DOCUMENT RESUME

ED 333 071 UD 028 079

AUTHOR	Greenstein, Robert; Leonard, Paul A.
TITLE	Unchanged Priorities: The Fiscal Year 1992 Bush Budget.
INSTITUTION	Center on Budget and Policy Priorities, Washington, DC.
PUB DATE	Feb 91
NOTE	49p.
PUB TYPE	Reports - General (140)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	*Budgeting; Economically Disadvantaged; *Economic Impact; Economic Research; Family Financial Resources; Federal Government; Income; *Low Income Groups; *New Federalism; *Poverty Programs; Public Policy; Resource Allocation
IDENTIFIERS	*Bush Administration; *Policy Analysis

ABSTRACT

This report analyzes the impact of the 1992 budget proposed by the Bush Administration on Americans of different income levels. Several of the proposals merit consideration, but the overall impact of the budget would continue to favor upper-income individuals and place lower-income individuals increasingly at risk. The following findings are highlighted: (1) the budget as a whole would transfer resources up the income scale and widen disparities between low-income and high-income groups that are already greater than at any time since the end of World War II; (2) the budget does not respond to the current recession by improving unemployment benefits or assisting the victims of the recession; (3) the budget's overall treatment of programs for low-income groups is mixed, however, with the number of programs receiving decreases being greater than the number receiving increases; (4) new budget procedures constrain Congress's ability to reshape budget priorities; and (5) the proposal to combine $15 billion in domestic programs into a massive block grant to states places many poverty programs at risk. Statistical data are presented in three tables. Additional information on proposed food assistance and low-income housing policies is appended. (FMW)

ED333071

Unchanged Priorities

The Fiscal Year 1992 Bush Budget

Center on Budget and Policy Priorities

Unchanged Priorities

The Fiscal Year 1992 Bush Budget

Robert Greenstein
Paul A. Leonard

Center on Budget and Policy Priorities
Washington, D.C.

The **Center on Budget and Policy Priorities**, located in Washington, D.C., is a nonprofit, tax-exempt organization that studies government spending and the programs and public policy issues that have an impact on low income Americans. The Center is supported by major foundations, individual contributors, and publications sales.

About the Authors

Robert Greenstein is the founder and director of the Center on Budget and Policy Priorities. A former administrator of the Food and Nutrition Service in the U.S. Department of Agriculture, he has written extensively on poverty in the United States.

Paul A. Leonard is a senior research analyst at the Center on Budget and Policy Priorities. He specializes in budget and housing issues as well as broad analysis of trends in poverty and welfare programs.

February 1991

Center on Budget and Policy Priorities
777 N. Capitol Street, N.E., Suite 705
Washington, D.C. 20002
(202) 408-1080

Contents

I. Overview 1

II. How Does the Budget Affect Americans at Different Income Levels? . . . 5

III. The Budget and the Recession 11

IV. The Budget and Low Income Programs 15

V. The Impact of the New Budget Rules 21

VI. Federalism Revisited: Turning Programs Over to the States 27

Appendix: Food Assistance and Housing Programs 29

Table 1
Proposed Changes in Budget Authority for Low Income Programs . . 37

Table 2
Proposed Changes in Outlays for Low Income Programs 41

I. Overview

On February 4, 1991, the Bush Administration unveiled its budget proposals for fiscal year 1992. This analysis examines the new budget, with an emphasis on five issues raised by the new proposals:

- Does the budget shift resources from upper income individuals to those lower on the income scale, as OMB director Richard Darman has contended?

- Does the budget respond to the recession?

- How do programs for lower income Americans fare?

- To what extent do the new budget procedures enacted last fall affect Congress' ability to alter the priorities reflected in the Administration's budget?

- What are the implications of the Administration proposal to mesh $15 billion in domestic programs into a mega-block grant?

The analysis finds that while the budget would reduce Medicare benefits and farm subsidies for people with incomes exceeding $125,000 a year, the resulting savings — $100 million in fiscal year 1992 and $1.6 billion over five years — are dwarfed by the tax cuts upper income people would receive. The proposed cut in the capital gains tax would be worth more than $10 billion a year to taxpayers with incomes exceeding $200,000. Individuals in that bracket who have capital gains income would receive an average annual tax cut of $15,000 each.

In addition, proposed reductions in benefits for low and middle income people in programs such as Medicare and low income energy assistance would, in aggregate, substantially exceed the benefit cuts proposed for people at high income levels. The budget as a whole thus would transfer resources up the income scale — and would widen income disparities that are already greater than at any time since the end of World War II.

Some of the Administration's proposals to trim benefits for upper income households do appear to have merit and deserve consideration. But the Administration evidently is willing to apply its new principle — that government assistance for the wealthy should be pared back — only to benefits provided through entitlement programs and not to subsidies provided through the tax code. Tax subsidies for the wealthy would be enlarged in the budget, not reduced. A much superior approach would be to apply this principle (i.e, that aid to the wealthy should be limited) to tax subsidies for those at very high income levels, as well as to their entitlement benefits.

The Administration's budget also falls short in its failure to respond to the recession. The Administration's economic forecast shows that the average unemployment rate is expected to be *higher* in FY 1992 than in FY 1991 — and that it will take until mid-1993 for unemployment to return to the levels it stands at today, six months into a recession. While the Administration could find room in the budget for new tax breaks for wealthy investors, it made no room for funds to shore up unemployment insurance benefits and assist the recession's victims.

The nation entered the recession with a weaker unemployment insurance system than at any other time in the past 35 years, with only about one-third of the unemployed receiving unemployment benefits in an average month. In other recent recessions, including the recession of the early 1980s when Ronald Reagan was president, the federal government provided additional unemployment benefits to long-term unemployed workers whose regular benefits had expired but who still could not find jobs. The new budget proposes no such aid. The budget also fails to include additional resources for many of the non-entitlement programs that are targeted on low income households — and for which more people qualify when unemployment rises and poverty grows. Some of these programs would be frozen or reduced instead.

The budget's overall treatment of low income programs is mixed. Some would receive increases; others would be cut. The decreases, however, outweigh the increases. Total funding for low income nonentitlement programs would be reduced $1.8 billion below FY 1991 levels, after adjusting for inflation. This represents a reduction of three percent.

The new budget procedures enacted last fall will constrain Congress' ability to reshape budget priorities. Under the new budget rules, total funding for domestic nonentitlement programs in fiscal year 1992 is capped, and no funds may be shifted from defense to domestic programs.

Still, budget priorities that differ from the Administration's can be advanced. For example, the Administration has made space exploration its top domestic priority. (Funds for space are considered part of the domestic nonentitlement category of the budget.) The budget proposes an increase of $1.3 billion for the National Aeronautics and Space Administration, after adjusting for inflation. This is close to the amount the budget would cut from low income programs. If less is spent on space programs, more becomes available for other domestic needs.

Similarly, rather than cutting taxes for upper income individuals, the Congress could raise such taxes — and use the proceeds to strengthen safety net benefits and tax credits for children and shore up the unemployment insurance system. Action of this sort does not seem likely at present, but the new budget rules do not preclude it.

Important choices on the defense budget lie ahead, as well. These choices may influence whether a peace dividend materializes by the mid-1990s or whether further reductions in domestic programs are needed in those years to finance higher levels of military spending. (Starting in FY 1994, defense and domestic nonentitlement programs compete with each other for funds.)

Finally, the budget contains one major new domestic initiative — a proposal to combine $15 billion in domestic programs into a massive block grant to states. The programs included in the block grant would cease to exist as separate programs. States would have great flexibility over how to use their respective shares of the $15 billion.

The budget lists $20 billion in programs for possible inclusion in this block grant and asks Congress and the governors to select $15 billion in programs from the list (or to substitute other programs instead). The Administration's list of $20 billion in programs has one dominant characteristic: most of these are poverty programs. Some 80 percent of the $20 billion in programs listed by the Administration now goes to programs targeted primarily on lower income households or areas. If such programs are ended as federal programs and states can spend the funds largely as they see fit, there will be considerable risk that in some states, a portion of the funds will be captured by more powerful constituencies.

The chapters that follow explore more fully these and other issues raised by the Administration's budget.

II. How Does the Budget Affect Americans at Different Income Levels?

Since release of the Bush Administration's budget on February 4, there has been extensive media coverage of a "package" of Administration proposals to reduce entitlement benefits provided to middle or upper income households and, in some cases, shift resources down the income scale. Would the Administration's budget actually ask the well-to-do to make sacrifices so that more funds are available to assist those with lower incomes? The principal elements of the Administration's proposals to redistribute entitlement benefits would:

- Triple the monthly premiums that elderly and disabled Medicare beneficiaries with adjusted gross incomes of more than $125,000 (more than $150,000 in the case of a couple) must pay to receive Part B of Medicare coverage. (Part B of Medicare primarily covers physician and outpatient services.)

- Eliminate farm price support subsidies for farm operators with off-farm income exceeding $125,000.

- Cut school lunch subsidies by six cents a lunch for meals served to children with family incomes exceeding 185 percent of the poverty line (i.e., greater than $23,500 a year for a family of four) and use the savings to reduce the school lunch charge from 40 cents to 15 cents for children with family incomes between 130 percent and 185 percent of the poverty line.

- Reduce financial assistance grants for post-secondary education to middle income students and use the savings to increase grants to low income students. (Middle income students would rely more heavily on student loans instead.) The average grant to students with incomes under $10,000 would rise about $400, after adjusting for inflation, an increase of 23 percent.

- Equalize over time the monthly payments made to surviving spouses, children, and dependent parents both of military personnel who die in service and of ex-service members who die as a result of service-connected illness or injuries. Currently, these payments are scaled according to the military rank of the deceased service member.

Several of these proposals merit consideration. Nevertheless, their impact would, in most cases, be far smaller than the rhetoric surrounding them might suggest. The proposal to raise Medicare premiums charged to upper income individuals, for example, would result in the collection of just $91 million in additional premiums next year. Over the next five years, it would generate savings for the government of $1.2 billion. The proposal to terminate farm price support payments for farm operators with very substantial off-farm income would slice these subsidies $36 million next year and $400 million over five years.

The modest nature of these changes becomes apparent when one examines another central feature of the Administration's budget — the large tax cuts it proposes for upper income individuals. The entitlement benefits that individuals in high income brackets would have to give up are very small compared to the large new tax breaks they would receive.

For example, the budget again proposes deep cuts in taxes on capital gains income. This proposal is identical to one contained in the Administration's budget a year ago and has been carefully examined by the respected, nonpartisan staff of the Joint Committee on Taxation. The Joint Committee staff has estimated that taxpayers with incomes of more than $200,000 who would benefit from the proposal would garner an average annual tax break of $15,000 apiece. The Joint Committee's analysis also found that 83 percent of the tax benefits from the proposal would accrue to households with incomes exceeding $100,000 a year, and 66 percent of the benefits would go to those with incomes above $200,000. The Joint Committee estimates that taxpayers with incomes of more than $200,000 would receive a $10.5 billion annual tax reduction under the proposal.

Thus, while those with incomes exceeding $125,000 would pay $91 million more in Medicare premiums next year — and lose $36 million in farm price support payments — they would gain back more than *$10 billion* in new capital gains tax breaks. Over the next five years, they would lose less than $2 billion in

Medicaid and farm price support benefits, while obtaining more than $50 billion in new tax subsidies.

Nor do the generous new tax cuts for affluent people end with the capital gains tax cut. The budget also proposes a new "family savings account" tax break, as well as tax cuts for investors in businesses located in designated "enterprise zones."

Under the family savings account proposal (which also appeared in last year's budget), married tax filers would be permitted to deposit up to $5,000 per year in a special "family savings account" and keep all the interest tax-free, so long as they did not make withdrawals for seven years. Single filers could deposit up to $2,500 per year and receive the same tax break.

Upon analyzing the proposal last year, the Congressional Budget Office found it would primarily benefit families with incomes of more than $50,000 a year. (Families at lower income levels are less likely to be able to put away such sums for seven years; if they could make sizeable deposits, they would be more likely to place their funds in Individual Retirement Accounts, which they can already do under current law.)[1]

The budget also proposes the total elimination of capital gains taxes, and the establishment of other special tax breaks, on profits from investments in businesses located in areas designated as "enterprise zones." Some 50 enterprise zones would be established across the country.

While the Administration and HUD Secretary Jack Kemp tout this proposal as an important anti-poverty device, an analysis by the Urban Institute suggests otherwise. In an extensive examination of the research literature on state enterprise zone programs, the Urban Institute concluded: "...careful evaluations of state enterprise zone programs have found no evidence that incentives have contributed to employment or investment growth in designated areas." The Urban Institute study found that "most proposed enterprise zone incentives are poorly targeted on the poor. Few of the tax benefits in the leading proposals accrue

---

[1] The Family Savings Account proposal would not be as skewed to the very top of the income spectrum as the capital gains proposal would be. Eligibility for family savings accounts would be limited to married filers with adjusted gross incomes below $120,000 and single filers with adjusted gross incomes below $60,000. For further discussion of the family savings account proposal, see Scott Barancik, *The Rural Disadvantage: Growing Income Disparities Between Rural and Urban Areas*, Center on Budget and Policy Priorities, April 1990.

directly to the disadvantaged residents of enterprise zones. Instead much of it goes to reward businesses for behavior that will not necessarily benefit the poor."[2]

These rather lucrative tax subsidy proposals would be significant for another reason as well: they are expensive. The budget shows that the family savings account proposal would lose $6.5 billion in revenue over the next five years, while the enterprise zone proposal would lose $1.8 billion. The capital gains proposal would be likely to lose even larger amounts of revenue.

Under the new budget law enacted last fall, any revenue losses from new tax cuts must be offset through other tax increases or through reductions in entitlement programs. Ironically, under the Administration's budget, the savings generated by the proposed reductions in entitlement benefits for upper income individuals would be used, in part, to help finance these upper income tax breaks.

(The savings from the proposals to redirect school lunch subsidies and student financial assistance would *not* be used in this fashion, since the savings from these proposals would be plowed back into these programs to help lower income students. At the same time, these two proposals would reduce support primarily for middle income students rather than wealthy ones. School lunch benefits, for example, would be reduced for children from families of four with incomes exceeding $23,500.[3])

In short, despite the budget rhetoric, one of the principal effects of the Administration's budget as a whole would be to increase the incomes of the very wealthy — and to exacerbate income disparities that already are greater than at any time since the end of World War II. While the Administration extols the concept of limiting spending for the wealthy, it is willing to apply this principle only to spending through entitlement programs — and not to spending through

---

[2] Bret C. Birdsong, *Federal Enterprise Zones: A Priority Program for the 1990s?*, The Urban Institute, October 1989. In analyzing the Bush Administration proposal for 50 enterprise zones, the Urban Institute estimated that even if the proposal were a complete success by the Administration's standards — an outcome the Institute considered quite unlikely — it would affect at most 1.5 percent of the U.S. poverty population. The Urban Institute study concluded that the federal resources expended to provide these generous tax subsidies in 50 enterprise zones could better be spent expanding effective programs for low income children, such as Head Start.

[3] In addition, while the proposal to equalize survivor benefits for relatives of individuals who die as a result of military service seems meritorious, its impact would be small. Survivors of the lowest ranking military personnel would apparently receive nothing more from the proposal than normal cost-of-living increases, while survivors of middle ranking personnel would receive moderate reductions in benefits. The reductions would be more significant for survivors of high-ranking personnel, but all such people currently receiving payments would be fully exempt from the new rules.

the tax code. Tax subsidies for the well-to-do would not only remain sacrosanct; they would be enlarged.[4] A superior approach would be to take the Administration's principle and apply it to tax subsidies,[5] as well as entitlement benefits,[6] for those at very high income levels.

One final point should be noted. The benefit reductions the Administration would aim at upper income groups are also small compared to the proposed benefit cuts that would affect people in other income strata. The savings from tripling the Medicare premium for people with incomes over $125,000 would total $1.2 billion over the next five years. This constitutes *less than five percent* of the

---

[4] It may be argued that the proposal to cut capital gains taxes is unlikely to pass this year and should not be taken seriously. Yet some of the proposals to trim entitlement benefits for those in middle and upper income brackets are not likely to have much political viability either. It makes little sense to treat these elements of the budget as serious proposals while dismissing the capital gains tax cut as unlikely to pass. Furthermore, the President's original proposal for a capital gains tax cut was presumed to be "dead on arrival" when the President submitted it two years ago; it nearly passed the following fall.

[5] Various tax deductions and credits are disproportionately used by individuals at very high income levels. These various deductions and credits essentially provide a subsidy, through the tax code, for certain activities. Furthermore, deductible expenses are worth more to people in the top income tax bracket than to people in lower tax brackets.

Consideration could be given to reducing the value of certain deductions for people in the top income tax bracket so that these deductions do not have a greater subsidy effect for such people than for those not in the top bracket. An alternative approach would be to convert certain deductions into tax credits, and scale down or phase out the credits above very high income limits. Consideration could also be given to placing limits (or in some cases, stricter limits) on the use by people at very high income levels of such tax subsidies as the business meals and entertainment deduction (such a provision passed the Senate in 1988), the mortgage interest deduction, cafeteria plans, and the dependent care tax credit. In addition, the alternative minimum tax could be stiffened. The AMT is used for those individuals, principally at very high income levels, who have so many tax write-offs that their tax burden would otherwise be very light.

[6] Entitlements such as Social Security and Medicare are universal insurance programs. Subjecting to taxation a portion of the benefits provided in such programs to individuals with incomes above certain levels is far preferable to imposing a means test. Such an approach recaptures some of the benefits provided to people above the income levels specified, without requiring most beneficiaries to provide information on their income status to Social Security offices. This approach is also much less costly to administer than conventional means-testing.

It should be noted that the Administration has provided only sketchy details about how its proposal to raise Medicare premiums for high income people would work. The Administration seems to envision using a self-declaration form whereby beneficiaries at high income levels would identify themselves and subject themselves to the higher premiums. The efficiency of this approach is open to some question. The Administration's budget projects it would cost $50 million to administer this provision in FY 1992 even though it would result in the collection of only $91 million in additional premiums next year. If the higher premiums were collected through the tax system instead, the amount collected would be higher while the administrative costs would be smaller.

$25 billion the Administration proposes to extract from Medicare during that period. By contrast, the Administration would save $4.3 billion by charging beneficiaries at *all* income levels (except those below the poverty line[7]) fees equal to 20 percent of the cost of clinical laboratory services under Part B of Medicare. An additional $8.7 billion would be saved over the next five years by reducing Medicare payments to teaching hospitals. Many teaching hospitals are located in inner cities and serve large numbers of poor and uninsured people.

The budget would also hit the benefits of poor households through steep reductions in the assistance provided under the low income energy assistance program. This program would be cut $700 million next year, a reduction of more than 40 percent after taking inflation into account.

[7] All Medicare beneficiaries, including those who are poor, would be charged the 20 percent copayment for laboratory fees. However, elderly and disabled beneficiaries with incomes below the poverty line are eligible to have the Medicaid program pay these cost-sharing charges for them.

III. The Budget and the Recession

The nation is now in a recession. In the seven months from June 1990 to January 1991, the number of unemployed workers rose by 1.2 million. In January 1991, some 7.7 million Americans were unemployed. In addition, the number of long-term unemployed — those out of work more than half a year and still looking for a job — rose 29 percent during this period.

According to the Administration's own economic forecast, released with the budget, unemployment will remain at elevated levels for a considerable period of time. The forecast projects the average unemployment rate will be slightly *higher* in FY 1992 than in FY 1991. The forecast also indicates it will take until mid-1993 before unemployment drops back to its current level of 6.2 percent (its level in January 1991). It will take until 1996 before unemployment returns to the pre-recession levels of last spring.

Despite these conditions, the budget offers no relief from the recession. The budget finds money for new tax breaks for wealthy investors, but no room for funds to shore up unemployment insurance benefits and assist the recession's victims.

The nation entered the recession with a weaker unemployment insurance system than at any other time in the past 35 years[8]. In five of the past seven years, the proportion of unemployed workers receiving unemployment benefits in an average month set a new all-time low. In most of these years, only about one-third of the unemployed received benefits in an average month. By contrast, during the previous three decades, the percentage of the unemployed receiving

[8] Data on unemployment insurance receipt are available back to 1955.

unemployment benefits fell below 40 percent only once — in 1966, when 39 percent collected benefits.

Under the regular unemployment insurance program, jobless workers qualify for up to 26 weeks of benefits. In past recessions, an additional 13 weeks of benefit coverage (known as "extended benefits") were provided to long-term unemployed workers who had exhausted their regular unemployment benefits and resided in states with high unemployment levels. In addition, the federal government has provided supplemental unemployment benefits to the long-term unemployed during recent recessions.

During the 1980s, however, the unemployment insurance program was subject to budget cuts at both federal and state levels, and the extended benefits program was largely eviscerated. As a result, only two states in the nation (Alaska and Rhode Island) currently qualify to provide extended benefits to their long-term unemployed, even though the number of long-term jobless has climbed sharply in recent months. Only a handful of other states are expected to qualify to provide extended benefits even after unemployment levels rise further this spring.

Given this situation, the Administration could have proposed to provide supplemental unemployment benefits to long-term unemployed workers who continue to search for work but cannot find jobs. The federal government provided such benefits during other recessions of recent decades. During the Reagan Administration, such benefits were provided from 1982 to 1985.

The new budget does not, however, include provision for supplemental benefits. If the budget's recommendations are followed, this will represent the first recession in several decades in which no relief of this sort has been provided to long-term unemployed workers and their families.

The one change in the budget that does affect benefits for the unemployed is a proposal to terminate the trade adjustment assistance program, under which benefits are provided to workers who have lost their jobs as a result of competition with foreign imports. Some $114 million in benefits for such workers would be eliminated in FY 1992.

The budget also contains no additional funding for a number of non-entitlement programs that are targeted at low income people and for which more people qualify when unemployment rises and the extent of poverty grows. For example, funding for the community health centers program — which provides health care to large numbers of uninsured people in "medically underserved" areas — would be frozen, without an adjustment to keep pace with inflation. Similarly, job training programs fo· low income and unemployed people would be frozen or trimmed back. The low income energy assistance program, which helps hard-pressed households pay heating and cooling bills, would be cut more than 40 percent. (The Administration's proposals for low income nonentitlement programs are explored further in Chapter IV.)

The budget does include $100 million in additional administrative funds for the operation of local unemployment insurance offices. Because the number of workers filing claims for unemployment benefits is now rising sharply, additional funds are needed so unemployment checks can be processed and checks paid in a timely manner. These funds do not provide protection, however, to workers whose unemployment benefits expire before they can find a job.

Moreover, these additional administrative funds make up only about half of the $200 million shortfall in such funds that the Labor Department itself projects. The Administration has suggested states use surpluses in their administrative accounts to make up the remaining gap, but a number of states with mounting unemployment insurance claims lack such a surplus. Ten states, including large states such as Illinois and Ohio, had no surplus in their administrative accounts at the beginning of fiscal year 1991. In 15 other states, the surplus was less than $1 million.

The Administration's Response

When asked about the budget's lack of response to the recession, OMB director Richard Darman has stated the recession is expected to end by mid-year. By the time the federal government acted, the recession would be over, Darman has remarked. This response is inadequate in two respects.

First, if the government wished to provide supplemental unemployment benefits to the long-term unemployed as it did in previous recessions, this could be implemented quickly. Second, even if the recession does "end" by mid-year — an uncertain prediction — unemployment will remain high for a long period of time thereafter.

There is widespread misunderstanding about what it means for a recession to "end." The point at which a recession ends is the point at which the economy is *at its lowest ebb*, not the point at which the economy has fully recovered. A recession is said to "end" when the economy hits bottom, stops contracting, and starts to grow again. Normally, this is when unemployment is highest. Furthermore, in previous recessions, long-term unemployment often has not peaked until some months *after* the recession officially ended. This is why the

Administration's own economic forecast shows average unemployment to be slightly higher in FY 1992 than in FY 1991 and to take several years to return to pre-recession levels.

IV. The Budget and Low Income Programs

The budget's treatment of low income programs is mixed. Some are slated for increases; others are scheduled for cuts. In many cases, the funds to expand one low income program are provided through a cut in another low income program.

The budget contains neither large increases nor large reductions in low income *entitlement* programs (with the exception of the State Legislation Impact Assistance Program). Several smaller changes in low income entitlements are proposed.

Low income *nonentitlement* (or "discretionary") programs receive more varied treatment. Significant increases are proposed for some programs, substantial decreases for others. Overall, the decreases outweigh the increases. Total appropriations for low income nonentitlement programs would be cut $1.8 billion below the FY 1991 level, after adjustment of inflation. (See Table I at the end of this report.)

Increases

On the increase side, the budget would boost funding for the Special Supplemental Food Program for Women, Infants, and Children some $223 million over the FY 1991 level, to nearly $2.4 billion. After inflation is taken into account, this amounts to an increase of $129 million, or five percent. In FY 1992, the program would reach approximately 56 percent of the low income women, infants, and children eligible for it, as compared to 54 percent in FY 1991.

Funding for Head Start would rise $100 million, from $1.95 billion to $2.05 billion. After inflation is taken into account, however, this amounts to an increase of only $22 million, or one percent. Accordingly, the Head Start proposal should be regarded as essentially a "standstill budget." (The limited Head Start proposal is something of a surprise, since President Bush called during the 1988 campaign for expanding Head Start to reach all eligible four-year olds. According to the Administration's own figures, 58 percent of the eligible four-year olds would be served in FY 1992, some four years later. The budget seems to reflect a lessening of commitment to the President's original goal.)

The budget also includes increased funding for Pell grants to help students with limited means pursue post-secondary education, the establishment of a comprehensive infant mortality initiative in 10 cities, and establishment or expansion of several low income housing programs strongly favored by HUD Secretary Jack Kemp. Some or all of the new funds in these areas would come from reductions in other low income programs serving similar purposes. Other financial aid programs for needy students would be cut as much as Pell grant funding would be increased. Some (although not all) of the funds for the infant mortality initiative and the low income housing expansions would come from reductions in other low income health and housing programs.

- Pell grant funding would increase $471 million, or six percent after inflation. At the same time, funds for supplemental educational opportunity grants and the work-study program would be substantially reduced, while the student incentive grant program would be terminated. As a result, total funding for financial aid programs for needy students would be frozen at FY 1991 levels, a reduction of $288 million when inflation is taken into account.

- A new infant mortality initiative would be launched in 10 cities with high infant mortality rates. Some $54 million in FY 1991 funds would be earmarked for the initiative, a level that would rise to $171 million in FY 1992. A portion of the new funding, however, would come from the maternal and child health block grant program (MCH) and the community health centers program. Some $33 million in funds appropriated for MCH in FY 1991 would be transferred to the infant mortality initiative; the MCH program would then be frozen in FY 1992 at the reduced level remaining for FY 1991 after the transfer had been made. The result would be a reduction in MCH funding in FY 1992 to a level nearly 10 percent below the current FY 1991 level as adjusted for inflation. Similarly, $20 million appropriated to the community health centers program in FY 1991 for outreach efforts in rural areas would be terminated in FY 1992, and funding for the community health centers program would be frozen at the FY 1991 level after the outreach funds were subtracted.

- The budget includes $865 million for the new housing program known as Home Ownership and Opportunity for People Everywhere (HOPE). HOPE consists of four grant programs to help low income people buy public housing units and other federally-owned dwellings. In addition, the budget includes $1 billion for the new Home Investments Partnerships Block Grant program. This program is designed to enable states and cities to increase the availability of low income housing.

  A series of other low income housing programs, however, would be reduced. Two public housing construction programs funded at a combined level of nearly $1 billion in FY 1991 would be terminated. Funds for the construction of housing for the low income elderly and handicapped would be sliced $530 million after adjusting for inflation, a reduction of three-fourths.

  The overall funding level for low income housing would rise three percent, or $661 million, over the FY 1991 level, after adjustment for inflation. At the same time, the number of additional low income households receiving housing assistance in FY 1992 would be lower than in FY 1991. As a result, the budget appears to make scant progress in addressing the large and growing shortage of affordable housing for the poor.

The budget also includes several modest expansions in funding for low income health programs. Funding for child immunizations would rise $32 million, or 14 percent, after adjustment for inflation. An increase of $21 million for breast and cervical cancer screenings for low income women would be provided, as would $6 million for lead poisoning prevention in low income children. The Administration is also proposing to give states the option of extending Medicaid coverage to pregnant women and infants whose families have gross incomes above 133 percent of the poverty line, but whose incomes fall below 133 percent of the poverty line after medical expenses are subtracted.

Decreases

The budget contains reductions in a number of low income programs. Hardest hit would be the low income home energy assistance program, which helps poor families and poor elderly and disabled people pay high heating and cooling bills. The Administration would cut this program from $1.61 billion in FY 1991 to $925 million in FY 1992. The budget includes an additional $100 million in contingency funds, but the terms that would govern release of these funds make it unlikely they would be disbursed. Some 5.7 million low income households received assistance under this program in 1989.

Other low income programs that would be terminated or substantially reduced include:

- The Community Services Block Grant, which provides funds for a wide range of services provided by community organizations to low income families and elderly and disabled people. All but a few minor aspects of the program would be terminated. The program's funding level would be cut from $436 million in FY 1991 to $11 million in FY 1992.

- The Community Development Block Grant program, which funds an array of housing and other community development projects primarily in low and moderate income areas. Program funding would be reduced $408 million (or 12 percent) below the FY 1991 level, after adjustment for inflation. The CDBG program is particularly important to large cities, a number of which now face severe fiscal distress. Reductions in funding for the program, especially at a time when municipal revenue collections are contracting due to the economic downturn, would be likely to intensify fiscal problems in many local jurisdictions.

- The Emergency Food and Shelter Program, which provides funds to charitable agencies to support soup kitchens, emergency food pantries, and shelters for the homeless. Funds would be sliced more than one-fourth, from $134 million in FY 1991 to $100 million in FY 1992. Grants to states to help cover the costs of storing, transporting, and distributing surplus food to the needy under a companion program — the Emergency Food Assistance Program — would be cut nearly in half, from $50 million to $27 million.

- The Community Services Employment Program for Older Americans, which helps low income elderly people to work part-time, would be cut $63 million (or 15.5 percent) after adjusting for inflation.

- Indian health, education, and housing programs would be reduced substantially. Funding for Indian education programs would drop $156 million, or 24 percent, below FY 1991 levels, after adjustment for inflation, while funding for Indian health programs would fall $245 million, or 15 percent, after taking inflation into account. No funds would be provided for the construction of public housing units on Indian reservations.

- Substantial changes would be made in the foster care program, with federal reimbursement ended for "preplacement services" and federal funding limited for maintenance and administrative costs. (Preplacement services are generally provided to prevent removal of children from their homes.) The result would be a $247 million reduction in federal funding next year below the level that would otherwise be provided under current law. (The foster care program is an entitlement.) The budget states that if this proposal is accepted, the Administration will seek to use $90 million of the savings to increase funding for the child welfare services program.

- The budget would cancel (or "rescind") more than $1.1 billion that states are entitled to receive under the State Legislation Impact Assistance Grant program (SLIAG). SLIAG was established to help defray state and local costs for various benefits and services provided to aliens granted amnesty under the Immigration Reform and Control Act. The Administration contends states are spending less than had been anticipated on this program and do not need these funds. According to the American Public Welfare Association, states disagree, believing these funds will eventually be needed in full and that the proposed cut would have a serious impact. Many of the legalized aliens in question have low incomes.

In addition to these more substantial reductions, the budget also includes lesser reductions in various other low income areas. Some low income programs would be frozen or would be increased by less than the rate of inflation, so that the level of services would have to be trimmed. For example, the compensatory education program for disadvantaged children, the federal government's principal program to improve reading and math skills among low income elementary school children, would be cut $49 million below the level needed to keep pace with inflation.

Similarly, the Job Corps program and a number of other employment and training programs would be frozen at the FY 1991 level, without adjustment for inflation, as would the legal services program and the refugee assistance program. States reportedly see the proposed refugee assistance level as inadequate, given substantial reductions in federal funding for the program in recent years, coupled with increasing numbers of refugee arrivals.[9]

Also of interes' is the proposal to freeze funding for the new child care block grant program. While legislation passed last fall authorized $825 million for the program in FY 1992, funding would be frozen at the FY 1991 level of $732 million. An additional $13 million would be provided for grants to states to improve the quality of child care programs.

Finally, low income households could also be affected by proposed reductions in several entitlement programs. As noted in Chapter II, the proposal to cut Medicare payments to teaching hospitals, many of which are located in inner cities, could adversely affect low income individuals. In other entitlement areas, the budget proposes to restructure and reduce state incentive payments under the child support enforcement program and also to impose fees on custodial parents not on AFDC who seek assistance from state child support enforcement agencies. Low income women who do not receive AFDC would be among those affected. States would also be given the option, for the next two years, of requiring that as a condition of food stamp eligibility, custodial parents must use the child support enforcement system to attempt to collect payments from absent parents. After two years, states would be mandated to make this a condition of food stamp eligibility. Lastly, states that provide state supplemental benefits to their elderly and disabled SSI recipients would be charged fees if the Social Security Administration administered the provision of these benefits.

[9] American Public Welfare Association, *The Week in Washington*, February 8, 1991

V. The Impact of the New Budget Rules

In the months ahead, the budget procedures established by the deficit reduction law enacted last fall will constrain debate over the FY 1992 budget. Under these procedures, FY 1992 appropriations and spending ceilings are established for each of three categories of nonentitlement programs — domestic programs, international affairs programs, and defense programs. Both appropriations levels and actual expenditure levels for each category must remain within ceilings specified for that category. Funds cannot be moved from one category to another, such as from the defense category to the domestic area.

In addition, legislation cannot be enacted that would increase the cost of an entitlement program unless the new costs are "paid for" in full by a cut in another entitlement or an increase in taxes. Similarly, taxes cannot be reduced unless the resulting revenue loss is balanced by an offsetting tax increase or an offsetting reduction in an entitlement.

The new rules mean that the debate over the FY 1992 budget will not be as wide-ranging as debates over previous budgets. There can be no meaningful "guns versus better" debate, since funds cannot be shifted between defense and domestic categories. Similarly, taxes cannot be raised to increase funds for non-entitlement programs such as Head Start, WIC, or low income housing.

Nevertheless, important choices lie ahead. Priorities that differ from those in the Administration's budget can be considered.

Domestic Nonentitlement Programs

Any discussion of funding prospects for domestic nonentitlement programs must start with the fact that the FY 1992 spending ceiling for this category of programs is not sufficient to maintain FY 1991 spending levels, after adjustment for inflation. The ceiling that governs overall expenditures (or outlays) for this program category is $1.5 billion to $3.5 billion below the level needed to keep these programs at their FY 1991 funding levels, after adjusting for inflation.[10]

This essentially means any increase in a domestic nonentitlement program — over the program's 1991 level after adjustment for inflation — must be offset by a corresponding decrease in other domestic nonentitlement programs. On top of that, $1.5 billion to $3.5 billion in additional spending reductions must be achieved.

This partly explains the Administration proposals to accompany increases in some low income programs with reductions in other low income programs that fall in the same budget area. Nonetheless, it can not fully explain the choices the Administration has made. The larger explanation is that the Administration has declined to designate low income areas such as health, education, or housing as priority areas deserving of significant new resources. Without additional resources, funds must be shifted around within these areas if new initiatives are to be undertaken.

The Administration's major domestic priority lies elsewhere in the budget — in space exploration. The budget of the National Aeronautics and Space Administration would climb $1.85 billion between FY 1991 and FY 1992, or $1.3 billion after inflation is taken into account. This is nearly as large as the overall reduction in funding for low income nonentitlement programs. The budget could thus be said to shift funds from poverty programs to space programs.

The budget also proposes a sizeable increase for the Superconducting Super Collider, a controversial and very costly scientific project. The Super Collider project would receive a funding boost of nearly $300 million in FY 1992, or 111 percent, after adjusting for inflation.

In short, while the Congress has considerabl ess flexibility in the domestic area than in previous years, it could set different priorities than those advanced by

[10] For technical reasons, a precise figure is not yet available. It should also be noted that preliminary estimates indicate the ceiling on aggregate FY 1992 appropriations for domestic nonentitlement programs is approximately $800 million above the FY 1991 level, after adjustment for inflation.

the Administration. Congress could, for example, take the increase earmarked for space programs and use these funds instead for effective but underfunded programs for disadvantaged children and for safety net programs that will undergo strain during the stretches of high unemployment that lie ahead.

Entitlement Programs and Taxes

In the tax and entitlement areas, Congress has the flexibility to chart a substantially different course than that outlined by the President. The President proposes large tax cuts that would primarily benefit upper income individuals, along with $25 billion in Medicare reductions over the next five years and smaller reductions in a number of other benefit programs.

If it is willing to do so, Congress can consider raising rather than lowering taxes on upper income individuals. The tax increases imposed on upper bracket taxpayers in last fall's deficit reduction law recaptured only a modest fraction of the generous tax breaks these individuals reaped during the 1980s.

For example, if Congress were to raise the top income tax bracket from 31 percent to 33 percent and place a surtax on millionaires — provisions that passed the House last October and would still leave wealthy people with lower taxes than in the pre-Reagan years — this would generate about $20 billion in revenues over the next five years. These revenues could be used for such purposes as strengthening basic safety net programs for children, providing modest tax relief to moderate income families (such as through a small increase in the standard deduction), shoring up the unemployment insurance program, and making the child care tax credit into a refundable credit so low working poor families can benefit from it (as middle and upper income families already do).

At the present time, it appears unlikely Congress will act this year to increase taxes on the wealthy and use the proceeds to assist disadvantaged children, low and moderate income families, or victims of the recession. This is not because the new budget rules preclude such steps, however, but because policymakers are not likely to take them.

Defense

Important decisions on defense spending lie ahead. The budget legislation enacted last fall established spending ceilings for defense programs, as it did for domestic programs. Funding to cover the cost of military operations in the Persian Gulf is outside these ceilings.

The Administration's budget request for defense remains within the ceilings and reduces or terminates several weapons systems, including the MX missile (production of the MX would end) and the Trident submarine. The number of active duty military personnel would also be scaled back.

Yet the defense budget is troubling in several respects. Since all costs of the war are exempt from the budget ceilings and other deficit control rules, there is a strong incentive for the Pentagon to portray as war costs some of the costs it would normally incur. Doing so creates more room under the defense spending ceiling for other projects the Pentagon favors but might not otherwise have the resources to pursue.

There are growing indications such budgetary manipulation is occurring on a substantial scale. The first sign came last fall, when the Pentagon and the Congressional Budget Office released estimates of the cost of stationing 210,000 troops in the Gulf; the Pentagon's cost estimates were nearly double those of CBO. Of greater significance is the Administration's budget request for FY 1992. An analysis by the Defense Budget Project has found that the budget contains less funding for certain weapons being used in the war, such as the Patriot and Tomahawk missiles, than the Pentagon previously had planned to request. A Senate Budget Committee analysis suggests that the Pentagon is using the budget exemption for Operation Desert Storm to charge to the war the costs of increasing certain weapons stocks to levels exceeding those on hand before the war began. By so doing, the Pentagon frees up funds under the defense budget ceiling that can then be used for other defense expenditures.[11]

The Senate Budget Committee analysis also notes that under the Administration's budget, both the Strategic Defense Initiative (or "Star Wars") and the B-2 "Stealth" bomber would receive very sizeable funding increases in FY 1992. The analysis suggests that by improperly charging to Operation Desert Storm some costs that are not related to the war and that the Pentagon would have incurred anyway, the Pentagon has effectively evaded the new budget ceilings. Through this maneuver, the Pentagon apparently has created room under the budget ceilings for the large increases proposed for weapons systems such as SDI and the B-2.

[11] On February 22, 1991, as this report was being completed, the Defense Department transmitted to Congress a request for supplemental appropriations to cover costs of Operation Desert Storm. Analysis of the request by the Defense Budget Project confirms that the Pentagon is seeking to build stocks of some weapons to higher levels than the Pentagon possessed before the Persian Gulf crisis began — and to charge to Operation Desert Storm (rather than to the regular defense budget) the costs of building these stocks to higher levels.

The requests for the Strategic Defense Initiative and the B-2 bomber also appear to be part of a larger trend in the Administration's budget: a number of the "next generation" of weapons systems would be moved toward the production stage. Some of these systems will carry extremely large price tags if they reach production.

If the development of these systems continues at the pace the Administration is proposing, that will likely generate pressures to move these systems into the costly production phases by the mid-1990s. And that, in turn, may stimulate demand for higher defense budgets in those years.

This trend has profound implications for domestic programs. Under the new budget rules, the use of separate budget ceilings for defense and domestic programs ends after FY 1993. Starting in FY 1994, defense and domestic nonentitlement programs fall under a single ceiling and compete with each other for limited funds. Higher defense budgets in those years would require new reductions on the domestic side of the budget. As a result, decisions made this year on "big ticket" weapons systems may have significant bearing on the amount of funding available for domestic programs in the future.

VI. Federalism Revisited: Turning Programs Over to the States

The Administration's domestic budget proposals contain few large scale initiatives or innovations. There is one exception to this rule — a proposal to combine $15 billion in domestic programs into a mega-block grant to states. The budget lists $20 billion in programs and calls on Congress to select $15 billion in programs from this list (or to substitute other programs instead) to include in the block grant. The programs so included would then end as federal programs, and states could use their respective shares of the $15 billion largely as they saw fit.

The Administration's list of $20 billion in programs is striking in one respect: most of the programs listed for possible inclusion in the block grant are poverty programs. Some 80 percent of the funds in the programs on the Administration's list now go to low income programs. (See Table 1.)

As a result, the Administration's proposal carries risks for poor families. Historically, low income people have tended to constitute a weaker political constituency at the state level than at the federal level. Under the proposal, some state governments faced with fiscal crunches — and looking for funds to maintain programs serving more powerful constituencies — could decide to use some of their share of the $15 billion for such purposes. That, in turn, would diminish the benefits and services provided to low income families and individuals.

Ironically, the block grant proposal would thus be likely to have an effect directly counter to OMB director Darman's new principle that spending programs should be better targeted, with fewer funds flowing to the well-off. If a series of federal anti-poverty programs are ended and the funds disbursed to the states, there is strong risk that in some states, more powerful interests will capture a portion of the funds.

Low Income Programs on "Turnback List"

	FY 1991 Budget Authority	FY 1991 Outlays
	(in millions of dollars)	
State educational opportunity grants	$520	$404
Costs for administering AFDC, Medicaid, food stamps	5,178	5,167
Social Services Block Grant	2,800	2,800
Low income energy assistance	1,610	1,669
Low income housing	5,512	3,185
Community Development Block Grant	3,200	3,073
Total	$18,820	$16,298
Total funds on Administration's List	$22,766	$20,488
Percentage of funds on list that are in low income programs	83%	80%

A further risk comes from the tendency for programs turned into block grants to have their federal funding reduced in subsequent years. While the Administration has promised the governors it would seek to maintain the $15 billion in federal funding for the next five years, there appear to be no assurances federal funds would not be diminished in years after that. In the competition for federal funds, programs with defined purposes and specific constituencies generally have fared better than programs that dispense funds to state or local governments to do with as they choose.

Appendix

Food Assistance and Housing Programs

This appendix provides more information on the Administration's proposals in the food assistance and low income housing areas.

Food Assistance Programs

Supplemental Food Assistance Programs For Women, Infants, and Children

As noted in Chapter IV, the Administration has proposed to increase funding for the Special Supplemental Food Program for Women, Infants, and Children (the WIC program) by $223 million in FY 1992. After adjustment for inflation, the increase would be $129 million.

The WIC funding level is $2.350 billion in FY 1991; it would rise to $2.573 billion in FY 1992. The number of participants in the program would rise from 4.7 million to 4.9 million.

In FY 1991, approximately 54 percent of those eligible for the program are being reached. This would edge up to 56 percent in FY 1992.[12]

A small companion program, the Community Supplemental Food Program, would not fare as well. Funding for this program would rise from $82 million in

[12] These percentages are based on a Congressional Budget Office estimate that 8.7 million women, infants, and children are now eligible for the WIC program.

FY 1991 to $85 million in FY 1992. This would not be enough to maintain existing caseloads, however, because reduced donations of nonfat dry milk from USDA's surplus food stocks would result in a decrease in overall program resources. The U.S. Department of Agriculture projects that the budget request for this program would maintain a monthly caseload of 222,000 low income women, infants, and children in FY 1992. But the low income elderly caseload would decline from 109,000 a month in FY 1991 to 85,000 per month in FY 1992.

Child Nutrition Programs

This year, the Administration's proposal to reduce child nutrition subsidies for middle income children has a new twist: instead of reducing overall program costs, all of the savings would be used to increase federal child nutrition subsidies for near-poor children eligible for reduced price meals. The proposal thus would have no net budgetary impact.

Under the proposal, federal subsidies for school lunches served to children from families with incomes exceeding 185 percent of the poverty line would be reduced six cents per lunch, or $11 per year. The savings would be used to increase the federal subsidy by 25 cents per lunch for children from families with incomes between 130 percent and 185 percent of the poverty line. These children would pay 15 cents for lunch, instead of the current 40 cent charge common in most schools.

USDA estimates that under this proposal, 777,000 fewer students with incomes above 185 percent of the poverty line would purchase school lunches on an average day. At the same time, 310,000 more near-poor student with incomes between 130 percent and 185 percent of the poverty line would purchase the lunches.

Under a companion proposal, the federal subsidy for school breakfasts served to middle income children would be reduced 3.75 cents per breakfast, while the subsidy for breakfasts served to near-poor children would increase 20 cents per breakfast. Near-poor children would pay 10 cents per breakfast, rather than the current 30 cent charge.

The child nutrition proposal is not likely to receive serious consideration on Capitol Hill.

Food Stamps

The budget contains one food stamp proposal. During the next two years, states would have the option of requiring custodial parents to cooperate with state child support enforcement agencies in attempting to collect child support payments from absent parents. Custodial parents who declined to cooperate would be denied food stamp benefits.

Under the Administration's proposal, this state option would end after FY 1993. In FY 1994, it would become mandatory for states to require custodial parents to cooperate with child support enforcement agencies, as a condition of participation in the food stamp program.

The budget estimates this proposal would have no fiscal impact in FY 1992, but would reduce food stamp costs $34 million a year by FY 1996. (The five-year savings are estimated to be $94 million.) The savings would apparently result both from increased child support collections (i.e., families receiving more child support income would be eligible for smaller food stamps benefits) and from benefit sanctions taken against custodial parents who did not cooperate.

Emergency Food Programs

The budget proposes to freeze or reduce most emergency food assistance programs. Funding for purchases of food for the Emergency Food Assistance Program (formerly known as TEFAP) would be frozen at $120 million, while food purchases for the soup kitchens program would be frozen at $32 million. The Agriculture Department projects that $111 million in surplus food items will also be donated to the Emergency Food Assistance Program next year, bringing the total value of food provided through this program to $231 million. This is virtually identical to the value of the food being provided through this program in FY 1991, now estimated at approximately $230 million.

Funds provided to states, food banks, and emergency food agencies to help defray their costs in storing, transporting, and distributing the food provided through this program would be sharply reduced. Some $50 million was appropriated for this purpose in FY 1991, while $27 million is requested for FY 1992.

Finally, funding for the Emergency Food and Shelter Program, administered by the Federal Emergency Management Administration and overseen by a national board of major charitable organizations, would drop from $134 million in FY 1991 to $100 million in FY 1992.

Nutrition Program for the Elderly

The budget proposes a funding increase of one percent for this activity, from $150 million in FY 1991 to $151.5 million in FY 1992. This is less than needed to keep pace with inflation. The level of assistance provided for each meal served in the elderly nutrition program would be frozen at 56.76 cents per meal; the number of meals served is projected to rise slightly.

Low Income Housing Programs

The budget for FY 1992 is the first budget to reflect the passage of the National Affordable Housing Act in October 1990. That act authorized a number of new housing programs, in addition to reauthorizing most existing programs. To fund a number of the newly authorized programs, the Administration is proposing to shift funds from existing programs. After the reshuffling of funds, FY 1992 appropriations for subsidized housing programs would be two percent — or approximately $460 million — above FY 1991 levels, after adjusting for inflation.[13]

The new housing programs that would receive substantial resources, and the amounts they would receive, are:

- $1 billion in FY 1992 funds for the HOME Investment Partnerships Block Grant Program. The HOME program provides funds to states and localities to administer locally designed programs. HOME funds may be used for a range of housing activities including rental assistance, moderate and substantial rehabilitation, and new construction. States and localities are required to provide matching funds to receive HOME grants.

- $865 million for HOPE — Homeownership and Opportunity for People Everywhere. The HOPE program is the Administration's principal initiative to help low income people become homeowners. Some $380 million of HOPE funds are targeted to assisting public housing tenants buy their housing units.

- $290 million for a new initiative to improve public housing projects with major financial or physical problems. The Administration would

[13] This includes all housing programs listed in Table 1 except for rural housing programs and programs designed specifically to assist the homeless.

also shift $657 million from other housing assistance accounts to help address these problems.

- $718 million for new activities to provide incentives to owners of privately owned, federally subsidized rental housing. Without adequate funding, owners of these properties could pay off their mortgages and displace low income tenants.

Most of the funding for these new initiatives would come at the expense of appropriations for traditional subsidized housing programs, like new construction of public housing and housing for the elderly and handicapped.

- No funds would be provided for new construction of public and Indian housing units. In FY 1991, nearly 12,000 units of public and Indian housing were scheduled for construction at a cost of $886 million.

- Funds for elderly and handicapped housing would be cut more than three-fourths. In FY 1991, this program received subsidies valued at $657 million to build 12,000 housing units. In FY 1992, some $153 million would be provided, which would enable 5,000 additional elderly and handicapped households to receive assistance. The new assistance would be provided by leasing existing units and providing rental assistance, rather than through new construction.

- The Community Development Block Grant program, which funds an array of housing and other community projects, would be reduced $280 million — from $3.2 billion in FY 1991 to $2.92 billion in FY 1992. After inflation is taken into account, this equals a reduction of $408 million.

- Funds to modernize public housing projects would be reduced $234 million in FY 1992, with funding of $2.26 billion proposed. In addition, operating subsidies for public housing would increase, but by too little to keep pace with inflation.

Number of Additional Households Assisted Remains Low

The best measure of the federal commitment to low income housing assistance is not the change in annual appropriation levels. Rather, the best measure is the number of additional low income households assisted through federal housing programs each year. By this measure, the Administration budget falls short of the mark.

- For FY 1992, the Administration proposes to provide housing assistance to 91,000 additional low income households. This would be nearly 10,000 fewer than the number of additional households assisted in FY 1991. (This number does not include an estimate of households that would benefit from the new HOME investment partnership block grant.)

- Even accounting for the HOME program, the number of additional households receiving assistance would fall far below the levels of the late 1970s. From fiscal years 1977 to 1980, HUD made commitments to extend rental assistance to an average of 316,000 additional low income households each year.

Supplemental Funding Request

The Administration also proposes to shift funds appropriated for fiscal year 1991 from existing housing programs to the new programs.

- The Administration proposes to provide $500 million in FY 1991 funds for the HOME program, $165 million for the HOPE programs, and $133 million for new homeless assistance programs called Shelter Plus Care.

- Some of these funds would be transferred from FY 1991 appropriations for new construction of public and Indian housing and housing for the elderly and the handicapped. Additional funds would be secured by eliminating four housing programs set to expire in FY 1992 (the Nehemiah Housing program, rental rehabilitation grants, the congregate services program and the urban homesteading grants program). The funds appropriated for these four programs in FY 1991 would be used for HOME and HOPE instead.

Housing for the Homeless

The FY 1992 budget proposal also reflects new priorities in providing assistance for the homeless. Total funding for HUD programs to assist the homeless would increase approximately $130 million over FY 1991 levels, after adjusting for inflation.[14]

[14] The FY 1991 levels include $52 million in programs administered by the Departments of Labor, Health and Human Services, and Education. Beginning in FY 1992, the budget proposes consolidating these programs into one special needs program to be administered by HUD.

The centerpiece of the Administration's proposals to assist the homeless is its Shelter Plus Care initiative. The initiative consists of programs designed to provide rental assistance to homeless individuals with mental illness or drug abuse problems. The rental assistance funding is to be paired with an equal amount of funding for supportive social services, with the social services money coming from state, local, or other federal sources. There are three Shelter Plus Care initiatives.

- The Homeless Rental Housing Assistance program would receive $167 million in FY 1992 as well as $91.2 million in a supplemental request for FY 1991. The FY 1992 funding would provide a five-year rental subsidy to 5,376 homeless households with disabilities.

- The second component of the Shelter Plus Care initiative is the Section 8 Moderate Rehabilitation program for Single Room Occupancy housing. Under the new program, SRO facilities will be required to target assistance on those who suffer from serious mental illness or have chronic substance abuse problems. SRO facilities will have to match the federal rental assistance funds provided under the program with funds for supportive services.

  Some $53 million is requested for this program in FY 1992. This is half of the $105 million provided in FY 1991 for a predecessor program designed to build SRO facilities.

- The final component of Shelter Plus Care is the Section 202 Rental Assistance Program, which would receive $37 million in FY 1992. This program will provide housing assistance to approximately 1,000 handicapped individuals.

While these new homeless initiatives would receive substantial funds, support for some other homeless programs would be reduced. FEMA's Emergency Food and Shelter program, which provides grants to local homeless service providers, would be reduced from $134 million in FY 1991 to $100 million in FY 1992. The homeless portion of the Community Services Block Grant, funded at $41 million in FY 1991, would be terminated, as would the current program to provide assistance for homeless facilities (SAFAH).

Finally, a number of separate programs designed to provide specific supportive services to the homeless, including education, job training and alcohol and drug treatment services, would be consolidated into a single grant program to be administered by HUD. This initiative is intended to expand and replicate exemplary programs in moving homeless individuals and families into "the mainstream of society." States or localities would be required to provide a dollar for dollar match to receive funds from this program.

Rural Housing

Rural housing programs would receive an increase in FY 1992 of about six percent above current service levels. As in past years, the Administration proposes to rely more on housing vouchers than on rental housing assistance programs administered by the Farmers Home Administration. The Administration proposes $190 million for rural housing vouchers, which would provide assistance to 8,000 additional households.

Traditional rural housing loan programs would be cut 3.5 percent below FY 1991 levels, after adjusting for inflation, while rental assistance matched to those programs would be reduced 16 percent. Several smaller rural housing programs would also undergo sharp reductions; the mutual and self-help housing program would be terminated.

TABLE 1: PROPOSED CHANGES IN LOW INCOME FUNDING, FY 1991 - FY 1992

(Budget Authority, in millions)

	CBO FY1991 ESTIMATED BA	OMB FY 1992 BASELINE BA 1/	FY 1992 PROPOSED BA	DIFFERENCE FROM BASELINE	PERCENT CHANGE
ENTITLEMENTS AND MANDATORY SPENDING					
AFDC & CHILD SUPPORT 2/	13,909	15,162	15,042	(120)	-0.8%
CHILD HEALTH INSURANCE TAX CREDIT	50	507	507	0	0.0%
EARNED INCOME TAX CREDIT	4,713	6,772	6,772	0	0.0%
FOOD STAMPS	18,077	19,650	19,650	0	0.0%
FOSTER CARE & ADOPTION ASSISTANCE	2,656	2,614	2,367	(247)	-9.4%
JOB TRAINING FOR WELFARE RECIPIENTS	650	1,000	1,000	0	0.0%
MEDICAID 3/	49,276	59,899	59,833	(66)	-0.1%
NUTRITION ASSISTANCE TO PUERTO RICO	974	1,013	1,013	0	0.0%
SOCIAL SERVICES BLOCK GRANT (TITLE XX)	2,800	2,800	2,800	0	0.0%
STATE LEGALIZATION IMPACT ASSISTANCE	272	1,123	0	(1,123)	-100.0%
SUPPLEMENTAL SECURITY INCOME (SSI) 4/	16,466	17,476	17,380	(96)	-0.5%
VETERANS PENSIONS	3,848	3,897	3,895	(2)	-0.1%
Total Entitlements	113,691	131,913	130,259	(1,654)	-1.3%

DISCRETIONARY LOW INCOME PROGRAMS	CBO FY 1991 ESTIMATED BA	CBO FY 1992 BASELINE BA	FY 1992 PROPOSED BA	DIFFERENCE FROM BASELINE	PERCENT CHANGE
EDUCATION					
COMPENSATORY EDUCATION (CHAPTER 1)	6,225	6,473	6,424	(49)	-0.8%
EDUCATION FOR THE HOMELESS 5/	7	8	0	(8)	-100.0%
FINANCIAL AID FOR NEEDY STUDENTS	6,714	7,002	6,714	(288)	-4.1%
HEAD START	1,951	2,030	2,052	22	1.1%
HIGHER EDUCATION (TRIOS)	334	347	395	48	13.8%
INDIAN EDUCATION (BIA + EDUC)	620	652	496	(156)	-23.9%
Total Low Income Education	15,851	16,512	16,081	(431)	-2.6%

HOUSING					
EMERGENCY FOOD AND SHELTER	134	139	100	(39)	-28.1%
EMERGENCY SHELTER GRANTS	73	76	71	(5)	-6.6%
HOPE HOUSING GRANTS	0	0	865	865	NA
HOME HOUSING GRANTS	0	0	1,000	1,000	NA
HOUSING FOR THE ELDERLY & HANDICAPPED 6/	657	683	153	(530)	-77.6%
HOUSING COUNSELING	8	8	4	(5)	-55.5%
HOUSING CONGREGATE SERVICES	10	10	0	(10)	-100.0%
NEHEMIAH HOUSING PROGRAM	35	36	0	(36)	-100.0%
PUBLIC HOUSING OPERATING SUBSIDIES	2,100	2,184	2,156	(28)	-1.3%
PUBLIC HOUSING DRUG ELIMINATION GRANTS	150	156	165	9	5.8%
HOMELESS SPECIAL NEEDS (formerly SAFAH) 5/	11	12	57	45	375.0%
HOMELESS RENTAL HOUSING	0	0	167	167	NA
RURAL HOUSING LOANS 7/	NA	883	852	(31)	-3.5%
RURAL RENTAL HOUSING ASSISTANCE 7/	NA	320	270	(50)	-15.7%
ADDITIONAL RURAL HOUSING PROGRAMS 8/	56	57	20	(37)	-64.9%
RURAL HOUSING VOUCHERS	0	0	190	190	NA
SECTION 8 MOD. REHABILITATION, SRO 9/	105	109	0	(109)	-100.0%
SHELTER PLUS CARE HOMELESS (SRO) 9/	0	0	53	53	NA
SHELTER PLUS CARE HOMELESS (202)	0	0	37	37	NA
SUBSIDIZED HOUSING 10/	9,208	9,870	9,065	(805)	-8.2%
SUBSIDIZED HOUSING RENEWALS 11/	7,735	7,025	7,025	0	0.0%
TRANSITIONAL AND SUPPORTIVE HOUSING	150	156	150	(6)	-3.8%
URBAN HOMESTEADING GRANTS	13	14	0	(14)	-100.0%
Total Low Income Housing	20,445	21,738	22,400	661	3.0%

	CBO FY 1991 ESTIMATED BA	CBO FY 1992 BASELINE BA	FY 1992 PROPOSED BA	DIFFERENCE FROM BASELINE	PERCENT CHANGE
NUTRITION					
COMMODITY SUPPLEMENTAL FOOD PROGRAM	82	85	85	0	0.5%
FOOD DONATIONS FOR LOW INCOME GROUPS	260	271	265	(6)	-2.2%
TEMPORARY EMERGENCY FOOD ASSISTANCE	170	177	147	(30)	-16.9%
WIC SUPPLEMENTAL FOOD PROGRAM	2,350	2,444	2,573	129	5.3%
Total Nutrition	2,862	2,977	3,070	93	3.1%
HEALTH					
COMMUMNITY HEALTH CENTERS + OUTREACH 12/	498	518	478	(39)	-7.6%
FAMILY PLANNING	144	150	150	(0)	-0.1%
HEALTH CARE FOR THE HOMELESS	51	53	63	10	18.8%
HOMELESS MENTAL HEALTH 5/	39	41	0	(41)	-100.0%
IMMUNIZATIONS	218	226	258	32	14.0%
INDIAN HEALTH	1,414	1,498	1,415	(83)	-5.6%
INDIAN HEALTH FACILITIES	166	174	12	(162)	-92.9%
INFANT MORTALITY INITIATIVE 13/	0	0	139	139	NA
MATERNAL & CHILD HEALTH	587	611	554	(57)	-9.4%
MIGRANT HEALTH	52	54	52	(2)	-3.8%
MINORITY HEALTH EDUCATION	16	17	28	12	69.5%
NATIONAL HEALTH SERVICE CORPS	92	95	96	1	0.8%
Total Low Income Health	3,276	3,436	3,244	(192)	-5.6%
EMPLOYMENT					
JOB TRAINING FOR THE HOMELESS 5/	11	12	0	(12)	-100.0%
OLDER AMERICANS EMPLOYMENT	390	406	343	(63)	-15.5%
TRAINING & EMPLOYMENT SERVICES	4,068	4,233	4,052	(181)	-4.3%
Total Low Income Employment	4,469	4,651	4,395	(256)	-5.5%
OTHER					
CHILD CARE BLOCK GRANT 14/	732	761	745	(16)	-2.1%
CHILD WELFARE SERVICES 15/	246	257	364	107	41.7%
COMMUNITY DEVELOPMENT BLOCK GRANT	3,200	3,328	2,920	(408)	-12.3%
COMMUNITY SERVICES BLOCK GRANT	436	445	11	(434)	-97.5%
LEGAL SERVICES	327	340	327	(13)	-3.8%
LOW INCOME ENERGY ASSISTANCE 16/	1,610	1,675	925	(750)	-44.8%
LOW INCOME WEATHERIZATION	200	208	24	(184)	-88.5%
REFUGEE ASSISTANCE	411	427	411	(16)	-3.7%
RUNAWAY AND HOMELESS YOUTH	35	36	35	(1)	-3.6%
VISTA	36	37	42	4	11.7%
Total Other Low Income Discretionary	7,233	7,514	5,804	(1,711)	-22.8%
TOTAL LOW INCOME DISCRETIONARY	54,136	56,829	54,994	(1,834)	-3.2%
TOTAL ENTITLEMENT AND DISCRETIONARY	167,827	188,742	185,253	(3,488)	-1.8%

Note: Numbers may not add due to rounding. A (0) figure indicates a funding reduction of between $1 and $500,000, while a 0 may indicate an increase of less than $500,000.

1/ For low income entitlement programs, current services levels are those shown in the OMB baseline as published in the Budget of the United States Government, FY 1992. For low income discretionary programs, current service levels are those shown in the Congressional Budget Office's preliminary current services baseline as of January 1991. The baseline estimates how much funding would be necessary to maintain FY 1991 levels with adjustments for inflation from FY 1991 to FY 1992. CBO estimates that the inflation rate will be four percent for this period.

2/ Includes funds for child care services for welfare recipients, former welfare recipients, and working families at risk of becoming welfare recipients.

3/ Technically, funding for Medicaid would fall below the Administration's baseline level due to a shift in accounting of the survey and certification requirements of the Medicaid program into another part of the budget. On the other hand, Medicaid spending would increase by $25 million in FY 1992 as a result of proposed changes in Medicare to make beneficiaries pay a portion of the costs of laboratory services and a small Administration proposal that would allow states the option of making more pregnant women and infants with high health care costs eligible for Medicaid coverage. After accounting for both of these changes, Medicaid spending in FY 1992 would fall $66 million below the Administration's current services baseline.

4/ The Administration proposes to make states pay fees to the federal government for administering state supplemental benefits and to modify procedures for recovering overpayments made to beneficiaries. These changes would produce an estimated $96 million in savings in FY 1992.

5/ The Administration proposes to consolidate education, job training, drug abuse and mental health programs for the homeless into a single grant program Administered by the Department of Housing and Urban Development. Funding for the single grant in FY 1992 would be approximately $2 million higher than the combined FY 1991 current service levels of each of the components.

6/ Beginning in FY 1991, the housing for the elderly and handicapped program was converted from a loan program to a direct grant program. The funding level for FY 1991 shown is from HUD budget documents. The FY 1992 baseline is calculated based on HUD's FY 1991 number and CBO's estimate of inflation for FY 1992.

7/ The budget agreement concluded in October 1990 included provisions to reform federal accounting procedures for credit programs. Beginning in FY 1992, the president's budget presents the cost of loan and guarantee programs based on their expected actual cost to the federal government. The rural housing insurance fund is now presented as two accounts: the subsidy costs of loans and guarantees and the costs for rental assistance.

8/ These programs include domestic farm labor housing, mutual and self-help housing, very low income housing repair grants and rural housing preservation grants.

9/ The budget proposes replacing the existing Section 8 moderate rehabilitation program for single room occupancy units with a new SRO program under the Shelter Plus Care initiative. This will pair the rehabilitation of new SRO units with supportive social services. Funding for SRO rehabilitation activities would be reduced from $105 million in FY 1991 to $53 million in FY 1992, a reduction of more than half.

10/ The subsidized housing account includes funding for public housing modernization, new construction of public and Indian Housing and other subsidized housing activities. The proposed appropriation for public housing modernization is more than $238 million below the FY 1991 level. The subsidized housing account includes some $718.4 million in appropriations for the preservation of privately owned, but federally subsidized housing projects.

11/ The Department of Housing and Urban Development's estimate of the cost to renew expiring subsidized housing contracts covering Section 8 certificates and vouchers is shown here as the FY 1992 baseline level for this program.

12/ The community health center account included $19.5 million in FY 1991 for health service outreach efforts in rural areas. The FY 1992 budget proposal includes no funds to continue those activities.

13/ The budget proposes $139 million in FY 1992 to reduce infant mortality in 10 cities with high infant mortality rates. Some of the funding for this initiative will come from reductions in funding for rural outreach efforts of community health centers and for the maternal and child health block grant.

14/ Funding for the child care block grant for FY 1992 is frozen at the FY 1991 level, $732 million. An additional $13 million is provided within the same account for grants to states to improve the quality of child care programs which received no funding in FY 1991.

15/ The Administration is proposing reductions in the foster care program, which is an entitlement program. If these proposals are accepted, the Administration will request an additional $90 million in funds for the child welfare services program. The levels shown in this table reflect both the proposed cuts in the foster care program and the additional funds for the child welfare services program.

16/ The Administration proposes an appropriation of $925 million for the Low Income Home Energy Assistance Program. In addition, the Administration provides a contingency fund with an additional $100 million if the cost of home heating oil rises next winter to a level at least 20 percent above the average level for similar months in 1987 through 1990. It is unlikely these contingency funds would be released. Unusually cold weather in the winters of 1989 and 1990, along with the conflict in the Middle East in late 1990, combined to drive up oil prices in 1989 and 1990, and thus the four year 1987 - 1990 average. The numbers in this table assume the contingency funds for FY 1992 would not be released.

TABLE 2: PROPOSED CHANGES IN LOW INCOME FUNDING, FY 1991 - FY 1992

(Outlays, in millions)

	CBO FY 1991 ESTIMATED OUTLAYS	OMB FY 1992 BASELINE OUTLAYS 1/	FY 1992 PROPOSED OUTLAYS (in millions)	DIFFERENCE FROM BASELINE	PERCENT CHANGE
ENTITLEMENTS AND MANDATORY SPENDING					
AFDC & CHILD SUPPORT 2/	13,934	15,237	15,117	(120)	-0.8%
CHILD HEALTH INSURANCE TAX CREDIT	50	507	507	0	0.0%
EARNED INCOME TAX CREDIT	4,713	6,772	6,772	0	0.0%
FOOD STAMPS	17,990	19,638	19,638	0	0.0%
FOSTER CARE & ADOPTION ASSISTANCE	2,537	2,520	2,310	(210)	-8.3%
JOB TRAINING FOR WELFARE RECIPIENTS	610	868	868	0	0.0%
MEDICAID 3/	49,276	59,899	59,833	(66)	-0.1%
NUTRITION ASSISTANCE TO PUERTO RICO	975	1,013	1,013	0	0.0%
SOCIAL SERVICES BLOCK GRANT (TITLE XX)	2,800	2,801	2,801	0	0.0%
STATE LEGALIZATION IMPACT ASSISTANCE	935	827	585	(242)	-29.3%
SUPPLEMENTAL SECURITY INCOME (SSI)	15,784	17,476	17,503	27	0.2%
VETERANS PENSIONS	3,869	3,900	3,898	(2)	-0.1%
Total Entitlements	113,473	131,458	130,845	(613)	-0.5%

DISCRETIONARY LOW INCOME PROGRAMS	CBO FY 1991 ESTIMATED OUTLAYS	CBO FY 1992 BASELINE OUTLAYS	FY 1992 PROPOSED OUTLAYS	DIFFERENCE FROM BASELINE	PERCENT CHANGE
EDUCATION					
COMPENSATORY EDUCATION (CHAPTER 1)	5,308	6,067	6,061	(6)	-0.1%
FINANCIAL AID FOR NEEDY STUDENTS	6,182	6,468	6,541	73	1.1%
HUMAN DEVELOPMENT SERVICES 4/	3,261	3,515	3,627	112	3.2%
HIGHER EDUCATION FOR NEEDY STUDENTS 5/	636	740	635	(105)	-14.2%
INDIAN EDUCATION (BIA & DEPT. OF EDUC.)	449	636	312	(324)	-50.9%
Total Low Income Education	15,836	17,426	17,175	(251)	-1.4%
HOUSING					
EMERGENCY FOOD AND SHELTER	134	139	100	(39)	-28.1%
EMERGENCY SHELTER GRANTS	67	69	73	4	(69)
HOPE HOUSING GRANTS	0	0	41	41	NA
HOME HOUSING INVESTMENT GRANTS	0	0	105	105	NA
HOUSING FOR THE ELDERLY & HANDICAPPED 6/	150	157	150	(7)	-4.2%
HOUSING COUNSELING	3	6	7	1	15.0%
HOUSING CONGREGATE SERVICES	6	8	1	(7)	-82.5%
NEHEMIAH HOUSING PROGRAM	20	27	124	97	358.9%
PUBLIC HOUSING OPERATING SUBSIDIES	1,864	2,074	2,150	76	3.7%
PUBLIC HOUSING DRUG ELIMINATION GRANTS	8	149	76	(74)	-49.3%
HOMELESS SPECIAL NEEDS (formerly SAFAH) 7/	8	11	14	3	27.3%
HOMELESS RENTAL HOUSING	0	0	23	23	NA
RURAL HOUSING LOANS 8/	NA	500	669	169	33.7%
RURAL RENTAL HOUSING ASSISTANCE 8/	NA	281	310	29	10.4%
ADDITIONAL RURAL HOUSING PROGRAMS 9/	52	56	47	(9)	-15.9%
RURAL HOUSING VOUCHERS	13	10	11	1	14.0%
SECTION 8 MOD. REHAB, SRO 10/	4	12	10	(2)	-14.2%
SHELTER PLUS CARE HOMELESS (SRO) 10/	0	0	1	1	NA
SHELTER PLUS CARE HOMELESS (SECT. 202)	0	0	7	7	NA
SUBSIDIZED HOUSING 11/	14,831	16,412	14,244	(2,168)	-13.2%
SUBSIDIZED HOUSING RENEWALS 12/	146	1,499	1,499	0	0.0%
TRANSITIONAL AND SUPPORTIVE HOUSING	57	105	81	(24)	-22.9%
URBAN HOMESTEADING GRANTS	13	14	0	(14)	-100.0%
Total Low Income Housing	17,376	21,529	19,743	(1,785)	-8.3%

	CBO FY 1991 ESTIMATED OUTLAYS	CBO FY 1992 BASELINE OUTLAYS	FY 1992 PROPOSED OUTLAYS	DIFFERENCE FROM BASELINE	PERCENT CHANGE
NUTRITION					
COMMODITY SUPPLEMENTAL FOOD PROGRAM	81	85	85	0	0.1%
FOOD DONATIONS FOR LOW INCOME GROUPS	250	270	264	(6)	-2.2%
TEMPORARY EMERGENCY FOOD ASSISTANCE	170	176	155	(21)	-11.9%
WIC SUPPLEMENTAL FOOD PROGRAM	2,332	2,438	2,561	123	5.0%
Total Nutrition	2,833	2,969	3,065	96	3.2%
HEALTH					
HEALTH CARE SERVICES 13/	1,726	1,900	1,864	(36)	-1.9%
INDIAN HEALTH	1,298	1,470	1,507	37	2.5%
INDIAN HEALTH FACILITIES	120	166	129	(37)	-22.3%
Total Low Income Health	3,144	3,536	3,500	(36)	-1.0%
EMPLOYMENT					
OLDER AMERICANS EMPLOYMENT	369	379	380	1	0.3%
TRAINING & EMPLOYMENT SERVICES	3,958	4,211	4,074	(137)	-3.3%
Total Low Income Employment	4,327	4,590	4,454	(136)	-3.0%
OTHER					
CHILD CARE BLOCK GRANT 14/	29	890	567	(323)	-36.3%
COMMUNITY DEVELOPMENT BLOCK GRANTS	2,996	3,065	3,097	32	1.0%
COMMUNITY SERVICES BLOCK GRANT	417	440	148	(292)	-66.4%
LEGAL SERVICES	326	339	327	(12)	-3.5%
LOW INCOME ENERGY ASSISTANCE 15/	1,685	1,647	909	(738)	-44.8%
REFUGEE ASSISTANCE	405	422	408	(14)	-3.3%
Total Other Low Income Discretionary	5,858	6,803	5,456	(1,347)	-19.8%
TOTAL LOW INCOME DISCRETIONARY	49,374	56,853	53,394	(3,458)	-6.1%
TOTAL ENTITLEMENT AND DISCRETIONARY	162,847	188,310	184,239	(4,071)	-2.2%

Note: Numbers may not add due to rounding. A (0) figure indicates a funding reduction of between $1 and $500,000, while a 0 may indicate an increase of less than $500,000.

1/ For low income entitlement programs, current services levels are those shown in the OMB baseline as published in the Budget of the United States Government. For low income discretionary programs, current service levels are those shown in the Congressional Budget Office's preliminary current services baseline as of January 1991. The baseline estimates how much funding would be necessary to maintain FY 1991 levels with adjustments for inflation from FY 1991 to FY 1992.

2/ See footnote 2 to Table 1.

3/ Technically, funding for Medicaid would fall below the Administration's baseline level due to a shift in accounting of the survey and certification requirements of the Medicaid program into another part of the budget. On the other hand, Medicaid spending would increase by $25 million in FY 1992 as a result of proposed changes in the Medicare to make beneficiaries pay a portion of the costs of laboratory services and a small Administration proposal that would allow states the option of making more pregnant women and infants with high health care costs eligible for Medicaid coverage. After accounting for both of these changes, Medicaid spending in FY 1992 would fall $66 million below the Administration's current services baseline.

4/ Among the programs in this account are Head Start, Child Welfare Services and Runaway and Homeless Youth. Outlay figures were unavailable for these individual programs; as a result, outlay figures for the account are provided.

5/ This account includes special programs for disadvantaged students (TRIOs). Outlay figures just for TRIO's, as opposed to outlay totals for the account, were not available.

6/ Outlays for the housing for the elderly and handicapped program are estimates from HUD budget documents.

7/ For FY 1991, this account provided funds for the development of homeless facilities. In FY 1992, these activities would be accounted for in the new Shelter Plus Care homeless rental housing program. For FY 1992, this account includes funds that were previously directed toward education, job training, mental health care, and drug abuse treatment for homeless persons.

8/ Due to credit reform procedures adopted in the Budget Enforcement Act of 1990, the rural housing insurance fund is now presented in two separate accounts: one displaying the estimated cost of the loan and guarantee portions of the rural housing programs, and the second the costs of ongoing rental assistance.

9/ These programs include domestic farm labor housing, mutual and self-help housing, very low income housing repair grants and rural housing preservation grants.

10/ The budget proposes replacing the existing Section 8 moderate rehabilitation program for single room occupancy units with a new SRO program under the Shelter Plus Care initiative. This will pair the rehabilitation of new SRO units with supportive social services. The outlay level for SRO rehabilitation activities would be reduced from $10 million in FY 1991 to $1 million in FY 1992.

11/ The subsidized housing account includes funds for new construction of public housing, housing vouchers, public housing modernization, and preservation of privately owned but federally subsidized housing projects.

12/ The Department of Housing and Urban Development's estimate of the cost to renew expiring subsidized housing contracts covering Section 8 certificates and vouchers is shown here as the FY 1992 baseline level for this program.

13/ This account includes Community Health Centers, the Infant Mortality Initiative, Health Care for the Homeless, Maternal and Child Health Grants, and Migrant Health Centers, among other programs.

14/ The Administration proposes to make FY 1992 child care block grant funds available in September, 1992. As a result, much of the FY 1992 appropriation would not actually be spent until FY 1993. The CBO baseline assumes that a substantial portion of FY 1992 funds would be spent in FY 1992. Thus, the Administration's proposed FY 1992 outlay level falls well below the CBO baseline.

15/ See footnote 16 to Table 1. The outlay figure for FY 1992 under the Administration's budget request is an estimate derived by the authors.

If you have found this publication useful and would like to receive future Center materials, you may subscribe to the Center's Publication Service by using the form at the right.

Cut along this line

Please enter my subscription as follows:
(PLEASE PRINT)

Name: ______________________________
Organization : ______________________________
____
Address: ______________________________
City/State: ____________________ Zip: ____________
Telephone: (______) ______________________________

______ **Basic Package** - $25 for a one-year subscription. Includes all poverty and income reports and analyses and all budget analyses.

Plus all reports and analyses on:
(Choose One)

______ Labor issues, including employment, unemployment insurance, minimum wage.

______ Hunger and welfare issues, including food and nutrition programs.

______ Low income housing issues, based on major new data being released.

______ **Comprehensive Package** - $40 for a one-year subscription. Includes all poverty and income reports, all budget analyses, and all reports and analyses on all three topics above.

______ My check is enclosed, payable to Center on Budget and Policy Priorities.

______ Please bill me.

Send this form and your payment:

Publications Service
Center on Budget and Policy Priorities
777 N. Capitol Street, N.E., Suite 705
Washington, DC 20002
(202) 408-1080