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FEDERAL BUDGET UPDATE: CUTS TO TANF, SSBG, CHIP COULD HURT TEXAS AND OTHER STATES

Senate now debating Fiscal 2001 Appropriations for Labor/HHS/Education

Before leaving Washington, D.C., for the July 4th recess, the U.S. Senate is expected to vote on appropriations for the federal Departments of Labor, Health and Human Services, and Education (H.R. 4577), a funding package that cleared the U.S. House of Representatives on June 14th. The Senate took up H.R. 4577 on Thursday, June 22nd and is scheduled to continue debating amendments to it through Wednesday, June 28th. This Policy Page highlights some of the proposals in H.R. 4577 that could significantly affect federal support for Texas' major health and human services, workforce development and education programs.

Not Business as Usual

The fiscal 2001 budget proposals for major social services programs have progressed much faster than similar legislation in last year's fiscal 2000 funding cycle. This year, the House and Senate budget committees voted their respective versions of the Labor/HHS/Education appropriations out by mid- to late May, and both of the full chambers will have made their initial decisions by the end of this week, setting the stage for conference committee work after the mid-summer break. In contrast, the fiscal 2000 Labor/HHS/Education appropriations were still being debated in the House and Senate in late October 1999, and eventually had to be rolled into the omnibus spending measure passed in mid-November. Unfortunately, in addition to making decisions earlier about major social services funding, Congress has also decided to make significant cuts to a few of the major block grants. These cuts have been deemed necessary in order to help pay for large scale tax cuts, such as in the inheritance tax and marriage penalty.

Proposed Cuts

H.R. 4577, as approved by the House on June 14, could cost Texas millions of dollars in federal welfare and social services block grant funds.

TANF Supplemental Grant Reduction: H.R. 4577 would amend current law to limit the fiscal 2001 supplemental TANF (Temporary Assistance for Needy Families) payments to states to their fiscal 1998 level. For Texas, this means a reduction of \$40 million in TANF

funds--a drop in the supplemental grant to \$12.7 million, from \$52.7 million. The total reduction at the national level would be \$240 million, affecting 15 other states in addition to Texas.

In the 1996 round of federal welfare reform, supplemental grants were created to give an additional amount of assistance to states with high population growth and low federal welfare spending per poor resident. Texas' supplemental TANF grant was slated to begin at \$12.7 million, and to increase by about \$13 million annually from fiscal 1998 to fiscal 2001. The proposal to cut the supplemental grants to 1998 levels was originally made when states had been hesitant to spend TANF, accumulating state TANF surpluses and unobligated balances at the national level. Since then, however, states have begun spending down their surpluses, and many states would find themselves with significantly less TANF money to spend per poor child. In a new analysis of the supplemental grant cuts, the Center on Budget and Policy Priorities estimates that Texas' TANF spending per poor child would be cut from \$408 to \$378. (For the complete CBPP analysis, see <http://www.cbpp.org/6-23-00wel.htm>.)

Social Services Block Grant (Title XX): In Texas, SSBG funds a wide range of services, including community care, Meals on Wheels, adult foster care, child protective services, family violence, and family planning services. SSBG has already suffered budget cuts in recent years, but the worst development in its history came in the Senate Appropriations Committee version of the

Labor/HHS/Education budget adopted on May 10th. The Senate committee proposed a **\$1.1 billion** cut to SSBG, funding it at only \$600 million, with the suggestion that states make up for the lost federal funds by using their tobacco settlement proceeds. The House proposal for SSBG was to reduce funding by a much smaller amount of \$75 million.

Unfortunately, tobacco settlement funds are not an option for Texas, which has already committed its fiscal 2000 and 2001 payouts to higher education endowments, the Children's Health Insurance Program, and some other improvements in HHS funding. TANF transfers to Title XX, which have been increasing in Texas as SSBG funding has fallen further and further below the program's authorized funding, will also be reduced in 2001 from 10% to 4.25% of the TANF block grant. If Title XX funding is not restored on the Senate floor or during conference committee, Texas stands to lose \$64 million in fiscal 2001.

Children's Health Insurance Program: The Senate Appropriations Committee also proposed rescinding \$1.9 billion in funding authorized for CHIP, to free up money for other discretionary programs in the Labor/HHS/Education bill. Specifically, the proposal would cancel fiscal 1998 CHIP funding that states will probably not use by September 2000, and reinstate the funding in fiscal 2003 and 2004. However, the proposed change to CHIP funding sets a bad precedent and could have the effect of discouraging states from expanding or aggressively implementing CHIP, if federal funding is uncertain or subject to rescission. A more detailed CBPP analysis of the CHIP proposal and its consequences is available at <http://www.cbpp.org/6-2-00health.htm>.

Other cuts proposed for workforce development: Besides the SSBG and TANF cuts, H.R. 4577 as passed by the House proposed the following reductions in Workforce Investment Act programs from fiscal 2000 funding levels:

- Cut Adult Training grants to states by \$93 million;
- Reduce Dislocated Worker Assistance by \$207 million.

Proposed improvements/expansions

H.R. 4577 as passed by the House also contains the following good news for social services advocates (Specific amounts flowing to Texas are unclear at this stage):

- In the HHS budget, an \$81.3 million increase over fiscal 2000 for community health centers; \$131 million increase for Ryan White AIDS programs; and a \$60 million boost for mental health programs and \$31 million more for substance abuse treatment;
- For the Head Start program, a \$400 million increase from fiscal 2000 levels (but still \$600 million below the president's request);

- Level-funding of \$1.6 billion for the Child Care and Development Block Grant, an increase of \$400 million from current funding; the president had requested an additional \$800 million;
- In Education, a \$139 million increase in technology programs and a \$147 million increase for 21st Century Community Learning Centers. Also, an \$8 million increase for Migrant Education; \$20.5 million more for Adult Education; an additional \$500 million in grants to states for special education; and \$61 million more in grants to states for vocational rehabilitation services.

Next Steps

Advocates who want to express support for restoring TANF, SSBG, or CHIP appropriations to their fully authorized levels still have time to contact their U.S. Senators. For Texas, the offices to call are Sen. Phil Gramm (202-224-2934), and Sen. Kay Bailey Hutchison (202-224-5922). As the Labor/HHS/Education bill moves into the conference committee stage, calls and letters to key U.S. Representatives and Senators will be necessary, both to protect programs from cuts and to indicate support for proposed expansions. Texas' representation on the House Appropriations Committee includes Tom DeLay, Henry Bonilla, Chet Edwards, and Kay Granger. Contact information for all members of Congress, as well as updates on the status of the different fiscal 2001 appropriations bills, is available at <http://thomas.loc.gov/>.

CPPP has additional information about the importance of Title XX funding at

<http://www.cppp.org/products/policyanalysis/titlexx.html>

For social services advocates who are interested in TANF developments in the state budget, CPPP will soon be providing an update. Stay tuned.

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