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SPECIAL REPORT: **House Labor, HHS, Education** **Appropriations for FY 2005 and California** **Implications – *September 16, 2004***

By a vote of 388 to 13 on September 9, 2004, the House of Representatives passed H.R. 5006, its FY 2005 Appropriations bill for the Departments of Labor, Health & Human Services, and Education, after the bill was approved by the House Appropriations Committee on July 14, 2004. The House Committee report accompanying the bill is House Rpt. 108-636. (On September 15, 2004, the Senate Appropriations Committee marked up and reported its version of the bill. It has yet to be voted on by the Senate as a whole)

The following represents a quick analysis of the bill from a California perspective as prepared by the California Institute. We apologize for any errors or omissions in our discussion of these documents, and would appreciate any input/feedback/corrections. The ordering of items generally reflects their presence in the bill and does not mean to imply any relative importance.

This appropriations analysis is available on the California Institute web site at <http://www.calinst.org/pubs/lhe05h.htm>, and a printable Adobe Acrobat (“pdf”) version is available at <http://www.calinst.org/pubs/lhe05h.pdf>.

FY 2005 HOUSE APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES

On July 14, 2004, the House Appropriations Committee approved and reported its version of the Fiscal Year 2005 Appropriations bill for the Departments of Labor, Health and Human Services, and Education and Related Agencies. On September 9th, 2004, the House passed the bill by a vote of 388 to 13.

The bill includes total appropriations for fiscal year 2005 of \$492.9 billion dollars, which is \$21 billion dollars above the fiscal year 2004 comparable appropriations and \$165 million less than the budget request made by the President.

In terms of discretionary spending, this year’s House bill appropriates \$143.1 billion, which is a \$3.4 billion increase over the fiscal year 2004 comparable discretionary levels and is \$166 million less than the Administration’s budget request.

DEPARTMENT OF LABOR

The bill provides \$14.9 billion for the Department of Labor, which includes \$11.7 billion in discretionary funding. The overall department budget described in the bill is \$372 million below fiscal year 2004 funding levels, and \$280 million below the President’s budget request. Similarly,

the discretionary funding for the Labor Department outlined in the House bill is \$98 million below last year's funding, and \$280 million less than the President's budget request.

Training and Employment Services

For Training and Employment Services, the House Committee recommends a funding level of \$5.1 billion to carry out the provisions of the Workforce Investment Act of 1998, which is \$32 million below the FY 2004 comparable level and \$213 million below the request. The bill appropriated \$76 million for the Migrant and Seasonal Farmworkers Program, including \$4.5 million for migrant and seasonal housing. California receives a large amount of these funds resulting from its disproportionately high level of migrant and seasonal workers.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The bill appropriates \$368 billion for the Department of Health and Human Services, which is \$15 billion greater than FY 2004 and \$20 million less than the Administration's request. Of the \$368 billion, \$63 billion is discretionary funding, which is an \$1 billion increase from FY04 and \$21 million less than the President's budget request.

CENTERS FOR DISEASE CONTROL (CDC)

The bill provides for the Centers for Disease Control at a funding level of \$4.48 billion. That appropriation is \$101 million below FY04 funding levels and \$15 million above the 2005 budget request.

Terrorism

The Committee appropriates \$1.6 billion for CDC terrorism preparedness and response activities. That amount is \$130 million above FY 2004 funding and \$128 million above the Administration's request. Of the \$1.6 billion, \$871 million is appropriated for State and local health departments in the form of grants and cooperative agreements.

NATIONAL INSTITUTES OF HEALTH

The Committee provided \$28.5 billion to the twenty-six separate entities that comprise the National Institutes of Health. The funding level is \$726 million above last year's and is equal to the President's funding request. The total appropriation, broken down by organization, includes:

- \$4.8 billion for the National Cancer Institute
- \$2.9 billion for the National Heart, Lung and Blood Institute
- \$394 million for the National Institute of Dental and Craniofacial Research
- \$1.7 billion for the National Institute of Diabetes and Digestive and Kidney Diseases
- \$1.5 billion for the National Institute of Neurological Disorders and Strokes
- \$4.4 billion for the National Institute of Allergy and Infectious Diseases
- \$1.9 billion for the National Institute of General Medical Sciences
- \$1.2 billion for the National Institute of Child Health and Human Development
- \$671 million for the National Eye Institute
- \$650 million for the National Institute of Environmental Health Science
- \$1.0 billion for the National Institute on Aging
- \$515 million for the National Institute of Arthritis and Musculoskeletal and Skin Diseases
- \$393 million for the National Institute on Deafness and Other Communication Disorders

- \$139 million for the National Institute of Nursing Research
- \$441 million for the National Institute on Alcohol Abuse and Alcoholism
- \$1.0 billion for the National Institute on Drug Abuse
- \$1.4 billion for the National Institute of Mental Health
- \$492 million for the National Human Genome Research Institute
- \$297 million for the National Institute of Biomedical Imaging and Bioengineering
- \$1.0 billion for the National Center for Research Resources
- \$121 million for the National Center for Complementary and Alternative Medicine
- \$196 million for the National Center on Minority Health and Health Disparities
- \$67 million for the Fogarty International Center
- \$316 million for the National Library of Medicine
- \$359 million for the Office of the Director
- \$99 million for Buildings and Facilities

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION (SAMHSA)

The funding level for the Substance Abuse and Mental Health Services Administration is set at \$3.39 billion for FY05, which is \$40 million above FY05 funding and \$158 million below the Administration's request. SAMHSA consists of three main centers.

Center for Mental Health Services

The bill appropriates \$890 million for the Center for Mental Health Services, which is \$28 million above FY04 and \$21 million below the budget request. This funding includes \$436 million in mental health block grants (\$1.3 million above FY04, same as budget request) and \$55 million for grants to the States for the homeless (PATH) (\$5.4 million above fiscal year 2004, same as request).

Center for Substance Abuse Treatment

The bill provides \$2.2 billion for the Center for Substance Abuse Treatment, which is \$10.0 million above FY04 and \$140 million below the request. The funding includes \$1.7 billion for substance abuse grants (same as FY04, \$43 million less than the President's request.)

Center for Substance Abuse Prevention

The bill appropriates \$200 million for the Center for Substance Abuse Prevention, which is \$1.5 million above FY04 and \$4 million above the request.

CENTERS FOR MEDICARE AND MEDICAID SERVICES

Medicaid

The bill allocates \$119 billion for the federal share of Medicaid costs, which is \$11 billion below fiscal year 2004 and the same as the budget request. Not included in this amount is \$52 billion previously funded in FY03 appropriations. This year's bill also provides an advance appropriation, in the amount of \$58 billion for the first quarter of fiscal year 2006.

Medicare

The Committee allocates \$114 billion for Payments to the Health Care Trust Funds account, which is \$19 billion above FY04 and identical to the budget request. In addition, \$5.2

billion dollars are provided in the form of a new advance mandatory appropriation to fund the first-year costs of the Medicare prescription program. The language of the bill specifically identifies geographic inequities in the Medicare reimbursement rates for the California counties of Santa Cruz, Sonoma, Santa Barbara, and San Diego, and requests that the Center for Medicaid and Medicare Services investigate the issue and report back to the Committee by January 1, 2005.

ADMINISTRATION FOR CHILDREN AND FAMILIES

Payments to States for Child Support Enforcement and Family Support Programs

The bill appropriates \$2.8 billion for the Child Support Enforcement program, which is the same as the budget request. In addition, the Committee provides \$1.2 billion in advance funding for the first quarter of FY06.

Low-Income Home Energy Assistance

The Low-Income Home Energy Assistance program is funded at \$2.2 billion dollars, which is \$111 million more than FY04 funding levels and is \$64 million below the President's FY05 budget proposal. The language of the bill specifically directs that \$1.9 billion of the funds be distributed through the regular formula program, while \$100 million be kept as a contingent emergency fund by the Department of Health and Human Services. \$227 million of the funds are to be transferred to the Department of Energy for the weatherization of low income housing.

Refugee and Entrant Assistance

The Refugee and Entrant Assistance program will be funded at \$491 million, which is \$43 million more than FY04 levels and \$18 million more than the Administration's request. A large portion of federal money allocated for refugee and entrant assistance is typically expended in California.

Child Care and Development Block Grant

The bill includes \$2.1 billion dollars for the Child Care and Development Block Grant program, which represents an increase of \$12 million over fiscal year 2004 funding and is the same as the budget request. Of these funds, which supplement state general revenue funds for child care assistance for low-income families, California typically receives slightly more than 12%.

Social Services Block Grant

The bill appropriates \$1.7 billion dollars for Social Service Block Grants, which is identical to FY04 funding levels and the same as the President's request.

Children and Family Services

The Committee appropriates \$9.0 billion for children and family services programs. That funding level is \$144 million greater than fiscal year 2004 levels, and \$114 million less than the budget request. \$10 million is set aside for evaluation of programs designed to help the nation's children and families, especially those who are disadvantaged or troubled. Children and Family Services is responsible for funding a number of programs including:

- \$6.9 billion for the Head Start program for FY05, a \$123 million increase over FY04 funding levels and \$45 million below the Administration's request. Of the total, \$1.4 billion is

advanced for funding in FY06. Head Start provides comprehensive development services for pre-schoolers from low-income families.

- \$710 million for Community Services activities, which is \$157 million more than the President's request and \$21 million less than FY04. \$627 million of these funds are designated for State Block Grants, which are used to help meet the employment, housing, nutrition, energy, emergency service, and health needs of low-income people. \$32 million of these funds are earmarked for community economic development.

Payments to the States for Foster Care and Assistance

The bill allocates \$5.0 billion for payments to States for foster care and adoption assistance. This amount is \$30 million less than FY04 and is equal to the Administration's request. Included in the bill is a \$1.8 billion advance appropriation for the first quarter of FY06.

Public Health and Social Services Emergency Fund

The bill provides \$2.3 billion for the public health and social services emergency fund for homeland security related activities. Including another \$60 million for year round production capacity of influenza vaccine, the total becomes \$3.52 billion, which is \$188 million above FY04 appropriations and \$127 million above the President's request.

DEPARTMENT OF EDUCATION

The bill appropriates \$57 billion in funding for the Department of Education, the highest level in the agency's history.

EDUCATION FOR THE DISADVANTAGED

The bill appropriates \$15 billion for the programs related to disadvantaged education. This is \$1.0 billion above FY04 funding and \$330 million greater than the budget request. \$7.8 billion of the request is appropriated for FY05 after July 1, 2005, while \$7.3 billion is appropriated for FY06 for funding on or after October 1, 2005.

Title I

\$7.0 billion is available for Title I Basic Grants. The bill includes language that states "The Committee rejects the inclusion of any 100% hold harmless provision because it unfairly penalizes underprivileged and immigrant children in states with growing populations." California has been one of the states hurt by imposition of a Title I 100% hold harmless, which effectively provides more education funds to states where children in need used to be (slower-growing states) than where they are now (faster-growing states such as California).

Funding for concentration grants, which targets funds to Local Educational Agencies in counties with high levels of disadvantaged children, is kept level at \$1.4 billion and is the same as the Administration's request. The bill appropriates \$2.5 billion for targeted grants, an increase of \$500 million above FY04 funding levels and \$1.7 billion below the Administration's request. Additionally, \$2.5 billion is appropriated for education finance incentive grants (EFIG), which is \$500 million above last year's level and \$1.7 billion above the President's request. California receives its largest percentage share from the target grants formula, and the lowest share from the EFIG formula.

Other Education for the Disadvantaged

The bill appropriates \$246 million for Even Start, which is level funding from last year and \$246 million above the Administration's request. Even Start focuses on educating disadvantaged children between the ages of 1 and 7, who live in Title I school attendance areas, as well as their parents eligible to be served under the Adult Education Act.

Reading First State Grants will receive \$1.1 billion, which is \$101 million over FY04 spending, and equal to the President's request. Reading First provides assistance for developing scientific research-based reading programs for children in grades 1 through 3.

The bill appropriates \$132 million to Early Reading First, which represents a \$37 million increase over FY04 funding and is the same as the request. Early Reading First is a competitive grant program aimed at children ages three through five.

Funding for education of migrant workers' children

The bill includes a number of measures aimed at helping educate the children of migrant workers. Within the bill, \$393 million is appropriated for migrant education program formula grants, which is level with FY04 funding and the same as the President's request. These grants support educational services (including academic education, remedial or compensatory instruction, English for limited English proficient students, testing, as well as guidance and counseling) to children of migratory agricultural workers and fishermen. California receives nearly one-third of these funds.

Additionally, the bill appropriates \$22 million for high school equivalency programs for migrant students age 16 and over, providing academic and support services to help students obtain high school equivalency certification and gain subsequent employment or admission to postsecondary institutions.

And finally, another \$15 million is included for college assistance for first-year migrant undergraduates, providing tutoring and counseling services, as well as assistance in obtaining financial aid for the rest of their undergraduate years.

IMPACT AID

The bill allocates \$1.3 billion for Federal impact aid programs in FY 2004, an increase of \$21 million over FY04 funding and the President's request. Impact aid assists school districts whose tax base is eroded by the presence of federal land and other activities.

Included in the funding is \$1.1 billion for basic support payments to local educational agencies, an increase of \$20 million above FY04 and the budget request.

SCHOOL IMPROVEMENT PROGRAMS

The bill appropriates \$5.6 billion for school improvement programs, which is \$216 million less than FY04 funding and \$299 million below the President's request.

State Grants for Improving Teacher Quality

The bill appropriates \$3 billion for state grants for improving teacher quality, which is \$20 million above both FY04 funding levels and the Administration's request. This program provides the states with a flexible source of funding to pursue a variety of endeavors aimed at improving the knowledge and skills of teachers. Funds are distributed from the state to local level by formula and by competitive grant processes.

Mathematics and science partnership

The bill includes \$269 million for mathematics and science partnerships, \$120 million above FY04 funding levels and the same as the budget request. Funds are distributed, in part, by a formula based on poverty, and are used to promote strong math and science teaching skills for elementary and secondary school teachers.

Innovative Education Program Strategies State Grants

The bill eliminates all funding for innovative education program strategies grants, which is \$297 million dollars below both FY04 funding and the budget request. No reason for the cut was included in the report.

Education Technology State Grants

The bill provides funding at \$600 million for Education Technology State Grants, which is \$91 million below FY04 funding levels and the President's budget request.

21st Century Community Learning Center

For formula grants pursuant to 21st Century Community Learning Centers, the House bill would provide level funding at \$999 million, which is the same as the President's request. These funds must be used to develop afterschool programs for children in underachieving schools that advance student academic achievement.

State Assessments

The bill appropriates \$410 million for state assessments, which is \$20 million above last year's funding level and equal to the Administration's request. Funds help states assess school and school district performance.

Education for homeless children and youth

The bill allocates \$70 million for the education of homeless children and youth, a \$10 million increase from FY04 and \$10 million above the President's request. Grants are allocated to States in proportion to the total that each state receives under the Title I program.

INDIAN EDUCATION

The bill appropriates level funding of \$121 million for Indian education, which is equal to the budget request. These funds include \$96 million for local education agencies, which is also the same as FY04 funding and the President's request.

INNOVATION AND IMPROVEMENT

The Committee recommends a funding level of \$670 million for innovation and improvement programs, a cut of \$432 million compared to FY04 funding and \$215 million below the budget request. The majority of cuts came from the teaching of traditional American history program, which was eliminated for a savings of \$119 million over FY04 funding levels, and the fund for improvement of education, which is funded at \$100 million (\$330 million below FY04 funding levels.) The bill maintains level funding for Troops to teachers and transition to teaching programs, at \$15 million and \$45 million respectively.

For alternative public schooling options, the bill provides level funding for charter schools (\$219 million), magnet school assistance (\$109 million), voluntary public school choice (\$27 million), as well as a \$13 million increase to \$50 million for credit enhancements for charter school facilities.

SAFE SCHOOLS AND CITIZENSHIP EDUCATION

The bill provides \$801 million in FY05 funding for school improvement programs under the Safe Schools and Citizenship Education program, which is \$54 million below FY04 funding levels, and \$37 million below the budget request.

Safe and drug-free schools and communities

The bill includes \$441 million for state grants under the safe and drug-free schools and communities program, which is equal to both FY04 funding levels and the President's request. The program provides formula grants for comprehensive, integrated approaches to drug and violence prevention.

The bill includes an additional \$153 million in funding for national programs under the Safe and Drug-Free Schools and Communities Act, which is the same as FY04 and \$21 million below the President's request. At least \$10 million of these funds are earmarked for the student drug testing pilot program.

ENGLISH LANGUAGE ACQUISITION

The bill provides level funding of \$681 million for English language acquisition programs, which is the same as the budget request. Grants from this program are based on each state's share of the nation's limited English proficient and recent immigrant student population. California, because of its large non-English speaking population, receives a large share of the grants.

SPECIAL EDUCATION

The bill provides \$12.2 billion for programs for children with disabilities authorized under the Individuals with Disabilities Education Act (IDEA). This represents a \$1 billion increase over FY04 levels and is the same as the President's budget request.

State Grants: Grants to States for Special Education

The bulk of the special education funds, \$11 billion, is allocated in the bill through grants to states. This amount is \$1 billion above FY04 comparable levels and equal to the Administration's request. \$5.6 billion of the total is appropriated for fiscal year 2005 for obligations after July 1, 2005, while the remaining \$5.4 billion is appropriated for fiscal year 2006 for obligations on, or after, October 1, 2005. Another \$387 million in funds is available for preschool grants for disabled children ages 3 to five, while \$466 million is appropriated for grants that provide early intervention services for disabled infants and their families. These monies assist the states in meeting their responsibilities to disabled children and students by covering excess costs. States must provide free public education to all children with disabilities in order to be eligible for funds.

Other IDEA funding

The bill also provides funding for nationally organized programs for disabled students, which are all level funded and the same as the President's budget request unless otherwise noted,

including, state improvement (\$51 million), technical assistance and dissemination (\$53 million), personnel preparation (\$91 million), parent information centers (\$26 million), technology and media services (\$32 million, which is \$6.8 million less than FY04 and the same as the budget request).

REHABILITATION SERVICES AND DISABILITY RESEARCH

The bill includes \$3.1 billion for rehabilitation services and disability research, which is \$43 million above FY04 levels and \$7.4 million above the budget request. Nearly all of the funds in these rehabilitation services and research programs are appropriated through formula state grants totaling \$2.6 billion, which is \$51 million above FY04 levels. Within this account is a small appropriation of \$2.3 million (same as FY04) for migrant and seasonal farmworkers with vocational disabilities.

VOCATIONAL AND ADULT EDUCATION

The House bill provides \$2.0 billion for vocational and adult education programs, representing a \$76 million decrease from FY04 and a \$423 million increase over the budget request.

Vocational education basic grants

The bill appropriates \$1.2 billion for basic grants to the states under the Carl D. Perkins Vocational and Technical Education Act of 1998, which is a \$20 million increase from FY04 and is \$203 million over the Administration's request.

State programs for adult education

The bill recommends level funding of \$574 million in state formula grants for programs for adult education, which is equal to the President's budget request. The bill states that "The Committee notes that over 40 percent of new adult education entrants are seeking English as-a-second language (ESL) services and that ESL accounts for 51 percent of all adults receiving adult education services. The Committee expects that the funds provided in this program will be used by states with large concentrations of students who seek English language proficiency training to meet the needs of those individuals. The Committee bill retains language similar to that contained in last year's bill that guarantees a portion of the funds will be used to provide civics education services to new immigrants."

STUDENT FINANCIAL ASSISTANCE

The bill appropriates \$14.7 billion for student financial assistance programs, an increase of \$748 million from FY04 and \$57 million above the President's budget request.

Pell Grants

The bill keeps the maximum Pell Grant at \$4,050, which is the same as FY04 and the budget request. In total, \$12.8 billion is allocated for the Pell Grant program, which is \$823 million above FY04 figures and the same as the request. Pell Grants provide education vouchers to students attending any of 6,000 eligible postsecondary schools .

Federal Supplemental Educational Opportunity Grants

The bill provides level funding of \$794 million for federal supplemental educational opportunity grants, which is \$24 million above the Administration's request. These grants go to students at postsecondary institutions who demonstrate extraordinary financial need.

Work-study

The bill provides level funding of \$998 million for the work-study program, which is the same as the budget request.

Leveraging educational assistance partnership (LEAP)

The bill provides level funding of \$66 million for the LEAP program, a program the Administration requested be eliminated. LEAP provides dollar-for-dollar matching funds to states as an incentive for providing need-based grant and work study assistance to eligible postsecondary students. Assistance is limited to \$5,000 per year per eligible student.

Perkins loans capital contributions

The bill eliminates funding for new capital contributions to federal Perkins revolving loan funds because the Committee notes that the program currently has \$1 billion already in its revolving fund for new awards to students. The program received \$98 million in FY04.

STUDENT AID ADMINISTRATION

The bill includes \$120 million in discretionary funds for the Student Aid Administration account, which is \$3.5 million more than FY04 and \$19 million below the requested amount.

HIGHER EDUCATION

The bill includes \$2.0 billion for higher education programs, a decrease of \$116 million from fiscal year 2004 and \$972,000 below the budget request.

Hispanic serving institutions

The bill provides \$96 million for Hispanic serving institutions, representing a \$1.8 million increase from FY04. The HSI program provides subsidies to schools that serve at least 35 percent Hispanic students, of whom at least half are low-income.

Strengthening historically black institutions

The bill provides \$240 million for strengthening historically black colleges and universities, and appropriates another \$59 million for historically black graduate institutions.

TRIO

The bill provides \$843 million for the TRIO program, which is \$10 million above FY04 funding and the President's request. TRIO provides a variety of outreach and support services to encourage low-income, potential first-generation college students to enter and complete college.

GEAR UP

The bill appropriates \$318 million for the GEAR UP program, which is \$20 million below FY04 funding and the budget request. GEAR UP targets entire grades of low-income middle and high school students to help them pursue postsecondary education.