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LABOR-HHS-EDUCATION BILL – WHAT’S AT STAKE: The President's Funding Levels Would Weaken Education, Medical Research, and Other Critical Needs

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Congress is poised to send the President a bill that provides funding for a broad array of domestic discretionary programs — that is, non-entitlement programs whose funding is provided each year through the annual appropriations process. The Senate on November 7 approved a bill (H.R. 3043) that includes funding for programs overseen by the Departments of Labor, Health and Human Services, and Education. The House is expected to pass this bill and send it on to the President.

The President has threatened to veto domestic appropriations bills that do not contain the level of cuts he recommended in the budget he proposed to Congress in February. (For a more precise explanation of the President’s veto threat, see the box on page 2.) The President’s budget proposed cutting the Labor-HHS-Education part of the budget by \$6.7 billion, or 4.5 percent, below the 2007 level adjusted for inflation.¹ The bill that Congress is likely to send to the White House would increase the Labor-HHS-Education budget by \$5.2 billion, or 3.5 percent, over the 2007 level adjusted for inflation in order to make investments in a

KEY FINDINGS

- Congress is preparing to send the President a Labor-HHS-Education-appropriation bill, which will provide a substantial share of the funding for domestic discretionary programs for fiscal year 2008.
- The President is insisting that Congress cut domestic programs. Specifically, he has threatened to veto domestic appropriations bills that, taken together, exceed the overall total in his budget. Yet his budget also includes large increases in military and security funding and substantial tax cuts. The appropriations battle is thus much more about priorities than about dollars or “fiscal responsibility.”
- The President’s budget would cut funding for Labor-HHS-Education programs by \$6.7 billion (or 4.5 percent) below the 2007 level, adjusted for inflation. In contrast, the bill Congress has prepared provides for an increase of \$5.2 billion (or 3.5 percent) for these programs.
- The President’s cuts would fall in a number of areas, including education, child care, health care, and services for the elderly.

States will lose millions of dollars used to fund basic services if the President succeeds in forcing these programs down to his requested levels. (*See the state-by-state tables at the end of this report for more detail.*)

¹ Comparisons between the aggregate level of funding in appropriations bills and the 2007 level adjusted for inflation are based on CBO’s March baseline. To facilitate longer-term historical comparisons, program-level comparisons use the Consumer Price Index. Using a different deflator would not affect the qualitative conclusions of this paper.

Two Ways to Present Discretionary Funding Totals in the Labor-HHS-Education Bill

The Center on Budget and Policy Priorities concludes that the Labor-HHS-Appropriations bill would increase funding by \$5 billion over current levels while the President would cut \$7 billion; Congress and the President are thus \$12 billion apart. Others have said that Congress would increase funding by \$6 billion and the President would cut it by \$4 billion, making them \$10 billion apart. *Both sets of figures are accurate.* They differ because of two choices made in presenting the figures.

- First, we choose to compare the President’s request and the congressional bill to the current level of funding (funding for 2007) *as adjusted for inflation*, i.e., relative to the CBO baseline. (See Column A in the table.) The alternative approach, shown in column B, compares 2008 funding to 2007 funding *without* accounting for inflation.
- Second, we choose to display the congressional funding level for 2008 as \$2 billion higher than some others do — as \$152.8 billion (Column A) rather than \$150.8 billion (Column B). Our figures include a \$2 billion increase in funds that are technically provided as advance appropriations for 2009 but that go to programs such as education grants, whose 12-month “program year” spans the end of fiscal year 2008 and the beginning of fiscal year 2009. In such programs, advance funding for 2009 and regular funding for 2008 are effectively equivalent, because they both would be used in the same “program year.” Accordingly, we treat the increase in advance 2009 funding as though it were an increase in 2008 funding.

	A	B
2007 level		144.8
2007 level adjusted for inflation (CBO baseline)	147.6	
Bush level for 2008 (CBO estimate)	140.9	140.9
Congressional level for 2008	152.8	150.8
Bush’s reduction from 2007 level	-6.7	-3.8
Congress’s increase to 2007 level	<u>+5.2</u>	<u>+6.0</u>
Difference: Congress vs Bush	11.9	9.8

Notes: excludes emergencies. May not add due to rounding.

number of key areas, such as education, health care, and services for children and the elderly. To cut the bill down to the President’s size, \$11.9 billion would have to be cut from the bill.

The President’s claim that his veto threats stem from concerns about fiscal responsibility is difficult to reconcile with the amounts the President would devote to his own budget priorities, especially defense-related increases that are in addition to — and unrelated to — operations in Iraq and Afghanistan and the “war on terror.” In addition to his request for \$196 billion in 2008 for the wars in Iraq and Afghanistan and activities related to terrorism, he has proposed to increase 2008 funding for the Departments of Defense and Veterans Affairs activities not directly related to those wars by *\$42 billion* over last year’s level, adjusted for inflation.

Furthermore, the tax cuts he has championed will reduce revenues by about \$250 billion in 2008 (assuming extension of alternative minimum tax relief) — including \$49 billion in tax-cut benefits just for people making more than \$1 million a year. The administration also has objected to offsetting the \$51 billion cost of extending AMT relief for one year, apparently preferring that those costs be covered by additional borrowing and debt.

Finally, although the Congress is expected to send the President a Military Construction-Veterans Affairs bill that contains about \$4 billion *more* than the President requested for those agencies (\$13.5 billion more than was provided for them last year, adjusted for inflation) the President has not threatened to veto that bill. The battle therefore is much more about priorities than about dollars or “fiscal responsibility.” What the President is effectively saying is that the programs whose funding Congress is seeking to restore or boost in this bill are not his priorities.

What Exactly Has the President Threatened to Veto?

The President is insisting that Congress limit overall discretionary funding for 2008 to \$933 billion, while providing the increase in defense funding he requested for activities unrelated to operations in Iraq, Afghanistan, and the “war on terror.” (The \$196 billion in 2008 funding the President has requested for Iraq, Afghanistan, and anti-terrorism activities would not count against the \$933 billion limit.) Given the level of funding Congress is proposing for military, homeland security, and international appropriation bills,* the overall 2008 funding provided in the eight domestic appropriation bills would have to be *cut \$16.4 billion* below the level provided in those bills for 2007, adjusted for inflation,** to comply with the President’s demand that total discretionary funding be limited to \$933 billion.

The President is not insisting that *each* domestic appropriation bill be cut by the exact amount he proposed in his budget, but he is threatening to veto any bill that provides funding in excess of his budget proposal, unless Congress demonstrates that other domestic appropriation bills will offset the “excess” through even deeper cuts in these bills than the President has proposed. Since funding for the *other* domestic appropriation bills being approved by Congress also generally exceeds the levels the President proposed — that is, there are not net cuts in other bills to offset the increases included in the Labor-HHS-Education bill — this paper focuses on the cuts required to bring the funding proposed by Congress for programs in the Labor-HHS-Education bill down to the levels that the President has proposed for those programs.

* The Defense, Homeland Security, State-Foreign Relations, and Military Construction-VA bills.

** These are the appropriation bills for: Agriculture; Commerce-Justice-Science; Energy-Water; Financial Services; Interior-Environment; Labor-HHS-Education; Legislative Branch; and Transportation-HUD.

This analysis looks at the impact that cutting the Labor-HHS-Education part of the pending bill down to the President’s level would have on significant programs in the areas listed below:

- *K-12 education*, which would be cut by \$1.3 billion;
- *child care*, which would be cut by \$33 million;
- *Head Start*, which would be cut by \$254 million (the equivalent of slots for nearly 34,000 children);
- *medical research*, which would be cut by \$1.4 billion;
- *health centers*, which would be cut by \$225 million;
- *the Low-Income Home Energy Assistance Program (LIHEAP)*, which would be cut by \$630 million; and
- *the Home-Delivered Nutrition Services Program*, which would be cut by \$16 million;

In some cases, these cuts would come on top of reductions already imposed in 2007 and earlier years.

What the Funding Dispute Means for Individual Programs

The potential effects on various key programs of moving to the lower funding levels the President has proposed are described below. Where possible, this analysis includes estimates of the state-by-state impact of the reduction. The analysis also places some of the proposed reductions in historical context to give a broader sense of the programs' funding trends.

TABLE 1			
Effects in Selected Program Areas of Reducing Funding to the Levels Proposed by the President			
Program Area	Increase (+) or Decrease (-)		Effects of Cutting Program Area Down to the President's Level
	v. Congressional Level	v. 2007 Level Adjusted for Inflation	
K-12 Education	- \$1.305 billion	- \$257 million	Reduces funds available to local school districts to comply with No Child Left Behind requirements.
Child Care	- \$33 million	- \$56 million	Eliminates funding sufficient to provide child care for 5,500 kids.
Head Start	- \$254 million	- \$288 million	Forces Head Start programs to eliminate 34,000 slots or make do with \$279 less per child.
Medical Research (NIH)	- \$1.378 billion	- \$1.265 billion	Reduces support for research into causes of and treatments for cancer, AIDS, diabetes, and other diseases.
Health Centers	- \$225 million	- \$54 million	Reduces support for community clinics that serve low-income Americans.
LIHEAP	- \$630 million	- \$438 million	Puts as many as 1.4 million households at risk of losing assistance with home heating and cooling bills.
Home-Delivered Nutrition Services Program	- \$16 million	- \$ 12 million	Reduces funding states have to support programs like "Meals on Wheels."

Education and Services for Children

K-12 Education

The Congressional bill provides \$36.5 billion in funding for K-12 education programs in 2008.²

The President has proposed total funding for K-12 education in 2008 of \$35.2 billion. This is \$1.305 billion (or 3.6 percent) below what Congress would provide, and \$257 million (or 0.7 percent) below the 2007 level, adjusted for inflation.

² K-12 education is defined here to include seven Education Department spending areas: education for the disadvantaged (Title I), special education, impact aid, school improvement, Indian education, safe schools and citizenship education, and office of English language education funding. All funding amounts in this section represent funding available for the 2008-2009 school year, including advance appropriations that are scored as fiscal year 2009 funds. This follows the approach used by the Department of Education.

Historical context: Funding for these programs increased significantly between 2001 and 2003 as part of the No Child Left Behind initiatives, but has fallen in inflation-adjusted terms since 2003 (even though the requirements imposed on schools by No Child Left Behind have not been reduced). The amount provided in the bill Congress has approved is \$1 billion (or 3 percent) above what was appropriated for 2007, adjusted for inflation. But it is 6.2 percent *below* the level provided in 2003, adjusted for inflation. The funding the President proposed for 2008 is almost *10 percent* below the level provided in 2003, adjusted for inflation.

Child Care

The bill provides \$2.095³ billion in discretionary funding for the Child Care and Development Block Grant (CCDBG), \$24 million below what would be needed to maintain the 2007 level, adjusted for inflation.⁴

The President has proposed \$2.062 billion in discretionary funding for the CCDBG. This is \$33 million (or 1.6 percent) below what Congress would provide, and \$56 million (or 2.7 percent) below the 2007 level, adjusted for inflation. The additional \$33 million in funding provided by the Congress as compared to the level in the President's budget is enough to provide child care for about 5,500 children.

Historical context: The President's proposed cut would be on top of cuts already made in recent years. If the President's recommendation is accepted, discretionary funding for child care would be 16.7 percent lower in 2008 than in 2002, adjusted for inflation. The President's own budget documents show that, under his proposed funding levels (for this and other child care funding sources), the number of children receiving child care subsidies would fall to 2.1 million in 2008, down from 2.45 million in 2002, a reduction of 350,000 children. The additional funding provided by Congress over the President's proposed level would not be enough to erase these losses but would represent at least a small improvement.

Even before the funding cuts of recent years, funding limitations meant that child care assistance programs served only a minority of the low-income children eligible for assistance. Since adequate-quality child care is expensive, poor and near-poor families that do not receive subsidies often struggle to afford the cost. In 2002, the last year for which data are available, poor families that paid for child care spent an average of 25.7 percent of their income on care.⁵

According to data from the National Association of Child Care Resource and Referral Agencies, full-time infant care in a licensed care center cost an average of \$7,100 in the median state in the 2004-2005 school year, while full-time care for preschoolers in a licensed child care center averaged

³ The Labor-HHS conference report also includes an additional \$5 million to fund the Small Business Child Care Act, which authorizes grants to small businesses to work together or with local child care agencies to increase child care options in their communities.

⁴ Child care activities are supported by both discretionary and mandatory funding. In addition to the discretionary funds described here, \$2.9 billion in mandatory funding is provided to states each year. The \$2.9 billion level is frozen in nominal terms. In inflation-adjusted terms, it stands below its level in 2002.

⁵ See Table 6. Average Weekly Child Care Expenditures by Employed Mothers of Children Under 14, Children Under 5, and Children 5 to 14: Winter 2002, U.S. Bureau of the Census, <http://www.census.gov/population/socdemo/child/ppl-177/tab06.xls>

\$5,800.⁶ A family with earnings at the poverty line (\$17,170 for a family of three in 2007) — or even twice that level — would be hard pressed to afford child care at these prices. Low-income working families that do not have access to subsidized child care assistance may be forced to use care that is less costly but may be less reliable and of lower quality, scale back their hours of employment, or leave their jobs.

Head Start

The bill provides \$7.042 billion for Head Start. This is about \$35 million (or 0.5 percent) *less* than the 2007 level, adjusted for inflation.

The President has proposed funding of \$6.789 billion for Head Start in 2008. That is *\$254 million (or 3.6 percent) less* than what Congress would provide — and \$288 million (or 4.1 percent) below the amount appropriated in 2007, adjusted for inflation.

Historical context: The President's proposed cut would come on top of the 8 percent reduction in funding for Head Start, adjusted for inflation, that has occurred since 2002.

As funding erodes, Head Start programs must either reduce the number of children they serve, try to raise additional funds elsewhere, or make cuts in the program — such as by cutting back on teacher salaries, classroom materials, educational activities, or specialized health and developmental activities — that can reduce the program's quality. For several years, Head Start programs have generally been required to serve the same number of children despite the erosion of federal funding. At some point, Head Start programs will find it impossible to continue to do so.

The difference between Congress's and the President's funding levels is equivalent to *losing nearly 34,000 Head Start slots*. If Head Start programs were able to absorb the additional cut proposed by the President without reducing the number of children served, they would have to make do with an average of *\$279 less per child* than under the funding Congress would provide.

Health Care

Medical Research

The bill provides \$29.7 billion in 2008 for the 27 institutes and centers that comprise the National Institutes of Health, the primary federal agency that conducts and supports medical research.⁷ This is \$114 million (or 0.4 percent) above the level provided in 2007, adjusted for inflation.

The President has proposed funding of \$28.3 billion for NIH in 2008, or \$1.378 billion (or 4.6 percent) less than Congress provides and \$1.265 billion (or 4.3 percent) below the 2007 level, adjusted for inflation. Cuts in the different areas of medical research are summarized in Table 2.

⁶ See <http://www.naccrra.org/randd/data/2004-2005PriceofCare.pdf>

⁷ While the vast majority of NIH funding is provided by the Labor-HHS-Education appropriations bill, NIH also receives a small amount of funding, \$79 million in 2007, through the Interior and Environment appropriations bill. The \$29.7 billion figure and all other figures cited in this analysis exclude this small amount of additional funding.

Lower levels of funding for NIH will result in reductions in the number and/or size of grants made to researchers involved in basic and applied research about the causes and cure of cancer, diabetes, AIDS, and other diseases. The reductions are particularly likely to affect the ability of researchers to pursue new and promising but unproven lines of research and to attract, support, and train students who will carry out important research in coming decades.

Historical context: The funding provided in 2007 already was 5 percent below what was provided in 2004, adjusted for inflation.

Community Health Centers and other Health Centers

The bill provides \$2.213 billion in 2008 for the Health Center program (described below). This represents a \$171 million (or 8.4 percent) increase in funding above the level provided in 2007, adjusted for inflation.

The President has proposed funding of \$1.988 billion, which is \$225 million (or 10.1 percent) below what the bill provides, and \$54 million (2.6 percent) below the 2007 appropriated level, adjusted for inflation.

These funds are used to provide grants to states to help support health centers — community health centers, migrant health centers, health care for the homeless health centers, and primary care public housing health centers — which cover every state. More than 15 million people received care through these health centers in 2006.⁸ According to the Department of Health and Human Services, more than 90 percent of those served have incomes below 200 percent of the poverty line.⁹

Low-Income Home Energy Assistance Program (LIHEAP)

The bill provides \$2.412 billion for the Low-Income Home Energy Assistance Program (LIHEAP) for 2008, \$192 million more than was provided in 2007, adjusted for inflation.

TABLE 2

Cuts in selected NIH program areas that would be necessary to bring program funding down to the President's levels

<i>Area of research</i>	<i>Dollar cut from Congressional bill</i>	<i>Percentage cut</i>
National Cancer Institute	\$144 million	2.9%
National Heart, Lung, and Blood Institute	\$76 million	2.5%
National Institute of Diabetes and Digestive and Kidney Diseases	\$45 million	2.6%
National Institute of Neurological Disorders	\$41 million	2.6%
National Institute of Mental Health	\$35 million	2.4%
National Institute on Drug Abuse	\$25 million	2.5%
National Center on Minority Health and Health Disparities	\$10 million	4.9%

Cuts represent the difference between the funding level provided for each program area in the bill that Congress has passed and the funding level proposed in the President's budget.

⁸ U.S. Department of Health and Human Services, Uniform Data System (UDS), "2006 Aggregate (Rollup) UDS Data," Table 3a, available at <http://bphc.hrsa.gov/uds/2006data/National/NationalTable3AUniversal.htm>.

⁹ U.S. Department of Health and Human Services, Bureau of Primary Health Care, <http://bphc.hrsa.gov/chc/charts/healthcenters.htm>

The President proposed \$1.782 billion for LIHEAP for 2008, *\$630 million (26.1 percent) less* than Congress would provide and \$438 million (19.7 percent) less than is needed to keep pace with inflation. Assuming states coped with reduced funding by serving fewer households, 1.4 million fewer low-income households would receive energy assistance under the President's funding level than under Congress'.

LIHEAP provides funding to states to help vulnerable households pay their home heating and air conditioning bills. Most households that receive LIHEAP include someone who is elderly or a person with a disability. Over the past several years, the prices of winter heating fuels have increased significantly. For instance, heating oil prices increased 72 percent, and natural gas prices 26 percent, between the winter of 2003-2004 and the winter of 2006-2007. The very large increases in energy prices over the past few years have made LIHEAP more important than ever, and the Department of Energy projects that energy costs will continue to outpace general inflation. According to DOE's latest forecast, heating oil prices will increase 23 percent, and natural gas prices 9 percent, relative to last winter.

Home-Delivered Nutrition Services Program (including "Meals on Wheels")

The bill provides \$197 million for the Home-Delivered Nutrition Services Program for 2008, \$4 million (2.0 percent) more than the 2007 level, adjusted for inflation.

The President has proposed \$181 million for the Home-Delivered Nutrition Services Program for 2008, *\$16 million (8.3 percent) less* than Congress would provide and \$12 million (6.4 percent) less than is needed to keep pace with inflation.

The Home-Delivered Nutrition Services Program is administered by the Administration on Aging (AoA) at the Department of Health and Human Services. The program provides grants to states to support services like "Meals on Wheels" that provide home-delivered meals to elderly individuals.

Other Aging Services Programs

The bill provides \$1.249 billion for the Aging Services Programs other than Home-Delivered Nutrition Services for 2008, \$22 million (1.8 percent) more than was provided in 2007, adjusted for inflation.

The President has proposed \$1.154 billion for these programs for 2008, which is *\$95 million (or 7.6 percent) less* than Congress would provide and \$73 million (or 6.0 percent) less than is needed to keep pace with inflation.

This appropriation funds programs that provide home and community-based support for older people and their families.

What the Funding Dispute Means for States

As discussed above, some of the programs that the President has proposed to cut provide states with help in assisting vulnerable populations. In many cases, these cuts would force states to serve fewer people (or to increase their own spending to compensate for the loss of federal support,

which many states are likely to find difficult to do since they must balance their budgets every year regardless of whether the economy slows).

Following are a set of tables that quantify the loss in funding that each state would experience if the Labor-HHS-Education appropriations levels that Congress is approving were reduced to the President's level, in each of the following program areas:

- K-12 education;
- child care;
- Head Start;
- LIHEAP; and
- the Home-Delivered Nutrition Services Program.

The tables also include a description of the methodology used in estimating these state impacts.