



# THE POLICY PAGE

An update on state and federal action from

## The Center for Public Policy Priorities

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### U.S. House Budget Proposal Cuts Non-Defense Discretionary Spending Well Below Balanced Budget Levels: Hits Welfare-to-Work, Safety Net Programs Hardest

#### Cuts Would Also Affect Economic Development, Environment, Law Enforcement, and Education

The Washington, D.C.-based Center on Budget and Policy Priorities has released an analysis of the House budget resolution that passed the U.S. House of Representatives on Friday June 5 by a vote of 216-204. Highlights of the report are presented in this *Policy Page*. The \$101 billion in cuts proposed in the House resolution would:

- reduce federal spending on all discretionary programs except defense by \$45 billion (over the 5-year federal budget period). This is in addition to the cuts made by last summer's Balanced Budget Act of 1997 (BBA),
- result in an overall 19% reduction in non-defense discretionary spending from 1998-2003,
- reduce federal mandatory (as opposed to discretionary) program spending by \$56 billion below BBA levels, and
- make no new cuts in defense spending.

Though Federal Budget Resolutions normally include an explanation of how proposed budget cuts would be made, this resolution does not. However, Rep. John Kasich, the author of the House Resolution, has outlined his assumptions for budget cuts in a separate House Budget Committee document of May 12.

Although programs targeted to low-income families make up less than one-quarter of federal mandatory program spending, **three-fifths of the mandatory program cuts in this House Budget proposal affect low-income programs.** These reductions are on top of the highly disproportionate cuts in these programs made by the 104<sup>th</sup> Congress – 93% of those mandatory program reductions were in programs targeted to low-income families and individuals.

### Summary of Proposed Cuts

Specific cuts included in the spending plan include:

- **A cut of \$10 billion over 5 years (\$2 billion per year) to be made to an as-yet unnamed Income Security program under the Ways and Means Committee's jurisdiction.** This means the TANF Block Grant, Supplemental Security Income, the EITC, or child support enforcement could be cut. On June 3 the House leadership proposed taking these funds from TANF, but they have since retracted that position. The take-home message: TANF could still bear this cut, and if it does not, the cut would likely be borne by another safety net program vital to the self-sufficiency of low-income families.
- **All remaining funds in the special welfare-to-work block grant created by the BBA would be cut,** despite the fact that many states have not yet even completed their requests for these funds. In Texas, Local Workforce Development Boards and other applicants for the welfare-to-work grants have already planned their budgets around these funds and they are depending on them to provide essential services for welfare recipients moving into self-supporting employment.
- **Repeal of the Food Stamp "workfare" funding created by the BBA** to help single (childless) adult Food

Stamp recipients meet their new work requirements created by the 1996 welfare law, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Texas is depending on these funds to implement its first-ever workfare program for food stamp recipients.

- **Repeals all states' authority to grant limited hardship exemptions to these Food Stamp work requirements.** Texas has yet to take advantage of this provision.
- **Cuts Title XX, the Social Services Block Grant, by \$3.1 billion over 5 years.** In Texas, the SSBG is used to fund Domestic Violence shelters and services, low-income child care, family planning, child and elder protective services, and community care for the aged and disabled. Budget proposals from the President, the Senate, and the House all would cut Title XX by this amount. The Administration and Senate Budgets would cut Texas' grant by \$32 million (about 20% below 1998) in 1999, while the House proposal would begin cuts in 2001 with a 30% reduction and a cap on replacing the cut funds with TANF Block Grant dollars. (The Title XX cuts were also included in the transportation bill recently passed by both houses.)

- **Eliminates Earned Income Tax Credit (EITC) for childless workers with annual incomes under \$10,000.**

This program was created in 1993 because the Congressional Budget Office (CBO) found that the share of income such individuals were paying on federal taxes had risen sharply, far higher than that paid by other low-income Americans. The EITC provision for this group – targeted for repeal by the House Leadership – is already capped so that each individual can never get more than the amount he or she had withheld as payroll taxes.

- **Converts all of Medicaid – except payments for long-term care – to a Block Grant.** In Texas, this would affect **ALL** Medicaid enrollees, including: persons over 65 and with disabilities who get Medicaid due to their SSI eligibility, children in families with below-poverty level income, TANF families trying to leave welfare, and uninsured pregnant women and their newborns (almost half

of Texas' annual births are paid for by Medicaid). Block granting the program would leave state governments at risk for any cost growth in the program, forcing states to choose between using pure unmatched state dollars to fund cost increases, or cutting eligibility or services. This would clearly undermine states' attempts to expand coverage to more children via Medicaid.

- **Ends federal 50% sharing of states' costs of running their Food Stamp and Medicaid programs by converting the matching commitment to a fixed block grant.**

Just when states have major new administrative responsibilities – e.g., connecting Food Stamp clients to work programs, re-enrolling legal immigrants whose Food Stamps have been restored, outreaching potentially Medicaid-eligible kids, and screening and enrolling 100% of CHIP applicants who are Medicaid eligible – this proposal would cut and cap administrative costs.

## What the Cuts Would be Used For: Be Wary Of the Devil in the Marriage Penalty Details

The House proposes to spend the bulk of its proposed \$101 billion in cuts on a marriage penalty reduction tax cut. There are currently a number of marriage penalty relief proposals in Congress. The marriage penalty reduction adopted by the Senate on June 10 was among the most progressive in terms of targeting its benefits to those most in need. It is also one of the least costly. As press accounts have noted, the Senate proposal would apply only to couples with annual incomes below \$50,000. In contrast, the House marriage penalty proposal with the largest number of co-sponsors would carry a vastly greater price tag and would target 80% of its tax cuts to couples in the top one-third of incomes.

It is important to note that some of the proposed budget cuts that would create significant stress for safety net

programs are included not only in the House and Senate budgets, but also in the President's Budget proposal. Chief among these are:

- the SSBG Title XX cut of \$3.1 billion over 5 years, and
- proposed changes in administrative costs for Food Stamps and Medicaid (using different approaches from the "administrative cost" block grant described above).

The President's budget would use the Title XX SSBG cuts to finance a substantial increase in child care funding. The \$1.8 billion in (non-block grant) 5-year administrative cuts in Food Stamp administration funding to states were used to fund the Agricultural Research Bill, including \$818 million for restoration of Food Stamps to certain legal immigrants.

## What's Next in the Federal Budget Process.

The Senate's Budget resolution passed in April included smaller cuts and adhered more closely to the 1997 Balanced Budget Agreement (BBA). Specific cuts include \$3.6 billion from Medicaid and Food Stamp administration, \$3.1 billion from Title XX, and \$2.7 billion from the Community Development Block Grant. Increased funding was proposed for the Child Care and Development Block Grant (\$5 billion), and the Individuals with Disabilities Education Act (\$2.5 billion). A House and Senate Conference Committee must now attempt to reconcile the two very different bills. Senate Budget Committee Leadership staff have been vocally critical of the House proposal and its dramatic departures from the BBA.

## What Can You Do?

While it appears that the Senate is opposed to many of the reductions detailed above, anything can happen in the conference committee. It is important that policymakers both here and in Washington, DC — Texas' Congressmen, U.S. Senators, and the Governor — hear from Texans about the devastating scope of these reductions. There are several key messages:

- Programs for low-income families already have borne a disproportionate share of cuts, further cuts are unjustifiable.
- Restore Title XX, the Social Services Block Grant, to the \$2.38 billion level authorized by the 1996 PRWORA.
- Reductions in welfare to work supports make a mockery of the states' efforts to move recipients to self-support.
- The Medicaid block grant proposal would disable national attempts to insure children through Medicaid and CHIP programs, and would leave states unable to meet the medical needs of poor elders and persons with disabilities.

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