



Children's Defense Fund

A Legacy of Failure: Millions of Children and Families Still Struggling *A Critique of the President's FY2009 Budget Request*

February 13, 2008

For the first time in U.S. history, a President's budget request has topped \$3 trillion. President Bush's FY2009 budget reflects highly skewed priorities in favor of wealthy Americans, while ignoring the needs of our most vulnerable children. While calling for large increases in military spending and permanent extension of his 2001 and 2003 tax cuts, the President significantly reduces funding for multiple programs providing vital services to children and families – especially those with low incomes – including programs in health, mental health, education, and juvenile justice.

Over the past seven years, the nation has seen widening inequality, stagnant wages, and most recently, rising insecurity from a weakened economy. Millions of children across America continue to struggle. Today 12.8 million children live in poverty, an increase of 1.2 million children since 2000 when the President was elected. There are 9.4 million uninsured children, representing an increase of over one million children in the past two years alone. The Administration's budget, were it approved, seriously threatens to increase the number of children in America who are poor, are uninsured, and lack access to quality early childhood and education programs. It would also sustain a juvenile justice system that each year puts thousands of youth at risk of being funneled down a pipeline to prison. This proposed budget thus would be a major setback for our nation and especially for our children.

More Tax Decreases for Wealthy Americans at Expense of Our Most Vulnerable

- The President once again requests that his **2001 and 2003 tax cuts be made permanent**. Making these tax cuts permanent is estimated to cost over \$2 trillion in lost revenue over the ten year period 2009 to 2018. These huge revenue losses are attributable to several factors, including reductions in individual income taxes (\$1 trillion), making the estate tax repeal permanent (\$522 billion), cuts to dividends and capital gains tax rates (\$301 billion), and reductions in taxes for families with children (\$156 billion).

These tax cuts, coupled with expected Alternative Minimum Tax relief and interest paid on national debt, would cost \$3.7 trillion over the 2009 to 2018 period. The Center on Budget and Policy Priorities reports that over that period,

the top 1 percent of households would be beneficiaries of more than \$1 trillion in tax cuts, or nearly one-third of the total value of these tax cuts.

Huge Military Budget is Further Increased

- The President's budget seeks \$675 billion for overall **military spending** in 2009, an 11 percent increase from FY2008. With this 2009 request, total spending on the **Iraq War and the War on Terror** since 2001 will amount to more than \$870 billion, without even taking into account anticipated further spending requests throughout FY 2009 to sustain these wars.

More Cuts and Underfunding of Programs Vital to Children's Physical and Mental Health

- The President's FY 2009 budget would make deep cuts in funding for health programs and programs targeted to lower income children and families. Overall, the budget would cut funding in the **Department of Health and Human Services (HHS)** by more than \$200 billion over five years through a proposed combination of administrative and legislative changes; most of these changes are in Medicare. In some cases, these cuts represent cost shifting from the federal to state governments, many of which will eventually be shifted to individuals or result in a reduction of services. Additionally, the Administration continues to make and assume **regulatory policy changes that would in effect make it difficult if not impossible for states to expand coverage to the 3.6 million uninsured children above 200 percent of the federal poverty line (FPL).**
- The budget fails to respond to the urgent need to ensure health coverage for the 9.4 million children who are currently uninsured. Last year, in his FY 2008 budget, President Bush proposed an increase of less than \$5 billion over five years in funding for the **State Children's Health Insurance Program (SCHIP)**, a funding level that would have resulted in *loss* of coverage for many children currently covered by SCHIP. In his FY 2009 budget, President Bush proposes to add \$19.7 billion to SCHIP over five years. However, this funding level is still an estimated *\$1.8 billion short* of what is needed for states to simply maintain their SCHIP programs, according to the Center on Budget and Policy Priorities. At a time when the number of uninsured children is rising, the President's proposal is again a step in the wrong direction.
- The President's FY 2009 budget also calls for **new changes that would restrict states' efforts to cover uninsured children.** It would place a "hard" gross income cap on state expansions of SCHIP programs that exceed 250 percent of the federal poverty line (\$53,000 a year for a family of four), and it assumes adoption and tightening of a previous directive that would drastically circumscribe SCHIP eligibility. Notably, in August 2007, the Administration attempted to circumvent the legislative process by unilaterally announcing a new policy that precludes states from extending health coverage to children above 250

percent of the FPL unless several standards are met. Specifically, the directive mandates that 95 percent of all eligible children under 200 percent FPL must be covered before a state could expand coverage to children in families with incomes above 200 percent FPL, and a state must certify that coverage levels under employer-sponsored health insurance have not fallen by more than 2 percentage points over the previous two years – a benchmark that is clearly beyond the control of states. It also requires that before enrolling a child in SCHIP, states must institute a 12-month waiting period without any exceptions, even parental loss of employment or death. The President’s budget assumes adoption of this directive with additional harsh changes that would make it extremely difficult and highly unlikely for states to cover children in families above 200% of the federal poverty line (\$42,400 a year for a family of four). These changes in the President’s budget would affect at least 26 states that already cover children above 200 percent FPL.

- The President’s budget does include \$450 million over five years in **outreach grants to states, localities, schools, and community-based organizations to enroll uninsured children eligible for Medicaid and SCHIP**. However, this funding amount is too small to substantially increase enrollment among the almost 6 million presently eligible but uninsured children in America. Additionally, the Administration failed to include effective mechanisms that will truly help states find and enroll low-income uninsured children such as “express lane” eligibility.
- The President’s FY 2009 budget also **reduces the federal Medicaid matching rate** (FMAP) for some administrative services that will adversely affect certain Medicaid enrollees such as children with disabilities, on top of the harm that will result from other regulatory changes promulgated by the Administration in recent months. These regulations chip away at the protections and services that have been a lifeline for children with physical, emotional and developmental disabilities, and for children who suffer a range of health problems as a result of abuse and neglect and other trauma. They do this by reducing or eliminating federal reimbursement for services such as case management, and outreach and enrollment performed by schools.
- As expected, the Administration continues to promote “**market-based health care**” in response to the crisis of the 47 million uninsured people in America by attempting to increase access to private insurance. Selected proposals include:
 - replacing the existing tax exclusion for employer-sponsored insurance with a standard deduction;
 - relaxing state regulation of health plans to increase competition among plans; and
 - promoting use of health savings accounts, which are tax-advantaged medical savings accounts available to people who are enrolled in high deductible health plans, assuming they have sufficient income available to deposit such savings.

None of these proposals would make health coverage more affordable and accessible to the vast majority of the uninsured in America, given that the average cost of a group health insurance policy for a family today is more than \$12,000 -- an amount that represents almost one entire year of income of a full-time worker earning the minimum wage.

- The President's budget effects **major cuts in a number of rural health programs, and eliminates the Children's Hospitals Graduate Medicaid Education program** that currently trains 4,700 pediatricians and pediatric sub-specialists at children's teaching hospitals. While the President did propose one new initiative that would **add dentists** to the National Health Service Corps (NHSC) at a cost of \$11 million, this was more than offset by a cut of \$14 million to the overall NHSC budget. Additionally, the President's 2009 budget would **eliminate all programs authorized in the Title VII Health Professions, including Emergency Medical Services for Children (\$19 million) and Newborn Hearing Screening (\$12 million).**
- The President's budget also proposes **significant cuts in mental health and substance abuse programs** serving both children and parents. While the Children's Mental Health Services Program budget was increased by \$12 million (a 12 percent increase), another set of programs that provide a range of mental health services for children and adults was cut by \$144 million, representing a reduction of close to 50 percent, thus offsetting other increases. The Mental Health Block Grant was frozen at its 2008 level. Similarly in substance abuse programs, while there is an increase of almost \$20 million in the block grant, it is targeted for only a select number of states. A \$106 million (18 percent) cut has also been proposed in other substance abuse prevention and treatment programs, thus reducing significantly overall funding for this crucial need.

Deep Cuts to Programs That Keep Children Out of the Pipeline to Prison

- Although many states and local communities realize the need to address the high rates of incarcerated youth, the President's FY 2009 budget attempts, yet again, to decrease federal support for improvements to state juvenile justice systems and youth violence prevention. The President's budget **eliminates all dedicated federal funding streams for juvenile justice** and merges them into a single block grant with Child Safety Initiatives. Under this block grant, juvenile justice and child safety programs receive only \$164 million, representing a more than 50 percent cut from FY 2008 funding levels. Amid such reduced funding, activities designed to reduce risk factors of delinquency and to intervene for first-time and non-serious offenders will have to compete for resources with those needed for interventions to ensure Internet safety and prevent child exploitation. The proposed cut in 2009 funding could also undermine any positive outcomes achieved by state juvenile justice reform efforts.

- The FY 2009 budget also cuts funding support for state and local law enforcement by approximately \$1.6 billion, representing a striking decrease of about two-thirds from its 2008 level. Notably, no dedicated funding is provided for the **Community Oriented Policing Services (COPS)** program. Community policing incorporates prevention, problem solving, community engagement, and partnership with traditional law enforcement. Taking needed funds away from any prevention efforts in state and local law enforcement will do nothing to address the high incarceration rates of youth in our communities.

Underfunding of America's Education System and Elimination of 47 Education Programs

- The President's \$59.2 billion proposal for the Department of Education **freezes spending on education programs** at about the 2008 level.
- The budget includes a proposed \$2.6 billion increase in funding for **Pell Grants to low-income students**, with the maximum grant amount per student being raised from \$4,731 to \$4,800. Yet, because of rapidly rising costs of post-secondary education and a projected inflation rate of 2.3 percent in 2009, this increase in funding is inadequate to meet the educational support needs of low-income students. In the 2007-08 academic year, the maximum Pell grant covered only one-third of the average annual in-state student cost at a public four-year higher education institution. This contrasts sharply with 1979-1980, when the grant covered 77 percent of a student's average cost of enrollment. Additionally, in 2006, 5.2 million college students received Pell Grants from the federal government averaging \$2,494. Of those recipients who were dependents of their parents, 86 percent were from families with annual incomes below \$40,000. Notably, the median income of Pell Grant recipients who are dependents of their parents is the same today in real terms as it was in the mid-1970s.
- The proposed \$406 million increase in funding of **Title I grants** – grants to Local Educational Agencies programs and schools with high percentages of poor children – is not enough to make up for previous shortfalls in funding. The President's request for \$14.3 billion is still \$10.7 billion short of the FY 2007 authorization level. In addition, the budget freezes funding for the Title I School Improvements Grants at the 2008 level. This freeze is particularly counterproductive as the seventh year of implementation of the No Child Left Behind Act (NCLB) clearly brings growing demand for a number of more comprehensive school improvement measures. In addition, despite his public pronouncements of support of NCLB, the President proposes elimination of several programs that provide investments to enhance **teacher quality and expand educational technology** - both crucial to advance learning outcomes. The President proposes again to cut \$267.5 million for the deployment and integration

of **education technology** into classroom instruction—support desperately needed in low-income schools all across the country.

- The Administration requests elimination of **47 programs in the Department of Education**—a decision that would disproportionately hurt low-income, minority and at-risk children. The 2009 budget program elimination list includes, among others, Supplemental Education Opportunity Grants (targeting needy undergraduates), State Grants for Incarcerated Youth Offenders, and Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities. Almost all these program terminations were also proposed (and rejected by Congress) last year.
- A few programs will see a much-needed boost in financing, including **Reading First, American Competitiveness Initiative, and Special Education State Grants**. However, this positive move occurs at the expense of the 47 education programs proposed for elimination.
- The President proposes to eliminate the Carol M. White Physical Education Program, which would be a step backward in the quest for a “coherent strategy” for fighting **childhood obesity** that he called for in 2007.
- As in FY 2008, President Bush pushes in his FY 2009 budget for a strong voucher program that would allow public school students to shift to private schools. The 2009 budget would **divert \$300 million from public schools to start a new voucher program** – “Pell Grants for Kids.” Diversion of these resources would further circumscribe funding urgently needed by our nation’s public education system to enhance teacher quality, reduce class size, and provide students with books and computers.

No Help for Abused and Neglected Children or Other Vulnerable Populations.

- Despite continuing substantial unmet needs of vulnerable children and families, the President’s budget includes deep cuts in core social services targeted to protecting children from abuse and neglect, assisting children and adults with disabilities, and helping homeless seniors. The \$6 million **Community Services Block Grant**, which provides resources to low-income children and adults in counties across the country, is again proposed for elimination. The President also cuts the **Social Services Block Grant** – a major source of child welfare funding – by 30 percent (\$500 million) for 2009 and would eliminate the block grant in 2010. The sad irony is that the Administration has proposed to eliminate these two block grants on the grounds that they cannot demonstrate results, yet has admitted that block grants’ results are difficult to measure. At the same time, however, the President is recommending that states be given new opportunities to block grant the currently open-ended federal foster care program for abused and neglected children.

- The President proposes, for the sixth year in a row, to create a foster care block grant. He would give states the option to end guaranteed funding for the **Federal Foster Care Program** and instead accept funds in a block grant form with a cap on future funding. With a cap on funding, it will be extremely difficult 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. Serious sustainability risks also arise given past funding experiences with other block grant programs. A foster care block grant will 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.
- The President again this year freezes at last year's funding levels most other **programs for abused and neglected children**, resulting in a cut in actual funding, taking into account inflation. These funding freezes and cuts to programs that serve vulnerable children come on top of regulatory changes to Medicaid that, if implemented as proposed, will make it much more difficult for child welfare staff to link abused and neglected children with special health problems to the medical care they need.

Less Support to Families with Young Children

- The President's FY 2009 budget does not even maintain funding for **Head Start** at FY 2008 levels, adding only \$149 million to the program, insufficient to cover even the annual cost of living increase in the program. In fact, this is the seventh year that Head Start funding has failed to keep pace with inflation. If funded at the President's recommended level, funding for Head Start in 2009 will be 12 percent below its 2002 funding level, after adjusting for inflation. This action ignores the calls within the Improving Head Start Act of 2007 for increased funding, quality improvements, and new investments in infants and toddlers - a bill passed with broad bipartisan support in both the House and Senate and signed by the President just this past December. Freezing Head Start disregards the well-documented extensive return on investments in this program in terms of helping children build the skills and confidence they need to succeed in school and far beyond. Head Start providers, who can currently serve only about half of all eligible pre-school age children, and are serving less than three percent of eligible infants and toddlers in Early Head Start, will be left with a Hobson's choice: drop children from the program or cut funds for teacher training and quality improvement.
- The President's budget also proposes for the seventh year in a row to freeze funding for the **Child Care and Development Block Grant** despite the widely recognized value of access to quality child care not only to promote children's

healthy development but also to help families access and succeed at work. Currently, only one in seven eligible children receives child care assistance. The request to flat fund the program would cause 200,000 children to lose access to child care assistance.

- The **Even Start** Program also is once again on the chopping block. The Department of Education has placed on its long list of proposed program terminations this \$66.4 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.

Cuts in Funding to Low-Income Families Struggling to Meet Basic Needs

- The FY 2009 budget proposes to **cut LIHEAP, the program that provides energy assistance to low-income families.** The proposed cut of \$570 million represents a 22 percent reduction from its 2008 level and disregards official forecasts that households will have to spend on average almost \$1,000 on heating fuels during the 2007-08 winter, an 11 percent increase from the previous winter.
- The President proposes for the fourth year in a row budgetary cuts that, according to the Food Research and Action Center (FRAC), would **eliminate food stamps** for more than 300,000 people in low-income working families with children, an action that Congress rejected each year. The 2009 request also **does not include enough funding to meet expected needs within the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).** Additionally, for the third year in a row, the President **proposes to eliminate funding for the Commodity Supplemental Food Program,** a budgetary cut that would halt the distribution in an average month of nutritious food packages to more than 473,000 low-income mothers, children under age six, and seniors.
- The President's budget proposes to **cut funding for the Section 8 housing voucher program** which assists low-income families to pay their rent. Such a funding cut, according to estimates from the Center on Budget and Policy Priorities, would result in at least 100,000 fewer low-income households receiving assistance through this key voucher program.

Fewer Investments in Job Training Programs Which Help Move Families Out of Poverty

- While families struggle with a weakened economy and related risks of unemployment, the President continues to propose cuts to job training funding. The President's FY 2009 budget proposes to reduce funding to **Workforce Investment Act (WIA) and Job Corps** programs by over half a billion dollars.

The budget proposes funding cuts of \$138 million for adult employment and training programs alone, and \$92 million in cuts to grants to prepare low-income youth for academic and employment achievement. The Administration also proposes redirecting resources from current WIA programs to state block grants that would have a per-individual cap and limit access to existing training programs and employment services.

- In the Department of Education budget, the President also proposes to eliminate career and technical education national programs and to cut about \$1.2 billion from career and technical education state grants. Such cuts ignore the widely recognized importance of providing opportunities for job training to poor and low-income families.

Increases in Funding for International Military but Little International Assistance for Maternal and Child Health

- The overall budget for the State Department and other international programs has increased to \$38.3 billion, yet the two largest shares of this funding are allocated to **foreign military financing and diplomatic and consular programs**.
- The funding of **Child Survival and Health Programs would receive a cut for the third year in a row**, resulting in a funding level of only \$1.6 billion, of which only \$369.5 million is allocated for Child Survival and Maternal Health programs. Additionally, \$100 million is requested for the McGovern-Dole International Food for Education and Child Nutrition Program Grants, which also **supports maternal, infant, and child nutrition programs for pregnant women, nursing mothers, infants and children**. Some additional funds might be channeled to maternal and child health through U.S. contributions to international organizations and multilateral development banks; however, it is impossible to identify what percentage of such contributions will be allocated to maternal and child health.
- The budget request for overseas development assistance contained mixed health news. The largest health-related allocation request is for **the Global HIV/AIDS Initiative** for which \$4.9 billion in funding is proposed, an increase of \$117 million over the previous year. \$200 million is also proposed for the **Global Fund to Fight AIDS, Tuberculosis and Malaria**. Funding of the **Millennium Challenge Account** - created in 2002 to help developing nations improve their economies and standards of living - hit a new low of \$2.2 billion in the President's budget, however. This would be the fourth year in a row that the Administration has failed to fulfill its commitment to the Millennium Challenge Account, to which President Bush pledged \$5 billion a year beginning in FY 2006.