The Human Needs Report

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Work Proceeds on Appropriations – Will it Continue?

Both House and Senate Appropriations Committees have approved some of the dozen FY 2015 appropriations bills prepared by their subcommittees, and are moving forward on additional spending bills. Chairs Mikulski (D-MD) and Rogers (R-KY) of the Senate and House Appropriations Committees respectively had made earnest commitments to get each bill out separately, following "regular order," instead of having to lump all spending together, perhaps only in stop-gap temporary measures aimed at preventing a government shutdown. Now, various political pressures are making themselves felt, slowing down decision-making. Within days or even hours, it will be known whether there will be bipartisan willingness in the Senate to move a package of three appropriations bills: Agriculture, Commerce-Justice-Science, and Transportation-HUD. On the House side, floor action on its Agriculture appropriations bill was stalled, probably until July (see article on Agriculture appropriations elsewhere in this ***Human Needs Report***.)

So far, the full House Appropriations Committee has reported out bills for Agriculture, Defense, Homeland Security, Commerce-Justice-Science, Legislative Branch, Military Construction-VA, and Transportation-HUD. The last four were also passed on the House floor. On the Senate side, the full Committee has approved bills for Agriculture, Commerce-Justice-Science, Military Construction-VA, and Transportation-HUD. None of the Senate bills have been acted upon by the full Senate yet.

On Tuesday, June 17, the full Senate will begin to take up its "mini-bus" package of three appropriations bills. Majority Leader Reid (D-NV) has moved to limit debate, and it will soon be known whether enough Republicans join Senate Democrats to form at least a 60-vote majority to move the package bill forward. Senate Republicans have insisted upon getting the opportunity to offer amendments. They will get the chance to offer germane amendments. As of now, the Senate has committed two weeks of floor time to get through debate and amendments, but that could change if it appears that Republicans will be forcing tough votes as electoral campaigns heat up.

Transportation-HUD Bills Lock in Voucher Losses; Senate Bill Includes Higher Funding Levels in Other Areas

The Senate FY 2015 Transportation-Housing and Urban Development (HUD) bill provides approximately $1 billion more for HUD programs than the bill (H.R. 4745) the House passed on June 10. However, some programs fared better than others, and concern among advocates remains that even the higher funding levels in the Senate bill (S. 2438) are not in line with the growing need.

The National Low Income Housing Coalition has a comprehensive chart showing funding levels in the two bills for many different programs under HUD, and also compares the bills to the President's budget and past enacted levels. Of particular note are the following programs:

The Public Housing Capital Fund: The House bill would decrease funding by $100 million from FY 2014, whereas the Senate bill would increase funding by $25 million over last year. The

President's budget had requested a $50 million increase over last year. Both bills include $15 million in first-time funding for the new Jobs-Plus Pilot program, designed to increase employment and income of public housing residents, short of the President's requested $25 million.

The Public Housing Operating Fund: The House bill includes level funding of $4.4 billion. The Senate version is slightly better at $4.475 billion.

Community Development Block Grant Formula Grants: The House and Senate bills largely rejected a $230 million cut in the President's budget, and with small cuts left these grants roughly level funded.

Homeless Assistance Grants: While the President requested a $300 million increase, the House bill is flat funded. The Senate bill includes a $40 million increase over last year.

Tenant Based Rental Assistance: In 2013, sequestration cuts eliminated roughly 72,000 housing vouchers for low-income families. Congress restored funding for about half of those vouchers in 2014. According to the Center on Budget and Policy Priorities, however, both bills would not only lock in the loss of vouchers under sequestration, they would make the situation worse: the House bill would result in a loss of 80,000 vouchers, with the Senate bill resulting in a loss of 76,000 vouchers.

Also of concern are several amendments that passed with the House version of the bill. One such amendment, offered by Representative Aaron Schock (R-IL), would ban issuing Section 8 housing vouchers for levels above 120 percent of an area's fair market rental value. The amendment passed by 1 vote, 210-209. Another amendment, offered by Representative Ed Royce (R-CA) and passed by voice vote, would prohibit the Department of Housing and Urban Development from administering the National Housing Trust Fund. Although funding for the Trust Fund is not subject to the annual appropriations process, the program is managed by HUD. According to the National Low Income Housing Coalition, if this amendment is not removed in negotiations between the House and Senate, funds directed to the Trust Fund in FY15 could not be administered by HUD. Advocates will keep an eye on similar amendments in the Senate and will work to remove these amendments when Congress meets to resolve differences in their respective bills.

Agriculture Appropriations Bill on Hold in the House, on Tap in the Senate

The House began floor debate on its Agriculture appropriations bill (H.R. 4800) on Wednesday, June 11, but work on the legislation was suspended before members got to one of the most controversial sections. Passed by the House Appropriations Committee on May 29, the bill would require the USDA to let some schools waive out of nutrition requirements set in 2010, and it would also incorporate white potatoes as an acceptable part of the Women, Infants and Children (WIC) supplemental nutrition package. Both of these provisions would see Congress overriding recommendations from scientists, nutritionists, and health experts, a possibility that has concerned and angered advocates.

The day before the House took up the bill, the White House threatened to veto it, saying it "injects political decision-making into science-based nutrition standards, and includes objectionable language riders." The statement specifically says the Administration strongly opposes the school waivers and the inclusion of white potatoes in the WIC package. WIC helps families obtain certain foods, including fresh fruits and vegetables and whole grains, that nutrition experts have found they most need as supplements to their regular diet. White potatoes are already a part of most low-income families' diets. First Lady Michelle Obama also argued against the provisions in an op-ed published in *The New York Times* in late May.

Debate and a final vote on the legislation was originally expected to take place this week, but the most recent reports from *CQ* now say the bill won't be taken up again until later this summer, giving Republicans more time to shore up support for the controversial provisions. When the measure does resurface, Representative Sam Farr (D-CA), ranking Democrat on the House Agriculture Appropriations Subcommittee, is expected to offer an amendment to strip the school nutrition waiver provision. Democrats are also expected to offer an amendment to get rid of white potatoes in the WIC package.

The Senate is also expected to take up its Agriculture appropriations bill this week as part of a package of three spending bills, along with the Commerce-Justice-Science and Transportation-Housing and Urban Development (HUD) bills. The Senate version of the agriculture spending bill does not provide waivers for schools or delay any other nutritional requirements set to go into effect this fall, though a Republican amendment to add the waivers may be offered. The bill does allow for the inclusion of white potatoes in the WIC food package, but it also allows the USDA to cut potatoes from the package in the future if a mandatory study deems they shouldn't be included.

For more information on the Agriculture appropriations bill, see the May 27 *Human Needs Report*. Read a related post and leave your comments about the nutrition controversy on CHN's new blog, Voices for Human Needs.

Labor-HHS-Education Appropriations Bill Approved in Senate Subcommittee; Further Action Delayed

The Senate Appropriations Subcommittee for Labor, Health and Human Services, and Education programs approved next year's funding on June 10, with no overall increase in funding over this year's levels. Many important programs, especially in the area of early childhood, did receive at least modest increases. Those will be paid for by cuts in other Labor-HHS-Education areas, including mandatory spending. The cuts were unspecified in the summary materials provided. Full details would have been supplied when the bill came before the full Committee, originally scheduled for June 12. That mark-up was postponed, however, with no date yet for further action. Although the Committee pointed to expected absences by members, there was speculation that concerns over amendments Republicans might offer led to the delay.

Among the provisions highlighted by the Labor-HHS-Education Subcommittee:

Early Childhood: Among the early childhood increases in the Subcommittee bill, Head Start receives $8.74 billion, up $145 million from FY 14. Included is $65 million in new dollars for Early Head Start, with continued support for Early Head Start-Child Care Partnerships. Preschool Development Grants receive $350 million, an increase of $100 million. While more modest than the President's far-reaching proposal for universal pre-k, the Senate shares the view that early childhood expansion should be a priority.

Unaccompanied Children Entering the U.S.: Responding to the recent reports of a surge in the number of unaccompanied minor children crossing the border to escape violence in their home countries in Central America or to join family members in the U.S., the Subcommittee more than doubled funding for sheltering and providing support services for these children (providing $1.94 billion, up $1.028 billion over FY 14). The bill also expands transfer authority to move funds from other areas if need continues to grow unabated. In May 2014 alone, 9,500 children were apprehended, up 300 percent over May of 2013.

College Aid: The bill continues the gradual increase in Pell Grants, setting the maximum grant at $5,830, an increase of $100. Student loan servicing was transferred from mandatory to discretionary funding and increased by $281 million. Its new total of $1.447 billion now puts more pressure on the level-funded discretionary total. In other funding for college students, Work-Study and Supplemental Educational Opportunity Grants rose modestly by $50 million, and TRIO support services for students increased to $846.6 million, up $8.4 million.

Child Care: The bill provides $100 million in new funds to pay for quality improvements recently enacted in a reauthorization bill. The approved total, $2.46 billion, will not allow for the substantial increase in child care placements needed to replace child care slots lost over the past few years.

Home Energy Assistance: The Senate Subcommittee rejects the President's repeated proposals to cut the Low Income Home Energy Assistance Program (LIHEAP). Home heating and cooling assistance is level funded at $3.39 billion, which remains well below the $4.5 billion funded in FY 2010. According to the National Energy Assistance Directors' Association, since FY 2010, the purchasing power of the average LIHEAP grant has declined from 60.2 percent of the cost of home heating to 44.7 percent.

Job Training: Labor Department funding for Workforce Investment Act programs is up modestly from FY 2014. Training programs for adults, youth, and dislocated workers are funded at $2.62 billion ($36 million more than the current year). These programs would be modified if the new Workforce Investment and Opportunity Act (WIOA) makes it to final passage (see article in this Human Needs Report).

K-12 Education: The bill provides $14.435 billion, up $50 million over the current year, for funds to low-income school districts (Title I). This is slightly below FY 2010 funding levels, without taking inflation into account.

State Paid Leave Fund: This new initiative would provide $5 million for states for planning the creation of paid leave funds. President Obama has included this in his budget proposals, but it has not yet been funded by Congress. The Senate Subcommittee would provide the funding.

Ways and Means Committee Passes Expensive Corporate Tax Break; Three More Tax (Cut) Extenders Pass the House

On May 29, House Ways and Means Committee Chairman Dave Camp (R-MI) brought to the Committee legislation (H.R. 4718) to make permanent the '*bonus* depreciation' tax cut. Depreciation allows companies to take a tax deduction for the cost of new equipment, software, and buildings as they lose value over time; bonus depreciation allows the deduction to be taken more quickly. Coveted by businesses, bonus depreciation was first enacted during the 2002 economic downturn as a *temporary* incentive to spur investment. It was allowed to expire in 2004 as the economy strengthened and was then reenacted in 2008. It was extended several times since then until it expired at the end of 2013. The most recent version of bonus depreciation allowed companies to deduct 50 percent of allowable expenses *immediately*. The 10-year cost of making permanent bonus depreciation has a huge price tag of $276 billion according to the Joint Committee on Taxation. There is no timeline for bringing the bill to the floor.

H.R. 4718 was packaged with five tax extender bills, so-called because Congress regularly extends these tax cuts for a year or two. Those bills would extend the IRA charitable rollover, make permanent charitable deductions for food inventory and property donated for conservation, and modify the excise tax on investment income of private foundations. All six of the bills passed the Committee on party line votes with all Democrats opposing and all Republicans favoring passage.

While some classify bonus depreciation as an 'extender', in a recent paper the Center on Budget and Policy Priorities makes the case that it is not an extender because it was always meant to be temporary. It further argues that it is an ineffective incentive for businesses to invest in the near-term if they believe it will continue to be extended. Analysis cited in the paper makes the case that very little economic activity is generated from bonus depreciation compared to the enormous loss of tax revenue. By bringing the bill up for a vote, Chairman Camp reversed his position in his comprehensive tax reform plan made public in February to let bonus depreciation expire.

Extenders Pass the House: The Ways and Means Committee passed an initial package of 6 tax extenders on April 29. On May 9, perhaps the most popular bill in the group, the tax credit for corporate research (H.R. 4438) was taken up on the House floor and passed with a veto-proof majority of 274-131. (See May 12 *Human Needs Report*.)

On June 12, the House voted to make permanent two small business-related extenders from the package. H.R. 4457 allows small businesses to *immediately* deduct the entire cost of purchases in capital investments up to $500,000 rather than as they depreciate over time. The bill also calls for adjusting that amount for inflation beginning in 2014, and eliminating the exclusion of air conditioning and heating units as property eligible for the expensing allowance. The measure passed 272-144 with 53 Democrats joining 219 Republicans in support of the bill. The 10-year cost of the bill is $73 billion.

The House also passed H.R. 4453, which combines two of the extenders relating to S corporations that passed Ways and Means as separate bills – H.R. 4453 and H.R. 4454. (S corporations are corporations whose profits are not subject to the corporate income tax, but are instead included in the income of their owners.) The bill would make permanent a reduction from 10 to 5 years the period gains of the corporation prior to becoming an S corporation are subject to tax, and the rule adjusting the value of shareholder's stock when the S corporation makes a tax deductible charitable contribution. The bill passed 263-155 with 42 Democrats supporting passage. The 10-year cost of the bill is $2 billion.

While these bills enjoy strong bipartisan support, many Democrats argued that their cost should be paid for by closing other tax loopholes. Further, they contend that it is wrong to make these tax cuts permanent while Emergency Unemployment Compensation has not been extended and important improvements to the Earned Income Tax Credit and Child Tax Credit are scheduled to expire in 2017. The Administration made a similar case against passage of the bills, citing the double standard in its Administration's Statement of Policy.

As the House passes more permanent tax reduction bills, advocates are concerned that their cost is eroding the $770 billion in tax savings in the American Taxpayer Relief Act of 2012, the so-called 'Fiscal Cliff' deal. If all the bills approved by the House Ways and Means Committee were to be enacted, the ten-year cost would be $590 billion, according to the Center on Budget and Policy Priorities.

Action in the Senate has stalled since April 3 when it passed a retroactive two-year extension of nearly 55 tax extenders costing $85 billion. Republicans continue to insist on a wide open amendment process in exchange for floor action. Senate Leader Harry Reid (D-NV) is unwilling to allow divisive non-germane issues to threaten passage. (See April 14 *Human Needs Report*.)

Most still believe that the House and Senate will not come to agreement on the tax extenders until after the November midterm election.

Bipartisan Workforce Innovation and Opportunity Act Introduced

In May, a group of bipartisan lawmakers from both chambers of Congress introduced legislation to update the federal workforce development system. The Workforce Innovation and Opportunity Act (WIOA) will replace the Workforce Investment Act (WIA), which was originally passed in 1998 and has been overdue for reauthorization for over a decade. WIOA is a compromise between the SKILLS Act (H.R. 803), which passed the House of Representatives in March of 2013, and the Workforce Investment Act of 2013 (S. 1356) that passed the Senate Health Education, Labor, and Pensions (HELP) Committee in July of 2013. It would provide job training and career services to youth and adults to help them prepare for work or additional education, find and keep jobs, and build the skills necessary for the 21st century. It will also benefit employers by building the workforce needed to compete in the global economy, and strengthen the economies of local communities. WIOA will provide a wide range of services for low-skill, low-income people and individuals with disabilities and other barriers to employment, improving access to high-demand, higher-paying jobs and career pathways out of poverty for many. By increasing education, training, and access to good jobs, WIOA will provide a needed step for many Americans.

Among the improvements in WIOA is an increased focus on real-world education and job training opportunities through on-the-job and incumbent worker training, a stronger push to engage out-of-school and disadvantaged youth, and protections for migrant, seasonal, and Native American workers. It also streamlines program administration and applies one set of metrics to every program under the bill to ensure accountability and outcomes. While 15 programs covered under WIA are slated for elimination in the new legislation – including the Workforce Innovation Fund, WIA incentive grants, and WIA Pilots and Demonstration Projects – the majority of programs on the chopping block haven't received funding for many years.

According to the Georgetown University Center on Education and the Workforce, by 2022, the US will fall short of the necessary number of workers with postsecondary education by 11 million. Meanwhile, according to CLASP, funding for workforce and adult education programs has declined 10 percent or more since 2010, even though the need for these services remains high. WIOA authorizes funding for programs covered by the bill from FY 2015 through FY 2020, with modest increases in the funding amounts every year, and includes a separate funding stream for youth programs. By FY 2017, funding for youth workforce investment activities would return to levels not seen since FY 2010. However, it's important to note that these are just authorized maximum levels of funding; actual funding will continue to be set through the annual appropriations process. Unless Congress changes existing spending caps and mandatory cuts under sequestration, funding for these programs remain at risk.

Since the bill's introduction, a large and diverse group of organizations – from businesses and labor organizations to state and local elected officials to nonprofits serving low-income youth and people with disabilities – have come forward to show their support. With bipartisan and bicameral support in Congress and wide support from outside organizations, the bill is expected to pass before the August recess. The Senate will take up the bill first, followed by action in the House.