



February 7, 2006

To: State Human Service Administrators

Re: Highlights of President Bush's FY 2007 Budget Proposal;  
Conference Call Wednesday Feb. 8, 2:00 p.m. Eastern

This memorandum contains a summary of the health, social service, employment and training, and food and nutrition provisions contained in President Bush's fiscal year (FY) 2007 budget proposal released February 6.

The administration's FY 2007 budget totals \$2.77 trillion and proposes significant reductions to federal entitlements, such as Medicare, and would achieve \$14.5 billion in savings by eliminating 141 federal programs. In addition to the Medicare program reductions, totaling more than \$35.9 billion, the FY 2007 budget would also reduce federal funding for Medicaid through a number of statutory and regulatory actions. The budget sets forth a number of proposals advanced in previous budgets.

With respect to Medicaid, the FY 2007 administration's budget would achieve savings by limiting provider taxes, reducing Medicaid administrative costs, cutting the match rate for targeted case management services to 50%, restricting payments to government providers, and regulating DSH and rehabilitation services. In addition to Medicaid, the FY 2007 budget proposal would cut funding for the Social Services Block Grant by \$500 million; and, eliminate the Community Services Block Grant and the Preventive Health Block Grants. As in prior years, the budget proposes an option for states to receive capped foster care funding under a flexible funding proposal; restricts categorical eligibility for food stamps; and consolidates federal job training programs under the WIA program structure.

You should also note that throughout the FY 2007 budget, there are references to the new changes approved by Congress in the recently approved Deficit Reduction Act that makes significant changes to Medicaid, child support, child welfare, TANF, and child care.

## **CHILD CARE, EARLY LEARNING, AND EDUCATION**

### **Child Care and Development Fund**

The administration's FY 2007 budget would maintain the Child Care and Development Fund (CCDF) at the same level as FY 2006. The budget would provide \$2.917 billion in mandatory funds for FY 2007. The proposal also includes \$2.062 billion in discretionary funds, maintaining the 1 percent reduction in discretionary funding enacted in FY 2006. The budget would earmark \$18.78 million for resource and referral and school-aged child care activities; \$98.21 million for infant and toddler quality activities; \$169.58 million for general child care quality enhancement; and \$9.82 million for research and evaluation.

### **Head Start**

The budget requests \$6.786 billion in FY 2007 funding for Head Start. This maintains the 1 percent decrease in funding enacted in FY 2006.

### **Early Learning Opportunities Act Funds**

The administration requested no funding for the Early Learning Fund, which also received no funding in FY 2006. This program provided grants to local councils for the development or enhancement of voluntary early learning programs.

### **21<sup>st</sup> Century Community Learning Centers**

The administration has requested \$981 million for the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) after-school programs. This is equal to FY 2006 program funding, inclusive of the 1 percent reduction in funding.

### **Early Reading First**

The budget requests \$103 million for Early Reading First grants to school districts and non-profit agencies for programs designed to enhance the pre-reading skills of children from birth to age 5 in low-income communities, the same as in FY 2006.

### **Ready-To-Learn Television**

The administration's proposal includes \$24 million for Ready-To-Learn Television, the same as in FY 2006. This program develops educational programming to promote school readiness.

### **Early Childhood Educator Professional Development Grants**

The budget maintains funding for Early Childhood Educator Professional Development grants at \$14.5 million. The program provides grants to support training for preschool and other early childhood educators.

### **Even Start**

The budget would eliminate funding for Even Start, which was funded at \$99 million in FY 2006. Even Start programs integrate early education, adult education, and parenting education into family literacy programs. The administration states that Even Start program evaluations have shown that participants do not make significant gains in literacy skills and that other

programs, such as Early Reading First, are better able to achieve the administration's literacy goals.

### **Individuals with Disabilities Education Act (IDEA) Grants**

The administration's budget would decrease IDEA Part B grants from a FY 2006 level of \$10.583 billion to a FY 2007 level of \$9.893 billion, a decrease of \$691 million. These are grants to states to provide special education and related services to children ages 3 through 21. The administration has requested funding at \$381 million, the same level as FY 2006, for Preschool Grants that provide funds to states to assist in providing special education and related services to children with disabilities from ages 3 through 5. The administration has also requested level funding for Grants for Infants and Families (\$436 million) for FY 2006. These grants are provided to states to implement statewide systems of coordinated, comprehensive, multidisciplinary interagency programs to provide early intervention services to children with disabilities from birth through age 2.

### **Vocational Education State Grants**

The administration's proposal would eliminate Vocational Education State Grants. According to the administration, this \$1.2 billion program was rated Ineffective under the Program Assessment Rating Tool (PART). The budget proposal indicates that states will be able to use new High School Reform grants to fund vocational educational services.

### **High School Reform**

The administration is proposing a \$1.475 billion initiative in FY 2007 to provide formula grants to states to implement strategies designed to meet the needs of at-risk high school students and hold high schools accountable for providing high-quality education to their students. The new program can include: (1) programs that combine rigorous academic courses with vocational and technical training; (2) research-based dropout prevention programs; (3) technology-based assessments to closely monitor student progress; and (4) programs that identify at-risk middle school students for assistance that will prepare them to succeed in high school and to enter postsecondary education.

## **CHILD SUPPORT**

### **Funding and policy proposals**

The budget's Child Support proposal incorporates changes made as part of the Deficit Reduction Act passed by Congress last week. It also includes a list of additional proposals from past legislation including the following: (1) Require health care plan administrators to notify the IV-D agency when a child loses health coverage; (2) Federal seizure of accounts in multi-state financial institutions; (3) Require intercept of gambling proceeds; (4) Provide for garnishment of Longshoreman and Harbor Worker's Compensation Act benefits; (5) Increase funding for access to visitation grants; (6) Authorize direct tribal access to the Federal Parent Locator Service; (7) Authorize contractors and IV-D tribes to access tax offset data; and (8) Give states the ability to collect past-due child support by withholding a limited amount of Old-Age, Survivors, and Disability Insurance (OASDI) payments from beneficiaries, if appropriate. The budget also assumes the scheduled increase in State Incentive Grants to \$471 million.

### **Interactions with other programs**

The budget has a provision within the Medicaid section on “Strengthening Third-Party Liability” that would allow states to avoid costs for prenatal and preventative pediatric care claims where a third party is responsible through a non-custodial parent’s obligation to provide coverage for a limited time.

## **CHILD WELFARE**

### **Foster Care Funding Option**

Consistent with the administration’s FY 2004, 2005, and 2006 budget proposals, the FY 2007 budget again seeks legislation to allow states to choose an alternative funding scheme for foster care. States choosing to participate would receive funds in the form of flexible grants. A goal of the program would be to act as an incentive to create innovative child welfare plans with a strong emphasis on prevention and family support. Participating states would face fewer administrative burdens, but would still be required to uphold the child protections outlined in the Adoption and Safe Families Act, agree to maintain existing levels of state investment in child welfare programs (maintenance of effort), and continue to participate in the Child and Family Services Reviews. The proposal would provide access to the TANF Contingency Fund, from which states could receive additional funding under certain circumstances if a severe foster care crisis were to arise. A \$30 million set-aside would be available for Indian tribes, and a one-third of 1 percent set-aside would be available for monitoring and technical assistance of state foster care programs. The federal cost for this program option is projected to be \$22 million in FY 2007 and is expected to produce a savings to the federal government of \$6 million over five years.

### **District of Columbia Foster Care and Adoption Assistance Match Rate**

The administration’s budget proposes to bring the Title IV-E reimbursement rate for the District of Columbia to the same level as the Medicaid rate. The projected cost is expected to be \$5 million in FY 2007 and \$29 million over five years.

### **Promoting Safe and Stable Families**

The budget proposes funding the Promoting Safe and Stable Families (PSSF) program at \$434 million. The mandatory funding would remain at the FY 2006 level of \$345 million, while the discretionary funding request of \$89 million maintains the FY 2006 1 percent across-the-board cut in discretionary funding and is a \$16 million decrease from last year’s request. An additional \$20 million is included for FY 2007 for strengthening courts grant funds.

### **Children and Family Services Discretionary Programs**

The budget provides level funding for the Child Abuse Prevention and Treatment Act (CAPTA) at \$27 million, the Abandoned Infants Assistance program at \$12 million, and the Adoption Opportunities program at \$27 million. The Community-Based Child Abuse Prevention (CBCAP) program funding is decreased by \$1 million to \$42 million. The FY 2007 budget requests \$30 million for Adoption Incentive Bonus payments to states, a \$2 million decrease from last year’s request and a \$13 million decrease from the amount authorized by Congress.

### **Foster Care, Adoption Assistance, and Independent Living Programs**

The budget requests \$4.757 billion for the Title IV-E foster care program in FY 2007, an increase from the \$4.685 billion in last year's request. The amount is expected to support an average of 231,000 children in out-of-home placement per month. The budget requests \$2.044 billion for the Title IV-E adoption assistance program, which is an increase over last year's \$1.795 billion request and is projected to support an average of 420,100 special-needs children per month. Level funding is requested for the John H. Chafee Foster Care Independence program (formerly the Independent Living Program) at \$140 million, while there is a decrease for the Education and Training Voucher (ETV) program for youth aging out of foster care to \$46 million, in contrast to last year's \$60 million request.

### **AdoptUSKids**

The budget includes level funding in the amount of \$13 million for the Adoption Awareness program to recruit foster and adoptive parents. The national AdoptUSKids public service campaign to support this effort was launched in spring 2004. The administration has set a goal of recruiting 35,000 new foster and adoptive parents by 2008.

## **FOOD AND NUTRITION**

### **Food Stamp Funding**

The administration's FY 2007 budget for the Food Stamp Program (FSP) requests \$37.935 billion, compared to \$35.996 billion in FY 2006. The request assumes a FSP caseload level of 25.9 million. Although that figure is below the estimated FY 2006 caseload of 26.9 million, the U.S. Department of Agriculture (USDA) notes that last year's figures were inflated due to the 2005 hurricane disasters. The budget includes \$2.608 billion in federal matching funds for state administration, up from the FY 2006 figure of \$2.481 billion. It also includes \$1.559 billion for Puerto Rico's Nutrition Assistance Program, which was funded at \$1.516 billion last year.

The budget also proposes achievement of a payment accuracy rate of 94.2 percent in FY 2007 (an error rate of 5.8 percent). The program achieved a 5.88 percent error rate in FY 2004, the latest year for which error figures are available. The document also proposes that the program receive a new name, although it does not specify a name.

### **Cut in Categorical Eligibility**

The FY 2007 budget repeats a proposal from FY 2006, a change in current FSP categorical eligibility policy under which states could choose this option only for recipients of TANF cash assistance and Supplement Security Income. Current options allow states to extend categorical eligibility to those who also receive certain TANF non-cash benefits, for example child care benefits and employment support services. The restriction would primarily affect recipients in 11 states: Delaware, Maine, Maryland, Massachusetts, Michigan, North Dakota, Oregon, South Carolina, Texas, Washington, and Wisconsin. Those losing eligibility would no longer qualify because they would be above the normal asset test limit. The proposal would save \$76 million in FY 2007 and a five-year total of \$706 million through FY 2011.

### **Proposal to Transition Former CSFP Recipients into the FSP**

The FY 2007 budget proposes to terminate the Commodity Supplement Food Program (CSFP). The CSFP provides food packages to about 450,000 persons monthly, primarily those age 60 and over but also including low-income pregnant and post-partum women, infants, and children up to age 6. It operates in parts of 32 states, the District of Columbia, and two Indian reservations, and has the highest caseloads in Louisiana, Michigan, California, and New York. The budget states that the program is not needed since current CSFP recipients can qualify for other programs, specifically the FSP and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). CSFP recipients age 60 and older would be eligible to receive FSP benefits equaling \$20 per month up to six months until they are determined eligible for the regular program. The budget does not address the administrative methodology that would be used for these individuals to receive the \$20 benefit before they could apply for and receive regular FSP benefits. According to USDA officials, those details will be worked out later, and the budget has \$2 million earmarked for the transition's administrative costs. The budget also includes \$18 million to fund the transitional FSP benefits for this group.

#### **Exclusion of Retirement Accounts; Use of National Directory of New Hires**

The budget proposes two other FSP changes. One would exclude all retirement accounts when determining program eligibility; currently in most states, some retirement savings such as Individual Retirement Accounts can disqualify a household. The proposal would cost \$47 million in FY 2007 and a total of \$589 million over five years. The proposal would implement this policy nationwide; it is already used in certain states that exclude these accounts under their TANF programs and that have adopted an FSP option to extend those TANF policies to the FSP.

The other proposal, repeated from last year, would allow FSP agencies access to the National Directory of New Hires (NDNH) data base to match information with program applications and reports. The NDNH proposal would save \$4 million over five years.

#### **Child Nutrition Programs**

The FY 2006 budget requests \$13.645 billion for child nutrition programs, up from the 2006 request of \$12.9 billion. These programs include school lunch, school breakfast, and summer food programs, as well as the Child and Adult Care Food Programs (CACFP). The administration is asking for \$5.361 billion for WIC, compared to \$5.257 billion requested in FY 2006. The budget proposes that WIC administrative costs be capped at 25 percent of the benefit grant amount.

#### **Program administration**

The budget requests \$160.4 million for program administration spending by the Food and Nutrition Service, up from the \$141 million figure requested last year. The increases are requested to enhance FSP program integrity; upgrade and integrate FNS financial management systems; expand and improve nutrition education and obesity prevention efforts; and increased research and analytical activities.

## **INDIVIDUALS WITH DISABILITIES**

### **The Ticket to Work and Work Incentives Improvement Act**

The Ticket to Work and Work Incentives Improvement Act of 1999 authorized two grant programs designed to assist states in developing services and supports to aid the competitive employment of people with disabilities by extending Medicaid coverage to these individuals. The Medicaid Infrastructure grants are funded through FY 2011 under Section 203. Section 204 of the act provides for the Demonstration to Maintain Independence and Employment. The FY 2007 budget proposes \$42 million for Ticket to Work grants, a decrease from the \$82 million FY 2006 estimate. The decrease results from no newly appropriated Ticket to Work demonstration funds for FY 2007; all demonstration funds from the Ticket to Work and Work Incentives Improvement Act have already been allotted.

### **Disability Freedom Account Demonstration Project**

The budget proposes a Social Security Administration (SSA) initiative, the Disability Freedom Account demonstration project, for FY 2007 to help disabled Supplemental Security Income (SSI) beneficiaries save more money to pay for their first home, education, or other services needed to get back to work, or for assistive technologies to make their lives easier. The demonstration will waive current SSI asset limits for these individuals. Some SSI recipients who also receive Medicaid and self-direct their long-term care support services may also be eligible to participate in this demonstration. No specific budget numbers are available for this demonstration.

### **National Benefit Offset Demonstration**

The FY 2007 budget also proposes for SSA to implement the National Benefit Offset Demonstration, which will test the effects of allowing Disability Insurance (DI) beneficiaries to work without losing benefits by reducing monthly benefits by one dollar for every two dollars of earnings above \$830 per month (the substantial gainful activity level). Within this demonstration, SSA will also test an early intervention model in which SSA will provide cash and medical benefits to disability applicants with certain impairments that are presumed disabling and who elect to pursue work rather than proceed through the disability determination process.

The administration also proposed other SSA changes related to the Ticket to Work and Work Incentives Improvement Act, including offering enriched payments to service providers and allowing disability beneficiaries with medical conditions likely to improve to participate in the program. Specific budget numbers are not currently available for these proposals.

### **Chronically Ill Grants**

The FY 2007 budget proposes a new \$500 million initiative to fund state demonstrations on innovative policies promoting health coverage for the chronically ill.

### **Developmental Disabilities**

The Administration for Children and Families (ACF) included in its proposal \$155 million in discretionary funds for programs supporting partnerships among state governments, local communities, and private groups to assist in increasing independence, productivity, inclusion, and integration for individuals with developmental disabilities.

### **Disabled Voter Service**

ACF proposes \$16 million in discretionary funding to support the Disabled Voter Service grant program for FY 2007. The grant program provides money to states to improve voter access to individuals with disabilities.

### **Special Education State grants**

The administration requested about \$10.7 billion for Special Education grants to states for FY 2007. This includes \$48.9 million for technical assistance and dissemination of materials and knowledge gained through research and practice.

The FY 2007 budget eliminated \$50 million in funding for state personnel development grants to improve outcomes for children with disabilities. It did include \$89.7 million for personnel preparation to improve service delivery to help individuals with disabilities succeed educationally.

### **Special Education –Vocational Rehabilitation Transition Initiative**

The administration also included a new \$2 million proposal for a Special Education – Vocational Rehabilitation Transition Initiative, to improve high school graduation rates and post-graduation outcomes for individuals with disabilities. This program would be carried out under the authority of Section 663 of the Individuals with Disabilities Education Act (IDEA).

### **Vocational Rehabilitation State Grants**

The FY 2007 funding request to states is just over \$2.8 billion, an increase of over \$100 million from FY 2006 funding. Vocational Rehabilitation grants are designed to assist individuals with disabilities in finding and maintaining employment.

### **Protection and Advocacy**

Under the administration's proposal, funding for protection and advocacy would be level at \$16.5 million for FY 2007. The protection and advocacy systems in each state pursue legal and administrative remedies to ensure the protection of the rights of individuals with disabilities.

### **Independent Living for Individuals with Disabilities**

Programs focusing on independent living for individuals with disabilities are proposed to receive \$130.1 million for FY 2007, with a proposed \$22.6 million for state grants, \$74.6 million for Centers for Independent Living, and \$32.9 million for Services for Older Blind Individuals.

### **Vocational Rehabilitation Demonstration and Training Programs**

The budget requests \$6.5 million for demonstration and training programs to expand and improve services authorized under the Rehabilitation Act, including \$3.5 million in new awards for Vocational Rehabilitation Transition Initiative.

### **National Institute on Disability and Rehabilitation Research (NIDRR)**

The FY 2007 budget requests \$106.7 million for NIDRR research to support the New Freedom Initiative to find and implement new ways to improve educational, employment, and independent living opportunities for individuals with disabilities.

### **Special Education Studies and Evaluations**

The administration proposed \$9.9 million for the IDEA-authorized grants for assessing the effectiveness and implementation of state and local special education and intervention programs for children with disabilities.

#### **Housing for Individuals with Disabilities**

The administration requested \$119 million for housing for the disabled, half of the FY 2006 amount. This grant program increases the supply of rental housing with the availability of supportive services. The program also provides project rental assistance.

#### **Housing Opportunities for Persons with AIDS (HOPWA)**

The budget also requests \$300 million to support stable housing, improved access to health care, and more supportive services for low-income persons living with HIV/AIDS, an increase of \$14 million over FY 2006.

#### **Office of Disability Employment Policy**

The administration's FY 2007 budget requests \$20.3 million for the Office of Disability Employment Policy, an \$8 million decrease from the FY 2006. This office provides leadership to eliminate employment barriers to people with disabilities.

#### **One-Stop Career Centers**

The administration's FY 2007 budget requests \$64 million for One-Stop career centers, an \$18 million decrease from the FY 2006 level of \$82 million. The One-Stop system, created under the Workforce Investment Act, provides employers and employees with access to career development and labor market information services.

## **HEALTH**

### **Medicaid and State Children's Health Insurance Program (SCHIP)**

#### **Medicaid Administration Cost Allocation**

The administration proposes to reduce duplicate Medicaid payments that it says were improperly included in TANF block grants and also charged to Medicaid. This proposal would reduce federal outlays by \$280 million in FY 2007 and \$1.8 billion over five years.

#### **Provider Tax Reform**

Under current rules, taxes imposed on providers may not exceed 6 percent of total revenues and must be applied uniformly across all health care providers in the same class. The regulatory change in the administration's proposal will phase down the allowable provider tax rate from 6 percent to 3 percent. This proposal does not generate savings in FY 2007, but saves \$2.1 billion over five years. In addition, the Department of Health and Human Services (HHS) will release regulations clarifying existing policies used to determine what provider taxes comply with statute and regulation.

#### **Third-Party Liability**

The administration proposes to redefine third-party liability through regulation and is estimating savings at \$105 million in FY 2007 and \$430 million over five years by eliminating “pay and chase.” States are currently required to uphold the cost-avoidance standard for pharmacy claims.

The administration proposes through legislation to allow states to avoid costs for prenatal and preventive pediatric care claims where a third party is responsible through a non-custodial parent’s obligation to provide coverage for a limited time while assuring protection for providers and beneficiaries. This proposal also would permit states to use liens against liability settlements to recover federal matching payments. These proposals would reduce federal outlays by \$90 million in FY 2007 and \$525 million over five years.

### **Targeted Case Management (TCM)/Medicaid Reimbursement Policies**

The administration proposes to lower reimbursement for TCM services to the administrative matching rate of 50 percent. This proposal will reduce federal outlays in FY 2007 by \$208 million and \$1.2 billion over five years.

### **Transitional Medical Assistance**

The administration’s budget proposes to extend transitional medical assistance beyond December 31, 2006, to September 30, 2007. This proposal will cost the federal government \$180 million in FY 2007 and \$360 million over five years.

### **Capping Payments to Government Providers**

The administration’s proposal caps payments to government providers to no more than the cost of furnishing services to Medicaid beneficiaries. This proposal saves \$384 million in FY 2007 and \$3.8 billion over five years.

### **Medicaid Prescription Reimbursement Reform**

The administration proposes to limit reimbursement for multiple source drugs to 150 percent of the average manufacturers’ price (AMP). States would have the flexibility to support innovative approaches to lower drug costs, such as paying pharmacists more when they help patients use less expensive generic drugs. This proposal saves \$130 million in FY 2007 and \$1.3 billion over five years.

### **Amending the Medicaid Drug Rebate Formula**

The Medicaid program requires all drug manufacturers to pay a rebate for all drugs covered by Medicaid. The calculation for this rebate would change to best price, which is the lowest price available to retailers. This proposal is budget-neutral.

### **State Use of Managed Formularies**

This proposal will allow states to use private-sector management techniques to leverage greater discounts through negotiations with drug manufacturers. The proposal saves \$15 million in FY 2007 and \$177 million over five years.

### **School Based Services: Eliminate Administration and Transportation**

The administration proposes to prohibit federal reimbursement for school-based administration or transportation costs. The school-based services proposal will save \$615 million in FY 2007 and \$3.645 billion over five years.

### **Stricter Reimbursement Policies for Rehabilitation Services**

The administration proposes to clarify allowable services that can be claimed as rehabilitation services. This proposal will reduce federal outlays in FY 2007 by \$225 million and \$2.286 billion over five years.

### **Health Care Fraud and Abuse**

The FY 2007 budget proposes to fund the Health Care Fraud and Abuse Control (HCFAC) program through both a mandatory and a discretionary funding stream. Proposed FY 2007 total HCFAC funding is \$1.2 billion. Of this amount, \$1.1 billion funds the mandatory portion of the program. Within the mandatory amount is \$24 million provided in the Deficit Reduction Act for the Medicare-Medicaid data matching program. The remaining \$118.4 million represents new discretionary proposed funding.

### **SPAP Transitional Grants**

Transitional grants totaling \$62.5 million each year in 2005 and 2006 were available to states operating State Pharmaceutical Assistance Programs (SPAP). These funds were used for education of Medicare Part D-eligible individuals. The grants have been eliminated for FY 2007.

### **Disproportionate Share Hospital Program**

The administration proposes future clarification, through regulation, of the statutory Disproportionate Share Hospital (DSH) program provision. There are no associated costs.

### **State Children's Health Insurance Program**

The FY 2007 budget proposal for SCHIP is \$5.244 billion, which is a decrease of \$531 million from the FY 2006 level. SCHIP authorization expires at the end of FY 2007. The program includes language that would "redistribute" SCHIP funds to target the states most in need. The administration is also proposing legislation under SCHIP that would require that Medicaid and SCHIP recipients receive the same benefits of Health Insurance Portability and Accountability Act (HIPAA) coverage. The new requirements would mandate that Medicaid/SCHIP recipients would be immediately entitled to receive services under employer-sponsored insurance and that SCHIP programs would be required to issue certificates of creditable coverage, which promotes portable health coverage.

### **Cover the Kids**

The administration proposes to provide \$100 million annually in grants to states, schools, and community organizations to enroll and provide coverage to many eligible, but not enrolled, children in Medicaid and SCHIP. This proposal will increase federal outlays to the SCHIP program by \$69 million in FY 2007 and \$330 million over five years. This proposal also will increase federal outlays for the Medicaid program by \$203 million in FY 2007 and \$1.978 billion over five years.

### **Vaccines for Children (VFC) Program**

The administration proposes funding increases for the Vaccines for Children Program due to new vaccine purchases and stockpile procurements. This proposed expansion of the program will increase federal outlays by \$140 million in FY 2007 and an additional \$700 million over five years. The VFC program allows underinsured children to receive VFC inoculations at state and local health departments, rather than only at federally qualified health centers and rural health centers. "Uninsured" is defined as those without coverage for a particular vaccine. The VFC is a program administered by the Centers for Disease Control and Prevention that provides free vaccines to children who are Medicaid beneficiaries, American Indians or Native Alaskans, uninsured, or whose insurance does not cover the cost of immunizations.

### **High-Risk Pool**

The administration's FY 2007 budget eliminated the qualified high-risk pools grant program, which was funded at \$90 million in FY 2006. Funds from this grant assist states in creating and initially funding qualified state high-risk pools.

### **Undocumented Aliens Emergency Health Care**

The federal reimbursement of emergency health services furnished to undocumented aliens has an annual appropriation of \$250 million from FY 2005 through FY 2008. The funding is available to reimburse eligible providers for furnishing such services.

### **Refugee Exemption Extension**

The administration proposes to extend Medicaid eligibility for refugees who would otherwise lose coverage. This proposal will increase federal outlays by \$42 million in FY 2007 and \$134 million over five years.

## **Medicare**

### **Medicare Overview**

The proposal decreases overall program management funding for Medicare from \$3.167 billion in FY 2006 to \$3.149 billion in FY 2007. Net savings from the overall Medicare proposals is \$35.9 billion over five years. Decreased funding applies to the following program management activities: funding for research, demonstration, and evaluation projects; Medicare operations; and the Centers for Medicare and Medicaid Services systems revitalization plan.

### **Medicare Modernization Act**

*Medicare Prescription Drug Benefit* – The FY 2007 budget proposal funds the Medicare Prescription Drug Benefit at \$71.4 billion, a \$24.1 billion increase over FY 2006.

*Medicare Transitional Drug Assistance Program* – The Medicare Transitional Drug Assistance program provided low-income beneficiaries with \$600 per year in 2004 and 2005 to help them pay for their prescription drugs, and covered the cost of enrollment fees. The program was funded at \$83 million in FY 2006 and eliminated for FY 2007.

## **Other Health Programs**

### **Indian Health Service**

The Indian Health Service (IHS) account provides medical care and public health services for American Indians and Native Alaskans (AI/AN). The administration's FY 2007 budget proposes \$3.3 billion, an increase of \$125 million. The Indian Health Facilities account provides funding for construction and maintenance of health care facilities for the AI/AN populations. The proposal includes \$354 million for Indian Health facilities, a \$6 million decrease from FY 2006. In the budget, \$150 million will be awarded to support diabetes prevention and disease management. The budget eliminates funding for the Urban Indian Health Program.

### **Substance Abuse and Mental Health Services Administration (SAMHSA)**

The FY 2007 budget request represents a decline in funding of \$67 million from FY 2006. Several substance abuse and mental health programs were cut under SAMHSA.

Opening New Pathways to Recovery – The FY 2007 budget was reduced by \$24 million for this Substance Abuse Prevention Program of Regional and National Significance, which included the Access to Recovery Program. Under this voucher program, states will now also be allowed to distribute a portion of their block grant funds through drug treatment vouchers.

Promoting Effective Prevention – The budget provides a reduction of \$12 million for this Substance Abuse Prevention Program of Regional and National Significance for a total of \$181 million; \$96 million of the funds will be available to states to implement the Strategic Prevention Framework, which allows states to better use prevention resources.

Substance Abuse Block Grants – A total of \$1.8 billion is requested for the Substance Abuse Block Grant, representing level funding from FY 2006.

Mental Health – The budget includes \$849 million in funding for mental health services, a decrease of \$35 million from FY 2006. Under the Community Mental Health Block Grant, states will now also be required to direct at least \$153 million for mental health system transformation. In addition, \$20 million is included to continue existing state incentive grants for transformation.

Children's Mental Health – The budget maintains funding for children's mental health services. A total of \$104 million is requested for FY 2007.

### **Agency for Healthcare Research and Quality (AHRQ)**

Under the FY 2007 budget proposal, AHRQ will receive \$319 million in funding to support the development of scientific evidence and tools to improve the quality, safety, and effectiveness of all aspects of the health care system, and initiatives to disseminate and translate scientific findings into healthcare practice. The funding remains the same as FY 2006.

### **Health Resources and Services Administration (HRSA)**

The administration's FY 2007 proposal for HRSA is \$6.363 billion, a decrease of \$252 million over the FY 2006 level. The budget cut \$10 million from the Universal Newborn Hearing

Screening Program. The Emergency Medical Services for Children program was eliminated for FY 2007.

Community Health Centers – The administration’s FY 2007 budget funds health centers at \$1.963 billion, an increase of \$181 million from the FY 2006 funding level.

Maternal and Child Health – The administration’s FY 2007 budget funds the Maternal and Child Health Block Grant at \$693 million, which is the same funding as FY 2006.

Rural Health – The administration’s FY 2007 budget funds rural health at \$27 million, a decrease of \$133 million from the program’s FY 2006 level.

National Health Service Corps – The administration’s FY 2007 budget funds the National Health Service Corps at \$126 million, the same level of funding the program received in FY 2006. The goal of the NHSC is to increase access to primary care services and reduce health disparities for underserved populations.

Ryan White HIV/AIDS – The administration’s FY 2007 budget requests \$2.158 billion for Ryan White HIV/AIDS, an increase of \$95 million from the FY 2006 level. Of the \$95 million, \$70 million will address the ongoing problem of state waiting lists and provide care and life-saving medications to those newly diagnosed as a result of increasing testing efforts. The remaining \$25 million will be used to expand outreach efforts by providing new HIV community action grants to intermediaries.

Traumatic Brain Injury Program Funding – The FY 2007 budget eliminates funding for traumatic brain injury programs due to the lack of documented positive impact on the health and well-being of affected individuals.

### **National Institutes of Health (NIH)**

The National Institutes of Health received level funding of \$28.5 billion for FY 2007.

### **Food and Drug Administration (FDA)**

The administration’s FY 2007 budget for FDA is \$1.9 billion, a \$71 million increase. Of these funds, the budget includes \$1.5 billion in budget authority. FDA’s budget includes \$55 million for pandemic influenza activities.

Foods – The FY 2007 budget requests a total of \$450 million for the Foods program. Within this total, \$178 million is authorized to protect the national food supply.

Medical Devices – The administration’s FY 2007 budget includes \$272 million, an increase of \$11 million.

Human Drugs and Biologics – The budget includes \$535 million for the Human Drugs program and \$210 million for Biologics. The budget includes a \$4 million increase in funds to ensure the safety of drugs on the market as well as \$6 million for personalized drugs.

### **Health Savings Accounts (HSAs)**

The administration proposes to allow all individuals who purchase a high-deductible health plan in conjunction with an HSA to deduct the amount of the health plan's premium from their income and payroll taxes. In addition, tax-deductible contributions to an individual's HSA would also be exempt from payroll taxes. The administration also proposes to increase portability of health insurance by allowing employers to offer and employees to select portable HSA-compatible health plans, as well as to increase the maximum amount individuals can contribute to their HSAs. The proposal also establishes a refundable tax credit that would be available to those purchasing an HSA-compatible high-deductible health plan. There is no cost figure available for this proposal.

### **Emergency Preparedness**

HHS is allocating \$520 million to fund the development of a variety of state and local pandemic preparedness activities and subsidizing state purchases of anti-virals.

## **TANF, SSBG, AND OTHER HUMAN SERVICE PROGRAMS**

### **Temporary Assistance for Needy Families**

The administration's budget maintains the present level of TANF funding, \$16.489 billion, for the next five years. Since the budget assumed passage of the Deficit Reduction Act, it eliminates both the High Performance and Out-of-Wedlock Bonuses to states. The proposal builds on the act by extending supplemental grants to states through FY 2010; the Deficit Reduction Act extended these grants only through FY 2008. The administration's proposal also adds \$232 million to the Contingency Fund in order for it to be funded at \$2 billion. It also proposes to modify the maintenance-of-effort requirement in order to access the fund and to simplify the annual reconciliation process for states.

### **Social Services Block Grant (SSBG)**

The administration cut funding to SSBG by \$500 million, bringing its present funding level of \$1.7 billion to \$1.2 billion. The budget proposal did not address the TANF transfer to SSBG, although the Deficit Reduction Act restored the SSBG transfer to 10 percent through FY 2010. See the chart at the end of this memorandum for state-by-state reduction information.

### **Community Services Block Grant (CSBG)**

The budget eliminates the Community Services Block Grant, a cut of \$630 million. This differs from last year's administration proposal that called for CSBG to be eliminated but recommended it be combined with other federal programs into a new block grant.

### **Low-Income Home Energy Assistance Program (LIHEAP)**

The budget proposal includes a total of \$2.782 billion in LIHEAP funding for FY 2007, an increase of \$621 million over FY 2006 funding. The Deficit Reduction Act of 2005 (S. 1932) included \$1 billion in new mandatory LIHEAP funding for FY 2007. However, the administration's budget proposal would offset part of this new funding by reducing discretionary LIHEAP funding by \$379 million, from \$2.161 billion last year to a FY 2007 level of \$1.782

billion. Of the FY 2007 funding of \$2.782 billion, \$2.032 billion is for formula grants to states and \$750 million is contingency funding.

### **Older Americans Act Programs (OAA)**

Almost all programs under OAA have been subject to the 1 percent across the boards cut in funding that was part of the FY 2006 budget. Overall, there has been a reduction in core services by \$6.5 million. In addition, \$28 million is provided within Program Innovations line item for the “Choices for Independence” pilot program. This program is intended to help older individuals delay or avoid the need for nursing facility care. It has three components including Consumer Empowerment, Healthy Lifestyles, and Community Living Incentives. Following are funding levels for key OAA programs:

*Preventive Health Services* – This program, funded at \$21 million in FY 2006, was eliminated in the present budget proposal.

*Protection of Vulnerable Adults* – The budget proposes funding at \$19 million, of which \$5 million is available for grants to states for protection of vulnerable older Americans at FY 2006 levels. In addition, \$14 million is for the ombudsmen program, a reduction of \$1 million from last year.

*Home-Delivered and Congregate Meals* – Home-delivered meals are funded at \$181 million and congregate meals at \$384 million, a \$1 million reduction in each program.

*Community-Based Supportive Services and Centers* – The budget proposal provides \$351 million for Community-Based Supportive Services and Centers, the same funding level as FY 2006.

*National Family Caregiver Support Program* – The budget proposes \$154 million for the National Family Caregiver Support Program. This is \$2 million below FY 2006 levels.

*Alzheimer’s Disease Demonstration Grants* – This program, funded at \$12 million in FY 2006, was eliminated.

### **Compassion Capital Fund**

For the Compassion Capital Fund, \$100 million is provided in grants to fund start-up costs of charitable organizations. Within the grant, \$50 million is identified for the Helping America’s Youth Initiative. This is an increase of \$36 million over the FY 2006 funding level of \$64 million.

### **Mentoring Children of Prisoners**

The proposal includes \$40 million for this mentoring program, a \$10 million decrease from the FY 2006 figure of \$50 million. As part of their reauthorization, the budget proposes to allow the use of vouchers for these services.

### **Healthy Marriage and Promoting Responsible Fatherhood**

The budget includes \$150 million per year for a competitive grant program to states, tribes, community-based organizations, and faith-based organizations. This grant program was part of

the Deficit Reduction Act. In addition, the proposal also includes an additional \$100 million for Family Formation and Healthy Marriage State Grants. These competitive grants are for states and require a 50/50 match, which can be met using federal TANF funds.

### **Abstinence Education Grants**

The budget includes a total of \$204 million for abstinence education activities and proposes increasing abstinence education funding to \$270 million by FY 2009. The administration is seeking \$50 million for FY 2007 in funding for grants to states and territories to create or augment abstinence programs and provide mentoring, counseling, and adult supervision to promote abstinence, the same level as in FY 2006. The budget also requests \$141 million for community-based abstinence education, an increase of \$28 million over FY 2006. The budget would allow up to \$10 million of abstinence funding to be used for a national public awareness campaign. In addition, the budget includes \$13 million for Adolescent Family Life grants through the Office of Public Health and Science.

## **WORKFORCE INVESTMENT ACT AND RELATED LABOR PROGRAMS**

The administration's FY 2007 budget request for employment and training programs reflects many of the proposals from previous budget requests. The budget reemphasizes the administration's plan to redefine WIA as part of pending WIA reauthorization legislation. It combines funding for adult, youth, dislocated workers, employment services, work opportunity tax credit, and labor market information into a single block grant to states for Career Advancement Accounts (CAAs). The CAAs would be funded at \$3.413 billion and are self-directed accounts that workers can use to purchase education and training. The budget includes additional changes to youth programs by transferring the Youthbuild program from the Department of Housing and Urban Development to the Department of Labor. In addition, the budget eliminated funding to migrant and seasonal farm workers and responsible reintegration for youth offenders.

Social Services Block Grant (SSBG)  
 State Allocations and FY 2007 Administration Budget Proposal in SSBG  
 Funding from present \$1.7 billion to proposed \$1.2 billion

<b>STATE</b>	<b>2007 Allocation (\$1.7billion)</b>	<b>Proposed (\$1.2 billion)</b>	<b>Amount of Cut</b>
Alabama	\$25,994,486	\$18,349,049	\$7,645,437
Alaska	\$3,785,049	\$2,671,799	\$1,113,249
Arizona	\$33,873,486	\$23,910,696	\$9,962,790
Arkansas	\$15,850,312	\$11,188,456	\$4,661,856
California	\$206,071,998	\$145,462,587	\$60,609,411
Colorado	\$26,606,842	\$18,781,300	\$7,825,541
Connecticut	\$20,020,231	\$14,131,928	\$5,888,303
Delaware	\$4,810,859	\$3,395,900	\$1,414,958
District Columbia	\$3,139,779	\$2,216,315	\$923,464
Florida	\$101,460,697	\$71,619,316	\$29,841,381
Georgia	\$51,743,503	\$36,524,826	\$15,218,677
Hawaii	\$7,272,797	\$5,133,739	\$2,139,057
Idaho	\$8,150,544	\$5,753,325	\$2,397,218
Illinois	\$72,793,166	\$51,383,411	\$21,409,754
Indiana	\$35,770,861	\$25,250,020	\$10,520,841
Iowa	\$16,917,854	\$11,942,015	\$4,975,839
Kansas	\$15,653,737	\$11,049,697	\$4,604,040
Kentucky	\$23,802,126	\$16,801,501	\$7,000,625
Louisiana	\$25,799,548	18,211,446	\$7,588,102
Maine	\$7,536,922	\$5,320,180	\$2,216,741
Maryland	\$31,940,619	\$22,546,319	\$9,394,299
Massachusetts	\$35,763,990	\$25,245,169	\$10,518,820
Michigan	\$57,722,167	\$40,745,059	\$16,977,107
Minnesota	\$29,273,825	\$20,663,876	\$8,609,948
Mississippi	\$16,659,803	\$11,759,861	\$4,899,942
Missouri	\$33,080,832	\$23,351,176	\$9,729,656
Montana	\$5,336,394	\$3,766,866	\$1,569,527
Nebraska	\$10,030,867	\$7,080,612	\$2,950,255
Nevada	\$13,772,337	\$9,721,650	\$4,050,687
New Hampshire	\$7,470,964	\$5,273,622	\$2,197,342
New Jersey	\$49,720,827	\$35,097,054	\$14,623,772
New Mexico	\$10,998,127	\$7,763,384	\$3,234,743
New York	\$109,814,677	\$77,516,243	\$32,298,434
North Carolina	\$49,523,020	\$34,957,426	\$14,565,594
North Dakota	\$3,631,152	\$2,563,166	\$1,067,985
Ohio	\$65,382,720	\$46,152,508	\$19,230,211
Oklahoma	\$20,234,600	\$14,283,247	\$5,951,352
Oregon	\$20,765,987	\$14,658,344	\$6,107,643

<b>STATE</b>	<b>2007 Allocation (\$1.7billion)</b>	<b>Proposed (\$1.2 billion)</b>	<b>Amount of Cut</b>
Pennsylvania	\$70,889,665	\$50,039,764	\$20,849,901
Rhode Island	\$6,137,815	\$4,332,575	\$1,805,239
South Carolina	\$24,267,959	\$17,130,324	\$7,137,635
South Dakota	\$4,425,368	\$3,123,789	\$1,301,578
Tennessee	\$34,008,465	\$24,005,975	\$10,002,489
Texas	\$130,376,954	\$92,030,791	\$38,346,162
Utah	\$14,084,752	\$9,942,178	\$4,142,574
Vermont	\$3,553,433	\$2,508,306	\$1,045,127
Virginia	\$43,159,423	\$30,465,475	\$12,693,947
Washington	\$35,860,893	\$25,313,572	\$10,547,321
West Virginia	\$10,362,051	\$7,314,389	\$3,047,662
Wisconsin	\$31,574,542	\$22,287,912	\$9,286,630
Wyoming	\$2,904,650	\$2,050,341	\$854,308
American Samoa	\$48,518	\$34,248	\$14,270
Guam	\$293,103	\$206,896	\$86,206
Northern Mariana	\$58,621	\$41,380	\$17,241
Puerto Rico	\$8,793,103	\$6,206,896	\$2,586,206
Massachusetts (Blind)	\$729,877	\$515,207	\$214,669

\* *State allocations from HHS, Office of Community Services FY 2007 State Allocation Table*