Budget into Human Terms

As Congress begins its deliberations on the FY 2007 budget, there is no indication that the President's budget is "dead on arrival." The fierce opposition to Medicaid and other mandatory program cuts last year has meant that many in Congress have little interest in inflicting more cuts in these areas. But if Congress approves a budget resolution with appropriations funding similar to the President's, the specifics in the President's budget remain a roadmap to gauge where Congress plans to take us.

The President's budget for Fiscal Year 2007 takes us further in the wrong direction.

- Instead of increasing the number of children enrolled in Head Start, the Bush budget will serve 19,000 fewer children in FY 2007 than the year before, with further cuts expected each year.
- Instead of making it a federal commitment that every infant and toddler receive the nutrition aid he or she needs, the Administration cuts funding for the proven effective Women, Infants and Children (WIC) program starting in FY 2008, and seeks a new 20 percent match from states. If states do not provide the match, 1.6 million infants, toddlers, and/or pregnant women would lose WIC nutrition supplements.

- Instead of providing the increased funding promised to low-income public school districts through the No Child Left Behind Act, the budget freezes funds for Education for the Disadvantaged (Title I) below the funding in FY 2005.
- Instead of ensuring that our rapidly growing elderly population will have affordable housing, the budget cuts housing for the elderly by 25 percent in one year. Last year, 4,700 new units were created; in FY 2007, only 2,700 units will be built. But the number of people over 85 is expected to double by 2020.
- Instead of making sure that every elderly person and every child has enough to eat, the Administration proposes eliminating the Commodity Supplemental Food Program, which provides modest food packages to 420,000 elderly and 50,000 pregnant women and young children.

This list can go on and on. From public school funding to vocational training, the Administration's budget provides less, and sacrifices opportunity and American competitiveness. From health coverage to services to prevent child abuse and neglect to housing assistance for the disabled, the budget provides less and threatens health, safety, and economic security. The budget fails to invest in the services needed to make the economy work for everyone.

What Will Congress Do?

The first action Congress takes in the budget process is to pass a budget resolution. This is in effect an outline for federal spending and revenues, with the details to be filled in later. As such, it poses big problems for those who care about services. With no details, how can advocates argue that a proposed budget resolution cuts particular services? This is where a careful look at the President's budget is called for. *If Congress settles on funding as low as the President's, it guarantees that cuts in important services will occur.* The roadmap supplied by the President's budget proposal shows funding reductions for specific programs. If Congress agrees to the totals, they must be asked if they agree with the cuts; if not, what other programs will lose funding?

If advocates for services wait to make their case until after the broad outlines of spending are agreed to, they will be playing a zero-sum game: any increase in their program means a cut in another; a service for poor and vulnerable people may well be cut because another program's constituency is more powerful.

Therefore, advocates must speak out on behalf of necessary services before Congress completes work on the budget resolution (federal law calls for the resolution to be passed by April 15). In speaking about services they wish to defend, advocates must point to the President's new proposal – both its funding for the specific service and its total funding. If their program is cut in the President's budget, the message to Congress must be: “The total funding for domestic programs in the President's budget is too low. It must be increased so that these important services can receive adequate funding.”

Discretionary? Mandatory? Deciphering Key Federal Budget Jargon

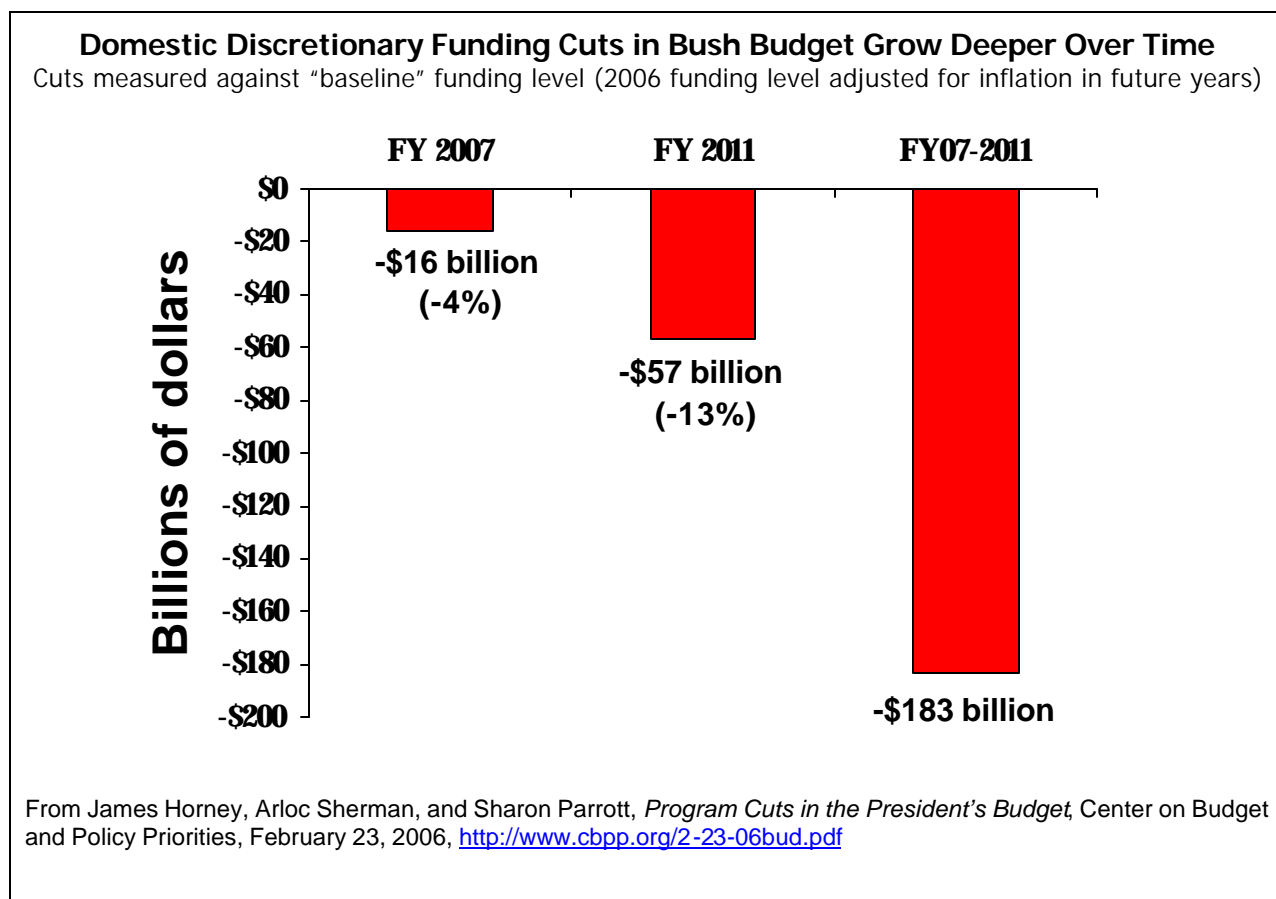
Discretionary programs: These programs require annual appropriations; that is, they can run out of money if Congress fails to appropriate additional funds. Examples: defense, education, housing.

Mandatory programs (aka entitlements): They don't need annual appropriations. They receive funding based on laws that govern how the program operates, sometimes including who is eligible or the extent of the service provided. Examples: Medicare, Medicaid, Social Security, Food Stamps.

How Low is Funding for Appropriations in the President's Budget?

The President's budget shows total reductions of \$183 billion over five years in non-defense, non-homeland security annually appropriated programs (also known as "discretionary" programs). On March 3, using somewhat different assumptions, the Congressional Budget Office estimated that the reductions called for in the Administration's budget would add up to \$221 billion in non-defense programs over five years. Both estimates show that non-defense appropriations shrink substantially over time. Looked at as a share of the economy (the Gross Domestic Product), CBO estimates that these programs slide from 7.9 percent of GDP in FY 2005 to 5.9 percent in FY 2011.

An analysis of the President's own figures by the Center on Budget and Policy Priorities shows that the cuts get deeper and deeper with each year, adjusted for inflation. From FY 2006 to FY 2007, cuts in these domestic programs total \$16 billion, but are close to \$57 billion below the cost of providing current services in FY 2011. The reductions deepen each year in order to meet the President's goal of cutting the deficit in half by FY 2011.

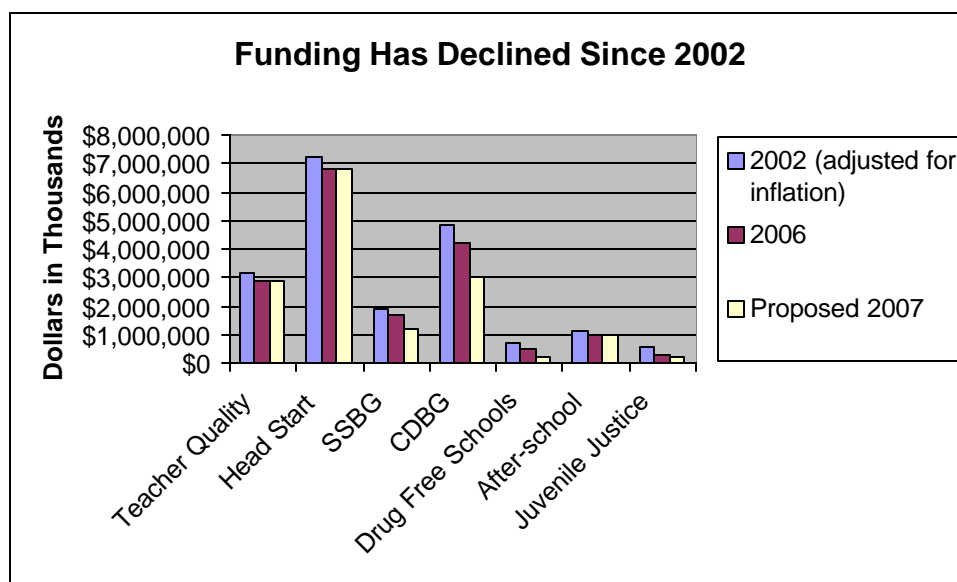


Services Lost Since FY 2002

Overview numbers do not bring home the meaning of the proposed cuts to millions of people. The detailed descriptions of services that make up most of this report give some idea of the numbers of people affected, and what they will lose, wherever the information is available.

For many services, the cuts proposed for FY 2007 are part of a multi-year trend. The table below shows the percentage decline from FY 2002 through the President's budget proposal for FY 2007 in a number of key programs, taking inflation into account. Even where funds are not cut outright, inflation takes a serious toll. Head Start, for example, is expected to serve 19,000 fewer children in FY 2007 than in FY 2006 because its very slight increase will not keep pace with inflation. Since 2002, the purchasing power of Head Start has shrunk by 11 percent.

Young and old alike are targeted for cuts in the President's budget. Child welfare services to protect children from abuse or neglect would be cut 13.3 percent from FY 2002 through the President's FY 2007 proposal. Elderly housing is cut by 25 percent, meaning that 2,000 fewer new units will be built than in FY 2005. The Social Services Block Grant is slashed, from \$1.7 billion down to \$1.2 billion. Older people receive meals on wheels through these funds, as well as protection from abuse. In 2003, 560,351 children received prevention and intervention services with SSBG funds; 372,382 children received foster care services. SSBG funds provide 12 percent of all federal funds for child abuse prevention and many other services.



More Reductions Through FY 2011

After FY 2007, the President's budget cuts even more. The Women, Infants and Children nutrition program (WIC) is cut more than 13 percent by FY 2011, a reduction of more than \$2.4 billion over five years. Starting in FY 2008, the Administration would require states to pick up 20 percent of WIC's costs (now it is funded 100 percent by the federal government). If states do not come up with these funds, 1.6 million pregnant women, babies and toddlers could be dropped. Child care funds, which come partly from discretionary and partly from mandatory funding, will drop 13.7 percent, counting inflation.

The cuts through FY 2011 affect programs that have demonstrated cost-effectiveness, such as WIC, and programs that are high priorities the Administration (such as No Child Left Behind and homeownership programs). Although the Administration likes to say that it reduces

funds for programs that do not score well on its evaluation system, the Program Assessment Rating Tool (PART), in fact it has cut programs whether they score well or badly.

The President's Proposed Cuts in Selected Programs in 2007 and 2011

| Program | Fiscal Year 2007 | | | Fiscal Year 2011 | | | Cut over 5 years (millions) |
|-----------------------------------------------------------------------|-----------------------------------|----------------------------------------|------------------------------|-----------------------------------|----------------------------------------|------------------------------|-----------------------------|
| | Proposed funding level (millions) | Change relative to baseline (millions) | Percent change from baseline | Proposed funding level (millions) | Change relative to baseline (millions) | Percent change from baseline | |
| Special Supplemental Nutrition Program for Women Infants and Children | \$5,200 | -\$86 | -1.60% | \$4,986 | -\$765 | -13.30% | \$2,454 |
| Child Care and Dev. Block Grant | \$2,062 | -\$45 | -2.10% | \$1,977 | -\$315 | -13.70% | -\$1,029 |
| Low Income Home Energy Assistance | \$2,782 | \$573 | 25.90% | \$1,709 | -\$693 | -28.90% | -\$1,911 |
| Housing for Persons with Disabilities | \$119 | -\$124 | -50.90% | \$114 | -\$152 | -57.20% | -\$697 |
| Housing for the Elderly | \$546 | -\$206 | -27.40% | \$524 | -\$302 | -36.50% | -\$1,302 |

From James Horney, Arloc Sherman, and Sharon Parrott, Program Cuts in the President's Budget, Center on Budget and Policy Priorities, February 23, 2006, <http://www.cbpp.org/2-23-06bud.pdf> .

How Seriously Should We Take Cuts Proposed After FY 2007?

The President takes credit for cutting the deficit in half by FY 2011, and does so in large part by making increasingly deep cuts in discretionary programs. But because these are by definition annually appropriated, some dismiss the later year funding as unrealistic. It is true that the cuts are severe and will be fought. But it is important to note that if the tax cuts continue as planned, and if military spending continues to grow unabated, the pressure to cut discretionary and mandatory spending will grow each year. If the most popular programs escape cuts, others will be more severely targeted. Advocates must point out the long-term impact on programs as shown in the President's budget as evidence of the negative consequences of the tax cuts.

In addition, the President's budget would force the future cuts to become reality by establishing tight caps on discretionary spending. Right now it is not likely that Congress will go along with these caps. But if rising deficits begin to build pressure to make cuts, Congress may eventually succumb to changes in its budget rules that force cuts through rigid caps.

Message: Oppose any budget resolution with funding for appropriations that is so low it will result in service cuts. Totals must be significantly higher than the President's plan to provide adequate funding for education, nutrition, housing, and services for children, youth, families, and seniors.

The President Proposes Cuts in Mandatory Programs, Too

While this report focuses most of its attention on cuts in annually appropriated programs, it would be wrong to ignore the \$65 billion in cuts to mandatory programs (aka “entitlements”) over five years. The single largest cut proposed by the President is \$36 billion taken from Medicare. The Administration proposes automatic across-the-board Medicare cuts if general revenues reach 45% of the total cost of Medicare. Under current law, if general revenues are expected to reach this point, a decision-making process is set in motion to address the problem of rising costs/inadequate Medicare revenues. The President’s budget proposes to dispense with the decision-making and make the cuts subject to this automatic trigger.

Medicaid, just cut in the FY 2006 budget reconciliation legislation, is hit again – with close to \$14 billion in legislative and regulatory proposals. Once again, the Administration seeks to deny Food Stamps to about 300,000 people in working families – a cut of \$656 million over five years. The cut would end automatic eligibility for Food Stamps among low-income working families who receive a non-cash benefit from Temporary Assistance for Needy Families (TANF), such as child care or transportation help. Ending automatic eligibility for Food Stamps is also expected to result in 40,000 children losing free school meals. The Administration and the House leadership proposed these cuts in the FY 2006 budget, but all Food Stamp and school meals cuts were rejected by Congress. Advocates are seeking the same outcome for FY 2007.

Inflation has eroded the value of child care assistance funding over many years. While the FY 2006 budget included an additional \$200 million a year for mandatory child care funding, for a total of \$2.9 billion in FY 2007 the lost buying power from years of frozen funding means that by FY 2011 there will be 650,000 fewer children receiving child care assistance than in FY 2000.

The President’s budget also continues the freeze on maximum Pell grant amounts, and even cuts certain Social Security benefits (see the detailed sections that follow).

If Congress is really intent on making cuts such as those proposed for Medicare or other mandatory programs, it will include in the budget resolution the requirement that legislative changes be enacted to allow the cuts to take place. These are “reconciliation directives” (see “What Exactly is a Budget Resolution?” at the end of this report for more about reconciliation), and allow such cuts to take place in the Senate with limited debate and a simple majority vote. Since the reconciliation spending bill that passed for FY 2006 enacted such painful cuts, many in Congress do not want to experience such pain again in an election year.

Message: Oppose cuts in entitlement programs that serve low-income Americans such as Medicaid, Food Stamps, and social services. Harmful cuts were made in entitlement programs this year - cuts that mean low-income people will lose medical care, student loans, child support, and other services. These cuts were wrong – Congress should not make it worse!

Tax Cuts – An Unsustainable Burden

Tax cuts remain at the heart of the President’s domestic agenda. Proponents argue everyone benefits from tax cuts, but in truth only a few benefit while everyone *pays* through reduced government services and growing deficits.

In his budget for Fiscal 2007, the President once again calls on Congress to make permanent the tax cuts of 2001 and 2003 (see box). His budget also calls for some new additional tax cuts, including an expansion of Health Savings Accounts. In total, tax proposals in the President’s budget would reduce revenue by \$1.7 trillion over the next ten years ([Center for American Progress, “Setting the Wrong Priorities”](#)).

Congress is expected to consider many of the tax cuts the President proposes in the coming session. And legislators may take up some tax breaks not even included in the President’s budget. So far Congress has shown great reluctance to finance new tax breaks by closing loopholes or raising taxes elsewhere. If lawmakers succeed in passing planned tax cuts piecemeal, one at a time, without paying for them, they won’t be forced to acknowledge the true total cost. To swallow their monstrously expensive tax cuts, Congress will break them into merely huge, yet more digestible pieces.

Even More Tax Breaks On the Horizon

Left over from last year’s unfinished business is a \$70 billion **tax reconciliation bill** (H.R. 4297) that was first called for in the fiscal 2006 budget resolution. Like most tax breaks passed by Congress in recent years, it is not paid for and will increase the deficit. A Senate and House conference committee will determine what to include in the reconciliation bill, but several Republicans in the House and Senate have insisted the final bill extend the reduced rates for **capital gains and dividends**.

In 2003, the President and Congress reduced the rate at which capital gains and dividends are taxed to 15 percent. Although the reduced rates are due to expire December 31, 2008, conservatives are eager to extend permanently the reduced rates far in advance of their expiration. Millionaires will snag 53 percent of the benefit of capital gains and dividend extension. ([Center on Budget and Policy Priorities, “Capital Gains and Dividend Tax Cuts”](#)). The richest one percent of Americans (earning an average \$1.3 million in 2009) would get on average \$12,000 from this tax break. Seventy-eight percent of Americans would get nothing. Ten percent would get less than \$100. Extending the rate reduction for two years would drain \$21 billion from the federal treasury over the first five years, but billions more in the long run

The **Alternative Minimum Tax (AMT)** is affecting an ever larger group of upper-middle income

Tax Cut Proposals

The President’s budget would make permanent the **tax cuts of 2001 and 2003**:

- Extends the reduced capital gains and dividend rate
- Repeals the estate tax
- Extends the new 10% bracket, child tax credit and marriage penalty reduction
- Extends reduced tax rates for top four brackets
- Extends expanded pension and education savings incentives
- Does NOT extend savers credits for low- and moderate-income earners

The budget would also expand **Health Savings Accounts**. The budget does NOT take into account cost of **AMT** reform.

taxpayers each year. The AMT affected 3.6 million filers in 2005 and that number would rise to 19 million in 2006 if Congress takes no action. Although the President's budget made no attempt to address the problem of the AMT, Congress is widely expected to pass legislation that will hold many of those 19 million filers harmless from the AMT for at least one year – at a cost of about \$30 billion. It is not clear whether the fix to AMT will be part of the tax reconciliation bill or separate legislation. Some members of Congress want more than just a one- or two-year fix to the AMT; they are pushing for a complete repeal of the AMT. Complete repeal would lose about \$1 trillion in revenue over the next ten years if Congress were also to extend the 2001 and 2003 tax breaks. ([Center on Budget and Policy Priorities, "Extending Expiring Tax Cuts and AMT Relief Would Cost \\$3.3 Trillion Through 2016"](#))

On top of the reconciliation bill, Congress is expected to take action on a **pension reform** bill. The House version of the bill (H.R. 2830) includes the first attempt to make some of the tax breaks from 2001 and 2003 permanent. The tax provisions in the pension bill would permanently raise contribution limits on retirement savings accounts (IRAs and 401(k)s) and index the limits to inflation. These provisions will primarily benefit higher income households. The House pension bill would also extend the "savers credit," a provision aimed at helping low- and moderate-income families save for retirement. However, unlike the provisions targeted for higher income families, the House bill does not index the savers credit to inflation and thus it would lose more than half its value by 2015 ([Center on Budget and Policy Priorities, "Saver's Credit For Moderate-Income Families Would Fade Away Over Time Under the House-Passed Pension Bill"](#)). (The savers credit is one of the only tax provisions the President's budget does not extend.)

Senate Majority Leader Bill Frist (R-TN) has promised a vote on **estate tax repeal** this spring. Only certain estates valued at more than \$2 million are at risk of paying the estate tax. In fact, less than one-third of one percent of estates will face this tax in 2006 ([United for Fair Economy, "Share of Estates Taxed Falls to Fraction of One Percent"](#)). The President's budget called for full repeal of the estate tax, which is currently due to phase down to 2009, temporarily disappear for 2010 and then return to its pre-2001 levels in the following year. A complete repeal of the estate tax, which could cost more than \$1 trillion over ten years once interest payments are included, would require the support of at least 60 Senators. ([Center on Budget and Policy Priorities, "Estate Tax: Myths and Realities"](#)) Absent the support of 60 Senators for full repeal, Senator Jon Kyl (R-AZ) wants to push a different estate tax bill that will lose nearly as much revenue as full repeal.

It is not clear yet whether Congress will act on the President's proposal to expand **Health Savings Accounts**, which are discussed in more detail elsewhere in this report. His proposed expansions would cost \$156 billion over ten years – but most of that amount (\$132 billion) comprise tax breaks for the rich.

What Makes the Most Sense?

- Tax breaks for contributions to Health Savings Accounts and for purchase of high deductible health insurance plans – with most of the benefit going to people with high incomes: \$60b over 5 years

Or

- Avoiding cuts in Medicaid and SCHIP: \$13.6b
- Avoiding cuts in Medicare: \$36b
- Avoiding cuts in Special Education: \$5.5b
- Avoiding cuts in children's and family services: \$3.9b

The President's Tax Cuts Are Unfair

The true winners under the President's tax cut agenda are millionaires, multi-millionaires, as well as the occasional tycoon, magnate, and mogul. Tax cuts already enacted as well as the new proposals overwhelmingly benefit the richest Americans.

Households with incomes above \$1 million (the top 0.3 percent) can expect to get \$67 billion in tax breaks in 2011 – assuming Congress makes AMT changes and extends the President's tax cuts. Those millionaires would get an average of \$160,000 in tax breaks. The same year the bottom 60 percent of families would see an average tax cut of less than \$500. The total amount going to the bottom 60 percent of families in 2011 would be \$42 billion, far below the amount going to the top 0.3 percent (\$67 billion) ([Center on Budget and Policy Priorities, "The Skewed Benefits of Tax Cuts 2007-2016"](#)).

Tax Cuts Increase Pressure to Cut Services for Families

The President's tax cuts are taking a vast bite out of the budget. If the President's tax cuts are extended as he wishes, federal revenues over the next ten years will be lower than average levels in each decade from the 1960s through the 1990s. ([Center on Budget and Policy Priorities, "Extending Expiring Tax Cuts and AMT Relief Would Cost \\$3.3 Trillion Through 2016"](#)) In the face of eroding revenue, the federal government will not be able to continue to provide the current level of services. When fully in effect, the cost of the tax cuts will be as large as the entire budgets of the Departments of Agriculture, Labor, Education, Veterans Affairs, Transportation, Justice, Interior, Energy, State, HUD and EPA combined ([Center on Budget and Policy Priorities, "Extending Expiring Tax Cuts and AMT Relief Would Cost \\$3.3 Trillion Through 2016"](#)).

Our Children Will Pay for the President's Tax Cuts

Since 2001 more than a quarter of all federal spending outside of the Social Security system has been paid for by borrowing. ([Citizens for Tax Justice, "Bush Continues to Fund More Than A Quarter of Non-Social Security With Borrowed Money"](#)) The tax cuts approved by Congress since 2001 will add more than one trillion to the debt by the end of this year. The nonpartisan Congressional Budget Office says \$3.3 trillion will be added to the national debt if tax cuts are made permanent and changes are made to the Alternative Minimum Tax ([Congressional Budget Office: The Budget and Economic Outlook](#)). With no plan to make up

for the revenue lost from tax cuts, President Bush will hand his deficit over to the next generation when he leaves office.

Tax Cuts Are Inefficient at Spurring Economic Growth

Proponents of the Bush tax cuts claim the cuts encouraged investment and have been the key to the economic recovery. But new research shows the tax cuts failed to deliver. Compared to recoveries from nine previous recessions, the recovery since the 2001 recession produced 85 percent less employment, 29 percent less business investment and 15 percent less growth in GDP. Wages remain stagnant and last year the economy added 2 million new jobs – far fewer than 4.6 million jobs that would have been created under normal economic growth. ([Economic Policy Institute and Center for American Progress, “Bush’s Tax and Budget Policies Fail to Promote Economic Growth”](#))

Despite the claims of many on the right, the Bush tax cuts will *not* pay for themselves through new economic growth. Even the President’s economists acknowledge as much. Former chairman of the Council of Economic Advisors Greg Mankiw has said there is “no credible evidence” that “tax revenues...rise in the face of lower tax rates.” (CBPP slides) Although federal revenues have increased lately due to the economic recovery, revenues are below what the Bush Administration projected. (The Administration projected \$2.235 trillion in revenue for 2005; revenues equaled only \$2.154 trillion.) (CBPP slides)

The Congressional Budget Office says “little fiscal stimulus would be provided by cutting capital gains rates or expanding capital loss provision.” A study by Federal Reserve economists found the capital gains and dividend tax cuts of 2003 did not boost the stock market. ([Federal Reserve, “How Did the 2003 Dividend Tax Cut Affect Stock Prices and Corporate Payout Policy?”](#))

Message: Oppose tax breaks that deepen the deficit and take funds away from needed services. Rebuilding regions devastated by hurricanes, health care for the vulnerable and education for our children – all these are the right priorities. Tax breaks for the highest-income households are not.

Federal Budget Timetable 2006

| MONTH | KEY STEPS IN BUDGET PROCESS | POSSIBLE ADVOCACY STEPS (depending on circumstances & resources) |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FEB. | <p>Monday, February 6 President's budget released</p> <p>Congress holds hearings on budget</p> <p>Committees prepare "views and estimates letters" that tell the Budget Committees what they think of the President's budget proposals</p> <p><i>District work period: Feb. 20-24</i></p> | <ul style="list-style-type: none"> • ANALYSIS: Prepare an analysis of the impact of the President's budget on your state and its budget. • MEDIA: Brief press (reporters, editorial writers, columnists) on the President's budget and key issues for the state. • COALITION: Brief a broad array of organizations about the President's budget and its implications for your state. Discuss possible coordinated activities. • LETTERS: Send (sign-on) letters to the congressional delegation highlighting concerns about the President's budget (e.g. deep discretionary cuts, unaffordable tax cuts). • GOVERNORS: Meet with governor's staff & state legislators to discuss the impact of the President's budget on the state and its budget. Ask them to send letters to the delegation making recommendations for the congressional budget. • CONGRESS: <ul style="list-style-type: none"> ○ Request a meeting with your Senator(s) and/or House Members during the district work period to educate them about the impact of the President's budget on your state. [Note: meeting requests must be submitted in well in advance.] ○ Set up conference calls with LDs and/or budget LAs. ○ Arrange for budget questions to be asked at congressional town hall meetings. |
| MAR. APRIL | <p>Congress prepares its budget resolution.</p> <p>The resolution will include:</p> <ul style="list-style-type: none"> ➤ total for discretionary spending ➤ targets for revenues and entitlement spending <p>The resolution could also include:</p> <ul style="list-style-type: none"> ➤ "reconciliation instructions" to cut entitlements and/or taxes ➤ budget process changes affecting both discretionary and entitlement spending <p><i>District work periods: Mar. 20-24 and Apr. 10-21</i></p> | <ul style="list-style-type: none"> • ANALYSIS: Prepare analyses of the House & Senate budget resolutions drafted by the Budget Committees. • MEDIA: Brief press (reporters, editorial writers, columnists) on the House & Senate budget resolutions and key issues for the state. • COALITION: Brief your coalition on the House & Senate budget resolutions and implications for your state. Discuss possible coordinated activities. • LETTERS: Send (sign-on) letters to your congressional delegation highlighting concerns about the House & Senate budget resolutions. • CONGRESS: <ul style="list-style-type: none"> ○ If you did not get a meeting in February, request a meeting with your Senator(s) and/or House Members during one of the district work periods to educate them about the impact of the budget on your state. ○ Set up conference calls with LDs and/or budget LAs. ○ Arrange for budget questions to be asked at congressional "town hall meetings." ○ Be prepared to respond swiftly if key amendments emerge when full House/Senate consider the budget. |

| MONTH | KEY STEPS IN BUDGET PROCESS | POSSIBLE ADVOCACY STEPS (depending on circumstances & resources) |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>MAY</p> <p>JUNE</p> <p>JULY</p> | <p>Appropriations process starts, at least at the committee level.</p> <p><u>Possible:</u></p> <ul style="list-style-type: none"> • budget reconciliation legislation, which could include tax cuts and/or entitlement cuts • stand-alone bills to make all or some of the Bush tax cuts permanent (such as the estate tax repeal) <p><i>District work periods: May 29-June 2 and July 3-7</i></p> | <p>Specific action items will depend on which bills are actually moving and what committee or amendment opportunities there might be, but this is the stage where these budget & tax decisions could start to get very specific.</p> <p>It will be important to educate the media, your coalition, and your congressional delegation about the impact on your state of proposed cuts in particular discretionary programs, cuts in entitlement programs (if any), and any proposed tax cuts.</p> |
| AUG. | <p><i>Congressional recess: July 31-Sept. 4 in the House; Aug 7-Sept. 4 in the Senate</i></p> | <p>If key bills are still pending, this is a great time to get your Members to focus on your concerns – whether through direct contact or the media or both. Call their district offices to find out when they will be back in the state (rather than on vacation or an overseas trip).</p> |
| <p>SEPT.</p> <p>OCT.</p> | <p>Any item listed as “possible” in May/June/July could happen now instead.</p> <p>Appropriations process continues (official deadline is October 1, but this is rarely met).</p> | <p>To be determined.</p> |
| NOV. | <p>Break for elections</p> | |
| DEC. | <p>“Lame duck” session likely, to finish appropriations bills and any other critical business.</p> | <p>To be determined.</p> |

What Exactly is a Budget Resolution?

The budget resolution is a brief outline of spending and revenues agreed to by the House and Senate each year. It directs the work of Congress in making more specific spending and taxation decisions later on. As such, it does not require the President's signature. Federal law requires that a budget resolution be finalized by April 15 each year, although Congress has been known to be late – and in some years, it fails to agree on a budget resolution altogether.

A budget resolution is drawn up by the House and Senate Budget Committees, and then approved on the floor in each body. The differences between the two are worked out by a conference committee, with final approval voted by the full House and Senate.

The resolution must include a list of spending levels divided into budget categories, known as “functions,”¹ showing spending over at least five years. It must also include revenue estimates for five or more years, and calculate the difference – that shows the surplus or deficit for each year.

In addition, the budget resolution divides up spending by committees with jurisdiction over specific programs. All “**discretionary**” spending – that is, for programs that require annual appropriations – is given to the Appropriations Committee, which then decides how to divide up its pot among all its subcommittees. The rest of the funds are for “**mandatory**” programs – such as Medicare, Medicaid, Social Security, Food Stamps, Temporary Assistance for Needy Families, and others. Mandatory programs (aka, “entitlements”) do not require annual appropriations. They receive funding based on the laws that govern their programs. Such laws may include eligibility requirements or specify the level of benefits to be received. If Congress wants to cut spending in mandatory programs, it must change the laws under which they operate. The estimates for mandatory program spending are distributed to the committees that have jurisdiction over each program.

If the Budget Committees want to make cuts in mandatory programs, they can assume that the committees with jurisdiction over those programs will recommend law changes that would result in the spending cuts, and provide funds in the budget resolution that reflect those assumptions. Often the budget resolution is accompanied by a narrative that explains that cuts are being sought from particular committees, with suggestions as to how these cuts could be achieved. These suggestions are not binding.

However, if Congress wants to greatly increase the likelihood that cuts in mandatory programs will be made, it can add an enforcement tool to the budget resolution. This tool is called a “**reconciliation directive**.” That is what happened in the FY 2006 budget. Several committees were required to make statutory changes in mandatory programs projected to reduce spending. The Budget Committees pulled together their proposals into a reconciliation bill. In the Senate, reconciliation bills are different from most others because they are subject to limited debate and cannot be filibustered. Therefore, they pass with a simple majority (not the 60 votes needed to end a filibuster). This year, Congress' low appetite for more mandatory program cuts has caused some to speculate that the budget resolution will leave out reconciliation directives this year, at least for spending. It is also possible to make tax cuts more likely by making them subject to a reconciliation directive. Congress did that for FY 2006 as well, and is still working on resolving differences between the House and Senate on \$70 billion in tax cuts over five years.

Human Needs Program Details in the President's FY 2007 Budget

Education Slashed

This budget actually cuts spending on education – if enacted, it would be the biggest cut in the Department of Education's 27-year history, down from \$88.9 billion this year to \$63.4 billion in the President's FY 2007 proposal, a \$25.5 billion cut (29 percent).

The President proposes to eliminate 42 education programs to save almost \$3.5 billion. This includes over \$750 million for three programs that prepare disadvantaged students for college, Perkins Grants, and hundreds of millions in grants to integrate technology in classrooms, maintain drug-free schools, and improve teacher quality.

Title I Education for the Disadvantaged

The largest program in the "No Child Left Behind" Act (NCLB) is Title I Education for the Disadvantaged. The President's budget would freeze Title I funds at last year's level of \$12.7 billion, which was a cut from the FY 2005 level. As a result, federal education dollars targeted to low-income students would be cut in 29 states and another seven states would see no increase.

Title I sets forth accountability and other programmatic requirements designed to close achievement gaps and raise overall student achievement but has been consistently funded far below the level Congress authorized (the level Congress and the President pledged to fund the program). This year's funding levels could be especially harmful because annual testing of third- through eighth-graders begins this year under NCLB.

While the President does provide increased NCLB funds for some new programs, such as math and science programs and an initiative to expand testing to high schools, the overall funding for NCLB (\$24 billion) would be half a billion below the level set in FY 2004 and \$15.4 billion below its authorized level.

National Education Association www.nea.edu

Individuals with Disabilities Education Act

Under the Individuals with Disabilities Education Act (IDEA), states are required to provide free, appropriate education to children with disabilities and receive grants to help pay the costs. Under the President's budget proposal, the federal share of funding for IDEA would drop from 17.8 percent to 17 percent, because the small increase the President proposes is not enough to keep pace with inflation. The President's budget would increase funding by \$100 million, to \$10.7 billion (or \$6.3 billion below the amount authorized.)

IDEA currently provides special education to about six million students with different levels of disability, as well as to younger children and infants. IDEA funding levels have never reached the promised 40 percent of the costs of providing services to students.

Easter Seals www.easterseals.com

Career and Technical Education

Yet again the President's budget would eliminate over a billion dollars in grants to states under the Perkins Act, which provides career and technical education at the high school and postsecondary level. In its place the President would implement a high school reform plan including testing and various interventions, similar to the one he proposed last year.

Career and Technical Education provides effective and proven links to skills-building opportunities and improved employment outcomes. Students completing a rigorous academic core coupled with a career concentration have test scores that are equal to or higher than those of students considered to be "college prep"; are more likely to pursue postsecondary education; have a higher grade point average in college; are less likely to drop out in the first year; and have better employment and earnings outcomes than other students, according to the Southern Regional Education Board.

Association of Career and Technical Education www.acteonline.org

Pell Grants and Perkins College Loans

Despite big cuts to student loans recently enacted, the President's budget would provide no new increase in Pell Grants. Pell grants stay frozen at a maximum of \$4,050 a year per student – that's \$900 less than the maximum grant was worth 30 years ago, adjusted for inflation. The maximum Pell Grant award has been frozen since 2003; during that time the average fees and tuition costs at four-year public colleges have risen by \$1,393. Perkins loans provide up to \$4,000 a year for undergraduates and up to \$6,000 a year for graduate students with exceptional financial need. Schools receive an amount from the federal government for Perkins loans; if funds run out the institution can grant no more loans. The President's budget would pull back prior federal contributions to the funds from which new Perkins College loans are made. If the President's budget is enacted, 460,000 students will not receive Perkins College Loans in FY 2007 (a \$664 million cut).

Early Education for Fewer Children

Head Start

Head Start is frozen in the President's proposal at last year's level of \$6.786 billion. The National Head Start Association estimates that this failure to keep pace with inflation will result in 19,000 fewer children served in FY 2007.

In recent years Head Start has received modest nominal increases – but not enough to keep pace with inflation. According to the National Head Start Association, since 2002 Head Start has been hit with an 11 percent real cut and centers have been forced to cut back on services. Some centers have laid off teachers; others are eliminating transportation services – which are especially critical in rural areas. Family service workers who do outreach and help link Head

Start students and their families to other critical services are being laid off or are struggling with overly large caseloads. Head Start offers a last resort for families without health care services, yet centers are being forced to juggle too many cases.

National Head Start Association www.nhsa.org

Child Care

At least 400,000 children will lose child care help under President Bush's budget plans. This is in addition to the 250,000 children who have lost child care assistance since FY 2000. The budget predicts 1.8 million children will receive child care in FY 2011, compared with 2.45 million children in FY 2000.

Although the recently passed budget reconciliation bill included an additional \$1 billion in child care funds, this amount is not enough to stave off deep cuts. Congress funds child care assistance both through a mandatory funding stream (like the funds included in the reconciliation bill) and discretionary funds (those that are appropriated annually.) Once again the President does not request an increase in the discretionary (annually appropriated) portion of the Child Care and Development Block Grant, which was \$2.062 billion last year.

In the face of declining federal funds, states have lowered their eligibility cutoffs and/or started waiting lists. A survey of Minnesotan families waiting for child care help found that nearly half had to reduce and/or change their work hours due to lack of affordable child care. More than one-quarter had to use their savings to pay for child care; more than one-third said they were unable to pay other household expenses due to child care costs.

National Women's Law Center

http://www.nwlc.org/pdf/ChildCareVOICESReport_September2005.pdf

Less Training for Unemployed Workers

Workforce Investment Act

The Workforce Investment Act (WIA) of 1998 provides funding for job placement and training services. The number of adults exiting the program who received training was 17 percent lower in 2003 than in 1998, the last full year of WIA's predecessor program, the Job Training Partnership Act (JTPA). There has also been a 14 percentage point decline in the share of adults who do receive training who are low-income or disadvantaged.

The President's budget proposal recommends a complete restructuring of the workforce system and calls for the consolidation of funds previously appropriated for separate training programs into a single block grant. Total proposed funding for training and employment services is \$5.2 billion, which is \$680 million less than the total funding for FY 2006. The Administration's own projections show cuts of over 20 percent between 2007 and 2011. The total funding includes \$3.4 billion that would be distributed to the states as block grants.

States would be required to use 75 percent of these consolidated funds for the Career Advancement Accounts initiative, which would provide vouchers to individuals in need of employment assistance. These accounts could be used only to cover expenses related to education and training and would be capped at \$3,000 per year. Individuals may be able to renew their account for an additional year, for a maximum amount of \$6,000 over two years.

The evidence on the effectiveness of using vouchers with disadvantaged adults has been negative while the evidence on effectiveness with dislocated workers has been mixed. Further, the proposed \$3,000 cap on the vouchers is insufficient to support needed training, much less the active monitoring of student progress, counseling and placement services needed for disadvantaged students to succeed in training.

Center for Law and Social Policy www.clasp.org

Migrant and Seasonal Farmworker Job Training

The Migrant and Seasonal Farmworker Job Training program is slated for elimination in the President's budget for the fifth consecutive year. So far Congress has declined to go along, funding the program at \$79.25 million in FY 2006. The most recent data shows that this program, aimed at training and placing the lowest-wage workers in America, helps increase their wages by an average of \$9,000 per year. The program had the best results of any program funded by the United States Department of Labor and helped 21,574 mostly-Hispanic farmworkers in FY 2006, according to the Department of Labor.

Association of Farmworker Opportunity Programs <http://www.afop.org>

Far Less Help for Troubled Youth

Juvenile Accountability Block Grant (JABG)

The President's budget would eliminate the Juvenile Accountability Block Grant (JABG). JABG supports state and local juvenile delinquency interventions that give troubled kids a better future while reducing crime in the community.

JABG supports research-proven programs such as the Functional Family Therapy program, which has been shown to cut rates of re-arrest in half by intervening with families to teach them how to better control their children's behavior. The public saves over \$26,000 for each youth in the program through reduced recidivism and improved school and life outcomes.

JABG's funding has steadily decreased from \$250 million in FY 2001 and 2002. Last year Congress provided \$49.5 million. If JABG were eliminated, many communities would be forced provide fewer supports to get delinquent youth back on the right track, which would lead to higher crime rates in those communities.

Title V Community Prevention Grants

The President's FY 2007 budget proposal would cut Title V funding in half. The Title V Incentive Grants for Local Delinquency Prevention Programs, commonly known as the Community Prevention Grants program, is the only federal funding source dedicated solely to the prevention of youth crime and violence. Title V funds collaborative, comprehensive, community-based delinquency prevention efforts to reach young people before they make a choice that puts them on the wrong path in life. The grants can be used to fund a wide range of programs, including early childhood development, in-home parent coaching, after-school activities, mentoring, and tutoring, as well as drop-out, gang, and substance abuse prevention.

Prevention activities, such as those supported by Title V, remain so woefully under-funded that they can reach only a fraction of the kids who would benefit from them. For example, because of

lack of funding for after-school programs, more than 14 million children and teens go home from school to an empty house each week. Research shows that these children are much more likely to drink, smoke, use drugs, commit a crime, and become a victim of a crime.

In FY 2002 and prior years, Title V received \$95 million. Last year, Title V received \$64 million. The President's budget proposes only \$32 million for Title V for next year.

Less Food Aid

Commodity Supplemental Food Program

The President would stop providing food packages to 420,000 low-income elders and 50,000 pregnant women and young children by eliminating the Commodity Supplemental Food Program – a one-year cut of \$108 million. The food packages provided include items such as canned goods, cereal, cheese and peanut butter and cost the government less than \$20 per recipient each month. More than a third of the seniors who receive this food package are over age 75. The Administration seeks to enroll the women and children in WIC and the seniors in the Food Stamp program. However, not all the recipients of the food packages will be eligible for these other programs. Even when they are eligible, recipients may encounter difficulties enrolling in the programs or (particularly in remote areas) accessing the benefits. Some seniors do receive both Food Stamps and the supplemental food packages now – their incomes are low enough that the loss of \$20 in commodities will be a blow to their ability to secure nutritious food each month.

Center on Budget and Policy Priorities: <http://www.cbpp.org/2-6-06fa.htm>

Food Stamps

Once again, the Administration seeks to deny food stamps to about 300,000 people in working families – a cut of \$656 million over five years. These are low-income families with children who receive aid such as child care funded by the federal welfare to work program, but who do not receive cash assistance. Now, at state option, these families can be automatically eligible for food stamps. Severing this tie is also expected to result in 40,000 children losing free school meals, because their eligibility is established by their receipt of food stamps. Congress rejected these cuts this year.

Food Research and Action Center <http://www.frac.org/news/budget02.07.06.html>

Women, Infants, and Children (WIC)

The budget would provide \$5.2 billion for WIC in FY 2007 and projects this amount is sufficient to serve 8.2 million individuals (about the same number served in 2006.) However, the proposed funding level drops for the following four years until it is cut by over 13 percent in 2011 compared to 2006. The budget would also require states to match 20 percent of nutrition services and administration funding starting in 2008 – a move that would place even more pressure on already strained state budgets. Should states fail to provide a match, the National WIC Association (using USDA data) calculates that more than 1.6 million participants would be cut from WIC in FY 2008.

Furthermore, the President proposes limiting the amount of money that WIC offices can spend on nutrition services and administration at 25 percent, for a savings of \$152 million. Congress

rejected a similar plan last year. Under this proposal, services that would be limited include: nutrition assessment, counseling and education, obesity prevention, breastfeeding support and promotion, prenatal and pediatric health care referrals and follow-up, spouse and child abuse referral, drug and alcohol abuse referral, immunization screening assessment and referral and even the distribution of WIC nutrition packages. The National WIC Association predicts that as many as 885,000 mothers and children could potentially lose benefits.

Nutrition services are central to the mission of WIC and are critical to the health and well-being of the mothers and children who receive it. Research by the USDA has shown that every dollar spent on WIC has resulted in fewer premature births, reduced rates of low birth weight, fewer infant deaths, a greater likelihood of prenatal care and a savings in health care costs ranging from \$1.77 to \$3.13. Studies have found WIC to improve diet, increase the likelihood of breastfeeding, raise immunization rates and improve cognitive development.

Food Research and Action Center www.frac.org

National WIC Association www.nwica.org

Center on Budget and Policy Priorities <http://www.cbpp.org/2-23-06bud.pdf>

Fewer Social and Community Services

Social Services Block Grant (Title XX)

Funding for the Social Services Block Grant is slashed by nearly 30 percent (from \$1.7 billion to \$1.2 billion) in one year. The Social Services Block Grant (SSBG) provides states with a flexible source of money to provide child abuse prevention, adoption, foster care, child protection, independent and transitional living and residential services. In fact, SSBG represents 12 percent of all the federal funding states receive for those services. Funding for SSBG has fallen from its high of \$2.8 billion in 1996 to its current level of \$1.7 billion. Now the President proposes to reduce that total to \$1.2 billion in FY 2007.

Thanks to SSBG money, more than 1.3 million individuals with disabilities receive services such as counseling, respite care, family support, recreation, transportation, assistance with independent functioning in the community, training in mobility and communication skills, training in the use of special aids and appliances, and self-sufficiency skills development. In addition, nearly 1.1 million adults aged 60 years and older receive a variety of services funded by SSBG. States use SSBG for nutrition programs, adult foster care as an alternative to more restrictive residential care, health-related services, adult day care, and adult protective services. Deep cuts proposed in the budget would jeopardize these vital services.

Child Welfare League of America www.cwla.org

Community Services Block Grant

The Community Services Block Grant would be terminated under the President's budget, a cut of \$670 million. These funds support community-based anti-poverty services for people living below 125 percent of poverty (this year, below \$25,000 for a four-person family). The CSBG provides resources for 1,100 Community Action Agencies, organizations that often administer Head Start, home energy assistance, and weatherization programs. Not only are the CAAs slated for cuts, but funding for the services they oversee is also reduced. Weatherization Assistance, for example, is cut 32 percent, which will result in 29,000 homes not being retrofitted to enable them to save an average \$450 per winter.

National Community Action Foundation www.ncaf.org

Community Development Block Grant

The President's budget provides \$2.975 billion for the Community Development Block Grant (CDBG) formula grants - a cut of \$736 million below its FY 2006 non-emergency level of \$3.711 billion. (Last year Congress provided CDBG with emergency appropriations after Hurricane Katrina.) Communities use CDBG to fund affordable housing and public infrastructure projects.

In 2004, CDBG assisted nearly 160,000 households with their housing needs. More than 9 million persons, of whom an estimated 74 percent had low or moderate income, were served by new or reconstructed public facilities and infrastructure, including new or improved roads, fire stations, libraries, water and sewer systems, and centers for youth, seniors, and persons with disabilities.

More than 13 million persons received assistance through a wide range of public services, including employment training, assistance for victims of domestic violence, transportation services, crime awareness, legal services, and services for people with disabilities, youth, and seniors (such as meals on wheels and adult day care). More than 1.5 million youth were served by after-school enrichment programs and other activities designed to keep children safe. Child care services were provided to 100,065 children in 205 communities across the country. More than 78,000 jobs were created or retained in hundreds of communities throughout the nation. For every one dollar of CDBG funding approximately \$2.79 in private funding was leveraged in FY 2004.

National Community Development Association

http://www.ncdaonline.org/CDBGFactSheet_0105.pdf

Less Affordable Housing

Section 8 Housing Rental Vouchers

The Section 8 tenant-based rental assistance program helps families afford rental housing by subsidizing the rents of apartments they locate in the private market. The Section 8 voucher travels with the families in the program. The Government Accountability Office (GAO) has found the voucher program effective in allowing recipients to escape high-poverty, underdeveloped or dangerous neighborhoods, live closer to work and have more successful work experiences. It is also found to be effective in improving school performance and reducing the chances that children are the victims or perpetrators of crime. The voucher program is the only federal housing program serving low-income families that has grown with the population over the last 20 years. Nevertheless, only one-quarter of households with incomes low enough to be eligible receive housing vouchers, despite great need. Five million of the low-income households that do not receive vouchers are paying more than half their income on rent or living in substandard conditions, according to survey data from 1999.

The President proposes to fund Section 8 at \$15.9 billion for FY 2007, an increase of over 3 percent compared to the FY 2006 funding level. However, the funding will not repair the instability inflicted upon the program over the last three years. As a result of changes made in the funding formula over the last few years, some housing agencies will have to cut back the number of families they serve while others may be able to serve a few more; it is anticipated that

the inefficiencies of the formula may result in thousands fewer families served, even though the dollars recommended would cover their vouchers.

Center on Budget and Policy Priorities <http://www.centeronbudget.org/5-15-03hous.htm>

Housing For The Elderly and People with Disabilities (Section 202 and 811)

The President's budget slashes housing for the elderly by 25 percent, to \$546 million in FY 2007. Section 202 provides housing for people at least 62 years old with incomes that are less than 50 percent of their area median. As a result, the new funds for Section 202 housing will cover only 2,700 new units, a cut of 2,000 units from amounts made available in FY2005 and again in FY2006.

Harvard's report, *State of the Nation's Housing 2002*, found 8.4 million of the nation's 21 million elderly households have incomes of less than \$10,500 a year. Among the lowest income elderly households (6.5 million), 38 percent pay more than half of their annual income for rent. The Congressionally established Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century estimated that an additional 730,000 rent-assisted units will be needed by 2020 to house seniors age 65 and older with housing problems.

American Association of Homes and Services for the Aging www.aahsa.org

In addition, the budget would slash housing for people with disabilities by half – from \$237 million in FY 2006 to \$119 million in FY 2007. A 2005 report from the Department of Housing and Urban Development found that over a half million people with disabilities have severe housing needs and are not receiving any housing assistance. The President's proposal compounds this problem, and in particular would cause funding for the construction and operation of supportive housing for people with disabilities to be cut by 82 percent in 2007.

Center on Budget and Policy Priorities <http://www.cbpp.org/2-23-06bud.pdf>

National Low Income Housing Coalition <http://www.nlihc.org/press/020606pr.html>

Public Housing

The Public Housing Capital Fund is cut 12 percent in FY 2007, delaying the repairs that are desperately needed for some public housing. The Administration's proposal to cut the capital fund from \$2.439 billion to \$2.178 billion provides incentives to Public Housing Authorities to demolish or dispose of units that are critical to the affordable housing stock. Very few public housing units have been built in the past twenty years. Throughout the country, thousands of households are on waiting lists for public housing. Public housing units are being demolished and affordable housing rental units for extremely low income people are not being built at the same rate.

National Low Income Housing Coalition www.nlihc.org

Low-Income Home Energy Assistance Program (LIHEAP)

LIHEAP helps low-income and elderly people pay heating and cooling bills. In 2005 the program served about 4.9 million households. Of those families who do receive LIHEAP, 94 percent include an a person who is elderly or has a disability or a child under 18. Eighty-two percent have incomes under \$20,000 and 61 percent have incomes under the federal poverty level. Research has shown that as heating costs go up, poor families often choose between food and heat and often compensate by buying less food than they need.

For FY 2007, the President proposes funding LIHEAP at \$2.8 billion compared to \$2.2 billion appropriated for FY 2006. However, the proposed level of \$2.8 billion for 2007 includes a \$1 billion that was made available in the budget reconciliation bill recently enacted for FY 2006, which means that the Administration has not provided the full additional \$1 billion that Congress intended.

Eleven states have recently announced that they have already run out of energy assistance funds and negotiations are taking place in the Senate to allow the new \$1 billion to be spent this year instead of in FY 2007. If those negotiations succeed, Congress will have to appropriate additional LIHEAP funding to meet the need in 2007. Home energy costs skyrocketed in 2005, with natural gas up 30.2 percent and home heating oil up 27.2 percent with further increases projected for this winter.

Campaign for Home Energy Assistance www.liheap.org

National Energy Assistance Directors' Association

http://www.neada.org/comm/surveys/NEADA_2005_National_Energy_Assistance_Survey-Key_Findings.pdf

Health Care: Making Things Worse

Medicaid

The President's budget would cut \$4.9 billion over five years from Medicaid through legislative changes and proposes an additional \$12.2 billion in cuts through regulatory changes. These cuts would be on top the recently enacted cuts of \$5 billion over five years. The President proposes reinvesting some of these funds back into Medicaid so the net effect would be about \$14 billion in cuts over five years.

If Congress enacted legislation as the President proposes, the federal government would reduce the federal match rate for targeted case management for children and adults with disabilities, which could force states into cutting back services to this population. The budget would allow states to refuse to pay for prenatal and preventive pediatric care in cases where a non-custodial parent may be liable for paying. Other changes proposed by the President include limiting payments for generic drugs, allowing states to develop more restrictive lists of covered prescription drugs, and reducing reimbursement for administrative costs.

States have already been cutting Medicaid services and/or requiring beneficiaries to pay more for their care. Several studies have shown that increased co-payments in Medicaid can lead to less use of needed health care, poorer health and ultimately increased use of more expensive services such as emergency room treatment. Evidence that requiring poor people to pay more for care results in lost Medicaid services is so powerful that Virginia, Maryland, Connecticut and Washington State abruptly ended plans to charge premiums for Medicaid recipients.

The President also proposes making regulatory changes to Medicaid mostly targeted at reducing reimbursements to providers. These regulatory changes would limit provider payments, reduce the allowable provider tax rate, limit reimbursement for rehabilitation services and limit reimbursement for school-based services and delay payments to pharmacies.

Center on Budget and Policy Priorities <http://www.cbpp.org/2-14-06health.htm>

<http://www.cbpp.org/5-31-05health2.htm>

Medicare

Medicare is the nation's primary health insurance program for senior citizens over the age of 65, certain people with disabilities, and people of any age with permanent kidney failure. The government-run program provides health coverage to nearly 42 million people, and is a source of coverage for one in seven Americans. While Medicare provides coverage to all who qualify due to age or disability, many of its beneficiaries are low-income Americans; 51 percent have incomes below twice the poverty level.

The President proposes legislative changes to cut Medicare by \$35.9 billion over five years and \$105 billion over ten years by reducing payments to health service providers under traditional Medicare. The proposed budget also includes regulatory changes that cut \$5.4 billion out of Medicare over five years and \$13.2 billion over ten years.

While analysts believe that at least some of these cuts will harm beneficiaries, it is clear that some often-discussed steps that would not harm beneficiaries have not been included. For example, the Medicare Payment Advisory Commission has advised Congress to save \$50 billion over ten years by cutting overpayments made to HMOs participating in Medicare.

Instead, the legislative proposals in the Administration's budget would limit the renting of oxygen equipment to 13 months and then require it to be purchased (Congress recently restricted oxygen equipment rental to 36 months), reduce payment rates to hospitals for inpatient and outpatient services, cuts payments to skilled nursing facilities, and limit home health care reimbursements. It also proposes automatic enactment of an across-the-board cut six years before general revenues are projected to make up 45 percent of Medicare costs. (Under current law, six years before general revenues reach this proportion of Medicare costs an expedited review must be performed and Congress is then charged with taking action.)

Background facts from the Kaiser Family Foundation

<http://www.kff.org/medicare/upload/1066-08.pdf>

Health Savings Accounts

Instead of providing real help for the growing unaffordability of health insurance, the President's budget proposes costly new tax breaks for expanding Health Savings Accounts (HSAs). HSAs will benefit people with high incomes, but will make health insurance still more expensive for everyone else and will increase the number of uninsured.

HSAs are accounts that receive favored tax status and that can be used to purchase high-deductible health insurance plans, as well as to pay for any out-of-pocket costs. Originally introduced in the Medicare Modernization Act of 2003, HSAs would be promoted and expanded in many ways through the tax breaks proposed in the President's budget.

The HSA provisions aimed at low- and moderate-income families would cost \$24 billion over five years. In contrast, provisions aimed at wealthy families would cost \$132 billion over the same time period.

Middle- and low-income families would receive tax credits to purchase the plans in the individual market. Individuals would receive a tax credit of \$1,000; families would receive \$3,000. Credits of this amount are widely thought to be too little to purchase health insurance. For wealthy families, the President proposes increasing the total amount a family can save in the accounts to \$10,500 a year and expanding breaks for contributions to HSAs and premiums paid. These tax breaks will mainly help those at the highest tax brackets by providing them with a new uniquely generous tax shelter in that both contributions to it and withdrawals are tax exempt.

Many health care economists have predicted that health care will become more unaffordable and out of reach as a result of HSAs. They will likely lead healthier, wealthier families to pull out of traditional plans used by employers and cause those plans to raise their own premiums, since they will be less able to pool risk. One study finds 600,000 additional people could become uninsured if the President's HSA proposal were to take effect.

Further, there is no evidence that people will be in a position to make health care decisions that drive down costs as proponents of HSAs often argue. Most health care expenditures (70 percent) are made by the ten percent of people who have catastrophic illnesses or are at the end of their life – situations in which there is little hope that people will somehow save money if given the right incentives.

Center on Budget and Policy Priorities

<http://www.cbpp.org/2-8-06tax.htm>

<http://www.cbpp.org/2-4-06tax.htm>

<http://www.cbpp.org/2-15-06health.htm>

Maternal and Child Health Block Grant

More than 2.3 million pregnant women and more than 26.8 million infants and toddlers, including about one million children with special health care needs, receive health services through the Maternal and Child Health Block Grant. Funding for this critical program was cut in 2005 from \$724 million to \$693 million and the President's budget would continue to fund it at \$693 million.

Accounting for inflation, spending on this program has fallen more than 15 percent since 2002. In response, states have been forced to cut services. Due to clinic closures in Ohio, more than 300 children with special health care needs in rural areas must now travel long distances or forgo needed care. Alabama cut in half funding for a children's clinic that provides comprehensive developmental assessments of children, putting more than 1,100 children at risk. Missouri ended a primary health care program that served more than 30,000 low-income women. Iowa Child Health Specialty Clinics has cut nutrition services to all children with special needs across the state.

Association of Maternal and Child Health Programs www.amchp.org

Social Security Privatized

Social Security is a contributory social insurance program that provided benefits to 47 million Americans in 2004. Workers contribute financially to the system during their careers and earn entitlement to benefits upon retirement, disability, or death. One in six Americans receive Social Security benefits and it is the nation's largest anti-poverty program, lifting millions of seniors

above the poverty line each year. Social Security is also the largest anti-poverty program for children, who receive benefits as dependents of workers who have died or become disabled.

Despite the overwhelming unpopularity of the President's plan to partially privatize Social Security, he has revived the proposal by inserting it into the Administration's FY 2007 budget. The Social Security plan would, over time, cut back the amount of income that benefits replace when a person retires, becomes disabled, or begins to collect benefits based on a spouse's record. These cuts would apply to all but the very poorest beneficiaries.

Details on the cuts remain vague, but the Administration has proposed this type of change before. Analysts found that benefit cuts would apply to anyone with an income over \$20,000 and that middle-class beneficiaries would lose a greater share of their income than wealthier beneficiaries. It is also very unlikely that there are many seniors who do not need their full benefit. According to the AARP Public Policy Institute, in 2003 even the highest fifth of seniors relied on Social Security for at least 20 percent of their income, and seniors with fewer earnings relied on Social Security for at least half their income.

The plan also creates private accounts that would be funded through a further reduction in benefits. By diverting payroll taxes away from the traditional Social Security program and into private accounts, this proposal would certainly do nothing to enhance its solvency – in fact, many analysts believe it would actually weaken the program. The accounts themselves would cost \$712 billion over ten years, which apparently would be financed through more borrowing. Although the proposal is again included in the President's budget this year, the costs of implementing it are not.

The President's budget also includes some new proposals to that harm Social Security beneficiaries. It eliminates Social Security benefits for children over 16 whose parents are retired, deceased, or disabled if the children are not in school, and also ends the one-time \$255 death benefit, often used towards funeral expenses.

The Century Foundation <http://www.socsec.org/commentary.asp?opedid=1216>