



February 5, 2007

To: State Human Service Administrators

From: Elaine M. Ryan, Deputy Executive Director for Policy and Government Affairs

Re: Highlights of President Bush's FY 2008 Budget Proposal;
Conference Call Tuesday, Feb. 6, 3:00 p.m. Eastern

This memorandum contains a *draft summary* of the health, social service, employment and training, and food and nutrition provisions contained in President Bush's fiscal year (FY) 2008 budget proposal released today. Please note that as details emerge in the coming days, we will provide you with revisions to this memorandum.

As in the past several years, the President's budget proposal focuses on reforming entitlement programs, including Medicare and Medicaid. Although the FY 2008 proposal includes several Medicaid reform proposals that have been included in previous years, the administration also includes several new proposals with significant cost savings potential. Unlike in the past, the administration's proposal includes far-reaching cost savings measures in the Medicare program.

The President's budget includes legislative proposals that would result in \$65.6 billion in savings in Medicare and \$13 billion in Medicaid over the next five years. In addition, the Administration's proposed federal regulations are projected to save an additional \$10.2 billion in Medicare and \$12.7 billion in Medicaid over the next five years.

With respect to Medicaid, the FY 2008 budget seeks to achieve savings in Medicaid by changes such as cost allocation, reducing administrative match rates to 50 percent, cutting the match rate for targeted case management (TCM) services to 50 percent, restricting Graduate Medical Education (GME), regulating Disproportionate Share Hospital (DSH) payments, and reforming rehabilitation services among other changes. In addition, the budget proposes to make significant changes to the State Children's Health Insurance Program (SCHIP) which is scheduled to be reauthorized during this Congress.

HEALTH

President's Health Care Reform Initiative

The President is proposing a health care initiative that includes two new major components: supporting initiatives being undertaken by states and reform of the tax code. The initiative, which was previewed in the State of the Union address and in subsequent meetings, would require the

administration to use its existing regulatory authority and seek new authority from Congress to award grants and additional flexibility to states to help reduce the number of uninsured individuals, among other things. The administration hopes to build on the momentum of those states that already have proposed plans to help cover uninsured individuals by offering basic, affordable private health insurance. Health and Human Services (HHS) Secretary Michael Leavitt has already begun meeting with governors to advance this proposal.

State initiatives proposal. The administration indicates that any health care reforms, including this new initiative, should be state-based and budget-neutral. The budget proposal notes these reforms should be pursued without spending new federal dollars and creating a new entitlement. Instead, the administration is proposing to redirect portions of payments made to institutions in the Medicare and Medicaid programs that either directly or indirectly pay for uncompensated care or subsidize their operating expenses.

The administration has proposed a new “Affordable Choices Waiver” to accomplish this. Based on information from HHS officials, the new Health Insurance Flexibility and Accountability (HIFA)-like waiver option would allow states to propose new initiatives to provide a basic health care benefit package to more individuals that, in turn, would reduce the number of uninsured. For example, states could develop high-risk pools or eliminate insurance mandates. Funding for this initiative would be generated by making changes to the Medicaid DSH provisions. Specifically, the administration proposes to seek legislative authority to change the requirements for allocating and distributing Medicaid DSH money so that it can be transferred from institutions to subsidize insurance for the uninsured/low-income.

The administration also proposes a new “Affordable Choices Grants” program. States could access these grants if they cannot pursue health coverage expansions solely using the funding from Medicaid DSH. The administration proposes to use the states’ Medicare DSH money. Specifically, it would redirect federal payments away from institutions and to needy individuals in eligible States. These grants would allow States to help low-income individuals purchase private health insurance. In previous communications, the administration has indicated this funding stream could be related to a restructuring of funding for DSH. During the budget briefing press conference today, Centers for Medicare and Medicaid Services (CMS) Administrator Leslie Norwalk indicated that the amount available for such grants will be determined on a state-by-state basis. The funds will be made available to states that take steps to make health insurance more affordable, such as reducing benefit or premium mandates.

Tax Code Reform. The president proposes to make health insurance taxable income. The proposal attempts to create an incentive to buy health insurance by giving a standard tax deduction of \$7,500 to individuals and \$15,000 to families for purchasing health insurance, regardless of the cost or type of insurance or whether it is purchased through an employer. The amount of the standard deduction will increase by the Consumer Price Index each year. This is expected to result in lower taxes for about 100 million people (80 percent of plans) with employer-provided policies.

The administration reported that for the 30 million people (20 percent of plans) with the most expensive insurance plans, their tax bill would rise about 0.1 percent because they would exceed

the deduction ceiling. These individuals will have the option to adjust their compensation to have lower premiums and higher wages to offset the tax change.

The administration estimates about 3 million people without insurance would purchase coverage. Some analysts believe that the proposal would likely result in more people choosing health savings accounts (HSAs) and high-deductible, low-cost health plans.

Cost of the Initiative. The Administration indicates that the Affordable Choices Initiative is revenue-neutral, but stipulates that it is revenue-neutral over a 10-year cycle and that in the beginning years, the program is likely to be costly. The Administration has proposed that the program begin in 2009.

Reform of Health Insurance Marketplace

In addition, the Administration has re-proposed the following health care initiatives:

- Establishing association health plans that would allow small employers, civic groups, and community organizations to band together and use their purchasing power to negotiate lower-priced coverage for their employees, members, and their families.
- Creating a competitive marketplace across state lines that maintains strong consumer protections; and
- Reforming medical liability law.

The budget also addresses consumer-focused policies that emphasize transparency of price and quality information. The budget also contains proposals to facilitate the use of health savings accounts, including allowing health plans with at least 50 percent coinsurance to qualify as a high-deductible health plan.

State Children's Health Insurance Program

Under the Balanced Budget Act of 1997 (BBA), SCHIP was established and received an appropriation of \$40 billion for the 10 years FY 1998 through FY 2007. SCHIP will expire on September 30, 2007, and so is scheduled to be reauthorized this year. States with approved plans are eligible to receive an enhanced federal matching rate that ranges from 65 to 85 percent. The Administration indicates that as of January 18, 2007, 27 states and the District of Columbia cover children in families with incomes up to and including 200 percent of the federal poverty level (FPL). Sixteen states cover children above that level. Of the 16, eight states cover children up to and including 300 percent of FPL. One state, New Jersey, covers children up to 350 percent of FPL. During FY 2006, 6.6 million children were enrolled in SCHIP. This represents an increase of approximately 473,000 children, or 7.7 percent, over FY 2005 enrollment.

Reauthorization

The budget includes \$1.2 billion in FY 2008 for SCHIP and \$5.93 billion over five years. The Administration proposes to reauthorize SCHIP for five years. The budget proposes that federal funds be used to cover *only* those targeted low-income children currently enrolled in states' programs under 200 percent of FPL. The budget plan also notes that the administration will seek

authority to target SCHIP funds more efficiently to states with the most need. During a briefing with reporters today, CMS Administrator Leslie Norwalk stated that states would be reimbursed for current enrollees at or above 200 percent of FPL at the regular Medicaid match rate, not the enhanced SCHIP rate. In addition, she indicated that states currently covering adults would have these populations “grandfathered” into the program.

SCHIP Performance

For FY 2008, CMS has proposed strengthening health care quality across the SCHIP program. States will collect measures related to access to care, asthma medications, and child wellness visits.

Medicaid

Medicaid Overview

In total, the budget proposal estimates that FY 2008 federal Medicaid outlays will be \$204 billion. This is a \$12 billion (6.3 percent) increase over projected FY 2007 spending. The Federal Medical Assistance Percentage (FMAP) has a floor rate of 50 percent, and for FY 2008 the highest FMAP is 76.29 percent. Overall, the federal government will pay for approximately 57 percent of medical assistance payments, and approximately 50 million individuals in states and territories will be covered by Medicaid.

The Administration proposes several new initiatives to address the potential for states to implement what it considers inappropriate financing mechanisms. The budget includes legislative proposals that are estimated to result in \$1.9 billion in Medicaid savings in FY 2008 and an estimated \$13 billion over five years. The budget also includes administrative proposals that would result in \$1.5 billion in Medicaid savings in FY 2008 and \$12.7 billion over five years.

The budget also notes that Medicaid received a rating of “Adequate” in its 2006 Program Assessment Rating Tool (PART) review. Based on this review, CMS developed new performance measures, including:

- Increasing the number of states that demonstrate improvement related to access and quality health care through the Medicaid Quality Improvement Program;
- Tracking return on investment resulting from implementation of the Medicaid Integrity Program; and
- Increasing the percentage of beneficiaries who receive home- and community-based services.

FY 2008 Proposed Legislation

Medicaid Reimbursement Policies

The budget proposal references the need to align all administrative reimbursement rates in Medicaid to 50 percent to create consistency in the administrative matching structure. This proposal will reduce federal outlays by \$945 million in FY 2008 and \$5.3 billion over five years.

Medicaid Administration Cost Allocation

As in previous years, the administration proposes to reduce duplicate Medicaid payments that it says were improperly included in TANF block grants and also charged to Medicaid. This proposal would reduce federal outlays by an estimated \$280 million in FY 2008 and \$1.8 billion over five years.

FMAP and Performance Measurement

The budget includes a proposal to link performance measurements to a state's FMAP. States unable to achieve acceptable performance measures would be penalized by a lower FMAP. Administration officials have cited examples of performance metrics such as pressure sores in nursing homes. CMS officials indicated that states would not be affected by this proposal until 2011. The estimated savings over FYs 2008-2012 is \$330 million.

Targeted Case Management

The Administration re-proposes to lower reimbursement for TCM services to the administrative matching rate of 50 percent. This proposal would result in FY 2008 savings of \$200 million and \$1.2 billion over five years.

Reform of Drug Rebate Formula

The Administration proposes to remove market distortions and increase state flexibility with respect to Medicaid prescription drug programs. As in previous years, the administration proposes to replace the "best price" factor with a budget-neutral flat rebate in the Medicaid drug rebate formula.

Reform of Federal Upper Limit Reimbursement

The budget includes a proposal to build on the reforms approved in the Deficit Reduction Act of 2005 (DRA). The administration re-proposes to reduce the federal upper limit reimbursement for multiple-source drugs to 150 percent of the average manufacturers' price (AMP) of the lower-priced drug in the group. In FY 2008 this would save \$160 million and \$1.2 billion over five years.

State Use of Managed Formularies

This proposal will allow states to use private-sector management techniques to leverage greater discounts through negotiations with drug manufacturers. The proposal saves \$160 million in FY 2008 and \$870 million over five years.

Tamper-Resistant Prescription Pads

The budget includes a proposal to require all states where providers use hand-written prescription pads to use "tamper-resistant" pads. This is estimated to save \$35 million in FY 2008 and \$210 million over five years.

Asset Verification for Medicaid Eligibility

The budget proposal includes an expansion of the Social Security Administration (SSA) pilot program using electronic financial records for verifying an applicant's assets to appropriate HHS programs. State Medicaid agencies would be required to establish pilots in locations where SSA is operating such a pilot. This expansion is estimated to cost \$65 million in FY 2008 and \$640 million over five years.

Third-Party Liability

The budget includes three proposals related to third-party liability. First, the Administration proposes to strengthen current law by allowing states to cost-avoid for prenatal and preventive pediatric claims where a third party is responsible. It also proposes to allow states to collect for medical child support where health insurance is derived from a non-custodial parent's obligation to provide coverage. In addition, it would allow states to recover Medicaid expenditures from beneficiary liability settlements. These proposals together are estimated to save \$10 million in FY 2008 and \$85 million over five years.

Extend 1915(b) Waiver Period

The Administration includes a budget-neutral proposal to extend the renewal period for 1915(b) waivers from two to three years.

Refining Long-term Care Home Equity

The DRA prohibited individuals with more than \$500,000 of home equity from being eligible for Medicaid long-term care services. States have the option of increasing this limit to \$750,000. The administration proposes to eliminate this option; this would save an estimated \$70 million in FY 2008 and \$430 million over five years.

Improving Continuity of Care

The budget again includes two budget-neutral legislative proposals to ensure that Medicaid and SCHIP enrollees receive the benefits of Health Insurance Portability and Accountability Act (HIPAA)-related coverage that increases continuity, portability, and accessibility of health insurance.

Transitional Medical Assistance

Transitional Medicaid Assistance (TMA) allows families to remain eligible for Medicaid for up to 12 months after they lose welfare cash benefits due to increased earnings. The Tax Relief and Health Care Act of 2006 (P.L. 109-432) extends TMA through June 30, 2007. The Administration proposes to extend TMA through September 30, 2008. This proposal will cost the federal government \$460 million in FY 2008 and \$6.7 billion over five years.

Qualified Individuals Program

The budget includes a proposal to extend Medicare Part B premium assistance for Qualified Individuals (QIs) through September 30, 2008. QIs are Medicare beneficiaries with incomes of at least 120 percent and less than 135 percent of FPL and who have limited financial resources. This is estimated to cost \$425 million in FY 2008.

Refugee Exemption Extension

The Administration proposes to extend Medicaid eligibility for refugees who would otherwise lose coverage from seven to eight years. This is an SSA proposal with Medicaid impacts. This proposal will increase federal outlays by \$33 million in FY 2008 and \$99 million over five years.

Actuarial Reporting

The Administration has proposed requiring HHS to publish an annual actuarial report assessing the financial status of the Medicaid program.

Administrative Proposals

Payments to Government Providers

The budget includes a proposal to build on previous efforts to curb financing practices it deems inappropriate, and specifically if federal funds are diverted from government providers and retained by the state. The budget also proposes to cap payments to government providers to no more than the cost of furnishing services to Medicaid beneficiaries. This proposal saves \$530 million in FY 2008 and \$5 billion over five years. This proposal is outlined in greater detail in an NPRM that was published January 18, 2007, for comment. APhSA together with its affiliate, the National Association of State Medicaid Directors (NASMD), plans to submit formal comments on the proposal, and encourages states to do so as well.

School-Based Services: Eliminate Administration and Transportation

The Administration proposes to prohibit federal reimbursement for school-based administration or transportation costs. The school-based services proposal will save \$615 million in FY 2008 and \$3.645 billion over five years.

Reforming Graduate Medical Education

Currently, Medicare provides support for graduate medical education (GME). Some states also utilize Medicaid to pay for physician training programs, although it is not explicitly authorized. The budget includes a proposal to clarify that Medicaid will no longer be authorized to pay for GME since it is not involved with direct medical care to low-income individuals. This is estimated to save \$140 million in FY 2008 and \$1.8 billion over five years.

Stricter Reimbursement Policies for Rehabilitation Services

The Administration proposes to clarify allowable services that can be claimed as rehabilitation services. This proposal will reduce federal outlays in FY 2008 by \$230 million and \$2.3 billion over five years.

Redefining 1915(b)(3) Services

The Administration indicates that it will publish a regulation to clarify which services provided under 1915(b)(3) of the Social Security Act will be allowed. CMS officials indicate that the restrictions would focus on limiting states to providing services under this section of the Social Security Act for social services, and instead, would require there to be a medical component to the service. This proposal was expected to be budget neutral.

Third Party Liability – Eliminate Pharmacy “Pay and Chase”

States are currently required to uphold the cost-avoidance standard for pharmacy claims. The Administration proposes to eliminate waivers that permit “pay and chase.” This proposal is expected to be budget neutral.

Disproportionate Share Hospital Program

The Administration proposes future clarification through regulations of the statutory DSH program provision. There are no associated costs in FY 2008.

Provider Tax Clarification

The budget proposes to clarify the use of provider tax. The Tax Relief and Health Care Act of 2006 (P.L. 109-432) included provisions that codified the maximum rate at which a state can tax its health care providers at 6 percent, effective November 1, 2006. Beginning January 1, 2008, through FY 2011, the rate will be temporarily reduced to 5.5 percent. The budget includes a proposal to clarify the mechanism by which Congress originally intended the provider tax limitations to operate.

Health Care Fraud and Abuse

The FY 2008 budget proposes to fund the Health Care Fraud and Abuse Control (HCFAC) program through both a mandatory and a discretionary funding stream. Proposed FY 2008 total HCFAC funding is \$1.2 billion. Of this amount, \$1.1 billion funds the mandatory portion of the program. Within the mandatory amount is \$24 million provided in the DRA for the Medicare-Medicaid data matching program. The remaining \$118.4 million represents new discretionary proposed funding.

Health Insurance Portability and Accountability Act

Similar to the proposal last year, the Administration seeks to ensure that Medicaid and SCHIP beneficiaries receive the benefits of HIPAA coverage. To facilitate this, the budget includes two legislative changes:

1. Eligibility for Medicaid and SCHIP Employee Sponsored Insurance (ESI) Program would be a qualifying event allowing families to enroll in ESI immediately through special enrollment.
2. Require SCHIP programs to issue certificates of creditable coverage promoting portable health coverage by verifying the period of time an individual was covered by a specific health insurance policy.

State Grants and Demonstrations

The budget includes funding appropriated by the Deficit Reduction Act for various Medicaid-related programs, including the Money Follows the Person Rebalancing Demonstration, Medicaid Transformation Grants, State Long-term Care Partnership Program, the survey of retail drug prices, the Medicaid Integrity Program, and the Psychiatric Residential Treatment Demonstration.

SPAP Transitional Grants

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

Vaccines for Children (VFC) Program

The Administration proposes \$2.8 billion in funding for the Vaccines for Children (VFC) Program. This is a decrease of \$143 million from the FY 2007 budget proposal and the funding provided in the FY 2007 continuing resolution (CR). The decrease is due to reductions in one-time 2007 mandatory costs associated with reduced contractual costs, catch-up funding, and decreased pediatric vaccine stockpile. The FY 2007 and FY 2008 budgets support the purchase of the first vaccine developed to prevent cervical cancer and other diseases in females caused by certain types of genital human papillomavirus (HPV). The VFC is a program administered by the Centers for Disease Control and Prevention and provides free vaccines to children who are Medicaid beneficiaries, American Indians or Native Alaskans, uninsured, or whose insurance does not cover the cost of immunizations. The program allows underinsured children to receive VFC inoculations at state and local health departments, rather than only at federally qualified health centers and rural health centers. “Uninsured” is defined as those without coverage for a particular vaccine.

High-Risk Pool

Section 6202 of the DRA and the State High Risk Pool Extension Act of 2006 authorized funding for seed and operational grants for state high-risk health insurance pools. For FY 2006, the DRA appropriated \$75 million for operational grants to help fund existing qualified high risk pools, and 31 states received grants. An additional \$75 million per year is authorized for FY 2007 through FY 2010, but no funds are currently appropriated. The DRA also appropriated \$15 million for seed grants, available through FY 2007, to assist states in creating and initially funding high-risk pools. Five states have received seed grants, and CMS plans to conduct an additional solicitation in 2007 to attract newly qualified states.

Undocumented Aliens Emergency Health Care

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

Medicare

Medicare Overview

In FY 2008, spending on Medicare benefits will total \$454 billion and provide health insurance to 44.6 million individuals. The budget proposal focuses on the long-term budget outlook for Medicare and includes legislative and regulatory proposals that would reduce the long-term budget shortfall. Net savings from the Medicare legislative package total \$4.3 billion in FY 2008 and \$65.6 billion over five years. The administrative savings total \$1.0 billion in FY 2008 and \$10.2 billion over five years. The Administration proposes to reduce Medicare’s average annual growth rate over five years from 6.5 percent to 5.6 percent.

Health Care Fraud and Abuse Control (HCFAC)

The budget includes funding and legislative proposals to strengthen program integrity in Medicare and Medicaid. The budget includes \$1.3 billion for FY 2008, a \$202 million increase over the FY 2007 level. This includes \$183 million in new discretionary funds for Health Care Fraud and Abuse Control (HCFAC) for Medicare program integrity activities and to strengthen

oversight of the Medicaid program. The administration also proposes that the HCFAC entities will develop a comprehensive plan for Medicare, Medicaid, and SCHIP program integrity activities. This plan will indicate how program integrity appropriations from all sources (DRA, HIPAA, and discretionary cap adjustment) will be allocated to address program integrity priorities. These will include fraud, waste, and abuse vulnerabilities of these programs, and efforts to address requirements under the Improper Payments Improvement Act (IPIA) as implemented through the Payment Error Rate Measurement (PERM) program for Medicaid.

Administration on Aging

The FY 2008 budget request for the Administration on Aging (AoA) is \$1.335 billion, a decrease of \$28 million from FY 2007 spending.

Program Innovations

The Administration requested the same level of funding for FY 2008 of \$35 million, an increase of \$10 million from the FY 2007 level of \$25 million. The \$35 million request for Program Innovations includes \$28 million for Choices for Independence, which was not included in FY 2007 spending. Program Innovations supports projects for local service programs to improve access, better integrate services, and increase emphasis on prevention. Projects funded by the program include Aging and Disability Resource Centers, Integrated Care Management, Evidence-Based Disease Prevention grants, and Partnerships to assist states in rebalancing their long-term care systems. Choices for Independence has three components: consumer empowerment, healthy lifestyles, and community living incentives.

Home- and Community-Based Supportive Services

The FY 2008 budget includes a proposal for \$351 million, the same as the FY 2007 spending level, for grants to states and territories for coordination and integration of home- and community-based services. This is a grant program to states and territories to support the implementation of comprehensive and coordinated service systems for older individuals and their families. The services provided by these grants help to keep seniors as independent as possible, and enable them to stay in their homes and communities as long as possible.

National Family Caregiver Support Services

The FY 2008 budget proposes \$154 million for this program, \$2 million less than for the FY 2007 spending. The National Family Caregiver Support Program provides funding for family and caregivers by providing information, counseling, and training. The AoA provides grants to states and territories for developing multifaceted systems of support for family caregivers of disabled elders.

Protection of Vulnerable Older Americans and Aging Network Support

The FY 2008 budget request includes a request for \$19 million to help protect the rights and dignity of vulnerable seniors in their home and in institutional settings, a \$1 million decrease from the FY 2007 spending level of \$20 million for the Protection of Vulnerable Older Americans. The FY 2008 proposal also requests \$13 million (no change from FY 2007 spending) for Aging Network Support Activities, which provide seniors with information about their care options and benefits. These programs promote healthy lifestyles and help delay or prevent the

onset of chronic disease. They also protect vulnerable elders from abuse and exploitation through training, outreach, and technical assistance to state and community advocacy programs.

Preventive Health Services

The FY 2008 budget proposes eliminating funding for Preventive Health Services. The budget also proposes to eliminate funding for Alzheimer's Disease Demonstration Grants. In FY 2007, \$21 million was provided for Preventive Health Services and \$12 million for Alzheimer's Disease Demonstration Grants.

Other Health Programs

Health Resources and Services Administration (HRSA)

The Administration's FY 2008 budget includes \$5.948 billion in funding for HRSA, a decrease of \$251 million from FY 2007 spending.

Maternal and Child Health Block Grant

The Administration's proposed FY 2008 budget funds the Maternal and Child Health (MCH) Block Grant at \$693 million, the same amount the program received for FY 2007 spending. The MCH Block Grants support federal-state partnerships to provide services to women and children. No funding was requested for FY 2008 for Traumatic Brain Injury, Universal Newborn Hearing, and Emergency Medical Services for Children. These programs may be supported through the MCH Block Grant, which allows for increased flexibility to direct funds toward areas of need.

National Health Service Corps

The FY 2008 budget funds the National Health Service Corps (NHSC) at \$116 million, which is a decrease of \$10 million from the program's FY 2007 spending level. The goal of the NHSC is to increase access to primary care services and reduce health disparities for underserved populations. This funding includes dollars specifically for physician recruitment.

Ryan White HIV/AIDS

The FY 2008 budget requests \$2.158 billion for Ryan White HIV/AIDS activities, an increase from the \$2.063 billion in FY 2007. HIV/AIDS activities address the unmet needs of low-income and uninsured people living with HIV disease.

Health Centers

The FY 2008 budget includes \$1.988 billion in funding for health centers, up from \$1.765 billion in FY 2007. The goal of the health center program is to increase access to primary health care.

Rural Health

The FY 2008 budget includes \$17 million in funding for rural health, a decrease of \$143 million from the FY 2007 level of \$160 million. The decrease comes as a result of a recent assessment that found these programs to be similar to other HHS programs that provide resources to rural areas. Rural health outreach grants were not included in the FY 2008 budget proposal.

Substance Abuse and Mental Health Services Administration (SAMHSA)

The Administration's proposal includes \$3.168 billion in funding for SAMHSA, down from \$3.326 billion in FY 2007.

Children's Mental Health

A total of \$104 million is requested for FY 2008 for children's mental health services, the same as FY 2007. This funding is for the development of comprehensive community-based systems of care for children and adolescents with serious emotional disorders and their families.

Substance Abuse Block Grant

A total of \$1.759 billion is requested for the Substance Abuse Block Grant, representing level funding from FY 2007 spending. These grants form the cornerstone of states' substance-related activities. To encourage improved transparency through performance in FY 2008, states will be required to report on established national outcome measures.

Substance Abuse Programs of Regional and National Significance

The Administration's proposal includes a total of \$156 million for Substance Abuse Prevention Programs, a decrease from the \$193 million from FY 2007 spending. The proposal includes a request for \$352 million in Substance Abuse Treatment funding, a decrease from the FY 2007 figure of \$399 million.

Mental Health

The budget proposal requests \$807 million in funding for mental health services, a decrease of \$77 million from the \$884 million in spending for FY 2007.

Mental Health Block Grants

Funding for the Mental Health Block Grants, which supports comprehensive community-based systems of care for adults with serious mental illness and children with serious emotional disturbance, was proposed at \$428 million, the same as in FY 2007.

Mental Health Programs of Regional and National Significance

Funding for Mental Health Programs of Regional and National Significance was proposed at \$187 million for FY 2008, a decrease from the FY 2007 spending figure of \$263 million.

Indian Health Service

The FY 2008 budget proposes \$3.782 billion for Indian Health Services (IHS) programs, an increase over the FY 2007 spending level of \$3.545 billion. The IHS account provides medical care and public health services for American Indians and Native Alaskans (AI/AN).

Indian Health Facilities

The budget proposal includes a request for \$345 million for Indian Health facilities, a \$25 million decrease from the FY 2007 spending level of \$370 million. The Indian Health Facilities

account provides funding for construction and maintenance of health care facilities for the AI/AN populations.

Food and Drug Administration (FDA)

The FY 2008 budget for FDA is \$2.08 billion, an increase over the FY 2007 spending level of \$1.816 billion. The increases in the FDA budget are intended to speed approval of generic drugs, modernize the drug safety system, improve the safety of the food supply, increase safety and improve reviews of medical devices, and accelerate the availability of innovative medical products.

National Institutes of Health (NIH)

The FY 2008 proposed budget requested \$28.858 billion for National Institutes of Health, an increase of \$232 million over the FY 2007 spending level of \$28.626 billion.

Agency for Healthcare Research and Quality (AHRQ)

The FY 2008 budget proposal requests that AHRQ receive \$330 million in funding, an increase of \$11 million over the FY 2007 spending level of \$319 million. This funding will provide for the secretary's Personalized Health Care Initiative and the Value-Driven Health Care Initiative. The Administration's proposal includes \$272 million to support improvements through research on the cost effectiveness and quality of health care. The FY 2008 budget proposal also includes \$45 million for health information technology investments.

Centers for Disease Control and Prevention (CDC)

The FY 2008 budget proposes to eliminate funding for the Preventive Health and Health Services Block Grant. This is a decrease of \$99 million from the FY 2007 spending level.

Emergency Preparedness

Pandemic Influenza

The Administration's proposal includes \$1.192 billion to improve readiness for an influenza pandemic, an increase from the \$164 million level in FY 2007. Of this amount \$870 million will support the continued development of a vaccine and the purchase of antiviral medications. The budget also includes \$322 million in funding for pandemic preparedness activities in the Centers for Disease Control and Prevention, National Institutes of Health, Food and Drug Administration, and Office of the Secretary.

Bioterror and Other Health Emergencies

The budget proposal requests \$4.289 billion in bioterrorism preparedness activities across HHS to improve the nation's ability to prepare for, respond to, and recover from a bioterror attack or other public health emergency, up from the \$4.148 billion in FY 2007 spending.

INDIVIDUALS WITH DISABILITIES

The budget items included in this section are programs for individuals with disabilities that are included throughout the budget proposal, including Departments of Labor, HHS, and Education.

Most of the programs for individuals with disabilities maintained level funding between FY 2007 and FY 2008, with several programs receiving slight decreases in funding.

Department of Health and Human Services

The Ticket to Work and Work Incentives Improvement Act

Within the proposed HHS budget, the FY 2008 budget requests \$44 million for the Ticket to Work and Work Incentives Improvement Act grants, a \$1 million increase from the \$43 million FY 2007 spending. The Ticket to Work and Work Incentives Improvement Act of 1999 authorized two grant programs designed to assist states in developing services and support to aid the competitive employment of people with disabilities by extending Medicaid coverage to these individuals. The Medicaid Infrastructure grants are funded through FY 2011 under Section 203. Section 204 of the act provides for the Demonstration to Maintain Independence, which currently provides funding for seven states that have received demonstration funding.

Developmental Disabilities

The FY 2008 budget request includes \$171 million, maintaining the same level as FY 2007 spending. The discretionary funds are used to support programs for individuals with developmental disabilities that promote independence, productivity, and integration in the community, including culturally competent support services.

Voting Access for Individuals with Disabilities

ACF proposes \$16 million in discretionary funding to support voting access for individuals with disabilities in FY 2008, which is level with FY 2007. The grant program provides money to states to improve voter access for individuals with disabilities.

National Council on Disability

The FY 2008 budget maintained the \$3 million FY 2007 spending level for the National Council on Disability (NCD). NCD was established under the Rehabilitation Act of 1973, and is responsible for reviewing the federal government's laws, programs, and policies that affect people with disabilities.

Department of Education

Special Education State Grants

The Administration requested \$10.5 million for Special Education grants to states for FY 2008, maintaining the same funding level as FY 2007 spending. In addition, national activities for technical assistance and dissemination of materials and knowledge gained through research and practice are requested to receive \$49 million. Personnel preparation to improve service delivery to help individuals with disabilities succeed educationally was requested at \$90 million. Both maintaining the same funding levels as FY 2007.

The FY 2008 budget proposed to eliminate funding for State Personnel Development from the Department of Education, a decrease of \$50.7 million from FY 2007 spending. No funds were requested for this program because the FY 2007 funds available under the continuing resolution will remain available through September 2008.

Vocational Rehabilitation State Grants

The requested funding to states for FY 2008 is maintained at \$2.8 billion, the same funding level as FY 2007. Each year, the Vocational Rehabilitation grants assist approximately 1 million individuals in finding and maintaining employment.

Protection and Advocacy

Under the Administration's proposal, \$16.5 million is requested for FY 2008 for protection and advocacy of individual rights, representing no change from the FY 2007 spending level. The protection and advocacy systems in each state pursue legal and administrative remedies to ensure the protection of the rights of individuals with disabilities under federal law.

Independent Living for Individuals with Disabilities

Programs focusing on independent living for individuals with disabilities are proposed to receive \$130 million for FY 2008, maintaining the same funding level as FY 2007. The FY 2008 budget request includes \$22.6 million for Independent Living State Grants, \$74.6 million for Centers for Independent Living, and \$32.9 million for Services for Older Blind Individuals.

Demonstration and Training Programs for Rehabilitation Services

The FY 2008 budget request maintains the FY 2007 funding level of \$7 million for demonstration and training programs to expand and improve services authorized under the Rehabilitation Act, including related research and evaluation activities.

National Institute on Disability and Rehabilitation Research (NIDRR)

The FY 2008 budget maintains the \$107 million request from the FY 2007 spending level for NIDRR research to support the New Freedom Initiative. This initiative's purpose is to find and implement new ways to improve educational, employment, and independent living opportunities for individuals with disabilities. NIDRR awards discretionary grants supporting the Rehabilitation Engineering Research Centers (RERC) program; the Rehabilitation Research Training Centers (RRTC) program; and the Model Systems project for Spinal Cord Injury (SCI), Traumatic Brain Injury (TBI), and Burn Injury.

Assistive Technology

The FY 2008 budget request for state grants in assistive technology is \$26 million, a decrease of \$4 million from the FY 2007 spending level. Assistive technology state grants are designed to implement comprehensive statewide programs that maximize the ability of individuals with disabilities to obtain assistive technology.

Special Institutions for Persons with Disabilities

The FY 2008 budget request for Special Institutions for Persons with Disabilities maintained the same funding level as FY 2007, at \$180.8 million. Special Institutions for Persons with Disabilities provide funding support to the American Printing House for the Blind, the National Technical Institute for the Deaf, and Gallaudet University.

Mental Health Integration in Schools

The FY 2008 budget proposes to eliminate funding for competitive grants to increase student access to mental health care, a decrease of \$4.9 million from FY 2007 spending. However, the FY 2008 proposal includes a total of \$155 million for the Safe Schools/Health Students initiative that the Department of Education funds in conjunction with the Substance Abuse and Mental Health Services Administration (SAMHSA).

Research in Special Education

The Administration proposed \$71.8 million for research to address gaps in scientific knowledge and support improvements in special education and early intervention services for infants, toddlers, and children with disabilities. This amount is the same as the FY 2007 spending level.

Housing and Urban Development

Housing for Individuals with Disabilities

The Administration requested \$125 million for housing the disabled, \$6 million more than in FY 2007 spending. Up to \$75 million would be used to renew Section-8 type vouchers for rental housing, and \$15 million is requested for financing demonstration projects.

Housing Opportunities for Persons with AIDS (HOPWA)

The FY 2008 budget requests \$300 million (\$4 million more than FY 2007 spending) in HOPWA funding to support stable housing and improve access to health care for persons living with HIV and AIDS and their families. The formula for grant distribution will change from the current formula based on the cumulative number of AIDS cases to include the present number of people living with AIDS and the housing costs in that jurisdiction, and will still include grants to governmental agencies that do not qualify for formula grants. The FY 2008 proposal will support approximately 67,000 households.

Department of Labor

Office of Disability Employment Policy

The FY 2008 budget proposal includes \$19 million for the Office of Disability Employment Policy, a \$9 million decrease from FY 2007, and proposes to decrease the number of full-time equivalents from 59 to 40 people. This office provides leadership to eliminate employment barriers to people with disabilities.

One-Stop Career Centers

The Administration proposes \$56 million for One-Stop Career Centers for FY 2008, an \$18 million decrease from FY 2007. One-Stops are expected to subsume access and coordination services previously funded by Work Incentive Grants. The One-Stop system, created under the Workforce Investment Act (WIA), provides employers and employees with access to career development and labor market information services.

Work Incentive Grants

The Work Incentive Grants, funded at \$23 million in FY 2007, are not supported in the FY 2008 budget proposal due to their success in demonstrating improved access and coordination of

information, benefits, and services to enable people with disabilities to return to work. Grant recipients are now expected to fund their approaches through the One-Stop Career Centers.

Department of Transportation

New Freedom Program

The budget includes \$87.5 million for the New Freedom Program, a program to provide additional tools to overcome transportation barriers for workers with disabilities. The goal of the New Freedom Program is to encourage services beyond what is required by the Americans with Disabilities Act.

FOOD AND NUTRITION

Food Stamp Funding

The Administration's FY 2008 budget for the Food Stamp Program (FSP) requests \$39.838 billion, compared to \$37.935 billion in FY 2007. The request assumes a FSP caseload level of 26.2 million, slightly less than the FY 2007 estimated figure of 26.3 million. The Administration attributes the anticipated drop to an improving economy. The budget includes \$2.662 billion in federal matching funds for state administration, up from the FY 2007 figure of \$2.608 billion. The figure also includes \$1.615 billion for Puerto Rico's Nutrition Assistance Program, which was funded at \$1.559 billion last year, and a \$3 billion contingency fund.

The budget also proposes achievement of a payment accuracy rate of 94.3 percent in FY 2008 (an error rate of 5.7 percent). The program achieved a record low 5.84 percent error rate in FY 2005, the latest year for which error figures are available. The Administration also proposes that the program receive a new name, the "Food and Nutrition Program."

Changes in Categorical Eligibility and Treatment of Retirement Accounts

The FY 2008 budget repeats several proposals from earlier years. The first would be a change in current FSP categorical eligibility policy under which states could choose this option only for recipients of Temporary Assistance for Needy Families (TANF) cash assistance and Supplement Security Income (SSI). Current options allow states to extend categorical eligibility to those who also receive certain TANF non-cash benefits, for example child care benefits and employment support services. The restriction would primarily affect recipients in 11 states: Delaware, Maine, Maryland, Massachusetts, Michigan, North Dakota, Oregon, South Carolina, Texas, Washington, and Wisconsin. Those losing eligibility would no longer qualify because they would be above the normal asset test limit. The proposal would save \$63 million in FY 2008 and a five-year total savings of \$611 million.

The budget would also exclude all retirement accounts when determining program eligibility; currently in most states, some retirement savings such as Individual Retirement Accounts can disqualify a household. The proposal would cost \$44 million in FY 2008 and a total of \$556 million over five years. The proposal would implement this policy nationwide; it is already used in certain states that exclude these accounts under their TANF programs and have adopted an FSP option to extend those TANF policies to the FSP. The budget would also exclude special

military pay when determining FSP benefits for families of deployed members of the armed forces; this change would cost \$1 million in FY 2008 and \$5 million over five years.

Proposal to Transition Former CSFP Recipients into the FSP

Another repeated proposal would terminate the Commodity Supplement Food Program (CSFP). The CSFP provides food packages to about 450,000 persons monthly, primarily those age 60 and over but also including low-income pregnant and post-partum women, infants, and children up to age 6. The budget states that the program is not needed since current CSFP recipients can qualify for other programs, specifically the FSP and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). CSFP recipients age 60 and older would be eligible to receive FSP benefits equaling \$20 per month up to six months until they are determined eligible for the regular program. The budget does not address the administrative methodology that would be used for these individuals to receive the \$20 benefit before they could apply for and receive regular FSP benefits.

Proposals to impose new QC-related penalties and restrictions on states

The budget would also make three changes that would add penalties for, or restrictions on, states with respect to quality control-related administrative activities. The Administration would charge states 5 percent of their administrative costs if the state is more than 50 percent above the national negative error rate for two consecutive years; remove the new investment option for states sanctioned for improper payments for three consecutive years and require states to pay their “at-risk” amount for the second year as well the entire third-year liability amount; and hold states accountable for all overissuances resulting from widespread systemic errors, such as large-scale automated system malfunctions.

Budget assumes continuation of cost-allocation reduction

The budget assumes continuation of the cost allocation reduction in state matching funds, first enacted in 1998, that reduces these funds for most states below the nominal 50 percent level and that saves about \$197 million per year.

Child Nutrition Programs

The FY 2008 budget requests \$14.582 billion for child nutrition programs, up from estimated FY 2007 expenditures of \$13.95 billion. The request covers school lunch, school breakfast, and summer food programs, as well as the Child and Adult Care Food Programs (CACFP). The Administration is also asking for \$5.494 billion for WIC, compared to estimated FY 2007 outlays of \$5.463 billion. The budget proposes that WIC administrative costs be capped at \$14.12 per case, the FY 2006 level, which would save \$145 million in FY 2008.

Program administration

The budget requests \$148.9 million for program administration spending by the Food and Nutrition Service, compared to estimated actual expenditures in FY 2007 of \$142 million.

CHILD WELFARE

Foster Care Funding Option

Consistent with the Administration's budget proposals since FY 2004, the FY 2008 budget again seeks legislation to allow states to choose an alternative funding scheme for foster care. States choosing to participate would receive funds in the form of flexible grants. A goal of the program would be to act as an incentive to create innovative child welfare plans with a strong emphasis on prevention and family support. Participating states would face fewer administrative burdens, but would still be required to uphold the child protections outlined in the Adoption and Safe Families Act, agree to maintain existing levels of state investment in child welfare programs (maintenance of effort), and continue to participate in the Child and Family Services Reviews. The proposal would provide access to the TANF Contingency Fund, from which states could receive additional funding under certain circumstances if a severe foster care crisis were to arise, at a projected cost of \$34 million over five years. A \$30 million set-aside would be available for Indian tribes, and a one-third of 1 percent set-aside would be available for monitoring and technical assistance of state foster care programs. The federal cost for this program option is projected to be \$8 million in FY 2008 and \$6 million over five years, with an expected savings to the federal government of \$1 million over 10 years.

District of Columbia Foster Care and Adoption Assistance Match Rate

Consistent with the administration's requests in FY 2006 and 2007, the FY 2008 budget proposes to bring the Title IV-E reimbursement rate for the District of Columbia at the same level as the Medicaid rate. In 1997, Congress increased the Medicaid match rate for the District from 50 percent to 70 percent, recognizing that the formula used to calculate the rate for states did not fully take into account the District's unique needs and demographics. The projected cost is expected to be \$5 million in FY 2008 and \$27 million over five years.

Title IV-B, Subpart 1 (Child Welfare Services) and Subpart 2 (Promoting Safe and Stable Families)

The proposal level-funds the Child Welfare Services program (Title IV-B, Subpart 1) at \$287 million. The budget proposes funding the Promoting Safe and Stable Families (PSSF) program at \$454 million in both mandatory and discretionary funding. The mandatory funding would remain at the level included in the recently passed Child and Family Services Improvement Act of 2006 (P.L. 109-288), which reauthorized the mandatory funds at \$305 million and set aside an additional \$40 million in mandatory funding in each of FYs 2007-2011 (\$200 million over five years). The latter is for a new requirement for states to conduct monthly caseworker visits to children in foster care and competitive regional partnership grants for programs directed towards children affected by methamphetamine or other substance abuse. An additional \$20 million is included for FY 2008 for strengthening courts grant funds.

The discretionary funding request of \$89 million maintains the FY 2006 1 percent across-the-board cut in discretionary funding. This amount is the same as the FY 2007 request, but is a \$16 million decrease from the FY 2006 request. Discretionary funding for PSSF was recently reauthorized in P.L. 109-288 (signed into law on September 28, 2006) for up to \$200 million for each of FYs 2007-2011.

Children and Family Services Discretionary Programs

The budget provides level funding for the Child Abuse Prevention and Treatment Act (CAPTA) at \$27 million, the Abandoned Infants Assistance program at \$12 million, the Adoption

Opportunities program at \$27 million, and the Community-Based Child Abuse Prevention (CBCAP) program funding at \$42 million. The FY 2008 budget requests \$14 million for Adoption Incentive Bonus payments to states, a \$16 million decrease from last year's request and a \$29 million decrease from the amount authorized by Congress.

Two new funding requests are included in the FY 2008 budget request. A \$10 million request is made for the interstate home study incentives that were included in the Safe and Timely Interstate Placement of Foster Children Act of 2006 (P.L. 109-239), which was signed into law on July 3, 2006. The budget also includes a new \$10 million request to be used for states to implement and sustain evidence-based nurse home visitation programs to reduce the incidence of child abuse and neglect and improve other outcomes for children and families.

Foster Care, Adoption Assistance, and Independent Living Programs

The budget requests \$4.581 billion for the Title IV-E foster care program in FY 2008, a decrease from the \$4.757 billion in last year's request. The amount is expected to support an average of 211,000 children in out-of-home placement per month. The budget requests \$2.156 billion for the Title IV-E adoption assistance program, which is an increase over last year's \$2.044 billion request and is projected to support an average of 426,900 special-needs children per month. Level funding is requested for the John H. Chafee Foster Care Independence program (formerly the Independent Living Program) at \$140 million, while the request for the Education and Training Voucher (ETV) program for youth aging out of foster care is \$46 million, in contrast to the FY 2006 request of \$60 million. HHS has indicated that it is in the development stage of measuring error rates for the Foster Care program as a part of its Eliminating Improper Payments initiative.

AdoptUSKids

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

CHILD CARE, EARLY LEARNING, AND EDUCATION

Child Care and Development Fund

The Administration's FY 2008 budget would maintain the Child Care and Development Fund (CCDF) at the same level as FY 2007. The budget would provide \$2.917 billion in mandatory funds for FY 2007. The proposal also includes \$2.062 billion in discretionary funds, maintaining the 1 percent reduction in discretionary funding enacted in FY 2006. The budget would earmark \$18.78 million for resource and referral and school-aged child care activities; \$98.21 million for infant and toddler quality activities; \$267.79 million for general child care quality enhancement; and \$9.82 million for research and evaluation. HHS has indicated that Child Care is one of seven program areas that is a part of the Eliminating Improper Payments initiative.

Head Start

The budget requests \$6.789 billion in FY 2008 funding for Head Start. This maintains the 1 percent decrease in funding enacted in FY 2006. HHS has indicated that Head Start is one of seven program areas that is a part of the Eliminating Improper Payments initiative.

Early Learning Opportunities Act Funds

The Administration requested no funding for the Early Learning Fund, which also received no funding in FY 2006 and FY 2007. This program provided grants to local councils for the development or enhancement of voluntary early learning programs.

21st Century Community Learning Centers

The Administration has requested \$981 million for the 21st Century Community Learning Centers (21st CCLC) after-school programs. This is equal to FY 2007 program funding request, inclusive of a 1 percent reduction in funding.

Early Reading First

The budget requests \$118 million for Early Reading First grants to school districts and non-profit agencies for programs designed to enhance the pre-reading skills of children from birth to age 5 in low-income communities. This is an increase of \$15 million from FY 2007.

Reading First State Grants

The budget requests \$1.02 billion for Reading First state grants to state and local educational agencies for programs to establish reading programs for students in grades K-3 that are grounded in scientifically based reading research. This is a decrease from the \$1.08 billion funding level in FY 2007.

State Agency Neglected and Delinquent Program and Migrant Program

The Administration requested \$430 million, a decrease of \$17 million from FY 2007, for state agency programs that support formula grants for educational services to two populations: (1) children and youth under age 21 in state neglected, delinquent, or adult correction facilities; and (2) children of migrant farm workers and fishers, with a focus on children who have moved in the past 36 months.

Ready-To-Learn Television

The budget proposal includes \$24 million for Ready-To-Learn Television, the same as in FY 2007. This program develops educational programming to promote school readiness.

Early Childhood Educator Professional Development Grants

The budget request eliminates funding for Early Childhood Educator Professional Development grants. In FY 2007, \$14.5 million was requested. The program provided grants to support training for preschool and other early childhood educators.

Even Start

The budget would seek to eliminate funding for Even Start again, which was funded at \$119 million in FY 2007. Even Start programs integrate early education, adult education, and

parenting education into family literacy programs. The Administration states that Even Start program evaluations have shown that participants do not make significant gains in literacy skills and that other programs, such as Early Reading First, are better able to achieve the Administration's literacy goals.

Individuals with Disabilities Education Act (IDEA) Grants

The Administration's budget would decrease IDEA Part B grants from a FY 2007 level of \$10.598 billion to a FY 2008 level of \$9.699 billion, a decrease of \$899 million. These are grants to states to provide special education and related services to children ages 3 through 21. The Administration has requested funding at \$381 million, the same level as FY 2007, for Preschool Grants that provide funds to states to assist in providing special education and related services to children with disabilities from ages 3 through 5. The Administration has also requested a decrease in funding for Grants for Infants and Families from a FY 2007 level of \$438 million to a FY 2008 level of \$423 million, a decrease of \$15 million. These grants are provided to states to implement statewide systems of coordinated, comprehensive, multidisciplinary interagency programs to provide early intervention services to children with disabilities from birth through age 2.

Vocational Education State Grants

The Administration's proposal would increase the Vocational Education State Grants to \$1.39 billion from the \$1.18 billion in FY 2007. These funds support formula grants to states and localities for career and technical education programs and for promoting equal opportunity for historically underserved populations in such education programs.

CHILD SUPPORT

Funding and policy proposals

The budget includes several proposals Child Support Enforcement (CSE) from past legislative proposals, including: (1) Require health care plan administrators to notify the IV-D agency when a child loses health coverage; (2) Federal seizure of accounts in multi-state financial institutions; (3) Require intercept of gambling proceeds; (4) Provide for garnishment of Longshoreman and Harbor Worker's Compensation Act benefits; (5) Give states the ability to collect past-due child support by withholding a limited amount of Old-Age, Survivors, and Disability Insurance (OASDI) payments from beneficiaries, if appropriate; (6) Authorize direct tribal access to the Federal Parent Locator Service; and (7) Authorize contractors and IV-D tribes to access tax offset data. In addition, the Administration proposes to grant Tribal CSE programs access to Section 1115 demonstration waivers and to passport denial or revocation and multi-state financial institution data matching. The proposal also increases funding for access to visitation grants from \$10 million to \$12 million and includes \$483 million in federal incentive payments to states

TANF, SSBG, AND OTHER HUMAN SERVICE PROGRAMS

Temporary Assistance for Needy Families

The Administration's budget maintains the present level of funding for the TANF block grant. The proposal includes the elimination of a separate, higher work rate for two-parent families and would hold these families to a 50 percent work rate. This proposal is identified as cost-neutral, increasing its opportunity for passage. It also extends Supplemental Grants to States through 2010 at a level of \$319 million. The DRA had extended the grants for only a three-year period. The Administration for Children and Families also received a total of \$11 million for the prevention of improper payments in several of the agency's programs, including TANF. The funds will be used to establish error rates in the program.

Social Services Block Grant (SSBG)

The Administration's budget cuts funding to SSBG by \$500 million, bringing its present funding level of \$1.7 billion to \$1.2 billion. The rationale used by the administration is that as a block grant, its flexibility and lack of state reporting make it difficult to measure program performance and therefore, funds should be diverted to programs that better demonstrate results. It is important to note that, as a capped entitlement, any reduction in funding must be made through a change in statute. HHS does not have the authority to change this level without Congressional action. See the chart appendix at the end of this memorandum for state-by-state reduction information.

Community Services Block Grant (CSBG)

The budget eliminates the Community Services Block Grant, a cut of \$630 million. The justification used is that the program lacks national performance measures, does not award funds on a competitive basis, and does not hold grantees accountable for program results.

Low-Income Home Energy Assistance Program (LIHEAP)

The Administration's budget proposal reduces discretionary LIHEAP funding by \$379 million, from \$2.161 billion last year to a FY 2008 level of \$1.782 billion. Of the FY 2008 funding, \$1.5 billion is for formula grants to states, a reduction of \$480 million, and \$282 million is contingency funding, a \$100 million increase.

Older Americans Act Programs (OAA)

Almost all programs under OAA were reduced by 1 percent in FY 2006 as part of an across-the-board cut in funding. As part of the House-passed CR for FY 2007, this 1 percent cut would be reduced and nutrition programs would be provided a modest increase. These changes still must be approved by the Senate and therefore are not captured in the Administration's proposal. Overall, there has been a reduction in core services by \$28 million. In addition, \$28 million is provided within Program Innovations line item for the "Choices for Independence" pilot program. This program is intended to help older individuals delay or avoid the need for nursing facility care. It has three components including Consumer Empowerment, Healthy Lifestyles, and Community Living Incentives.

Compassion Capital Fund

For the Compassion Capital Fund, \$75 million is provided in grants to fund start-up costs of charitable organizations, \$11 million over present levels. Within the grant, \$35 million is identified for the Communities Empowering Youth Program, \$5 million above present funding levels.

Mentoring Children of Prisoners

The proposal includes \$50 million for this mentoring program, a small increase over present funding levels.

Healthy Marriage and Promoting Responsible Fatherhood

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

Abstinence Education Grants

The budget includes a total of \$191 million for abstinence education activities, an increase of \$28 million over present funding levels. The Administration is seeking \$50 million for FY 2008 in funding for grants to states and territories to create or augment abstinence programs and provide mentoring, counseling, and adult supervision to promote abstinence, the same level as in FY 2007. The budget also requests \$137 million for community-based abstinence education, an increase of \$28 million over FY 2007.

WORKFORCE INVESTMENT ACT AND RELATED LABOR PROGRAMS

The Administration's FY 2008 budget request for employment and training programs reflects many of the proposals from previous budgets. The budget reemphasizes the Administration's plan to redefine WIA as part of pending WIA reauthorization legislation. It combines funding for adult, youth, and dislocated workers programs into a single funding stream to states for administration, overhead, and for Career Advancement Accounts (CAAs). The CAAs are self-directed accounts that workers can use to purchase education and training. The budget includes \$50 million in funds to the Youthbuild program and eliminates funding to migrant and seasonal farm workers program. The administration also proposes merging the funding for the Responsible Reintegration of Youthful Offenders and Prisoner Reentry Initiative into a single, consolidated program, Reintegration of Ex-Offenders program. This new program would be funded at \$39.6 million, \$25.8 million less than the two programs combined. The proposal also reduces the \$423.3 million Community Services Employment Program for Older Americans by \$82 million, reducing the number of older Americans in the program by over 43,700.

APPENDIX

Social Services Block Grant 2008 Estimated Levels Based on Administration's Proposed Cuts (obligation in thousands)

State or Territory	FY 2006 Actual	Estimated FY 2007 obligations from:			FY 2008 (estimated)
		Previous authority	New authority	Total	
Alabama	26,163	.....	26,163	26,163	18,468
Alaska	3,772	.....	3,772	3,772	2,662
Arizona	32,442	.....	32,442	32,442	22,900
Arkansas	15,845	.....	15,845	15,845	11,185
California	206,275	.....	206,275	206,275	145,607
Colorado	26,454	.....	26,454	26,454	18,673
Connecticut	20,249	.....	20,249	20,249	14,294
Delaware	4,752	.....	4,752	4,752	3,354
District of Columbia	3,275	.....	3,275	3,275	2,312
Florida	98,934	.....	98,934	98,934	69,836
Georgia	50,485	.....	50,485	50,485	35,637
Hawaii	7,311	.....	7,311	7,311	5,160
Idaho	7,943	.....	7,943	7,943	5,607
Illinois	73,557	.....	73,557	73,557	51,922
Indiana	36,016	.....	36,016	36,016	25,423
Iowa	17,114	.....	17,114	17,114	12,081
Kansas	15,832	.....	15,832	15,832	11,176
Kentucky	23,937	.....	23,937	23,937	16,897
Louisiana	26,138	.....	26,138	26,138	18,450
Maine	7,590	.....	7,590	7,590	5,358
Maryland	32,024	.....	32,024	32,024	22,605
Massachusetts	37,398	.....	37,398	37,398	26,399
Michigan	58,596	.....	58,596	58,596	41,362
Minnesota	29,411	.....	29,411	29,411	20,761
Mississippi	16,749	.....	16,749	16,749	11,823
Missouri	33,161	.....	33,161	33,161	23,408
Montana	5,334	.....	5,334	5,334	3,765
Nebraska	10,111	.....	10,111	10,111	7,137
Nevada	13,028	.....	13,028	13,028	9,196
New Hampshire	7,485	.....	7,485	7,485	5,284
New Jersey	50,216	.....	50,216	50,216	35,447
New Mexico	10,897	.....	10,897	10,897	7,692
New York	111,555	.....	111,555	111,555	78,744
North Carolina	48,872	.....	48,872	48,872	34,498
North Dakota	3,685	.....	3,685	3,685	2,601
Ohio	66,478	.....	66,478	66,478	46,925
Oklahoma	20,413	.....	20,413	20,413	14,409
Oregon	20,692	.....	20,692	20,692	14,606
Pennsylvania	71,882	.....	71,882	71,882	50,740
Rhode Island	6,256	.....	6,256	6,256	4,416
South Carolina	24,108	.....	24,108	24,108	17,017
South Dakota	4,443	.....	4,443	4,443	3,136
Tennessee	33,959	.....	33,959	33,959	23,971

Texas	128,578	.....	128,578	128,578	90,761
Utah	13,669	.....	13,669	13,669	9,649
Vermont	3,599	.....	3,599	3,599	2,540
Virginia	42,938	.....	42,938	42,938	30,309
Washington	35,643	.....	35,643	35,643	25,160
West Virginia	10,524	.....	10,524	10,524	7,429
Wisconsin	31,811	.....	31,811	31,811	22,455
Wyoming	2,914	.....	2,914	2,914	2,057
American Samoa	49	.....	49	49	34
Guam	293	.....	293	293	207
Northern Mariana Islands	59	.....	59	59	41
Puerto Rico	8,793	.....	8,793	8,793	6,207
Freely Associated States	.....	.....	.....	.....	.....
Virgin Islands	293	.....	293	293	207
Indian Tribes	.....	.....	.....	.....	.....
Undistributed	.....	.....	.....	.....	.....
Hurricane Relief	550,000	.....	.....	.....	.....
Total	2,250,000	.....	1,700,000	1,700,000	1,200,000

Source: http://www.gpoaccess.gov/usbudget/fy08/sheets/8_27.xls