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Report

IMPACT OF THE BUSH BUDGET ON NEW YORK CITY FY 2004

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Introduction

During his State of the Union address, President Bush said, "We must work together to fund only our most important priorities." Today's unveiling of the Administration's fiscal 2004 budget raises a number of questions about whether or not this Administration's priorities are consistent with those of the majority of the American public, and in particular, the people of New York City.

Not surprisingly, the most significant spending increases in the President's budget are for the Defense Department. Excluding the possible costs of going to war, the President proposes \$399 billion for defense -- a \$17 billion increase. To put this increase into perspective - that's more money than the combined defense budgets of the so-called axis of evil - Iraq, North Korea and Iran.

Homeland security spending, including the budget for the new Department of Homeland Security (DHS), is increased to \$41 billion -- which the Administration describes as a 9.5% increase. However, domestic security experts at the Brookings Institute recently recommended a \$45 billion budget for these same areas in 2004. And former Senator Warren Rudman (R-NH), who co-chaired a bipartisan commission on homeland security, has said there is "no rational answer" for the Administration's decision not to provide more than \$41 billion for domestic security. And when you look deeper into the Administration's budget, you see that they have helped pay for their DHS increase by eliminating programs like the hiring component of COPS, which is the federal government linchpin program for putting new officers on our streets.

After the increases for defense and homeland security, you see that the President proposes less than \$10 billion in increases for everything else - not even enough to keep up with the 2.4% inflation rate. As a result, non-defense, non-homeland security programs in the aggregate will be cut in real dollars. And some programs will not only fail to keep pace with

inflation, but they will also be cut outright.

Despite these cuts - and projections from the Administration that the deficit will top \$300 billion this year - the President continues to push for his \$674 billion "growth package," which doesn't provide any benefits to one third of all Americans and directs most of its benefits to the very wealthy.

With its \$6 billion projected deficit for the coming year, the news of this budget is of particular concern for New York City. Now more than ever, the City needs a boost from Washington, and this study examines whether or not that needed assistance is provided.

(Note: As of today, the 2003 federal budget is still yet to be completed for all federal agencies aside from Defense. Due to the lack of final FY03 numbers, and the fact that the Continuing Resolution that is currently funding government operation was funded at FY02 levels, this report will compare the Bush 04 numbers to the actual FY02 numbers to determine if programs are being cut or increased.)

Medicaid

From coast to coast, states are grappling with the largest deficits since World War II. One of the largest contributing factors to these fiscal crises is an explosion in Medicaid costs. Last year Medicaid costs went up 13%, the largest annual increase in a decade. Consequently, the states had hoped to receive some fiscal relief in the Bush budget to mitigate these rising costs.

Increased federal Medicaid funding is of primary importance to New York City, which spends \$4 billion annually on Medicaid to covered their share of insuring the City's 2.4 million Medicaid enrollees. In its budget, the City sought \$200 Medicaid million in relief from the State, but faced with a \$10 billion projected deficit, the Pataki Administration rejected that request. Instead the State is asking each county to increase the portion of Medicaid costs they pay to hospitals and clinics under the Medicaid. In exchange the State would pick up the costs of prescription drugs. While this proposal would reduce Medicaid costs for some counties, New York City would see virtually no benefit from this plan since the City's hospital inpatient stays make up a larger percentage of the City's Medicaid bill than in other cities.

The Bush budget does not include the relief the City needs. Instead, it gives the States a choice: On one hand, they can either maintain the status quo, which would likely lead to a cutback in the number of persons served and the services provided. On the other hand, states could receive modest funding increases (\$3 billion available nationwide), but only if they agree to convert a good portion of their Medicaid program into a block grant.

The President's block grant proposal would preserve comprehensive Medicaid benefits for welfare recipients, poor children and other groups that are considered part of Medicaid's "mandatory population." But states would now have the option of altering the Medicaid benefits of those beneficiaries who are not automatically eligible for Medicaid under federal law. These non-mandatory beneficiaries make up 60% of New York's Medicaid population. This Medicaid plan is sold as providing the states with more flexibility, but it appears the primary flexibility provided is that the states could impose Medicaid cuts not currently allowed under federal law. Therefore, in order to get new funding now, States would

essentially eliminate the entitlement to essential health services for low-income persons whom the states had chosen to cover.

Bottom line: NYC's 2.4 million Medicaid beneficiaries are still faced with the threat of service cuts due to state and local deficits. And if the State takes the President's flexibility option in exchange for immediate funding the 1.4 million beneficiaries who are not automatically covered under federal law are at particular risk of service cuts or being dropped from Medicaid altogether.

Title I -- Improving Academic Achievement for Disadvantaged Children

Title I provides money to high-poverty school districts based on the number of children receiving free or reduced-price lunch. This money is intended to target these low-income students so that they can receive the additional resources needed to help them perform at the same level as their peers. It can also be used for educational assistance in the form of additional instruction in areas such as reading, writing, English as a Second Language, and for support and guidance counselors. President Bush proposes \$12.35 billion in Title I local education formula grants, a \$2.3 billion increase from FY02. Under the Bush Budget, New York City would receive about \$756 million in Title I funding in FY04 -- a \$141 million increase from fiscal 2002. While that's good news, it's far short of what the City was promised in the No Child Left Behind Act. Under that bill, the funding levels for Title I were set at \$18.5 billion for fiscal 2004. If the Bush budget had fully funded this education reform law, the City would be receiving \$1.13 billion in fiscal 2004. So while, New York City will get a boost in Title I funding, they will receive \$376 million less than they were promised under the education reforms that President Bush signed into law. Bottom line: NYC will receive \$376 million less than they were promised in Title I funding by the No Child Left Behind Act.

Community Oriented Policing Services (COPS)

President Bush has proposed eliminating the entire hiring component of the COPS program -- a cut of \$330 million. Since its creation in 1994, COPS has provided funding to hire over 110,000 police officers in more than 11,000 communities. In addition, COPS funding also advances community policing, enhances crime-fighting technology, funds training and supports crime prevention initiatives. In New York City alone, COPS has provided \$587 million to hire more than 7,000 police officers. Based on historic funding levels for New York City (7.5% of grants awarded), the city will likely receive a cut of \$24.8 million in COPS funding this year as a result of the Bush budget, enough funding to hire 330 new officers. Bottom line: New York City would lose an estimated \$24.8 million annually, which could cover the costs of 330 new officers.

State Criminal Alien Assistance Program (SCAAP)

The State Criminal Alien Assistance Program (SCAAP) provides federal assistance to State and localities that are incurring costs of incarcerating undocumented criminal aliens who have been accused or convicted of State and local offenses. The idea behind this program is that these aliens are in our country because the federal government failed to uphold its responsibility to secure our border, so the feds should bear a portion of the costs to imprison them when they commit a crime. New York City has historically been one of the nation's top

beneficiaries of this program, and they have historically received more than \$30 million in reimbursement from the SCAAP program annually. The Bush budget eliminates SCAAP -- a \$564 million cut. Bottom line: NYC would lose \$30 million annually.

Section 8 Housing Voucher Program

In a major policy shift, the Bush budget would block grant the Section 8 Housing Choice Voucher program. Section 8 is one of the linchpins of U.S. Housing policy and more than 80,750 New York City families are currently enrolled in the Section 8 program, with an additional 150,000 on the waiting list. One problem with block granting this program is that the City would cede local control with funding going to the state. The City would not only lose control, but it could lose money. Assuming that the Governor keeps a 5% administrative fee, NYCHA would lose \$32 million a year, which could have previously been used for vouchers. The biggest concern with this proposal is the uncertainty that it introduces. While there is no legislative language to analyze yet, it is difficult to assess exactly what the block grants would mean for NYC, but it is conceivable that certain Governors could choose to scrap the voucher program although, and invest the funding in other housing initiatives. The precedent for this proposal comes from Canada, and Canada's experience with this proposal marks a potential disaster for New York City=s. Following Canada's devolution of assisted housing programs to the Provinces in 1993, the number of Canadian households paying more than 50 percent of their income on rent increased by 43 percent; and emergency shelter use increased significantly in many cities. After devolution (1996 BB 2001), Canada=s federal government cut \$7.4 billion from its affordable housing programs. As a result, even income gains by lower income households of 4.1%, consistently lagged rent increases with which they were faced. In summary, block granting housing assistance in Canada has meant less federal assistance, more people with worst-case housing needs, and more homeless people. Bottom line: NYC would lose local control and \$32 million to Administrative fees. In addition, without a significant funding increase, the Bush budget means that the 150,000 New Yorkers waiting for vouchers will certainly have to continue waiting, and the 80,000 families currently enrolled in the program are faced with numerous questions as the block grants would likely eliminate the guarantee that their vouchers would be renewed.

Public Housing Capital Fund

The Bush Budget proposes \$2.64 billion for HUD's cuts \$202 million dollars from HUD's FY02 Public Housing Capital Fund levels. In FY02, the New York City Housing Authority received \$401 million for the modernization and rehabilitation of existing public housing developments from this fund. New York City historically receives 14% of Capital Fund money. As a result of this cut, New York City would have \$28.5 million less to cover the costs of needed repairs in our public housing, which is home for more than 500,000 New Yorkers. Bottom Line: The New York City Housing Authority would lose \$28.5 million.

Community Development Block Grant

The Bush Budget proposes \$4.75 billion for HUD's Community Development Block Grant (CDBG) program, a cut of \$296 million from FY02's funding levels (\$5,042,000,000). CDBG funding is used to attract private investment, maintain a high-quality housing stock,

rebuild infrastructure and community facilities, provide critical community services, and create new high paying jobs in the New York city area. Last year, New York received \$218,324,000 from the federal government to provide these services. The Bush budget could mean a cut of nearly \$12.8 million for New York City's effort to create jobs, improve housing and strengthen communities. Bottom Line: New York City would lose \$12.8 million next year.

Local Law Enforcement Block Grant (LLEBG)

The Local Law Enforcement Block Grant provides largely unrestricted funding to states which can be used for a variety of law enforcement purposes. Last year, New York City more than \$23 million in LLEBG funding, which supported programs in nine New York City agencies. Among the uses of this funding were salaries of communications technicians to field 911 emergency calls and funding to the District Attorney's Offices and the Special Narcotics Prosecutor's Office to enhance the adjudication of violent offenders. The Bush budget would eliminate the Local Law Enforcement Block Grant -- a \$448 million cut. The Administration suggests that its Justice Assistance Grants would fill the void left by LLEBG's elimination. However, the Bush Budget only calls for \$600 million for Justice Assistance grants, while the total FY02 funding for the programs JAG's are intended to replace, including LLEBG, was more than \$1.2 billion Bottom line: New York City would lose more than \$20 million.

Community Services Block Grant

The President's budget would cut the Community Services Block Grant (CSBG) by \$154 million, a 24% cut. CSBG provides states with a block grant to fund a variety of anti-poverty activities. A modern version of President Johnson's war on poverty programs, the CSBG provides funds to nonprofit and public social services organizations that provide transportation for seniors and youth, emergency assistance, credit counseling, parental nutrition. Bottom Line: New York State would lose \$13.3 million.

Health -- Community Access Program

The Community Access Program is charged with helping communities integrate health care services for the uninsured. This unique program works with providers to merge federal and local health services, including the Children's Health Insurance Program. The Bush budget would eliminate the Community Access Program -- a \$105 million cut from FY02. New York City has historically benefited from this program. Together, the Ambulatory Network Care Corporation in the Bronx, the Brooklyn Borough President, the Lutheran Medical Center in Brooklyn, and the Institute for Urban Family Health in Manhattan have received \$4 million from the Community Access Program to improve the delivery of services to the uninsured Bottom line: a program which has provide millions of dollars to deliver health services to the uninsured in NYC would be eliminated.