CONNECTICUT VOICES FOR CHILDREN

Making Matters Worse: The House and Senate Budget Committees' Proposals *Enlarge* the Federal Deficit and *also* Require *Deep* Cuts in Programs Essential to Children and Families

by Shelley Geballe, JD, MPH

March 14, 2005

This week will prove to be crucial in United States Congress as it passes the Congressional Budget Resolution that will dictate the terms of the federal budget debate from this point forward. The first vote in the Senate is anticipated for Monday, March 14, and the first vote in the House on Tuesday or Wednesday. This short report documents the *very* significant and harmful impacts of *both* budget plans now being considered to both Connecticut and the nation.

I. Where Are We Now in the Federal Budget Process?

The first steps in adopting the Congressional Budget Resolution have been taken. On March 9, the Chairmen of the United States House and Senate Budget Committees responded to the President's proposed budget with their own proposals, or "Chairman's Mark." The Budget Committees' Budget Resolutions now go to the House and Senate floors, where they can be amended by a majority vote. They will then go to a House-Senate conference to resolve any differences, and a conference report creating the Congressional Budget Resolution will be voted on by both houses. This short report summarizes key features of the House and Senate Budget Committees Budget Resolutions, which will be voted during the week of March 14.

II. Why is the Congressional Budget Resolution so Important?

The Congressional Budget Resolution consists of a set of numbers that state how much Congress is allowed to spend in each of 20 spending categories (known as budget "functions")[1] and how much total revenue the federal government will collect for each of the next five (or more) years. The difference between the spending ceiling and the revenue floor is the budget deficit (or surplus) expected for each year.

[1] Accompanying the Resolution is a table that takes the total spending allowed for each budget function and distributes the totals to the congressional committees with relevant jurisdiction. Because the House and Senate's committees have slightly different jurisdictions, the House and Senate tables also differ. The Appropriations Committee receives a *single* allocation for all its programs; it then must decide on its own how to divide up its funding among its thirteen subcommittees. The various committees with jurisdiction over mandatory (entitlement) programs each get an allocation that represents a total dollar ceiling for all of the legislation they produce that year. M. Cover & R. Kogan, *Introduction to the Federal Budget Process* (Center on Budget and Policy Priorities, December 29, 2004).

Because the Budget Resolution is a "concurrent" Congressional resolution (not an ordinary bill) it does not need to go to the President for his signature or veto. It requires only a majority vote to pass, and is one of the few pieces of legislation that *cannot* be filibustered in the Senate. Once adopted, the Budget Resolution *defines the rules of the budget game* from that point forward, setting spending limits by budget function. The report accompanying the Budget Resolution often includes language describing the Resolution's assumptions (e.g., how much it envisions certain programs will be cut or expanded). While these assumptions serve as guidance to other committees, they are *not* binding on them. The resolution also can include temporary or permanent changes to the federal budget process.[2]

The primary way Congress is prevented from passing legislation that is not consistent with this Budget Resolution is the ability of a single member of the House or Senate to raise a "point of order" on the floor to block such legislation. In the Senate, any legislation that exceeds a committee's spending allocation (or that cuts taxes more than the level allowed) can be blocked by a "point of order" that requires *60 votes* to waive.

III. What Do We Know About the Budget Committees' Budget Resolutions?

The Budget Resolutions adopted by both the House and Senate Budget Committees, like the President's budget:

- Include significant tax cuts that favor high income households
- Require steep cuts in domestic discretionary (i.e., annually appropriated) spending, while increasing spending for defense
- Require large cuts in mandatory (i.e., "entitlement") programs that largely benefit low-income families, including cuts in Medicaid and SCHIP that are *double* what the President had proposed.
- Result in federal deficits that are *larger* than if the status quo is maintained.

This chart, based on one prepared by the Center on Budget and Policy Priorities, summarizes major provisions of the three budget proposals:

[2] For example, the 2004 Budget Resolution contained a provision limiting the amount of money the 2005 budget resolution could allocate to the Appropriations Committees, and created a point of order – that could be waived only by the vote of 60 Senators—to enforce that limit.

Budget Proposals for 2006-2010			
Issue	**Projected Revenue Change** (change over next 5 years, as compared to 2005 adjusted for inflation)		
	President[3]	**House**	**Senate**
Entitlement Cuts, including Medicaid (5 year savings)	- $51 B	- $67 B[4]	- $38 B[5]
Medicaid/ SCHIP	- $7.6 B	- $15-20 B	- $15 B
Agriculture	- $9.3 B	- $5.3 B[6]	- $2.8 B
Domestic Discretionary Cuts	- $223 B	- $216 B (14% cut by 2010)	- $207 B (13% cut by 2010)
Caps	5 year cap	No caps	3 year cap
Tax Cuts	+ $125 B	+ 106 B[7]	$71 B[8]
Defense and International	+ $146 B w/o Iraq (+ 196 B w/ Iraq)	+ 190 B	+ $198 B
Increase in Deficit[9]	+ $104 B [$154 B w/ Iraq spending]	+ $127 B	+ $130 B

[3] Amounts are as re-estimated by the Congressional Budget Office (rather than the President's figures).

[4] The budget plan includes $69 billion of savings that are to be achieved through the fast-track reconciliation process. The savings include $19 billion in cuts to be achieved by the Ways & Means Committee. By comparison, the President proposed net cuts of $1.9 billion for programs within Ways & Means Committee jurisdiction. While the Budget Committee does not specify where these cuts would come from, House Budget Committee Chairman Nussle said publicly that the cuts would not come out of Medicare and suggested that changes in the Earned Income Credit should be considered.

[5] $32 billion of these savings are to be achieved through the fast-track reconciliation process.

[6] The Chairman wants all cuts to be made from Food Stamps.

[7] The budget plan would ease the passage of tax cuts also through the use of the fast-track legislative process known as "reconciliation." Using the reconciliation process to pass deficit-*expanding* tax cuts would turn that process on its head, since reconciliation was originally used to help Congress pass measures to *reduce* the deficit. $45 billion of these tax cuts are to be accomplished through reconciliation.

[8] $70 billion of these tax cuts are to be accomplished through reconciliation.

[9] Note: With *no* change in current policy, the Congressional Budget Office reports that the deficit would *decline* from the $412 billion recorded last year to $201 billion in 2010. CBO estimates that adoption of the policy changes in the President's proposed budget would increase deficits by $104 billion in total over the next five years (and by $28 billion in 2010 alone). If the $50 billion in FY 06 funding for Iraq and Afghanistan assumed in the House and Senate Budget Committee budgets is added to the President's proposal, however, the five-year increase in the deficit under the President's budget would be $154 billion.

Budget Rules (Pay-Go)	No increase over next 75 years in Medicare, SSI, federal military and civilian retirement, veterans' disability benefits, Medicaid	No pay-go	"Toothless" pay-go already in effect

A. A Bit More Detail about Proposed Cuts to Entitlement Spending. The Budget Resolution that the House Budget Committee approved would cut mandatory ("entitlement") programs by a total of $69 billion over the five-year period from 2006 through 2010. Nearly half of all the cuts to mandatory programs would be to those that help support low-income households. These cuts would include:

- *Medicaid.* Cuts of at least $15 billion and as much as $20 billion.[10] This is *double* the cuts proposed to Medicaid by the President and therefore would require *new* proposals to cut Medicaid and SCHIP beyond those included in the President's budget.

- *Low-Income programs under the jurisdiction of the House Ways and Means Committee.* This Committee has jurisdiction over the EITC, foster care and adoption assistance, TANF, child care, the Supplemental Security Income (SSI) program, and the Social Services Block Grant (SSBG). The House resolution would require a total cut of about $15 billion (assuming that this Committee would choose not to cut the Medicare program to achieve savings and that cuts to unemployment insurance would not exceed those proposed by the President).

  How, exactly, such cuts would be achieved is *not* specified, although House Budget Committee Chairman Jim Nussle indicated that the Ways and Means Committee could achieve some of its savings by cutting the Earned Income Tax Credit (EITC).[11] If the Committee adopted the President's proposed cut to unemployment insurance, and cut all other mandatory programs in its jurisdiction by the same percentage (sparing only Medicare and Social Security), the Supplemental Security Income program would be cut by $4.8 billion over five years (and $1.2 billion in 2006 alone), TANF and child care funding by a combined $2.4 billion over five years (and $660 million in 2006 alone), the EITC (refundable portion) by $4.2 billion, the child tax credit (refundable portion) by $1.6 billion, adoption assistance and foster care by $900 million, child support enforcement by $600 million and the SSBG by $208 million, all over the next 5 years.[12]

  Using the same assumptions, the Center on Budget and Policy Priorities estimates that *Connecticut* residents would lose $33.6 million in SSI benefits, $28.4 million in refundable EITC benefits, $38.4 million in TANF/child care assistance, $11.8

[10] The Energy and Commerce Committee is required to secure $20 billion in cuts. Some of these cuts *might* be achieved through the sale of broadcast spectrum rights, as the President's budget proposes. However, it is also possible that the full $20 billion in savings could come from Medicaid. See V. Wachino, *The House Budget Committee's Proposed Medicaid and SCHIP Cuts Are Larger than Those the Administration Proposed* (Center on Budget and Policy Priorities, March 10, 2005).

[11] If *all* the savings were to come from the EITC, it would be cut by 11% in 2006.

[12] If these reductions were to be achieved by reducing the number of eligible persons, in 2006 alone about 222,000 seniors, adults and children with disabilities would lose SSI benefits, and 132,000 children would lose child care assistance.

million in foster care and adoption assistance, and $6.2 million in child support enforcement funding over the period 2006 to 2010.[13]

- *Food Stamps.* The House Agriculture Committee, with jurisdiction over both farm subsidies and nutrition programs, would be required to cut $5.3 billion. While the President's budget called for $600 million in cuts to Food Stamps, if the President's proposed cuts to politically-popular farm subsidies are reduced by this Committee, cuts to Food Stamps would necessarily have to increase.

By comparison, the Senate Budget Committee's Budget Resolution would cut mandatory ("entitlement") programs by a total of $38 billion over the five-year period from 2006 through 2010, with $32 billion of savings to be achieved through the fast-track reconciliation process.[14] The Senate Finance Committee is directed to cut $15 billion over five years in the programs over which it has jurisdiction (which include Medicaid). Briefing materials provided by Senate Committee Chairman Gregg state that his plan assumes Medicaid spending would be cut by $14 billion over five years. The Senate Budget Committee's resolution also would cut $2.8 billion from its Agriculture Committee, which also has jurisdiction over farm subsidies and Food Stamps. It also directs its Health, Education, Labor and Pensions Committee to cut $8.6 billion, its Banking Committee to cut $300 million, its Commerce Committee $2.6 billion, its Energy Committee $2.7 billion, and its Environmental and Public Works Committee $100 million, all over the next five years.

Importantly, spending growth in the mandatory programs that help low-income Americans was responsible for a relatively small fraction (6%) of the total cost of all legislative changes enacted since January 2001 that contributed to the federal deficit (as of 2005). By comparison, tax cuts were responsible for nearly half the cost of these changes, while 37% resulted from spending increases in defense, homeland security, and international aid. Yet, it is these programs that help low-income children and families that are targeted for steep cuts as part of a budget plan that also includes tax reductions that preferentially benefit the most wealthy and that results in budget that *increases* in the federal deficit.

B. A Bit More Detail on Proposed Cuts to Domestic Discretionary Spending. Like the President's budget, the House and Senate Budget Committee resolutions include deep cuts in domestic annually-appropriated ("discretionary") spending. The cuts, however, are *slightly less than* the cuts the President has proposed.

The House Budget Committee Budget Resolution would cut total domestic discretionary spending (which includes homeland security programs) by a total of $216 billion over the five years from 2006-2010. If funding for homeland security is *increased,* then cuts *in excess* of $216 billion would be required for other domestic discretionary programs.

- In 2010 alone, these cuts would amount to $60 billion, or 14% less than their current level, adjusted for inflation.

---

[13] S. Parrott and I. Shapiro, *House Budget Resolution Cuts Key Low-Income Programs Yet Budget Finds Room for Further Tax Cuts for the Wealthy* (Center on Budget and Policy Priorities, March 11, 2005), Appendix.

[14] The budget resolution includes "reconciliation" instructions to committees to achieve savings from programs within their jurisdictions. The legislation that these committees then report out is packaged together and considered under special rules that limit amendments and do not allow a filibuster in the Senate. J. Horney et al, *Assessing the Budget Proposal Put Forward by the Chairman of the Senate Budget Committee* (Center on Budget and Policy Priorities, March 10, 2005).

- Education and training programs would be cut by $38 billion over the five year period (with the reduction by 2010 also equal to 14%).
- There also would be a *21% ($28 billion) cut* to natural resources and environmental programs by 2010.

The Senate Budget Committee Budget Resolution would cut spending for annually-appropriated domestic programs ("domestic discretionary" spending) by a total of $207 billion over the five years from 2006-2010:

- In 2010 alone, these cuts would amount to $57 billion, or 13% less than their current level, adjusted for inflation.
- Education and training programs would be cut by $34 billion over the five-year period (with the reduction by 2010 also equal to 13%).
- There also would be a *22% ($29 billion) cut* to natural resources and environmental programs by 2010.

Unlike the President's budget, which included a five year "cap" on discretionary spending to lock in these cuts in future years, the House Committee resolution does not include any such caps while the Senate Committee resolution sets caps on discretionary appropriations for the next three years (locking in proposed cuts in domestic discretionary programs if defense and international affairs are funded at the levels assumed in the plan). However, there remains some concern that a multi-year cap such as the President proposed might be introduced in the House later in the process.

C. A Bit More Detail about Proposed Tax Cuts. The Budget Resolution adopted by the House Budget Committee includes $106 billion in tax cuts over the next five years, including an extension of the capital gains and dividends tax cuts enacted in 2003 that are now scheduled to expire in 2008. About $45 billion of these tax cuts are on a legislative "fast track" to expedite their enactment.

By comparison, the Resolution adopted by the Senate Budget Committee calls for $71 billion in additional tax cuts over the next five years, $70 billion of which would be achieved through a revenue reconciliation bill (that would be considered separately from the reconciliation legislation that would produce savings in mandatory programs).[15] Like the House Committee resolution, the Senate Budget Committee resolution assumes an extension of the 2003 capital gains and dividends tax cuts.

Analysis by the Brookings Institution/Urban Institute Tax Policy Center shows that about *46%* of the benefits from extending the capital gains and dividend tax cuts would accrue to taxpayers with incomes over $1 million/year (0.2% of US households) and almost three-quarters of the benefits would go to taxpayers with incomes over $200,000/year (3.1% of all households). While the cost of the dividends/capital gains extension is about $23 billion (between 2006 and 2010), there are no off-setting revenue-raising measures in these Resolutions.[16] Indeed, the revenue that would be lost by this extension is about *two-thirds* the

[15] As noted earlier, using the reconciliation process to pass deficit-*expanding* tax cuts would turn that process on its head, since reconciliation was originally used to help Congress pass measures to *reduce* the deficit.

[16] It also is not clear that the tax cuts would yield the economic gains advanced by their proponents. See, J. Friedman, *Dividend and Capital Gains Tax Cuts Unlikely to Yield Touted Economic Gains* (Center on Budget and Policy Priorities, March 10, 2005).

sum that the proposed cuts in low-income mandatory programs is expected to save. Hence; a decision not to extend these tax cuts could *avert* significant cuts in these low-income programs, yet still reach the same deficit target.

In addition, the Senate Budget Committee's proposal includes a new Senate "point of order" that would prohibit consideration of legislation that would increase mandatory spending by $5 billion or more in any of the four 10-year periods from 2015 through 2055. This point of order could be waived only with 60 votes. While this point of order would not avert tax cuts that could substantially *increase* the federal deficit, it *would* make it impossible (without 60 votes or without cuts in other entitlement programs to offset these increases) to consider modest increases in spending to deal with new or major problems. It also would skew policy discussions.

For example, under this new point of order, increases in Medicaid to cover the uninsured that exceed this threshold would have to be offset by other entitlement cuts, while legislation to provide tax credits or deductions for health care coverage would not have to be offset. This would skew the debate on health care policy and the uninsured, making it more difficult to evaluate in a neutral way the most efficient and cost-effective ways to address the needs of the millions of Americans who lack health insurance.[17]

D. The result? An increasing federal deficit! Like the President's proposed budget, the House and Senate Budget Committee's budget resolutions would actually *increase* the federal deficit: the House by $126.9 billion over the next five years [18] and the Senate by $129.8 billion.[19]

The longer-term impact of the proposals is even more troublesome, since the proposed tax cuts would increase the deficit by a much larger amount in the *second* five years (2011 through 2015) than in the first five (2006-2010).

IV. Can This Train Be Stopped?

Because the Congressional Budget Resolution defines the rules of the budget game, and is due to be voted on *this week*, time is running out to mitigate the enormous damage that is likely under *any* of the three proposals.

Passage of several amendments could help:

---

[17] J. Horney et al, *Assessing the Budget Proposal Put Forward by the Chairman of the Senate Budget Committee* (Center on Budget and Policy Priorities, March 10, 2005), p.3.

[18] Over the five-year period from 2006-2010, savings from reductions in entitlement benefits (-$67.0 billion) and in funding for domestic discretionary programs (-$144.0 billion) are offset by the increased cost from tax cuts ($105.7 billion), spending increases for defense and international discretionary programs ($201.9 billion) and increased interest costs ($30.3 billion), resulting in a total increase in projected federal deficits of $126.9 billion. R. Kogan et al, *Assessing the Budget Proposal Put Forward by the Chairman of the House Budget Committee* (Center on Budget and Policy Priorities, March 9, 2005).

[19] Over the five-year period from 2006-2010, savings from reductions in entitlement benefits (-$37.9 billion) and in funding for domestic discretionary programs (-$138.6 billion) are offset by the increased cost from tax cuts ($70.7 billion), spending increases for defense and international discretionary programs ($206.4 billion) and increased interest costs ($29.2 billion), resulting in a total increase in projected federal deficits of $129.8 billion. J. Horney et al, *Assessing the Budget Proposal Put Forward by the Chairman of the Senate Budget Committee* (Center on Budget and Policy Priorities, March 10, 2005).

- Sen. Smith (R-OR)'s amendment to strike the Medicaid cuts from the Senate Budget Resolution. This amendment has the support of several moderate Republican Senators (as well as Democratic Senators) who have indicated that they believe the cuts to Medicaid would shift far too many costs to states and hurt very vulnerable residents. Under this amendment, the reconciliation instructions to cut Medicaid would be replaced with the establishment of a commission to consider how best to reduce Medicaid costs.

  Significantly, on March 10, 2005, the Senate Budget Committee adopted, by voice vote, a "Sense of the Senate" amendment that expressed grave concern over cutting Medicaid. This amendment, sponsored by Senators Corzine, Wyden, Murray, and Johnson, had as its purpose to "express the sense of the Senate" that any Finance Committee reconciliation bill should not achieve spending reductions that "undermine Medicaid's role in our nation's health care system, cap federal Medicaid spending, or otherwise shift Medicaid cost burdens to state or local governments and their taxpayers and health providers, or undermine the federal guarantee of health insurance coverage Medicaid provides."

- A bi-partisan amendment sponsored by Sen. Feingold (D. WI) and Sen. Chafee (R. RI) to restore a strong "Pay-as-you-go" rule that would require that tax cuts (as well as entitlement spending increases) be paid for by raising revenues or cutting other spending, unless 60 Senators vote to override the rule. This amendment passed the Senate last year with bi-partisan support.[20]

- An amendment to strike or reduce the fast-track reconciliation process for tax cuts. This would eliminate the instruction in the Senate Budget Committee resolution that would instruct the Finance Committee to cut taxes by an additional $70 billion over the next five years and would protect those tax cuts from being filibustered (meaning they would need only 51 votes to secure passage).

In sum, expressions of concern to all members of states' Congressional delegations about these proposed Budget Resolutions, and support for the various amendments that might mitigate some of the harm that will result from the Resolutions (including to children, seniors, families, veterans, the environment, community development, state and local government finances), are essential if this quickly-moving process is to be altered in any meaningful way.

[20] S. Amdt. 2748 to S. Con.Res. 95 (Budget Appropriations, FY 2005 resolution). The vote was 51-48 (with 1 not voting). Both Senators Dodd and Lieberman voted in favor of reinstating the full pay-as-you-go requirement.