

Gervais, Pat (LEG)

EXHIBIT 8
DATE Tue Feb 8 2004

From: humserv-l-request@ncsl.org on behalf of Sheri Steisel [sheri.steisel@ncsl.org]
Sent: Monday, February 07, 2005 4:46 PM
To: Humserv-l
Cc: Molly Ramsdell; bird
Subject: President's Proposed FY05 Budget

A First Look at the President's Proposed FY 06 Budget for Human Services Programs

Feb. 7, 2004

Today, President Bush unveiled his FY 06 budget, setting into motion the appropriations process that will end with a federal budget for the fiscal year that begins October 1, 2005 (Federal Fiscal Year 2006). Additional information will be forthcoming as we learn more details and have more time to examine the proposal. Attached is our analysis of the proposed budget, which includes proposed funding levels and legislative proposals that could impact state human services budgets, programs or laws.

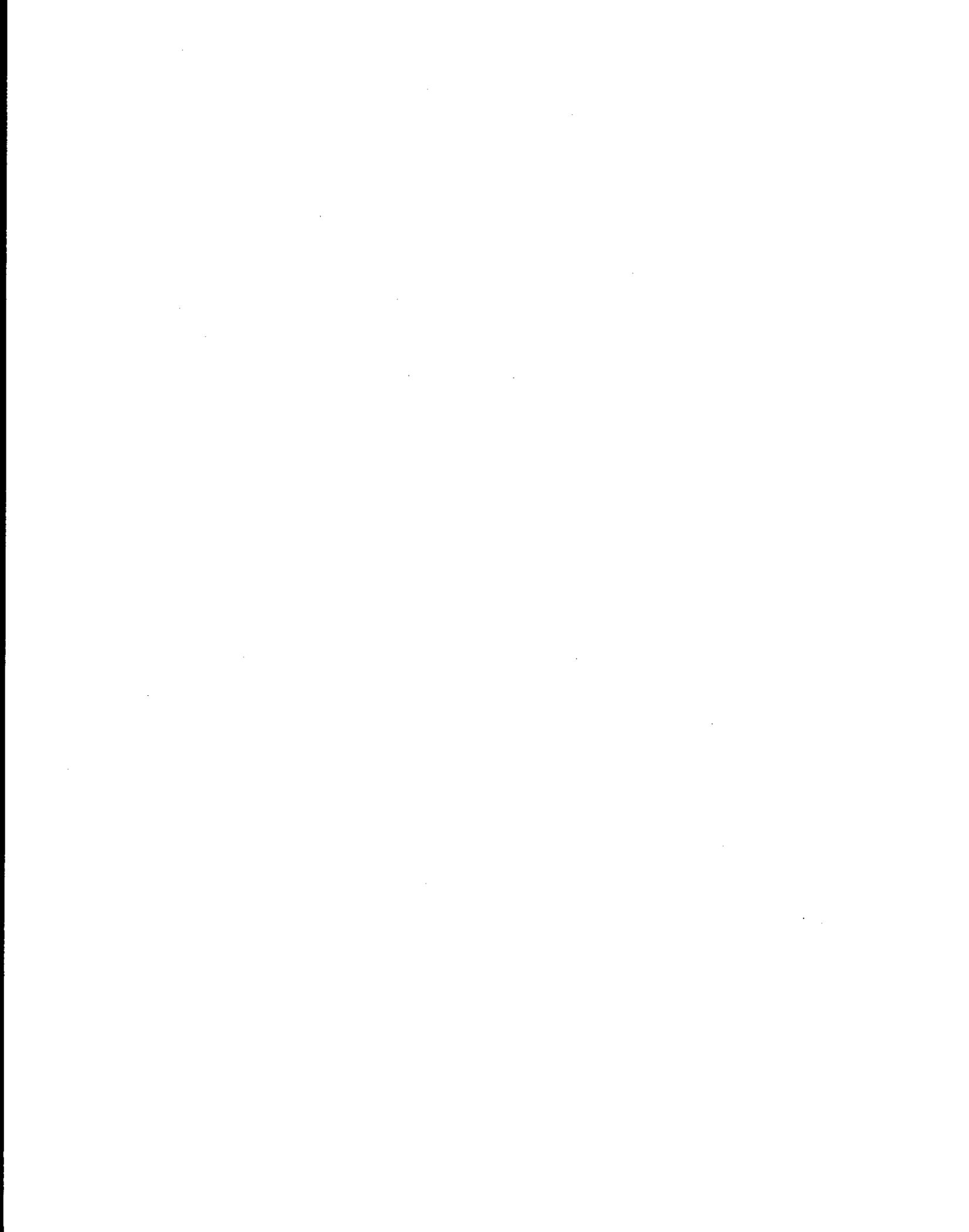
The President's budget assumes that his proposal for welfare reform reauthorization is enacted. The budget does not contain a reduction in TANF block grant funds. In a briefing today, new HHS Secretary Mike Leavitt mentioned that he was "optimistic" about the prospects for welfare reform reauthorization in Congress. In response to a question about an Older Americans Act Program, HHS officials indicated that in this budget environment, "not getting cut is a good deal".

The release of the President's budget is the opening day of the federal budget process, which differs significantly from state budget procedures. In the next weeks, the House and Senate Budget Committees will attempt to craft a budget resolution to guide their spending choices. Expected by April 15, if the budget resolution is adopted in both Houses, it does not require the President signature. While the House and Senate were unable to compromise last year, an agreed upon budget resolution sets targets for both discretionary and mandatory programs. It would provide allocations to the Appropriations Committees for discretionary programs and set the stage for potential cuts and changes to mandatory or entitlement programs through a budget reconciliation bill that would come from committees of jurisdiction (like the Senate Finance and House Ways and Means Committees for most human services entitlement programs). The target date for completion of these decisions is the new fiscal year, which begins on October 1, 2005. However, Congress has rarely met this date and often uses budget extensions during the interim.

While our analysis focuses on proposals for FY2006, it is worth noting that the budget looks at a five year time horizon. On some programs, cuts grow during the out years.

President's proposed FY 2006 budget for the Department of Health and Human Services is now available online at the following weblink: <http://www.hhs.gov/budget/docbudget.htm> HHS Secretary Leavitt's prepared remarks on the budget can be found at: <http://www.hhs.gov/news/speech/2005/050207.html> The overall budget can be found on the White House website at: <http://www.whitehouse.gov/omb/budget/fy2006/> and also at GPO's website at: <http://www.gpoaccess.gov/usbudget/> The Tax proposals by the Department of the Treasury can be found at: <http://www.treas.gov/offices/tax-policy/library/bluebk05.pdf>

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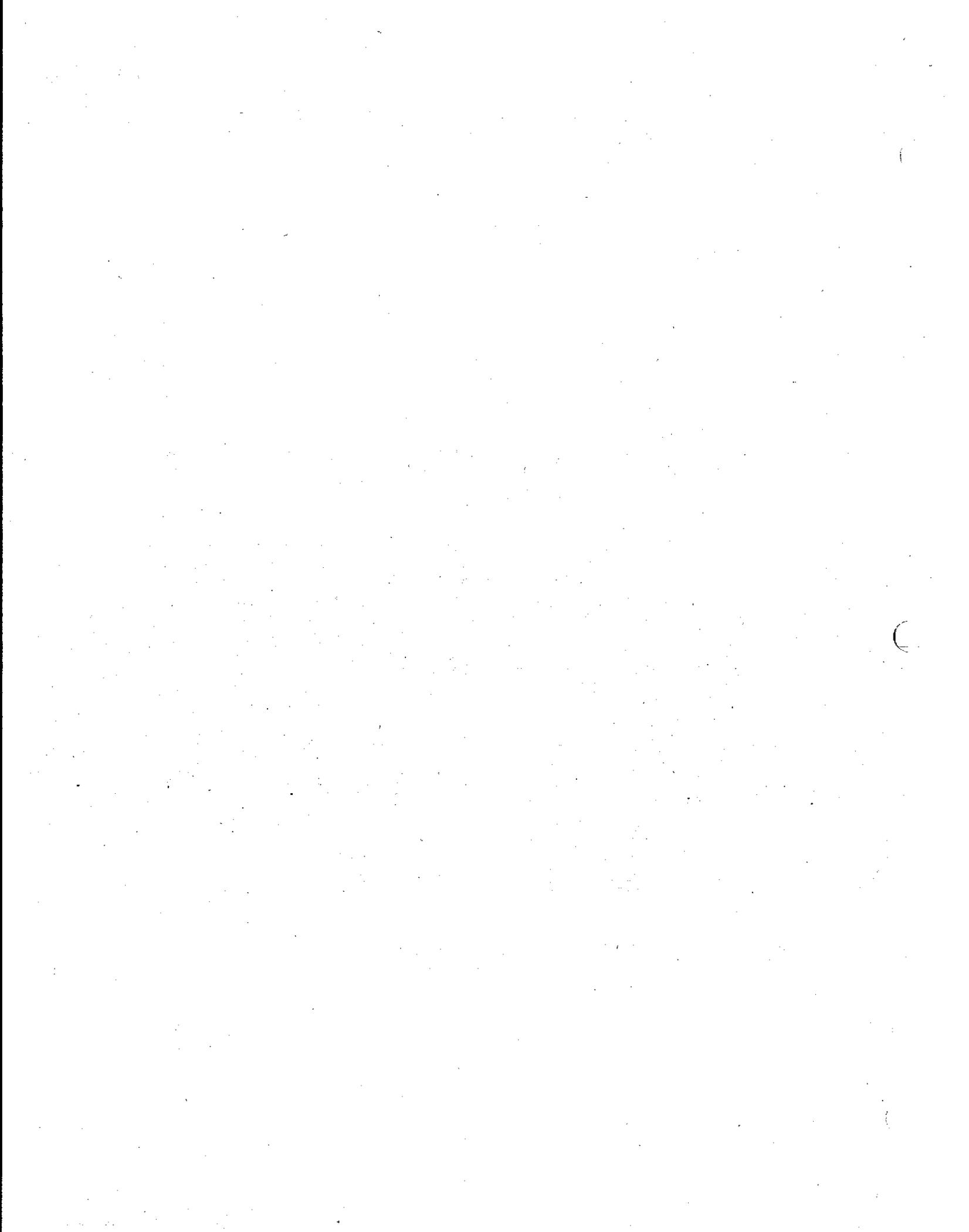
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THE PRESIDENT'S PROPOSED FY 06 BUDGET FOR HUMAN SERVICES PROGRAMS

On February 7, 2005, President Bush unveiled his FY 06 budget, setting into motion the appropriations process that will end with a federal budget for the fiscal year beginning October 1, 2005 (Federal Fiscal Year 2006). This budget holds the growth in overall discretionary spending to 2.1 percent, below the rate of expected inflation, and non-security discretionary spending falls by 1 percent. The President's stated goal is to cut the federal deficit in half by 2009. This document summarizes and provides a first look at key provisions of the FY 2005 proposal for human services programs at the Department of Health and Human Services and the Department of Agriculture.

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)/ WELFARE RELATED

TANF—Welfare Reform

- The budget proposal assumes the President's proposal for welfare reform reauthorization, with implications for several different programs as noted below. The President urges Congress to reauthorize the 1996 welfare reform law. The block grant is funded at the current level as are the TANF supplemental grants. Currently, funding for TANF and related programs is extended through March 31, 2005.
- As in last year's proposal, the bonus to states for reduction of out-of-wedlock births is eliminated and the high performance bonus to states is reduced.

MARRIAGE AND FAMILY FORMATION/FATHERHOOD

Supporting Healthy Marriage

- The marriage initiative continues to envision two funding pools, both funded at \$100 million per year. The President proposes a new competitive matching grant program for states, territories, and tribes to develop innovative approaches to healthy marriage as part of welfare reauthorization, and proposes to fund research and demonstration projects largely focused on family formation and marriage.
- The federal funds for this effort would largely be redirected from the current High Performance Bonus fund in the Temporary Assistance to Needy Families (TANF) program. This would include the entire current bonus to states for reduction of out-of-wedlock births (\$100 million per year), as well as \$100 million from the bonus that currently rewards states for employment and other high performance outcomes in TANF.

Promoting Responsible Fatherhood and Marriage

- The Administration is seeking \$40 million in mandatory funding to assist non-custodial fathers in becoming more involved in the lives of their children. This is a change from last year's proposal as the funding would be an entitlement (mandatory not discretionary).

FAITH-BASED AND COMMUNITY INITIATIVE

Under this heading, the President proposes the fund the following efforts.

Compassion Capitol Fund

- The President is seeking an increase in funding for this program, which awards grants to increase the capacity of charitable organizations and to enhance their ability to provide social services from. Current funding is \$55 million; the President proposes to increase the funding to \$100 million for FY 2006.

Mentoring the Children of Prisoners

- The President is requesting \$50 million for this program (the level of funding for 2005) for FY 2006

Maternity Group Homes

- The budget includes \$10 million for the Maternity Group Homes program, a recently authorized component of the Runaway and Homeless Youth program. This program is not funded for the current fiscal year.

CHILD CARE/EARLY CHILDHOOD

Child Care Development Fund

- The President's budget proposal provides flat funding for FY 2005--\$2.7 billion mandatory and \$2.1 billion in discretionary. No increase is proposed for child care in the President's welfare reform reauthorization plan.

Head Start

- The President's budget includes an increase of \$45 million for Head Start funding for a total of \$6.9 billion. This increase is provided to support nine new state pilot projects to coordinate state preschool programs, federal child care grants, and Head Start into a comprehensive system of early childhood programs.
- Even Start, housed at the Department of Education, is intended to improve educational opportunities for children and their parents in low-income areas by integrating early childhood education, adult education, and parenting education programs. The Administration's budget proposal zeros out this \$269 million program.

Early Learning Opportunities Fund

- The Administration proposes to reduce funding for this program. Currently, the program is funded at \$36 million; the President proposes funding the program at \$6 million. The FY 05 funding for this program was \$34 million.

SOCIAL SERVICES BLOCK GRANT (SSBG)

- This program would be level funded at \$1.7 billion. The budget would allow states to transfer 10% of their TANF grant into the SSBG. Currently, that amount is limited to 4.25% by statute but appropriators have maintained the transferability at the higher level.

MEDICAID PROPOSALS THAT IMPACT OTHER HUMAN SERVICES PROGRAMS

Transitional Medical Assistance

- Transitional Medical Assistance allows families to remain eligible for Medicaid for up to 12 months after they transition from welfare cash assistance to work. Congress previously extended the program through March 31, 2006; this proposal would extend TMA benefits through September of 2006. The President's budget also includes eligibility simplifications.

Targeted Case Management

- The budget proposes to clarify which services may be claimed under targeted case management and to lower the reimbursement rate for targeted case management services to the Medicaid administrative matching rate of 50%. These options would save the federal government \$129 million on FY 2006 and \$3.1 billion over five years.
- Some states have been using targeted case management dollars in their child welfare systems. The budget expresses the Administration concern that states are shifting costs in Medicaid that are the obligation of other programs and using expanded definitions. As an administrative cost, targeted case management would then be subject to the Medicaid proposal's administrative cost containment requirements.

FOOD AND NUTRITION PROGRAMS

Food Stamps

- The budget anticipates an increase of 2.7 million recipients, 10% above 2005 estimates. The Food Stamp program is funded at \$37.5 billion.
- The budget proposes a \$57 million cut in the Food Stamp program by limiting categorical eligibility to recipients of TANF cash assistance and SSI. This cut would affect the 11 states that currently take advantage of an option to provide categorical eligibility to recipients of all TANF-funded programs, including services such as child care. This change in eligibility would result in a \$560 million cut over 5 years and would effect 220,000 households. The eleven states are Delaware, Maine, Maryland, Massachusetts, Michigan, North Dakota, Oregon, South Carolina, Texas, Washington, and Wisconsin.
- The budget anticipates \$8 million over 5 year savings in the Food Stamp program by allowing states to utilize the National Directory of New Hires to verify Food Stamp participants' employment and wage information. This savings is realized at a rate of \$2 million per year, beginning in FY07.
- The budget continues to exclude combat-related military pay when determining food stamp benefits for members of the armed forces. This is funded at the FY05 level of \$1 million.
- The budget continues to allow for a \$3 billion contingency reserve to cover unanticipated increased participation.

Child Nutrition

- The budget funds the Child Nutrition programs at \$12.9 billion, a level that will support anticipated participation increases, including changes to the program enacted in the Child Nutrition Reauthorization Act of 2004.
- The budget designates \$4 million to help ensure that payments in the Child and Adult Care Food Program are correctly made.
- The budget fully funds the WIC program at \$5.6 billion. In addition, it makes \$125 million available in a contingency fund. It designates funds for a new breast-feeding initiative and provides for a cost-containment study. According to budget documents, there will be several legislative proposals: to cap administrative spending at 25% and, to exclude WIC benefits from a person receiving Medicaid or a person in a household that receives Medicaid unless the household's income is less than 250% of poverty.

Other Nutrition Programs

- The Community Food and Nutrition Program, previously administered in HHS, will now be administered from the Commerce Department.
- The budget proposes to cut funding for the Commodity Supplemental Food Program by \$3 million.
- The Emergency Food Assistance Program, Seniors Farmers' Market Program, and Farmers' Market Nutrition Program are all funded at FY05 levels.
- The budget requests \$141 million for Nutrition Programs Administration.

IMMIGRANTS AND REFUGEES

Refugees

- The budget includes \$65 million to extend SSI eligibility to refugees and asylees to eight years after entry. The 1996 welfare reform law limited SSI eligibility to refugees and asylees to seven years after entry. The backlog in citizenship applications causes many refugees and asylees to lose eligibility to SSI prior to becoming citizens. Extending SSI eligibility for an additional year will help many elderly and disabled immigrants receive necessary SSI assistance.
- The President's budget request for the Office of Refugee Resettlement is \$489 million, an increase of \$59 million over FY2005.
- The Unaccompanied Alien Children request is \$63 million, \$9 million more than FY2005.
- The President's 2006 request for Migration and Refugee Assistance is \$892,770, which is an increase from the FY05 level of \$763,840.

Immigrants

- The budget contains a \$6 million cut in funding for immigration examination fees. This will likely result in an increase in examination fees.

ABSTINENCE EDUCATION

The budget increases funding for Abstinence Education activities by \$39 million, for a total of \$206 million. Of this total, the Administration for Children and Families at the Department of Health and Human Services will administer \$193 million through two programs—the Community-Based Abstinence Education Program and the Abstinence Based Education Grants to States.

COMMUNITY SERVICES

The budget does not include funding for the Community Services Block Grant (CSBG), funded at \$637 million in FY 2005, and a number of smaller community services programs. These programs are Community Economic Development, Rural Community Facilities, Community Food and Nutrition, Job Opportunities for Low-Income Individuals, and National Youth Sports. The Administration proposes to focus economic and community development activities through a more targeted and unified program to be administered by the Department of Commerce.

INDIVIDUAL DEVELOPMENT ACCOUNTS

The budget proposes level funding of \$25 million for Individual Development Accounts

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

The President proposes a regular appropriation for LIHEAP of \$1.8 billion in formula block grants and \$200 million for contingency funds to be released in a heating or cooling emergency. The FY 05 contingency funding is \$297 million.

CHILD WELFARE/FOSTER CARE

- The HHS budget documents state that it is a "high priority" of the department to pursue congressional passage of the Child Welfare Program Option. This proposal was made last year, but was not introduced as legislation. The Administration is proposing that states have the option to receive a fixed sum of money for IV-E in return for the ability to use foster care funds more flexibly. Again, this is a legislative proposal that will need action outside of the budget process.
- Another legislative proposal contained in the budget would make a statute change regarding the process of determining title IV-E (foster care) eligibility. On March 3, 2003, the Court of Appeals for the 9th Circuit held in *Rosales v. Thompson* that a child living with an interim caregiver would be eligible for title IV-E foster care even though the child would not have been eligible in the home from which the child was legally removed. This decision contravened HHS's long-standing interpretation of the Social Security Act, which is that eligibility is based on the home from which the child was removed. As a result of the ruling, states in the 9th Circuit would presumably have more children eligible for IV-E funding. HHS will seek to avoid this by amending the statute.

Preserving Safe and Stable Families

- The President's budget includes this program at \$305 million in mandatory funding and \$105 in discretionary spending.

Independent Living

- The President is asking for \$60 million in vouchers for college or vocational training for foster care youth ages 16-21. Those grants are currently funded at \$47 million. The budget request for the Independent Living Program is \$140 million, the same as FY 05.

Adoption Incentives

- The President is requesting \$32 million for the adoption incentives program, the current level of funding.

CHILD SUPPORT ENFORCEMENT

The budget includes previously advanced child support legislative proposals. Those include federal cost sharing to allow states to pass through and disregard child support for TANF families, and simplification of distribution rules for former TANF families. The President continues to propose enforcement tools including lowering the threshold for denying passports to noncustodial parents to \$2,500, review and adjustment of child support orders every three years, required intercept of gambling proceeds and a mandatory \$25 fee for non-welfare (non-IV-D) child support cases.

The President's budget includes new proposals intended to improve the establishment of medical support for children without health insurance in the child support enforcement system. Health care plan administrators would have to notify the IV-D administration when a child loses health coverage. Also, IV-D agencies would be required to seek medical support for children through health insurance available to either parent. (This last proposal is considered a cost savings to the Medicaid program of \$15 million over five years).

The National Directory of New Hires is proposed to be accessible to two new departments, the U.S. Department of Agriculture for the food stamp program and the Internal Revenue Service as a means of combating fraud.

SOCIAL SECURITY DISABILITY AND SUPPLEMENTAL SECURITY INCOME

Disability Determination Proposal

- The budget includes a management improvement initiative that would establish a standard for accuracy in the SSI disability awards identical to the one in the Social Security Disability Insurance Program. This program would save the Medicaid program \$2 million in FY 2006, and \$113 million over five years.

SSI for Certain Refugees

- The budget includes \$65 million to extend SSI eligibility to refugees and asylees to eight years after entry. The 1996 welfare reform law limited SSI eligibility to refugees and asylees to 7 years after entry. The backlog in citizenship applications causes many refugees and asylees to lose eligibility to SSI prior to becoming citizens. Extending SSI eligibility for an additional year will help many elderly and disabled immigrants receive necessary SSI assistance.

We will do additional updates on the President's proposals as we learn more.

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