



The Jewish Federations  
OF NORTH AMERICA

## ACTION ALERT



Earlier this week, the White House formally submitted to Congress its FY 2012 budget proposal. While JFNA recognizes the extreme seriousness posed by the burgeoning public debt which has topped \$14 trillion and the annual federal deficit is in the neighborhood of \$1.5 trillion, it is clear that the solution to this fiscal mess cannot be disproportionately borne by the most vulnerable in our society as would likely be the case if this budget were adopted in its entirety. JFNA will work closely with our friends in Congress on both sides of the political aisle to ensure that our movement's budget priorities are adequately funded in the years ahead. **We urge the federation movement to set up meetings with Senators and Representatives and:**

- **Continue to educate them about the important work in which our social service agencies engage;**
- **Promote our collective program priorities; and**
- **Speak out against attempts to reduce the scope of the itemized deduction because of its impact on charitable giving.**

Not surprisingly, at \$3.7 trillion and more than 2000 pages, the FY 2012 budget is the largest budget submission ever sent to Congress. This year's budget includes \$1.344 trillion in discretionary spending, divided between \$881 billion in military/security/foreign affairs expenditures and \$462 billion for non-security domestic programs. This compares to the President's budget proposal submitted last year which included \$1.415 trillion in discretionary spending, divided between \$895 billion in military/security/foreign affairs and \$520 billion for non-security domestic programs. Beyond the discretionary spending, the remainder of the budget is set aside for entitlement programs like Medicare, Medicaid and Social Security (\$2.109 trillion for FY 2012 compared to \$2.1775 trillion in FY 2011) and interest on the U.S. debt (\$240 billion in FY 2012 compared to \$205 billion in FY 2011, but projected to increase to \$928 billion by FY 2021).

## **TRYING TO RESOLVE THE BUDGET SITUATION FOR FY 2011**

For the current fiscal year (FY 2011) that ends on September 30, 2011, the federal government is currently operating under a temporary spending measure, a Continuing Resolution (CR), which expires on March 4<sup>th</sup>. The House Republican leadership has readied a draft CR that would cover the remainder of the fiscal year, and the House plans to take this up later this week. The CR contains significant program cuts throughout the federal government, seeking to trim \$58 billion in savings over FY 2010 spending levels (and \$100 billion beneath the funding levels proposed by President Obama last February). If approved by the House as expected, the measure is expected to hit roadblocks in the Senate from Democrats who oppose both the spending levels and decisions. With compromise uncertain, Congress probably will enact at least one additional short-term CR to allow additional time for the process to conclude or face a showdown that could lead to a federal government shut down.

## **FY 2012 BUDGET OVERVIEW**

The \$3.7 trillion budget blueprint freezes domestic discretionary spending over five years and institutes an inflation-adjusted freeze on defense spending for the same period. The budget notes that “this is not an across-the-board cut, but rather an overall freeze with investments in areas critical for long-term economic growth and job creation.” Although the budget includes 200 programmatic eliminations or significant reductions, few of those cuts would reduce overall federal spending because most would be plowed back into targeted investments in education, research and development, and infrastructure. For instance, the President would invest \$8 billion in clean energy spending across all federal agencies (a sharp contrast with Congressional Republicans who place these programs high on their list of initiatives to reduce or eliminate). As part of his approach to discretionary spending, President Obama also would seek to completely eliminate Congressional earmarks (something that Congress has already put on hiatus for the next two years) and the budget notes: “If a bill is sent to the President with earmarks in it, he will veto it.”

One primary assumption under the President’s deficit projections is that the economy will grow by an inflation-adjusted 4% over the next several years, and it is unclear whether this bench-mark will be achieved in the next few years. Overall, the plan would reduce the deficit by \$1.1 trillion over the next decade, two-thirds by spending cuts and one-third by new revenue increases. Under the President’s plan, the deficit would peak in FY 2011 at \$1.6 trillion, or 10.9 percent of GDP -- slightly higher than recent Congressional projections. The deficit would then decline to \$1.1 trillion in 2012 (7% of GDP), \$768 billion in 2013 (4% of GDP), and then stabilize at about 3 percent of GDP between 2015 and 2020. In 2021, the deficit would begin to rise again, as retiring baby-boomers drive up program costs for Medicare and Social Security. Overall, the budget if enacted would still lead to \$7.2 trillion in additional deficits over the next 10 years.

The fiscal year 2012 budget proposes to limit the tax rate at which high-income taxpayers can take itemized deductions, including charitable contributions, to a maximum of 28 percent. The proposal would affect married taxpayers filing a joint return with incomes

over \$250,000 at 2009 levels and single taxpayers with income over \$200,000. The proposal would be used to offset the first three years of extending relief from the alternative minimum tax (AMT) to a growing number of middle-class taxpayers. The fiscal year 2012 budget document also reiterates the Administration's opposition to the permanent extension of the 2001 and 2003 tax cuts for families making more than \$250,000 a year and a more generous estate tax and calls for their expiration at the end of 2012. These tax cut extensions were accepted by the Administration as part of a two-year compromise with Congress in late December, 2010. The fiscal year 2012 budget proposes does extend the current law IRA Charitable Rollover through the end of 2012. Under current law, the provision expires at the end of 2011.

Overall reactions to the budget proposal were swift and predictable. Speaker John Boehner (R-OH) said it: "Spends too much, borrows too much, and taxes too much," House Budget Chairman Paul Ryan (R-WI) agreed that: "it is going to be very small on spending discipline." Senator Jeff Sessions (R-AL), the Ranking Republican on the Senate Budget Committee said: "A \$1 trillion reduction is insignificant and does not get us on the right course and historically we know the president's numbers are inflated so it will be less reduction. We have a 50/50 chance of not having a debt crisis. The international monetary fund said we have to make substantial changes, and this budget, it appears, doesn't come close." But, Senate Majority Leader Harry Reid (D-NV) disagrees: "The President's budget offers a long-term plan to responsibly cut the deficit in half in his first term while investing in things that grow our economy, such as education, innovation and infrastructure. Cutting our deficit by more than a trillion dollars in the next decade means not only cutting waste and excess, but also making tough choices about our priorities."

## **IMPACT ON DISCRETIONARY PROGRAMS**

While the material below makes clear that not every federal program the federation movement cares about would be cut, most would! We have reviewed thousands of pages of budgetary material and the program information found below is correct as we now know it, but we will be further analyzing and updating our analysis as appropriate. In this section we discuss in alphabetical order specific programs of interest and how they are affected by the FY 2012 budget proposal as compared to FY 2010 – the last full year of funding approved by Congress. We indicate how the Republican proposal for the FY 2011 CR, as released last week, would affect these core programs as well. These proposed cuts in the CR only appeared in a general list produced by the House Appropriations Committee, so, in certain instances, we may not know if a particular program of interest has been targeted. The CR cuts would take place over a seven-month period (between March and September, 2011) instead of a full year, and the effect on targeted programs would be even greater.

### **Human Services**

Under President Obama's budget, the Department of Health and Human Services' Administration for Children and Families (ACF) would be **cut** by more than \$1.1 billion

from \$17.334 billion (FY 2010) to \$ 16.18 billion. This provides funding to many programs managed by JFS agencies.

Autism Spectrum Disorder occurs in 1 of 110 children. Research for Autism and other Developmental Disorders is funded through the Department of Health and Human Services' Health Resources and Service Administration for which \$48 million was received in FY 2010. This would be **increased** to \$55 million under the President's budget.

The Department of Agriculture's Commodity Supplemental Food Program which provides monthly packages of nutritious food, primarily to low-income seniors, would be **cut** from \$143 million in FY 2010 to \$134 million. The House Republican CR proposal would also cut \$26 million from this program in FY 2011.

The \$ 700 million (FY 2010) Department of Health and Human Services' Community Services Block Grant, which provides effective resources for a number of federation agencies to help eliminate poverty, would be **cut** in half to \$350 million. It also would be changed from a formula-based program to a grant program. The House Republican CR proposal would cut \$341 million from this program in FY 2011.

The Department of Agriculture's Emergency Food Assistance Program, which allows food banks (including kosher food pantries) to purchase commodities to re-supply food stocks, would receive a slight **increase** in funding from \$248 million in FY 2010 to \$249 million.

FEMA's Emergency Food and Shelter Program, which funds local community agencies to provide assistance with food, shelter, and utilities and a national program on which JFNA sits on the national board, would be **cut** from \$200 million in FY 2010 to \$100 million. The House Republican CR proposal would also cut \$100 million from this program in FY 2011.

The Department of Health and Human Services' Low Income Home Energy Assistance Program, which provides emergency heating assistance for many seniors and low-income individuals in the Jewish community in the winter and air conditioning in the summer, would be **cut** from \$5.1 billion in FY 2010 to \$2.57 billion. The House Republican CR proposal would cut \$390.3 million from this program in FY 2011.

While the Department of Health and Human Services' Administration on Aging (AOA) budget which oversees the Older Americans Act would appear to receive a substantial increase from \$1.513 billion in FY 2010 to \$2.237 billion, this is inaccurate and the overall program would be **flat-funded**. The budget would transfer the \$600 million Senior Community Services Employment Program from the Department of Labor and move this program to AOA and fund it at \$450 million. The AOA budget also includes \$120 million for CLASS Act administration, which is part of health care reform implementation, so overall services for seniors would in actuality be reduced by \$221 million. Within the AOA accounts, the home and community-based supportive services

fund would increase from \$368 million to \$416 million and the National Family Caregiver support program would increase from \$154 million to \$192 million. The House Republican CR proposal would cut \$525 million from the senior employment program in FY 2011. The CR proposal would also eliminate \$65 million in FY 2011 for CLASS Act implementation.

The Department of Health and Human Services' Refugee and Entrant Assistance program, which has paid to help resettle tens of thousands of Jews from the Former Soviet Union and other countries, would be **increased** from \$563 million in FY 2010 to \$637 million. The House Republican CR proposal would cut \$76 million from this program in FY 2011.

The flexible funding in the Department of Health and Human Services' Social Service Block Grant (SSBG) provides support for a myriad of federation programs, everything from adoption services to refugee assistance to senior transportation would be **flat-funded** at \$1.7 billion, the same in FY 2010 and the budget proposal.

The full budget for the Substance Abuse and Mental Health Services Administration (SAMHSA) within the Department of Health and Human Services would be **cut** from \$3.431 billion in FY 2010 to \$3.387. The House Republican CR proposal would cut \$200 million from SAMHSA in FY 2011. The Mental Health Block Grant, designed to improve access to community-based health care delivery systems for people with serious mental illnesses and helps fund mental health services at JFS agencies, would be **increased** from \$400 million in FY 2010 to \$414 million. The Substance Abuse Prevention and Treatment Block Grant, which funds services in JFS agencies and other federation agencies to help people remain alcohol and drug free; obtain or regain employment; stay out of the criminal justice system; find stable housing; and enter into recover, would be **increased** from \$1.376 billion in FY 2010 to \$1.42 billion.

The Social Security Administration's Supplemental Security Income provides monthly cash benefits as a federally guaranteed minimum income for low-income individuals who are either aged, blind or disabled, includes a program to allow refugees and asylees to receive these benefits for a total of nine years as they seek citizenship. This program for refugees and asylees did not receive any budget allocation in FY 2010 and it would be **increased** by \$41 million for FY 2012.

## **Housing**

The Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG), a flexible funding stream to state and local governments that provides support for programs serving those with low and moderate incomes within the Jewish community, would be **cut** by \$300 million from FY 2010 to levels \$3.691 billion. The House Republican CR proposal would cut \$2.95 billion from CDBG in FY 2011.

HUD's Section 202 Program, which pays for independent living for seniors, would be **cut** from \$ 825 million in FY 2010 to a proposed funding level of \$757 million. Under this budget, part of the funding would be set aside \$91 million for service coordinator assistance and an additional \$20 million to allow for the conversion of independent living facilities to assisted living. The House Republican CR proposal would cut \$551 million from this program in FY 2011.

HUD's Section 811 Program, the program that pays for scores of group homes for persons with disabilities within the Jewish community, faces an even more serious funding challenge. It would be **cut** from \$ 300 million in FY 2010 to \$196 million. The House Republican CR proposal would cut \$210 million from this program in FY 2011.

## **Education and Job Training**

The Department of Health and Human Services' Child Care Development Block Grant, which helps support low-income families' access child care in a number of federation agencies was funded at \$2.127 billion in FY 2010 and would be **increased** to \$2.927 billion. These programs have collectively allowed Jewish Family Service agencies, Jewish Vocational Service agencies and JCCs to provide tens of millions of dollars of services to children, family, seniors, persons with disabilities, and other vulnerable members of the Jewish and general communities. The House Republican CR proposal would cut \$39 million from this program in FY 2011.

The Department of Health and Human Services' Head Start program, which provide comprehensive development services to low-income infants and preschool children including some programs run by JCCs, received \$7.234 in FY 2010 and would be **increased** to \$8.1 billion. The House Republican CR proposal would cut \$1.083 billion from this program in FY 2011.

The Department of Education's Individuals with Disabilities in Education Act, the major federal funding program for special education which is used by students in public schools and Jewish day schools, received \$12.587 billion in FY 2010 and would be **cut** to \$12.02 billion.

The Department of Labor's Workforce Investment Act which provides formula grants for adult job training, dislocated worker job training, and youth services (including funding for summer jobs for young people) and which are utilized by JVS agencies received \$864 million for these programs in FY 2010 and would be **cut** to \$863 million.

## **Foreign Aid**

The Foreign Military Financing (FMF) program enables selected friendly and allied countries to improve their ability to defend themselves by financing their acquisition of U.S. military articles, services, and training. FMF strengthens Israel's security and ensures a "qualitative military edge" over neighboring militaries. The full budget for FMF was \$5.47 billion in FY 2010, with the President requesting \$5.55 billion in FY 2012, an increase of \$800 million. Israel received \$2.77 billion in FY10 and would receive \$3.09 billion in FY12, as agreed upon in the Memorandum of Understanding signed by the two nations in 2007.

While not completely relevant to foreign aid for Israel, the Department of State's discretionary budget authority for a wide range of foreign aid and international assistance programs, including Foreign Military Financing, USAID, the Millenium Challenge Corporation and the Peace Corps among many other programs, received \$49.293 billion in FY 2010 and the President has requested \$50.921 billion in FY 2012.

## **ENTITLEMENT OUTLOOK**

JFNA supports the Administration's commitment to implementing the Community Living Assistance Services and Supports (CLASS) Act. In FY 2012, the Administration has requested \$120 million in implementation funds for the new CLASS office housed within the Administration on Aging (AOA). In addition, the Administration estimates that the CLASS Independence Fund (which is comprised of premiums collected for the new program) will bring in \$5.5 Billion and collect \$90 million in interest.

While JFNA is encouraged that the Administration would invest additional funds in programs such as Medicaid's Money Follows the Person initiative that will enable more Medicaid beneficiaries to access services in the community vs. in an institutional setting, we have grave reservations about budgetary language that seeks to restrict how states finance their Medicaid programs. Many states that have these initiatives, such as intergovernmental transfers and "bed taxes" would be adversely affected and would receive further cuts in a year where each state's Medicaid program has been reduced due to declining state revenues.

While referencing the President's Deficit Commission, President Obama's budget only touches the surface on real entitlement reform to help curtail the burgeoning public debt. The fiscal year 2012 budget summary calls on Congress to come together in a bipartisan fashion to strengthen Social Security. The Administration lays out six principles based on fiscal solvency, opposition to privacy, and maintenance of basic benefits, including those for disability and survivor benefits:

1. Any reform should strengthen Social Security for future generations and restore long-term solvency.

2. The Administration will oppose any measures that privatize or weaken the Social Security system.
3. While all measures to strengthen solvency should be on the table, the Administration will not accept an approach that slashes benefits for future generations.
4. No current beneficiaries should see their basic benefits reduced.
5. Reform should strengthen retirement security for the most vulnerable, including low-income seniors.
6. Reform should maintain robust disability and survivors' benefits.

JFNA will follow these entitlement discussions closely while promoting the policy priorities of the federation movement.

If you have questions or comments about these budget materials, please contact Stephan Kline, JFNA's Associate Vice President for Public Policy at 202/736-5864 or [stephan.kline@jewishfederations.org](mailto:stephan.kline@jewishfederations.org).