



## ★ WASHINGTON WATCH ★

An update on federal action from

### The Center for Public Policy Priorities

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#### Washington Update

*As you receive this, Congress has returned from Easter recess. What follows is an update on what they have already done, and a report on what insiders expect that they will do beginning this week of April 15th.*

#### FY 96 Budget

As you will recall, Congress has only passed eight of the thirteen FY 96 appropriations bills needed to fund discretionary federal programs lacking appropriations for this year. To continue operation of programs, the Federal Government has passed 12 Continuing Resolutions (CRs), the most recent of which will continue funding until April 24th. In addition, the Budget Reconciliation Act to fund entitlement programs (Medicare, Social Security, federal pensions, Medicaid, AFDC, etc.) was vetoed in December. January legislation funded Medicaid and Food Stamps through the end of the federal fiscal year, but left AFDC, Foster Care, and Adoption Assistance up in the air, and subject to the CR process. The House and Senate have passed different CRs to fund until September 30, 1996 (the end of FY 96) the programs still lacking

appropriations.

This week, Congress may conclude negotiations to eliminate the differences between the two CR bills, and thereby fund programs through the end of the fiscal year. The Texas Legislative Budget Board (LBB) reports that the negotiations indicate that most education, labor, health, and human service programs will be funded at higher levels than were proposed by the House, which had proposed larger cuts **below** 1995 funding than had the Senate. However, the Social Services Block Grant (Title XX) may still be cut by 10-15% below 1995 levels. Other significant issues remain unresolved, so there is no telling when a final Omnibus Appropriations Bill for FY 1996 will be sent to the President.

#### FY 97 Budget

Meanwhile, the budget cycle for the upcoming federal fiscal year has begun with the submission of the President's budget proposal March 19. This proposal fleshes out the administration's Welfare proposals somewhat, and echoes the Medicaid proposals laid out in December 1995. Key components include:

- 5 year limit on cash assistance; exemptions for hardship cases.
- Family head must work within 24 months of enrollment in cash assistance program.
- Vouchers for children after the 5-year cash assistance cap reached.

- Block grant for job training for cash assistance clients.
- "Per-capita cap" on Medicaid spending.
- Maintains current Medicaid benefits, eligibility.

Reports from Washington suggest that the FY 97 Budget Reconciliation Act may be the vehicle chosen by the congressional majority to push major changes in welfare and Medicaid.

#### Balanced Budget Amendment Alert

Senator Dole is expected to bring up the Balanced Budget Constitutional Amendment before then end of April. Senate rules would require neither notice nor opportunity for debate before a vote. The BBA would

reduce federal funds in the Texas budget by an estimated \$1.3 Billion in the first year and over \$10 Billion in the 7th year. Economists have pointed out that prior attempts in U.S. history to balance the budget and reduce the national debt have resulted in depressions; whereas deficit spending has been associated with periods of great economic growth. The BBA does not allow for counter-cyclical government

activity – the kind that keeps a recession from becoming a depression. Nor does it allow for prudent long-term investment in national infrastructure – the kind of investment in the future for which every family, business, local and state government borrows money.

### **Welfare and Medicaid “Reform”**

As Congress returns from break, it is possible that several bills proposing welfare and Medicaid restructuring may be filed. First, a bill based on the National Governors Association (NGA) outline of concepts has been anticipated in recent weeks, but there are reports of major obstacles to agreement on specifics, both among Republicans and between Democrat and Republican Governors who originally signed off on the plan. Draft “NGA” bills circulating in Washington are reported to resemble more the vetoed welfare and Medicaid proposals than the bipartisan NGA proposal, so there is a possibility that the bill when filed may no longer actually have bipartisan support. It is also reported that a welfare bill developed by conservative House Democrats and moderate house Republicans may be filed. In addition, a group of “centrist” senators is reportedly drafting a welfare and Medicaid bill.

Meanwhile, many political observers believe that Republican leaders do not want a welfare reform bill to pass before the presidential elections, preferring to deny the president the opportunity to deliver on his campaign promise of welfare reform. A compromise on Medicaid is considered far less likely than on welfare. As such, there is a distinct possibility that no major revamping of entitlements will occur until after the presidential election. The outcome of that election would determine the direction of program changes. Under a Republican presidency and a continued Republican congressional majority, we could expect to see block grants for both Medicaid and welfare-child care-job training; a Democratic victory would probably yield compromise legislation somewhere between the NGA proposals (see WW #19) and the administration’s proposals (see WW #17, 18).

### ***What’s Next?***

***The Center will provide information about new budget, welfare, and Medicaid bills as they are filed.***

### **Istook Update**

As mentioned above, the Congress has passed another stopgap temporary Concurrent Resolution and is negotiating a final CR that would provide funding to through the end of the fiscal year. The house version contains two provisions on lobbying by non-profits, and the senate version contains one. These provisions are not as restrictive as the original Istook proposals, but will still be burdensome. They are layered onto standing regulations against using federal grants for lobbying, which have historically been considered effective. These requirements do not apply to for-profit recipients of federal contracts.

- One amendment requires that non-profits and state and local governments include funding disclosures (both dollar amounts and percentages) on any document that describes a program or project that receives federal funds. This amendment is already included in both the House and Senate versions of the final CR being negotiated.
- Another amendment increases reporting requirements on lobbying by non-profit grant recipients, including posting on the Internet, and broadens the definition of lobbying. Reporting would need to conform to the requirements of both the Internal Revenue Service requirements and those of the Lobby Disclosure Act of 1995. This amendment was not added to the Senate CR version, and must be negotiated by the conference committee.

The President has released a policy statement on HR 3019, which includes a statement of opposition to the amendment creating new reporting requirements.

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