



COALITION ON HUMAN NEEDS

THE PRESIDENT'S FISCAL YEAR 2005 BUDGET

Slamming the Door Shut on Opportunity for All Americans

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OVERVIEW¹

The \$2.4 trillion budget the President proposes for fiscal year 2005 shortchanges working families across the country and shuts the door on opportunity for millions of Americans. As low- and moderate-income families struggle to stay at work while rising expenses make it harder to make ends meet, the President's budget offers little help and does considerable harm.

- ✂ 250,000 low-income families could lose the housing vouchers that enable them to pay the rent in 2005, with up to 800,000 families losing vouchers in 2009 – four in ten of the households currently receiving such help.
- ✂ Close to a half million fewer low-income children would receive child care in 2009 than are now served.
- ✂ 4.6 million children will not receive improvements in their education because the Administration underfunds its own No Child Left Behind Act by \$9 billion.

The priorities spelled out in the President's budget this year are wrong. The richest one percent will receive tax cuts averaging more than [\\$60,500](#) in the coming year. Over the next four years this richest group will gain just under \$400,000 each on average. The poorest fifth will reap \$98 in 2005 and \$519 over the five years, but will lose access to training, affordable housing, child care, health coverage, transportation assistance, and much more, making their tax cuts a very poor bargain.

The Wrong Choices

If the budget truly reflected our goals, we should expect it to include the funding to provide a solid education for our children, to lay a foundation for a strong economy in which everyone who can work has a job, and to make investments so that every American has the opportunity to succeed in school, at work, at home and in life. This is not that budget.

An "Opportunity for All" budget would ensure that every child in America has enough nutritious food to eat; would invest in high quality education from pre-school through college; and would protect children from abuse or neglect. The President's budget makes cuts in all these areas over the next five years. An "Opportunity for All" budget would invest in job training and development, transportation to work, and child care so that people can find and keep decent jobs. The budget reduces these services as well.

This is a budget that shortchanges these investments in opportunity in order to provide billions to the wealthiest Americans. In 2009 alone, the wealthiest one percent of taxpayers will receive an estimated [\\$168.1 billion](#) from the new tax cuts enacted in 2001 and 2003, nearly \$95,000 each in that year. In light of the growing deficit, the Administration could have reconsidered these tax cuts. Instead, the budget proposes additional tax cuts again targeted to the well-off, and funding cuts affecting health, safety, and education, and economic development.

There certainly were other choices possible. If every taxpayer in the top one percent received on average about \$7,000 less in tax cuts in 2009, more than \$12 billion would be available for services. With that amount, the following programs could serve the same numbers of people who are served today, using the Administration's own estimates:

¹ *The Coalition on Human Needs would like to thank the Annie E. Casey Foundation and the Rockefeller Foundation, whose generous support helped make this report possible. CHN also wishes to thank John Irons of OMB Watch for serving as chair of CHNs Budget Campaign subcommittee and for his kind help in creating this report. We are also most grateful for the help of Richard Kogan of the Center on Budget and Policy Priorities. Thanks also to Michael Prinz, and Athena Krell and Adam Hughes for their helpful contributions.*

Cuts Below Projected Cost Of Continuing Current Services in 2009 (millions of dollars)

Elementary, Secondary, And Vocational Education	\$3,038
Higher Education Assistance	\$366
Nutrition Aid	343
Child Care	204
Low-Income Housing And Homelessness Prevention	7,139
Lead Hazard Reduction	52
Social Services For Children, Families, And The Elderly	816
Substance Abuse And Mental Health Services	61
Empowerment Zones/Enterprise Communities In Urban And Rural Areas	30
Transportation Assistance For Low-Income Workers (JARC Program)	33
Home Energy Assistance (Low Income Home Energy Assistance Program)	86
Veterans' Income, Education, Rehabilitation, Training, And Housing Programs	<u>260</u>
	\$12,428

Note: Child Care includes only discretionary funding (funds which must be appropriated annually). All estimates of cuts below current service levels come from unpublished tables from the Office of Management and Budget, except for \$6.1 billion within the low income housing total, for cuts estimated by the Center on Budget and Policy Priorities for housing vouchers in FY 2009, based on figures from HUD.

Simply avoiding cuts in the number of people served is not the right goal. Expanding opportunity means moving forward, not just preventing a backward slide. Still, it is stunning that these painful reductions can be avoided if the wealthiest among us forego such a small part of the mammoth tax break headed their way.

In 2005, tax cuts will cost nearly \$300 billion, money that is borrowed from all of us in the form of huge deficits. About one-third of the tax cuts in the coming year go to the richest one percent – a group whose annual income averages just under \$1 million each.

The Administration estimates a \$521 billion deficit in 2005 but says it plans to cut it in half over the next five years. Instead of reducing tax cuts for the wealthy, the Administration proposes to reduce the deficit solely by shrinking services. One thing is clear – the deficit has not been caused by excessive spending on human needs programs. In 2004, domestic programs subject to annual appropriations (not counting homeland security) amounted to just three percent of all the costs from tax cuts and spending legislation approved by Congress since 2001. Changes in entitlement programs like Medicare (that do not need annual appropriations) represented nine percent. Tax cuts were by far the greatest source of the increasing red ink – they accounted for 58 percent of the costs of federal tax and spending legislation since 2001.

This budget steps backward when it should move forward. Congress enacted the President's No Child Left Behind Act because of a promise shared with the Bush Administration to provide more children with the education they need to succeed. And yet, not only does the Administration fall \$9 billion short in 2005 of the full authorized amount for improving education, by 2009 its funding for elementary, secondary, and vocational education will fall more than \$3 billion below the amount needed just to cover today's services.

More than 43 million lack health insurance, 8.4 million are unemployed, 35 million are poor, and 3.5 million people, 1.35 million of whom are children, will likely experience homelessness this year. The U.S. Food and Nutrition Service reports that 12.1 million households were "food insecure" – that is, they could not afford adequately nutritious food – in 2002.² An "Opportunity for All" budget would not ignore these needs in order to keep phasing in more tax cuts for the wealthiest among us.

² For more information about the uninsured, see [Families USA](#); unemployment, see [National Employment Law Project](#); poverty, see the [Center on Budget and Policy Priorities](#); homelessness, see the [National Coalition for the Homeless](#).

Overall, the budget would nearly level-fund domestic programs subject to annual appropriation that are not related to defense or homeland security in 2005. That means the programs will shrink below the rate of inflation – in effect, a cut. Since that is an average across all discretionary programs, some face deeper reductions. Housing vouchers for private rental units are slashed, as noted above. Among other severe hits:

- ✍ Several low-income housing programs suffer reductions or elimination. Hope VI, a program to demolish and/or rebuild severely distressed public housing units, is terminated. At the same time, capital funds to modernize or rehabilitate decaying public housing units receive slightly less in the President's proposal than they did in FY 2004. The \$2.674 billion proposed will not cover next year's needs, much less the \$20 billion backlog in public housing unit modernization. In many large cities, families can remain on waiting lists for public housing for up to 10 years.
- ✍ The budget continues a four-year slide for workforce training funding. The President proposes funding for Department of Labor workforce training and employment programs at \$655 million less than what Congress had pledged in 2002. The President announced new job training initiatives in his State of the Union message, but funding for those are more than offset by cuts in other existing job training programs. Training programs for migrant and seasonal farm workers are eliminated.
- ✍ The budget eliminates the Juvenile Accountability Block Grant (JABG) – a program that was funded at \$250 million in 2002 and authorized to receive \$350 million in 2005 - that provides grants to states and localities to strengthen the juvenile justice system. JABG funds comprehensive services that have reduced re-arrest rates by 25 to 70 percent. It also ends \$20 million in State Grants for Incarcerated Youth Offenders.

An Across-the-Board Effort to Reduce the Federal Role

Shutting the door on opportunity cannot just be measured by funding reductions. This budget continues the Administration's efforts to shift responsibilities to states without adequate oversight or funding. The budget includes previously made proposals to turn programs into block grants – limited pots of funds to states with relaxed rules for program operation. The Administration offers states this bargain: manage services with a fixed amount of funds and we will allow you to cut benefits or restrict eligibility in order to fit the program into the funding constraints. Since the funding levels proposed are less than inflation and population growth would require increases above inflation, these block grants are simply formulas for cutting. Some major new block grant proposals:

- ✍ **Medicaid/State Children's Health Insurance Program (S-CHIP):** The Administration pledges to work with Congress to enact a Medicaid block grant similar to a proposal made last year. That proposal capped federal Medicaid and S-CHIP funding, and would exempt states from federal rules about who gets coverage and the benefits they receive for all but the very poorest beneficiaries. This year, the Administration proposes legislation that would reduce Medicaid funding by more than \$1 billion, and to cut it by \$16 billion over 10 years.
- ✍ **Child Welfare Services:** The Administration would turn open-ended foster care funding into an optional block grant. States choosing this approach would receive a fixed sum based on the amount they were projected to spend over the next five years. In return, they would be able to use some of the funds for services intended to prevent the need for foster care. The Child Welfare League of America estimates that if all states took this option, in the fifth year they would receive \$275 million less than under current law. Prevention is critically needed, but it is unlikely the need for funding will decline this much.
- ✍ **Housing Vouchers:** In addition to cutting funds more than \$6 billion below current service levels in 2009, the Administration proposes to create a block grant called the "Flexible Voucher Program." The reduced funding would go to the local housing authorities administering the voucher program, without the current federal protections targeting vouchers to the neediest families and limiting the amount these poor households must pay. Housing authorities would be able to raise the rent or terminate the voucher of any tenant. They could decide to provide housing vouchers only to households with incomes well above the poverty line, in order to collect higher rents. Because the funding proposed by the Administration is so insufficient, housing authorities would be forced to use some or all of these strategies in order not to exceed their budgets.
- ✍ **Head Start:** The budget assumes a Head Start block grant will be enacted as a demonstration allowing eight states to take control of Head Start (now, the federal government sets performance standards and distributes funds to local Head

Start programs). Once the cost of the new layer of bureaucracy is included, the small funding increase proposed in the budget will not cover inflation. States opting for the block grant approach will not have to meet federal standards.

These proposals would follow in the footsteps of many previous block grants – funding would remain static or decline, no matter what the need. Temporary Assistance for Needy Families (TANF), the federal welfare to work program, was turned into a block grant in 1996. The basic allocation to states has remained the same since 1996, and the Administration proposes to leave it flat for the next five years. In fact, since some of the funds would be transferred to a new marriage promotion initiative, the amount available to states for cash assistance and job preparation would decline slightly. Although the TANF cash assistance caseload declined by more than half in the program’s first years, about a million low-income working families who did not get cash assistance did receive child care and other forms of help. More recently the caseload has been stable or rising slightly. Continued flat funding will hurt families with children and will create more problems for cash-strapped states. Similarly, the Social Services Block Grant (SSBG) is level funded at \$1.7 billion. SSBG has been cut steeply since 1996, when it was funded at \$2.8 billion.

For a description of Bush Administration new block grant proposals, see the Coalition on Human Needs [website](#).

Hidden Cutbacks After 2005

While much of the deficit has been caused by irresponsible tax cuts that give a disproportionate share to the wealthy, the budget places the burden of reducing the deficit squarely on low-income people. That burden grows far heavier starting in 2006. But although the budget includes estimates of deficit reduction based on program-by-program funding recommendations through 2009, no specific information past 2005 is included in the more than 2,500-page published version of the budget. Unlike previous years, proposed funding for these out-years was only made available to Congressional staff, then shared by the Center on Budget and Policy Priorities and made available on the website of [OMB Watch](#). While the funding shortfalls and dismantling of protections for vulnerable people proposed for 2005 are bad enough, a pattern emerges in 2006 and beyond of cuts well below the amount needed to continue today’s service levels. In many cases, deep cuts occur in programs that are spared the ax in 2005. These include essential protections from homelessness and hunger, affecting young and old alike. After a one-year increase in the education program for low-income children (Title I), even that declines, despite its role as centerpiece of the No Child Left Behind Act. Here are some examples, in millions of dollars:

Hidden Cutbacks After 2005 (millions of dollars)				
President’s Proposal	FY 2004	FY 2005	FY 2006	Cut Below Cost of Continuing Current Services in FY 2009
Education for the Disadvantaged (Title I)	\$13,846	\$15,205	\$14,818	- \$655
Children and Family Service Programs	\$8,762	\$9,055	\$8,824	- \$648
Housing for the Elderly	\$774	\$773	\$753	- \$81
McKinney-Vento Homelessness Assistance	\$1,260	\$1,282	\$1,249	- \$109
WIC (Women, Infants and Children Nutrition)	\$4,612	\$4,787	\$4,665	- \$308
LIHEAP (Low-Income Home Energy Assistance)	\$1,889	\$2,001	\$1,950	- \$86

Proposed Budget Rules Tilt Against Human Needs Spending

To stack the deck towards reducing the deficit by service cuts – not by rescinding tax breaks – the Administration proposes a new set of budget rules. These affect both mandatory programs (such as Medicaid or Food Stamps, which have long-term authorizations that do not require annual appropriations) and discretionary ones (programs that do need annual appropriations).

Under the proposed rules, mandatory programs could be increased only if the new costs were offset (paid for) by spending reductions in mandatory programs. When a similar limitation was enacted in the 1990 Budget Enforcement Act, it applied both to spending increases and tax cuts, because both were recognized as contributing to deficits. But these new rules do not require tax cuts to be paid for. (Tax credits like the Earned Income Tax Credit, which may amount to more than the taxpayer paid in income taxes, are considered spending, and do require offsets.) In addition, the rules call for a point of order against legislation expanding entitlement programs such as Social Security, Supplemental Security Income, or Medicare (so that 60 votes would be needed to enact such legislation, rather than a simple majority), and further constrains attempts to expand programs by requiring annual reports by both the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) about any such proposals. There is no similar report requirement about proposed tax cuts, and no wonder – [CBO](#) recently responded to queries from senators to estimate that the cost of the President's tax cut proposals in the 2005 budget would cost nearly \$1.3 trillion through 2014, contributing to a cumulative deficit of \$2.75 trillion through 2014. (After the budget's spending cuts are taken into account, CBO judges the President's budget will leave the deficit \$737 billion deeper than it would have been if current law remained unchanged.)

Far from shining a light on the impact of tax reductions, the budget rules propose to count the tax cuts enacted in 2001 – 2003 in the baseline for 2005 and following years, ignoring the expiration dates for those tax cuts now pending. Under current practice, the cost of continuing a tax cut after its expiration date would count as an additional expenditure. If the costs of continuing the tax cuts are ignored, it puts all the onus of deficit reduction on cutting services or benefits.

Discretionary programs from 2005 through 2009 would be limited to the levels proposed in the 2005 budget. Increases in funding for certain programs would have to be paid for by cuts in other discretionary programs. Since defense and homeland security are discretionary programs, increases beyond the 2005 levels – which are expected – would require cuts in other programs. The President has called for significant cuts in non-defense, non-homeland security programs starting in 2006. In the past, cuts projected for discretionary programs after the year of the budget might not have been taken seriously, since Congress must make appropriations for these programs every year. But if a strict cap were in place, combined with powerful pressures to increase funds for Iraq, other defense or homeland security programs, Congress would be forced to make additional cuts in domestic programs.

Another rule change would make the Congressional Budget Resolution a binding joint resolution signed (or vetoed) by the President. Under current law, the Budget Resolution is not signed by the President and operates as a guideline for Congressional tax and spending decisions without the force of law. The proposed version would set binding limits. If they were exceeded, Congress would be required to make across-the-board cuts. The President also calls for a line-item veto of spending or tax benefits he determines are not “essential Government priorities,” with the resulting cuts used towards deficit reduction. These changes would give the President more power and Congress far less.

The President calls for biennial budgeting and appropriations instead of the current annual cycle. Here too, less frequent oversight by Congress would tilt power towards the executive branch.

Whose Budget?

Americans are well aware of the real problems facing the nation. Since March 2001, we have lost more than 2.4 million jobs, the worst record since the Great Depression. The job growth of the past few months is still less than what is needed just to keep pace with a growing labor force. Over the past year, real wages have been falling about 1 percent for low- and high-wage workers, and wages have been [stagnant](#) for others. Of the 8.4 million officially unemployed, 1.9 million have been out of work for more than half a year. Despite workers' increasing need for more education to secure a decent job,

more than two in five hold a high school degree or less. Health care costs are driving millions into to ranks of the uninsured. Housing costs are rising - in 2003, it took an hourly wage of [\\$15.21](#), almost triple the federal minimum wage, to afford rent for a fair market value two-bedroom apartment, up 37 percent from 1999.

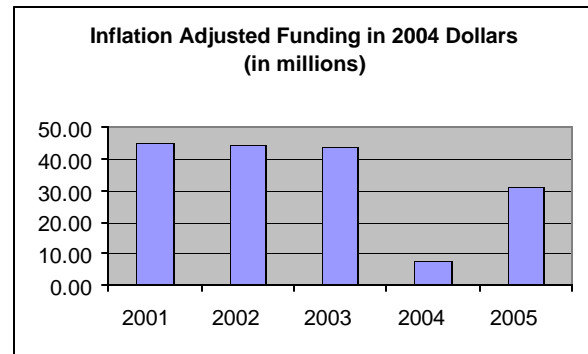
Americans also know they are being hurt by severe state budget crises. States are making cuts – 18 states cut eligibility for public health insurance and 21 states imposed new or higher co-payments for 2004. The [Center on Budget and Policy Priorities](#) estimates that state cuts in publicly funded health insurance programs have caused 1.2 million to 1.6 million low-income people – including 490,000 to 650,000 children and large numbers of parents, seniors, and people with disabilities – to lose health coverage. At least 32 states have made cuts or limited access to child care assistance. Eleven states cut K-12 education for fiscal year 2004 and many states are cutting higher education. Last year, Congress appropriated \$20 billion in fiscal relief to states, half of which was targeted to address rising Medicaid costs. The President's 2005 budget does not provide this aid again.

Americans need a government that works for everyone, not just the wealthy and powerful. The federal budget should express a practical commitment to keep the door to opportunity from swinging shut. The President's budget does not address the very real needs of America's struggling families. It would make things worse.

The following analyses describe a group of federally funded programs that serve low-income individuals and families and the impact of the President's budget on those programs. Although this report does not attempt to analyze every federal program serving low-income families, the programs included here represent key supports for these families. The Coalition on Human Needs compiled these analyses with the generous assistance and input of many member organizations, listed as contributors on each program page.

Adoption Incentives

Year Established:	1997
FY 04 Appropriations:	\$7.5 million
FY 05 Budget Request:	\$32 million
FY 04 to 05 Change:	+ \$24.5 million
Inflation Adjusted:	+ \$24.37 million (325%)



Program Description

Part of the Adoption and Safe Families Act (ASFA) of 1997, the Adoption Incentives program provides bonus payments to states that increase their adoptions from foster care. States must exceed target numbers each year in order to be eligible to receive bonuses. States have a little more than a year to spend the award dollars on such things as post-adoption services and family recruitment. Recently reauthorized in 2003, the program adds new incentives for states to focus on moving children 9 and older to adoption and increases the authorization level to \$43 million. However, appropriators have not fully implemented the authorization level and in 2004 the budget only included \$7.5 million for the program. The appropriation committee did allow HHS to use unspent funds from fiscal year 2003 bringing funding to \$34 million but it is unclear if this total will address the increased need resulting from changes in the 2003 reauthorization.

During the program's first year, the funding that was appropriated did not cover the awards that states received. As a result Congress increased funding and allowed HHS to reimburse states for the previous year's increased adoptions. In recent years a reduced number of states qualified for bonuses or incentive payment so the reauthorization legislation changed the targeting to promote the adoption of older children (in addition to overall and special needs adoptions) and reset the targets or number of adoptions each state must reach to receive an incentive. In the past, every state qualified for adoption incentive bonus payments for at least one year; most states qualified for bonuses for several years. After Congress reset the targets in 2003, all states qualified for the bonus in 2004.

Impact of the President's Proposal

The budget proposes funding at \$34 million – still \$11 million short of the \$43 million authorized. Last year's appropriation bill allows a carry-over of 2003 funds to provide for a total of \$35 million in 2004. But the fact that the Administration's proposed fiscal year 2005 budget reflects final 2004 appropriations funding at \$7.5 million may mean that funding the incentives at \$32 million will be scored as an increase of nearly \$25 million – putting it in competition with other discretionary child welfare programs.

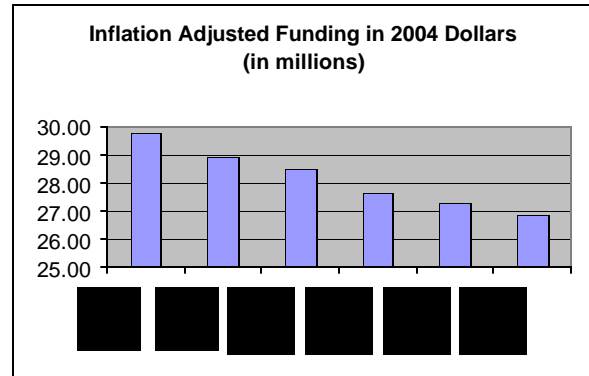
The shortfall in funding will affect the tens of thousands of children in foster care who are awaiting adoption. In 2002, there were 126,000 children waiting to be adopted out of the foster care system. More than one-third of these children were between ages 6 and 11; one-quarter of those waiting to be adopted were between ages 11 and 15.

For More Information See: *Child Welfare League Of America* www.cwla.org 202-638-2952

Information Provided By: *John Sciamanna* JSciamanna@cwla.org

Adoption Opportunities Program

Year Established: 1978
FY 04 Appropriations: \$27.285 million
FY 05 Budget Request: \$27.285 million
FY 04 to 05 Change: \$0
Inflation Adjusted: - \$464,000 (-1.7%)



Program Description

Part of the reauthorization of CAPTA in 1978, Adoption Opportunities is the only federal program created specifically for promoting adoption of waiting American children. The discretionary program eliminates barriers to adoption and helps to find permanent families for children in the foster care system who would benefit from adoption, particularly children with special needs.

In the past, the goals of the program included increasing minority recruitment, finding successful ways to move older children into permanent families, and providing post-adoption services. Today, the program focuses on eliminating barriers to placing children for adoption across jurisdictional boundaries.

Impact of the President's Proposal

In 2002, there were 126,000 children waiting to be adopted out of the foster care system. More than one-third of these children were between ages 6 and 11; one-quarter of those waiting to be adopted were between ages 11 and 15. In 2000, according to AdoptUSKids, 52,000 families received information on how to proceed with adoption. Through this exchange, 5,500 children were listed as waiting to be adopted.

Despite the increased need and the goal of increasing adoptions nationwide, funding for the Adoption Opportunities program has been eroded by inflation and recent across-the-board budget cuts in the last two appropriations bills. Although Congress recently increased the authorized funding level to \$40 million, appropriators have never provided full funding. The Administration's budget proposes funding the program nearly \$13 million below its authorized level.

For More Information See: Child Welfare League of America www.cwla.org 202-638-2952
Information Provided By: John Sciamanna [Child Welfare League of America JSciamanna@cwla.org](mailto:JSciamanna@cwla.org)

Child Abuse Prevention and Treatment Act (CAPTA)

Year Established: 1974

FY 04 Appropriations:

CPS State Grants	\$22.013 million
Discretionary Grants	\$34 million
Community Based Grants	\$33 million

CAPTA Total \$89.013 million

FY 05 Budget Request:

CPS State Grants	\$42 million
Discretionary Grants	\$26 million
Community Based Grants	\$66 million

CAPTA Proposed Total \$134 million

FY 04 to 05 Change: + \$44.98 million

Inflation Adjusted: + \$43.47 million (+48.8%)

Program Description

The Child Abuse Prevention and Treatment Act (CAPTA) provides funds to states to help them protect children from abuse and neglect. CAPTA imposes no income or other eligibility requirements for people receiving assistance, and the program is intended to keep children of any age safe from harm. Title I authorizes discretionary grants to states to help improve their Child Protection Services (CPS) systems. States use these grants to develop innovative approaches to improve CPS systems. States must meet eligibility requirements, such as having mandatory reporting laws, preserving victim confidentiality, appointing guardians, and establishing citizen review panels.

Title II of CAPTA authorizes discretionary funding for grants to states to support community-based programs offering services aimed at the prevention of child abuse and neglect. Grants are allocated to states by a formula based on the relative number of children in a state, and on the amount of funds directed through the grant recipient for prevention activities. Title II also authorizes Community-Based Grants for the Prevention of Child Abuse and Neglect, which funds grants to states to develop community-based prevention programs and activities designed to strengthen and support families. Locally-based organizations use the funds for family resource, family support, voluntary home visiting, respite care, parenting education, mutual support, and other community programs that prevent or respond to child abuse and neglect.

Evaluations of prevention strategies – such as home visitors, respite child care, family resource and support programs and parenting education – have shown that prevention programs work. Studies of home visiting programs suggest that the risk of child maltreatment is two to three times higher among children living in families not receiving services compared to those enrolled in a program. Crisis nurseries have been demonstrated to protect children against abuse at home. A survey of high-risk families participating in a crisis nursery found that 95 percent of the children enrolled had no reports of abuse or neglect. The need is great; the cost of preventive services if offered to the three million child maltreatment victims identified in the HHS National Incidence Study 3 would total \$10 billion, far more than the \$2.9 billion states reported spending for child protection *and* prevention in 2000.

Impact of the President's Proposal

In 2001, there were 900,000 children who were confirmed victims of abuse or neglect. However, not all of these children and their families necessarily received services. That same year state and local Child Protection Services (CPS) agencies received an estimated three million reports of abuse and neglect by family members, professionals, or other citizens who

were concerned about children's safety and well-being. In 2000, CPS agencies investigated more than 1.7 million reports, representing an estimated 2.9 children.

When it was adopted in the 1970s, CAPTA represented an important federal policy statement regarding state child protection policy. In the past Congress has used the reauthorization of CAPTA to require new mandates and policies for state child protection laws. Over time, however, the funding level has not kept pace with either the need or mandates.

The Administration proposes a \$19.9 million increase in the basic state grant under Title I of CAPTA. If enacted, this would allow the biggest growth in funding in more than a decade. This funding would allow states to more adequately fund their existing child protective services system.

While this is a significant increase in funding for state child protective services systems it would still represent a small part of total child protective services costs. For example, the most recent report on the Social Services Block Grant (SSBG) indicated that in FY 2001, states used over \$300 million of their SSBG funds to supplement their Child Protective Services system.

At the same time, the Administration proposes reducing funding for the discretionary grants in Title II of CAPTA by more than 25 percent, bringing the amount of research funds to a level provided in 2002. The Administration proposes increasing funding for the Community Based Grants for Prevention of Child Abuse and Neglect program from \$33 million to \$66 million.

For More Information See: Child Welfare League of America www.cwla.org 202-638-2952

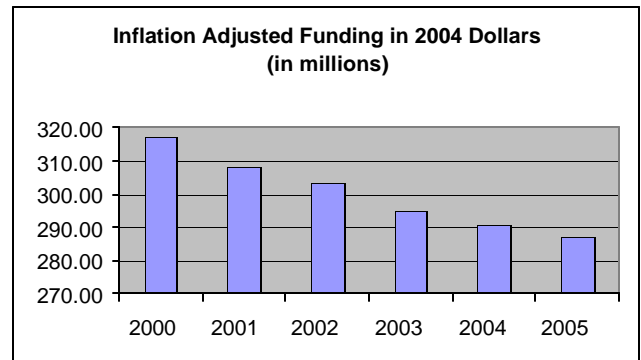
Information Provided By: John Sciamanna [Child Welfare League of America JSciamanna@cwla.org](mailto:JSciamanna@cwla.org)

Child Welfare Services Program

Year Established: 1986

FY 04 Appropriations: \$291.037 million
FY 05 Budget Request: \$292 million

FY 04 to 05 Change: + \$0.963 million (0.3%)
Inflation Adjusted: - \$3.98 million (-1.4%)



Program Description

The Child Welfare Services Program (subpart 1 of Title IV-B of the Social Security Act) provides federal matching grants to states for services that protect the welfare of children. The federal match rate is 75 percent. States use the funding for services to address problems that may result in neglect, abuse, exploitation, or delinquency of children; to prevent the unnecessary separation of children from their families and restore children to their families, when possible; place children in adoptive families when appropriate; and to assure adequate foster care when children cannot return home or be placed for adoption. There are no federal income eligibility requirements for the receipt of child welfare services under this program.

The Child Welfare Services program is a pool of funds states can use for prevention services with the intended goal of reducing the number of children in out-of-home placements. It is a ready vehicle for flexible federal funds that would allow states to reduce the number of children in out-of-home placements, such as foster care.

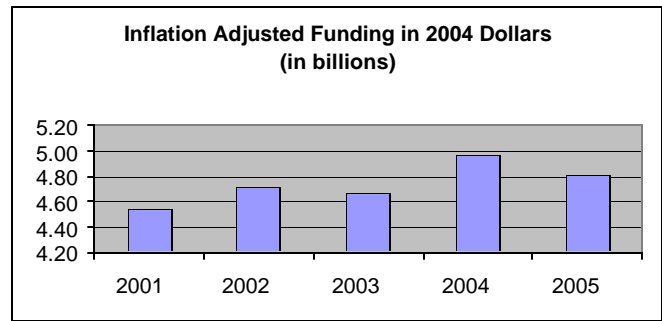
Impact of the President's Proposal

The administration's proposed funding level restores last year's across-the-board reduction but provides no increase, continuing a trend of level funding that has existed for more than a decade. The funding for Child Welfare Services Program was at \$198 million in 1997. In 1998, Congress funded the program at \$292 million, where it remained through 2001. Congress kept funding below its 2001 level in 2002, 2003, and 2004. The Administration's budget would restore funding for Child Welfare Services to its 2001 level. However, after taking inflation into account, the President's proposal represents a cut to Child Welfare Services – a program that is essential to reducing the number of children in foster care.

For More Information See: *Child Welfare League of America* www.cwla.org 202-638-2952
Information Provided By: *John Sciamanna* JSciamanna@cwla.org

Foster Care Program

Year Established:	1980
FY 04 Appropriations:	\$4.974 billion
FY 05 Budget Request:	\$4.896 billion
FY 04 to 05 Change:	- \$78 million (-1.6%)
Inflation Adjusted:	- \$162.6 million (-3.3%)



Program Description

The Title IV-E Foster Care Program is an open-ended entitlement that serves approximately 233,000 children per month (out of a total of more than 534,000 eligible children). It funds three distinct types of activities: maintenance payments for qualified children who are in foster care, administrative payments for expenses associated with children in foster care, and training of professional staff and parents involved in foster care. State expenditures are matched at the FMAP (Medicaid) matching rate ranging from a 50 percent to nearly 80 percent federal match. Under the program, which is permanently authorized, states must follow certain procedures and policies to assure the safety of children in care. States must also assure that specific steps have been taken before a child is removed from their homes and placed in foster care. Eligibility has always been restricted by income, and since 1996 states have had to determine whether a child qualifies based on the eligibility standards that existed for the former cash assistance program – Assistance for Families with Dependent Children (AFDC).

Impact of the President’s Proposal

Federal expenditures for the foster care program have increased from just under \$1 billion in fiscal year 1987 to just under \$5 billion in fiscal year 2004. However, funding for IV-E Foster Care is insufficient to meet the need. As mentioned above, the entitlement only reaches slightly more than half the children who are eligible for it. States and localities must rely on other sources of funding – such as the Social Services Block Grant – to serve the rest of the children. Unfortunately, Congress has also failed to fully fund the Social Services Block Grant.

While IV-E Foster Care is an entitlement not subject to annual appropriations, the Administration expects a reduction in cost as reflected by the \$4.9 billion funding level listed above. The Administration proposes to reduce funding in several ways. For the second year the Administration is proposing a “child welfare option” that would turn foster care entitlement funds into an optional block grant based on what a state’s projected costs would be over the next five years. States would be required to remain in the block grant for five years but could spend funds on a range of child welfare services. The Child Welfare League of America estimates that if all states took this option, in the fifth year they would receive \$275 million less than under current law. The Administration also proposes to deny an expansion of current IV-E eligibility by proposing legislation that would supersede a recent ruling by the Federal Court of Appeals in the 9th Circuit. This ruling, referred to as the “Rosales” case, expanded current eligibility based on where the child most recently resided before being placed in foster care. The Rosales case, as applied by HHS, allows states in the 9th Federal Circuit (California, Washington, Oregon, Alaska, Hawaii, Montana, Idaho, Nevada and Arizona) to expand current IV-E eligibility. The Administration expects that savings resulting from this eligibility change will total approximately \$77 million in 2005. Finally, the Administration projects a savings of \$82 million in 2006 by implementing a HHS policy announcement from 2001 that would have the effect of restricting federal reimbursement to states for some children placed by certain state-contracted agencies.

Note: The Administration for Children and Families in HHS is the source for FY 2001, 2002, and 2003 information. FY 2004 information is taken from the final appropriations legislation for 2004 and FY 2005 number is from the Administration’s budget proposal.

For More Information See: Child Welfare League of America www.cwla.org ☎202-638-2952
Information Provided By: John Sciamanna ☎Child Welfare League of America

Independent Living Program

Independent Living - Capped Entitlement

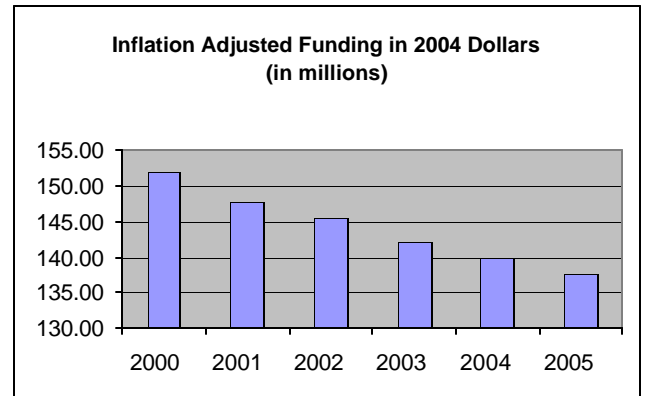
Year Established: 1986
FY 04 Capped Entitlement: \$140 million
FY 05 Budget Request: \$140 million

FY 04 to 05 Change: \$0
Inflation Adjusted: -\$2.38 million (-1.7%)

Education and Training Vouchers

Year Established: 2001
FY 04 Appropriations: \$45 million
FY 05 Budget Request: \$60 million

FY 04 to 05 Change: \$15 million
Inflation Adjusted: \$14.24 million (31.6%)



Program Description

The Independent Living program (also known as the Chafee Independence Program) assists youth who will eventually be emancipated from the foster care system to help them make a successful transition from foster care to independent adult living. The \$140 million program is a capped entitlement distributed by formula to states, and requires states to provide a 20 percent state match.

States use Independent Living funds for services that assist eligible children age 16 and older move from foster care to independence when they become ineligible for foster care maintenance payments at age 18. States must use a portion of their funds for assistance and services for former foster children age 18 to 21.

In 2001, Congress amended the Chafee Foster Care Independence Program and included an authorization for an education and training vouchers program. The discretionary funds are allotted to states to provide vouchers worth up to \$5,000 per year for youth aging out of foster care to assist in getting the higher education, vocational training, and other education supports they need to move to self-sufficiency.

Approximately 20,000 youth leave foster care each year at their 18th birthday. These young people desperately need services and other assistance to help them become fully independent. Children in foster care are twice as likely as the rest of the population to drop out of high school. Of the youth recently aging out of foster care, about *half* are unemployed and 12 percent report living on the street or in a shelter at least one night after leaving foster care. A recent study of 17 year olds in foster care in Illinois, Iowa, and Wisconsin found that they were reading at the seventh grade level. More than half had been arrested.

Impact of the President's Proposal

The original annual entitlement for the Chafee Foster Care Independence Program was \$45 million; Congress increased it gradually to \$140 million. However, the program has been funded at the same \$140 million level for the past five years. The Administration's budget keeps funding level, despite increasing need and the erosion of the value due to inflation. Although Congress authorized \$60 million for the education and training voucher program when it was created in 2001, appropriators have never fully funded the program. In 2003, Congress appropriated just \$45 million for the education and training vouchers program. The Administration's budget proposes to fund the program at its \$60 million authorized level. However, this marks the third year that the Administration has proposed funding at the authorized level. So far the Administration has not managed to persuade Congress to fully fund the program.

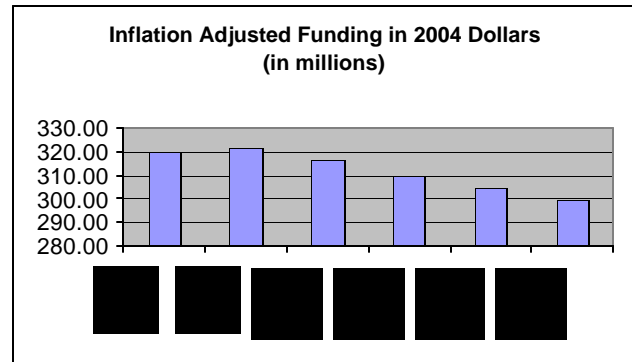
For More Information See:
Information Provided By:

Child Welfare League of America www.cwla.org 202-638-4004

John Sciamanna jsciamanna@cwla.org

Promoting Safe and Stable Families Program

Year Established:	1993 (mandatory funds) 2001 (discretionary)
FY 04 Appropriations:	\$305 million (mandatory) \$100 million (discretionary)
FY 05 Budget Request:	\$305 million (mandatory) \$200 million (discretionary)
FY 04 to 05 Change:	+ \$100 million (24.7%)
Inflation adjusted:	+ \$93.12 million (23%)



Program Description

Promoting Safe and Stable Families (PSSF) is an important federal source of funding for an array of support services for families with children, and one of the few sources of federal funds for services to prevent and remedy the difficulties that bring families to the attention of the child welfare system. Funds can be used for family preservation, family support, adoption services and family reunification. States are to spend at least twenty percent in each of these four categories of services. The program is also central to meeting the goals of the Adoption and Safe Families Act (ASFA). Total federal funding is determined in two ways: \$305 million is mandatory and does not require annual approval by Congress. Since 2002 Congress has authority to provide up to \$200 million in additional annual discretionary funding.

Family preservation services help children and families in crisis, including extended and adoptive families. Services include programs to help reunite children with their birth families, if appropriate, or place children in adoptive settings or other permanent arrangements; programs to prevent placement in foster care, including intensive family services; programs to provide follow-up services to families after a child has been returned from foster care; and services to improve parenting skills.

Family support services include community-based activities that promote the safety and well-being of children and families. These services include structured activities involving parents and children, respite care services for parents and caregivers, parenting skills training, and information and referral services.

Time-limited reunification services are intended to address the needs of children and families involved in the foster care system. Services are provided within 15 months of when a child enters foster care. Reunification services for the child and family include counseling, substance abuse treatment, mental health services, assistance to address domestic violence issues, temporary child care, and transportation services.

Adoption services are aimed at encouraging an increase in the adoption of children in foster care. These services can be used to help children and families prepare for adoption and address their post-adoption needs. Funding for this discretionary money began in FY 2002 at \$75 million and increased to \$100 million in FY 2003 and FY 2004.

Impact of the President's Proposal

The Administration's budget proposes full funding of discretionary funds for PSSF. During the 2001 reauthorization the Administration had committed to providing an additional \$1 billion in discretionary PSSF funds over five years (\$200 million of discretionary funds each year for five years). Through the first three years of this reauthorization, Congress has provided only \$275 million out of a maximum \$600 million.

For More Information See: *Child Welfare League of America* www.cwla.org 202-638-2952

Information Provided By: *John Sciamanna* JSciamanna@cwla.org

Community Services Block Grant

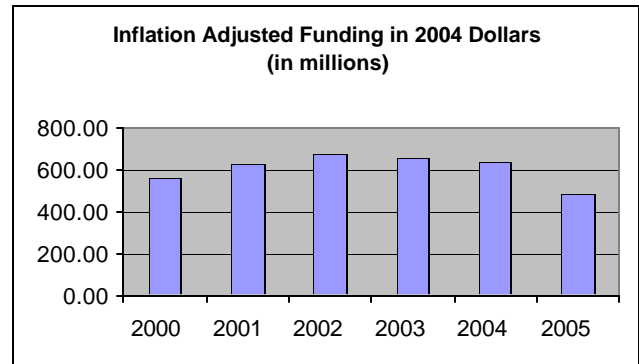
Year Established: 1981*

FY 04 Appropriations: \$642 million

FY 05 Budget Request: \$495 million

FY 04 to 05 Change: - \$147 million (-22.9%)

Inflation Adjusted: - \$158 million (-24.6%)



Program Description

The Community Services Block Grant (CSBG) provides the core funding for a network of 1,100 Community Action Agencies (CAAs) and other eligible entities that fight poverty and promote self-sufficiency for America's low-income individuals, families, and communities. As a block grant, CSBG is administered by states, which distribute a minimum of 90 percent to local eligible entities. The funding flexibility of CSBG enables CAAs to provide a broad range of programs and services tailored to address the needs identified at the local level. CAAs act as catalysts for change by bringing local government representatives, area citizens, and community (business, civic, religious) groups together as volunteer boards to guide the work that the agencies do. Families served by the CSBG must have incomes at or below 125 percent of the federal poverty line, although CAAs operate programs whose eligibility varies. The 2001 CSBG Statistical Report produced by the National Association of State Community Services Programs reported serving nearly 13.5 million individuals who were members of about 5.5 million families. Seventy percent of these families had incomes below the federal poverty line.

Impact of the President's Proposal

The President proposes to reduce CSBG funding by 23 percent – from \$642 million in 2004 to \$495 million in 2005. While the Community Services Block Grant makes up only about 7 percent of the total resources spent by the CSBG network, it is a critical component of Community Action funding. CSBG is the glue that holds CAAs together, providing flexible funding to develop and implement creative programs that meet local needs, to supplement existing program funding when needs are greater than resources, and to provide funding to administer programs that come with no administrative dollars. But even more critical is the importance of CSBG as leverage for additional resources. In 2001, CSBG funding was \$600 million; the total resources spent by the network in 51 states (including the CSBG) were \$9.1 billion. Every CSBG dollar was matched in the local network by \$14.92; one-third of the funds leveraged came from local and private sources. A reduction of 23 percent in CSBG could easily translate into a loss of \$2 billion network-wide, with the consequent loss of services by as many as 1.2 million poor families.

The President's budget calls for the inclusion of national outcome-based goals in the reauthorizing legislation. CAAs that fail to meet these goals could lose their CDBG funding, with competition for CSBG funds open to community and faith-based groups. Congress recently passed legislation that reauthorizes Community Services Block Grant and requires increased accountability at the local, state and federal levels of the program.

*CAA network established and funded by Economic Opportunity Act of 1964. Funding converted to the block grant by OBRA 1981.

For More Information See: Community Action Partnership www.communityactionpartnership.org

National Community Action Foundation www.ncaf.org

National Association of State Community Services Programs www.nascsp.org

Information Provided By: Judy Mason jmason@communityactionpartnership.com

The Social Services Block Grant (SSBG)

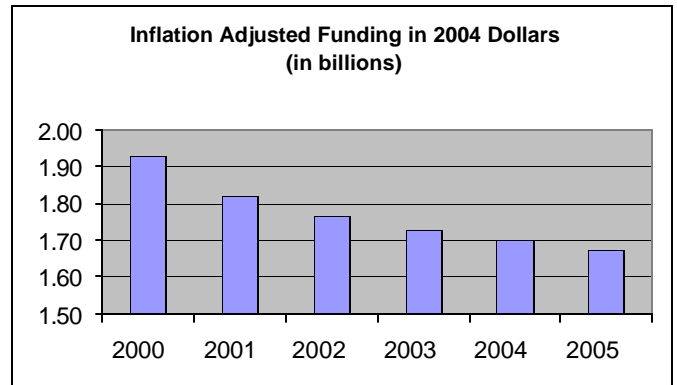
Year Established: 1981 (Title XX prior to 1981)

FY 04 Appropriations: \$1.7 billion

FY 05 Budget Request: \$1.7 billion

FY 04 to 05 Change: 0

Inflation Adjusted: - \$28.9 million (-1.7%)



Program Description

The Social Services Block Grant (SSBG) is a capped entitlement program under Title XX of the Social Security

Act. The funding is allocated to states according to a formula based on their relative population size and to territories based on their share of 1981 Title XX funds. SSBG has five broad goals that focus on self-sufficiency, reducing dependency, preventing and remedying abuse and neglect, preventing unnecessary institutional care, and securing admission and/or providing services for institution care. There are 29 allowable services that states can provide using block grant funds and according to Department of Health and Human Services data, 12.8 million individuals in fiscal year 2001 received services that were funded at least partially by SSBG.

Forty-one states spent \$351.8 million on services for disabled children and adults, such as adult foster care, residential treatment, transportation and special services. SSBG funds in excess of \$201.4 million were also used to provide congregate meals for the elderly, adult day care, home-delivered meals and adult protective services to support over 659,000 elderly persons in the community.

For the first 9 years (1982-1991), SSBG was funded at an average level of \$2.67 billion and then increased for the next five years (1991-1996) to a level of \$2.8 billion. However this course was reversed and SSBG was cut by over \$1.1 billion in the last six years. Cumulatively states have been forced to absorb over \$6.3 billion in cuts since 1995. These cuts began as part of an agreement Congress made with the states during welfare reform to cut SSBG (from \$2.8 billion to \$2.38 billion) for a limited period while TANF was first implemented. This same law also allowed states to transfer up to 10 percent of their TANF block grant into SSBG to be used on services for children or their families whose income is at 200 percent of the federal poverty level or lower. Congress broke this agreement to restore SSBG to \$2.8 billion in fiscal year 2003.

Impact of the President's Proposal

The President's proposal funds SSBG at \$1.7 billion and allows states to continue to transfer up to ten percent of their TANF funds into SSBG. Inflation continues to erode the value of the block grant even as Congress has refused to restore funding.

States rely on the flexibility of the SSBG grant to provide services to thousands of low-income families. The continual shrinking of the grant places strains on state budgets and services for the needy. In fiscal year 2001, more than \$620 million in SSBG was used to fund such child welfare services as child protective services, foster care, adoption services, and independent living services. The SSBG enables the provision of child protective services to more than 1.4 million children, adoption services to more than 159,000 children and families, and prevention and intervention services to more than 811,000 families. In addition, states used more than \$313.8 million for the protection of abused and neglected children in SSBG compared to only \$22 million available through state grants in the Child Abuse and Prevention Treatment Act for the same purpose.

For More Information See: *United Way of America* <http://national.unitedway.org>

Information Provided By: *Patrick McIntyre* *United Way of America* *703.836.7100*

Child Care and Development Block Grant

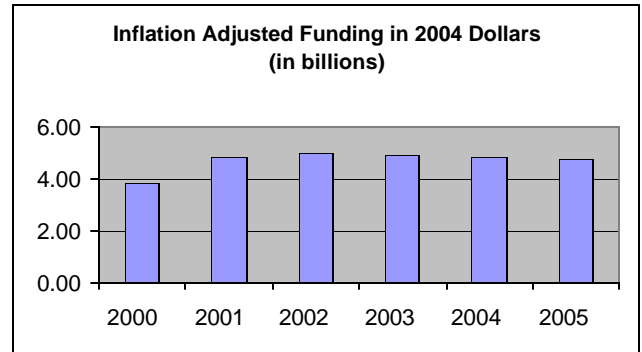
Year Established: 1990

FY 04 Appropriations: \$4.804 billion

FY 05 Budget Request: \$4.817 billion

FY 04 to 05 Change: + \$13 million (+0.3%)

Inflation Adjusted: - \$69 million (-1.4%)



Program Description

The Child Care and Development Block Grant (CCDBG) provides child care assistance to families moving from welfare to work and low-income working families to help them pay for child care. The CCDBG consists of mandatory funds, which are authorized by Congress for multiple years and do not need annual appropriations, and discretionary funds, which must be appropriated yearly. The mandatory funds must be matched by states; the discretionary funds do not. The majority of funds are distributed to families in the form of subsidies that parents can use for the child care of their choice, whether it be a child care center, family child care home, or relative. More than 2 million children receive assistance through the CCDBG.

States set their own child care policies within federal parameters. States can serve families earning up to 85 percent of state median income, although most states choose to set their income eligibility cutoffs much lower. States also determine how much to reimburse child care providers who serve children receiving subsidies (the reimbursement rate) and how much to ask parents to contribute toward the cost of care (the parent co-payment). In addition, states determine how much of their funds to devote toward quality improvements; the minimum required is 4 percent of their CCDBG allocation.

States supplement their funds for child care with surplus welfare (Temporary Assistance to Needy Families, or TANF) funds. States can transfer up to 30 percent of these TANF funds to the CCDBG or use funds for child care directly within the TANF block grant.

Impact of the President's Proposal

The President's budget—which merely restores a small funding cut made in a prior year—will result in many low-income parents losing the assistance they need to be able to afford decent care for their children while they work. Because funding does not increase enough to keep pace with inflation, combined with the decline in TANF resources available for child care, approximately 76,000 fewer children will be able to receive assistance in 2005 compared to FY 2004. Without help paying for care, low-income families find it extremely difficult to get or keep a job, afford good care for their children, or pay for other necessities.

Already, only one in seven children eligible for child care help under federal law receives it. Federal funding for the CCDBG has been virtually frozen for the past three years. At the same time, many states, facing serious budget deficits, have made cuts to their child care programs. Many low-income families have lost their eligibility for help or are being placed on long waiting lists, states have scaled back or eliminated efforts to improve the quality of care, and providers are being reimbursed at rates far below market prices. The 2005 budget offers no relief to working families who are struggling to make ends meet or to child care providers trying to keep their programs open.

The 2005 budget only tells part of the story. Many more families will lose assistance in coming years due to the lack of growth in child care spending under the President's five-year budget. Proposed funding for the CCDBG for 2006 through 2009 not only fails to keep pace with inflation but actually is lower than in 2004. As a result, about 300,000 fewer children will receive assistance in 2009 compared to 2002, according to the Administration's own budget. This situation is compounded by the fact the states have declining reserves of TANF funds, which states have relied on heavily to support their child care programs. Taking into account the effect of both these dwindling TANF resources and frozen or declining CCDBG funding, approximately half a million fewer children will receive assistance in 2009 compared to 2002, according to the Center on Budget and Policy Priorities and the Center for Law and Social Policy.

For More Information See: *National Women's Law Center* www.nwlc.org 202-558-5180

Information Provided By: *Karen Schulman* *National Women's Law Center (with calculations from the Center on Budget and Policy Priorities and Center on Law and Social Policy)*

Head Start

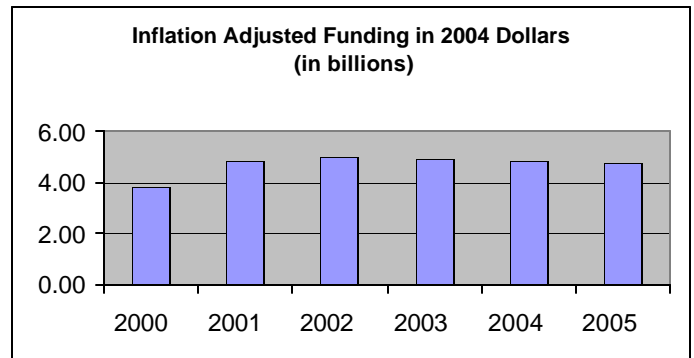
Year Established: 1965

FY 04 Appropriations: \$6.775 billion

FY 05 Budget Request: \$6.944 billion

FY 04 to 05 Change: + \$169 million (+2.5%)

Inflation Adjusted: + \$53.82 million or (+0.8%)



Program Description

For nearly 40 years, Head Start has provided comprehensive early education to children in poverty to help them start school ready to succeed. The program provides education, health and mental health care, nutrition, and social services and emphasizes parent involvement and family support. Head Start serves over 900,000 children. This includes 60,000 infants and toddlers in Early Head Start, which was established in 1993 as policymakers increasingly recognized the importance of the first three years of life.

Studies have shown that Head Start children are less likely to be placed in special education or held back in school and more likely to graduate. Research also indicates Head Start helps disadvantaged children gain ground on their more advantaged peers before they enter school, and that Head Start children make substantial progress in word knowledge, letter recognition, math skills, and writing skills during the kindergarten year. Early Head Start has been shown to be effective as well in fostering the cognitive, social, and emotional development of very young children.

Head Start's extensive federal performance standards are essential to the program's success. The standards help maintain the quality of programs and help ensure that children's full range of developmental needs are met. Another important feature of Head Start is that grants are provided directly to local agencies, which allows the program to build on community resources.

Impact of the President's Proposal

Although Head Start reaches only three out of five eligible preschoolers and Early Head Start serves just three percent of eligible infants and toddlers, the President's budget barely provides enough additional funding for the program to cover inflation. The Administration projects that there would be a small increase in the number of children enrolled in Head Start and Early Head Start, but this would be accomplished by a proposed cut in training and technical assistance, activities that are essential for helping programs maintain and improve their quality. Without a cut in training and technical assistance, there are no new resources to expand the program to additional children.

The budget also fails to provide new funding (beyond mere cost of living increases) for quality improvements. While bills currently being considered by Congress would raise teacher credential requirements, the budget includes no funds for scholarships to enable teachers to receive higher degrees or for the higher salaries that would be required to attract and retain teachers with these credentials.

Of the total increase of \$169 million, \$45 million would be used for state-level administration of the program. The \$45 million for state administrators assumes that Congress will approve a proposal passed by the House (but not included in a bill approved by the Senate Health, Education, Labor and Pensions Committee) to allow eight states to take over control of the program from the federal government. These states would not be required to meet Head Start performance standards. This proposal threatens to undermine the federal quality standards that have ensured the program's effectiveness and its comprehensive approach to addressing children's development. If enacted, the proposal could lead budget-strapped states to dilute Head Start's hallmark supports to children and families. The remaining \$124 million increase available for Head Start services is barely enough to keep pace with inflation.

For More Information See: National Women's Law Center www.nwlc.org 202-558-5180

Information Provided By: Karen Schulman www.nwlc.org National Women's Law Center

Juvenile Justice and Delinquency Prevention

Year Established: 1974*

FY 04 Appropriations: \$308 million

FY 05 Budget Request: \$180 million

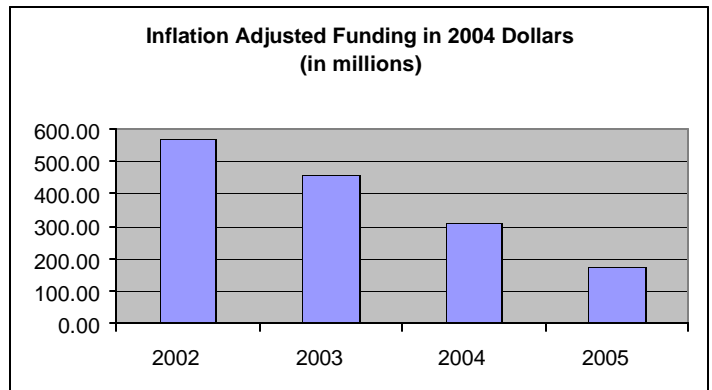
FY 04 to 05 Change: - \$128 million (-41.6%)

Inflation Adjusted: - \$133 million (-43.3%)

Program Description

Reauthorized in November 2002, the Juvenile Justice and Delinquency Prevention Act established a variety of programs that prevent and reduce juvenile crime. The U.S.

Department of Justice's Office of Juvenile Justice and Delinquency Prevention administers most of this funding through grants to the states. Each year, two million kids are charged with an offense for which an adult could be tried in a criminal court. Approximately 250,000 of these kids are repeat offenders. Juvenile justice and delinquency prevention programs aim to prevent kids from engaging in violence and to provide effective interventions to troubled kids. For example, the Title V Local Delinquency Prevention program funds a wide range of collaborative, comprehensive, community-based delinquency prevention programs including early childhood development, nurse home-visiting, after-school activities, mentoring, and tutoring, as well as drop-out, gang, and substance abuse prevention. The Juvenile Accountability Block Grant (JABG) supports local juvenile justice approaches ranging from secure juvenile corrections facilities for some violent offenders, to effective community-based residential treatment programs for offenders who do not need to be locked up, to substance abuse and mental health services for non-violent offenders remaining at home, to school safety programs. Unfortunately, Congress and the Administration have significantly cut funding for these programs since fiscal year 2002 when juvenile justice programs received \$547 million.



Impact of the President's Proposal

The proposed budget would reduce juvenile justice and delinquency prevention programs by 41 percent. These proposed funding levels reflect a cut of more than two thirds (67 percent) from fiscal year 2002 without even accounting for inflation. The proposed budget cuts funding for Title V Local Delinquency Prevention grants by more than half, from \$80 million to \$37 million. 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, at least 10 million children and teens are unsupervised during the peak hours of juvenile crime from 3:00-6:00PM. Research shows that unsupervised children are much more likely to drink, smoke, use drugs, commit a crime, and become a victim of a crime during this time. The proposed budget eliminates all funding for the Juvenile Accountability Block Grant (JABG), which is authorized to receive \$350 million in 2005. JABG funds programs such as the Multi-Systemic Therapy program, which reduces rates of re-arrest by 25-70 percent through a comprehensive approach that addresses family, peer, school, and neighborhood factors. It is estimated that Multi-Systemic Therapy serves less than 10 percent of the serious offenders who could benefit from it. A cost-benefit analysis of Multi-Systemic Therapy demonstrates that this program produces a net savings to taxpayers of \$32,000 per juvenile treated. When the crime savings to victims are considered, over \$130,000 is saved for each juvenile treated. Juvenile justice and delinquency prevention programs are proven to save lives and save money. The drastic cuts to these programs will not only deny troubled kids the support they need to get back on the right track, but will also jeopardize the safety of our schools and communities.

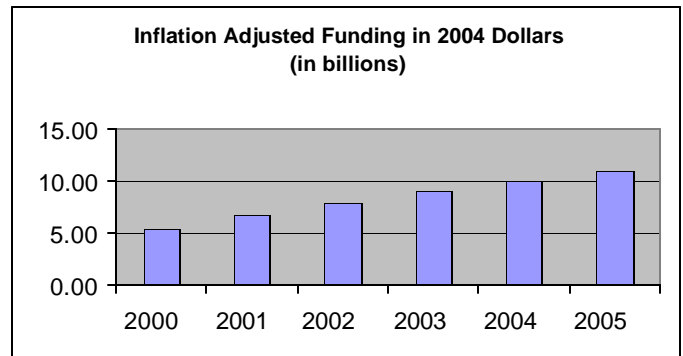
* Establish by the Juvenile Justice and Delinquency Prevention Act. Since this law was enacted, various programs have been established (e.g., Title V in 1992, Juvenile Accountability Block Grant in 1998, Juvenile Delinquency Prevention Block Grant in 2002)

For More Information See: FIGHT CRIME: INVEST IN KIDS www.fightcrime.org 202-776-0027

Information Provided By: Miriam Rollin FIGHT CRIME: INVEST IN KIDS

Individuals with Disabilities Education Act (IDEA)

Year Established:	1975
FY 04 Appropriations:	\$10.068 billion
FY 05 Budget Request:	\$11.068 billion
FY 04 to 05 Change:	+ \$1 billion
Inflation Adjusted:	+ \$828.84 million (+8.2%)



Program Description

Access to a free, quality education is the key to the uniquely American promise of equal opportunity for all. This promise was formally extended to children with disabilities with the passage in 1975 of the Individuals with Disabilities Education Act (IDEA). IDEA authorizes the federal government to reimburse local school districts up to 40 percent of the cost of providing education to children with disabilities. Currently IDEA serves more than 6 million children who have a wide array of disabling conditions. Though strides have been made to increase funding for IDEA, funding levels have never reached the promised 40 percent of the costs of providing services to students. In 2003, the federal government provided local school districts with just under 18 percent of its commitment rather than the 40 percent specified by the law, creating a \$10.6 billion shortfall for states and local school districts.

Impact of the President's Proposal

The Administration proposes an increase of \$1 billion, bringing total funding to \$11.068 billion. This amount falls \$5.8 billion below the amount necessary to stay on track toward full funding under the Hagel-Harkin plan, which called for ramping up funding over six years. At the Administration's proposed rate of increase, it would take 30 years to reach full funding.

The lack of sufficient funding to meet the needs of students with disabilities places considerable strain on the entire school budget, as administrators are forced to increase tax revenue or cut other critical programs to provide mandated IDEA services. Failure to fully fund IDEA undermines the very purpose of the law – to ensure that students with disabilities, like all students, receive the best education possible.

Because of the limited funding available, schools are often unable to provide the full spectrum of critical special education services mandated under IDEA. This shortfall creates a burden on local communities and denies full opportunity to all students -- with and without disabilities.

For More Information See: National Education Association www.nea.org ☎202-822-7325
Information Provided By: Diane Shust and Randall Moody ☎National Education Association

No Child Left Behind Act – Title I

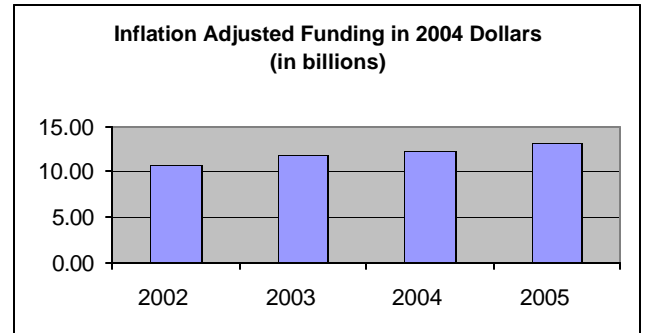
Year Established: 2002 (Elementary and Secondary Education Act first passed in 1965)

FY 04 Appropriations: \$12.34 billion for Title I

FY 05 Budget Request: \$13.34 billion for Title I

FY 04 to 05 Change: + \$1 billion (+8.1%)

Inflation Adjusted: + \$790 million (+6.4%)



Program Description

The goal of the No Child Left Behind Act (NCLB), the Bush Administration's education reform bill, is to improve student educational achievement, close the achievement gap, and improve teacher quality at all levels. The Act imposes strict new testing and accountability standards for public schools, along with new requirements for teachers and paraprofessionals. While the Act authorized new federal spending to meet these mandates, Congress and the President have not provided schools with the promised funding. The largest program in the Act provides funding for schools with low-income students (Title I programs), which is critical to closing achievement gaps, maximizing student achievement, and helping all students excel.

Impact of the President's Proposal

The Administration's budget would increase overall funding for the No Child Left Behind Act to \$24.91 billion, a \$441 million increase (1.8 percent), which falls below the rate of inflation. This is \$9 billion short of the level promised in the No Child Left Behind Act, and is insufficient to meet the increasing demands of the many new NCLB testing and accountability requirements, sky-rocketing enrollments and the goals of improving educational achievement for all students.

The Administration proposes an increase of \$1 billion for Title I funding, bringing total funding to \$13.342 billion. Although this increase represents an increase of 8 percent over current funding, it falls far short (by \$7.158 billion) of the \$20.5 billion level authorized in No Child Left Behind. Compared to the amount needed to fully serve all eligible low-income children, some 4.6 million children will be left behind. Eight million students in grades 4-12 currently read below basic levels.

The proposed increases in funding to Title I in the budget are partially offset by proposals to cut or eliminate other education programs that provide vital services to children. Among the 38 programs slated for elimination are Dropout Prevention, Gifted and Talented, School Counseling, and Smaller Learning Communities. Many of the eliminated programs have proven track records in helping students stay in and succeed at school. Eliminating these programs seems in direct contradiction to the laudable goal of increasing graduation rates inherent in the Administration's focus on literacy. The budget would freeze Teacher Quality State Grants, even though ensuring a qualified teacher in every classroom is critical to maximizing student achievement and is an integral part of the NCLB Act. Funding for after school programs would also be frozen, denying services to 1.3 million children.

For More Information See: National Education Association www.nea.org 202-822-7329

Information Provided By: Joel Packer www.nea.org

Pell Grants

Year Established: 1972 (Established as the Basic Education Opportunity Grant Program renamed Pell Grants in 1980)

FY 04 Number of Grants Available 5,344,000 grants

FY 05 Requested Number of Grants 5,336,000 grants

FY 04 to 05 Change in Number of Grants: - 8,000 grants

Program Description

Pell Grants are the largest source of grant aid for postsecondary education. For the past 35 years, Pell Grants have been the cornerstone student aid program, opening the door of opportunity to tens of millions of Americans. More than 5 million undergraduates will receive Pell Grants this year. Pell Grants are distributed based on need and more than half of all grants go to students living well below the poverty line.

As public universities and community colleges, which have long been seen as the “affordable” option, are forced to raise their tuition to make up for severe state budget cutbacks, the ability for low-income individuals to pay for college becomes an even greater challenge. Pell Grants provide students with the opportunity to continue their education past high school. Access to postsecondary education opportunities allows individuals to succeed in jobs with career potential and upward mobility. Census data consistently show that those with higher educational attainment have higher median earnings. Expanding postsecondary education opportunities also helps ensure the well-educated workforce our nation needs to compete in the 21st century.

The Pell Grant program is an appropriated entitlement: undergraduate college students who meet the need-based criteria established in the law qualify automatically to receive a grant; the size of the maximum grant is set by Congress and is subject to annual appropriations. The current Pell Grant appropriation for 2004 is \$12 billion. The Administration’s budget would fund the program at \$12.8 billion. However, the Pell Grant shortfall is estimated at more than \$3 billion. The shortfall in Pell Grant funding is the result of a rapid and unprecedented expansion in the enrollment of low-income students in higher education. Last year, eligible Pell Grant applicants grew by an estimated 10.2 percent, after never having grown more than 3 percent between the 1995-96 school year and 2001-02. The growth in the program stems from a true expansion of the number of low-income, first-generation college students who want to go to college. A second aspect of the growth spurt occurred among students whose financial and/or employment circumstances were negatively affected by the economic downturn.

Impact of the President’s Proposal

The Administration proposes no increase in the Pell Grant maximum award over the current fiscal year 2004 level of \$4,050 per student. This would be the second consecutive year of a freeze for the maximum award. With a maximum of just over \$4,000 and the average amount being \$2,400 per student, Pell Grants no longer provide nearly enough assistance to working families to pay for college costs. Yet the Bush administration is not proposing any increase in the maximum Pell Grant award.

For More Information See: National Education Association www.nea.org 202-822-7325
Student Aid Alliance www.studentaidalliance.org 202.939.9354
Information Provided By: Kim Anderson [National Education Association www.nea.org](http://www.nea.org)

Medicaid and State Children's Health Insurance Program (SCHIP)

Year Medicaid Established: 1965

Year SCHIP Established: 1997

Program Description

Medicaid provides health care coverage and long-term care to more than 50 million low-income children, parents, seniors, and people with disabilities. Medicaid is an open-ended entitlement program that is jointly financed by the states and the federal government and administered by the states. On average, the federal government pays for 57 percent of the cost of the program, but this amount varies from 50 percent to 77 percent, depending on a state's per capita income. Federal Medicaid funds are the largest source of federal funds for states. Medicaid provides comprehensive health care coverage for individuals who could not afford to purchase health care on their own, paying for nearly half of all nursing home care, and nearly one-fifth of all hospital care and all prescription drugs.

The State Children's Health Insurance Program (SCHIP), enacted in 1997, is a capped allotment program offering states an enhanced federal match to provide health care coverage to children in families earning too much to qualify for Medicaid but not enough to afford private health insurance (in most states, the eligibility level is 200 percent of the federal poverty level). SCHIP, which was enacted in 1997, covered 5.8 million children in 2003.

Impact of the President's Proposal

The Administration's budget includes legislative proposals that would reduce net federal funding for Medicaid by nearly \$1 billion in fiscal year 2005 and by nearly \$16 billion over the 10-year period from 2005 to 2014. This cut in federal Medicaid funding will significantly hamper states in their ability to meet the needs of people who rely on Medicaid for critical health care services. Although the budget also includes several initiatives that would help low-income people, these modest improvements are dwarfed by the cuts in funding that the Administration proposes. Following are some key provisions of the President's budget proposal for Medicaid and SCHIP.

Medicaid and SCHIP Block Grant: The President's budget reaffirms the Administration's commitment to block-granting Medicaid. In its fiscal year 2004 budget proposal, the Administration proposed merging federal Medicaid and State Children's Health Insurance Program (SCHIP) funds and capping the amount of money the federal government would spend on these programs. By capping federal funding, the federal government would shift costs to the states, hindering states' ability to respond to the growing and changing health care needs of their residents. The plan would put access to care at risk for more than 15 million low-income people that states are not required to cover but who rely on Medicaid and SCHIP for critical health care services—100 percent of the children enrolled in SCHIP and 56 percent of seniors, 22 percent of people with disabilities, 43 percent of parents, and 20 percent of children enrolled in Medicaid.³ The President's block grant proposal also would exempt states from federal rules regarding benefits, cost sharing, eligibility, and other features of the program.⁴ These federal rules provide essential protections to ensure that people eligible for Medicaid get the care they need.

While no line item for this proposal is included in the fiscal year 2005 budget, there is strong language stating that the Secretary of Health and Human Services will work with Congress to pass a Medicaid block grant that builds on its fiscal year 2004 proposal. Other information outside of the budget suggests that the Administration is not going to wait for Congress to move forward. The Administration has aggressively encouraged states to use the Section 1115 waiver process to make significant changes to state Medicaid programs, and these changes are likely to result in capped funding for those state programs. This would result in state-by-state block granting without waiting for legislative authority to accomplish this objective on a nationwide basis.

³ Kaiser Commission on Medicaid and the Uninsured, *Summary of "Mandatory" and "Optional" Eligibility and Benefits*, available online at (www.kff.org/content/2003/20030131/4002.pdf).

⁴ The Administration's plan would have required states to provide basic services to the very lowest of low-income people that federal law requires states to cover in Medicaid. But, for all other low-income people, states would have free rein to determine who gets coverage, what benefits they receive, and what cost-sharing people pay.

Temporary State Fiscal Relief: Last year, Congress provided states with \$20 billion in additional federal funds. Of those funds, \$10 billion was provided in grants, and \$10 billion was provided through an increase in the federal share of Medicaid costs for each state. These funds were provided on a temporary basis with the assumption that the state fiscal crisis would be alleviated by this summer. However, the Medicaid budget outlook for fiscal year 2005 remains grim, and states are likely to continue facing significant Medicaid budget shortfalls.⁵ The President's budget does not include an extension of these temporary funds. Without an extension, it is likely that many states will have to make deep cuts in Medicaid and other social service programs in order to balance their fiscal year 2005 budgets.

Medicaid "Program Integrity": The budget proposal includes a significant new "waste, fraud, and abuse" initiative that will reduce the federal funds states get for their Medicaid programs by an estimated \$1.5 billion in fiscal year 2005 and by \$23.5 billion over 10 years. The Administration will increase the number and intensity of audits and evaluations of state Medicaid programs. In addition, the Administration would like to see legislation that changes the federal rules for drawing down federal Medicaid funds, specifically, legislation restricting the use of inter-governmental transfers and reducing the payment limit for certain Medicaid providers. The Administration estimates that this initiative, which will make it much more difficult for states to meet the health care needs of their residents, will produce large savings.

Reduction in Federal Share of Administrative Costs: The budget also includes two provisions that will add to states' costs during a time of fiscal stress.

- 1) *TANF Cost-Allocation:* The Administration includes a proposal that would recoup \$300 million in administrative funds in 2005 that it claims states should not have billed to Medicaid for the last six years. This issue has been debated between states and both the Clinton and Bush Administrations for several years, and it is addressed in the welfare reform reauthorization bill pending in the Senate. Although the proposal is not new, states will have great difficulty finding replacement funds for these expenditures because of their budget shortfalls.
- 2) *Information Systems Federal Match:* The budget includes a somewhat smaller provision that would reduce the federal share of costs related to computer information and claims systems design, development, and implementation from 90 percent to 75 percent. If enacted, this reduction will take effect right at the time that states will be called on to make significant changes to those systems to implement the Medicare prescription drug law. The Administration estimates that this proposal would reduce federal spending by \$80 million in 2005.

Extension of Expiring SCHIP Funds: The Administration's budget does not extend SCHIP funds that, without such an extension, are likely to expire and revert to the federal Treasury. The Administration estimates that, as a result, \$63 million will expire from the SCHIP program at the end of fiscal year 2005. However, the budget documents fail to mention that an additional estimated \$1.15 billion federal SCHIP funds will expire and revert to the Treasury at the end of fiscal year 2004 if Congress does not act this year. If this happens, nine states will run out of SCHIP funds by the end of fiscal year 2005.

Extending Expiring Programs: Two positive proposals in the President's budget would extend Medicaid provisions that are set to expire this year.

- 1) *Transitional Medical Assistance (TMA):* President Bush proposes spending \$3.24 billion to extend TMA for five years. TMA provides up to 12 months of Medicaid coverage to low-income families who enter the workforce and are no longer eligible for Medicaid. The Bush proposal would simplify TMA by allowing states to provide 12 months of continuous coverage in TMA and to eliminate paperwork requirements for beneficiaries. It would also allow states that provide Medicaid to families with incomes up to 185 percent of poverty to opt out of TMA altogether. Without congressional action, TMA will expire on March 31, 2004. A

⁵ Vernon Smith, et al., *States Respond to Fiscal Pressure: A 50-State Update of State Medicaid Spending Growth and Cost Containment Actions* (Washington: Kaiser Commission on Medicaid and the Uninsured, January 2004), available online at (<http://www.kff.org/medicaid/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=30453>).

five-year extension of TMA with some simplification provisions is included in welfare reform reauthorization legislation that is pending in the Senate.

- 2) *Qualified Individual-1 Program:* President Bush proposes spending \$136 million to extend the Qualified Individual-1 (QI-1) program for one year. Through the QI-1 program, Medicaid pays the Medicare Part B premium for Medicare beneficiaries with incomes between 120 percent and 135 percent of poverty. The QI-1 program would continue to be a block grant. This program was extended through September 2004 as part of the Medicare prescription drug bill.

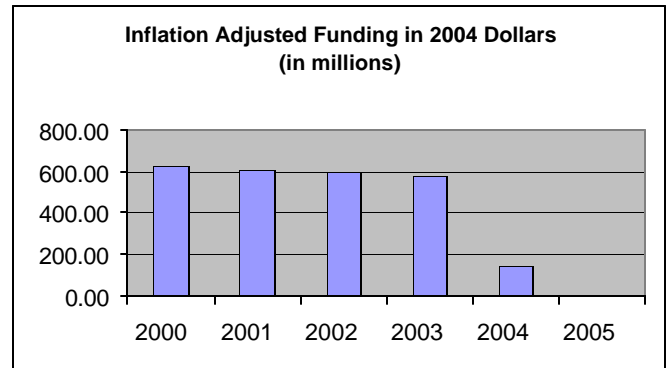
Long Term Care Initiatives: The budget also includes several initiatives that were in last year's budget. Most of these initiatives aim to increase the availability and use of home and community-based care. These include the "New Freedom Initiative" projects that would spend \$256 million to increase respite services for caregivers of adults and children with disabilities and establish home and community-based services for children living in psychiatric treatment facilities. They also include \$500 million for the "Money Follows the Individual Rebalancing Initiative," which would provide states full federal financing for one year of Medicaid services to individuals who move out of institutions into home-based care.

Three other proposals have no budgetary impact. The first would establish a new state option to allow presumptive eligibility for institutionally qualified individuals who are discharged from hospitals directly into the community. The second would allow states to exempt "Living with Independence, Freedom, and Equality" (LIFE) accounts from their Medicaid asset limits; the accounts would be established for individuals who self-direct all of their community-based long-term care services to accumulate savings and still retain eligibility for Medicaid and SSI. The third would eliminate a legislative prohibition on developing more "Partnership for Long Term Care" programs, which allow states to explore alternatives to current long-term care financing by blending public and private insurance. Currently, California, Connecticut, Indiana, and New York have such programs.

For More Information See: Families USA www.familiesusa.org 202-628-3030
Information Provided By: Rachel Klein Families USA

HOPE VI

Year Established: 1993
FY 04 Appropriations: \$149 million
FY 05 Budget Request: 0
FY 04 to 05 Change: - \$149 million (-100%)



Program Description

Created in 1993, HOPE VI is a discretionary program designed to revitalize severely distressed public housing. HOPE VI grants enable public housing authorities (PHAs) to fund the capital costs of rehabilitating units, building new units, demolishing public housing units, relocating residents, and providing community and supportive services.

The program is intended to benefit the current residents of severely distressed public housing, residents of the revitalized units, and communities surrounding revitalized sites. HOPE VI increases private investment in communities and creates mixed-income housing.

From 2000 through 2003, Congress funded the HOPE VI program above \$570 million each year. Last year, the Bush Administration proposed eliminating the program, but Congress appropriated \$150 million. The President has again requested zeroing out the HOPE VI program in his proposed budget for fiscal year 2005.

Impact of the President's Proposal

While appreciating the program's intent to revitalize distressed public housing, advocates believe that the HOPE VI program should be reformed because of its impact on the tenants of the public housing slated for redevelopment and its role in the reduction of housing stock affordable to the lowest income people following redevelopment. Nevertheless, the Administration's proposal to zero out the HOPE VI program demonstrates its lack of commitment to public housing generally. While Congress did not fully acquiesce to the same proposal last year, it appropriated a historically low amount to the program for 2004, despite bipartisan support on Capitol Hill.

The Administration's second attempt to eliminate the HOPE VI program is not accompanied by a proposal to redirect those funds to the unmet capital needs. There is a \$20 billion backlog in capital needs for public housing. The Administration's 2005 budget would continue to fund the capital fund at flat levels without addressing the backlog. The failure to address the capital needs of public housing will worsen already high levels of unmet need. In 2001, there were 10 million poor renter households spending more than half their income on rent. In contrast, there are only 1.4 million public housing units plus 2 million housing vouchers nationwide. All of these programs are also slated for reductions in the Administration's budget.

By proposing the elimination of HOPE VI, but not increasing resources for the public housing capital fund, the Administration shows indifference to the fact that public housing will continue to deteriorate and living conditions for tenants will continue to decline.

For More Information See: *The National Low Income Housing Coalition* www.nlihc.org ☎202-662-1530
Information Provided By: *Kim Willis* [The National Low Income Housing Coalition](mailto:kimw@nlihc.org) kimw@nlihc.org

Low Income Home Energy Assistance Program (LIHEAP)

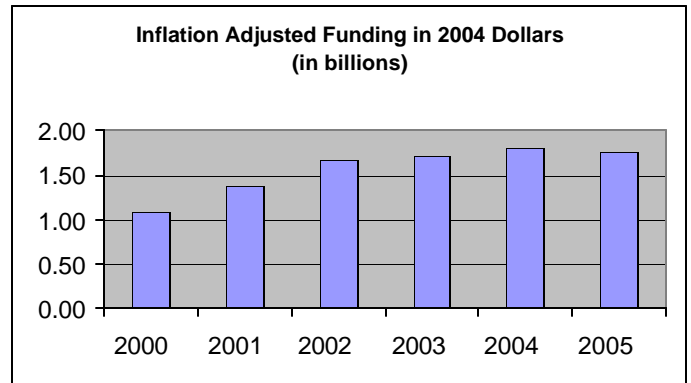
Year Established: 1981

FY 04 Appropriations: \$1.8 billion

FY 05 Budget Request: \$1.8 billion

FY 04 to 05 Change: \$0

Inflation Adjusted: - \$30.6 million (-1.7%)



Program Description

Established in 1981, the Low Income Home Energy Assistance Program (LIHEAP) helps low-income households pay their energy bills. State grants are provided through LIHEAP based on federal funding provided each year in the President's budget.

On average low-income households receiving LIHEAP assistance spend 17 percent of their income on energy bills, and LIHEAP works to reduce this financial strain for the more than 29 million households nationwide that qualify for such assistance. In order to be eligible for LIHEAP assistance, households must not exceed 150 percent of the poverty level for their state or 60 percent of the state median income. States may set income limits as low as 110 percent of the poverty level, but LIHEAP benefits are targeted to households with the highest energy costs in relation to income and household size. Two-thirds of the families that receive LIHEAP make less than \$8,000 per year.

Funding levels for LIHEAP have fluctuated over the years with the high in 1985 at \$2.1 billion and the low of \$1 billion in 1997. Current funding is \$1.8 billion with \$100 million in contingency funds available for release during emergencies. In 2001, only 15.5 percent of eligible households received LIHEAP assistance, leaving more than 25 million qualified households with no help.

Impact of the President's Proposal

For 2005, the President has proposed no increase in funding for state grants and an increase of \$100 million in contingency funds. At the current funding level, fewer than one out of every five eligible households receive assistance, and the need is expected to grow. From 1981 to 2001, the number of eligible households increased by 52 percent, while federal assistance to low-income households actually declined by 9 percent during that period from \$1.875 billion to \$1.7 billion. The severe LIHEAP funding gap forces many low-income households to choose between paying energy bills and buying other necessities such as groceries. This year, many states are experiencing harsh winters -- only making matters worse in a time when the entire country is experiencing rising gas and oil prices.

For More Information See: Campaign for Home Energy Assistance www.liheap.org 202-429-8855
Information Provided By: David Fox Campaign for Home Energy Assistance

McKinney-Vento Homeless Assistance Programs

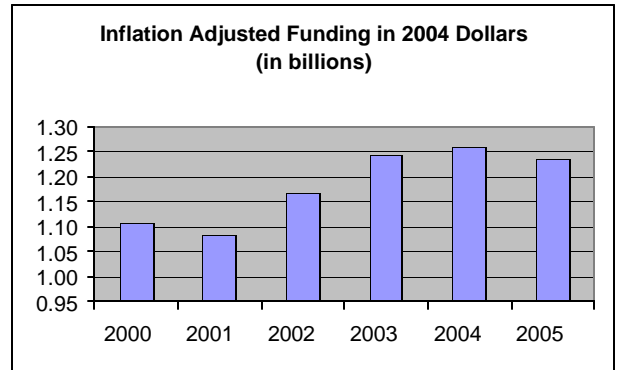
Year Established: 1987

FY 04 Appropriations: \$1.26 billion

FY 05 Budget Request: \$1.28 billion (w/o Samaritan Initiative)
\$1.33 billion (with SI)

FY 04 to 05 Change: \$20 million or 1.6% (without SI)
\$70 million or 5.6% (with SI)

Inflation Adjusted: - \$1.42 million (-0.1%) (without SI)
+ \$48.58 million (+3.9%) (with SI)



Program Description

Each year in the United States 3.5 million Americans experience homelessness. In the early 1980s, a rapid increase in the number of people experiencing homelessness grew into a grassroots demand for federal legislative action. The result was the passage of the Stuart McKinney Homeless Assistance Act in 1987. Now called the McKinney-Vento Homeless Assistance Programs, they are a collection of discretionary programs administered primarily by the Department of Housing and Urban Development that serve a wide variety of homeless Americans through the Continuum of Care Process. These programs include the Emergency Shelter Grant, Supportive Housing, Shelter Plus Care, and Section 8 Moderate Rehabilitation Single Room Occupancy for Homeless Individuals, and provide access to emergency shelter, transitional and permanent housing, and support services for homeless people.

Since the McKinney-Vento Homeless Assistance Programs were created in 1987, support in Congress has waxed and waned. In 1995, the funding for the HUD McKinney Programs reached an all-time high of \$1.49 billion; however, despite a documented increase in homelessness in the past several years, funding has been cut in the intervening years to the 2004 level of \$1.26 billion. The program has never been funded at its authorized level of \$1.8 billion, and has never obtained funding at levels close to those needed to reach and serve all 3.5 million homeless Americans.

Impact of the President's Proposal

The President's fiscal year 2005 budget allocates insufficient funding for the HUD McKinney-Vento Homeless Assistance Programs. The President recommends a funding level of \$2.82 billion for the McKinney-Vento Programs; adjusted for inflation, this is a 0.2 percent decrease in funding from 2004. The budget also includes \$50 million for the Samaritan Initiative, a new competitive grant program; however, even with this additional \$50 million, the total money proposed for Homeless Assistance Grants for 2005, adjusted for inflation, is only a 3.7 percent increase over 2004. In contrast, recent reports show that the number of people experiencing homelessness is increasing at a much faster rate. The 2003 survey by the U.S. Conference of Mayors reports a 13 percent increase in requests for emergency shelter over the past year, and an overall increase in 80 percent of cities surveyed. While the President's budget indicates a need to work with local communities to address homelessness, overall funding for homeless assistance programs falls short.

This funding shortfall will negatively affect both people experiencing homelessness and the community-based service providers that serve them. More than three-quarters of community-based housing providers receive some or all of their funding from government sources; funding shortfalls force many shelters to, at worst, close their doors, or at best, make difficult choices between keeping the lights or phones on or housing one more family. For people experiencing homelessness, funding shortfalls mean one too many nights sleeping on the streets, in cars, or tripled and quadrupled up in cramped apartments. Last year, cities surveyed by the U.S. Conference of Mayors reported that shelter providers had to turn away an average of 30 percent of requests for emergency shelter, including one in every three shelter requests from families with children.

For More Information See: National Alliance to End Homelessness www.naeh.org
National Student Campaign Against Hunger and Homelessness www.studentsagainsthunger.org
National Policy and Advocacy Council on Homelessness (NPACH) www.homelessnesscouncil.org

Information Provided By: Kathleen Barr www.naeh.org 202-546-8195

Public Housing

Year Established:	1937
FY 04 Appropriations	
Capital Fund (Operating Fund):	\$2.695 billion (\$3.579 billion)
FY 05 Budget Request	
Capital Fund (Operating Fund):	\$2.674 billion (\$3.6 billion)
FY 04 to 05 Change	
Capital Fund (Operating Fund):	- \$21 million (-\$21 million)
Inflation Adjusted Capital Fund:	- \$66.82 million (-2.5 %)
Inflation Adjusted Operating Fund:	- \$39.84 million (-1.1%)

Program Description

The public housing program, created in the 1937 Housing Act, is the nation's oldest and most extensive effort to provide decent and affordable housing for extremely low income: families, elderly persons, and people with disabilities. A moratorium on additional public housing was declared in 1974. Federal funds to add to the public housing stock were last appropriated in 1994, but little public housing has been built since the early 1980s.

Public housing is owned and operated by public housing agencies (PHAs) that are chartered by the states. Nationally, there are almost 14,000 public housing developments, which contain more than 1.2 million units.

The public housing stock is shrinking as more units are being demolished and not being replaced at the same rate. The demand for public housing far exceeds the supply. The average wait for public housing is unknown because HUD has not updated its data since 1998, when the wait was 11 months. In many large cities, where affordable housing needs are most severe, waiting list times can be up to 10 years.

Impact of the President's Proposal

The President has requested slightly less than flat funding of \$2.674 billion for the capital fund, which provides funding for PHAs' modernization and rehabilitation needs. There is currently at least a \$20 billion backlog in modernization needs. The FY05 budget level does not meet current need or the backlog. As the Administration continues to flat fund the capital fund, public housing units will continue to deteriorate.

The operating fund, which provides funding to PHAs for operating costs that exceed the rents the PHAs can collect, would also receive slightly less than flat funding at \$3.6 billion. Out of that \$3.6 billion there is a set aside of \$15 million to award PHAs that move tenants out of housing assistance programs called a "Voluntary Graduation Bonus."

While federal funding for public housing continues to be inadequate, President Bush has proposed significant policy changes to the program that will adversely affect low income families. The current rent structure of the public housing program requires tenants to pay 30 percent of their monthly adjusted income. As a way of providing an incentive for tenants to find and maintain employment, some tenants may pay less than 30 percent of their monthly adjusted income in rent for a set period of time.

Under the Administration's FY2005 budget proposal, the President proposes a demonstration program called Freedom to House that will allow PHAs to set their own rent structures. There would be 100 PHAs selected to participate in this program. An experimental group of 50 PHAs would be allowed to set their own rent rules without having to get a waiver from HUD if they operated under an asset-based management and accounting system. There would be a control group of 50 PHAs not granted this flexibility.

As many PHAs are under very tight budget constraints, there is concern that under this new proposal, PHAs will establish rent structures that will cause public housing to be unaffordable for the most vulnerable members of society – those with incomes at 30 percent or less of the area median income. There is currently a 2 million unit gap between units available for extremely low income families and the number of families at that income level. The President's new rent structure proposal would exacerbate the affordability gap and leave poor families even more vulnerable.

For More Information See: *The National Low Income Housing Coalition* www.nlihc.org ☎202-662-1530
Information Provided By: *Kim Willis* ☎*The National Low Income Housing Coalition*

Section 8 Housing Vouchers

Year Established: 1974
FY 04 Appropriations: \$14.230 billion
FY 05 Budget Request: \$13.176 billion
FY 04 to 05 Change: - \$1.054 billion (-7.4%)

Inflation Adjusted: - \$1.324 billion (-9.1%)

Program Description

Established in 1974, the Section 8 tenant-based rental assistance program helps participants afford rental housing by subsidizing the rents of apartments they locate in the private market. As opposed to project based public housing programs, where the federal funding goes into building housing units, the Section 8 voucher travels with the families in the program to allow them to escape high-poverty, underdeveloped neighborhoods and live closer to work.

While they are federally funded, Section 8 vouchers are administered and distributed through local Public Housing Authorities (PHAs). There are currently 2.1 million housing vouchers. The voucher program is the only federal housing program serving low-income families that has grown with the population over the last 20 years.

Impact of the President's Proposal

President Bush has proposed to cut funding for the Section 8 housing voucher program by more than a billion dollars below the FY 2004 level and more than \$1.6 billion below the amount needed to support all of the vouchers that will be in use serving families in FY 2005. In addition, the President is seeking to convert the program to a block grant. These proposals pose a number of risks to the voucher program and the low-income families it serves. To implement the cuts, state and local housing agencies would be forced to choose among three unappealing options:

- ✘ Reducing the number of families assisted.* If the cuts were implemented entirely by eliminating vouchers, the number of families assisted would fall by about 250,000.
- ✘ Charging higher rents to voucher holders.* To deal with the cuts solely by raising rents, housing agencies would have to charge low-income families an average of \$800 more per year.
- ✘ Shifting vouchers from poorer families to families with higher incomes.* Better off families are cheaper to serve because they require a smaller subsidy to enable them to afford housing.

It is likely that under the President's proposals the voucher program would be cut further in future years. Historically, funding for many block grants that serve low-income families has failed to keep pace with inflation over time, so the amount of assistance provided under the block grants has fallen with each passing year. The part of the budget that details the President's spending plans for the next five years shows that in 2009, Section 8 expenditures would be cut \$6.1 billion below the amount that the Congressional Budget Office expects will be needed. To implement a cut of this size, state and local housing agencies would need to eliminate about 800,000 vouchers or raise rents by an average of \$2,800 per family.

A substantial amount of research indicates that vouchers are a highly effective form of housing assistance. A 2002 report by the U.S. General Accounting Office found that vouchers are more cost-effective than federal programs that build affordable housing for low-income households. In addition, a growing though not conclusive body of evidence suggests that housing vouchers promote positive outcomes for children and help families leave welfare and succeed in the workplace — by enabling families to move out of high-poverty areas and into neighborhoods with more jobs, lower crime, and better schools.

Reducing funding for the Section 8 program, and eliminating vouchers will pull the rug out from thousands of Americans who are working hard to raise a family and/or establish economic security. Most voucher participants who lose their vouchers will no longer be able to afford their current housing, have to either move to housing that is overcrowded and insufficient or return to spending excessive amounts, usually over 50 percent of their income, on housing. It is highly likely that many people who lose their voucher will become homeless for some period of time.

For More Information See: Center on Budget and Policy Priorities www.cbpp.org 202-408-1080
Information Provided By: Will Fischer wfischer@cbpp.org

Temporary Assistance for Needy Families (TANF)

Year Established: 1996

FY 05 Budget Request: \$16.9 billion in annual block grants (see below)

Program Description

Temporary Assistance for Needy Families (TANF) provides each state with an annual block grant. TANF funds may be used to provide time-limited assistance to needy families and for a wide range of other benefits and services. Generally, expenditures must meet one of the purposes of the law: to provide assistance to needy families; to encourage job preparation, work and marriage among needy parents; to reduce out of wedlock pregnancies; and to promote the formation and maintenance of two-parent families.

In the first years after TANF was enacted in 1996, most TANF expenditures were for cash assistance for families with little or no income. However, the number of families receiving cash assistance fell from 4.4 million when TANF was enacted to about 2.1 million in 2001. As cash assistance expenditures declined, states increasingly used TANF funds for child care, transportation assistance, employment and training services, family preservation services, and a range of other supports for low-income working families.

Under the 1996 law, most states have received flat funding every year. Initially, while welfare caseloads were falling rapidly, states were able to build up reserve funds and redirect freed-up TANF funds to benefits and services other than cash assistance. However, state reserve funds have declined in each of the last three years, and states have found it increasingly difficult or impossible to sustain current services.

Impact of the President's Proposal

As in each of the last two years, the President proposes to reauthorize TANF and substantially increase the work-related requirements that families and states must meet, yet provides no additional funding for the reauthorized program. TANF was scheduled to be reauthorized in 2002, but the reauthorization has not been completed, largely due to controversies revolving around the Administration's proposal. The proposal would sharply increase the work participation rate requirements that states must meet to avoid federal penalties. The Congressional Budget Office has estimated that the cost of work requirements in the House bill (which is very similar to the Administration's proposal) would be in the range of \$3 to \$9 billion over five years. Without additional funding, states would need to cut assistance to families or other TANF-funded benefits and services to meet the new requirements.

The flat funding proposed by the Administration virtually assures deep cuts in critical benefits and services over the coming years. Since 2001, most states have already been forced to cut TANF benefits, employment services, child care assistance, or other TANF-funded services because states have been unable to sustain their prior spending levels. During this period, most states still had some, albeit declining, TANF reserves. In 2003, states spent \$19.35 billion in TANF funds, while annual block grants were \$16.9 billion. Thus, once reserves are exhausted, states will need to cut over \$2.4 billion a year in spending simply to manage with available funds, and the cuts in services will be deeper as states redirect resources to meet the new work requirements. With the economic downturn starting in 2001, TANF caseloads are no longer dropping as they did in the late 1990s. From March 2001 through September 2003, caseloads rose in 28 states, making it even more difficult for states to manage with flat funding.

Under the Administration's TANF proposal, the only expansion of spending is for a "healthy marriage" promotion initiative. The Administration proposes to spend \$100 million in FY 2004 and \$120 million a year in subsequent years for matching grants to states and tribes for approaches to promoting healthy marriages; an equivalent sum would be for research, demonstrations, and technical assistance targeted to family formation and healthy marriages. With state matching funds for the matching grants (which could be TANF funds), the total expenditures would be \$1.8 billion over fiscal years 2005 to 2009. Most of the federal funds would come from redirecting TANF "bonus" funds that states would otherwise be able to spend on other TANF-funded benefits and services.

For More Information See: *Center for Law and Social Policy* www.clasp.org 202-906-8000

Information Provided By: *Mark Greenberg* www.clasp.org Center for Law and Social Policy

Workforce Investment Act (WIA)

Year Established: 1998

<u>Program</u>	<u>FY 04 Appropriations</u>	<u>FY 05 Budget Request</u>	<u>FY 04 to 05 Change</u>	<u>Inflation Adjustment</u>
Adult Workers	\$899 million	\$900 million	\$1.1 million	-\$14.28 million (-1.6%)
Dislocated Workers	\$1.454 billion	\$1.383 billion	-\$71 million	-\$95.7 million (-6.6%)
Youth Activities	\$995 million	\$1.001 billion	\$6 million	-\$10.9 million (-1.1%)

Program Description

The Workforce Investment Act (WIA) provides funding for and streamlines the provision of job placement and training services for adults and youth. Eighty-five percent of WIA adult worker funding is distributed by the U.S. Department of Labor to localities; 15 percent goes to Governors. Governors receive 40 percent of dislocated worker program funds to run statewide programs.

WIA requires the creation of local “one-stop” centers for streamlined services. Workforce Investment Boards oversee the one-stops. Business people must make up a majority of these Boards; various government agencies must be represented to encourage greater cooperation. A “sequence of services” is outlined: all people receive core services (job placement help, for example), fewer receive intensive services (for those harder to place), and even fewer enroll in training.

Impact of the President’s Proposal

In general, programs that invest in building the skills of America’s workforce remain vulnerable in the Bush Administration’s budget request. The President’s budget calls for spending on training programs at the U.S. Department of Labor to decrease by \$3 million from their 2004 appropriated levels and by 10 percent (\$655.9 million) from their funding levels in 2002. According to budget documents from the Department of Labor, these programs have a good track record in helping participants to secure and retain employment. WIA Adult programs placed 69 percent of participants in jobs in FY 2003; 83 percent of those hired stayed in their jobs for six months or more. Sixty-eight percent of older youth in WIA got jobs and 79 percent retained them. Budget reductions can be expected to lead to fewer people served and/or worse success rates in the future.

The Administration is requesting just over \$1 billion in WIA Youth funding, the same funding as the 2004 appropriated level but a 26 percent decrease from 2002. Consistent with past proposals, the Administration again plans to allot only \$750 million of this youth funding to states by formula; the Secretary of Labor would distribute the balance on a competitive basis. The Department of Labor is also again proposing to narrow WIA youth programs to focus on out-of-school youth and non-school programs. Conversely, the budget request for Job Corps, a program favored by the Administration, is \$1.557 billion, an increase of about one percent from the fiscal year 2004 appropriated level and a 7 percent increase over the 2002 appropriated level.

The Administration is again proposing, as it did last year, to consolidate three programs under the Workforce Investment Act (WIA) – the WIA Adult program, the WIA Dislocated Worker program, and Employment Service state grants (Wagner-Peyser) – into one block grant of almost \$3.3 billion. The merger would effectively eliminate distinct funding streams for both adult and dislocated worker programs.

According to the Department of Labor, the calculation of the total for the block grant request includes:

- Adult Programs: \$900 million for Adult Programs, which provide skills training and job placement services to low-income adults. This is about the same as the 2004 appropriated level, but a 5 percent decrease from the 2002 appropriated level.

✍ Dislocated Worker Program: \$1.383 billion in Dislocated Worker funding, which provides skills training and job placement services to workers who have been laid off. The Administration is seeking just over \$1 billion for Dislocated Worker formula grants to be distributed to the states, and \$283 million for the National Reserve under the Secretary of Labor. The fiscal year 2005 request for the state formula grants is a 7 percent decrease from the 2004 appropriated level and an 11 percent decrease from funding in 2002, while the request for the National Reserve is 3 percent more than the 2004 level but an 8 percent decrease from 2002.

✍ Wagner-Peyser/Employment Service: \$696 million for Wagner-Peyser programs, which provide employment services to unemployed individuals. This constitutes a 12 percent decrease from its 2004 appropriated level, and a 30 percent decrease from 2002 funding.

The block granting of WIA funding is a bad deal for workers in need of training because a block grant could potentially pit one group of jobseekers against another. In addition, sufficient flexibility already exists for moving funds between programs, while block grants could leave WIA vulnerable to future funding cuts. For further analysis of block granting as well as other WIA reauthorization proposals go to: <http://www.workforcealliance.org/policy/analysis.shtm>.

In its fiscal year 2005 budget documents, the Department of Labor again cites unexpended state balances for WIA programs (\$1.4 billion) to explain how such 2005 cuts would not result in decreased service levels. But in September 2002, the General Accounting Office reported that the Department of Labor did not have accurate information on state WIA spending and that it had overestimated the amount of funds states have left to spend.

For More Information See: The Workforce Alliance ✍ www.workforcealliance.org ✍ 202-338-0737
Information Provided By: Gwen Rubinstein ✍ The Workforce Alliance ✍ gwenr@workforcealliance.org

Child Nutrition Programs

Year Established	
School Lunch	1946
School Breakfast	1966
Summer Food Service	1968
Child and Adult Care Food Program	1968

FY 05 Budget Request (total child nutrition): \$12.037 billion (entitlement)

Program Descriptions

The child nutrition programs include the School Lunch, School Breakfast, Summer Food Service (which provides meals and snacks to children in low-income areas during the summer months) and Child and Adult Care Food programs (which provides meals and snacks to children in child care centers, family child care homes, and after school programs). Child nutrition programs are entitlement programs. Along with other discretionary nutrition programs, these programs function as the nation's anti-hunger safety net with the goal of ensuring that all low-income people in the U.S. have access to a nutritionally adequate diet.

In 2002, the Child and Adult Care Food Programs (CACFP) provided meals to 2.7 million children and 80,000 elderly people. It also provided more than 1.6 billion meals and snacks during this same period. Funding for this program in 2002 was \$1.7 billion. The program also helped feed 910,000 children in child care and 1,800,000 children enrolled in Head Start. Studies have shown that 87 percent of the family child care homes considered to be providing good quality day care participated in CACFP.

Approximately 95 percent of public schools participate in the School Lunch Program. In the 2002-03 school year, more than 27.8 million children in more than 97,000 schools participated in this program. Sixteen million of these children, or 57.5 percent qualified for free or reduced price lunches. Studies have shown that children who participate in this program have better nutritional intakes than those who bring lunch from home, or do not participate for other reasons.

More than three out four schools that participate in the lunch program also serve breakfast through the School Breakfast Program. During the 2002-03 school year, 8.2 million children in over 76,000 schools and institutions participated in this program. For every 100 students nationwide receiving school breakfast, between 24 and 55 qualified for free or reduced price breakfast.

In the summer of 2002, the Summer Food Service program served more than 1.8 million children at more than 29,000 sites, operated by 3,400 sponsoring groups. While nearly 16 million children depend on free or reduced price school lunch during the school year, fewer than one in seven of these children participate in the Summer Food program. Studies have shown that 93 percent of Summer Service Food sites also provided educational development or recreational activities.

Impact of the President's Proposal

The President's budget anticipates that the child nutrition programs will be reauthorized in 2004, but contains no funds to expand program access. The budget fully funds the child nutrition programs and provides for the extension of a number of expiring provisions, including the participation of for profit child care centers in CACFP, so that all aspects of the programs can operate without interruption. The budget also makes unelaborated references to improvements in child nutrition program integrity and the nutritional quality of meals.

For more information, see: Food Research and Action Center www.frac.org 202-986-2200
Information Provided By: Ellen Teller *Food Research and Action Center*

Food Stamp Program

Year Established: 1961 (pilot program established)
FY 05 Budget Request: \$29.054 billion (entitlement)

Program Description

The Food Stamp Program is an open-ended entitlement program that provides low-income households with monthly allotments to purchase food at stores. The federal government pays 100 percent of the direct food stamp costs; administrative costs are shared by states or localities. Employment and training services are also funded for food stamp-eligible individuals. If states opt to spend more than the federal funding provided for this purpose, these additional expenditures receive a 50 percent match.

There are more than 20 million people relying on food stamps for basic nutrition, and millions more people who are in need but not receiving benefits. In 2003 more than 21 million people per month on average participated in food stamp program. However, food stamps reached only 60 percent of the eligible people in 2001. In some states, as little as 55 percent of eligible individuals participated in the program.

After the 1996 welfare law was enacted, there was a large reduction in the number of eligible people receiving food stamps. In recent years, outreach and simplification efforts have been made that increased the number of eligible people served. More work remains to restore the participation rates to the mid 1990s levels.

Impact of the President's Proposal

The budget contains a Food Stamp Program reserve of \$3 billion as a cushion for meeting increased participation. It assumes as a goal reducing the average payment error rate in the program to 7.4 percent for 2005 (compared with an 8.3 percent rate in 2002). The budget also proposes to exclude combat-related pay when determining food stamp benefits for members of the armed forces to ensure that the low-income families of military personnel in combat situations do not experience a loss of food stamps.

The budget also assumes a reduction in the rate of errors by states in administering Food Stamps – down to 7.4 percent in FY 2005 (the 2002 error rate was 8.3 percent). Since financial penalties are imposed on states with high error rates, in the past states have tended to make application and renewal of benefits more burdensome for families through time-consuming documentation requirements. These procedures tended to exclude low-income working families, whose fluctuating earnings made for more complicated renewals. Improvements in the calculation of error rates enacted when the Food Stamp Program was reauthorized in 2002 are intended to make it easier for states to serve working families.

For more information, see: Food Research and Action Center www.frac.org 202-986-2200
Information Provided By: Ellen Teller Food Research and Action Center

Nutrition Programs

Commodity Supplemental Food Program (CSFP)

FY 04 Appropriations:	\$110 million
FY 05 Budget Request:	\$98 million
FY 04 to 05 Change:	- \$12 million (-10.9%)
Inflation Adjusted:	- \$13.87 million (-12.6%)

Farmers Market Nutrition Program (FMNP)

FY 04 Appropriations:	\$27 million
FY 05 Budget Request:	\$20 million
FY 04 to 05 Change:	- \$7 million (-25.9%)
Inflation Adjusted:	- \$7.46 million (-27.6%)

The Emergency Food Assistance Program (TEFAP)

FY 04 Appropriations:	\$190 million
FY 05 Budget Request:	\$190 million
FY 04 to 05 Change:	\$0
Inflation Adjusted:	- \$3.2 million (-1.7%)

Community Food and Nutrition Program (CFNP)

FY 04 Appropriations:	\$7 million
FY 05 Budget Request:	0
FY 04 to 05 Change:	- \$7 million (-100%)

Program Descriptions

The Commodity Supplemental Food Program (CSFP) provides supplemental foods to low-income elderly and, to a lesser extent, to low-income women, infants and children. The Farmers Market Nutrition Program (FMNP) provides vouchers to WIC participants to purchase fruits and vegetables at farmers markets. The Emergency Food Assistance Program (TEFAP) provides commodities and administrative funds to emergency food operations serving low-income households. An estimated 3.8 million households were served by TEFAP in 1997. In 1996, more than 117 million pounds of food, worth more than \$140 million, was distributed. The Community Food and Nutrition Program (CFNP) provides funds to local and state organizations to fight hunger and improve the nutrition of low-income households by expanding access to the federal nutrition programs.

CSFP, FMNP, TEFAP and CFNP are discretionary programs. Together, these programs function as the nation's anti-hunger safety net with the goal of ensuring that all low-income people in the U.S. have access to a nutritionally adequate diet.

Impact of the President's Proposal

The Administration proposes to cut the Commodity Supplemental Food Program by \$12 million – from \$110 million to \$98 million. (The cut is, in reality, much greater since CSFP had carryover funding from FY03 to help meet projected caseloads for FY04. That additional carryover funding has been expended and there is no projected carryover funding for FY05.) The budget would continue the Emergency Food Assistance Program at FY 2004 levels. The budget proposal slashes the Farmers Market Nutrition Program by \$7 million – from \$27 million to \$20 million. Funding for the Community Food and Nutrition Program is “zeroed-out” in this budget.

For more information, see: Food Research and Action Center www.frac.org 202-986-2200
Information Provided By: Ellen Teller *Food Research and Action Center*

Special Supplemental Food Program for Women, Infants, and Children (WIC)

Year Established: 1972
FY 05 Budget Request: \$4.868 billion (includes \$4.787 billion in new budget authority)

Program Description

The Special Supplemental Food Program for Women, Infants, and Children (WIC) was established by Congress as a pilot program in 1972 and authorized as a national program in 1974. WIC is a cost effective preventive nutrition program that provides nutritious foods, nutrition education, and access to health care to low-income pregnant women, new mothers, and infants and children at nutritional risk. WIC is a federally funded discretionary program.

Impact of the President's Proposal

The President's budget requests \$4.868 billion for WIC in fiscal year 2005. This is described as an increase of \$198 million in budget authority and \$86 million in program funds above fiscal year 2004 levels. The budget estimates that the proposed fiscal year 2005 funding level of \$4.8 billion will allow WIC to serve a monthly average of 7.86 million participants. The \$125 million contingency fund remains available and the funding level for fiscal year 2005 assumes that it is not used in fiscal year 2004.

WIC receives an increase in special project funds in the President's budget: \$5 million for childhood obesity prevention projects (\$1 million increase); \$20 million to support peer counseling breastfeeding promotion initiatives (\$5 million increase); \$20 million to improve management information systems (\$5 million decrease); and \$7 million for studies to evaluate the effectiveness of WIC.

WIC participation has increased each year since fiscal year 2001, with annual average monthly participation for fiscal year 2003 reaching an all time high of 7.63 million participants. Continued growth is expected in fiscal year 2004. The budget projects an average monthly WIC caseload of approximately 7.8 million participants for fiscal year 2004. Participation data for the first quarter of fiscal year 2004 shows that the program has already grown to a monthly average of 7.75 million participants.

WIC, a large discretionary program, is vulnerable to even relatively small changes in the factors used to project cost and caseload. For example, if the President's optimistic projections about the economy and employment aren't realized, then the number of families turning to WIC could rise above the projected 7.86 million caseload. In addition, costs could rise above estimates if inflation changes or the increasing volatility in WIC infant formula rebates continue to reduce rebate funds available to support caseload. Within certain margins the contingency funds are designed to cushion the effects of these changes and enable WIC to maintain the caseload.

The President's publicly available budget books fail to provide crucial details in a number of areas. These details can only be found in OMB special budget documents. These documents include the five-year spending plan (fiscal years 2006-2009) for discretionary programs, which surprisingly decreases WIC and other discretionary program funding after fiscal year 2005. According to OMB's tables, in FY 2009, WIC's funding would decline to \$4.7 billion, \$308 million less than the Administration's estimates for WIC's cost in that year, taking inflation into account.

For more information, see: Food Research and Action Center www.frac.org ☎202-986-2200
Information Provided By: Ellen Teller ☎Food Research and Action Center