



Issue Brief

Budget & Tax Policy Initiative



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Proposed Federal Budget Cuts Would Hurt Illinois Families and Children

By Ann Courter

With the state budget already stretched to the breaking point, proposed FY2006 federal budget cuts would mean a loss of almost \$3 billion over five years to Illinois. Much of these cuts would be in programs essential to children and their families, creating tougher choices for state lawmakers.

Protecting babies from low birth weight and illness by ensuring they and their mothers get enough to eat; providing quality child care to support working families; fostering school readiness in quality early learning programs; making immunizations and preventive health care available for millions of children— federal government investments in children and working families in Illinois make a huge difference for millions of Illinoisans, both now and in the long run. But although these programs make up a small fraction of total federal government spending, they have been marked for reductions in the proposed budget for FY2006, released on Feb. 7.

With the Illinois state budget already stretched to the breaking point, the federal budget cuts would mean even less state revenue and could create tougher choices for state lawmakers this year. Spending caps for future federal budgets contained in the Administration's budget proposal would shift an increasing proportion of expenses from the federal government to Illinois over the next five years. In the next federal budget, the Administration has proposed cuts in both "domestic discretionary" grants that are appropriated annually such as education, environmental protections, transportation, veterans' health care, medical research, law enforcement, and food and drug safety inspection, and also in entitlement programs, such as Medicaid.¹ For Illinois, this means the potential loss of \$447.3 million between FY2005 and FY2006 after adjusting for inflation.²

Even bigger cuts lie in future years. The federal budget proposal calls for reductions of \$214 billion in discretionary programs over the

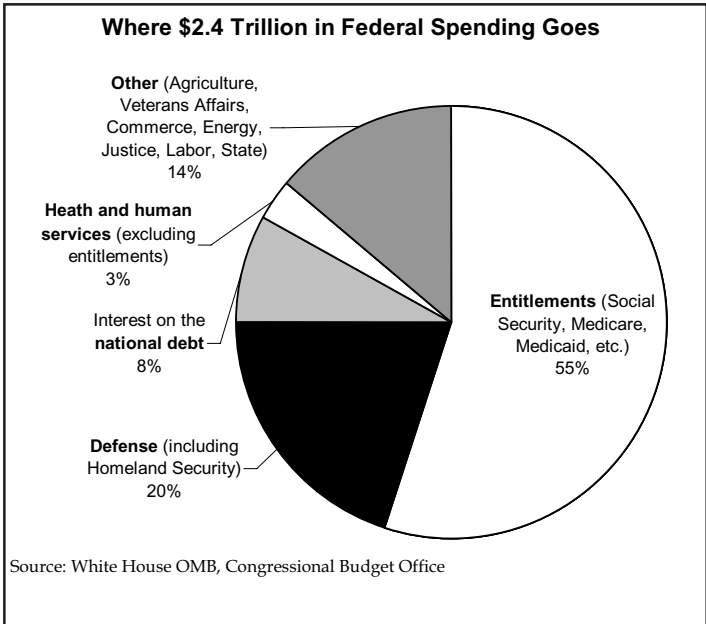
next five years. This is the first time since at least 1989 that an Administration has failed to provide specific funding levels for individual appropriated programs beyond the coming year. The budget provides specific information on where only the first \$18 billion of these cuts – those that would occur in 2006 – would come from. The budget omits information on which programs would be reduced, and by what amounts, to produce the remaining \$196 billion in cuts, from 2007 through 2010. An analysis by the Center for Budget and Policy Priorities, upon which this issue brief is based, relies on supplementary material provided to the Congressional budget committees.³ According to the Center's analysis, the pain in the budget comes mostly after 2006, with the cuts growing deeper with each passing year. The reductions in programs grow significantly over time, from \$18 billion in 2006 to \$66 billion in 2010.

Cap would lock in large cuts

The funding levels that the budget includes for discretionary programs in the years from 2007 to 2010 are highly significant because the budget calls for locking in its cuts through enactment of a binding cap. If these caps become law, Congress will have to make the \$214 billion in cuts, unless Congress is willing to set funding for defense, homeland security, and international affairs at levels below those the President has requested.⁴

The proposed cuts would hit struggling families in Illinois particularly hard. In five years, 23,200 fewer Illinois women, infants and children would be served under the Special Supplemental Nutrition Program for Women, Infants, and

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development and community service programs, including the Community Development Block Grant and the Community Services Block Grant, into a single block grant named “Strengthening America’s Communities.” Funding for community and economic development to

would mean a loss of \$1.28 billion for Illinois over 10 years.⁵

Reductions in federal Medicaid payments would threaten the quality of health care in Illinois – in our hospitals, our nursing homes, and for tens of thousands of children. The proposed cut of \$126.8 million in Illinois funding for 2010 alone is enough to pay for health care coverage for 49,300 children.⁶

By siphoning badly needed federal funding from the state’s Medicaid program, the budget proposal could further increase the numbers of uninsured children, parents, elderly and people with disabilities. The health care safety net for some of the state’s most vulnerable people would be further weakened.

The Administration has proposed new “flexibility” measures in the Medicaid program, including caps on administrative spending. The particular policies listed in the budget may be met with resistance in Congress, but the budget reduction target will need to be met one way or another if it is included in a reconciliation bill.⁷

Because Illinois puts its federal matching funds into the General Revenue

children. There would be 5,200 fewer Illinois children at risk of school failure getting early education through Head Start. Stable housing would be out of reach for 15,900 Illinois families unable to access rental assistance housing vouchers, and 12,700 Illinois families would face a cold winter without help from the Low Income Home Energy Assistance Program. Child care assistance would be cut for 23,000 Illinois children.

Illinois still ranks near the bottom in providing state support for public education, and the proposed federal cuts would make it even harder to adequately and equitably fund our schools. Overall federal funding for the major elementary and secondary education programs— Education for the Disadvantaged, Special Education fund, School Improvement programs, and Impact Aid— would be reduced by \$477.1 million in Illinois over the 2006-2010 period. Just to stay even, our schools would be forced to look to the state—or to local property taxpayers—to make up the difference.

The Administration is also proposing to consolidate 18 community

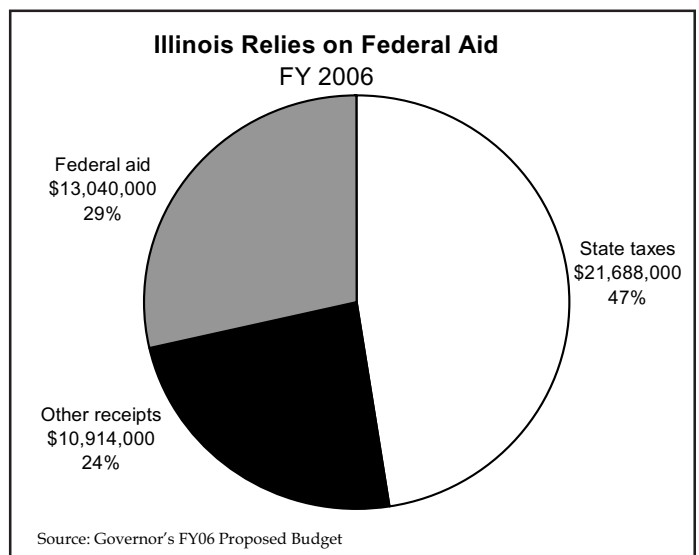
states and localities would fall by more than one-third in 2010. Illinois would lose almost half a billion dollars in community services funding over the next five years.

Illinois’ share of federal discretionary budget cuts could total almost \$3 billion over the next five years, much of it in programs essential to children and families. In the year 2010 alone, Illinois could lose \$904.5 million of federal revenues in domestic discretionary programs.

Deep cuts to Medicaid

In addition to cuts in domestic discretionary programs, the federal budget proposal also calls for reductions in entitlement spending.

The plan to cut federal Medicaid funding by a net of \$45 billion over the next ten years



Fund, any federal Medicaid cuts would threaten many of the state's important supports for families.⁸ If the state must pay for long-term care for the elderly, or home care expenses which were previously funded by the federal government, there will be fewer state resources available for education, child care and all other programs funded through the state General Revenue Fund.

Tax credits at risk

The Earned Income Tax Credit program has lifted millions of working families out of poverty. And yet, as with other entitlement programs, Congress could cut the Earned Income Tax Credit (EITC) through a fast-track process called "reconciliation." When Congress passes a budget resolution within the next few weeks containing broad spending and revenue targets for the coming years, the resolution could contain instructions directing specific congressional committees, including the Finance and Ways and Means Committees that oversee the EITC, to cut entitlement spending from programs they oversee by a certain total amount over five years. These cuts will be assembled into a single "reconciliation" bill that cannot be stopped by a Senate filibuster and is very difficult to change through amendments.⁹ The EITC could also be undermined by imposition of a cap on total annual expenditures for all entitlement programs except Social Security and Medicare for

Projected Federal Funding Cuts to Illinois

(in millions of dollars)

| | 2006-2010 | 2010 |
|--|-----------|---------|
| Grants-in-Aid (discretionary programs) | \$2,932.8 | \$904.5 |
| Elementary and Secondary Education | \$477.1 | \$187.7 |
| Vocational and Adult Education | \$227.5 | \$49.5 |
| WIC | \$23.7 | \$17 |
| Children and Family Services | \$135 | \$46.6 |
| LIHEAP | \$12.7 | \$9.6 |
| Community Development Block Grants | \$447.2 | \$102.8 |

The analysis of the Center on Budget and Policy Priorities is based on background information provided to the Congressional budget committees. It starts with the level of funding in a given program category for 2006 and estimates the level of funding for 2007 through 2010 that would be consistent with the implied priorities and the total level of funding the budget assumes for each of the next five years.

each of the next ten years.

What follows is a look at how children and families across the nation would be affected by other proposed federal budget cuts. Their impact on Illinois has not yet been determined.

Food Stamps

The federal budget proposal includes cutting food stamp benefits by \$1.1 billion over 10 years, terminating approximately 300,000 people from the program, mostly working families with children.

Child Care

By 2009, 300,000 fewer children nationwide would be supported in quality child care settings, on top of 200,000 fewer children receiving child care since 2003.¹⁰

Foster Care

The Administration proposed allowing states to convert the current open-ended funding into a five-year

block grant in which states could take more funds up front, but only if they were willing to take smaller allocations in future years.¹¹

Delinquency Prevention

Delinquency Prevention and the Juvenile Accountability Block Grant are cut 46 percent from FY2005 to FY2006.

Costs shift to state

The impact of the proposed funding reductions on state and local governments would be huge as the federal government shifts substantial program costs to states. To cope with the large drops in federal funding, states and localities would have to choose between reducing services markedly and raising

taxes.

Illinois, which is still struggling to recover from years of multi-billion dollar deficits, simply cannot absorb these federal funding cuts in education, human services, environmental protection and community development as well as in transportation and health care. As the state struggles with rising Medicaid and employee health costs while striving to improve a grossly inequitable education system, these federal cuts will create enormous pressures to abandon the progress we have made to help children and families in Illinois succeed. These federal cuts would imperil our already-troubled state budget this year and in years to come, forcing additional reductions in programs, or raising additional state revenue, or both. In the next few weeks, Congress will make decisions that could harshly impact the

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