



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200

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Family and Community Services Cut in President's Budget: Budget in Brief #1

The President's 2007 budget cuts funding for numerous programs that provide a safety net for vulnerable individuals and families who might otherwise have difficulty meeting their basic needs in areas such as nutrition and housing. The budget also cuts funding for programs that help communities build decent housing and create jobs in economically distressed areas.

Nutrition Assistance

Eliminates Commodity Supplemental Food Program — The budget eliminates funding for the Commodity Supplemental Food Program, which provides nutrient-rich food packages for low-income women, infants, children, and senior citizens. The food packages aim to address typical nutrient deficiencies in the diet of the program's target population. The program received \$111 million for 2006 and serves 420,000 elderly and 50,000 mothers and children each month.

Changes Eligibility Rules for Food Stamps — The budget cuts food stamp spending by \$782 million over five years relative to current law by making it more difficult for low-income families receiving TANF non-cash assistance to qualify for food stamps. Roughly 225,000 people will lose food stamps under this provision. In addition, 40,000 children who lose food stamps will also lose access to free school lunches, thereby cutting child nutrition spending by \$32 million over five years. A similar provision passed the House last year in the Republican spending cut reconciliation bill, but it was rejected by the Senate and ultimately dropped from the conference report.

OMB v. CBO: Different Estimates of the President's Budget

On February 9, the Budget Committee Democratic staff issued its detailed "Summary and Analysis of the President's Fiscal Year 2007 Budget." That report analyzed the budget using the estimates submitted by the Office of Management and Budget. The Congressional Budget Office (CBO) has since re-estimated the President's budget, and this report uses CBO's estimates of spending and revenue.

Caps Administrative Funding for Special Supplemental Nutrition Program for Women, Infants,

and Children (WIC) — The budget includes \$5.2 billion for 2007 for WIC, a \$27 million increase from the 2006 level. The Administration estimates that this funding level, along with capping funding for nutrition services and WIC administrative costs at 25 percent of total funding (saving \$152 million), is sufficient to serve 8.2 million individuals, about the same service level as 2006. However, it is unclear whether this funding level will serve all eligible applicants. Moreover, the spending cap is likely to lead to reduced WIC clinic hours and other service cuts, making it more difficult for families to receive services such as nutrition education.

Housing Assistance

Continues Shifting Housing Voucher Program Toward a Block Grant — The budget provides \$15.9 billion for tenant-based rental assistance, which provides about two million low-income individuals and families with rental vouchers they can use to obtain affordable private housing. The budget amount is \$502 million above the 2006 enacted level and is sufficient to renew all vouchers currently in use. However, the budget continues to allocate resources among public housing agencies using an inefficient formula that likely will provide some housing agencies with excess funding and leave most others underfunded and therefore unable to maintain current service levels. The formula is part of a continuing shift toward a “dollar-based” budgeting approach for the housing voucher program, which means local public housing authorities receive a dollar amount that may bear no relation to the actual costs of serving families. If funding does not keep up with costs, local housing authorities must serve fewer families, effectively making housing unaffordable for more low-income families, elderly, and persons with disabilities.

Rescinds Funding for HOPE VI Rehabilitation of Distressed Public Housing — The budget rescinds \$99 million provided for HOPE VI for 2006 and provides no funding for 2007. HOPE VI has successfully transformed distressed public housing projects into vibrant mixed-income neighborhoods. HOPE VI funding was \$570 million for 2003 and has since declined steeply.

Cuts Public Housing Capital Fund by More Than One-Tenth — The budget provides \$2.2 billion to local public housing authorities for capital repairs and improvements to their housing stock. This amount is \$261 million, or 10.7 percent, below the 2006 level. The capital fund was funded at \$3.0 billion for 2001 and has received steadily less each year.

Freezes Public Housing Operating Fund — The budget freezes funding for the public housing operating fund at the 2006 enacted level of \$3.6 billion, with no adjustment for inflation. Local public housing authorities use the operating fund to cover operating costs not covered by rental income. When funding falls short of operating costs, local housing authorities may have to let some units sit empty, decreasing the supply of affordable housing for low-income families.

Slashes Housing for the Disabled and Elderly — The budget provides \$119 million for supportive housing and other housing assistance for persons with disabilities, 49.8 percent less than the amount enacted for 2006. The budget also provides \$546 million for a similar housing program for the

elderly, a cut of \$189 million, or 25.7 percent, from the 2006 level.

Zeroes Out Rural Housing and Economic Development — The budget eliminates this \$17 million program, which encourages new and innovative approaches to serve rural populations through grants to local community-based organizations. The budget consolidates Rural Housing and Economic Development into the Community Development Block Grant program, which also receives a funding cut.

Other Family Support and Community Development Programs

Freezes Child Care Funding — Funding for the Child Care and Development Fund was frozen from 2002 through 2005 at \$4.8 billion. The reconciliation spending bill increased 2006 funding to \$5.0 billion, which was still not sufficient to reverse the erosion in purchasing power that had occurred since 2002. The President’s budget freezes child care funding for 2007 at the 2006 level, with no allowance for inflation. Taking into account all federal resources for child care (including Social Services Block Grant and welfare funds spent on child care) the number of children receiving child care assistance has declined since 2003, and the President’s budget projects that this decline will continue – from 2.1 million children in 2006 to 1.8 million children in 2011 (see accompanying table).

Children Receiving Federal Child Care Assistance, in millions									
<u>Actual</u>				<u>Budget Estimate</u>					
2002	2003	2004	2005	2006	2007	2008	2008	2010	2011
2.5	2.5	2.3	2.2	2.1	2.0	2.0	1.9	1.9	1.8

Cuts \$500 Million from Social Services Block Grant (Title XX) — The budget cuts the Social Services Block Grant (SSBG) by \$500 million for 2007, for total funding of \$1.2 billion. This grant provides states with broad discretion to use these funds for social services such as child care, child welfare, home-based services, employment services, adult protective services, prevention and intervention programs, and special services for the disabled. One of the Administration’s justifications for cutting the SSBG is that “the flexibility of the SSBG makes it difficult to measure performance.” Nevertheless, the budget moves numerous programs – such as rental assistance and foster care – in the direction of flexible block grants.

Cuts Community Development Block Grant (CDBG) Program — The CDBG program enables states and localities to target federal funding toward improving housing and economic conditions in low- and moderate-income neighborhoods. Last year, the CDBG program proved crucial in providing emergency assistance to communities devastated by natural disasters, including hurricane Katrina. The budget provides \$3.0 billion for CDBG formula grants, a \$736 million cut below the 2006 non-emergency level. The budget also either cuts or eliminates CDBG set-aside programs.