



Michigan League FOR Human Services

February 22, 2007

President s 2008 Budget Reflects Wrong Priorities for Michigan and the Country

On February 5, President Bush released his proposed \$2.9 trillion budget for federal fiscal year 2008. This budget, which calls for sizeable reductions in domestic discretionary spending, would weaken a broad range of government services important to Michigan residents, particularly those who are poor and low-income. Some programs that help large numbers of low-income Michigan residents would be eliminated entirely, while others would be cut deeply over the next five years.

The budget shifts billions of dollars in costs to Michigan and other states, forcing them to either raise taxes to compensate for the lost federal funds or scale back key public services. These federal reductions would begin in federal fiscal year 2008 (which begins on October 1, 2007), when discretionary programs as a whole would be funded well under the level for fiscal year 2007, adjusted for inflation. By fiscal year 2012, the proposed cuts would total \$114 billion below the 2007 funding level, adjusted for inflation.

Under the President s budget, a millionaire would receive \$162,000 in 2012 alone (and nearly that much in each of the four preceding years as well) in the form of tax cuts, while many low- and moderate-income families could end up losing child care assistance, home heating assistance, and other needed help. Consequently, even as the budget would pass costs on to states, it would worsen the federal government s budgetary situation because the tax cuts cost much more than the program cuts would save.

Following is a summary of the consequences the budget would have for Michigan, based on a report released this week by the Center on Budget and Policy Priorities.

Child care: The Child Care and Development Block Grant (CCDBG) helps states assist low-income working parents with child care, thus helping them to stay employed. The budget would cut Michigan s funding through this grant by \$1.1 million in 2008, and by \$13 million over the next five years.¹ Federal child care funding currently stands well below its 2002 levels (after adjusting for inflation), and many children in Michigan currently eligible for child care assistance under federal rules do not receive it due to funding shortages. The proposed cuts would only worsen this problem. The Administration s own data show that the proposed funding levels would cause the number of children nationwide who receive child care assistance to fall from 2.45 million in 2002 to 2 million in 2010.

1115 SOUTH PENNSYLVANIA AVENUE • SUITE 202 • LANSING, MICHIGAN 48912

• 517.487.5436/PHONE • 517.371.4546/FAX • WWW.MILHS.ORG

A UNITED WAY AGENCY

¹ All five-year figures in this report are adjusted for inflation using the 2007 funding level as a baseline.

- **Heating and energy assistance:** The Low Income Home Energy Assistance Program (LIHEAP) provides funding to states to help vulnerable low-income and elderly residents pay their home heating bills. Most households that receive LIHEAP include someone who is elderly or a person with disabilities. The budget would cut Michigan's funding for this program by \$24 million in 2008, and by \$136 million over the next five years compared to the 2007 level adjusted for inflation. The increase in energy prices over the past few years has made this program more important than ever. Yet the President's budget could result in a loss of heating assistance for up to 84,200 low-income Michigan residents in 2008.
- **Food assistance for the elderly:** The Commodity Supplemental Food Program provides nutritional food packages to 73,900 low-income elderly Michigan residents per month, more than a third of whom are over age 75. The President's budget completely eliminates this program. Because Michigan's structural deficit would make it difficult or impossible to use state funds to keep this program operating, these elderly Michigan residents will likely see their food packages discontinued.
- **Nutrition:** The special Supplemental Nutrition Program for Women, Infants and Children (WIC) provides vouchers for nutritious food for low-income pregnant women and women with children. While the budget slightly increases the amount of funding to Michigan for this program in 2008 (\$2.3 million), Michigan would see a net loss of \$17.3 million in funding over the next five years. This would result in a potential loss of WIC benefits for 9,500 participants during that time.
- **Social services:** Social Services Block Grant (SSBG) funds enable states to furnish social services best suited to meet the needs of the individuals residing within the state. In Michigan, SSBG funds are used to help fund adoption services, child care, adult and child foster care services, protective services for children and adults, residential treatment services, services for at-risk youth, and migrant services. Michigan's grant would drop to \$40.7 million in 2008, down from \$58.6 million in 2006 (not adjusted for inflation).
- **Community services:** The Community Services Block Grant (CSBG) provides funds to community action agencies that support a wide range of services, including emergency housing, housing assistance, domestic violence services, and other services for underserved populations. The budget would reduce Michigan's grant by between \$23.6 million in 2008, and by \$122.4 million over the next five years.
- **Head Start:** The Head Start program has been very effective for more than three decades in helping low-income and poor children prepare for school. This budget would cut Michigan's Head Start funding by \$7.9 million in 2008, and by \$86 million over the next five years. These cuts would come on top of cuts already made to the program. After adjusting for inflation, funding in 2008 under this budget is 10.8 percent lower than in 2002. This loss in funding since 2002 means that Head Start programs in Michigan would get \$28.2 million less in 2008 than would be the case if funding had kept pace with inflation.

Faced with these funding cuts, Michigan's Head Start programs have several choices. They can serve fewer children; cut back on teachers' salaries, classroom materials, and the specialized services they provide to children; or they can try to raise money from other

sources. If Michigan continues to spend the same amount per child as it spent in 2002 (adjusted for inflation), the federal funding the state would receive in 2008 would serve 3,800 fewer children than in 2002.

- **K-12 education:** The President's proposals would take back much of the additional funding Congress provided to help states implement the federal No Child Left Behind law, resulting in a cut to Michigan's K-12 education funding of \$221 million over the next five years. Nationally, K-12 education funding would be \$6.3 billion lower in 2012 than it would be if funding were at the 2003 level and adjusted for inflation.
- **Vocational and adult education:** Investment in education and training for underskilled adults is a proven strategy for helping workers and their families overcome poverty and increase their job security. Despite this, the President's budget would cut funding for such training by \$4.5 billion over the next five years. Michigan would lose \$27.5 million in vocational and adult training funds in 2008, and \$149 million over the next five years.
- **Community development:** The Community Development Block Grant (CDBG) helps fund a broad range of community development activities in Michigan and other states, including housing and homelessness programs, improvements to public facilities such as senior and youth centers, and economic development. The President's budget would cut Michigan's community development funding by \$27 million in 2008, and by \$160 million over the next five years. Although CDBG already has seen substantial funding cuts in recent years, the President's budget would slash it by an additional 21 percent in 2008, and by a larger amount in subsequent years.
- **Public housing:** The Public Housing Capital Fund supports improvements to and maintenance of public housing. Under the President's budget, Michigan would lose \$8.9 million in funding for this program in 2008, and \$47.7 million in funding over the next five years.
- **Law enforcement:** The Justice Assistance Grant supports a wide range of law enforcement activities, including crime prevention and corrections. The State Criminal Alien Assistance Program helps offset the cost of incarcerating undocumented immigrants. The President's budget would replace these two formula grant programs, along with several related programs, with two much smaller competitive grant programs that would receive only about half the funding of the programs they replace. Furthermore, while some states would qualify for funding under the new programs, there is no way to know how the funds would be distributed. This change will cost Michigan \$18 million in guaranteed funding in 2008, and \$94 million in guaranteed funding over the next five years.
- **Clean and safe drinking water:** The Environmental Protection Agency's Clean Water/Drinking Water State Revolving Funds provide loans to states for construction of wastewater treatment facilities, improvement of drinking water infrastructure, and enhancement of water quality. The President's budget would cut Michigan's funding by \$18.9 million in 2008, and by \$111.2 million over the next five years. After adjusting for inflation, these funds would be 40 percent smaller in 2008 than in 2001.

In addition to the proposals in the President's budget, Congress faces important decisions this year about other programs as well. The Food Stamp Program and the State Children's Health Insurance Program (SCHIP) are both up for renewal in 2007, and the Michigan League for Human Services has urged Congress to strengthen these highly successful programs. While food stamps have made major inroads against hunger and malnutrition in this country, food stamp benefits often are not enough for a family to afford a nutritious diet, and many people who need help are not eligible. Similarly, while SCHIP has helped reduce the share of low-income children who are uninsured, states will need additional funds in coming years to maintain their SCHIP programs and cover more of the uninsured.

Michigan stands to lose much in the President's 2008 budget. Many of the state's families are in need, and these federal reductions mean that Michigan must either replace the funds out of its own budget or deny help to families and individuals who need it.