

ANALYSIS OF PRESIDENT'S FY 2006 BUDGET PLAN*

INTRODUCTION

In early February 2005 President Bush proposed a \$2.57 trillion spending plan for fiscal year (FY) 2006. The President's plan would fundamentally reorder national priorities. The budget proposal would consolidate and or cut funding in key programs that serve low-income families, make the 2001 and 2003 tax cuts permanent, and restrict Congress' ability to fund discretionary domestic social programs such as Head Start and job training well into the future.

Today there are nearly 40 million Hispanics** in the U.S.; more than 19 million are in the labor force making contributions to the nation's prosperity and economic growth. The impending debate in Congress over the nation's budget priorities will have significant implications for Latino families. Hispanic Americans have strong concerns about national budget priorities and will be engaged in the congressional debate, where many of the important details and decisions about spending priorities will be hammered out.

A 2004 National Council of La Raza (NCLR) poll found the following:

- Six in ten (61%) registered Latino voters say that they would rather pay higher taxes for a government to provide more services.
- Seven out of ten (70%) registered Latino voters believe that a large budget deficit will make it harder for the economy to improve.
- Three-quarters (74%) say that the government is spending too little on education and a similar share (76%) believe that we as a country should spend more to ensure that all children have access to preschool education and services, even if it means raising taxes. Also, a similar share (76%) believe that we as a country should spend more to provide health insurance for everyone who needs it, even if it means raising taxes.

NCLR prepared a comprehensive analysis of the Administration's budget plan as a foundation for further examination of congressional efforts. The

* José Quiñonez, consultant to the National Council of La Raza (NCLR), was the principal author. Raul González, Legislative Director of the Office of Research, Advocacy, and Legislation, and Eric Rodriguez, Director of NCLR's Policy Analysis Center, wrote sections and contributed substantive and content guidance. Charles Kamasaki, Senior Vice President, provided feedback and oversight, and policy staff Janis Bowdler, Miriam Calderón, Sue Liu, Jennifer Ng'andu, and Marcela Urrutia contributed to the completion of this analysis. Jennifer Kadis, Editor, and Ofelia Ardón-Jones, Acting Director of Graphics, Design and Publications Unit, prepared the paper for publication.

** The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau to identify persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, and Spanish descent; they may be of any race.

budget is viewed through the prism of four policy priority areas critically important to the well-being of Latinos:

- **Investments in education.** Studies have long documented the growing disparity in educational attainment between Latino and other American children. Prudent federal investments in early education programs such as Head Start, high school reform, dropout prevention, and college preparation programs are vital to helping Latino students prepare for productive and fulfilling lives.
- **Work and savings.** America's economy and fiscal status depends heavily on worker productivity and family economic well-being. The labor market status, personal savings rates, and wealth levels of Latinos lag far behind their American counterparts despite higher work participation rates. Investments in workers and working families that build skills and economic security are wise and essential for future economic growth.
- **Health care and nutrition.** Federal health and nutrition programs serve families during times of need and help keep children and workers healthy and productive. Barriers to health care exist that bar families, especially immigrants, from needed services. Federal investments can give Latinos equal access to vital health care that can help keep more workers in the workforce and children in school.
- **Safe and strong communities.** Community investment and increased homeownership are important ways to strengthen neighborhoods and generate widespread economic growth. Concentrations of Latinos in poor and economically distressed communities and the nationwide homeownership gap between Latinos and their peers persist. Disparities in business activity, poverty levels, and household income between communities and families across the nation can be addressed and remedied with effective distribution of federal resources.

President Bush submitted his budget plan on February 11, 2005, and Congress is expected to begin working on its blueprint in early March. Lawmakers are expected to complete a budget resolution by April 15. Appropriations committees will then start the work of allocating funds to federal departments and agencies within their jurisdiction. (See table below for calendar.)

FEDERAL BUDGET CALENDAR	
KEY DATES AND EVENTS	
February 11	President send budget proposal to Congress.
March 25	Congressional committees report budget estimates to Budget Committees.
April 15	Congress completes budget resolution.
May 15	House consideration of annual appropriations bills may begin.
June 15	Action to be completed on reconciliatio.n
June 30	Action on appropriations to be completed by House.
July 15	President transmits mid-session review of the budget.
October 1	Fiscal year begins.

METHODOLOGY

This analysis highlights the Administration's FY '06 budget proposal in program areas of particular concern for Latinos. For example, the paper highlights the following agencies: the U.S. Department of Education; the U.S. Department of Labor; the U.S. Department of Health and Human Services; and the U.S. Department of Housing and Urban Development. Moreover, the paper includes other general programs of interest, such as the Food Stamp program, and several independent agencies, such as the Equal Employment Opportunity Commission (EEOC). In addition, the report briefly examines the President's tax and budget reform plans included in this year's budget proposal. Overall, the focus of the analysis is in non-defense and non-Homeland Security program areas and those that particularly impact low-income families. Furthermore, programs are highlighted that have special significance for NCLR's network of more than 300 community-based, Hispanic-serving organizations.

The data are presented as follows: a table identifies the specific programs, the actual FY 2004 level of budget authority (as reported by the Office of Management and Budget), the enacted FY 2005 level, the Administration's proposed FY 2006 level, and the actual (nominal) change in million-dollar figure and the corresponding percent difference. In each section, a table is included and followed by subsections that briefly explain key programs. In compiling this information, NCLR:

- Used data provided by the Office of Management and Budget (OMB) and specific federal agencies, and, in most cases, only included their calculations of nominal changes in budget authority between fiscal years.
- Focused on discretionary budget authority, which is the amount of money the law allows the government to commit to spending during the current fiscal year or future years, in order to determine the President's actual budget priorities for FY 2006. This is instead of program levels or obligations, outlays, or mandatory spending (unless otherwise noted), where spending levels are set by previous and current law or by other factors that may not be controlled directly by the Administration.
- Examined nominal changes in budget authority, with references to the impact of inflation on "current services levels" only in the text and where available.

The program sections of the report also include: 1) brief descriptions of the program's goals; 2) data on the significance of the program to Latinos; 3) where available, the funding request made by NCLR and other major national organizations for FY '06; 4) the Administration's line-item budget request for FY '06 (and where necessary and appropriate the rationale offered by OMB to justify budget cuts); and where available 5) the potential implications of the President's request on Latinos. However, NCLR did not attempt to quantify precisely how many individuals would be affected by the budget request. Instead, the analysis contains brief assessments of program impacts; detailed impact assessment of a budget request requires a more in-depth analysis than is afforded here.

Finally, NCLR highlighted where necessary, and typically in text boxes, new initiatives that the President proposed, especially those with implications for current funding levels in program areas.

U.S. DEPARTMENT OF EDUCATION

The Administration proposed \$56 billion in FY 2006 for the Department of Education – a 1% increase in discretionary spending. The budget plan included a number of program eliminations, consolidations, and new initiatives that would have a significant impact on Hispanic students.

The President's budget would eliminate 48 Department of Education programs worth \$4.263 billion in funding, accounting for half of the total number of programs targeted for termination in the President's entire budget. Many of these programs primarily serve at-risk minority students, helping them enter school "ready to learn" and complete high school and go on to college. For example, the President plans to eliminate \$5 million from Dropout Prevention, \$437 million from Safe and Drug Free Schools, and \$225 million from Even Start.

DEPARTMENT OF EDUCATION					
	FY04	FY05	FY06	\$ change	% change
	Actual (millions)	Enacted (millions)	Proposed (millions)	FY05-06 (millions)	FY05-06
21st Century Community Learning Centers	999	991	991	0	0%
English Language Acquisition	681	676	676	0	0%
College Assistance Migrant Program	15.6	15.5	15.5	0	0%
English Literacy and Civics Education Program	70	69	69	0	0%
Even Start	246	225	0	-225	-100%
GEAR UP	298	306	0	-306	-100%
High School Equivalency Program	18.8	18.7	18.7	0	0%
High School Initiative		2,170	1,500	-670	-31%
Hispanic-Serving Institutions	94	95.1	95.8	1	1%
Migrant Education State Grants	393	390	390	0	0%
Parent Assistance Centers	41.9	41.8	0	-41.8	-100%
Pell Grants	12,007	12,365	13,232	867	7%
Reading First State Grants*	1,118	1,146	1,146	0	0%
Improving Teacher Quality State Grants**	2,930	2,917	2,917	0	0%
TRIO: Upward Bound, Talent Search, and Student Support Services	832.5	836.5	369	-468	-56%

* The figures include annual and advanced appropriations as well as funds for Early Reading First.
 ** The figures include annual and advanced appropriations.

In addition, the President's budget plan consolidates seven programs that amounted to \$2.170 billion in FY '05 funding and redirects it to create a new \$1.5 billion High School Initiative, representing a 31% cut in funding for these programs from FY '05 levels.

Of the programs included in this analysis, the budget plan would eliminate five that are of particular importance to Hispanic students. The budget also level-funds nine programs that are integral for the educational development of Hispanic students and that still require significant new investments to achieve their goals. Combined, these 14 programs lose more than \$1 billion in the President's FY 2006 budget plan – a 13% decrease from FY '05 funding.

The 21st Century Community Learning Centers

The 21st Century Community Learning Centers (21st Century) program is a key component of the No Child Left Behind Act, providing children at risk of school failure with more "time on task" so they can meet academic standards. These programs provide students with academic enrichment opportunities along with activities designed to complement the students' regular academic program. In addition, 21st Century programs also help working parents by providing a safe environment for students during non-school hours or periods when school is not in session. *The President's budget plan funds this program at \$991 million – the same level of funding as in FY 2005. NCLR recommended increasing funding for 21st Century programs to \$1 billion.*

Education of English Language Learners

Language Acquisition State Grants provide schools with funds to address the academic needs of the 5.5 million limited-English-proficient (LEP) children attending American schools. These grants support school efforts to help LEP students learn English and meet challenging state academic content and achievement standards. *The President's budget plan funds this program at \$676 million – the same level of funding as in FY 2005. NCLR recommended \$900 million for Language Acquisition State Grants for FY '06.*

English Literacy and Civics Education Program

The English Literacy and Civics Education Program is an integrated program of educational services to immigrants and other LEP populations to acquire the basic skills they need to function effectively as parents, workers, and citizens. Local providers implementing English Literacy and Civic Education Programs are charged with incorporating instruction on the rights and responsibilities of citizenship and civic participation. *The President's budget plan funds this program at \$69 million – the same level of funding as in FY 2005. NCLR recommended \$100 million for English Literacy and Civics Education for FY '06.*

Even Start

Even Start programs integrate early childhood education, adult literacy, and parenting education into a unified family literacy program. Currently, 50,000 families are served through the Even Start program – nearly half (46%) are Hispanic.¹ *The President plans to eliminate this program. NCLR recommended restoring funding for Even Start.*

GEAR UP

GEAR UP supports early college preparation and awareness activities at the state and local levels to ensure that low-income elementary and secondary school students are prepared for and pursue postsecondary education. Latinos constitute three in ten (30%) GEAR UP participants.² *The President plans to eliminate this program and redirect these funds to the new High School Initiative. The Hispanic Education Coalition (HEC)* recommended \$350 million for GEAR UP in FY '06.*

High School Equivalency Program (HEP) and College Assistance Migrant Program (CAMP)

The High School Equivalency Program (HEP) helps migrant and seasonal farmworkers (or children of such workers) who are 16 years of age or older and not currently enrolled in school. The program helps students to obtain the equivalent of a high school diploma and subsequently to gain employment or begin postsecondary education or training. The College Assistance Migrant Program (CAMP) provides migrant students in their first year of undergraduate studies at an institution of higher education with counseling and stipends. CAMP serves about 2,400 students annually, nearly all of whom complete their first year of college. *The President's proposal funds HEP at \$18.7 million and CAMP at \$15.5 million – the same levels of funding as in FY 2005. HEC recommended that HEP be funded at \$25 million and CAMP at \$20 million to meet the growing needs of migrant students.*

Hispanic-Serving Institutions

The Developing Hispanic-Serving Institutions (HSIs) programs help institutions of higher education to expand their capacity to serve Hispanic and low-income students. HSIs are designated as institutions with 25% Hispanic students, not less than 50% of whom are from low-income households. Almost one-half of Hispanic undergraduate students are enrolled in more than 219 colleges and universities categorized as HSIs. *The Administration's proposal funds this important program at \$95.8 million – a slight increase of less than 1% over the FY 2005 amount. HEC recommended a budget of \$175 million for HSIs in FY '06.*

* The HEC is an ad hoc coalition of national organizations dedicated to improving educational opportunities for Hispanics. NCLR is a member of the HEC.

HIGH SCHOOL INITIATIVE

The Administration's proposal eliminates seven programs and redirects their funding into the President's new \$1.5 billion High School Initiative. Building on the accountability framework of the No Child Left Behind Act (NCLB), the President's new High School Initiative would require testing in grades nine to eleven in language arts and math. States and school districts would have the flexibility to align the testing system with their existing instructional program, but be held accountable for improving student achievement. The budget provides \$250 million to help states implement this aspect of the new initiative.

The High School Initiative is financed by eliminating seven major programs worth a total of \$2.170 billion in federal funding, including Vocational Education State Grants, Vocational Education National Activities, Tech Prep State Grants, Upward Bound, Talent Search, GEAR UP, and Smaller Learning Communities. The Administration argues that the eliminated programs are either ineffective with no substantial impact or without the capacity to achieve their long-term performance goals.* However, the same evaluation of Upward Bound has shown the program to be effective in increasing rigorous course-taking among Latino students, which increases their chances of graduating from high school and attending and completing college.** In addition, GEAR UP, unlike any other federal program, works with cohorts of at-risk middle school students to make sure they are on track to graduate from high school.

High school reform is critical to Latinos, given the fact that roughly only one in two (53%) Latinos currently graduate from high school.³ Thus, while NCLR supports high school reform efforts, it is unclear how the President's initiative will improve Latino high school performance by eliminating programs successful at keeping Latinos from dropping out, providing them access to more rigorous coursework, and helping them enter and graduate from college.

* For example, the Administration's assessment states that an evaluation of the Upward Bound program found no overall impact on participants' grades, credits earned, high school graduation rates, or college enrollment rates.

** The federal government now utilizes the Program Assessment Rating Tool (PART) to provide an overall assessment of the management and performance of federal programs by evaluating a program's purpose, design, planning, management, results, and accountability to determine its overall effectiveness.

Improving Teacher Quality State Grants

The purpose of Teacher Quality State Grants is to help increase the academic achievement of all students by helping schools and school districts ensure that all teachers are highly qualified to teach. Research consistently shows that ineffective teachers have an adverse impact on student achievement. Latino students, as with other minority students, are more likely to be in schools with unqualified, often ineffective teachers. About two-thirds of Latino, African American, and Native American eighth-grade math students have teachers who do not have an undergraduate degree in mathematics, compared to half of all White students.⁴

Improving teacher quality is thus critical to obtaining better academic outcomes for Latino students. *The President's budget plan funds this program at \$2.9 billion – the same funding level as in FY 2005. NCLR recommended full funding of Teacher Quality State Grants.*

Migrant Education Program (State Grants)

The goal of the Migrant Education Program (MEP) is to ensure that all migrant students reach challenging academic standards and graduate with a high school diploma (or complete a GED) that prepares them for responsible citizenship, further learning, and productive employment. MEP awards formula-based grants to states to identify and recruit migrant students and provide them with educational, health, and nutritional services, among other activities. *The President's budget plan funds this program at \$390 million – the same level of funding as in FY 2005. HEC recommended \$500 million for the Migrant Education Program in FY '06.*

Parent Assistance

The No Child Left Behind Act (NCLB) authorizes Local Family Information Centers (LFICs) under Title V, "Providing Informed Parental Choice and Innovative Programs." Funding these centers would ensure that Hispanic parents are empowered to hold schools accountable for helping their children meet the rigorous academic benchmarks outlined in NCLB. Nearly all (96%) Americans with school-aged children believe that parents should be familiar with the academic standards in their children's schools. However, only 38% of Latino parents believe that schools are adequately providing this information.⁵ LFICs would help parents understand the school system, including how standards and assessments can be used to help improve student achievement. In addition, LFICs can provide information about important educational options, including English language learner programs, college preparation assistance, and charter schools. *The President requested \$25.9 million – the same level as in FY 2005. NCLR recommended \$100 million for Parent Assistance programs, including \$25 million for LFICs.*

Reading First and Early Reading First State Grants

Reading First and Early Reading First State Grants are intended to help students in preschool and elementary school improve their reading skills. Reading First supports programs that help students in grades K-3 to ensure that all children can read at grade level by third grade. Early Reading First grants prepare young children to enter kindergarten with the necessary language, cognitive, and early reading skills to prevent reading difficulties and ensure school success. These programs are critical for Latinos who show increased reading scores when they receive early literacy services.⁶ *The President's budget plan funds this program at \$1.146 billion – the same level of funding as in FY 2005. The budget includes \$104 million for Early Reading First to develop model childhood literacy and pre-reading programs for schools serving high-poverty communities.*

TRIO Programs

The TRIO programs include Talent Search and Upward Bound, which help disadvantaged middle and high school students prepare for college by providing tutoring, rigorous coursework, and guidance. Together, Talent Search and Upward Bound serve approximately 455,000 middle and high school students; 19% are Hispanic. The President plans to eliminate \$145 million for Talent Search and \$312 million for Upward Bound and redirect these funds to a new High School Initiative. While the TRIO programs currently under-serve Latinos, they have proven effective in helping participants graduate from high school ready for college. *HEC recommended increased funding for these programs and changes to TRIO to increase Latino participation.*

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Administration proposed \$67.2 billion for the Department of Health and Human Services (HHS) in FY 2006 – a 1% decrease in discretionary spending from FY '05. The budget plan would terminate 14 programs in the department that account for almost \$1 billion in funding at current levels. Of the programs listed in this report, the budget plan slates seven programs for funding cuts, four other programs for flat-funding levels, and three others for small funding increases. For example, the budget proposes to cut the HHS Office of Minority Health by \$3 million, level fund the HHS Office for Civil Rights, and increase funding for the Ryan White CARE Act Program by \$27 million.

In addition to programs that are funded at the discretion of Congress, HHS contains mandatory or entitlement programs as well, where statutory law guides spending. The HHS budget proposal includes \$573.5 billion for these programs, which include spending for programs such as Medicare and Medicaid; this funding constituted 89% of the overall HHS budget. This year, the President proposed significant changes to the financial structure of Medicaid/SCHIP which would reduce projected spending by \$20 billion over the next five years and \$60 billion over ten years.

Centers for Disease Control (CDC)

The Centers for Disease Control and Prevention (CDC) is the lead federal agency for protecting the health and safety of people, providing credible information to enhance health decisions, and promoting health through partnerships with community-based organizations (CBOs). NCLR-affiliated CBOs have forged strong partnerships with the CDC to develop and implement Hispanic-focused health promotion campaigns. *The President proposed to fund the CDC at \$4.017 billion – a decrease of 12% from FY '05.*

DEPARTMENT OF HEALTH AND HUMAN SERVICES					
	FY04	FY05	FY06	\$ change	% change
	Actual (millions)	Enacted (millions)	Proposed (millions)	FY05-06 (millions)	FY05-06
Centers for Disease Control	4,440	4,584	4,017	-567	-12%
Racial and Ethnic Approach to Community Health (REACH)	34.8	34.5	34.5	0	0%
Office of Minority Health	55	50	47	-3	-6%
National Center for Minority Health and Health Disparities	191	196	197	1	1%
Community Access Program	83	83	0	-83	-100%
Head Start	6,775	6,843	6,888	45	1%
Individual Development Accounts	25	25	25	0	0%
Low-Income Home Energy Assistance*	1,888	2,182	2,000	-182	-8%
Office for Civil Rights	34	35	35	0	0%
Minority HIV/AIDS Initiative	50	52	52	0	-1%
Ryan White CARE Act Program	2,044	2,073	2,100	27	1%
Medicaid/State Children's Health Insurance Program	180,838	193,615	197,996	4,381	2%
Child Care and Development Block Grant	2,088	2,083	2,083	0	0%
Substance Abuse and Mental Health Services Administration	3,234	3,269	3,215	-54	-2%

* Includes regular appropriations and emergency contingency fund.

Child Care and Development Block Grant

The Child Care and Development Block Grant (CCDBG) program provides funds to states for direct child care assistance payments to low-income families. The program helps to cover monthly child care expenses for approximately 1.8 million families who are working or engaged in education or training programs. The Office of Management and Budget's evaluation of CCDBG, using the Program Assessment Rating Tool (PART), found that it plays a critical role for families transitioning from welfare to work and that child care subsidies expand parental access to a range of care options. However, according to the U.S. Department of Health and Human Services, only about 15% of those eligible for child care subsidies under CCDBG

receive them.⁷ Given that Latino families with children under age 12 constitute 29% of all low-income families in the U.S.,⁸ CCDBG funding is significant for Latinos. *The President's budget plan funds CCDBG at \$2.083 billion – the same level of funding as in FY 2005.*

Head Start

Head Start and Early Head Start are comprehensive health and educational programs that serve low-income children from birth to age five, pregnant women, and their families. The Migrant and Seasonal Head Start (MSHS) program makes these same services available to the children of farmworkers. Head Start currently serves only 60% of eligible preschoolers, while MSHS serves a mere 19% of its eligible children. Hispanic children represent 30% of all Head Start enrollees, and they account for the vast majority of children eligible for MSHS. *The President proposed a budget of \$6.888 billion, the same level of funding from last year with an increase of only \$45 million for grants to support states to promote better coordination of existing programs. NCLR recommended full funding of Head Start in FY '06. Until full funding is achieved, NCLR recommended including an additional \$69 million increase for MSHS programs in FY '06, which would result in direct services to approximately 10,000 children of farmworkers.*

Individual Development Accounts

Individual Development Accounts (IDAs) are matched savings accounts designed to help low-income and low-wealth families accumulate savings that they can use for education/job training, homeownership, and/or microenterprise. There are more than 400 community-based IDA programs in 47 states, including several NCLR affiliates, available to low-income working families. Research has shown that Latino participants save more on average than their peers in IDA programs, but few Latinos are able to participate given the level of federal funding. *The President proposed to fund IDAs at \$25 million – the same level of funding as in FY '05.*

Low-Income Home Energy Assistance

The Low-Income Home Energy Assistance Program (LIHEAP) provides direct heating and cooling benefits to millions of low-income families. According to the most recent Census Bureau statistics, nearly 36 million Americans lived in poverty in 2003, an increase of 1.3 million from 2002. Since 2000, 4.4 million more people are living in poverty. Advocates estimate that the number of households receiving energy assistance could rise 5.3% to at least 5.1 million this year. Similarly, the cost for home heating this winter will increase, according to recent data released by the Energy Information Administration. The cost of heating oil is expected to increase from \$953 to \$1,179, from \$1,147 to \$1,404 for propane, and from \$870 to \$950 for natural gas.⁹ *The President's budget plan funds LIHEAP at \$2.0 billion, a decrease of 8% from FY 2005.*

Medicaid/SCHIP

Medicaid is the principal provider of health care to low-income Americans. Medicaid provides health care coverage and services for more than 46 million low-income children, pregnant women, elderly, and disabled individuals. Similarly, the State Children's Health Insurance Program (SCHIP) addresses the growing problem of children without health insurance. Congress designed SCHIP as a federal-state partnership, similar to Medicaid, with the goal of expanding health insurance to children whose families earn too much money to be eligible for Medicaid, but not enough money to purchase private insurance. SCHIP is the single largest expansion of health insurance coverage for children since the initiation of Medicaid in the mid-1960s. *The President's budget plan reforms how payments to states are accounted and reduces spending for prescription drugs and administration, among other reforms. Total reductions in Medicaid spending, according to the Administration's proposal, amount to \$1 billion for FY 2006, \$20 billion in the next five years, and \$60 billion over the next ten years.*

Minority HIV/AIDS Initiative

This initiative focuses on the need to address the alarming rate of HIV/AIDS infection in minority communities. While racial minorities account for about 33% of the U.S. population, they account for more than 57% of all AIDS cases in the U.S. *The President's budget plan funds this initiative at \$52 million – a 1% reduction from FY 2005.*

National Center on Minority Health and Health Disparities

The National Center on Minority Health and Health Disparities (NCMHD) promotes minority health and leads, coordinates, supports, and assesses the National Institutes of Health's (NIH) effort to reduce and ultimately eliminate health disparities. In this effort, NCMHD conducts and supports basic, clinical, social, and behavioral research; promotes research infrastructure and training; fosters emerging programs; disseminates information; and reaches out to minority and other communities experiencing health disparities. *The President's budget plan funds this program at \$197 million – a 1% increase over FY 2005.*

Office for Civil Rights

HHS's Office for Civil Rights (OCR) promotes and ensures that people have equal access to and the opportunity to participate in and receive services from all HHS programs without facing unlawful discrimination. *The President proposed to fund OCR at \$35 million – the same level of funding as in FY 2005.*

Office of Minority Health

The CDC's Office of Minority Health (OMH) works closely with state, tribal, and local governments, as well as with nonprofit organizations, to improve the health status and eliminate health disparities among Americans of all racial and ethnic groups. *The President proposed to fund OMH at \$47 million – a 6% reduction from FY 2005.*

Racial and Ethnic Approach to Community Health (REACH)

REACH 2010 is part of a national initiative by the CDC to eliminate disparities in health status experienced by racial and ethnic minority groups. REACH 2010 supports community coalitions in designing, implementing, and evaluating community-driven strategies to address disparities. Specifically, REACH helps to support efforts that provide education on disease prevention for health care providers, health education and health promotion programs that use lay health workers to reach community members, and communications campaigns on healthy lifestyles. *The President proposed to fund REACH at \$34.5 million – the same level of funding as in FY 2005.*

Ryan White CARE Act

The Ryan White Comprehensive AIDS Resources Emergency (CARE) Act is federal legislation that addresses the unmet health needs of persons living with HIV and AIDS by funding primary health care and support services. The CARE Act reaches more than 500,000 individuals each year, making it the federal government's largest program specifically for people living with HIV. Although Hispanics composed just 13.7% of the U.S. population in 2003, they accounted for more than 20% of new AIDS cases reported each year. *The President proposed a budget of \$2.1 billion – a 1% increase over FY '05. The increase in funding is dedicated for the AIDS Drug Assistance Program. All other programs under the Ryan White CARE Act have been level funded.*

Substance Abuse and Mental Health Services Administration

The Substance Abuse and Mental Health Services Administration (SAMHSA) focuses attention, programs, and funding on improving the lives of people with or at risk for mental and substance abuse disorders. According to one study, less than one in four (24%) Latinos with mental health problems is receiving the appropriate care.¹⁰ *The President proposed to fund this program at \$3.215 billion – a 2% reduction from FY 2005.*

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Administration proposed \$28.5 billion for the Department of Housing and Urban Development (HUD) for FY '06 – a proposed reduction of 11% from FY '05. The President would eliminate the Revitalization of Severely Distressed Public Housing (HOPE VI) program, cut funds for 18 programs totaling \$6.881 billion, and consolidate several key HUD programs such as Empowerment Zones, Rural Housing and Economic Development, and the Community Development Block Grants into a new Strengthening America's Communities Initiative, housed in the Department of Commerce.

Of particular note for Latinos, the Administration would cut the Fair Housing and Equal Opportunity program by \$7 million and Housing Counseling Assistance by \$2 million, while the HOME Investment Partnerships Program would receive a 15% increase in funding over FY '05.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
	FY04	FY05	FY06	\$ change	% change
	Actual (millions)	Enacted (millions)	Proposed (millions)	FY05-06 (millions)	FY05-06
Community Development Block Grants	4,933	4,853	0	-4,853	-100%
Fair Housing and Equal Opportunity	48	46	39	-7	-15%
HOME Investment Partnerships Program	2,006	1,900	1,941	41	2%
Housing Counseling Assistance	40	42	40	-2	-5%

Fair Housing and Equal Opportunity

HUD's Office of Fair Housing and Equal Opportunity administers federal laws and establishes national policies that ensure that all Americans can pursue housing opportunities free of discrimination. The office administers the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiative Program (FHIP). FHAP provides resources to state and local agencies to process and investigate complaints filed under Title VIII of the Civil Rights Act of 1968. FHIP funds strengthen the ability of private fair housing community groups to enforce laws protecting all Americans against housing discrimination. Recent research reveals that housing discrimination against Latinos remains persistent and high. In 2000, fair housing testers found that 27% of Hispanic renters and 20% of Hispanic home shoppers experienced some level of discrimination while looking for housing.¹¹ Moreover, research documents insufficient enforcement activities targeted to or carried out on behalf of Latinos. *The President proposed to fund this program at \$39 million – a 15% reduction from FY 2005.*

STRENGTHENING AMERICA'S COMMUNITIES INITIATIVE

The President's 2006 budget creates a new economic development program, the Strengthening America's Communities Grant (SAC) program, within the Department of Commerce. The new \$3.710 billion program consolidates 18 different programs from five different federal departments – a 30% reduction from FY '05 funding of \$5.314 billion.

The bulk of these programs and reductions in programs are from HUD spending. The White House argues that the SAC initiative will reduce duplication and ineffectiveness. SAC's purpose is to provide economically distressed communities with a source of funding for planning, infrastructure development, and business financing to achieve long-term economic stability and growth. The programs that will be consolidated include:

- **Department of Agriculture:** Economic Impact Grants, Rural Empowerment Zones (EZ)/ Enterprise Communities (EC), Rural Business Enterprise Grants, and Rural Business Opportunity Grants
- **Department of Commerce:** Economic Development Assistance Programs
- **Department of Health and Human Services:** Community Services Block Grant Program, Community and Economic Development, and Rural Community Facilities
- **Department of Housing and Urban Development:** Community Development Block Grant (CDBG) Formula Grants, National Community Development Initiative, CDBG Set-Asides, Brownfields Economic Development Initiative, Rural Housing and Economic Development, Urban Empowerment Zones Round II Grants, and Community Development Loan Guarantees (Section 108)
- **Department of the Treasury:** Community Development Financial Institutions (CDFI) Program, Bank Enterprise Award (BEA) Program, and CDFI Native Initiatives

Of particular concern for Latinos and Hispanic-serving CBOs is the elimination of CDBG, which not only provides operating and program support for social services and community development activities but also funds community improvement investments.

HOME Investment Partnerships Program

HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. HOME provides funds to expand affordable housing by acquisition, rehabilitation, and new construction of housing and tenant-based rental assistance. As many Latinos live in high-cost markets, there is a high need to produce and rehabilitate affordable housing. Similarly, many low- and moderate-income Latino families would not be able to purchase their first home without downpayment assistance. The American Dream Downpayment Initiative (ADDI) is a set-aside within the HOME budget that helps make homeownership more affordable through downpayment assistance. *The President proposed to fund HOME at \$1.941 billion – a 2% increase over FY 2005 – and ADDI at \$200 million, the same amount as in FY '05.*

Housing Counseling Assistance

The Housing Counseling Assistance program offers comprehensive housing counseling services, including pre-purchase, default, and renter counseling, to eligible homeowners and tenants. Given low homeownership rates, high rates of discrimination, and growing concerns over predatory lending, housing counseling is an essential and proven method of delivering information and services to the Latino community. As a HUD intermediary, NCLR distributes HUD funding to 38 affiliates, collectively known as the NCLR Homeownership Network, serving more than 24,000 families and helping more than 3,500 families become homeowners annually; more than three out of four families served are below 80% of Area Median Income. *NCLR recommended increasing housing counseling funding from \$42 million to \$50 million for FY '06. The President proposed to fund this program at \$40 million, a 2% decrease from FY '05.*

Housing Choice Vouchers

Housing Choice Vouchers, commonly known as Section 8 housing, provide two million low-income families with subsidies to help them afford safe and decent housing. Under the program, participants contribute 30% of their income toward rent, and a voucher covers the difference between this amount and an established fair cost for housing in a particular area. In the name of giving Public Housing Authorities (PHAs) more flexibility in how they administer the program, the Administration is proposing to change the funding structure of the program so it is no longer tied to basic need indicators such as number of families being served and their income and cost of housing. In addition, the budget proposal would also lift the income eligibility requirement to those families above 30% of Area Median Income. As a result, there is an incentive to serve families who are considered "less expensive," meaning they have higher incomes and can contribute more of their income toward rent than the neediest of families

U.S. DEPARTMENT OF LABOR

The Administration proposed \$54.5 billion for the Department of Labor (DOL) for FY 2006 in both discretionary and entitlement/mandatory spending – a 7.5% increase over FY 2005. Although the DOL budget has increased overall, this is largely due to mandatory spending for unemployment insurance, pension benefits, and other programs where spending is determined by formula.

The budget plan included sharp cuts in discretionary spending for job training and economic mobility programs. The proposed budget intends to eliminate programs that have a good track record in serving Latino workers. In addition, the FY '06 budget proposal for DOL would consolidate and eliminate several programs. For example, the budget would create a broader WIA Plus grant program by consolidating and cutting funding for several other employment and training programs serving adults and youth, including the Workforce Investment Act (WIA) Adult and Dislocated

Worker programs and the Employment Service State grants. Moreover, the Migrant and Seasonal Farmworker Training programs for adults and youth, which provide essential employment and job training services to more than 25,000 migrant and seasonal farmworkers, would be eliminated in FY '06.

DEPARTMENT OF LABOR				
	FY05	FY06	\$ change	% change
	Enacted (millions)	Proposed (millions)	FY05-06 (millions)	FY05-06
WIA Plus Consolidated State Grants Program*	0	3,913	3,913	0
WIA Adult Employment and Training Activities	891	866	-25	-100%
WIA Youth Activities	986	950	-36	-100%
WIA Dislocated Worker Employment and Training Activities	1,499	1,350	-149	-100%
Job Corps	1,546	1,517	-29	-2%
Office of Federal Contract Compliance	80.1	82.1	2	2%
Welfare-to-Work	0.4	0	-0	-100%
Migrant and Seasonal Farmworker Program	76	0	-76	-100%

* This new funding stream includes WIA Adult, Dislocated Worker, and Youth programs listed and also (not listed) Employment Service State Grants, Labor Market Information Service, and Work Opportunity Tax Credits as part of the consolidation.

Job Corps

Job Corps is the nation's largest and most comprehensive residential education and job training program for at-risk youth ages 16 through 24. The program combines classroom, practical, and work-based learning experiences to prepare youth for stable, long-term, high-paying jobs and serves more than 60,000 young people every year. Minority youth make up 70% of Job Corps participants, and Latinos constitute about 18% of participants. The Job Corps program has a proven record in helping youth attain their GEDs, which is important for Latinos; Hispanics are still the least likely of all Americans to have high school diplomas. *The President's budget plan funds Job Corps at \$1.517 billion – a 2% reduction in funding from FY '05.*

Migrant and Seasonal Farmworker Program

Currently authorized in Section 167 of the Workforce Investment Act (WIA), this program serves the needs of migrant and seasonal farmworkers; the Section 167 program provides English-as-a-Second-Language instruction, job-readiness, and skills training to migrant and seasonal farmworkers. The National Farmworker Jobs Program's 50 nonprofit and public agencies, including many NCLR affiliates, serve more than 25,000 hardworking, impoverished, and mostly Hispanic migrant and seasonal agricultural workers each year. It is the Department of Labor's most effective national job training program, with a success rate exceeding 83%.¹² With help from this unique program, farmworkers often dramatically increase their earnings by entering other fields such as health care, transportation, and manufacturing. *NCLR recommended level funding of \$76 million to provide culturally- and linguistically-appropriate services to a unique segment of the workforce. The President's budget would eliminate this program – a decrease of \$76 million from FY '05 levels.*

National Farmworker Youth Program

Currently authorized in Section 127 of the Workforce Investment Act (WIA), the program provides tutoring, mentoring, career counseling, job training, child care, and health referrals to migrant and seasonal farmworker youth ages 14-21 and to the children of hardworking, often impoverished migrant and seasonal farmworkers. This segment of the youth population has one of the highest high school dropout rates, and this program has shown impact in tackling the issue of youth employability and high school dropout rates. For example, since the program's inception in 2000, the National Farmworker Youth Program, which a number of NCLR affiliates administer, has effectively served more than 13,000 youth. *Increased investments in this program are warranted given the growing number of farmworkers in the U.S. Restoration of the National Farmworker Youth Program is essential, and NCLR strongly encourages Congress to amend WIA current law during the reauthorization process, so that funding for this vital program will no longer be based on funding levels of other programs. In addition, NCLR encourages Congress to codify funding at a minimum of \$10 million to ensure its continuation. The President's budget proposed to eliminate Section 127 funding.*

Office of Federal Contract Compliance Programs

The Office of Federal Contract Compliance Programs (OFCCP) is responsible for ensuring equal employment opportunity and nondiscrimination in employment based on race, sex, religion, color, national origin, disability, or veteran status for businesses contracting with the federal government. *The Administration proposed a \$2 million increase in funding over FY '05 for OFCCP to \$82.1 million in FY '06.*

WIA PLUS CONSOLIDATED STATE GRANTS

The Administration proposed a new \$3.9 billion Job Reform proposal. The WIA Plus Consolidated Grant program would consolidate four major Department of Labor funding streams – Adult, Youth, and Dislocated Worker programs, and Employment Service State Grants – into one single formula grant to states for job training services. The Administration’s proposal is intended to give governors and the Secretary of Labor greater flexibility to target resources where needed and eliminate duplication and unessential overhead costs in the provision of services to all types of workers. The proposal would allow governors the option to combine the following additional federal job training and employment programs into a program funded through one funding stream: Adult Education, Vocational Rehabilitation, Veteran Employment, Trade Adjustment Assistance, and the Food Stamp Employment and Training program. Although it is not possible to determine from Department of Labor documents how much funding would be cut from each individual WIA program to fund the block grant, it is clear that the elimination of Section 127 and 167 farmworker programs is a result of this new proposal. Additionally, this block grant would leave job training funding vulnerable to future cuts.

NCLR opposes the combining of funding streams, initially created to address the needs of different types of workers, and is concerned about the ability of Latinos and persons of limited English proficiency to access adult education and job training services under this structure, where all workers compete for services under reduced funding. NCLR strongly urges Congress to reject the WIA Plus and any other attempts to block grant federal job training dollars.

OTHER DEPARTMENTS AND FEDERAL AGENCIES

In addition to the aforementioned federal agencies, there are selected areas of the federal government that are of particular concern to Latinos and worth highlighting.

OTHER DEPARTMENTS AND AGENCIES INCLUDED IN NCLR BUDGET ANALYSIS

	FY04	FY05	FY06	\$ change	% change
	Actual (millions)	Enacted (millions)	Proposed (millions)	FY05-06 (millions)	FY05-06
U.S. Equal Employment Opportunity Commission	311	327	331	4	1%
U.S. Small Business Administration	371	362	307	-55	-15%
USDA - Food Stamp Program	28,800	34,000	34,837	1,837	5%
USDA - Rural Housing Service	6,313	6,137	6,488	351	6%
USDA - Women, Infants, and Children (WIC) Program	5,010	5,241	5,576	335	6%

U.S. Department of Agriculture: Food Stamp Program

The Food Stamp program is the primary source of nutrition assistance for low-income families. The program helps more than 29 million people meet their nutritional needs every month. The President seeks to limit Food Stamp categorical eligibility to households receiving Supplemental Security Income (SSI) or Temporary Assistance for Needy Families (TANF) cash benefits. Households receiving TANF-funded services, but not cash, would no longer be automatically eligible for food stamps. *The President's proposal tightens eligibility criteria that would reduce spending by \$57 million in FY '06, \$507 million over the next five years, and \$1.124 billion over ten years.*

U.S. Department of Agriculture: Rural Housing

There are several programs located at USDA which help Latinos in rural areas develop and find affordable housing and homeownership opportunities. The Section 502 program provides mortgage loans to the rural poor, many of whom are involved in the Self-Help housing program where families perform approximately 65% of the construction labor required to build their home with the assistance of a community-based organization; this model has proven successful in many rural Latino communities. Two other programs used in tandem to improve the housing situation of migrant and seasonal farmworkers, some of the nation's most poorly-housed families, are Section 514, which provides subsidized mortgage loans, and Section 516, which provides development subsidies. *The Administration proposed cutting the Section 502 program by 13% from FY '05 to \$1 million, while level funding was proposed for Self-Help technical assistance. The Administration also proposed level funding for Section 514 at \$42 million and a 12.5% cut from FY '05 to Section 516 for a total of \$14 million.*

U.S. Department of Agriculture: Women, Infants, and Children (WIC) Program

This program provides direct assistance to women with young children for basic nutritional needs. Overall, funds provide vouchers to low-income, at-risk, or postpartum women, infants, and children for nutritious supplemental food packages, nutrition education and counseling, and health and immunization referrals. *The budget reflects the demonstrated success of this program by proposing to increase funding by \$335 million in FY '06. The President proposed a total of \$5.5 billion – an increase of 6%.*

U.S. Equal Employment Opportunity Commission (EEOC)

The mission of the EEOC is to promote equal opportunity in employment through administrative and judicial enforcement of the federal civil rights laws and through education and technical assistance. As in past fiscal years, the minority of EEOC caseloads are Hispanic, largely because the Latino community continues to be

underserved. An increase in the budget is needed to expand outreach programs and partnerships with stakeholder groups, as well as to devote more resources to claims filed by low-wage workers and national origin claims. *NCLR recommended an appropriation of at least \$372 million. The Administration proposed to increase funding for EEOC by \$4 million over FY '05 to \$331 million in FY '06.*

U.S. Small Business Administration

Established in 1953, the Small Business Administration (SBA) provides financial, management, and technical support to help Americans start, run, and grow their businesses. SBA is the nation's largest single financial backer of small businesses, with a vast array of business loans, loan guarantees, and disaster loans totaling more than \$45 billion. SBA's own data show significant service levels to Hispanic-owned and operated small businesses across the country. SBA offers management and technical assistance to more than one million small business owners, of whom one-fourth are Latino. *For FY '06, the President proposed a budget of \$307 million, a funding cut of \$55 million, or 15%, from FY '05.*

TAX AND BUDGET REFORM PROPOSALS

The Administration proposed a number of noteworthy tax cuts and budget reforms in the FY '06 budget. For example, the White House proposed making the 2001 and 2003 tax cuts permanent, though with a relatively modest five-year cost and exponentially rising costs in subsequent years – more than \$1 trillion estimated over ten years.¹³ Studies by the Center on Budget and Policy Priorities as well as the Congressional Budget Office have documented that the 2001 and 2003 tax cuts have contributed significantly to producing yearly federal budget deficits, and the distribution of the tax cuts have largely benefited upper-income families.¹⁴ Reducing the deficit is, ostensibly, the rationale for deep cuts being proposed in the President's FY '06 budget in discretionary programs (e.g., job training, housing counseling) and some entitlement programs (e.g., Medicaid) that serve low-income families. Yet, the Administration proposed more than \$125 billion in tax cuts in the FY '06 budget.¹⁵

The White House also proposed budget process reforms that would attempt to limit the ability of Congress to make investments in key priority areas in the domestic budget, such as education and child nutrition. On the whole, the President proposed to continue tax cut policies that reduce government revenue while imposing deep cuts in non-defense and non-Homeland Security funding in order to pay for them. The President's FY '06 budget assumes over \$214 billion in non-defense and non-Homeland Security spending over five years. Furthermore, the President did not propose to extend a critical tax benefit for low-income workers known as the Saver's Tax Credit and would finance tax simplification by making categories of immigrant workers with children ineligible to receive the Earned Income Tax Credit.

EFFECTS OF TAX REFORM PROPOSALS ON FEDERAL RECEIPTS		
	5-year cost (billions)	10-year cost (billions)
Make certain 2001 and 2003 tax cuts permanent	-53.421	-1,089.513
Lifetime Savings Accounts (LSA) and Retirement Savings Accounts (RSA)	16.821	1.461
Employee Retirement Savings Accounts (ERSA)	-1.709	-14.816
Individual Development Accounts (IDA)	-1.046	-1.763
Rental Housing Tax Credit (RHTC)	-2.673	-17.370

Lifetime Savings Accounts (LSAs) and Retirement Savings Accounts (RSAs)

The Administration has proposed to essentially replace Individual Retirement Accounts (IRAs) with two new savings accounts: a Lifetime Savings Account (LSA) and a Retirement Savings Account (RSA). The Administration's plan would allow individuals, regardless of age or income, to make annual nondeductible contributions of \$5,000 to LSAs. Distributions from an LSA would not be considered income (thus, tax-free) and could be made at any time for any purpose without restriction. Individuals would also be able to make nondeductible contributions of \$5,000 to an RSA. Distributions from an RSA, however, would be excluded from income after the individual turns 58 years of age or in the event of death or disability. Latinos are the least likely, compared to their peers, to have pension coverage and maintain low levels of retirement savings. Retirement wealth-building tools that are targeted to low-income workers are needed. However, an analysis done by the Tax Policy Center estimates that these measures, when fully in place, could cost as much as \$35 billion per year, with most of the benefits accruing to upper-income workers.¹⁶

Employee Retirement Savings Accounts (ERSAs)

The Administration proposed to consolidate employer-based savings accounts, which include 401(k), SIMPLE 401(k), 403(b), and 457 plans, as well as SIMPLE IRAs and others, into a single type of plan called Employee Retirement Savings Accounts (ERSAs). The Administration argues that current law provides multiple plans with different sets of rules, eligibility requirements, contribution limits, tax treatments, and distribution restrictions, and they want to create a single, uniform system. For the first five years, the Administration estimates that this proposal would cost \$1.7 billion and a total of \$14.8 billion over ten years.

Individual Development Accounts (IDAs)

The Administration plans to establish 900,000 Individual Development Accounts in a five-year period starting in 2007. IDAs are matched savings accounts set up and administered by financial institutions or nonprofit organizations, and are made available to low-income taxpayers. The goal of IDAs is to help low-income individuals plan for their financial future by creating accounts in which their savings would be matched dollar-for-dollar. Money from IDAs can only be used to cover higher education expenses, purchase of a home, or to start a business.

Under the Administration's plan, contributions to IDAs from participating individuals would be nondeductible, meaning that contributions would be post-taxed income, but distributions from IDA earnings of individual contributions would be considered income and thus taxed. The plan would not tax distributions from matching contributions and their earnings. The Administration estimates the cost of this plan at \$1.0 billion over the first five years.

Rental Housing Tax Credit

The Administration proposes to provide annual tax credit authority to states to promote the development of affordable single-family housing in low-income urban and rural communities. States would design programs to encourage developers to build homes for families who earn less than 80% of the Area Median Income level. The Administration estimates the cost of this plan at \$2.6 billion over five years.

Budget Reform Proposals

The Administration proposed various budget reform provisions, some that Congress has considered in prior years. Among the measures included, the Administration would set limits on net discretionary budget authority and outlays for 2005 through 2010 based on the proposed FY '06 budget.

The White House also proposed to implement pay-as-you-go (PAYGO) rules for any legislative proposals that increase mandatory spending by asserting that they must be offset by reductions in other mandatory spending. The PAYGO rule, however, would not apply to tax legislation or any future tax cut proposals. The net effect of these measures would be to allow the President more flexibility to enact tax cuts, prevent lawmakers from making important investments in unmet needs, and even encourage deeper cuts in programs that serve low-income families.

CONCLUSION

President Bush initiated the annual debate on our nation's priorities and values when he submitted his budget proposal to Congress on February 11, 2005. However, Congress has the ultimate responsibility to allocate federal funds and make investments that meet public needs and ensure economic prosperity.

The Administration's plan is marked by expanded tax cuts, budget cuts through consolidation and elimination of critical programs, and changes in entitlement programs that serve low-income families. The plan is also notable for what it does not say. Although the FY '06 priorities are outlined, the Administration is not specific on how Congress should cut \$214 billion in domestic spending over the next five years. The plan also does not fully account for the cost of tax cuts when fully implemented beyond the five-year budget window or take into account fully the cost for military expenses abroad or costs associated with Social Security reform. Congress has much work to do to spell out the details and settle on a budget that serves all Americans.

The President provided a blueprint of spending priorities short on key investments for Latinos. Congress must do better.

ENDNOTES

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