

# Analysis of President's FY 2003 Budget Plan\*

## INTRODUCTION

The events of September 11, 2001 affected all Americans – and the world – in myriad ways. It is no surprise, then, that we encounter the fiscal year (FY) 2003 federal budget process with a dramatically different set of priorities and assumptions. By the end of February 2002, the recession was all too real; over 880,000 Americans had become unemployed since September 2001, incomes stagnated, business investment remained soft, and the global economy was weak. Yet, there has been evidence since January 2002 that the economy is moving forward, albeit slowly. Measures of consumer confidence are recovering, and initial filings for unemployment benefits are in decline.

Although the latest economic trends seem positive, too many people remain out of work. Since September, 278,000 Latino\*\* workers have lost their jobs; the Hispanic unemployment rate was 7.1% by the end of February 2002. Furthermore, research by the Pew Hispanic Center predicts that Hispanic unemployment may not return to pre-recession levels until early 2004, despite other signs of economic recovery.

When President Bush came into office, he inherited an unprecedented projected budget surplus estimated at between two and three trillion dollars over the next ten years, not counting the Social Security Trust Fund. In the face of the economic recession, the massive tax cuts enacted last year, dramatically-increased defense and domestic security expenditures, and additional tax cuts proposed for this year, any projected budget surplus is gone.

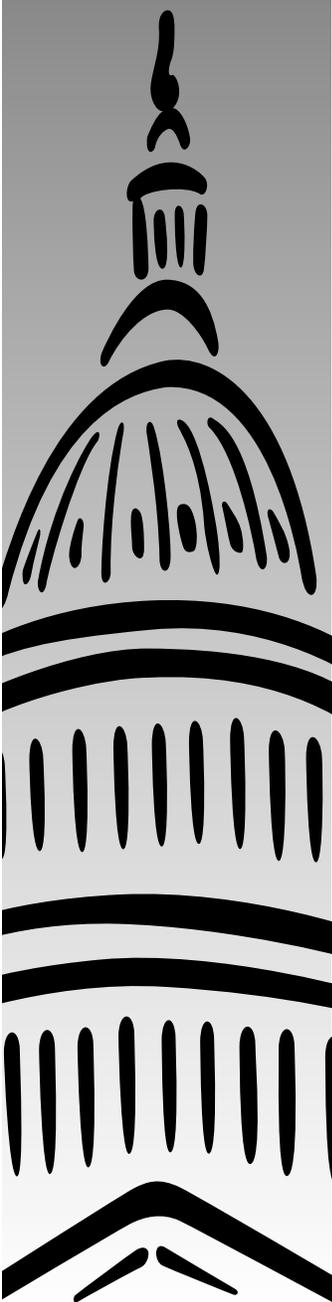
The budget proposed by President Bush for FY 2003 is a \$2.13 trillion spending plan that would fundamentally reorder federal priorities, including the largest defense buildup in a generation and the imposition of significant constraints on many domestic programs. The National Council of La Raza (NCLR) agrees with the President that defense and security are important priorities for all Americans. However, when it comes to domestic priorities, the President's budget plan often fails to make investments in key educational, economic, and health areas for Latino families. With some exceptions, the budget proposes funding cuts for many programs that are important to Hispanics, and eliminates funding altogether for others. Furthermore, new tax cuts costing \$591 billion are proposed to supplement last year's \$1.35 trillion cut.

All Americans will be affected in some way by these shifts in spending. For Hispanics, the data show a growing, youthful population with low rates of homeownership, increased housing segregation, low savings rates, and low rates of health insurance coverage. The data also confirm long-standing disparities between Latino and other American children in education related in part to segregation in schools. Given these findings, dramatic shifts in domestic investments away from these targeted areas could have the unintended effect of worsening the economic picture for the nation's Hispanics. This document evaluates four crucial areas NCLR has identified as domestic policy priority areas:

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\*\* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau to identify persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, and Spanish descent; they may be of any race.



1. **Investments in education** – Specific targeted efforts to ensure that Hispanic children have access to successful education programs such as Head Start, GEAR UP, and TRIO are needed.
2. **Work and savings** – At a time when America's economy depends heavily on worker productivity, increased support for workforce development initiatives is warranted. In addition, programs that help low-income Americans save, such as Individual Development Accounts (IDAs), should be expanded.
3. **Health care** – Benefits to legal immigrants must be restored. In addition, investments should be made in the implementation of existing health and nutrition programs, eliminating language and immigration barriers so that Latinos have equal access to these services.
4. **Safe and strong communities** – One of the keys to safe and strong neighborhoods is homeownership. Budget priorities should include increased funding for housing counseling at the federal level, which has been proven to boost homeownership. In addition, Latinos should have access to first-time homebuyer program at the state level as well.

Policy interventions can produce the greatest positive change for Latinos in these areas. These interventions will also have a positive impact on the nation as a whole, as many of these priorities are important to all Americans and affect millions of people from all racial, ethnic, and economic groups. In addition, the positive impact they will have on the Latino community specifically will contribute to the prosperity and well-being of the country overall as the Hispanic population continues to grow in number and influence.

This paper offers an analysis – department by department – of the proposed FY 2003 budget from a Hispanic perspective. The sections that follow highlight departments and specific program areas that are important to Latinos, provide an overall analysis of the Administration's budget priorities, and offer policy recommendations for the Administration and Congress.

## METHODOLOGY

**T**he report highlights four major federal departments that implement programs that are critical to the Latino community: the U.S. Department of Education; the U.S. Department of Labor; the U.S. Department of Health and Human Services; and the U.S. Department of Housing and Urban Development. Moreover, the report includes a section that lists other general programs of interest, such as the Food Stamp program, and also includes several independent agencies, such as the Equal Employment Opportunity Commission (EEOC). In addition, the report briefly examines the provisions of the economic stimulus package offered as part of this year's budget.

The data are presented as follows: first, a table identifies the specific programs, the actual FY 2001 level of budget authority, the estimated FY 2002 level that was appropriated, the Administration's proposed FY 2003 level, and the actual (nominal) change in dollars and percent. In each section, the table is followed by subsections that briefly explain what the program is charged to do. In compiling this information, NCLR:

- Used data provided by the Office of Management and Budget (OMB) and specific federal agencies, and, in most cases, only included their calculations of nominal changes in budget authority between fiscal years.
- Focused on new discretionary budget authority, which is the amount of money the law allows the government to commit to spending during the current fiscal year or future years, in order to determine the President's actual budget priorities for FY 2003. This is instead of program levels or obligations, outlays, or mandatory spending (unless otherwise noted), where spending levels are set by previous and current law, or by other factors that may not be controlled directly by the Administration.
- Examined nominal changes in budget authority, with references to the impact of inflation or "current services levels" only in the text.

Following the program descriptions are: 1) brief descriptions of the funding request made by NCLR and other major national organizations for the program; 2) the Administration's line-item budget request for the specific program; and, where appropriate, 3) the potential implications of the request on Latinos. However, NCLR did not attempt to quantify precisely how many individuals would be affected by the budget request. Instead, the analysis contains brief assessments of program impacts; detailed impact assessment of a budget request requires a more in-depth analysis than is afforded here. As is often the case with budget submissions, in many instances the Administration proposes to maintain service levels by shifting around funds or including "unspent" funds from prior years – which may or may not continue to be available – in current funding proposals, and it employs complicated budget maneuvers that make it difficult to measure accurately the impact of the FY 2003 budget request without greater scrutiny.\*

\* President's Budget Uses Accounting Devices and Implausible Assumptions to Hide Hundreds of Billions of Dollars in Costs", Robert Greenstein, Center on Budget and Policy Priorities, February 5, 2002.

## **U.S. DEPARTMENT OF EDUCATION**

The Congress recently passed legislation to reform elementary and secondary education programs. The No Child Left Behind Act, which was signed into law by President Bush, represents a major philosophical shift in the federal role in education. Specifically, the legislation consolidates several programs, provides states with additional flexibility, and contains a significant number of new requirements. For example, the No Child Left Behind Act consolidates the Bilingual Education Act and Emergency Immigrant Education Act, allows states, school districts, and schools to choose the strategy they deem appropriate for serving these distinct student populations, and requires states and school districts to improve these students' English proficiency and academic outcomes. Given these substantial changes, adequate funding for these and other education programs reformed through the No Child Left Behind Act is critical for the Act to be successfully implemented at the state and local levels.

The Administration proposes a \$50.3 billion budget for FY 2003 for the Department of Education, a 3.7% increase in discretionary appropriations. Budget authority would rise 1%. The proposal includes a \$1 billion increase for Title I and a \$100 million increase in early literacy programs. To fund these increases, the budget eliminates 28 elementary and secondary education programs including Dropout Prevention, Parent Assistance, and many technology programs. Other key education programs are frozen at 2002 funding levels. Improving Teacher Quality State Grants, Bilingual and Immigrant Education, GEAR UP, and TRIO are among those proposed to be level funded. A small increase is proposed for developing Hispanic-Serving Institutions, from \$86 million to \$89 million.

### **PRESIDENT BUSH'S BUDGET PROPOSAL FY 2003**

**(DOLLARS IN MILLIONS)**

	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>	<b>\$ change FY2-03</b>	<b>% change FY02-03</b>
Bilingual and Immigrant Education/ English Language Acquisition	446	665	665	0	0
English Literacy and Civics Education Grants	70	70	70	0	0
Parent Assistance	38	40	0	-40	-100%
TRIO	730	802.5	802.5	0	0
GEAR UP	295	285	285	0	0
HEP-CAMP	30	38	38	0	0
Hispanic-Serving Institutions (HSIs)	68.5	86	89.1	3.1	3.5%
Migrant Education State Grants	380	396	396	0	0
Pell Grants	8,756	10,314	10,863	549	5.3%
Reading First State Grants	286	975	1,075	100	10.3%
State Grants for Improving Teacher Quality	2,225	2,850	2,850	0	0
Title I	8,763	10,350	11,352.9	1,002.9	9.7%
21st Century Community Learning Centers	845.6	1,000	1,000	0	0.0

## **Bilingual and Immigrant Education**

Reauthorized in the No Child Left Behind Act as the English Language Acquisition, Language Enhancement, and Academic Achievement Act, these programs are moved from Title VII to Title III. The new program provides Language Assistance Grants to states to meet the language and academic learning needs of limited-English-proficient (LEP) students. In addition, the No Child Left Behind Act consolidates the Bilingual Education Act and the Emergency Immigrant Education Act when the program funding reaches a "trigger" level of \$650 million. The No Child Left Behind Act also moves the Foreign Language Assistance Program from Title VII to Title V of that Act.

*For FY 2002, the Bush Administration proposed to level fund both the Bilingual and Immigrant Education programs at a combined \$446 million (FY 2001's funding level). For FY 2003, the Administration again proposes to level fund these programs, this time at \$665 million, the actual funding estimate for FY 2002 after appropriators increased funding.*

## **English Literacy and Civics Education Grants**

Formula grants for Adult Education Act programs are made to states in order to eliminate functional illiteracy among the nation's adults, to assist adults in obtaining a high school diploma or its equivalent, and to promote family literacy. A portion of the funds is reserved for formula grants to states to provide English literacy and civics education for immigrants and other limited-English-proficient adults. NCLR and the Hispanic Education Coalition (HEC)\* have expressed their concern that increased resources are needed to meet the growing demand for services at the community level as demonstrated by the emergence of new Hispanic communities in states such as Alabama, North Carolina, Georgia, Arkansas, Tennessee, and Nevada where the Latino population has increased by more than 200% within each state since 1990.

*NCLR recommends providing \$1.1 billion for English Literacy and Civics Education for FY 2003. The Bush Administration's FY 2003 budget proposed no increase in funds for the English Literacy and Civics Education state grants.*

## **Parent Assistance**

The No Child Left Behind Act authorizes Local Family Information Centers (LFICs) under Title V, "Providing Informed Parental Choice and Innovative Programs." Funding these centers would ensure that Hispanic parents are in a position to hold schools accountable for helping their children meet the rigorous academic benchmarks delineated in the No Child Left Behind Act. The LFICs would help parents understand the school system, including how standards and assessments can be used to help improve student achievement. In addition, the LFICs can provide information about important educational options, including English language learner programs, college preparation assistance, and charter schools.

*For FY 2003, NCLR recommends \$100 million for Parent Assistance programs, including \$50 million for LFICs. The President's budget request does not include funding for Parent Assistance.*

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\* The HEC is an ad hoc coalition of national organizations dedicated to improving educational opportunities for Hispanics. NCLR is a member of the HEC.

## **TRIO Programs**

The TRIO programs, including Talent Search, Upward Bound, and Student Support Services, help disadvantaged middle and high school students prepare for college.

*In the Administration's assessment used to determine funding levels for this year, it judged TRIO Upward Bound to be ineffective. Specifically, it states that evaluation of the program found no overall impact on participants' grades, credits earned, high school graduation rates, or college enrollment rates. However, among Hispanic students, the Upward Bound program has proven to be effective in increasing rigorous course-taking, which increases their chances of attending college. Unfortunately, the budget proposes to level fund the program at \$802.5 million for FY 2003.*

## **GEAR UP**

These funds support early college preparation and awareness activities at the state and local levels to ensure that low-income elementary and secondary school students are prepared for and pursue postsecondary education. Distinct from the TRIO programs, GEAR UP supports early college awareness for low-income youth, starting in middle school, and helps them complete high school. Another difference between the programs is that TRIO programs identify individual students with the talent to attend college, while GEAR UP identifies entire cohorts of students and helps them finish high school and get into college. This program is critical for Hispanic students, who are more likely than other students to drop out of high school and consequently less likely than others to attend and complete college. The HEC and NCLR strongly support increased funding for GEAR UP, the only higher education outreach, intervention, and college preparation program that does not severely underserve Hispanic students.

*Among education programs, GEAR UP was one of the very few that received a funding decrease for FY 2002. For FY 2003, NCLR recommends \$425 million for GEAR UP. The Bush Administration's FY 2003 budget plan proposed no increase in funding.*

## **Migrant High School Equivalency Program (HEP) and College Assistance Migrant Program (CAMP)**

The High School Equivalency Program (HEP) provides an excellent model for bringing dropouts back into the school system so that they can pass the General Educational Development tests and pursue postsecondary education opportunities. The College Assistance Migrant Program (CAMP) provides significant services to migrant students during their first year of college. Both programs show excellent success rates with about seven out of ten HEP students passing the GEDs and nearly all CAMP students completing their first year of college. About three-quarters of CAMP students go on to receive their baccalaureate degrees.

*The HEC requested an increase to \$27 million for HEP and \$23 million for CAMP for FY 2003. The Administration's budget plan proposed no increase in HEP or CAMP for FY 2003.*

## **Hispanic-Serving Institutions (HSIs)**

Hispanic-Serving Institutions (HSIs) serve more than one million students. In 1997, more than half (51%) of all Hispanic college students were attending an HSI. This reflects the HSIs' commitment to improving access to postsecondary education for low-income Latino students. Given the key role HSIs play in providing access to higher education for Hispanics, they should receive the funding necessary to strengthen and develop their institutions.

*Significant additional funds are needed for HSIs to support upgrading the quality of research, teaching, and outreach. The HEC requests \$135 million for HSIs. The Administration has asked for only a \$3.1 million increase in funding from \$86 to \$89 million for FY 2003.*

## **Migrant Education State Grants**

These formula grants support efforts to provide educational services to children of migrant and seasonal workers. Migrant children have a dropout rate in excess of 50%. Many of the very specialized services provided under the Migrant Education Program are crucial to encouraging students to stay in school. While the number of migrant children has reached 800,000, the program has not received the funding necessary to serve migrant students adequately.

*The HEC requested \$500 million for the Migrant program for FY 2003. The Administration's FY 2003 budget plan proposed no increase in budget authority for Migrant Education state grants.*

## **Pell Grants**

Undergraduate students establish eligibility for these grants under award and need determination rules set out in the authorizing statute and the annual appropriations act. Recent program data indicate that more people are applying for Pell Grants, and more of those applying are eligible to receive aid, than were previously forecasted.

*The Bush Administration's FY 2003 budget plan proposes an increase of \$549 million in order to fund the Pell Grant maximum award of \$4,000 per individual. Funds provided last year to this program provided only enough to fund a maximum award of \$3,600. The FY 2003 budget proposes to redirect resources from unrequested earmarks and "low-priority" programs in the FY 2002 budget to the Pell Grant program.*

## **Reading First State Grants**

The Reading First program, initiated through the No Child Left Behind Act, provides funds to states to support "scientifically-based" reading practices, with a focus on students in grades kindergarten through three.

*The FY 2003 budget request includes \$1 billion for this program, a \$100 million increase over the Administration's FY 2002 request. The budget also includes \$75 million, the same level as FY 2002, for Early Reading First, which supports the development of model programs to help children in high-poverty communities prepare for school.*

## **State Grants for Improving Teacher Quality**

These funds support formula grants to states to provide professional development for teachers and administrators and to implement other teacher-related reforms. Studies show that ineffective teachers have a significantly adverse impact on student achievement, and that Latino and other minority students are more likely than other students to be in schools with unqualified, often ineffective teachers. About two-thirds of Latino, African American, and Native American eighth-grade math students have teachers who do not have an undergraduate degree in mathematics, compared to half of all White students. Improving teacher quality is critical to obtaining better academic outcomes for Latino students. Any such program must target funding to areas that have a large proportion of underqualified and inexperienced members as part of their teacher corps.

*The Administration proposed to level fund this program at \$2,850,000 for FY 2003.*

## **Title I**

The recently-enacted No Child Left Behind Act includes considerable changes to the Title I program, which provides funds to states to help them raise the academic achievement of all students, particularly disadvantaged children. The new Title I includes ambitious new accountability and assessment provisions that require sufficient funds in order to support state and school district efforts to help students meet challenging academic benchmarks. The Act specifically requires schools to improve the achievement of LEP and minority students.

*In the President's budget, Title I received an increase of \$1 billion for FY 2003, despite an "ineffective" designation in the assessment. According to the budget, reading scores among disadvantaged students on national tests have remained stagnant. Dramatic changes enacted this year focus on accountability reforms designed specifically to improve program performance.*

## **21st Century Community Learning Centers**

These funds support formula grants to states, which award subgrants to centers providing academic and related services for youth and other members of the community during after-school, weekend, and summer hours. Changes to the 21st Century program contained in the No Child Left Behind Act make community-based organizations (CBOs) eligible to apply for program funds. These CBO-run programs can complement school-based efforts to close the achievement gap that exists between disadvantaged students and their peers.

*One year ago, NCLR requested an increase in funding for the 21st Century program from \$845.6 million in FY 2001 to \$1 billion in FY 2002. While the Administration's FY 2002 budget contained no increase, funding was ultimately increased to \$1 billion through the appropriations process. The Administration's FY 2003 budget level funds the program at the FY 2002 level of \$1 billion.*

## **U.S. DEPARTMENT OF LABOR**

The FY 2003 budget proposal for the U.S. Department of Labor (DOL) is \$56.5 billion, a decrease of 4.8% from FY 2002. Eighty percent of DOL's budget involves mandatory spending for unemployment insurance and other programs in which the spending is determined by formula. The budget calls for a \$1.8 billion drop in these mandatory programs, principally the result of a \$4 billion decrease in projected unemployment benefits. An additional \$545 million was cut from discretionary spending in what the department said were "ineffective and duplicative" programs. As a result, the budget would reduce the number of job training and work programs from 48 to 28. Overall, the budget for discretionary spending was \$11.4 billion, a decrease of \$1.1 billion from the previous year.

Programs that specifically or disproportionately target Latinos will be lost in this consolidation, and while larger programs will broaden their eligibility, their funding levels will be reduced. For example, no funding is requested for the Migrant and Seasonal Farmworker program, Welfare-to-Work continues to be ignored, and Youth Opportunity Grants are being phased out, while the Adult Employment and Training Activities eligibility is broadened, despite a 5.3% reduction in funding.

### **PRESIDENT BUSH'S BUDGET PROPOSAL FY 2003 (DOLLARS IN MILLIONS)**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>\$ Change FY 02-03</b>	<b>% Change FY 02-03</b>
Adult Employment and Training Activities	950	950	900	-50	-5.3%
Dislocated Worker Employment and Training Activities	1,614	1,490	1,414	76	-5.1%
National Farmworker Jobs Program	76.7	80.7	0	-80.7	-100%
Office of Federal Contract Compliance Programs (OFCCP)	81	83	82	-1.0	-1.2%
Workforce Investment Act (WIA) National Programs	403.7	403.7	115.1	-288.6	-71.4%
Welfare-to-Work	-50	0	0	0	0
Youth Activities (includes Summer Youth)	1,148	1,128	1,001	-127	-11.3%
Youth Opportunity Grants	250.0	225.1	44.5	-180.6	-80.2%
Job Corps	1,399.1	1,458.8	1,532.2	73.4	5%

### **Adult Employment and Training Activities**

Adult Employment and Training Activities provide formula grants to states under authority of WIA for employment and training assistance to low-income adults. There should be a vested national interest in enhancing the Hispanic workforce in order to increase the nation's future economic security, and adult employment and training services can help achieve this as they are essential for many workers in developing long-term skills. This is especially true as Latinos continue to be concentrated in industries most vulnerable to layoffs, including manufacturing, retail, and tourism.

*In FY 2003, the Bush Administration proposes to cut funding to Adult Employment and Training Services by \$50 million over FY 2002. According to the Administration, the budget authority requested, together with unexpended carryover estimated at \$375 million, could support up to 510,000 participants compared to 415,000 anticipated for FY 2002. In addition, the budget proposes that the WIA adult program no longer have a "means test," allowing all job seekers and adults seeking to advance their careers to receive core services. A possible result of this will be more eligible individuals for a program with reduced funding, in addition to individuals who would then be served through this program instead of more targeted programs which have been eliminated. It should be noted that this is the same decrease requested by the Administration in FY 2002; appropriators chose to level fund the program last year.*

## **Dislocated Worker Employment and Training Activities**

These grants provide reemployment services and retraining assistance to laid-off workers with a proven labor market attachment. Since Latino workers are more likely than others to be dislocated from their jobs, NCLR has traditionally supported increased funds for dislocated worker programs, particularly for the programs that serve workers affected by increased trade to Mexico and Canada due to the North American Free Trade Agreement (NAFTA).

*Unfortunately, even though the number of unemployed Hispanics has increased by 13% since September 2001, the Bush Administration proposes a 5.1% decrease (\$76 million) for FY 2003 for dislocated worker employment and training activities.*

## **National Farmworker Jobs Program (NFJP)**

The NFJP, a program for migrant and seasonal farmworkers funded through Section 167 of the WIA, allows nonprofit and public agencies to provide employment, training, and support services to over 25,000 migrant and seasonal farmworkers each year, about 2% of the eligible farm labor workforce. According to the Association of Farmworker Opportunity Programs (AFOP), 80% of those served are Hispanic and among the lowest paid members of the workforce. With the provision of linguistically-skilled and culturally competent staff, NFJP funding ensures access to services often not available in the existing workforce system. The AFOP reports that 83% of enrollees in 2000 who sought a new job obtained employment with benefits outside of farmwork.

*The Administration's budget eliminates the program, stating that it has no proven record of success and individuals may instead be served by the Migrant High School Equivalency Program (HEP) and College Assistance Migrant Program (CAMP). As noted in the U.S. Department of Education analysis, the budget proposed freezing HEP/CAMP funding at the FY 2002 level. To eliminate this program will adversely affect Latino farmworkers.*

## **Office of Federal Contract Compliance Programs (OFCCP)**

The OFCCP is responsible for ensuring equal opportunity and nondiscrimination in employment based on race, sex, religion, color, national origin, and disability or veteran status by federal contractors and subcontractors. The Office conducts reviews and investigates complaints under existing civil rights statutes. In recent years, incidents of discrimination against Latinos have been on the rise, and research shows that Hispanic job seekers experience some form of labor market discrimination about 20% of the time.

*The Bush Administration has proposed a \$1 million decrease in funding for OFCCP for FY 2003.*

## **Workforce Investment Act (WIA) National Programs**

These programs provide employment and training assistance to Native Americans and migrant and seasonal farmworkers, as well as fund demonstrations, pilots, and research; conduct evaluation; provide technical assistance and incentive grants in support of the employment and training system; and support the National Skills Standards Board and Women in Apprenticeship.

*The National Youth Employment Coalition recommends that, at the very least, WIA National Programs be funded at the same level as FY 2002. However, the Administration's budget funds the programs at \$115 million in FY 2003, a decrease of \$289 million from FY 2002.*

## **Welfare-to-Work (WtW) Grants**

These funds assist state and local Workforce Investment Boards and private entities that operate programs that help move hard-to-employ welfare recipients and certain noncustodial parents into stable, permanent, and typically unsubsidized employment. NCLR worked in conjunction with other national organizations to create the WtW program in an effort to help move "hard-to-serve" Latinas, those with multiple barriers to employment, off the welfare rolls.

*Initially, \$3 billion in mandatory funding was authorized for FY 1998 and 1999. In FY 2001 states were allowed an additional two years to expend WtW funds, but no new funds were authorized. Analysis of the Welfare-to-Work programs shows that Hispanics are disproportionately likely to be underserved by these programs that move TANF recipients into work. Between 1996 and 1999, the share of the total TANF caseload nationwide that is Latina has increased by 17.8%. Despite this, the Bush Administration proposed no additional funds for WtW grants in the FY 2002 or the FY 2003 budget.*

## **Youth Activity Grants**

These funds support a wide range of services and activities that focus on preparation of low-income youth for academic and employment success. These grants include Youth Opportunity Grants, Summer Youth, Migrant Youth, and Job Corps programs. A substantial number of community-based service providers within Latino neighborhoods across the country implement services under the DOL Youth Activities umbrella.

*The Bush Administration proposed a reduction of \$147 million from FY 2001 in FY 2002 funds for Youth Activity Grants which included the following: a freeze in funding for Youth Opportunity Grants (pending reprogramming of FY 2001 Youth Opportunity Grant funds into FY 2002) and a freeze in funding for Job Corps, which is a residential center-based program for disadvantaged youth and young adults. For FY 2003, the request for Youth Opportunity Grant funding is \$44.5 million, a decrease of 80% from FY 2002. This reflects a phase-out of this program, with the expectation that this group can be served by states using Workforce Investment Act (WIA) funds. It should be noted that the WIA budget authority was reduced by \$648 million, a reduction of 11.5%. In contrast, the FY 2003 funding request for Job Corps, a program that significantly underserves Hispanics, was increased by \$73.4 million, a 5% increase.*

# U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Discretionary spending at the Department of Health and Human Services (HHS) would rise 9% from last fiscal year, primarily because of a massive infusion of cash for bioterrorism protection. Of the \$489 billion the Administration proposed for HHS, about \$429 billion is dedicated to mandatory programs such as Medicare and Medicaid. As in last year's budget, the Administration is requesting an extra \$190 billion over ten years to begin providing prescription drug coverage to low-income Medicare recipients. Lawmakers in both parties say about \$300 million is needed to address the problem.

Of interest to Latino families in particular, the Administration's budget proposes a modest increase in the budget for the HHS Office of Civil Rights. The budget also proposes a 70% augmentation of the "Compassion Capital Fund" to support qualified charitable organizations that wish to expand or emulate model programs. The budget also proposes a new refundable tax credit for low- and moderate-income individuals and families who do not have health care, the details of which are in the analysis of the Bush plan's tax provisions. The proposed \$6.667 billion for Head Start, a \$129 million increase over the 2002 level, unfortunately does little more than keep up with inflation; the Low Income Heating and Energy Assistance Program received a reduction of \$300 million; and the Administration's budget does not fund the Community Access Program. The budget cuts \$3 million from the Office of Minority Health and freezes FY 2002 funding levels for the Individual Development Accounts program.

## PRESIDENT BUSH'S BUDGET PROPOSAL FY 2003 (DOLLARS IN MILLIONS)

	FY 2001	FY 2002	FY 2003	\$ Change FY 02-03	% Change FY 02-03
Centers for Disease Control (CDC)	3,877	4,307	3,878	-429	-9.9%
Chronic Disease Prevention and Health Promotion	750	697	640	-57	-23.3%
National Center on Minority Health and Health Disparities	130	157.8	178.6	20.8	13.2%
Community Access Program (CAP)	125	0	0	0	0
Head Start	6,194	6,538	6,667	129	2.0%
Individual Development Accounts (IDAs)	25	25	25	0	0
Low-Income Home Energy Assistance (LIHEAP)	2,000	2,000	1,700	-300	-15.0%
Office of Civil Rights (OCR)	30	34	36	2	5.9%
Office of Minority Health (OMH)	49	50	47	-3	-6.0%

### Centers for Disease Control (CDC)

These funds support health disease prevention programs including grants and related funding for immunizations, control of sexually-transmitted diseases, HIV prevention, and control of other infectious and chronic diseases. NCLR affiliates and other community-based, health-focused service providers rely heavily on CDC support to develop and implement community health promotion campaigns.

*For FY 2003, the CDC budget has been reorganized, resulting in a proposed decrease of \$429 million overall. This includes \$57 million being removed from the Chronic Disease Prevention and Health Promotion programs, which fund activities such as breast and cervical cancer screenings and fund campaigns to promote healthy diets, reduce tobacco use, and encourage proper exercise.*

## **Community Access Program (CAP)**

These grants help coordinate health care services to underinsured or uninsured persons through community health providers, such as public health clinics and hospitals. The CAP programs help create partnerships among teaching hospitals, public health departments, and other local health providers to provide health services primarily for low-income families. NCLR and others, such as the National Hispanic Leadership Agenda (NHLA), have for some time supported an increase in funding for this program. The NHLA has found these programs to be of particular importance to Latino families in need of health services; local community partnerships help to provide access to direct services.

*As was requested (and appropriated) in FY 2002, the Bush Administration did not request funding for this program for FY 2003.*

## **Head Start**

These funds support programs that focus on increasing the school readiness of young children in low-income families. Previous NCLR research has documented the severe underrepresentation of Latinos in Head Start. NCLR and other advocates have called for full funding of the program to help ensure universal access to preschool programs.

*The President's budget request for FY 2003 is \$129 million more than was appropriated in FY 2002, a 2% increase. Yet, this does not even fully account for inflation; as a result, increased participation by Hispanic children in Head Start will be extremely difficult to attain in FY 2003.*

## **Individual Development Accounts (IDAs)**

These grants help support a program that encourages participants, typically low-income families, to save and accumulate assets. The program pairs saved income with matched contributions from private and/or public sources and holds the money in accounts managed by financial institutions. In doing so, accountholders can use their savings to build assets by purchasing a home, paying for advanced education, or starting a small business. At the same time, participants attend mandatory financial education classes. Research and data indicate that Latinos are participating in IDA programs at a proportionately lower rate, largely because few programs are accessible in Latino communities. At the same time, evidence reveals that Latinos who are participating in IDA programs save at higher rates than other participants.

*NCLR recommends that the Administration work to increase gradually over a five-year period funding for IDAs through the HHS grant program from \$25 million in FY 2002 to \$500 million, as well as include provisions that strengthen the link between IDAs and the EITC, and allow at least 15% of the funding to be used for program development, research, and evaluation. Unfortunately, the Bush Administration's budget has proposed no increase in funding for HHS IDA grants in FY 2003.*

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

LIHEAP provides direct heating and cooling benefits to millions of low-income families each year. Advocates such as the Coalition on Human Needs have called for increases in LIHEAP, particularly in light of higher energy costs that disproportionately affect low-income Latinos in the Northeast and California.

*The Bush Administration's budget will reduce LIHEAP funding by 15% for FY 2003.*

## **Office of Civil Rights (OCR)**

Within the Department of Health and Human Services, OCR is responsible for enforcing civil rights statutes that prohibit discrimination in federally-assisted health care and social service programs.

*Last year, NCLR and other civil rights organizations were successful in their request of a funding increase in OCR to \$34 million for FY 2002 to expand enforcement activities to ensure that Latino families are unimpeded when accessing important health and social programs. For FY 2003, the Bush Administration proposed to increase funding for OCR to \$36 million. A \$2 million increase in OCR's budget is inadequate to fulfill its obligations to ensure compliance of Title VI and Executive Order 13166. OCR's enforcement actions are now even more critical to protect against discrimination of limited-English-proficient individuals since the recent Supreme Court decision, *Alexander v. Sandoval*, limiting private right action under Title VI.*

## **Office of Minority Health (OMH)**

Funding for this Office supports disease prevention, health promotion, and health service delivery for disadvantaged minorities. The Office also sponsors research to improve the health status of racial and ethnic minority populations. NCLR and other advocates have traditionally supported increased resources for OMH to help identify and reduce the barriers for Latinos and other minorities to health services which contribute to the disparities in health status between these groups.

*The Bush Administration's FY 2003 budget proposes to cut the OMH by \$3 million, or 6%, from FY 2002's funding level.*

## **State Children Health Insurance Program (SCHIP)**

The State Children Health Insurance Program (SCHIP) provides funding that allows states to provide health care coverage to uninsured children. NCLR and a broad bipartisan coalition have strongly supported giving states the option to provide health care access to legal immigrant children and pregnant women who, under current law, are barred access to federal Medicaid and SCHIP. Extending Medicaid and SCHIP to legal immigrants would significantly improve the health access and health status of Latino children living in immigrant families.

*Unfortunately, the Administration's budget fails to allocate new funds giving states the option to cover this population. Furthermore, while the FY 2003 budget allows states to keep \$3.2 billion in SCHIP funds that are due to be reverted to the U.S. Treasury at the end of FY 2003, the budget allocates no additional funding for SCHIP.*

## **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

The Bush Administration's \$31.4 billion budget for the U.S. Department of Housing and Urban Development (HUD) proposes a \$2 billion rise in overall budget authority from the previous year.

Of particular interest to many Latino families, the Bush budget proposes the establishment of a private nonprofit "Colonias Gateway Initiative" that would provide \$16 million to enhance housing availability, opportunity, and infrastructure to underdeveloped rural communities within 150 miles of the U.S.-Mexico border. The budget again proposes to eliminate the \$25 million Rural Housing and Economic Development Fund, which has a special emphasis on the colonias, saying the program should be merged with the Agriculture Department's program. The budget provides \$2.1 billion – an increase of \$238 million – to the HOME Investment Partnerships Program, and a \$15 million increase to the Housing Counseling Assistance Program. The budget proposes a tax credit of up to 50% of the cost of constructing a new home or rehabilitating an existing property in low-income urban and rural neighborhoods.

### **PRESIDENT BUSH'S BUDGET PROPOSAL FY 2003 (DOLLARS IN MILLIONS)**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>\$ Change FY 02-03</b>	<b>% Change FY 02-03</b>
Empowerment Zones (Urban)	185	45	0	-45	-100.0%
Empowerment Zones (Rural)	15	0	0	0	0
Community Development Block Grants	5,112	5,000	4,716	-284	-5.7%
Fair Housing & Equal Opportunity	46	46	46	0	0.0%
Fair Housing Assistance Program (FHAP)	21	26	26	0	0
Fair Housing Initiatives Program (FHIP)	24	20	20	0	0
HOME Investment Partnerships Program	1,796	1,846	2,084	238	12.9%
Downpayment Assistance Initiative	---	50	200	150	300.0%
Housing Counseling Assistance	20	20	35	15	75.0%
Rental Assistance and Incremental Vouchers	707	378	464	86	22.8%
Rural Housing and Economic Development	25	0	0	0	0

### **Empowerment Zones (EZs), Rural and Urban**

The goal of the Empowerment Zone (EZ) initiative is to revitalize city neighborhoods by attracting business development and providing employment opportunities to residents of Empowerment Zones. EZ programs are meant to create economic opportunity in America's distressed communities, with a special emphasis on stimulating job creation linked to welfare reform. These programs involve a flexible grant system linked with a strategic vision and a community-based partnership to support economic opportunity and sustainable community development.

*According to the President's budget, since 1999, evaluations and other performance information provide no convincing evidence that adding grants to the tax benefits of Empowerment Zones increases that program's effectiveness. It further states that HUD's Community Development Block Grant (CDBG) program lets localities meet the same needs (see below). Therefore, no new funding is proposed for Empowerment Zones in FY 2003.*

## **Community Development Block Grants (CDBG)**

Community Development Block Grants provide funding for community infrastructure, affordable housing, and economic development projects principally in low- and moderate-income neighborhoods.

*The Administration's budget stated that they are unable to assess the performance of CDBG funds because its effectiveness is diluted by the inclusion of some of the richest cities in the country. Therefore, the budget proposes a legislative change to reduce funding to the richest 1% of communities. Even though many advocates also question its effectiveness, CDBG is important to Latinos because it is designed primarily to serve low- and moderate-income people, and many rich cities do have pockets of poor communities that do benefit from CDBG funds if they are used for legitimate projects. Overall, the Administration's budget decreases CDBG funding by \$284 million, or 5.7%, in part due to the decision not to fund a \$336 million earmark for special purpose projects. However, budget negotiations in past years have proven that it is nearly impossible to avoid earmarks, so the practical effects of reduced funding will likely be that less money is available overall for poor communities.*

## **Fair Housing and Equal Opportunity**

These funds support efforts to end housing discrimination through the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiative Program (FHIP). The FHAP program provides resources to state and local agencies to process and investigate complaints filed under Title VIII of the Civil Rights Act of 1968 and supports enforcement by funding state and local fair housing organizations. FHIP funds strengthen the ability of private fair housing groups to enforce laws protecting all Americans against housing discrimination; the program also supports outreach and public education activities.

*For several years, NCLR along with other civil rights organizations have requested an increase in funding for this program to meet the growing levels of discrimination facing Latinos and other families in housing. Specifically, NCLR recommends an increase in funding to at least a sum total of \$56 million for FY 2003. Instead, the Administration's budget proposed to freeze funding levels for Fair Housing programs at \$46 million for FY 2003, although this is mitigated to some extent by the return of funds previously diverted to research activities, according to the National Fair Housing Alliance.*

## **HOME Investment Partnerships Program**

The HOME Investment Partnerships Program provides formula funds to assist states and local governments to expand affordable housing by acquisition, rehabilitation, and new construction of housing and tenant-based rental assistance. A key provision of HOME involves a set-aside for nonprofit, community-based housing development organizations.

*The HOME Investment Partnerships Program received a proposed increase of \$238 million, or 12.9%. The Administration proposed to quadruple the Downpayment Assistance Initiative budget from its 2002 level, to \$200 million.*

## **Housing Counseling Assistance**

The Housing Counseling Assistance program offers comprehensive housing counseling services, including pre-purchase, default, and renter counseling, to eligible homeowners and tenants; recent evidence suggests that housing counseling is an essential part of any strategy to increase Latino homeownership rates.

*NCLR recommended increasing the amount of money appropriated for Housing Counseling Assistance from \$20 million in FY 2002 to \$25 million in FY 2003 and was pleased to see a requested increase in the Bush plan to \$35 million, an increase of \$15 million.*

## **Rental Assistance and Incremental Vouchers**

Rental Assistance is a project-based program that funds existing and new units. Incremental vouchers go to tenants to help cover the cost of rental housing. Despite the push to increase Latino homeownership, it remains a reality that many Hispanic families must rent housing. Unfortunately, housing costs for Latinos represent a larger burden on household income than for other groups – more than two-fifths (43.9%) of Hispanic renter households spend 30% or more of their income on housing. In addition to being burdened by high housing costs, Hispanics are more likely to live in housing that is of poor quality and/or overcrowded. Twenty-eight percent (28%) of Hispanics live in crowded households compared to 2% of White households.

*The Administration's budget decreased the amount of funding for Rental Assistance from \$274 million in FY 2002 to \$260 million in FY 2003. However, the Administration assessed the voucher program as cost-effective, market-driven, portable rental assistance, which serves over 1.8 million low-income households. The proposed budget increased the Voucher funding by nearly 100%, from \$104 million in FY 2002 to \$204 million in FY 2003. It should be noted that the funding appropriated in FY 2002 was a decrease of 77% from the previous year.*

## **Rural Housing and Economic Development**

This Office's mission is to incorporate state housing finance agencies, state community and/or economic development agencies, local rural nonprofits, and community development corporations in order to support innovative housing and economic development activities in rural areas. Although most rural housing is funded through the Department of Agriculture, HUD funding has been critical to supporting essential technical assistance and new innovations, including a special emphasis on colonias along the U.S.-Mexico border.

*The Administration claims this program is largely duplicative of the U.S. Department of Agriculture's (AG) rural housing and development efforts. However, this is only partially true, insofar as both sets of programs target a similar population. The HUD program is much more flexible, permitting activities that are not allowed by, yet often enhance, AG's programs. In addition, the budget proposes cuts to AG's rural development programs, although it provides modest increases for rural housing. Despite this, the Administration's budget proposes to eliminate the Office of Rural Housing and Economic Development, a cut of \$25 million for FY 2003.*

## **OTHER DEPARTMENTS AND FEDERAL AGENCIES**

President Bush's FY 2003 budget froze discretionary budget authority for the U.S. Department of Agriculture, while the U.S. Department of Justice budget was increased by \$23.1 billion, or 1%. The U.S. Department of Treasury would get a boost of about 5%, with the Internal Revenue Service and Customs Service accounting for the bulk of the increase. The Small Business Administration's budget was slightly increased, after a dramatic cut in the previous year.

Of particular importance for Latinos, the President's budget plan would restore access to Food Stamps for some legal immigrants. In addition, the President's FY 2003 budget allows for a significant increase of \$364 million (8.2%) for the Women, Infants, and Children (WIC) program. However, Rural Housing Service was again cut, this year by 9.3%, and the Administration chose to continue cutting the budget for the Community Development Financial Institutions (CDFIs) program – this year by \$12 million (-15.0%), which would severely limit finance/business initiatives in distressed and underserved areas, particularly in Latino communities in need of economic and community development. The Equal Employment Opportunity Commission budget was reduced by \$2 million (-.6%). The Low-Income Taxpayer Clinic (LITC) program would receive a \$1 million increase to \$7 million total in FY 2003.

### **PRESIDENT BUSH'S BUDGET PROPOSAL FY 2003 (DOLLARS IN MILLIONS)**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>\$ Change FY 02-03</b>	<b>% Change FY 02-03</b>
<b>U.S. Equal Employment Opportunity Commission</b>	303	311	309	-2	-0.6%
<b>U.S. Department of Agriculture</b>					
Food Stamp Program	20,074	22,992	26,250	3,258	14.2%
Rural Housing Service (RHS)	1,132	1,220	1,107	-113	-9.3%
Women, Infants, and Children (WIC) Program	4,059	4,387	4,751	364	8.3%
<b>U.S. Department of Justice</b>					
Civil Rights Division	92	101	105.1	4.1	4.1%
Immigration Enforcement	3,237	4,029	3,997	-32	-.8%
Immigration Services	1,015	1,433	1,385	-48	-3.3%
<b>U.S. Department of the Treasury</b>					
Community Development Financial Institutions (CDFIs)	118	80	68	-12	-15%
Low-Income Taxpayer Clinics (LITCs)	6	6	7	1	16.6%
<b>U.S. Department of Commerce</b>					
Technology Opportunities Program	25	25	0	-25	-100%
<b>U.S. Small Business Administration</b>	415	338	353	15	4.4%

## **U.S. Equal Employment Opportunity Commission (EEOC)**

The mission of the EEOC is to promote equal opportunity in employment through administrative and judicial enforcement of the federal civil rights laws and through education and technical assistance. As in past fiscal years, the minority of EEOC caseloads are Hispanic, largely because the Latino community continues to be underserved. An increase in the budget is needed to expand outreach programs and partnerships with stakeholders groups, as well as to devote more resources to claims filed by low-wage workers and national origin claims.

*The FY 2002 budget increased net budget authority for the EEOC by \$7 million. For FY 2003, NCLR recommends an increase of 20% to a total appropriation of \$372 million. Yet, in FY 2003, the Administration's budget plan proposed a cut from \$311 million to \$309 million (this excludes funding for Federal retiree costs). According to the budget proposal, this cut reflects efficiencies that EEOC expects to realize through workforce restructuring.*

## **U.S. Department of Agriculture**

### **Food Stamp Program**

The Food Stamp program is the primary source of nutrition assistance for low-income families. These funds provide direct benefits to families in need. In 1996, all legal immigrants were made ineligible for this Federal program; in 1997 there was a partial restoration for some categories of legal immigrants.

*The budget proposes to restore benefits to legal immigrants five years after entry to the United States. This provision takes a significant step toward NCLR's goal of full restoration for all legal immigrants. The budget also provides funds for job training programs for Food Stamp recipients and the Puerto Rico Nutrition Assistance block grant. The budget plan would increase spending in the Food Stamp program by \$29 million in 2003 and \$1.0 billion over five years.*

### **Rural Housing Service (RHS)**

This program, along with Rural Utilities Service and Rural Business-Cooperative Service, provides low-income households with rural housing assistance, grants, loans, and other services. RHS was formed from the Rural Housing section of the Farmers Home Administration and the Community Facilities Division of the Rural Development Administration. RHS delivers rural housing and community facility programs through a system of state, area, and local offices.

*The Administration's budget requested \$113 million less for this program in FY 2003, a decrease of 9.3%.*

### **Women, Infants, and Children (WIC)**

This program provides direct assistance to women with young children for basic nutritional needs. Overall, funds provide low-income, at-risk or postpartum women, infants and children with vouchers for nutritious supplemental food packages; nutrition education and counseling; and health and immunization referrals.

*The budget reflects the demonstrated success of this program by proposing to increase funding by \$364 million in FY 2003. The budget proposes a total of \$4.7 billion in 2003, including a \$150 million contingency fund to ensure expansion if necessary.*

## **U.S. Department of Justice**

### **Immigration Enforcement**

According to the budget document, which rated this program within the Immigration and Naturalization Service (INS) as "moderately effective," immigration enforcement activities have made progress in gaining control along specific sections of the Southwest border, resulting in a decrease in apprehensions. Yet, total illegal immigration, including people overstaying their visas, remains high.

*The Administration's budget decreases total funding for Immigration Enforcement by \$32 million, a .8% reduction.*

### **Immigration Services**

The budget rates this INS program as ineffective, citing unacceptably large application backlogs and lengthy processing times, frustrating and unfairly disadvantaging those who wish to enter the United States legally relative to undocumented immigrants. According to the budget document, the INS is, however, making progress toward eliminating the backlog by the end of 2003, but needs to ensure a thorough screening of all applicants for deficiencies.

*Cuts in funding to INS service functions will lengthen backlogs for people in the naturalization process or seeking to reunite with family members abroad. Yet, the budget decreases funding for Immigration Services by \$48 million for FY 2003, or -3.3%. These cuts are particularly inappropriate at a time when user fees for INS services are rising rapidly. Although these fees are intended to pay for the costs of INS services, they are often diverted to other functions. The Administration's budget continues to support a five-year, \$500 million initiative to attain a universal six-month processing period for all immigration applications.*

### **Civil Rights Division**

The Civil Rights Division in the Department of Justice, in part, initiates litigation to enforce various federal regulations and statutes, including consumer protection and immigration laws, and defends against challenges to those statutes.

*NCLR requested an increase in funding for the Civil Rights Division for FY 2002 to \$101.3 million. The Bush Administration's FY 2002 budget included the full recommended 10% increase in funding, and Congress appropriated \$101 million. The Administration's FY 2003 budget requests \$105.1 million, an increase of 4.1%. NCLR has been calling on the Department of Justice's Special Litigation Section to provide adequate resources to enable it to fulfill its task of pursuing "pattern and practice" lawsuits against police agencies nationwide that commit widespread abuses. Additional funding for the Civil Rights Division could expand the valuable work of the National Origin Taskforce to bring forward discrimination claims filed on the basis of national origin.*

## **U.S. Department of the Treasury**

### **Community Development Financial Institutions (CDFIs)**

The CDFI fund provides equity investments, grants, loans, and technical assistance to new and existing community development financial institutions such as community development banks, community development credit unions, community development loan and venture capital funds, and microenterprise loan funds. These funds assist in financing economic development

and community development initiatives in distressed urban, rural, and Native American communities. CDFIs play a vital and important role in building up low-income communities where many Latinos reside.

*Unfortunately, the President's budget claims that the impact of these investments is difficult to measure. The Bush Administration's FY 2002 budget proposed to cut CDFI funds by more than 42% from FY 2001 funding levels; it was actually appropriated at 32% less than the FY 2001 level. The FY 2003 budget proposes to further cut the CDFI fund by 15%, from \$80 million in 2002 to \$68 million in 2003.*

### **Low-Income Taxpayer Clinics (LITCs)**

The LITC program provides matching funds for qualifying organizations to provide legal assistance to low-income taxpayers in legal disputes with the Internal Revenue Service (IRS) and/or inform individuals for whom English is a second language of their tax rights and responsibilities.

*NCLR recommends that the Administration work to expand the size of the LITC program from \$6 million currently to \$22 million for FY 2003, eliminate the match funds requirement, and modify the IRS rules to enable the LITC program to extend its reach and harmonize with VITA services. The FY 2003 budget authorized \$7 million for this important program.*

## **U.S. Department of Commerce**

### **Technology Opportunities Program (TOP)**

The Technology Opportunities Program provides grants, often to rural and other disadvantaged groups, for applications of telecommunications technologies. Though small, this program helps bridge the digital divide between Latinos and other groups with more access to technology and the latest innovations.

*Unfortunately, with the expansion of the Internet and related technologies into all sectors of society, the Administration's budget explains that these federal subsidies are not necessary and eliminates the program.*

## **U.S. Small Business Administration**

Founded in 1953, the Small Business Administration (SBA) provides financial, management, and technical support to assist Americans to start, run, and grow their businesses. SBA is the nation's largest single financial backer of small businesses, with a vast array of business loans, loan guarantees, and disaster loans totaling more than \$45 billion.

*The Congressional Hispanic Caucus has a strong record of supporting increases in the SBA budget. SBA's own data show significant service levels to Hispanic-owned and -operated small businesses across the country. SBA offered management and technical assistance to more than one million small business owners, of whom one-fourth were Latino. The Bush Administration's FY 2003 budget proposes a slight increase of \$15 million, or 4.4%, in total discretionary budget authority from FY 2002. This is 15% below actual FY 2001 funding.*

# **THE ADMINISTRATION'S ECONOMIC SECURITY PLAN**

In FY 2002, along with its budget requests, the Bush Administration proposed a number of other policy changes, including the centerpiece of the President's domestic policy agenda: \$1.7 trillion in tax cuts over the next ten years. The President's top tax priorities included cutting marginal tax rates, doubling the child tax credit, providing relief for the so-called "marriage penalty," and eliminating the estate tax.

In this year's budget request, the Administration calls for an additional \$591 billion, beyond the \$1.35 trillion enacted last year, to be reserved for tax cuts over the next decade. This includes \$343 billion to extend last year's tax cuts for two years beyond the current expiration in 2010. The Administration defines its tax proposal as having the following elements:

- Speeding up the tax reductions the Congress passed last year.
- Giving tax refunds to lower- and moderate-income individuals and families.
- Providing immediate assistance to laid-off workers by extending their unemployment benefits, increasing resources available for job training, and helping them retain their health insurance coverage.
- Reforming prospectively the alternative minimum tax on businesses.
- Offering better tax treatment for employers and entrepreneurs who invest in new equipment.

In February of this year, the Senate failed to enact the Republican bill modeled after the President's economic stimulus package, as well as the Democratic alternative which emphasized more assistance to unemployed workers. The stimulus package offered by President Bush included tax cuts favored by most Republicans and opposed by most Democrats. Deeply held divisions between the parties over taxes and spending, coupled with recent signs of economic recovery, led to the demise of a far reaching stimulus package. However, the Job Creation and Worker Assistance Act, a bill to provide 13 more weeks of jobless benefits to laid-off workers and tax benefits for businesses, was passed by both houses and signed into law by President Bush on March 9, 2002. NCLR did not endorse this legislation.

While a more comprehensive look at the President's plan is beyond the scope of this document,\* the package included in the budget would have:

- Accelerate income-tax reductions for higher-income Americans, which makes little sense as a stimulus measure and poses a danger to fiscal discipline over the longer term.
- Provide modest aid to the unemployed, with additional benefits after 26 weeks unavailable until mid-March, and then only in a few states.\*\*
- Provide a tax rebate – not a gradual tax cut – for low- and moderate-income workers which would be short term, while all of its corporate and upper-income tax cuts would be multiyear or permanent.
- Creates a refundable income tax credit for the cost of health insurance purchased by individuals under age 65. The credit would provide a subsidy of up to 90% of the health insurance premium,

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\* See recent papers by Center on Budget and Policy Priorities.

\*\* Similar provisions were included in the Job Creation and Workers Assistance Act passed in March 2002.

up to a maximum credit of \$1,000 per adult and \$500 per child for up to two children. The maximum subsidy percentage of 90% would apply for low-income taxpayers and would be phased down at higher incomes. Individuals participating in public or employer-provided health plans would generally not be eligible for the tax credit.

The President's budget proposes \$89 billion over ten years for these new health tax credits. NCLR is analyzing the proposal as well as other policy alternatives that aim to decrease and eliminate the high numbers of those who are uninsured. Latinos have the highest uninsured rate in the country, and NCLR supports policies that effectively address the issues of access and barriers to health care.

Of particular interest to Hispanic families, the President's plan and the package passed by Congress and enacted:

- Does not increase access to Unemployment Insurance (UI). Many unemployed Latino workers are ineligible for UI benefits because they worked part-time or in seasonal jobs or made very low wages. Yet, the Administration's proposal does not alter the eligibility rules to open the doors to UI for more Hispanic workers.
- Does not increase access to Medicaid for unemployed workers. Many low-income unemployed Latinos have few options for health coverage. Because of the high and rising cost of Medicaid to states, federal funds are needed to bolster the growing demand by increasing numbers of unemployed applicants. Yet, for Latinos, the funds must also be accompanied by provisions that allow states the flexibility to cover all unemployed low-income workers through Medicaid. Accordingly, states should be given a new, temporary option to cover unemployed workers – which at a minimum should include all lawfully-present immigrants – at an enhanced federal matching rate. The President's plan fails to do this.

## CONCLUSION

The Bush Administration entered office with a significant budget surplus and at the tail end of an economic boom that had produced record low levels of Hispanic unemployment. In addition, both political parties, and key leaders on both sides of the aisle in Congress, had begun to court the growing Latino electorate actively. For perhaps the first time in history, the nation arguably had both "the will and wallet" to make the investments needed to reduce large socioeconomic gaps between Hispanics and non-Hispanics in the U.S.

This budget, the first for which President George W. Bush's Administration is entirely responsible, fails to capitalize on the economic and fiscal momentum of the 1990s. With several notable exceptions – e.g., critical new investments in nutrition benefits for certain legal immigrants and homeownership programs – this budget fails to place a high priority on investments of importance to U.S. Latinos.

To be sure, the budget appropriately increases support for national defense and homeland security, investments that Hispanics, like other Americans, strongly support. In addition, the economic slowdown, for which only the most partisan of observers would blame the current Administration, has placed significant constraints on federal budget growth. However, the bottom line is that, in the context of a budget providing for overall modest growth, the President largely ignores priorities of Latinos, the nation's largest ethnic minority group.

### Budget Ratings

Regarding the four policy priority areas outlined earlier, NCLR rates the Administration's proposed 2003 budget on a four-part scale starting with "Excellent" as the highest rating, to "Good," to "Fair," and with "Poor" as the lowest rating, as follows:

#### **Investments in education - Rating: Fair**

Given the acknowledged importance of education in improving economic outcomes, the Administration's 3.7% increase in discretionary appropriations for the Department of Education is disappointing. Though there was an increase for Title I, and a \$100 million increase in early literacy programs, too many programs with successful track records were eliminated or level funded, including Bilingual and Immigrant Education, GEAR UP, and TRIO. The new education bill will increasingly hold Latino students to higher standards; unfortunately this budget will do little to help them meet these standards. The 2% increase for Head Start will hardly keep up with inflation, effectively eliminating any chance for increasing Latino access to this vital early childhood development effort.

#### **Work and savings – Rating: Poor**

When assessing the impact of cuts in the Department of Labor's budget, a clear pattern emerges of program elimination and reduction in favor of larger programs serving a wider audience. Such larger, more flexible programs can be effective; however, targeted programs have been shown to be necessary in order to serve certain groups, including farmworkers and youth. In addition, while existing programs to serve dislocated workers have been largely ineffective in serving Hispanics, the right way to address this problem would be to reform the programs, not eliminate them or cut them back. Finally, the budget fails to support measures adequately, such as Individual Development Accounts or Low-Income Taxpayer Clinics, that could significantly increase Latino access to savings and investments.

**Health care – Rating: Fair**

The President's budget plan moved in the right direction when it restored access to Food Stamps for those legal immigrants who have been in the country for more than five years. In addition, the President's FY 2003 budget allowed for an adequate increase for the Women, Infants, and Children (WIC) program. Unfortunately, cuts within the CDC and the Office of Minority Health, continued lack of funding for the Community Access Program, and the failure to restore health care access fully for all legal immigrants, combined with an unproven health care tax credit, point to insufficient support for improving Hispanic health.

**Safe and strong communities – Rating: Poor**

The Administration should be congratulated for providing significant increases to programs assisting first-time homebuyers. However, the budget fails to provide sufficient funding for civil rights enforcement and to address law enforcement abuse. It eliminates technology programs designed to reduce the "digital divide," fails to make needed investments in improving the INS' service functions, and cuts support for Community Development Financial Institutions. Modest increases for rural housing programs in the Department of Agriculture are offset by cuts in HUD's support for farmworkers and other rural Hispanics through the Rural Housing and Economic Development Program.

**Recommendations**

To address the issues identified in this analysis, NCLR recommends that the Bush Administration and the Congress:

- Not expand tax cuts which many economists argue will do nothing to spur economic recovery, and that are certain to further reduce resources available for critical domestic investments.
- Continue funding for targeted programs that have a proven track record of improving economic and other opportunities for U.S. Latinos, with a particular emphasis on education, job training, and health.