

Fact Sheet on President's FY 2001 Budget for Selected Low-Income Programs

The President's FY 2001 non-defense discretionary budget authority request is \$330 billion (excluding mandatory and revenue offsets), \$11 billion above the current services (inflated) baseline. However, for all subsequent years, non-defense spending is somewhat below current services. Between 2001 and 2010, non-defense spending grows at an average annual rate of two percent. *[For a broader overview of the total Budget request, please see "The President's 2001 Budget – An Overview" prepared by the Senate Budget Committee Democratic Staff.]*

The overall levels proposed for non-defense programs accommodate investments in key priorities like education, health care, environment, and public safety. The following is a sample of discretionary, mandatory, and revenue proposals included in the President's Budget request for programs that affect low-income individuals and families.

Child Care

Child Care and Development Block Grant. The Budget proposes an additional \$817 million for child care subsidies through the discretionary Child Care and Development Block Grant to bring its total level for FY 2001 to \$2 billion and an advanced appropriation of \$2 billion for FY 2002. With the additional funds, nearly 150,000 additional children will receive child care subsidies. This funding brings total child care subsidy funding (mandatory and discretionary) to \$4.6 billion for FY 2001.

Early Learning Fund. The Budget includes a proposal for \$600 million in FY 2001 and \$3 billion over five years to create the Early Learning Fund to foster early childhood development, emergent literacy, and school readiness and to improve child care safety and quality. The Fund will provide States with dollars for community level challenge grants to support programs that improve early learning and the quality and safety of child care for children up to age five.

Child Support Enforcement. The Budget includes a proposal to allow States to pay all child support collected on behalf of former welfare families directly to the family, and provides Federal matching funds for child support that States pass-through to families receiving welfare, above States' current efforts. The cost of this proposal would be \$5 million in FY 2001 and \$97 million through FY 2005. The Budget also includes a proposal to allow States to adopt simplified rules for distributing child support collections at a cost of \$396 million over five years.

Child Support Enforcement Savings. The Budget also includes new measures to increase child support collections including intercepting gambling proceeds and offsetting Social Security

and other Federal benefits to collect past due child support, booting vehicles of delinquent non-custodial parents, and lowering the threshold for passport denial from \$5,000 to \$2,500 in child support arrears. Also, the Budget would lower the Federal match on paternity testing from 90 to 66 percent. If all the child support enforcement proposals, including the new spending proposals, are enacted, the total federal savings over five years would be \$141 million.

Foster Care

Foster Care, Adoption Assistance, and Independent Living Program. The Budget provides \$6.4 billion in budget authority for the Foster Care, Adoption Assistance, and Independent Living Programs, an increase of \$739 million over the FY 2001 enacted level. Of the \$6.4 billion, \$5.1 billion will provide Foster care payments on behalf of about 341,700 children each month; \$1.2 billion will provide payments for families who adopt special needs children; and \$140 million will fund the Independent Living Program.

Independent Living Program (ILP) Supplemental. The Budget includes a supplemental request for \$35 million for FY 2000 to bring the appropriation level of the ILP up to the new authorized level of \$140 million consistent with provisions of the Foster Care Independence Act of 1999.

Tribal Foster Care Initiative. The Budget proposes \$5 million for a five-year project to enhance Tribal management of child welfare services.

Promoting Safe and Stable Families Program. The Budget provides \$305 million, a \$10 million increase over FY 2000, for States and eligible Indian tribes. The Promoting Safe and Stable Families program supports State child welfare agencies and tribes in providing: family preservation services, family support services, time-limited family reunification services, and adoption promotion and support services.

Immigrants

SSI/Medicaid Eligibility for Legal Immigrants with Disabilities. The Budget proposes to restore eligibility for SSI, and related Medicaid, to legal immigrants who entered the country after August 22, 1996, have lived in the U.S. for more than five years, and who become disabled after moving to the U.S. Under current law, only legal immigrants who were residing in the U.S. prior to August 22, 1996 can become eligible for SSI disability benefits.

Medicaid for Legal Immigrant Pregnant Women. The Budget proposes to give States the option to extend Medicaid to qualified legal immigrant pregnant women regardless of their date of entry to the United States, including those who entered the country after August 22, 1996.

Medicaid for Legal Immigrant Children. The Medicaid proposal would also allow States to extend Medicaid and State Children's Health Insurance Program (SCHIP) coverage to qualified

legal immigrant children regardless of their date of entry to the U.S., including those who entered the country after August 22, 1996. Parents of legal immigrant children who have benefits restored also would be covered.

The five year cost of these SSI/Medicaid proposals is estimated at \$1.2 billion, with no costs incurred until 2002.

Food Stamps and Legal Immigration Restorations. The Budget proposes to restore food stamps benefits to legal immigrants residing in the U.S. as of August 22, 1996 who reach age 65. This proposal benefits 10,000 individuals by 2005 at a five year cost of \$135 million. The proposal would also restore food stamp benefits to legal immigrants residing in the U.S. as of August 22, 1996 who live in households with food stamp eligible children. This proposal benefits 150,000 individuals by 2005, at a five year cost of \$430 million.

General WIC and Food Stamps Issues

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The Budget funds WIC at \$4.1 billion which includes a \$116 million increase in order to fund full participation at 7.5 million participants. The program reached an average of over 7.3 million people each month in 1999.

Food Stamps Vehicle Policy. The Budget includes a legislative proposal allowing states the option to conform their food stamp vehicle policy to a more generous Temporary Assistance for Needy Families (TANF) policy, at a five year cost of \$665 million. This proposal will benefit 245,000 individuals for whom owning a vehicle is the one item that makes them ineligible for food stamps.

Low-Income Housing

Renewals of All Section 8. The Budget provides a program level of \$14.1 billion for the Department of Housing and Urban Development's Housing Certificate Fund to renew 2.6 million expiring Section 8 rental assistance contracts of which \$4.2 billion is an advance 2001 appropriation, and \$1.3 billion is a combination of expected recaptures of unused Section 8 budget authority, carryover balances, and transfer of balances.

Incremental Housing Assistance. Of the \$14.1 billion for the Housing Certificate Fund, the Budget provides \$690 million for 120,000 new incremental housing vouchers of which 32,000 are to help families move from welfare to work, 18,000 for the homeless, and 10,000 for a housing production program that combines vouchers with the Low-Income Housing Tax Credit, FHA mortgage insurance, and one-time capital grants to developers.

Homeless Assistance. The Budget provides \$1.2 billion for the Continuum of Care Homeless Assistance Grant program, a \$180 million increase over the FY 2000 enacted level, to fund

community-designed solutions for helping the Nation's 600,000 homeless individuals. This funding level includes 18,000 Homeless vouchers to help graduates of the Continuum of Care program to find affordable, decent, and safe permanent housing. As part of this proposal, Homeless Vouchers will be renewed as part of the baseline Section 8 program after FY 2001. This would make available an additional \$105 million in the Continuum of Care program for new vouchers.

Temporary Assistance for Needy Families (TANF)

New Limit to TANF Funds Transfer. Under current law up to a combined 30 percent of TANF funds may be transferred to either the Child Care and Development Block Grant or the Social Services Block Grant (SSBG). However, beginning in FY 2001, the amount of TANF funds States may transfer into SSBG is reduced to 4.25 percent (from the current 10 percent) under provisions of the Transportation Equity Act (TEA-21) which was enacted on June 9, 1998. The Budget reflects this new reduced transfer level for TANF into SSBG.

Supplemental Grants for Population Increases. With the rapid decline in welfare caseloads, the Budget includes a proposal to limit the Supplemental Grants for Population Increases at the FY 1998 level. This proposal would save \$240 million in budget authority in FY 2001.

Other Proposals

Social Services Block Grant (SSBG). Consistent with provisions in the Transportation Equity Act (TEA-21), annual funding for SSBG is permanently set at \$1.7 billion beginning in FY 2001. The Budget proposes to maintain SSBG at the FY 2000 level of \$1.775 billion, \$75 million above the authorized level. Of this \$75 million increase, the Budget includes a proposal to use \$25 million to support "second-chance" homes for teen parents and their children who cannot live at home or with other relatives.

Low Income Home Energy Assistance (LIHEAP). The Budget request for LIHEAP is \$1.1 billion. The Budget also includes a request for \$300 million in emergency contingency funds to meet energy-related needs due to a natural disaster, extreme weather or other emergency. LIHEAP provides heating and cooling benefits to approximately 4 million households each year. Many who receive these benefits are working low-income families who are unable to meet their heating/cooling costs.

Refugee and Entrant Assistance. The Budget request for the Refugee and Entrant Assistance program is \$432 million. The request will provide eight months of benefits for an estimated 80,000 refugees and 20,000 Cuban/Haitian entrants.

Welfare-to-Work Transportation. The Budget proposes to double funding to \$150 million for this program in FY 2001. This program helps assist States and localities in developing flexible

transportation alternatives for welfare recipients and other low-income workers. Finding appropriate transportation to get to jobs, training programs, and child care is one of the biggest barriers facing people who move from welfare to work in both urban and rural areas.

Tax Proposals

Earned Income Tax Credit (EITC). The Budget proposes to expand the EITC to deliver tax relief for 6.4 million families, providing up to \$1,155 in additional tax relief. The maximum credit for working families with three or more children would be increased from 40 percent to 45 percent through the creation of a new third tier of the credit. Three or more children families are the most concentrated source of child poverty. The credit would be expanded for two earner couples to allow them an additional \$1,450 before entering the phase out range of the credit. The credit would be phased out more slowly than under current law. This proposal costs \$21 billion over ten years.

Child and Dependent Care Tax Credit (CDCTC). This proposal, which reduces taxes by \$17 billion, provides tax relief to those who in order to work pay for the care of children under 13 or for a disabled dependent or spouse. The Budget proposes to make the tax credit refundable for lower income families that do not have sufficient tax liability to qualify for the credit. The amount of expenses the credit would offset would be increased from 30 percent to 50 percent for families making up to \$30,000. The Budget also proposes to make up to \$500 eligible for the credit for families in which a parent stays home to take care of a child less than one year old, a tax cut of \$154.

Low-Income Housing Tax Credit (LIHTC). Since its enactment in 1986, the LIHTC has given States tax credits of \$1.25 per capita to allocate to developers of affordable housing. In order to reflect inflationary costs, the Budget proposes to increase the cap on the LIHTC from \$1.25 to \$1.75 per capita at a cost of \$5 billion over the next five years. This will result in the production of an additional 150,000 to 180,000 affordable housing units over the same period.

Prepared by Senate Budget Committee Democratic Staff

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