



How Proposed Cuts in Vital Services Will Hurt New Jersey

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On February 1, 2006, the U.S. House of Representatives is scheduled to take up legislation cutting \$40 billion in health care, student loans, child support enforcement, help for parents trying to move from welfare to work, assistance to relatives providing foster care to abused or neglected children, aid to people with severe disabilities, and other programs.

The House narrowly approved this legislation (S. 1932), with virtually no opportunity to review its 774 pages during an all-night session on December 19. Because it has been slightly changed in the Senate, House members now have an important opportunity to reject this bill, to protect their constituents from harm. With time to analyze the bill's full impact, it is clear that many provisions, a number of them unknown before and even during the night of the first House vote, will deny assistance to and impose costs on the people of New Jersey. A vote against these cuts is a vote to protect low-income and vulnerable children, the elderly, struggling working families, and people with disabilities in New Jersey.

Less Health Care for Low-Income Residents of New Jersey: Harsher than either the original House or Senate bills, the bill now back before the House would permit New Jersey to reduce benefits for nearly all of its 485,000 children who receive Medicaid.

Comprehensive care that now effectively prevents and treats child health problems would no longer be assured, even for the poorest children. In addition, New Jersey's 112,000 elderly Medicaid recipients will be at risk of losing eligibility for long-term care services, because of a punitive provision that would penalize many non-affluent seniors who make modest gifts to relatives or charity and several years later become ill enough to require long-term care. The "savings" from restricting eligibility for long-term care is 11 percent larger in this bill than in the original House legislation. (For more information, see the Center on Budget and Policy Priorities, <http://www.cbpp.org/12-20-05bud.htm>.)

A little-known provision requiring birth certificates or passports as documentation for anyone applying or reapplying for Medicaid will burden 882,000 U.S. citizens in New Jersey. This unnecessary red tape will create disproportionate roadblocks to care for the poor, people of color, and people with language barriers. One study estimated that up to one in five African-Americans born before 1940 lacks a birth certificate. Evacuees from the recent hurricanes or other disasters are particularly likely to have lost important papers.

Less Help for New Jersey's Low-Income Working Families: One of the budget bill's untold stories is the repeated targeting of poor and near-poor working families for cuts. In addition to allowing states to charge families more than they can afford for Medicaid services (a family earning \$18,000 could be charged up to \$900 a year), the bill will mean that more of New Jersey's struggling families will do without child support they are owed, child care assistance, or preparation for better-paying jobs. (For more information, see Center on Budget and Policy Priorities, <http://www.cbpp.org/1-5-06health.htm>.)

Child Support Enforcement: Because the budget bill cuts federal funding for New Jersey's enforcement activities to collect child support by \$176 million, New Jersey's children will lose at least \$302 million in child support over 10 years.

Families between 100 – 200 percent of the federal poverty line who receive child support average \$4,000 in collections each year, about 15 percent of their income.

Children and families in New Jersey cannot afford to lose this vital part of their income. (For more information, see Center for Law and Social Policy, http://www.clasp.org/publications/incentive_payments_121405.pdf.)

Harsher Work Rules; Less Federal Funding: By throwing the reauthorization of Temporary Assistance for Needy Families (TANF) into the budget bill, negotiators placed major new requirements on states and families while cutting High Performance Bonus funds available to states for work programs and cash assistance by \$200 million a year. The legislation requires states to engage 50 percent of their caseloads in work activities, which in New Jersey would require 3,800 additional participating families. New Jersey received \$519,475 in High Performance Bonus funds in fiscal 2004. Such bonuses will end under the legislation before the House.

To prevent federal penalties from failure to meet the participation rates, states have a powerful incentive to push families off TANF, whether parents are able to work or not. (For more information, see Center for Law and Social Policy, http://www.clasp.org/publications/tanfagreement_update.pdf).

Child Care: Assistance with the cost of child care is so inadequately funded in the budget bill that by 2010, 255,000 fewer children in working families will get child care help than in 2004. (Even now, funds are so short that at least half the states have waiting lists for child care help, often with tens of thousands of families; other states simply turn families away.) A recent survey by the U.S. Census Bureau showed that employed mothers spent approximately \$400 - \$500 a month for child care. For two-thirds of poor working families headed by single mothers, child care consumes at least 40 percent of their income. But the bill now

before the House would give New Jersey only \$125.90 per month per family, while at the same time drastically increasing the proportion of parents who must participate in TANF work activities. (For more information, see Center for Law and Social Policy, http://www.clasp.org/publications/tanfagreement_update.pdf ; National Women's Law Center, http://www.nwlc.org/pdf/HelenBlankTANF_ReauthorizationTestimonyFeb05.pdf ; Center for American Progress, <http://www.americanprogress.org/site/pp.asp?c=biJRJ8OVF&b=41341> .)

People with Severe Disabilities Will Have to Wait Longer for Aid: Approving applications for cash aid for poor people with disabilities can take many months. When benefits are approved, people now get lump sum payments for the time in which the application was pending. The bill makes beneficiaries wait much longer to collect what they are owed. Part of the "savings" in the bill comes from the expectation that some seriously disabled people will die before they receive their full benefits. In New Jersey, 150,000 received Supplemental Security Income (SSI) in December 2004. (For more information, see Center on Budget and Policy Priorities, <http://www.cbpp.org/7-19-05imm.pdf> .)

Students Will Have to Pay More for College Loans: The \$12.7 billion net five-year cut to the student loan programs is the largest federal cut in the history of the programs. The federal government gets 70 percent of the bill's gross savings from raising the interest paid by students or their families above current rates and then capturing the overpayments back from the lenders. Students will pay more, though even now more than 39 percent of college students graduate with unmanageable debt. Nationwide, the average student borrower in school in 2003-2004 had federal loans of more than \$17,000.

There will also be increased interest payments for Parent Loans for Undergraduate Students (PLUS) and a new fee for loans that will further increase the cost of borrowing. On average, loan payments consume more than 10

percent of a graduate's income after he or she enters the workforce. In the U.S. each year, nearly 200,000 high school graduates do not go to college because they cannot afford it. Increasing the cost of going to school will place college out of reach for more, and increase the squeeze on those who do stay in school. (Source: Congressional Research Service Memo, October 19, 2005, Meredith Peterson, "Undergraduate student debt by state and occupation.")

The people of New Jersey should not bear the burden of misplaced priorities. New Jersey's children, students, elderly, and people with disabilities should not lose services in order to pay towards \$70 billion in tax breaks overwhelmingly benefiting the wealthy that Congress will take up soon. A vote for this budget bill will tighten the squeeze on New Jersey's struggling working families, who will lose millions in child support, have less chance than ever of receiving child care help, and get less medical care at greater cost. The New Jersey Congressional delegation should reject this failure to protect and invest in its constituents, young and old.