



Children's Defense Fund

February 15, 2007

Children and Low-Income Families Continue to Be Left Behind *A Look at the President's 2008 Budget and Children*

Many of our nation's most vulnerable children and families are left even farther behind in the President's 2008 Budget. The Budget proposal makes deep cuts in key safety net programs while targeting more than \$1 trillion for military spending over the next two years. It also dramatically increases the gap between the rich and poor by permanently extending tax cuts that favor the wealthy. These choices threaten the well-being of millions of children across America.

More Tax Breaks Favoring the Wealthy

- The President's 2008 Budget once again proposes the **permanent extension of the individual tax cuts** implemented in 2001 and beyond, which overwhelmingly benefit the wealthiest Americans. The Urban Institute-Brookings Institution Tax Policy Center reports that households in the top one percent of the population will receive tax cuts averaging \$67,000 a year by 2012. Those with incomes over \$1 million a year would average \$162,000 a year in tax breaks. Making these tax breaks permanent would result in some \$2 trillion in lost revenues over the next ten years and even more in later years -- revenues that are urgently needed to address the still large unmet needs of low-income children and their families.

Large Budget Increases for the Wars and Other Military Purposes

- The President's 2008 Budget requests \$622 billion for overall **military spending** in FY 2007 and \$647 billion – \$25 billion more – in FY 2008. The proposed military budget for FY 2008 is higher than any since President Reagan left office, prior to the collapse of the Soviet Union and the end of the Cold War. It represents an increase in **spending for Iraq and the War on Terror** in the current Fiscal Year (already almost half over) of more than \$93 billion, and adds over \$141 billion for Fiscal Year 2008. Including the new funding level requests, war spending since 2001 alone would total \$662 billion. In addition to direct war spending, the President's Budget requests large increases for other military purposes, including \$52 billion this year and another \$52 billion next year to repair and replace weapons used in combat.

Deep Cuts in Health, Mental Health, and Substance Abuse Treatment

- Rather than responding to the urgent need to provide coverage to the nine million children who are currently uninsured, the President's 2008 Budget could leave thousands and possibly millions more children uninsured. The President's Budget adds only \$5 billion to the **State Children's Health Insurance Program (SCHIP)**, about two-thirds less than needed simply to maintain that program's current caseload. At the same time, proposed legislative changes to the program limiting eligibility for SCHIP coverage to children with family incomes at or below 200 percent of the federal poverty level (\$41,300 for a family of four in 2007) could preclude many children who now benefit from SCHIP from receiving coverage in the future. The President's Budget also cuts **Medicaid** funding by \$25.7 billion through a series of proposed legislative and administrative changes. Those changes in the federal matching rates for administrative services as well as for targeted case management activities would negatively impact children with disabilities, as would changes in the definition of rehabilitation services and allowable school-based services currently paid by Medicaid. These latter two changes alone would translate over the next five years into a \$6 billion total cut in the program. One bit of good news exists: the Budget extends through September 30, 2008 Transitional Medical Assistance for families losing welfare benefits due to increased earnings.
- The President's 2008 Budget includes a 29 percent cut in **mental health programs** targeted to meet the special emotional needs of children and adults, and holds at 2006 funding levels the **Children's Mental Health Services Program and the Community Mental Health Services Block Grant**, which support comprehensive, community-based systems of care for children with serious emotional disturbances. These cuts ignore positive research findings cited in the Department of Health and Human Services' (HHS) own 2008 Budget materials indicating public mental health services for children result in positive outcomes for children. For example, last year 90 percent of children served by the Children's Mental Health Services Program attended school regularly and nearly 70 percent of them had no interaction with law enforcement agencies. One positive note in the Budget for children with serious emotional disorders is its increase in funding for states to provide home and community-based services to children under age 21 as an alternative to psychiatric residential treatment facilities.
- The President's 2008 Budget cuts by two-thirds the \$10.4 million Pregnant and Postpartum Women Treatment Program, and also cuts other **substance abuse prevention and treatment programs** of regional and national significance for a total cut of 14 percent. It also freezes at its 2006 level the **Substance Abuse Prevention and Treatment Block Grant**. These large cuts seriously undermine the value of the Budget's proposed increase in funding for juvenile, family and adult drug courts, which have been shown to successfully help parents and youth recover from their addictions. The cuts also threaten the value of the new

requirement in the Budget that states report outcomes for clients served with block grant funds. While a positive measure, outcome data are only useful if there is an assurance that those served are getting the resources necessary to fully meet their needs, which would not be the case were the proposed budget approved.

- The President's 2008 Budget calls for a new \$17 million **adolescent health initiative** to help promote a culture of wellness and prevent childhood obesity, but at the same time proposes to eliminate the \$99 million **Preventive Health and Health Services Block Grant** that already supports such prevention activities.

Elimination of a Federal Presence on Violence Prevention

- In community after community growing youth violence is a rising concern, yet the President's 2008 Budget would end the commitment of the federal government to support improvements in juvenile justice as well as to expand youth violence prevention. It eliminates the **Office of Juvenile Justice and Delinquency Prevention (OJJDP)** in the Department of Justice which for over 25 years has led national efforts to reduce youth crime and make communities safer. The loss of federal leadership in training, technical assistance, research and the development of innovative practices will hamper further local efforts to curb juvenile crime and delinquency. It will bolster, rather than help to dismantle, the Cradle to Prison Pipeline® that propels hundreds of thousands of children toward delinquency and incarceration every year.
- The President's Budget also eliminates all **dedicated federal funding streams for juvenile justice** and merges them into a single block grant with funding of only \$280 million, representing a 25 percent cut from last year's juvenile justice funding level. These reduced funds will be further diluted as the block grant is to be used to cover interventions to ensure internet safety and prevent child exploitation, in addition to ongoing juvenile justice prevention and intervention activities. Further, this 25 percent reduction in juvenile justice funding for 2008 comes on top of a 40 percent cut in these same programs over the last five years.
- Despite increases over the past year in violent crime in communities across the country, the 2008 Budget also massively cuts funding for state and local law enforcement, including \$1.7 billion in cuts within the **Community Oriented Policing Services (COPS)** program, hailed by law enforcement as a critical and successful strategy to prevent crime at the community level. This one-two punch of cuts to juvenile justice and state/local enforcement endangers young people and places community safety at high risk.

Ignoring the Need to Get Help to Young Children

- The President's 2008 Budget freezes funding for **Head Start** at the 2006 level, ignoring the additional \$104 million included in the 2007 Continuing Resolution

and disregarding the well-documented extensive return on investments in this program in terms of helping children build the confidence and skills they need to succeed in school and far beyond. At such funding levels, Head Start programs would face a Hobson's choice: drop children from the program or cut funds for teacher training and quality improvement. In fact, substantial Budget increases are needed, with Head Start currently serving only about half of all eligible pre-school age children, and Early Head Start serving less than three percent of all eligible infants and toddlers.

- The President's 2008 Budget also proposes for the sixth year in a row to freeze **child care** funding despite the widely recognized value of access to quality child care to promote children's healthy development as well as to help families access and succeed at work. Currently, only one in seven eligible children receives child care assistance. As the Budget materials acknowledge, the freeze will result in 300,000 fewer children receiving child care assistance by 2010, on top of the 150,000 children who already have lost assistance since 2000.
- The **Even Start** Program also is once again on the chopping block. The Department of Education has placed on its long list of program terminations this \$111.6 million initiative that is important to so many low-income children and their families. Even Start funds local family literacy projects that integrate early childhood education, adult literacy, and parenting education activities.
- The 2008 Budget also proposes to reduce quality services for infants, young children, and their low-income mothers who are nutritionally at risk. It would limit automatic eligibility of Medicaid recipients for the **Special Supplemental Food Program for Women, Infants, and Children (WIC)** and reduce funding for nutrition education and WIC services.

Failing to Respond to Children's Educational Needs

- Despite bipartisan calls to increase public investments in education, President Bush's 2008 Budget proposes a \$56 billion budget for the **Department of Education**, representing no increase for the third straight year, and in fact a decrease from the \$57.5 billion approved in the 2007 Continuing Resolution.
- The additional funding requested for the **No Child Left Behind Act** falls far short of what is needed to support schools struggling to comply with the law. The \$1.2 billion increase in Title I funding is focused on expanding the No Child Left Behind Act to high schools (the law currently mandates schools to attain higher performance standards in lower grades). Hence, K-8 schools will continue to face a not fully funded mandate, as they try to comply with testing requirements under the law. In addition to these cuts, and despite the President's support of the No Child Left Behind Act, the President's Budget proposes elimination of several programs to enhance teacher quality (including the elimination of the Early Childhood Educator Professional Development Program), education technology,

distance learning and smaller learning communities—all of which are recognized as key inputs to attain desired improvements in learning outcomes for the nation’s children and youth. Notably, the President proposed to cut by \$273.1 million support for the deployment and integration of education technology into classroom instruction – support desperately needed to increase learning opportunities in low-income schools all over the country.

- The President’s 2008 Budget boost in funding for **Pell Grants** to low-income students, raising the maximum grant amount by 5 percent from \$4,050 to \$4,600, is welcome and certainly needed. However, this increase remains far short of what is required to fill the gap in financial assistance for low-income students. The Pell grants are provided each year to 5.3 million students with family incomes less than \$40,000. Whereas twenty years ago the maximum Pell grant covered about 60 percent of the cost of a four-year public university education, this past academic year it covered just one-third of that cost. Moreover, the 2008 Budget would eliminate the \$770 million **Supplemental Educational Opportunity Grant Program**, which helps the neediest of Pell Grant recipients. In fact, the American Council on Education estimates that 1 million of the 1.3 million Supplemental Educational Opportunity Grant recipients would receive less under the President’s new plan than they do under the current system.
- Low-income, minority and at-risk children stand to suffer most by the **termination of what the President’s 2008 Budget refers to as 44 “low priority” education programs**, which total \$2.2 billion. Among the eliminated programs are eight directly targeting low-income and minority children, three for at-risk youth, four for students with disabilities, three addressing school children’s physical and mental health problems, and three “family literacy” programs aimed at educating low-income parents and providing early childhood development options for children. In addition, the 2008 Budget fails to propose any funding increase to support the **education of homeless children and youth or rural education**, and cuts support to other essential programs such as **Language Acquisition Grants** and **Special Education Grants**. \$253 million is cut from the **Safe and Drug-Free Schools and Communities Program**.

Crises Go Unmet for Many Vulnerable Children and Families

- The President’s 2008 Budget cuts the **Social Services Block Grant (SSBG)** by \$500 million or about 30 percent, and fails to reinstate the \$500 million added to the program last year specifically to help Hurricane Katrina survivors. These cuts would adversely impact the ability of states to provide child protective services to abused or neglected children and to support children who are in foster care or are adopted. Nearly \$700 million (41 percent) of current SSBG funds are used to prevent or treat child abuse and neglect, to assist older youth transitioning from foster care, and for other child welfare activities. This magnitude of cut in SSBG funding will also negatively impact access to child care, as 41 states used more than \$250,000 of SSBG funding for child care in 2004 alone.

- Despite continuing increases in child poverty, the President's 2008 Budget also proposes to eliminate the \$630 million **Community Services Block Grant** that serves approximately 6 million low-income families and 3.5 million children, cuts three smaller community services programs. The Budget also fails to increase the Temporary Assistance for Needy Families (TANF) Block Grant, which is used to help parents with new employment opportunities, even though the Deficit Reduction Act of 2005 required states to reduce the number of families participating in the TANF Program by getting more families working.
- For the fifth year in a row, the President's Budget would give states the option to end guaranteed funding for the **Federal Foster Care Program** and instead use a foster care block grant with a cap on future funding. It will be extremely difficult with a cap on funding for states to meet their ongoing obligations to foster children, expand aid to children who will need foster care in the future, *and* at the same time provide the increased investments in prevention, substance abuse and mental health treatment that are needed to reduce caseloads. Such a block grant approach may also be a risky option for states to pursue, given evident sustainability risks. The President's 2008 Budget eliminates or drastically cuts funding for at least three major block grants and fails to adequately fund four others – the SCHIP and TANF programs, and the Child Care and Development and Maternal and Child Health Block Grants. A Foster Care Block Grant could also compromise children's safety if sufficient resources are not provided, strong protections are not guaranteed, and/or no clear commitment exists to respond with increased funding were foster care caseloads to escalate.
- Most **child abuse prevention and treatment and adoption programs** are held at their 2006 levels, threatening significant reductions in children served or cutbacks in available services in 2008. Several small exceptions are noted. The President's Budget includes \$10 million in new funding to encourage states to provide home visitation programs using trained nurses –an approach proven to be highly effective. It also includes \$10 million in incentive payments to states to carry out interstate home studies in a timely fashion and remove barriers across state lines to timely adoptions of children in foster care. The Budget also adds \$2 million to the \$12 million Adoption Incentive Program, but it still leaves the program short of what was originally promised.
- In 2006 Congress passed legislation lowering from 60 to 55 the age at which grandparents and other relatives raising children could qualify for the **National Family Caregiver Support Program**. This change resulted in an estimated 400,000 additional caregivers being eligible for extra help from the program. Unfortunately, the President's 2008 Budget will hold funding for the program at its 2006 level, making it very unlikely that many of these newly eligible families actually will be served.

- Rather than strengthening nutrition and food assistance programs, the President's 2008 Budget would eliminate food stamp eligibility for approximately 300,000 people in low-income working families with children, cuts that in turn would also reduce the number of low-income children receiving school breakfasts and lunches. Tens of thousands of low-income seniors, including some grandparent caregivers, will also be adversely impacted by the proposed elimination of the **Commodity Supplemental Food Program**, which provides vulnerable families Basic food supplies when they are at greatest risk of shortages.
- Despite the fact that home heating price increases in 2006 represented the highest one-year jump in more than three decades, the President's 2008 Budget recommends a \$379 million (or 17.5 percent) cut in base funding from 2006 in the **Low-income Home Energy Assistance Program (LIHEAP)**. In addition, the emergency \$1 billion added to the program to fund urgent needs related to Katrina and to high energy costs in 2006 would also be eliminated in 2008. LIHEAP helps low-income families and seniors cover the costs of home heating bills. Poor families should not have to choose between heating their homes, paying rent, having enough food, and meeting the health care and other basic needs of their children.