

**AFL-CIO Analysis of
President Bush's FY 2008 Proposed Budget**

**AFL-CIO Legislation Department
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President Bush's Fiscal Year 2008 Proposed Budget

The newly released Bush budget for fiscal year 2008 shows that this Administration still is not listening to working Americans and, instead, insists on plowing ahead with skewed priorities and misguided policies despite a clear call for a new direction in November's elections.

While President Bush has called for bipartisan compromise on key economic issues, and has finally recognized growing economic inequality as a problem, his proposed budget reflects none of this. His budget preserves expensive tax cuts for the wealthy and boosts military spending dramatically, while cutting crucial programs for the most vulnerable Americans: children, the elderly, the poor, and the sick. The President has proposed major cuts in domestic programs over the next five years, starting with \$13 billion in cuts in FY 2008, rising each year until FY 2012, when cuts in domestic programs would reach \$34 billion.¹

This Administration often talks of preparing American workers to meet the challenges of competing in the global economy, but his proposed budget contains over \$1 billion in cuts for job training and employment security programs. At a time when America's workers face the loss of millions of good paying jobs to flawed trade policies and off shoring and the Bush administration is seeking to renew fast track authority, the President's budget proposes to cut \$102.9 million from the Trade Adjustment Assistance program, which provides income support and training to workers who lose their jobs due to trade.

On health care, the Bush budget also goes in precisely the wrong direction. At a time when 47 million Americans are without coverage and millions more struggle to meet rising costs, the Bush tax proposal would actually make those who have coverage pay more and provide no real help for the uninsured. Unconscionably, it would also cut more than \$100 billion over five years from Medicare and Medicaid, shift more costs to the states, and limit eligibility for children who now receive coverage under the State Children's Health Insurance Program (SCHIP).

In the important area of occupational safety and health, the Bush budget increases funding in nominal terms. An increase in funding is being requested for Mine Safety and Health Administration (MSHA), particularly the coal enforcement program. But when inflation is factored in, the FY 2008 budget in fact represents a cut in funding compared to FY 2006. The Bush budget also proposes a cut in the National Institute for Occupational Safety and Health (NIOSH) budget, reducing the nation's commitment to researching and preventing workplace injuries, diseases and deaths. With a combined budget request of \$1,056 million for the federal job safety agencies, in FY 2008, the Bush Administration proposes to spend \$7.32 per worker to protect American workers from job injuries, illnesses and death.

As further proof that this Administration is not listening to, or concerned about, working families, the Bush budget retains the proposal to privatize Social Security, despite its overwhelming rejection by all Americans. The budget includes a placeholder of \$29 billion in 2012 as the first year cost of setting up individual accounts and a total cost of \$637 billion over the first six years for a proposal that must once again be rejected.

President Bush should put our nation's pocketbook into building a better future for America's working families instead of forcing more cuts in much-needed programs in health care, worker training and health and safety. His 2008 budget simply does not work for America's working men and women.

The following sections address the effects of the Bush FY 2008 budget on a range of programs vitally important to workers and their families.

¹ Center on Budget and Policy Priorities, *President's Budget Calls for Deep Cuts in A Wide Range of Domestic Programs*, February 8, 2007.

1. U.S. Department of Labor Budget

PROGRAMS FOR JOB TRAINING AND JOBLESS WORKERS

Budget Calls for Cuts in All Major Employment and Training Programs

Overview

Once again, the Bush Administration's budget shortchanges programs for job training and jobless workers. The president proposes some of the most drastic cuts in these programs since taking office. If enacted, these cuts would exacerbate inequality and increase educational and economic polarization. They would make it harder than ever for workers to navigate an increasingly turbulent labor market and profound economic restructuring.

With cuts of over \$1 billion, the Bush 2008 budget for job training and jobless workers rings hollow when compared with the Bush rhetoric. In his January 31, 2007 speech on the "State of the Economy" the President noted that *"income inequality is real; it's been rising for more than 25 years."* The president goes on to say *"And the question is whether we respond to the income inequality we see with policies that help lift people up, or tear others down. The key to rising in this economy is skills -- and the government's job is to make sure we have an education system that delivers them."*

The Bush Administration's pretense of supporting education and training belies the reality of the 2008 budget. Strong labor market institutions that provide income security, education and job training to the unemployed are a vital component of an economy that works for all workers and their families. At a time of increasing inequality and declining living standards, the Bush administration has undercut and undermined our nation's most important labor market programs.

If the FY 2008 budget is adopted, President Bush will have cut inflation-adjusted investment in the WIA Employment Service/Unemployment Insurance assistance programs described in this analysis by \$2.0 billion since taking office. The president's budget fails America's jobless in every way:

- **Consolidates, block-grants and cuts** funding for job training and employment security programs designed to help unemployed workers, disadvantaged adults, and at-risk youth.
- **Dismantles the Employment Service**, the backbone of our nation's employment security system aimed at connecting workers needing jobs with employers who need workers.
- **Diverts ES and WIA funding to unproven individual Career Advancement Accounts (CAAs)** that will provide less, not more, help to workers in need
- **Weakens the federal-state unemployment insurance program** through state waivers that will undermine the UI safety net for unemployed workers and lead to the contracting out of important UI functions.
- **Cuts funding for Trade Adjustment Assistance** benefits at a time when millions of jobs are being lost to trade and off shoring.

Following is a chart showing major cuts to Employment and Training programs:

EMPLOYMENT AND TRAINING ADMINISTRATION FY 2008 BUDGET COMPARISONS (in thousands)									
	FY 2001	FY 2001 (in FY 2008 \$)	FY 2007**	FY 2007** (in FY 2008 \$)	FY 2008 Proposed	FY 2008 Proposed – FY 2001, Nominal	FY 2008 Proposed – FY 2001, Inflation Adjusted (FY 2008 \$)	FY 2008 Proposed – FY 2007, Nominal	FY 2008 Proposed – FY 2007, Inflation Adjusted (FY 2008 \$)
WIA Training and Employment Services									
Adult Training	950,000	1,150,322	864,199	886,740	712,000	-238,000	-438,322	-152,199	-174,740
Youth Training	1,127,965	1,365,814	990,000	1,015,822	841,000	-286,965	-524,814	-149,000	-174,822
Dislocated Worker State Grants	1,162,032	1,407,065	1,189,811	1,220,844	902,939	-259,093	-504,126	-286,872	-317,905
Dislocated Worker National Reserve	275,508	333,603	282,092	289,450	212,000	-63,508	-121,603	-70,092	-77,450
Less funding reserved for Community College Initiative			-125,000		0				
Dislocated Worker Assistance Nat'l Reserve			157,092	161,189	0			-157,092	-161,189
Total: Dislocated Worker Assistance	1,437,540	1,740,668	1,471,903	1,510,294	1,114,939	-322,601	-625,729	-443,964	-395,355
Native Americans	55,000	66,598	53,696	55,097	45,000	-10,000	-21,598	-8,696	-10,097
Migrant and Seasonal Farmworkers	76,770	92,958	79,252	81,319	0	-76,770	-92,958	-79,252	-81,319
National Activities									
Pilots, Demonstrations and Research	97,432	117,977	14,700	15,083	13,000	-84,432	-104,977	-1,700	-2,083
Evaluation	9,098	11,016	4,921	5,049	7,000	-2,098	-4,016	2,079	1,951
Responsible Reintegration of Youthful Offenders	55,000	66,598	25,000	25,652	0	-55,000	-66,598	-25,000	-25,652
Prisoner Re-entry	0		19,642	20,154	0	0		-19,642	-20,154
Ex-Offender Activities*	0		0	0	39,600	39,600	39,600	39,600	39,600
Total: National Activities	161,530	195,591	64,263	65,939	59,600	-101,930	-135,991	-46,703	-6,339
Community College Initiative	0		125,000	128,260	150,000	150,000	150,000	25,000	21,740
Total: Training and Employment Services	3,808,805	4,611,951	3,648,313	3,743,471	2,922,539	-886,266	-1,689,412	-725,774	-820,932
Rescission					-335,000	-335,000	-335,000	-335,000	-335,000
Total: WIA Training and Employment Services	3,808,805	4,611,951	3,648,313	3,743,471	2,587,539	-1,221,266	-2,024,412	-1,060,774	-1,155,932

	FY 2001	FY 2001 (in FY 2008 \$)	FY 2007** (in FY 2008 \$)	FY 2007** (in FY 2008 \$)	FY 2008 Proposed	FY 2008 Proposed – FY 2001, Nominal	FY 2008 Proposed – FY 2001, Inflation Adjusted (FY 2008 \$)	FY 2008 Proposed – FY 2007, Nominal	FY 2008 Proposed – FY 2007, Inflation Adjusted (FY 2008 \$)
Community Service Employment for Older Americans									
Community Serv. Employment Older Americans	440,200	533,023	483,611	496,225	350,000	-90,200	-183,023	-133,611	-146,255
State Unemployment Insurance and Employment Service Operations									
Unemployment Compensation									
State Operations	2,353,795	2,850,130	2,497,770	2,562,918	2,547,000	193,205	-303,130	49,230	-15,918
National Activities	10,000	12,109	9,900	10,158	10,000	0	-2,109	100	-158
Total: Unemployment Compensation	2,363,795	2,862,238	2,507,670	2,573,077	2,557,000	193,205	-305,238	49,330	-16,077
Employment Service									
Total: Employment Service	761,735	922,359	715,883	734,555	688,779	-72,956	-233,580	-27,104	-45,776
Allotments to States	49,680	60,156	33,428	34,300	32,766	-16,914	-27,390	-662	-1,543
ES National Activities	35,000	42,380	0	0	0	-35,000	-42,380	0	0
Total: Employment Service	846,415	1,024,895	749,311	768,855	721,545	-124,870	-303,350	-27,766	-47,310
One-Stop Career Centers/Labor Market Information	150,000	181,630	63,855	65,521	56,000	-94,000	-125,630	-7,855	-9,521
Work Incentives Grants	20,000	24,217	19,514	20,023	0	-20,000	-24,217	-19,514	-20,023
Total: State UI and ES Operations (SUIESO)	3,380,210	4,092,980	3,340,350	3,427,475	3,334,545	-45,665	-758,435	-5,805	-92,930
* Youth Offender and Prisoner Reentry Programs consolidated into Ex Offender Activities.									
** Prior year program funding is used as an assumption in some categories where the Department of Labor has discretion.									

Workforce Investment Act Programs

The Department of Labor invests in job training and provides assistance to unemployed workers through a number of important broad-based and targeted programs administered by the Employment and Training Administration, including the Workforce Investment Act. The President's FY 2008 budget proposes to eliminate WIA adult, youth and dislocated worker programs and consolidate funding into a state block grant. Additionally, the budget would cut the total commitment to all training and assistance programs immediately.

Table 1. Cuts to Workforce Investment Act Programs					
	FY 2001 (in FY 2008 \$)	FY 2007 (in FY 2008 \$)	FY 2008 Budget Request	FY 2008 Request – FY 2001, Inflation Adjusted	FY 2008 Request – FY 2007, Inflation Adjusted
Adult Training	\$1,150.3 million	\$886.7 million	\$712 million	-\$438.3 million	-\$174.7 million
Youth Training	\$1,365.8 million	\$1,015.8 million	\$841 million	-\$524.8 million	-\$174.8 million
Dislocated Worker Assistance	\$1,740.7 million	\$1,510.3 million	\$1,114.9 million	-\$625.7 million	-\$395.4 million
Other National Programs ²	\$355.1 million	\$330.6 million	\$254.6 million	-\$100.5 million	-\$76.0 million
Rescission	n/a	n/a	-\$335.0 million	-\$335.0 million	-\$335.0 million
Total: WIA Services	\$4,612.0 million	\$3,743.5 million	\$2,587.5 million	-\$2,024.4 million	-\$1,155.9 million

Cuts Hurt Dislocated and Disadvantaged Workers

Our nation's workforce training programs are often the last resort for low income and disadvantaged workers who have been neglected by their employers and the under funded student financial aid system. The President's continued cutting of job training funding and assistance for unemployed workers compounds the labor market problems working families have experienced since 2001 and worsens their economic anxiety.

Contrary to official rhetoric that paints a picture of a strong economy, American workers have faced a weak job market, increased long-term unemployment and significant declines in living standards for those who have been displaced.

- Millions of Americans who want to work do not have jobs. Seven million Americans are officially unemployed—nearly 1 million more than when President Bush took office—and 4.5 million additional people want jobs, but are not counted among the unemployed. Another 4.2 million people work part time because of the weak job market. The unemployment rate would be 8.3 percent if those workers were included in the unemployment rate.
- Long-term unemployment has nearly doubled under President Bush. About one in six unemployed workers (1.1 million workers) has been jobless for more than 26 weeks, the maximum number of weeks for receiving regular unemployment insurance benefits.

² Other National Programs includes the following: Native Americans; Migrant and Seasonal Farmerworkers; Pilots, Demonstrations and Research; Evaluation; Responsible Reintegration of Youthful Offenders; Prisoner Re-entry; and the Community College Initiative.

- Displaced workers continue to struggle. The consequences of job loss are profound for workers and their families. The majority—particularly those who lose long-held jobs—will see their living standards decline substantially—some permanently. Those laid off from good-paying manufacturing jobs suffer particularly long lasting economic hardship. According to the Bureau of Labor Statistics³
 - From 2003 to 2005 the number of displaced workers, including short and long tenured workers, totaled 8.1 million.
 - About 28% of long tenured workers (those with 3 or more years on the job) lost jobs in manufacturing.
 - About half of long-tenured workers who were displaced from full time wage and salary jobs and who were reemployed had earnings that were less than those on the lost job. Twenty-nine percent experienced earnings losses of 20% or more.

Unemployment Insurance and Employment Service Programs

The Employment Service and Unemployment Insurance programs are federal-state partnerships created more than 70 years ago to provide income protections and job search assistance to unemployed workers. The federal government funds the Employment Service to match job seekers to employers looking for workers and provides the UI system with administrative resources.

Our nation's Employment Service, the bedrock of our workforce system, helped over 13 million workers look for jobs in Program Year 2006. At a cost per participant of \$55, the Employment Service is one of the workforce system's most cost effective programs. Workers who were helped by the Employment Service saw an earnings increase of more than \$1,500.⁴

	FY 2001 (in FY 2008 \$)	FY 2007 (in FY 2008 \$)	FY 2008 Budget Request	FY 2008 Request – FY 2001, Inflation Adjusted	FY 2008 Request – FY 2007, Inflation Adjusted
Unemployment Compensation	\$2,862.2 million	\$2,573.0 million	\$2,557.0 million	-\$305.2 million	-\$16.0 million
Employment Service	\$1,024.9 million	\$768.8 million	\$721.5 million	-\$303.4 million	-\$47.3 million
One-Stop Career Centers/ Labor Market Information	\$181.6 million	\$65.5 million	\$56.0 million	-\$125.6 million	-\$9.5 million
Work Incentives Grants	\$24.2 million	\$20.0 million	\$0	-\$24.2 million	-\$20.0 million
Total: State UI and ES Operations (SUIESO)	\$4,093.0 million	\$3,427.5 million	\$3,334.5 million	-\$758.4 million	-\$92.9 million

Large cuts in Employment Security programs mean less help for jobseekers

The FY 2008 budget proposes to cut Employment Security programs that support state UI and Job Service activities, national activities and one-stop/labor market information programs by \$92.9 million in real dollars compared to 2007. Such cuts will significantly impair the ability of our nation's workforce system to provide career information to jobless workers and reduce the capacity to link effectively employers and jobseekers.

³ Worker Displacement Survey: 2003 – 2005. August 17, 2006

⁴ ETA Workforce System Results. June 2006

Eliminating the U.S. Employment Service will hurt millions of jobless workers

President Bush's plan to eliminate the Employment Service will undermine the principle of an unbiased, nonpartisan agency to administer job referrals and assist in the payment of UI benefits. The president's plan will lead to the privatization and contracting out of vitally important employment security functions, thereby compromising control over and accountability for federal resources.

Trade Adjustment Assistance (TAA) Programs

Bad trade policies are shrinking the middle class and fostering the flight of good jobs overseas. The manufacturing sector, a source of some of our nation's best jobs, has lost nearly 3 million jobs since the start of the Bush Administration. The TAA program was designed to provide income support and training to workers who lose their jobs due to trade.

Renewed in 2002 and combined with the NAFTA Transitional Adjustment Assistance Program, the new Trade Adjustment Assistance (TAA) program significantly increased the number of workers potentially eligible for training and income support when they lose jobs because of international trade. It also extended some health care coverage to eligible participants. Lack of resources and ineffective administration, however, has resulted in significant problems in the adequacy and efficacy of the program. The President's FY 2008 budget proposal will only worsen those problems.

	FY 2004 (in FY 2008 \$)	FY 2007 (in FY 2008 \$)	FY 2008 Budget Request	FY 2008 Request – FY 2004, Inflation Adjusted	FY 2008 Request - FY 2007, Inflation Adjusted
Training	\$291.7 million	\$266.1 million	\$259.7 million	-\$32.0 million	-\$6.5 million
Benefits	\$1,202.9 million	\$672.1 million	\$606.0 million	-\$596.9 million	-\$66.0 million
Alternative TAA	\$11.3 million	\$53.4 million	\$23.0 million	\$11.7 million	-\$30.4 million
Total: TAA (FUBA)	\$1,505.8 million	\$991.6 million	\$888.7 million	-\$617.1 million	-\$102.9 million

Cuts to Trade Adjustment Assistance benefits will impair opportunities for long-term training

The FY 2008 budget proposes to decrease funding for income support benefits under the Trade Adjustment Assistance program, assuming that fewer workers will take advantage of the program next year. The 2008 budget proposes inflation-adjusted cuts of \$102.9 million in TAA benefits funding compared to 2007. The Bush Administration plans for a reduction in TAA participants of almost 6,000 workers in FY 2008 while the number of workers covered by TAA certifications has increased. In 2005 117,904 workers were certified for TAA – in 2006 there were 120,199 workers certified.⁵

During this same period there has been a troubling decline in the number of workers in training (from 37,774 to 35,958) and receiving trade adjustment allowances (from 55,293 to 53,493).⁶ By denying workers the income support benefits to which they are lawfully entitled the Bush Administration's cuts continue to impair opportunities for workers to participate in long-term training.

Cuts to TAA income support benefits are compounded by shortfalls in training funds. Previous studies have shown that many states exhaust their training funds before the end of each fiscal year, precluding numerous workers from being able to take advantage of training programs to which they are entitled. According to GAO, 35 states expected that available TAA training funds for FY 2004 would not cover the amount they would obligate and spend for TAA-eligible workers - 18 states estimated the gap at over \$1 million.⁷

⁵ Congressional Budget Justification Fiscal Year 2008

⁶ Ibid.

⁷ GAO, *Trade Adjustment Assistance: Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain*, [GAO-04-1012](#), 9/22/04.

Inadequate Department of Labor administration hurts trade-impacted workers

In the past 5 years, courts have entered numerous orders directing the Department of Labor to reconsider erroneous denials of TAA income and training assistance to hundreds of trade-affected workers. Workers have suffered protracted delays in getting assistance as a result of these errors. Many more are too discouraged or lack the resources to pursue appeals.

Help for secondary workers is minimal

The new TAA program was expanded to cover secondary workers, such as parts manufacturing workers who lose their jobs when a client-manufacturing firm moves its operations to another country. Poor program design and inadequate guidance to identify affected workers, however, have meant that few secondary workers are receiving benefits.

- Just over 2 percent of workers covered by TAA were secondary workers in FY 2003.
- No state has developed procedures to identify workers who are secondarily affected by a trade-related layoff in another state.⁸

PROPOSED POLICY CHANGES

1. Career Advancement Accounts (CAAs) are a bad deal for workers

Once again, the Bush Administration has asked Congress to eliminate current WIA programs for adult workers, dislocated workers and youth as well as the Employment Service and transfer the funding for those programs to state block grants to pay for unproven Career Advancement Accounts (CAAs). Under President Bush's plan, each eligible individual will receive a maximum yearly CAA contribution of \$3,000 but no longer have access to the more valuable existing training programs and employment services.

	FY 2007	FY 2007, adjusted for inflation (FY 2008 \$)	FY 2008 Proposed
WIA Adult Programs	\$864.2 million	\$886.7 million	\$0
WIA Dislocated Worker Programs	\$1,471.9 million	\$1,510.0 million	\$0
WIA Youth Programs	\$940.5 million	\$1,015.8 million	\$0
Employment Service Grants to States	\$715.9 million	\$734.5 million	\$0
One Stop/ LMI	\$81.7 million	\$65.5 million	\$0
Work Opportunity Tax Credit	\$17.7 million	\$18.2 million	\$0
Current Program Total	\$4,091.8 million	\$4,231.1 million	\$0
Career Advancement Accounts			\$3,413.0 million
		Total Cut (Nominal dollars) in WIA and ES	-\$678.8 million
		Total Cut (FY 2008 dollars) in WIA and ES Programs	-\$818.1 million

CAAs take resources from current programs and provide fewer benefits

The Bush Labor Department is shifting existing WIA and Employment Service funds to create CAAs despite the fact that earlier legislative proposals to establish similar accounts have gone nowhere in Congress. The benefit from CAAs would be very limited, and workers receiving CAAs would actually experience reduced rather than expanded services and benefits relative to what they get now.

- Current law imposes no caps on reemployment services or job training services unemployed workers may access through the WIA system. For the first time, CAAs create a \$3,000 federal cap on the combined amount of reemployment services and job training. Under the current WIA system, states

⁸ Ibid.

offer job training help through training accounts of up to \$10,000 with an average value of roughly \$5,000 to \$6,000.⁹

- Bush Administration officials have touted CAAs as a program that will triple the number of workers receiving training. This maneuver is really a cruel ruse. Fewer dollars will be spread among more workers—leaving workers with less funding and less help.

CAAs will eliminate Rapid Response Programs

Rapid Response services under the Workforce Investment Act would be eliminated in favor of CAAs. States and communities would no longer have the resources to provide early intervention assistance to companies and workers facing mass layoffs and plant closings.

CAAs will severely restrict industry and workplace based training programs

Current WIA funding can be used to support sector partnerships with employers, unions and educational institutions to identify skill needs and develop customized training programs that meet worker and employer needs. The Bush proposal requires that at a minimum states spend 75 percent of their funding on CAA individual training vouchers, which would preclude the use of these funds to support work-based training programs.

CAAs are a back door to school vouchers

Under the president's proposal WIA youth programs for high school dropouts, the homeless and runaway youth would be eliminated. The in-depth counseling and linkages to alternative education and training programs would be eliminated. Instead, these most vulnerable at-risk youth would be given CAA vouchers to purchase education and/or training with no support systems available to ensure they connect with quality secondary and post-secondary education programs.

2. Major Changes Will Undermine the Unemployment Insurance Safety Net

Proposed state waivers will allow diversion of Unemployment Insurance benefits

The Bush FY 2008 budget proposes to waive fundamental requirements of the UI program, including the requirement that states use their UI trust funds only to pay for UI benefits, and the requirement that states assess UI employer taxes based on employers' experience rating. This alarming proposal threatens the ability of the UI system to provide unemployment compensation to displaced workers.

- The proposal would allow states to divert UI trust funds to purposes other than UI benefits. DOL's proposal imposes no restrictions on the size of such diversions, so it would allow states to divert the entire balance of their UI trust funds to other purposes.
- Diverting UI trust funds to other purposes threatens the ability of states to provide unemployment compensation to workers who need it. Moreover, it makes it far less likely that states will be able to make needed reforms such as expanding UI eligibility or increasing UI benefit levels.
- Diversion of UI trust funds may also compromise the role of the UI system as an economic stabilizer if trust funds are used in ways that have less stimulative effect on the economy.
- Allowing UI trust funds to support flawed and unproven programs such as individual reemployment accounts and wage insurance will provide workers less security and promote downward mobility.

Proposed re-employment and eligibility assessments privatize important UI functions

The Bush administration proposes to shift responsibility for major unemployment insurance activities, such as eligibility assessments, to the WIA One-Stop System, using \$40 million in proposed funding.

⁹ Nisha Patel and Steve Savner. *Implementation of Individual Training Account Policies under the Workforce Investment Act*. Center on Law and Social Policy. May, 2001.

- This move would transfer resources available through the Unemployment Insurance Trust Fund to privatized WIA operations, setting the stage for outsourcing of UI administration to private contractors instead of reserving them to public agency staff.

Proposals to prevent and detect UI fraud must be balanced

Monitoring the UI system to ensure that jobless workers receive their UI benefits and employers pay UI taxes is appropriate.

- Erroneous overpayments of benefits to workers and deliberate or negligent failure to make employer contributions on behalf of covered employees, along with erroneous underpayments and mistaken denials should be tracked and corrected.
- The Bush FY 2007 budget, however, lacks important details on how it plans to achieve a balanced approach that addresses workers, employers and programmatic error.

States need adequate administrative resources

- At a time when UI administrative budgets are regularly cut, states should receive the full administrative resources necessary to help detect employer fraud and claimant overpayments.
- The Department of Labor should provide funding to states to track down employers who are cheating. It should give states more tools to detect fraud on the part of employers and their accounting firms, including employer misclassification of employees as independent contractors.

Collecting UI overpayments should be done appropriately

- The Department of Labor should not require states to use the federal income tax system to recover overpayments, as the FY 2008 budget proposes.
- Many states have implemented overpayment collection systems that reflect the unique circumstances of the overpayment and individual workers' financial situations. Mandating reliance on the federal tax system would undermine these carefully tailored programs and unfairly penalize workers.

Collection of overpayments should not be privatized

- The President's plan to allow states to use private collection agencies to collect "uncollectible" fraud overpayments and delinquent employer taxes is also deeply troubling.
- Privatizing the collection function, coupled with the powerful financial incentive the budget proposes for private collection agencies, will lead to abusive and potentially fraudulent collection practices that compromise the privacy of UI claimant and employer records and undermine the work of the state workforce agency.
- States should receive adequate resources for collection activities, and they should be allowed to dedicate a portion of their overpayment funds to support increased detection and auditing functions.

Future Cuts

According to the Center on Budget and Policy Priorities analysis of the Bush FY 2008 projections, \$5.8 billion will be taken from employment and training programs over the next five years. This includes WIA and Employment Service programs. The cut would reach 17 percent in 2012. The proposed funding level for programs in this falls below a freeze of the expected fiscal year 2007 funding level in every one of the next five years. The President's proposed cuts would come on top of the already deep cuts imposed since 2001."¹⁰

¹⁰ Center on Budget and Policy Priorities, *President's Budget Calls for Deep Cuts in A Wide Range of Domestic Programs*, February 8, 2007.

The Wage and Hour Division

The Wage and Hour Division enforces basic worker protection laws that cover virtually every American workplace and apply to nearly all workers. Enforcement responsibilities include the nation's minimum wage, overtime, child labor and other employment standards under the Fair Labor Standards Act (FLSA), the Family and Medical Leave Act, the Migrant and Seasonal Agricultural Worker Protection Act, certain provisions of the Immigration and Nationality Act and other basic worker protection statutes.

The FY 2008 budget request for the Wage and Hour Division is \$182.4 million, an increase (\$16.7 million) in current dollars over the FY 2006 appropriation and an \$8.7 million increase when adjusted for inflation. However, the FY 2008 budget request is still lower than the FY 2001 funding level, after accounting for inflation. The FY 2008 budget request for the Wage and Hour Division is 1.1 percent (\$2 million) less than the Division's funding level for FY 2001, in inflation adjusted dollars. The budget proposes 1,336 Full-Time Equivalent (FTE) employees for FY 2008, which is 36 more than were funded in FY 2006, but 123 less than were funded in FY 2001.

Comparison of FY 2001 and FY 2006 Appropriations and the FY 2008 Budget Request for the Wage and Hour Division					
	FY 2001		FY 2006		FY 2008
	Appropriation	Inflation Adjusted Appropriation	Appropriation*	Inflation Adjusted Appropriation*	Budget Request
Funding**	\$152.3 million	\$184.4 million	\$165.7 million	\$173.7 million	\$182.4 million
FTEs	1,459		1,300		1,336
* FY 2006 appropriations include a 1 percent rescission.					
**\$13.1 million in H1-B fraud fees were subtracted from the FY 2001 appropriation. \$31 million in H1-B fraud fees were subtracted from the FY 2006 appropriation. \$4.7 million in H1-B fraud fees were subtracted from the FY 2008 budget request.					

OFCCP: Federal Contractor Equal Employment Opportunity

The Office of Federal Contract Compliance Programs (OFCCP) is responsible for administering a range of laws and executive orders that prohibit employment discrimination and require affirmative action by businesses contracting with the federal government. Collectively, these laws ban discrimination based on race, sex, religion, color, national origin, disability or veteran status.

Comparison of FY 2001 and FY 2006 Appropriations and the FY 2008 Budget Request for the Office of Federal Contract Compliance Programs					
	FY 2001		FY 2006		FY 2008
	Appropriation	Inflation Adjusted Appropriation	Appropriation*	Inflation Adjusted Appropriation*	Budget Request
Funding	\$76.2 million	\$ 92.3 million	\$81.3 million	\$85.2 million	\$84.2 million
FTEs	789		670		625
* FY 2006 appropriations include a 1 percent rescission.					

The Bush Administration requests that the OFCCP be funded at \$84.2 million for FY 2008. This funding level would represent a \$1 million cut from the FY 2006 appropriation and an \$8.1 million cut from FY 2001, in inflation adjusted dollars. The OFCCP budget proposes 625 FTEs for FY 2006, 164 fewer staff than in FY 2001, when OFCCP had 789 FTEs. This represents a 20.1 percent cut in FTEs from FY 2001.

Labor Department Programs to Audit, Investigate and Prosecute Unions

The Bush Labor Department continues to seek funding increases in its FY 2008 budget for programs that audit, investigate and prosecute unions. Increases would go to the department's Office of Labor Management Standards (OLMS), which has union oversight and investigation authority, receives and publishes statutorily required union reports, sets standards governing union elections and finances and conducts both civil and criminal investigations into unions' finances and elections. The Department has also asked for increased funding for its Office of Inspector General (OIG), which unlike OIG offices in other departments, is also charged with investigating unions.

Office of Labor Management Standards (OLMS)

The FY 2008 budget proposal of \$56.9 million represents an \$11.2 million increase in funding for OLMS from FY 2006 (an increase of \$8.9 million in real dollars). This represents a 24.4 percent increase from

Comparison of FY 2001 and FY 2006 Appropriations and the FY 2008 Budget Request for Labor Department Programs that Audit, Investigate and Prosecute Unions: Office of Labor Management Standards and the Office of the Inspector General					
	FY 2001		FY 2006		FY 2008
	Appropriation	Inflation Adjusted Appropriation	Appropriation*	Inflation Adjusted Appropriation*	Budget Request
OLMS					
Funding	\$30.5 million	\$36.9 million	\$45.7 million	\$48 million	\$56.9 million
FTEs	262		384		369
OIG					
Funding	\$55 million	\$66.6 million	\$71.4 million	\$74.9 million	\$79 million
FTEs	428		450		468
* FY 2006 appropriations include a 1 percent rescission.					

FY 2006 (an 18.6 percent increase in real dollars) and an increase of 86.6 percent from FY 2001 (a 54.1 percent increase in real dollars). The OLMS budget proposes 369 FTEs for FY 2008, 107 more than were funded in FY 2001. This represents a 40.8 percent jump in FTEs from FY 2001.

Office of the Inspector General (OIG)

The FY 2008 budget proposal would increase OIG funding by \$7.6 million dollars, to \$79.0 million, up from \$71.4 million in FY 2006. Of this increase, \$2 million is requested to expand the OIG's labor racketeering program. These additional resources would fund the following: investigations targeting federally funded Gulf Coast construction contracts with union workforces; investigations of Gulf Coast construction project program fraud (including Unemployment Insurance (UI) fraud); and investigations of UI program fraud by "nontraditional crime groups."

The FY 2008 proposal represents an increase in funding of 18.6 percent since FY 2001, in dollars adjusted for inflation. The president's FY 2008 budget requests an additional 18 FTEs for the OIG. This request would bring the number of FTEs in FY 2008 to 468, a 9.3 percent increase from 428 FTEs in FY 2001.

Worker Safety and Health Programs

Overview

President Bush's FY 2008 budget for worker safety and health is in large measure a status quo budget compared to FY 2006. (Since the Fiscal FY 2007 funding for the job safety agencies has not yet been finalized, the firmest comparison is to FY 2006 funding levels).

While in nominal dollars, the Bush budget request for FY 2008 increases funding for OSHA, adjusting for inflation, the FY 2008 budget in fact represents a cut in funding compared to FY 2006.¹¹

An increase in funding is being requested for MSHA, particularly the coal enforcement program. This request for additional funding comes only after the deaths of 47 coal miners in 2006, and after the Congress increased funding for coal enforcement through an emergency appropriation. Adjusting for inflation, the FY 2008 budget request for MSHA and the coal enforcement program are less than the combined amounts Congress appropriated in the regular and emergency appropriations for FY 2006.

For FY 2008, the Bush budget proposes a cut in the NIOSH budget, reducing the nation's commitment to researching and preventing workplace injuries, diseases and deaths.¹²

For FY 2008, the Bush Administration has proposed the following funding levels for the job safety agencies:

- \$490.3 million for OSHA
- \$313.5 million for MSHA
- \$253 million for NIOSH

With this combined budget request of \$1,056 million for the federal job safety agencies, in FY 2008, the Bush Administration proposes to spend \$7.32 per worker to protect American workers from job injuries, illnesses and death.

Occupational Safety and Health Administration (OSHA) (\$ in thousands)		
Fiscal Year	Budget Request or Appropriation	Positions in FTEs
FY 2001 Enacted	\$425,886	2,370
FY 2002 Request	\$425,835	2,276
FY 2002 Enacted	\$443,651	2,300
FY 2003 Request	\$437,000	2,217
FY 2003 Enacted	\$453,000	2,233
FY 2004 Request	\$450,000	2,236
FY 2004 Enacted	\$460,786	2,236
FY 2004 Rescission	\$457,500	2,236
FY 2005 Request	\$461,600	2,238
FY 2005 Enacted	\$464,224	2,208
FY 2006 Request	\$466,981	2,208
FY 2006 Enacted	\$472,427	2,173
FY 2007 Request	\$483,667	2,173
FY 2007 CR	\$485,074+*	2,173
FY 2008 Request	\$490,300	2,186

* This amount does not include the 50% of costs for salary and benefit increases provided for under the Continuing Resolution for FY 2007 (House Joint Resolution 20), enacted February 15, 2007.

¹¹ Inflation adjustment factors are derived from Table 10.1 Gross Domestic Product and Deflators Used in the Historical Tables: 1940-2012, Total Composite Outlay Deflators. <http://www.whitehouse.gov/omb/budget/fy2008/pdf/hist.pdf>

- The FY 2008 budget proposes \$490.3 million in funding for OSHA compared to \$472.4 million appropriated in FY 2006.
- Adjusting for inflation, the FY 2008 proposed OSHA budget represents a \$5.1 million cut over the FY 2006 appropriation. Since FY 2001, when the Bush Administration took office, there has been an erosion in federal job safety programs. In real dollar (inflation adjusted terms), the FY 2008 budget request would cut the OSHA budget by \$25.4 million compared to FY 2001 funding levels.
- In FY 2008, the Bush Administration proposes to totally eliminate funding for worker safety and health training and education programs, as it did in FY 2006 and FY 2007. (Indeed every year since taking office, the Administration has sought to slash or eliminate funding worker training). But each year the Congress rejected these proposed cuts and maintained funding for worker safety training programs. The recently passed House FY 2007 Funding Resolution maintained funding for worker safety and health training at the \$10.1 million FY 2006 level.
- At the same time it proposes to eliminate safety and health training for workers, the Administration has proposed significant increases in funding for compliance assistance programs for employers. In FY 2008, the budget proposes a \$7.1 million increase in the federal compliance assistance program with \$4.6 million of this increase being sought to expand the Voluntary Protection Program. The total combined funding requested in FY 2008 for federal and state compliance assistance programs is \$134.1 million, 27% of the overall OSHA budget.

Funding for OSHA Worker Safety Training Programs Verses Employer Compliance Assistance Programs (\$ in thousands)		
Fiscal Year	Worker Safety and Health Training	Employer Compliance Assistance (Federal and State)
FY 2001 Enacted	\$11,175	\$105,089
FY 2002 Request	\$8,175	\$106,014
FY 2002 Enacted	\$11,175	\$109,804
FY 2003 Request	\$4,000	\$112,800
FY 2003 Enacted	\$11,175	\$115,274
FY 2004 Request	\$4,000	\$120,000
FY 2004 Enacted	\$11,102	\$119,968
FY 2004 Rescission	\$10,500	\$119,200
FY 2005 Request	\$4,000	\$125,200
FY 2005 Enacted	\$10,500	\$124,200
FY 2006 Request	\$0	\$127,000
FY 2006 Enacted	\$10,100	\$125,902
FY 2007 Request	\$0	\$130,000
FY 2007 CR	\$10,100	NA
FY 2008 Request	\$0	\$134,100

- The proposed budget requests \$16.9 million in funding for safety and health standards, compared to \$16.4 million appropriated in FY 2006. Adjusted for inflation, since FY 2001 the OSHA standard's budget has been cut by 7.5%. Since taking office, the Bush Administration has virtually shut down the regulatory process, favoring voluntary guidelines over mandatory protections. Only one major safety and health rule – a hexavalent chromium standard – has been issued, and that was under court order. Instead of developing and issuing needed protections, the Bush Administration overturned OSHA's ergonomics standard, killed pending final rules on indoor air quality and tuberculosis and withdrew or delayed dozens of other important safety and health rules.
- The FY 2008 budget proposal increases funding for federal enforcement by \$10.4 million over FY 2006, with a request of \$183.0 million. Adjusting for inflation, this represents a \$2 million increase.

¹² According to BLS, in 2006 there were an average of 144,427,000 workers employed in the United States.
<http://www.bis.gov/web/cpseea1.pdf>

Since the Bush Administration took office, the OSHA federal enforcement budget has seen a decrease of \$1 million in real dollar terms. The budget for State OSHA enforcement has experienced much greater cuts. The FY 2008 request of \$91.1 million represents a cut of \$15.9 million in real dollar terms over FY 2001.

- No specific funds or activities are proposed to address ergonomic hazards or to implement the Administration’s Comprehensive Approach to Ergonomics that was announced in April 2002. Since that time federal OSHA has issued only three voluntary guidelines – for nursing homes, retail grocery and poultry - and issued 17 general duty citations for ergonomic hazards. This minimal activity has ground to a halt. In 2006, no new ergonomic guidelines or general duty citations were issued.
- Since the Bush Administration took office in 2001, they have reduced OSHA staff by 197 positions, from 2,370 Full Time Equivalents (FTEs) in FY 2001 to 2,173 FTEs in FY 2006. The majority of these staff cuts have been in the standards and federal enforcement programs. For FY 2008, the request is to add 13 FTEs for the voluntary protection program, bringing the total FTEs to 2,186.

Mine Safety and Health Administration (MSHA)		
(\$ in thousands)		
Fiscal Year	Budget Request or Appropriation	Positions in FTEs
FY 2001 Enacted	\$246,306	2,357
FY 2002 Request	\$246,306	2,310
FY 2002 Enacted	\$254,768	2,310
FY 2003 Request	\$254,300	2,264
FY 2003 Enacted	\$271,741	2,310
FY 2004 Request	\$266,800	2,334
FY 2004 Enacted	\$270,826	2,172
FY 2004 Rescission	\$268,800	2,172
FY 2005 Request	\$275,600	2,187
FY 2005 Enacted	\$279,198	2,187
FY 2006 Request	\$280,490	2,187
FY 2006 Enacted	\$277,685	2,136
FY 2006 Emergency Supplemental	\$25,600	170
FY 2007 Request	\$287,836	2,136
FY 2007 CR	\$299,836+*	2,306
FY 2008 Request	\$313,500	2,306

*This amount does not include the 50% of costs for salary and benefit increases provided for under the Continuing Resolution for FY 2007 (House Joint Resolution 20), enacted February 15, 2007.

- The FY 2008 budget proposes \$313.5 million in funding for MSHA compared to a total of \$303.3 million appropriated for MSHA in FY 2006 through regular appropriations and an emergency supplemental enacted in 2006 following a series of deadly mine disasters.
- Adjusting for inflation, the FY 2008 proposed MSHA budget represents a cut of \$4.6 million over the FY 2006 appropriations. But compared to FY 2001, the MSHA budget has seen an increase of \$15.2 million in real dollar terms.
- For the coal enforcement program, \$140.7 million is requested, less than the total of \$142.7 million appropriated in FY 2006. Compared to FY 2001, the coal enforcement program has seen an increase of \$2 million (1.5%) in real dollar terms. This increase in funding followed years of funding reductions and was largely in response to the deaths of 47 coal miners in 2006.
- For Metal/Non-Metal Enforcement activities, \$70.1 million is requested, compared to \$68.1 million appropriated in FY 2006.
- For MSHA standard setting, \$2.7 million is requested, compared to \$2.5 million appropriated in FY 2006. This level of funding maintains this program at current activity levels. No additional funds are

being sought to develop and issue the new standards required by the Mine Improvement and New Emergency Response (MINER) Act enacted by the Congress in 2006.

- The FY 2008 budget requests 2,306 FTEs for MSHA. This continues the funding for the existing MSHA staff and the 170 positions added by the emergency supplemental in 2006. This staffing level is still 51 FTEs below the 2357 FTE MSHA staffing level in FY 2001.

National Institute for Occupational Safety and Health (NIOSH) (\$ in thousands)	
Fiscal Year	Budget Request or Appropriation
FY 2001 Enacted	\$260,134
FY 2002 Request	\$266,135
FY 2002 Enacted	\$276,400
FY 2003 Request	\$247,318
FY 2003 Enacted	\$274,899
FY 2004 Request	\$246,000
FY 2004 Enacted	\$278,900
FY 2004 Rescission	
FY 2005 Request	\$278,900
FY 2005 Enacted	\$285,357
FY 2006 Request	\$286,071
FY 2006 Enacted	\$254,401 ^a
FY 2006 Supplemental (mining)	\$10,000
FY 2007 Request	\$250,000 ^a
FY 2007 CR	\$254,401+*
FY 2008 Request	\$253,000
^a TAP for administrative services eliminated. \$34.8 million transferred to CDC business services.	
This amount does not include the 50% of costs for salary and benefit increases provided for under the Continuing Resolution for FY 2007 (House Joint Resolution 20), enacted February 15, 2007.	

- For FY 2008, the Bush Administration has proposed a \$253 million budget for NIOSH - \$166 million for program activity and an additional \$87 million to fund the National Occupational Research Agenda (NORA). This funding request is \$1.5 million less than the \$254.4 million for NIOSH program activities appropriated in FY 2006, (not accounting for a one-time supplemental in FY 2006 for mine safety research). In inflation adjusted terms the FY 2008 budget request represents a \$13.8 million cut for the job safety and health research agency over FY 2006 levels.

**Job Safety and Health Appropriations
Inflation Adjusted FY 2001 - 2008**

CATEGORY	FY 2001	FY 2001 Inflation Adjusted ¹	FY 2006 ²	FY 2006 Inflation Adjusted ¹	FY 2007 CR ³	FY 2008 Request	FY 2008 - FY 2001 Inflation Adjusted	FY 2008 - FY 2006 Inflation Adjusted
OSHA (in thousands of dollars)								
TOTAL	425,886	515,691	472,427	495,415	485,074	490,300	(-25,391)	(-5,115)
Safety & Health Standards	15,069	18,247	16,462	17,263		16,900	(-1,347)	(-363)
Federal Enforcement	151,836	183,853	172,575	180,972		183,000	(-853)	2,028
State Enforcement	88,369	107,003	91,093	95,525		91,100	(-15,903)	(-4,425)
Technical Support	20,189	24,446	21,435	22,478		22,100	(-2,346)	(-378)
Federal Compliance Assistance	56,255	68,117	72,545	76,075		79,600	11,483	3,525
State Compliance Assistance	48,834	59,131	53,357	55,953		54,500	(-4631)	-1,453
Training Grants ³	11,175	13,531	10,116	10,608	10,116	0	(-13,531)	(-10,609)
Safety & Health Statistics	25,597	30,995	24,253	25,433		32,100	1,105	6,667
Executive Administration/Direction	8,562	10,367	10,591	11,106		11,000	633	(-106)
MSHA (in thousands of dollars)								
TOTAL	246,306	298,244	303,286	318,042	299,836	313,500	15,234	(-4,542)
Coal Enforcement	114,505	138,650	117,152	122,852		140,700	2,050	17,848
Supplemental (emergency)			25,600	26,846				(-26,846)
Total Coal Enforcement			142,752	149,698		140,700		(-8,998)
Metal/Non-Metal Enforcement	55,117	66,739	68,062	71,374		72,300	5,561	926
Standards Development	1,760	2,131	2,481	2,602		2,700	569	98
Assessments	4,265	5,164	5,391	5,653		5,700	536	47
Education Policy & Development	31,455	38,088	31,701	33,244		34,300	(-3788)	1,056
Technical Support	27,053	32,756	25,479	26,719		28,200	(-4,566)	1,481
Program Administration	12,151	14,713	11,906	12,485		13,400	-1,313	915
Mine Mapping ⁴	--		--					
Program Eval. & Info Resources ⁵	--		15,514	16,269		16,200		(-69)
NIOSH (in thousands of dollars)								
TOTAL	260,134	NA	254,401*	266,780	254,401	253,000	NA	(-13,780)

¹Inflation adjustment factor for 2001 is .825855 and for 2006 is .953599. Derived from Table 10.1 Gross Domestic Product and Deflators Used in the Historical Tables: 1940-2012, Total Composite Outlay Deflators, <http://www.whitehouse.gov/omb/budget/fy2008/pdf/hist.pdf>.

² Reflects 1% across the board rescission.

* \$34.8 million transferred to business services. TAP for administrative services eliminated. Direct comparison with NIOSH funding for earlier years, which included these administrative costs, cannot be made.

³ Amounts do not include the 50% of costs for salary and benefit increases provided for under the Continuing Resolution for FY 2007(House Joint Resolution 20) adopted on February 15, 2007.

2. Health Care

Standard Health Care Deduction

The signature health care provision in the Bush budget is the administration's proposal to tax employer-provided health benefits beginning in 2009 to help pay for a new standard deduction. The proposed health insurance deduction of \$15,000 for family coverage (\$7,500 for individual coverage) would be available to everyone, other than those covered by Medicare, regardless of whether health insurance is provided by an employer or purchased in the marketplace. The proposal only pretends to address our nation's health care crisis. The reality is it could just make things worse.

- **Those workers with good or more costly coverage will end up paying more in taxes while everyone without coverage gets no real benefit from the proposal.** Many have too little income to buy health coverage while others do not gain anything from a deduction because they owe little or no income tax. In addition, by providing a standard deduction, regardless of the actual cost of the health care coverage, a family, the proposal gives bigger tax breaks for buying high-deductible plans in the deeply flawed individual market.
- **Even the administration recognizes the minimal impact of its proposal on the 47 million uninsured Americans.** The Treasury Department estimates only 3 to 5 million people would gain coverage, leaving virtually all those without health care today out in the cold. Even more troubling is the likelihood that some employers will drop coverage since employees may get tax-favored treatment by buying coverage in the individual market.
- **Not only does the proposal do nothing for those without health care coverage, it also threatens those who do have employer coverage—**
 - The proposed deduction applies to income and payroll taxes and is likely to lower Social Security benefits for millions of middle-class workers.
 - The value of the proposed deduction actually decreases over time because it will grow with the Consumer Price Index (CPI). Health care costs, on the other hand, have grown two or three times faster than the CPI over the last several years. As a result, when the value of employer-provided health coverage exceeds the standard deduction amount, workers will be forced to recognize that excess amount as income and pay more in taxes.
 - The administration estimates that 20 to 25 percent of health care plans or policies will have premiums for family coverage above the standard deduction amount at its introduction in 2009 with that number increasing to about 40 percent by the tenth year. All of the families covered by these plans will pay higher income taxes under the proposal.

Medicare

Medicare—the federal health insurance program for seniors and people with disabilities—currently provides benefits to nearly 43 million Americans. Medicare Part A covers inpatient care, skilled nursing facility care, some home health care and hospice care. Part B (traditional fee-for-service Medicare) covers outpatient care. Part C (Medicare Advantage) gives beneficiaries the option of using managed care plans, such as health maintenance organizations (HMOs) and preferred provider organizations (PPOs) as well as private fee-for-service plans. Part D, the prescription drug benefit added by the Medicare Modernization Act of 2003 (MMA), began in January 2006 with seniors enrolling in private plans that contracted with Medicare to provide coverage.

The FY 2008 budget includes legislative and administrative proposals seeking over \$5 billion in Medicare savings for FY 2008 and almost \$76 billion over the five-year period from 2008 through 2012. These

2008 proposals represent more than twice the savings sought by the Bush administration in last year's budget, cuts rejected by a Republican Congress.

Premium Increases for Medicare Beneficiaries

- Included within the savings are two premium increases for Medicare beneficiaries:
 - Beginning this year, Medicare beneficiaries pay an additional Part B premium based on income (the income thresholds are \$80,000 for single beneficiaries and \$160,000 for couples). Under current law, the income threshold rises with the Consumer Price Index. The Bush budget proposes to eliminate this indexing so more seniors would pay higher Part B premiums.
 - In addition, the administration proposes to introduce the same income-based premium for prescription drugs under Part D.
- Taken together these new Medicare premium increases will cost older Americans a total of \$10 billion in 2008 through 2012 as well as erode the social insurance underpinnings of Medicare.

Reductions in Payments to Medicare Providers

- To be sure, the vast majority of the proposed Medicare reductions—\$3.9 billion in FY 2008 and more than \$50 billion in the five years ending in 2012—come from reductions in payments to Medicare providers. But, these cuts merely shift costs to other health care payers, including employer-provided health care plans, and like the administration's standard health insurance deduction proposal, the proposed Medicare reductions do not address the real problem—the continued growth of health care costs.
- The budget also seeks to automatically trigger 0.4 percent reductions in all Medicare provider reimbursements when 45 percent of Medicare funding comes from general revenues. This proposal, like the elimination of Part B premium indexing and the introduction of an income-based Part D premium, seeks to change provisions agreed upon in the MMA only three years ago. Under the MMA, if the Medicare trustees report that the portion of Medicare funded by general revenues is projected to exceed 45 percent within seven years in two consecutive annual reports, the President must submit legislation to address the shortfall and Congress is to consider the proposal on an expedited basis. Instead of allowing the legislative process to work, the administration now just wants to make its designated cuts automatic without consulting Congress.

President's Budget Ignores Overpayments to Private managed Care Plans Under Part C

- While the administration wants seniors to pay more and providers participating in the traditional Medicare program to receive less, the proposed budget ignores the biggest special interest subsidy Medicare provides—overpayments to private managed care plans under Part C. These overpayments, which total nearly \$65 billion over the next five years, cost taxpayers and beneficiaries more while forcing traditional Medicare—the plan overwhelmingly chosen by Medicare beneficiaries—to compete on an uneven playing field with private plans.

Medicaid

The administration proposes cuts to Medicaid amounting to \$24.7 billion during the five fiscal years 2008 through 2012 and \$60.9 billion over the 10-year budget window. Of these amounts, legislative changes account for \$12 billion and regulatory changes account for \$12.7 billion over the five-year period. For the 10-year period, legislative changes total \$29.5 billion while regulatory changes would be \$31.4 billion over 10 years.

Medicaid is administered and financed jointly by the federal government and states, with the federal government matching from 50 percent to 76 percent (depending on the state) of the costs states incur in purchasing health and long-term care services for eligible low-income people. There are two ways for the federal government to reduce its Medicaid spending. One approach is to achieve efficiencies in

purchasing services for beneficiaries, for example, by increasing the rebate that drug manufacturers are required to pay for prescriptions Medicaid covers, which would reduce both federal and state costs. Another approach is to limit the matching of state Medicaid expenditures, thereby shifting costs to states. More than four-fifths of the administration's proposed budget savings would be achieved by simply shifting Medicaid costs to the states.

The single largest Medicaid cut proposed is to lower the federal matching rate for all administrative costs to 50 percent, which would reduce spending by \$5.3 billion over five years. This proposed cut comes at a time when state workloads have been increased by recent federal mandates, including some responsibility for administration of the low-income subsidies under the Medicare drug benefit, documentation of citizenship for most Medicaid applicants and enrollees, and implementation of new program integrity initiatives.

The administration's "Affordable Choices" initiative, part of the health care program that includes introducing a new standard health insurance deduction, would only divert federal funds that currently support safety net providers serving large numbers of uninsured and low-income citizens to pay for "basic private health insurance" for those who not insured.

Taken together, these proposals shift more costs to states and divert funds from providers that serve the uninsured even as the number of uninsured is rising. And they would undermine state efforts to expand coverage by building on public programs and providing subsidies to low income individuals.

State Children's Health Insurance Program (SCHIP)

The administration's budget proposes a net increase of \$4.2 billion over five years and \$9.7 billion over ten years for reauthorization of the State Children's Health Insurance Program (SCHIP). However, the proposed funding level does not keep pace with rising health care costs and the anticipated shortfalls facing the program. Experts estimate that \$12 billion to \$15 billion will be needed over the next five years to maintain coverage for children currently enrolled in SCHIP. Rather than maintain current coverage, or even expand coverage to the two thirds of nearly 9 million uninsured children who are eligible for SCHIP or Medicaid coverage but are not enrolled, the administration's budget would "refocus" SCHIP on children and pregnant women at or below 200 percent of poverty.

Like Medicaid, SCHIP is financed by both states and the federal government, with the federal government paying an "enhanced matching rate" of between 65 and 84 percent on costs states incur. Sixteen states currently have SCHIP income eligibility thresholds above 200 percent of poverty and an additional 19 states effectively cover children in families with income eligibility levels above 200 percent of poverty because they allow certain income disregards or deductions (for example, work-related expenses). These states would receive SCHIP funds at the regular Medicaid matching rate of 57 percent for all enrollees with incomes above 200 percent of poverty as well as any covered non-pregnant adults.

3. Social Security Administration

More than 55 million people receive critical cash benefits from the Social Security Administration (SSA) each month, including Social Security retirement, survivor and disability benefits and Supplemental Security Income (SSI) benefits for poor aged, disabled and blind Americans. Although SSA's benefit payments are entitlements and therefore are not subject to the budget process, treatment of the agency's administrative budget affects SSA's ability to serve the tens of millions of Americans who interact with the agency each year. In addition to administering Social Security and SSI, the SSA performs certain health insurance functions, particularly for Medicare. While the actual dollars requested for SSA's administrative budget (LAE) reflect a modest increase (5 percent above the FY 2006 appropriation), the reality is that the proposal provides no additional funding, in inflation-adjusted dollars to SSA.

SSA: Comparison of FY 2001 and FY 2006 Actual Appropriations and FY 2008 Budget Request, (dollars are in millions)					
Discretionary Budget Authority	FY 2001		FY 2006		FY 2008 request
	Appropriated amount	Inflation-adjusted amount	Appropriated amount	Inflation-adjusted amount	
Administrative budget (Limitation on administrative exemption)	\$7,124.0	\$8,626.2	\$9,147.0	\$9,592.1	\$9,597.0
Office of the Inspector General	\$69.0	\$83.6	\$91.0	\$95.4	\$95.0
Research and development	\$30.0	\$36.3	\$27.0	\$28.3	\$27.0
Total	\$7,223.0	\$8,746.1	\$9,265.0	\$9,715.8	\$9,719.0

The freeze of SSA's administrative budget may lead to the same potential service interruptions and employee furloughs now confronting the agency.