



A Summary of November's Federal Budget Developments

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Several key federal budget votes took place in the U.S. House and Senate during the month of November. These votes are described below along with background on the House reconciliation tax package, which is expected to come up for a vote in December. Following the quick review of the budget resolution and reconciliation process is the description of the specific bills and votes, and information on the President's reaction to these budget bills ("Statements of Administration Policy") Finally, we list important remaining steps in the budget process where advocates hope to influence the final outcome.

Bill/Member	Dodd		Lieberman		Larson		Simmons		DeLauro		Shays		Johnson	
	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
<i>(Section 1 Below)</i> Conference Agreement of Labor HHS Appropriations	Vote pending		Vote pending			√		√		√	√			√
<i>(Sections 2 and 3 Below)</i> Senate <i>or</i> House Reconciliation Spending Bill (HR. 4241 <i>or</i> S. 1932)		√		√		√		√		√		√		√
<i>(Sections 4 and 5 Below)</i> Senate <i>or</i> House Reconciliation Tax Package (S. 2020 <i>or</i> HR. 4297)		√		√	Vote pending									
<i>(“Review” Section Below)</i> House Ways & Means Committee vote on reconciliation spending package	N/A		N/A			√	N/A		N/A		N/A		√	
<i>(Section 5 Below)</i> House Ways & Means Committee vote on reconciliation tax package	N/A		N/A			√	N/A		N/A		N/A		√	

Quick Review: The Budget Resolution and the Reconciliation Process. Each year, Congress is supposed to pass a budget resolution by April 15th. (If a resolution is not passed, the previous year's resolution remains in place.) The congressional budget resolution is a set of numbers indicating how much Congress is allowed to spend. The budget resolution applies to appropriated spending, entitlement spending, and taxes.

Occasionally, Congress makes use of a special process known as "reconciliation." This is a fast track process that was originally designed to facilitate making hard choices needed for *deficit reduction*. Reconciliation applies only to entitlement programs and taxes, where cuts to the former and increases to the latter can be especially hard to pass, yet crucial to deficit reduction. Spending and tax provisions have generally been included in a single bill, to reinforce the budget balancing and deficit reduction goals of reconciliation. In recent years, however, the reconciliation process has been used to accomplish just what it was intended to *prevent*, easier passage of tax cuts and resulting *deficit increases*. As described in sections 2-5 below, this year's reconciliation spending bills have been drafted and voted upon independently of the reconciliation tax bills, and both the Senate and House versions would *increase* the federal deficit.

Reconciliation is included in the FY 06 budget cycle because Congress included reconciliation directives in its April 2005 budget resolution. The directives told congressional committees, such as the Senate Finance Committee and House Ways & Means Committee, how much – not merely whether - to cut overall spending from the programs they oversee.

Although the amount of reconciliation cuts are mandatory, they are at times treated as a floor, rather than a ceiling. That was the case this year, for example, when the House Ways and Means Committee, which had been directed to make \$1 billion of entitlement cuts, chose instead to cut \$8 billion. (Of Connecticut's two House members on the Committee, Congressman Larson voted against the bill; Congresswoman Johnson voted for it.) Please find below more detailed information about the votes on the conference agreement of the Labor Health and Human Services Appropriations, the House and Senate reconciliation spending bills and the House and Senate reconciliation tax bills.

1) **The House voted down the Labor Health and Human Services Appropriations Committee conference agreement (November 17th).** Over the course of the last few months, the Senate and the House each passed their own appropriations bills for Labor, Health and Human Services (Labor-HHS). The House and Senate then tried to negotiate their differences through the conference agreement process. The product of this House-Senate conference was a "conference report" - one negotiated bill based on the two separate pieces of legislation.¹

The FFY 06 conference report for the Labor-HHS appropriations included \$163 million *less funding* than what was appropriated for FFY 05.² On Thursday, November 17th, this conference report was defeated in the U.S. House. Representatives DeLauro and Larson (as well as all other House

¹ In the Congressional legislative process, once a conference report has been completed it returns (in identical form) to each chamber for final voting. Once the conference report is sent back to the House and Senate, the bill cannot be amended on the floor of either chamber.

² *Highlights of the Fiscal Year 2006 Labor, Health and Human Services, Education and Related Agencies Appropriations Conference Report.* The U.S. House of Representatives, Committee on Appropriations. Available at: http://appropriations.house.gov/index.cfm?FuseAction=PressReleases.Detail&PressRelease_id=527&Month=11&Year=2005

Democratic members) voted against the bill, as did many Republicans, including Representatives Johnson and Simmons. Representative Shays voted for the bill.

Congress may try to make changes to the conference report and bring up the bill once again, or they could continue to fund Labor-HHS Appropriations through “continuing resolutions.” Continuing resolutions would fund Labor-HHS Appropriations at FFY 05 levels. (The federal fiscal year runs from October 1st through September 30th.)³

Some examples of provisions in the Labor-HHS conference report:

- \$59.1 million is cut from U.S. Department of Education;
- \$784 million is cut from No Child Left Behind programs;
- Funding is frozen for the Pell Grant program for the 4th consecutive year;
- \$249 million is cut from the Centers for Disease Control;
- Funding is frozen for the Low Income Home Energy Assistance Program (LIHEAP);
- \$245 million is cut from Unemployment Insurance and employment services offices;
- \$206 million is cut from grants for healthcare professions.

2) **The House passed a reconciliation spending package (November 18th).**⁴ After the House reconciliation spending package was held up briefly by moderate Republicans, the House passed a slightly modified version of its original package on Friday, November 18th. The modified version reduces entitlement spending by \$49.5 billion.⁵ (Although this is less than the \$54 billion originally proposed by the House, 98% of the originally proposed cuts to low-income programs remain.) The provision to drill in the Artic National Wildlife Refuge (ANWR) was removed from the revised bill. Examples of provisions in the bill as passed are as follows:

- \$700 million is cut from the Food Stamp program over the next 5 years. This means that more than 220,000 low-income people will be denied Food Stamps each month by 2008;
- \$30 billion is cut from Medicaid over the next ten years. Much of these “savings” will come from reducing health care services covered by the Medicaid program and imposing premiums and increased co-payments on low-income program beneficiaries;
- An estimated 330,00 children in low-income working families will lose child care assistance by 2010 as a result of low childcare funding levels and unfunded new work requirements.⁶

The House reconciliation spending bill passed by a 217-215 vote. The entire Connecticut delegation voted against this bill. Now the bill will go to conference committee with the Senate bill described in the next section.

³ Heniff, Bill, Jr. *The Federal Fiscal Year*. Congressional Research Services, The Library of Congress. June 13, 2003.

⁴ The official title of this bill is H.R. 4241: The Deficit Reduction Act of 2005, despite the fact that, in combination with the House reconciliation tax package, it actually increases the federal deficit.

⁵ The cuts are designed to reduce spending over five years, not just over a one year period. Thus, the \$49.5 billion reduction will occur over the next five fiscal years.

⁶ Greenstein, Robert and Parrott, Sharon. *Cuts in the House Budget Bill Aimed at Low-Income Families Reduced by Only 2%; Other 98% of Cuts Remain: Changes Made Before the Vote Were Very Small*. The Center on Budget and Policy Priorities, November 18, 2005.

- 3) **The Senate passed a reconciliation spending package (November 3rd).**⁷ The Senate's reconciliation spending bill cuts \$35 billion (considerably less than the House cuts of \$49.5 billion) from entitlement programs.⁸ Most of the Senate's savings in health care entitlements are achieved through moderating prescription drug costs in the Medicaid program and reducing overpayments to Medicare managed care plans. This is in sharp contrast to the House health care entitlement cuts in two important ways. First, the House Medicaid cuts fall largely on Medicaid *beneficiaries*. Secondly, the House bill includes no Medicare savings at all, despite the fact that Congress' official expert advisory body on Medicare Payments (MedPAC) recently recommended billions of dollars in savings by curbing excessive Medicare payments to managed care plans.

Unlike the House bill, the Senate bill does *not* include cuts to child support enforcement, Supplemental Security Income (SSI), Food Stamps, or foster care programs.⁹ An amendment to institute a PAY-GO rule (a rule that would prohibit budget changes that add to the deficit), supported by Senators Dodd and Lieberman, was defeated by only one vote; Senators Dodd and Lieberman voted in favor of the amendment.¹⁰ The Senate bill *includes* the controversial provision to drill in the Artic National Wildlife Refuge (ANWR) that was removed from the final House bill.

Both Senators Dodd and Lieberman voted against the reconciliation spending bill.

- 4) **The Senate passed a reconciliation tax package (November 17th).**¹¹ The reconciliation tax package passed by the Senate on November 17th includes \$59.6 billion in tax cuts, exceeding Senate reconciliation spending cuts by nearly \$25 billion and thus increasing the federal deficit.¹² Both Senators Dodd and Lieberman voted against this bill.

More details about this tax package are included in the next section.

- 5) **The House reconciliation tax package vote is anticipated in December.**¹³ The House did not take up its reconciliation tax package before the Thanksgiving recess. The House Ways and Means Committee, however, approved a reconciliation tax package on November 15th, and it is anticipated that the bill taken up in the House will be identical or very similar to the Committee's bill. Two Connecticut House members sit on the Ways and Means Committee: Congresswoman Johnson, who voted for the proposed reconciliation tax package, and Congressman Larson, who voted against it. The tax reconciliation passed out of the House Ways and Means committee on a party-line vote, 24-15.¹⁴

⁷ The official title of this bill is S.1932: The Deficit Reduction Omnibus Reconciliation Act of 2005, despite the fact that, in combination with the Senate reconciliation tax package, it actually *increases* the federal deficit.

⁸ Like the House bill, these cuts are also proposed over five years.

⁹ Ku, Leighton, Wachino, Vikki and Robert Greenstein: *The House Reconciliation Bill's Provision on Medicaid Co-Payments and Premiums: Are They Mild or Harsh?* The Center on Budget and Policy Priorities, November, 22, 2005.

¹⁰ The C-Span Congressional Glossary's definition of the PAY-GO is a rule that "...compels new spending or tax changes to not add to the federal deficit. New proposals must be either 'budget neutral' or offset with savings derived from existing funds." Available at: www.c-span.org/guide/congress/glossary

¹¹ The official title of this bill is S.2020: The Tax Relief Act of 2005 (Tax reconciliation bill.)

¹² From its inception, the Budget Resolution would have increased the deficit. It originally called for \$35 billion in reconciliation spending cuts and \$70 billion in reconciliation tax cuts.

¹³ The official title of this bill is H.R. 4297: The Tax Relief Extension Reconciliation Act of 2005.

¹⁴ Congressional Quarterly, Budget Tracker, November 16, 2005.

Both the Senate reconciliation tax bill as passed and the House Ways and Means Committee reconciliation tax bill, when combined with the approved reconciliation spending bills, *increase* the federal deficit. Thus, the entitlement cuts, many of which disadvantage low and moderate income families, cannot be justified as deficit reduction measures. On the face of the bills, the cuts serve to offset the cost of tax breaks that disproportionately benefit high-income taxpayers. This result is more egregious in the House reconciliation-spending bill (discussed above), as well as in the House reconciliation tax provisions.

Both the House Ways and Means Committee and the Senate reconciliation tax cuts primarily benefit upper-income taxpayers. More than three-quarters of the gains in both versions' major provisions go to people with incomes over \$100,000 per year. *In the House bill, however, 40% of the benefits go to people with incomes above \$1 million per year, while in the Senate version 8% of the benefits accrue to that income group.*¹⁵

The President's Position: Statements of Administration Policy (SAP). The President regularly issues statements on the Administration's policy relative to legislation passed in either chamber of Congress. Although the House reconciliation spending bill calls for deeper cuts than those proposed in the President's February budget, or the Budget Resolution passed in April, or the Senate spending bill, the President has expressed the administration's preference for the House version of reconciliation.

In an analysis of the President's statements on the House and Senate reconciliation bills, the Center on Budget and Policy Priorities writes: "[T]he Administration raises no concerns about any of the cuts in low-income programs contained in the House bill...such as a House provision to terminate Food Stamps for 70,000 legal immigrants, most of them in working poor families. . . . [T]he SAP on the House bill stands in sharp contrast to the SAP that the Administration issued on the Senate budget reconciliation bill. In that SAP, the President threatened to veto the final reconciliation bill if it includes a Senate provision reducing excessive Medicare payments to certain managed care providers."¹⁶

Remaining Action. The following steps in this year's reconciliation process, as discussed in sections 2-5, still remain:

- House to vote on reconciliation tax package approved by the House Ways and Means Committee (anticipated in early December);
- If the House reconciliation tax package passes, it will go to a conference committee to work out a compromise of its provisions with the Senate reconciliation tax package;
- Conference committee to be appointed to work out compromise of House and Senate reconciliation spending bills;
- House and Senate will have to vote on conference committee reports on both spending and tax bills.

¹⁵ Friedman, Joel. *Senate and House Reconciliation Tax-Cut Packages Flawed*. The Center on Budget and Policy Priorities, November 23, 2005.

¹⁶ *President Bush Embraces House Budget Official "Statement of Administration Policy" Raises No Concerns About Cuts in Programs for Low-income Families*. The Center on Budget and Policy Priorities, November 18, 2005.

On the appropriations side of the budget, only the Labor-HHS appropriations bill (discussed in Section 1 above) and the Defense appropriations bill remain before Congress.¹⁷

¹⁷ Congressional Quarterly, Budget Tracker, November 16, 2005. The House and Senate have a different number of appropriations bills (11 in the House and 12 in the Senate.) The House appropriations bills are: 1) Agriculture; 2) Science/State/Justice/Commerce; 3) Defense; 4) Transportation/Treasury/HUD/Judiciary/District of Columbia; 5) Energy and Water; 6) Foreign Operations; 7) Homeland Security; 8) Interior and Environment; 9) Labor Health and Human Services; 10) Legislative Branch; 11) Military Quality of Life. The Senate appropriations bills are: 1) Agriculture; 2) Commerce/Justice/Science; 3) Defense; 4) District of Columbia; 5) Energy and Water; 6) State and Foreign Operations; 7) Homeland Security; 8) Interior; 9) Labor Health and Human Services; 10) Legislative Branch; 11) Military Construction and Veterans Affairs; 12) Transportation/Treasury/Judiciary/HUD.