

# Federal Budget Policy

Federal spending and tax policy significantly affects nearly every other public policy priority of United Way of America.

## How Does the Federal Budget Affect UWA Priorities?

Every year the federal government spends more than \$2 trillion on federal programs, and takes in nearly that much in revenues. Federal spending and tax policy significantly affects nearly every other public policy priority of United Way of America. It also affects local United Ways, as federal spending flows out to states and localities across the nation.

Federal spending and tax decisions are made during the course of considering the annual federal budget. The federal budget dictates how much money appropriators are permitted to spend on particular federal programs. It determines if there are caps on entitlement and/or mandatory spending such as CCDBG, SSBG, and Medicaid. It also affects provisions in the tax code that are supported by UWA, such as the Earned Income Tax Credit, and tax provisions affecting housing, child care, and health care.

UWA advocates for spending and revenue measures in the budget that affect its other public policy priorities.

## How Does the Federal Budget Process Work?

Every year the president submits a detailed budget to Congress, usually in February. This budget is the product of many months of negotiations within the administration between individual agencies and the Office of Management and Budget (OMB) at the White House. Congress is free to alter or ignore any provisions within this proposal, though usually it acts as a base document.

Congress begins its work on the budget by passing a budget resolution. This resolution dictates overall spending and revenue limits and provides guidance to the congressional committees charged with filling in the details. Congress

does not always come to an agreement on the resolution, but failing to do so can make it more difficult to pass subsequent legislation affecting the budget.

Usually in May or early June, Congress begins work on 13 appropriations bills that fund all federal programs other than entitlements, such as Social Security or Medicare. Congress may separately consider changes in tax law or entitlements. Ideally, this work is completed by the beginning of the federal fiscal year, which starts October 1, but this rarely occurs. More often, Congress passes temporary legislation extending existing programs at current levels until it can reach agreement on the remaining items in the budget.

This process provides several opportunities for UWA to influence budget decisions affecting its priorities, including:

- Working with individual agencies and the White House as it develops its annual budget.
- Working with members and staff of the House and Senate Budget Committees, as they work on the annual budget resolution.
- Working with congressional appropriators who make decisions on specific spending programs.
- Working with the tax committees and other committees who authorize changes in entitlements.

## Tax Provisions

UWA supports provisions in the tax code that affect its existing public policy priorities, including:

- **Tax deductions affecting charitable contributions:** UWA supports the creation of a charitable tax deduction for givers who do not itemize tax deductions on their federal tax returns, an estimated 86 million people and two thirds of all taxpayers. UWA also supports tax exemptions for individuals who

make charitable contributions by transferring funds from Individual Retirement Accounts (IRAs).

- **Tax credits affecting other UWA priorities:** UWA supports several provisions in the tax code related to its other priorities, including the low-income housing tax credit, the Dependent Care Tax Credit for child care, the Earned Income Tax Credit (EITC), and tax credits supporting Individual Development Accounts (IDAs).

## Appropriations

UWA supports increased resources for several programs funded through the annual appropriations process.

Examples include:

- **Increased funding for Head Start:** Currently, Head Start has enough slots for only six out of every 10 eligible children because of a lack of resources. With more than 400,000 low-income children and families in need of high quality child development services, now is the time to fulfill the promise of full funding. We recommend a \$1 billion increase to Head Start for FY 2006.
- **Full funding for traditional housing programs:** UWA supports full funding for housing programs such as the HOME Investment Partnership Program (HOME), Section 8 Vouchers, and the Community Development Block Grant.
- **Increased funding for child care:** Currently only one in seven eligible children receives federal support for child care.
- **Increased funding for the Emergency Food and Shelter Program (EFSP):** UWA is pursuing \$200 million in annual funding for this program.

## Entitlements

UWA supports increased resources for certain entitlement program, including:

- **Temporary Assistance to Needy Families (TANF):** UWA advocates for antipoverty policies and practices which promote self-sufficiency and support low-wage workers, and which ensure the protection of vulnerable individuals. Through TANF, an annual allotment of \$16.5 billion in federal funds is distributed among states for these purposes. When TANF was last authorized in 1996, the changes were passed under rules established in that year's budget resolution. Congress is expected to consider reauthorizing legislation in early 2005, at about the same time as it considers the annual budget resolution.

- **Restored Funding for the Social Services Block Grant:** SSBG is a capped entitlement. UWA supports restoring annual SSBG funding to \$2.8 billion, as promised in the 1996 welfare reform law.

## Budget Process

In 2005, Congress may consider changes in the current budget process. United Way of America will support proposals that address federal budget deficits without placing a disproportionate burden on programs that UWA supports.

Examples include:

- **Supporting bipartisan Pay-As-You-Go (PAYGO) rules:** During the 1990s, under bipartisan budget rules adopted during the first Bush administration and continued during the Clinton administration, entitlements and tax cuts were both subject to PAYGO requirements that forced policy makers to find offsetting revenue sources or spending cuts, which ensured that such proposals did not increase the federal deficit. Some in Congress may consider provisions that would subject only entitlements to this discipline. Subjecting only entitlements to such requirements would adversely affect SSBG, for example, which is a capped entitlement. Exempting tax cuts from similar requirements could result in severe cuts in SSBG and other programs, with no concurrent reduction in the federal deficit overall.
- **Avoiding major cuts in entitlement spending:** In 2004, some members of Congress proposed cuts in entitlements spending outside of Social Security totaling approximately \$1.8 trillion over ten years (compared to what would be spent on these programs under current law).
- **Maintaining critical investments in education, social services, and health care by opposing unrealistic discretionary spending caps:** Discretionary spending caps have been used in the past to reign in domestic and defense spending. UWA would oppose caps that go too far. Discretionary cuts would adversely affect several programs of concern to the United Way of America, including the Emergency Food and Shelter Program, Head Start, CCDBG, and other programs that are funded through the appropriations process.

For more information, please contact Patrick Lester, Director of Public Policy, at 703.836.7100, 497 or [patrick.lester@uwa.unitedway.org](mailto:patrick.lester@uwa.unitedway.org).