



MEMORANDUM

DATE: February 14, 2011

TO: State Directors

FROM: Martha Roherty, Mike Cheek, Lindsey Copeland, Leslie Finnan, Deborah Merrill, Rex O'Rourke, John Thompson, Sara Tribe, and Kelsey Walter

SUBJECT: NASUAD's Preliminary Analysis of President's FY 2012 Proposed Budget

CC: Senior State Long-Term Services and Supports Officials

President

Irene B. Collins
Alabama

Earlier today, President Obama submitted his \$3.73 trillion fiscal 2012 proposed budget request to Congress, which outlines the Administration's overall fiscal policy and federal program priorities for the fiscal year (FY) that will begin on October 1, 2011.

Vice President

James Toews
Oregon

Included in the Administration's proposal are funding requests for all federal executive departments and independent agencies as well as data to persuade Congress of the necessity of the President's budget provisions. To access the President's Budget for FY 2012, please [click here](#). Key framing themes to the President's proposed budget are:

Treasurer

Charles D. Johnson
Illinois

- Making tough choices to restore fiscal discipline
- Taking on the long-term challenges to our fiscal health
- Creating a government that is effective and efficient

Secretary

Carol Sala
Nevada

Also of note, several of the proposals recommended to the President by the bipartisan National Commission on Fiscal Responsibility and Reform are referenced in his FY 2012 budget request. For more information on the fiscal commission, please see NASUAD's report, [Analysis of the National Commission on Fiscal Responsibility and Reform](#).

Immediate Past

President
Patricia A. Polansky
New Jersey

Included in this memoranda are a department by department overview of proposed funding requests both legislative and administrative and next steps in the federal budget process. If you have questions or suggestions feel free to contact either Martha Roherty at mroherty@nasuad.org or Mike Cheek at mcheek@nasuad.org.

Past President

Kathy Leitch
Washington

Since Congress has yet to adopt a budget resolution or pass any of the 12 appropriations bills for FY 2011, the federal government is currently funded through a short-term Continuing Resolution (CR) PL 111-322.

Slated to expire on March 4, 2011, the measure provides funding for nearly all federal agencies at FY 2010 levels, and the upcoming expiration will be the first opportunity for the 112th Congress to shape the federal budget through the appropriations process. Further complicating expected funding efforts, later this spring, Congress will face a vote to raise the debt ceiling beyond its current \$14.3 trillion limit, in order to prevent the United States from defaulting on its legal obligations.

Department of Agriculture

Food and Nutrition Services

Supplemental Nutrition Assistance Program (SNAP)

The FY 2012 budget request for Supplemental Nutrition Assistance Program (SNAP) is \$73.2 billion, which is a \$5 billion increase over the FY 11 CR level. SNAP is the primary source of nutrition assistance for 43 million low-income Americans. The President's Budget includes a proposal to temporarily eliminate the time limits for certain working-age, low-income adults without dependents for an additional year. This proposal is aimed at helping to remove access barriers to SNAP and increase food purchasing power among some of the hardest-to-reach populations.

The Commodity Assistance Program funds several programs that provide support to low-income older adults and people with disabilities:

- **Commodity Supplemental Food Program (CSFP)** provides commodities to low-income elderly Americans, pregnant, postpartum and breastfeeding women, infants and children up to age six. The FY 2012 budget neutral request of \$177 million is a \$6 million increase over the FY 2011 CR level.
- **Emergency Food Assistance Program (TEFAP)** provides support to food banks and other programs assisting households with immediate, short-term food assistance needs. The President's FY 2012 budget requests \$50 million for this program, the same as the FY 11 CR level.
- **Seniors Farmers Market Nutrition Program (SFMNP)** provides coupons for low-income seniors to buy fresh, unprepared foods at farmers' markets, roadside stands, and community supported agriculture programs. The FY 2012 budget neutral request of \$21 million is the same as the FY 11 CR level.

Healthy Food Financing Initiative

The FY 2012 budget request provides \$35 million for Healthy Food Financing Initiative to bring grocery stores and other healthy food retailers to underserved communities. According to the

budget proposal, other funds for Rural Development and the Agricultural Marketing Service will be available to support USDA's portion of the Healthy Food Financing Initiative.

Department of Education

As part of the Workforce Investment Act reforms, the President's FY12 Budget proposes the consolidation of nine Rehabilitation Act programs into three, with the goal of reducing duplication and administrative costs and improving program management, accountability and the provision of rehabilitation and independent living services. The three proposed programs would be Vocational Rehabilitation, Independent Living and National Activities.

Vocational Rehabilitation Program

The President's FY12 Budget proposes consolidating the following Vocational Rehabilitation (VR) State Grants into one program: a) Supported Employment b) Projects with Industry; c) Migrant and Seasonal Farm Workers; and d) In-service portion of VR Training. The proposed consolidation would be budget neutral with overall flat funding for state vocational rehabilitation grant programs. The total FY12 request is \$3.1 billion.

Independent Living Program

The President's FY12 Budget proposes consolidating the following programs: a) the Independent Living State Grants Formula Program; and b) the Centers for Independent Living (CIL) Program. This proposed consolidation would be budget neutral with overall flat funding for state Independent Living programs. The total request is \$104 million.

National Activities Program

In order to improve planning, reduce duplication and gain the flexibility to direct all program improvement resources, the President's FY12 Budget combines the following three VR programs into one National Activities program: a) Demonstration and Training; b) Evaluation; and c) Program Improvement. Each of these programs is charged with technical assistance, evaluations, demonstrations and other projects aimed at improving employment outcomes for people with disabilities. The proposed change would be budget neutral with overall flat funding for the consolidated National Activities Program. The total request is \$8 million.

Department of Health and Human Services

The U.S. Department of Health and Human Services (DHHS) includes a wide array of agencies and programs of importance to NASUAD members. The President's Budget for DHHS totals \$891.6 billion of which \$79.9 billion is discretionary budget authority. The remaining amount, \$811.7 billion, is composed of mandatory spending for entitlements such as Medicare.

While the President's DHHS Budget proposal includes several new efforts, an array of DHHS programs have been eliminated or allowed to sunset in anticipation of the Affordable Care Act provisions subsuming their roles. Below, the Administration on Aging and the Centers for Medicare and Medicaid Services (CMS) Budget proposals are discussed. Other agency budgets are summarized in Table XX.

Administration on Aging

The FY12 Administration's budget for AoA is \$2.2 billion, which is nearly a half a billion dollar increase over the CR for FY11 of \$1.5 billion, but a net decrease of \$150 million below the FY10 enacted levels. This decrease is due to the inclusion in the FY10 baseline of the Title V program (SCSEP) that is being proposed for transfer to AoA from the Department of Labor. After adjusting for this one-time funding, the AoA proposed budget provides an increase to AoA of \$74.5 million.

Assistant Secretary Kathy Greenlee discussed five key areas in which AoA received additional support in President Obama's proposed FY12 budget:

1. Support for the Elder Justice Act
2. Continued Support for Caregiver Initiatives
3. Placement of the CLASS Office within AoA
4. Transfer of the SHIPS from CMS to AoA
5. Transfer of Title V of the OAA to AoA

The substantial increase in the AoA proposed budget is due, in large part, to the transfer of the Community Service Employment for Older Americans program from the Department of Labor to the Administration on Aging. This transfer resulted in an addition of \$450 million in AoA's budget.

In addition to the transfer of SCSEP to AoA, President Obama proposes to transfer the State Health Insurance Assistance Program (SHIPs) which have been traditionally administered at the state and local level by the Aging Network but that had previously be funded by the Centers for Medicare & Medicaid Services.

The administration indicated its support for the Elder Justice Act of 2010 which was included in the Affordable Care Act by requesting new funding for \$16.5 million for State Adult Protective Services demonstrations.

Other increases in funding include increases for: the Home and Community Based Supportive Services program; the National Family Caregiver Support Program; the Native American Caregiver Support Program; the Long-Term Care Ombudsman

Program; the Lifespan Respite Program, Aging and Disability Resource Centers, Chronic Disease Self-Management Programs; and, AoA Program Administration.

CORE AoA Services: Health and Independence

Home and Community Based Supportive Services

The Home and Community Based Supportive Services Program saw an increase in funding of \$48 million from the CR for FY11. Home and Community-Based Supportive Services provide grants to states and territories using a formula based primarily on their share of the national population aged 60 and over. Services provided include: transportation and case management, information and referrals, in-home personal care, homemaker assistance, adult day care and physical fitness programs. Each state uses an intrastate funding formula to allocate the funds it receives through this program to its Area Agencies on Aging (AAA). AAAs, in turn, use their portion of the funds to provide the supportive services that best meet the needs of seniors in their planning and service areas.

Congregate Nutrition

The congregate nutrition program in the President's FY12 budget received a flat funding request of \$441 million.

The FY12 proposed budget does not take into account the \$65 million in ARRA funding allocated to congregate nutrition programs and the \$35 million additional funding for home delivered meals which was expended by December 30, 2010. Thus, in order to determine the actual funding nutrition programs received in FY10, the ARRA funds should be combined with those appropriated by Congress, which swells the total funding for congregate nutrition to \$505 million. Because of the loss in stimulus funding, the actual funding levels for the Congregate and Home-Delivered Meal Programs actually decreased by \$100 million.

According to the AoA budget request, the \$819 million in total requested for nutrition services will provide an estimated 193 million meals. This represents 36 million fewer home-delivered meals than at the FY10 enacted level, primarily because of declining leveraged funds at the state and local levels during the economic decline.

Home-Delivered Nutrition Services

The Administration requests level funding for Home-Delivered Nutrition Services Program for FY12 of \$218 million. Title III C2 ([OAA Section 336](#)) authorizes meal provision and related nutrition services to older individuals that are homebound. Home-delivered meals are often the first in-home service that an older adult receives, and the

program is a primary access point for the other home and community-based services. In addition to meals, services funded under this section include nutrition screening, education and nutrition assessment, as well as counseling as appropriate.

Nutrition Services Incentive Program

Under Section 311 of the OAA, the Nutrition Services Incentive Program (NSIP) provides awards to states and Indian Tribal Organizations that efficiently deliver nutritious meals to older adults. This funding can only be used to pay to provide for meals and cannot be used to pay for other nutrition-related services or for administrative costs. State Agencies on Aging and Indian Tribal Organizations may choose to receive part or all of that support in the form of USDA foods. The USDA foods portion of NSIP is funded through a transfer of funds from AoA to the Food and Nutrition Service's (FNS) Food Distribution Division. The CR for FY11 provided for \$161 million in funding and the request for FY12 remains the same.

Native American Nutrition and Supportive Services

In the FY12 request, the Native American Nutrition and Supportive Services program receives the same funding as the CR for FY11 of \$28 million.

Preventive Health Services

The AoA Preventive Health Services program would again receive level funding of \$21 million under the President's proposed budget. Preventive Health Services provide grants to states and territories to fund programs that focus on educating older adults that healthy lifestyles and behaviors can help to prevent or delay chronic disease and disability, which would in turn reduce the need for more costly medical interventions in the future. Qualifying activities include information and outreach, health screenings and risk assessments, physical fitness, health promotion and medication management. These programs are carried out at multi-purpose senior centers, meal sites, and other community-based settings, as well as through individualized counseling and services for vulnerable elders.

Chronic Disease Self-Management Program

The Administration proposes new standalone funding for the first time for Chronic Disease Self-Management Grant Program (CDSMP) of \$10 million for FY12. If funded, CDSMP funds will be competitive grants to states with an interagency agreement with CMS to evaluate the impact of CDSMP on participate health care utilization.

Community Service Employment for Older Americans (SCSEP)

The SCSEP program will be moved from the Department of Labor to the Administration on Aging under the Administration's proposal. The Senior Community Service Employment Program, authorized by Title V of the Older Americans Act, is a federally-

sponsored community service employment and training program for unemployed low-income individuals aged 55 and older. The Administration's FY12 budget requests \$450 million in funding for this program. (*See additional write up under Department of Labor)

Aging Network Support Activities

The proposed budget includes a decrease of \$250,000 from CR for FY11 levels for the Aging Network support activities. These support services provide assistance to the Eldercare locator and Pension Counseling, among other projects.

Caregiver Support

National Family Caregiver Support Programs

As supported by AoA and Vice President Biden's initiative *Supporting Middle Class Families*, additional funding will be added to the National Family Caregiver Support Program. Under the Administration's proposed budget, the program will receive an increase of nearly \$40 million for a proposed increase of \$192 million for FY12. According to AoA, an estimated 43.5 million Americans provide unpaid care to someone 50 years of age and older. The NFCSP offers a range of services to support family caregivers including providing information about available services, assistance to caregiving in gaining access to services, individual counseling and training for the caregiver, respite care, and supplemental services.

Native American Caregiver Support Program

In the President's budget, the Native American Caregiver Support Program receives a proposed increase in funding over the CR for FY11, raising the level to \$8 million for FY12.

Alzheimer's Disease Supportive Services Program

The President's budget includes level funding from the CR for FY11's funding of \$11 million for the Alzheimer's Disease Demonstration Grants Program. This initiative helps to ensure that AoA's core programs expand the availability of diagnostic and support services to persons with Alzheimer's, as well as to their families and caregivers.

Lifespan Respite Care Program

The Administration proposes an additional \$7 million in funding for the Lifespan Respite Care Program which supports respite for family members of any individual with special needs raising the requested amount for this program from \$2.5 million in the CR for FY11 to \$10 million in FY12.

Protection of Vulnerable Adults

Adult Protective Services

New funding is requested in the amount of \$17 million for the Adult Protective Services program as enacted under the Affordable Care Act. Under the Elder Justice section of the Affordable Care Act, \$100 million was authorized but not appropriated for APS. These new grants will provide \$15 million in funding to help test best practices in the states on APS and to allow AoA to hire staff to work on APS issues nationally. \$1.5 million of the funding will be dedicated to Native American Adult Protective Services programs.

Long-Term Care Ombudsman

The Long-Term Care Ombudsman program would receive a funding increase of \$5 million in the President's budget, increasing the funding to \$22 million for FY12.

Prevention of Elder Abuse, Neglect and Exploitation

For FY12, the Administration is proposing level funding directed to the prevention of elder abuse and neglect of \$5 million. This prevention program helps to strengthen elder justice strategic planning and direction for programs, activities, and research related to elder abuse awareness and prevention.

Senior Medicare Patrol Programs

For FY12, the Administration proposes \$12.7 million in funding for the Senior Medicare Patrol Program, a reduction of \$467,000 from FY10 but level from the CR for FY11.

Elder Rights Support Activities

Elder Rights Support activities include a combination of programs and resource centers that provide the necessary information, training, and technical assistance support that AoA and States need to fulfill their shared mission to maintain the health and independence of older Americans. The Administration requests level funding for this activity at \$4.1 million.

Consumer Information, Access & Outreach

Aging and Disability Resource Centers

The Administration proposes a decrease in funding to the Aging and Disability Resource Centers (ADRC) from \$23 million to \$13 million. This request includes the \$10 million mandatory spending that was included in the Affordable Care Act for the ADRCs.

State Health Insurance Assistance Programs (SHIPS)

The State Health Insurance Assistance Programs (SHIP) had been under the direction of the Centers for Medicare & Medicaid Services but under this budget request, the SHIP program would move under the direction and leadership of AoA. For the CR for FY11, \$47 million was requested. The FY12 request is for \$47 million.

Medicare Enrollment Assistance

In FY10, \$30 million was available to states to help enroll low-income seniors into Medicare. That mandatory funding was made available using funds from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund. There is no amount specified in the proposed budget, however, funds may still be available under the Trust Fund allocation.

Program Innovations

The President's budget proposes a funding decrease of \$16.3 million to AoA's Program Innovation grants, down from \$27.8 million in the CR for FY11 to \$12 million in FY12. This initiative has previously funded demonstration seed grants to enhance the Aging and Disability Resource Centers and Evidence-Based Disease Prevention programs which have moved out of the program innovation center and into their own funding stream. This section also funded the Nursing Home Diversion Grants under the Community Living Incentives program. There is no continued funding in this proposed budget for those grants. This program only funds projects that are national in scope, such as national resource centers.

CLASS Administration

Community Living Assistance Services and Support (CLASS) Program Administration

Secretary Sebelius announced that AoA would be the Administration's agency for administering the newly created CLASS program. The President's budget requests \$120 million in funding for the administration of the program for FY12. This account provides for the administrative expenses related to the management of the CLASS program.

AoA Administration

Program Administration

A total of \$24 million is proposed in the FY12 budget for program management and support activities, as well as to better address the needs of the growing aging population. This is an increase of \$4.5 million over the CR for FY11's. Assistant Secretary Greenlee indicated that she hopes to increase the number of FTEs to better

reflect the increased workload of the agency and will concentrate on providing additional support in the regional offices.

Centers for Medicare and Medicaid Services (CMS)

In the FY12 Budget proposal, CMS's initiatives primarily focus on: a) program integrity efforts; b) sunset of an array of programs; and c) various changes intended to foster programmatic and administrative efficiencies, including programmatic changes that assume the Affordable Care Act implementation. In addition to an array of legislative and regulatory proposals, the President's budget also includes detail on the ACA provisions and implementation plans.

Medicare – The Medicare program composes 62.3 percent of CMS FY12 net outlays under the proposed law, or approximately \$777 billion. Gross spending under current law would total \$548 billion. The budget assumes 41.4 million beneficiaries who are elders and 8.7 million who are persons with disabilities for total enrollment of 50.1 million in FY 2012 or a 1.6 percent increase over 2011 enrollment.

- *Legislative Proposals* – The President's budget proposal would extend for two years physicians current rates offset by extended the zero percent Sustainable Growth Rate (SGR) update. The projected cost of providing physicians with relief from scheduled SGR cuts for ten years is \$18 billion in 2012 and, in the out-years, \$369,853 billion from 2012 through 2021. The budget blue print also would make an array of changes to the Medicare Quality Improvement Organizations (QIO) program with savings targeted to help offset physician payment relief through 2012. Key QIO contract changes include: a) redrafting the geographic scopes of work; b) expanding the pool of eligible QIO contractors to encourage competition; and c) extending the contract length from three to five years. Other physician payment relief offsets include a legislative proposal to promote lower pharmaceutical costs, expanded Medicare Program Integrity efforts (see below), and improving Medicare operations by dedicating electronic health record penalties to "improving Medicare program financing."

The Medicare portion of DHHS' budget also would leverage administrative policy changes and achieve savings through efficiencies. The net result of Medicare legislative and administrative proposals would result in a \$17 billion increase in 2012 Medicare spending.

Medicaid – For FY12, the President's Budget proposal assumes 5 million beneficiaries age 65 and older, 9.7 million persons with a disability with the remaining enrollment composed of children, adults and territory enrollment; total FY12 Medicaid enrollment is project to be 57 million. In FY12, the federal share of Medicaid outlays, under current law, is expected to be \$269.3 billion. With the President's proposed changes, spending would be roughly \$269.0 billion.

- *Legislative Proposals* – The President’s budget proposal includes several legislative proposals. Of note to NASUAD members is a proposal to extend authorization and funding of the Qualified Individuals (QI) program (e.g., beneficiaries with incomes between 120 and 135 percent of the federal poverty level) at a cost of \$495 million. States by the Medicare Part B premium costs for QIs, which in turn would be offset by a reimbursement from Medicare Part B. The budget blueprint also includes a legislative proposal to establish a hold-harmless for federal poverty guidelines. Under this proposal, the poverty guidelines only would be adjusted there is an increase in the Consumer Price Index for All Urban Consumers (CPI-U). To protect access to Medicaid, this proposal would treat the poverty guidelines similarly to the treatment of the annual cost-of-living adjustments for Social Security benefits. This proposal is assumed to be budget neutral. Finally, of note to NASUAD members is a legislative proposal to limit Medicaid reimbursement for durable medical equipment (DME) to Medicare payment levels; the estimated savings is \$210 million in FY 2012.

No Medicaid administrative proposals are included.

Medicare, Medicaid and CHIP Program Integrity – Medicare and Medicaid Program Integrity efforts are a critical component of the President’s DHHS budget proposal. The budget plan would invest \$270 million in new discretionary funds above the 2010 level; new resources would be allocated among CMS, the DHHS Office of Inspector General and the U.S. Department of Justice. Furthermore, the Administration has scored an array of legislative changes that would strengthen Medicare, Medicaid and Children’s Health Insurance Program (CHIP) program integrity and result in \$1.4 billion in program savings in FY 2012 or \$32.2 billion in program savings over ten years.

- *Legislative Proposals* – In addition to the program integrity provisions included in the ACA, the Administration includes an array of additional legislative proposals. If interest to NASUAD members are Medicare proposals such as an effort to recover erroneous payments made to Medicare Advantage Plans and prepayment reviews for all power wheelchair claims. Under Medicaid, the Administration proposes to limit state’s ability to use provider taxes to pay the state share of Medicaid by phasing down the Medicaid provider tax threshold from the current law level of six percent in FY 2014 to 3.5 percent in FY 2017, strengthen third party liability, and implement an array of legislative pharmacy proposals aimed at reducing costs.

State Grants and Demonstrations – The FY 2012 budget proposal includes suggested funding for new programs and allows others to sunset. Authorized under the ACA, the budget proposal includes funding for Incentives for Prevention of Chronic Diseases in Medicaid and would provide \$100 million for states to award to beneficiaries who participate in prevention programs; this program is effective from FY11 to FY15. The budget proposal also would extend the Money Follows the Person Demonstration, at \$449 million through 2012 as well as proposed Long-Term Care Partnership funding at \$3 million for expansion activities. The President’s budget includes a new \$20 million proposal, the Wireless Innovation Fund (WIN), to finance the experimentation and development of emerging wireless technologies in the health care sector.

The Ticket to Work Medicaid Infrastructure Grant (MIG) program would be allowed to expire; in FY11 \$47 million was authorized for MIG activities.

New Health Insurance Protections and Programs – The budget proposal also includes funding for an array of ACA provisions including: a) state exchange grants funded at \$400 million in FY 2012; b) pre-existing condition insurance plan program funded at \$1.6 billion in 2012; and c) an early retiree reinsurance program funded at \$1.38 billion in FY 2012.

Program Management – The budget proposal also requests a \$1 billion increase for CMS program management activities. The total FY 12 request is \$4.4 billion. As above, several of these requests were authorized under the ACA: a) a total request of \$333 million for the National Medicare Education Program (e.g., funding for 1-800-Medicare, Medicare and You educational materials, a variety of improvements to www.medicare.gov, and a media campaign); and b) an increase of \$53 million for survey and certification.

Center for Medicare and Medicaid Innovation (CMMI) – With a heavy emphasis on strategies to improve quality while achieving efficiencies, the Administration has requested \$965 million in CMMI funding.

Health Resources and Services Administration (HRSA)

The FY 2012 budget proposes \$9 billion for HRSA, net increase of \$975 million above FY 2010. HRSA is charged with improving access to health care to those in medically underserved areas and enhancing the capacity of the health care workforce. Key HRSA initiatives include:

- *Geriatrics and Elder Care*: The budget proposal includes \$54 million, an \$11 million increase over the FY 2010 request, for an effort to education students and health care practitioners in the care of elders.
- *Health Centers*: The Administration’s budget request includes \$3.3 billion for the Community Health Center Fund. The request goes beyond the \$1.2 billion included in ACA.
- *Traumatic Brain Injury (TBI)* – The HRSA budget request also includes a level funding request of \$10 million for TBI grants to states.
- *State Health Care Workforce Development Grants Prevention Fund*: The Administration did not request funding for this effort, previously funded at \$6 million.
- *State Health Access Grants* – The Administration has indicated that the ACA will address needs previously covered by State Health Access Grants. Therefore, the Administration proposes eliminating the \$74 million in funding.

Administration for Children and Families (ACF)

The Administration has proposed a reduction ACF funding. Several programs reductions are of interest to NASUAD members:

- *Community Services Block Grant (CSBG)* -- The Administration proposes reducing funds for the CSBG program from \$700 million to \$350 million. Additionally, the CSBG

program award previously were not awarded competitively. Under the Administration proposal, Community Action Agencies must apply competitively for such funding.

- *Low-Income Heating, Energy and Assistance Program (LIHEAP)* – The budget proposal includes a 50 percent reduction in LIHEAP funding from \$4.5 billion to \$1.98 billion.

The Social Services Block Grant (SSBG) program was level funded at \$1.7 billion.

Centers for Disease Control (CDC)

The Administration has indicated that the activities funded by the Preventative Health and Health Services Block Grant (PHHSBG) can be more effectively implemented through the new Comprehensive Chronic Disease Program and Prevention and Public Health Fund. Therefore, the President's budget request eliminates \$100 million for PHHSBG. Additionally, the President's budget proposes to eliminate CDC administered Health Promotion activities previously funded at \$1.07 billion.

National Institutes of Health (NIH)

The FY 2012 budget requests \$32 billion for the NIH. Of interest to NASUAD members is the request for the National Institute on Aging. The FY12 request of \$1.13 billion is an increase of \$20 million over the current level.

Office of Civil Rights (OCR)

The President has requested a \$6 million increase for OCR, the DHHS lead in Olmstead enforcement activities.

Office of the National Coordinator (ONC)

The Administration has requested a \$17 million dollar ONC increase to foster the proliferation of health information technology use.

Substance Abuse and Mental Health Services Administration (SAMHSA)

The Administration proposes to increase SAMHSA Mental Health Block Grant funding from \$421 million to \$435 million, and Substance Abuse Block Grant funding from \$1.455 billion to \$1.494 billion.

Department of Housing and Urban Development

Section 202 Housing for the Elderly

The FY12 Budget reduces funding in Section 202 Programs from the \$825 million to \$757, a reduction of \$68 million from the CR for FY11. The FY12 Budget reduces funding for new

housing construction for both seniors and persons with disabilities; this reflects the Administration's policy of encouraging capital partnerships in the construction of new units.

The FY12 Budget provides \$259 million to renew and amend operating subsidy contracts for existing Section 202 housing, and includes \$387 million to expand the number of housing units assisted by this program through new awards. In addition, the Budget provides \$91 million to support service coordinators who work on-site to help residents obtain critical services, such as benefit counseling. The Budget also provides \$20 million for converting elderly housing units to assisted living facilities and service-enriched housing to allow very low-income frail elderly residents to age in place.

Building on the recently enacted Section 202 Supportive Housing for the Elderly Act of 2010 (P.L. 111-372), the Administration is seeking further reforms, both legislative and administrative, to maximize the use of the funding for new construction by effectively leveraging and targeting investments based on need and by providing residents access to key services required to age in place or live independently.

Section 811 Housing for Persons with Disabilities

The FY12 budget proposes to reduce funding for Section 811 to \$196 million, which represents a decrease of \$104 million from CR for FY11 funding levels. This request will provide funding to initiatives including: \$111 million for new capital advance and operating assistance to eligible non-profit organizations for the development of new units; and \$85 million for Project Rental Assistance Contracts (PRAC) for 19,107 units.

In 2012, the Administration will seek to implement new authorities under the recently enacted Frank Melville Supportive Housing Act of 2010 (P.L. 111-374); specifically, the Act authorizes HUD to allocate Section 811 operating assistance through states that demonstrate an integrated health care and housing approach to serving disabled households. HUD will delegate authority to these states to identify and fund supportive housing projects in line with state priorities; these projects must be fully leveraged with other capital resources and only require Section 811 for operating assistance.

Department of Labor

Community Service Employment for Older Adults

The Community Service Employment for Older Americans program, also called the Senior Community Service Employment Program (SCSEP), is authorized under Title V of the Older Americans Act. The program offers part-time, work-based training to low-income individuals age 55 and older at non-profits or government agencies to prepare participants to enter or re-enter the workforce. The statutory goals of the program are to foster individual economic self-sufficiency, provide community service opportunities for low-income seniors, and increase their participation in unsubsidized employment.

The Administration proposes transferring the SCSEP from the Department of Labor to the Department of Health & Human Services' (HHS) Administration on Aging, reasoning that the move will result in better coordination between SCSEP and other programs for low-income seniors. The FY 2012 Budget proposes \$450 million for SCSEP which is the result of a two-fold reduction: a) a decrease of \$150 million from the President's FY 2011 request of \$600 million; and b) a decrease of \$375 million from the current FY11 CR level of \$825 million, which includes a one-time special appropriation of \$225 million to supplement American Reinvestment and Recovery Act (ARRA) efforts.

Department of Transportation

Surface Transportation

The authorization for federal surface transportation programs, SAFETEA-LU, ended on September 30, 2009. To continue highway, transit, and highway safety programs, Congress has extended the SAFETEA-LU authorities on a short-term basis, most recently through March 4, 2011. Through the FY12 Budget the Administration proposes its Surface Transportation Authorization Proposal. The Obama Administration's plan is a \$556 billion six-year reauthorization of America's transportation programs. For FY12 the President proposes roughly \$112 billion for the Surface Transportation Authorization proposal, a roughly \$70 billion increase from the CR of FY11.

Consistent with changes recommended by the National Commission on Fiscal Responsibility and Reform, the DOT Surface Transportation Reauthorization proposal calls for a change in the budgetary treatment of the surface transportation programs. Under this new proposal, all surface transportation spending (outlays) will be treated as mandatory and funding will be subject to "PAYGO" provisions. The proposal will also expand the current Highway Trust Fund into a new Transportation Trust Fund with four accounts – one for highways, one for transit, one for high-speed passenger rail, and one for a National Infrastructure Bank.

Transit Formula Grants (formerly Formula and Bus Grants)

As part of the proposed Surface Transportation Authorization Proposal, the President is asking Congress for \$7,692 million to fund a series of grants that reflect the Administration's priorities of transportation safety, livable communities and place-based development; this is a reduction of \$651 million from the CR for FY11.

The Surface Transportation Authorization Proposal renames the Formula and Bus Grants account to the Transit Formula Grants account and merges programs into formula grant programs. Of note for NASUAD members, the Administration proposes to establish the *Consolidated Specialized Transportation Grant Program* and provide \$405 million; this new program merges three existing grant programs for people who are older or have a disability (the Elderly Individuals and Individuals with Disabilities Program, the New Freedom program, and the

Job Access and Reverse Commute program). And as stated afore, funding to these programs would be treated as mandatory and subject to “PAYGO” provisions.

Livable Communities

The Administration, as part of its Surface Transportation Authorization Proposal, is proposing a multipronged approach to help communities achieve livable communities – places where coordinated transportation, housing, and commercial development gives people access to affordable and environmentally sustainable transportation.

In the Federal Highway Administration, the Administration proposes a new Livable Communities Program, \$4.1 billion in FY12, for projects like multi-modal transportation hubs and streets that accommodate pedestrian, bicycle, and transit access. The program includes: a) a new \$3.4 billion formula-based program to enable recipients to deliver transportation projects for rural and urban areas that benefit quality of life; b) a new \$500 million competitive grant program to promote innovative, multi-modal, and multi-jurisdictional highway projects that promise significant environmental and economic benefits to an entire metropolitan area, a region, or the nation; and c) a \$200 million discretionary grants program to support metropolitan transportation planning capacity building across the country.

Also, contingent on the surface transportation authorization legislation, the Administration proposes the establishment of the new Transit Expansion and Livable Communities program, funded at \$3.5 billion for FY12. The initiative includes programs dedicated to expanding transit systems and making communities more livable and sustainable. This includes the Capital Investment Grants program (\$3.2 billion), Planning Programs (\$140 million), the new Livable Communities demonstration grants (\$50 million), Transit in the Parks (\$28 million), and Tribal Transit (\$15 million). Of the amount for Capital Investment Grants, \$1 billion is part of a short-term, Up-Front \$50 Billion economic boost, reflecting the Administration’s interest in growing transit services nationwide.

In an effort to coordinate the Department’s Livable Communities initiatives, the FY12 Budget requests \$10 million to establish the Livable Communities division as part of the Office of the Secretary at HUD.

Social Security Administration

The Administration’s FY 2012 Budget requests \$12.5 billion for the Social Security Administration (SSA), an increase of almost \$1 billion from the FY11 CR level. This increase funds SSA to lower their initial claims backlog, and establish a Disability Research Center through their research office, which will work with researchers and across federal agencies to improve the quality of disability research.

The Administration's Budget also includes a legislative proposal to reauthorize Section 234 disability demonstration authority for five years in order to fund programs including the proposed Disability Work Incentives Simplification Pilot (WISP) which gives beneficiaries more flexibility to try working without losing their benefits.

Next Steps

The federal budget process is an annual activity that formally begins when the President sends his budget request to Congress in February. Upon receiving the President's budget proposal, the House and Senate begin the work of constructing the federal budget, by developing their own spending proposals in the form of budget resolutions, and passing subsequent legislation to fund the federal government, also referred to as appropriations bills. Since Congress, and not the Administration, is the primary authority over federal revenue and spending policy, it is through the congressional appropriations process that funding levels will ultimately be set. While the President's budget request is not binding on Congress, it seeks to inform lawmakers throughout the process of constructing the federal budget by setting a framework for overall federal fiscal policy, outlining relative priorities for federal programs, and recommending spending and tax policy changes.

Federal Fiscal Policy

The President's budget provides Congress with an outline of the Administration's federal fiscal policy by recommending the spending levels and tax revenues to which the federal government should adhere in the coming fiscal year, with the difference between the two representing a projected deficit or surplus.

Federal Program Priorities

The President's proposal sets specific funding levels for individual federal programs, allowing the request to functionally inform Congress of the Administration's federal program priorities, for both the applicable budget cycle and in the longer-term.

Spending and Tax Policy Changes

- **The President's budget MUST outline how much funding he recommends for each discretionary program.** In his budget request, the President must request a specific funding level for discretionary, or appropriated, programs. These programs, which comprise approximately one-third of all federal spending, fall under the jurisdiction of the House and Senate appropriations committees, and require annual spending renewals in order to keep operating.

- **The President's budget MAY outline changes to entitlement programs.** The President is not required to propose changes to mandatory or entitlement programs such as Medicare, Medicaid and Social Security, if the Administration determines no changes are necessary. However, alterations to these programs that are not dependent on annual appropriations may be included in the President's budget request.
- **The President's budget MAY outline changes to the tax code.** The President may include changes to the tax code in the budget request, and any proposal that would increase or decrease taxes is reflected in projected federal revenue for the applicable fiscal years, relative to what would otherwise be collected.

CONGRESSIONAL BUDGET RESOLUTION and APPROPRIATIONS

Upon receiving the President's budget request, Congress begins the work of crafting a congressional budget resolution. As required by the Congressional Budget and Impoundment Control Act of 1974 (the Congressional Budget Act), the House and Senate Budget Committees are responsible for drafting and submitting a five-year budget resolution to their respective floors by April of each year. The budget resolution is designed to guide Congress through the budget cycle, in part by setting limits on how much each congressional committee is authorized to spend over the coming fiscal year, and the terms of the budget resolution are then enforced against individual appropriations, entitlement bills, and tax bills on the House and Senate floors through points of order.

The Congressional Budget Resolution Process

Developing the Resolution. Traditionally, the budget resolution is developed in response to the President's budget request and takes into consideration the Administration's recommendations, as well as the subsequent budget justifications offered by federal officials at hearings convened for this purpose. Once the committees are done, their budget resolutions go to the House and Senate floors, where they can be amended by a majority vote. If there are any differences between the two chambers' resolutions, House and Senate members then reconcile the differences between the two resolutions, and, having a done so, both houses must vote to approve the final version in order for it to take effect.

When the Resolution Passes. If the resolution passes in both chambers, which requires a majority vote, the result is a concurrent congressional resolution. Though it has no legal or statutory authority, the congressional budget resolution represents an agreement between the House and the Senate on budget priorities, as well as a framework to guide all subsequent budgetary actions for the applicable fiscal years. Since the resolution is not law, it does not have any impact on federal spending. Thus, Congress must still enact separate legislation, in the form of appropriations bills, in order to fund the federal government.

When the Resolution Fails to Pass. Occasionally, as in FY 2011, Congress is unable to pass a budget resolution at all. In such circumstances, to allow the federal government to remain

operational, the House and Senate must pass a continuing resolution (CR), authorizing the previous year's resolution to remain in effect. Significantly, failure to pass a budget resolution does not absolve Congress of its responsibility to appropriate federal funds. Thus, with or without a budget resolution, in order to fund the federal government, Congress must send cleared legislation, in the form of appropriations bills, to the President for his signature.

Budget Authority and Outlays

Budget Authority. The congressional budget resolution defines spending in two categories, in establishing new levels for each fiscal year covered by the resolution. One such category, budget authority, is provided by Congress through appropriations bills, and it refers to the legal authority the agency has to enter into obligations that will result in immediate or future government spending, or outlays. That is, budget authority is the amount of money Congress allows a federal agency to spend, functioning as a limit on how much funding Congress will provide. Accordingly, it is this level that Congress focuses on in making most budgetary decisions.

Outlays. The other category, outlays, represents how much money actually flows out of the federal treasury in a given year. Since outlays represent actual cash flow, they are critical in determining the size of the overall deficit or surplus. In passing appropriations bills, Congress does not directly vote on the level of outlays. Rather, each year's outlays result in part from the budget authority provided in previous years. Additionally, outlays include net lending, which is the difference between what the government lends, and what borrowers repay, such as payments on student loans.

Enforcing the Budget Resolution

Budget Points of Order. The main mechanism that prevents congress from passing legislation that violates the terms of the budget resolution is the ability of a single member of the House or Senate to raise a budget point of order to block the offending legislation. In the House, a point of order can be waived by a simple majority vote on a resolution developed by the Rules Committee, which is charged with setting the conditions under which each bill will be considered on the floor. In the Senate, however any legislation that exceeds a committee's spending allocation, or cuts taxes below the level allowed in the budget resolution, is susceptible to a budget point of order, which requires 60 votes to waive. Appropriations bills must fit within the 302(a) allocation given to the Appropriations Committee, as well as the corresponding 302(b) sub allocation for the coming fiscal year. Additionally, tax or entitlement bills, the cost of which is determined by a score from the Congressional Budget Office (CBO), must fit within the budget resolution's spending limit for each year projected by the resolution. Bills which operate outside of these parameters may trigger a budget point of order.

Reconciliation. Additionally, Congress may use the reconciliation process to facilitate the passage of deficit reduction legislation, or other major entitlement or tax legislation. Budget reconciliation is authorized under the 1974 Congressional Budget Act, and was designed to

operate as a deficit-reduction mechanism by forcing committees to make changes in mandatory, or entitlement, spending and revenues, such as Medicare. In the Senate, rules for budget reconciliation restrict the procedure to provisions dealing with the budget and prohibit filibusters, while rules in both chambers include strict procedural guidelines, such as limited debate time. Since its original enactment, the utility of the reconciliation process has shifted to fast-tracking complicated legislation. To combat this shift, the late Senator Robert Byrd (D-W. Va.) helped design a set of six conditions, the Byrd Rule, under which any portion of a reconciliation measure could be deemed extraneous to the budget, and could therefore be excised from the reconciliation process, absent a 60 member majority voting otherwise.

PAYGO. The House and Senate each have in effect a rule requiring that all entitlement increases and tax cuts be fully offset, by enacting cuts elsewhere, increasing revenue, or a combination of both. The Pay-As-You-Go, or PAYGO, rule does not apply to discretionary spending, which is limited by the allocations set in the annual budget resolution. PAYGO is an additional requirement, separate from the terms of the budget resolution, and does not directly apply to the budget resolution itself or any amendments to it.

The requirement is triggered by legislation seeking to reduce taxes or increase entitlement spending, and any such measure that is not offset is subject to any senator raising a point of order against the bill, which can only be waived by the vote of 60 senators. In the House, any member can raise a point of order, and the bill is automatically defeated unless the House Rules Committee previously waived PAYGO requirements as part of the broader measure.

Appropriations

Appropriation Bills. Traditionally, appropriation bills originate in the House, and when the House has voted on them, the Senate brings its own version to the floor. If there are differences between the two versions of the bill, members of the House and Senate will form a conference committee to revise the bill and return it to both chambers for final approval. Ideally, Congress would pass all the appropriations bills individually by October 1, the start of the new fiscal year. In practice, however, this deadline is often missed, and Congress is forced instead to pass continuing resolutions to fund the affected government programs at their current levels until the appropriations bills can be passed. Once the bills do clear Congress, they are sent to the President for his signature or veto. Upon Presidential approval, the spending bills are enacted and the funds are released accordingly.

Functional Categories. The budget resolution establishes a spending ceiling and distributes the levels of congressional spending for each of 19 “functional categories,” which represent broad spending classifications, such as National Defense, Health, and Income Security. Once the spending levels for functional categories are established in the resolution, a program within one of the categories can receive additional funding only if another program in the same category receives less. That is, programmatic reductions in one functional category are non-transferrable to a separate functional category. The resolution also sets a revenue floor, by projecting the total revenue the government will collect for each fiscal year it covers. The difference between this level and the spending ceiling represents the deficit, or surplus, expected for each year.

302(a) and 302(b) Allocations. The appropriation bills actually provide the funding for the discretionary spending programs outlined in the budget resolution. Both the House and Senate have Appropriations Committees that are divided into subcommittees, and each subcommittee is responsible for producing an appropriations bill setting funding levels for individual government programs. Accompanying the budget resolution is a table, referred to as the 302(a) allocation that reassigns spending levels according to the congressional committee with jurisdiction over the program, instead of by functional category. The Appropriations Committees in the House and Senate use the 302(a) allocations to prepare 12 appropriations bills, which specify how the money that was allocated to each functional category in the budget resolution will be distributed across the many programs within the category. These sub-allocations, called 302(b) allocations, limit the total spending on each of the 12 appropriations bills, and the committees with jurisdiction over mandatory programs receive an allocation that represents a total dollar limit on all of the legislation they produce that fiscal year.

Conclusion

Since Congress has yet to adopt a budget resolution or pass any of the 12 appropriations bills for FY 2011, the federal government is currently funded through a short-term Continuing Resolution (CR) PL 111-322.

Slated to expire on March 4, 2011, the measure provides funding for nearly all federal agencies at FY 2010 levels, and the upcoming expiration will be the first opportunity for the 112th Congress to shape the federal budget through the appropriations process. Further complicating expected funding efforts, later this spring, Congress will face a vote to raise the debt ceiling beyond its current \$14.3 trillion limit, in order to prevent the United States from defaulting on its legal obligations.

NASUAD will continue to monitor these developments, along with the GOP reaction to the President's proposed budget, and the subsequent role of the Administration's recommendations in the 112th Congress.